

# 2016

CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT



CTBC HOLDING



# REPORT OVERVIEW

The 2016 Corporate Social Responsibility (CSR) Report of CTBC Financial Holding Co., Ltd. (CTBC) complies with the Global Reporting Initiative (GRI) G4 Core Option as well as AA 1000 AS Type1 moderate level assurance to ensure the reliability of information disclosure. Linking non-financial metrics to financial performance, in addition, the principle of Integrated Reporting (IR) from The International Integrated Reporting Council (IIRC) is also embraced to conduct the CSR reporting. This Report has passed the British Standards Institution (BSI) verification.

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## Disclosure Frequency



CTBC published its first CSR report in 2007. This year marks the 10<sup>th</sup> year of the Report. While persisting in the continual enhancement of sustainability information transparency, CTBC will continue to publish CSR reports and acquire third-party verification as a proactive means of disclosing CTBC's sustainable behavior, performance, and future goals to its stakeholders. The next CSR report will be published by June 30, 2018. Every year, our CSR report is available from CTBC website and CSR site.

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## Scope of the Report



This Report details the practices and performance of CTBC between January 1, 2016 and December 31, 2016. The scope of information disclosed chiefly comprises the economic, social, and environmental performance of CTBC and its subsidiaries. The financial information presented in this Report is based on the financial report that was verified by CPA Firm in Taiwan; all amounts are denominated in New Taiwan Dollars.



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## Report Boundary

Physical entities exerting material impact on CTBC's business operations are presented using a value chain approach, and management practices are also disclosed. The scope of impact of material aspects on the company's stakeholders (customers, investors, community, government, suppliers, and employees) is also included in the boundaries outside of the organization.

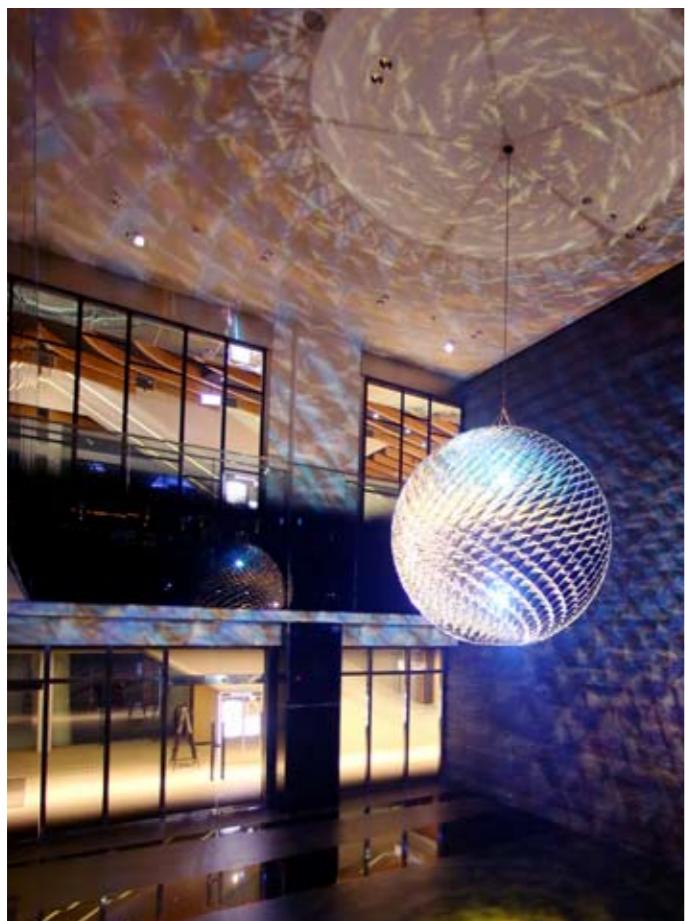


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## Data and Information Quality

The information and data presented in this Report were collated by employees across various departments and reviewed by the head of relevant departments before being submitted to the CTBC CSR Consultation Committee. Improvement suggestions provided by external experts were incorporated. Any discrepancies from the data of previous CSR reports will be explained in the text. Following the completion of data and information compilation, the management executives of relevant departments conducted through reviews before submitting them to the chairperson of the board for approval.

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# LETTER FROM THE CHAIRMAN

We are committed to protecting and creating value for our employees, customers, shareholders, and the community by helping them achieve financial success and build a better future.

In 2016, CTBC encountered numerous challenges, which only bolstered our resolve to continue fulfilling this commitment. Following our impromptu shareholder meeting in December, we officially became the first publicly listed financial company in Taiwan to have independent directors fill more than half of the seats on its board of directors. This marked a key milestone for CTBC; through the new culture and framework of governance, our independent directors will leverage their diverse experience to guide us further toward corporate sustainable development.

In 2016, CTBC received 167 major awards from internationally acclaimed institutions—the fifth consecutive year in which we won more than 100 awards. These achievements are not only recognition of our efforts but also a strong motivator for us to continue our work. CTBC has been included as a component of the Morgan Stanley Capital International (MSCI) Global Sustainability Indexes for three consecutive years. Furthermore, of the top 10 Taiwan enterprises included in the indexes in terms of weighting, CTBC was the only financial institution. Also in 2016, CTBC was included for the first time as a component of the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index and FTSE4Good Emerging Index. In terms of CDP rating, CTBC received a Leadership A- grade, demonstrating our outstanding performance in Taiwan's financial industry. This accomplishment highlights the wide recognition of our performance in sustainable

governance and corporate social responsibility.

To strengthen the link between corporate sustainability and our core operations, we are continuing to reinforce the functions of the CSR Consultation Committee, which is chaired by the President of CTBC Financial Holding and comprises the presidents of our subsidiaries. In 2016, we invited independent directors to supervise the committee's operations, and we are planning an internal incentive system for employees to propose sophisticated solutions for sustainable innovation. Through horizontal communication with all our subsidiaries and departments, corporate sustainability will be promoted more efficiently and extensively.

In seeking diversified development, CTBC has adopted the strategy of incorporating banking with insurance services. We are also contemplating means to more thoroughly ensure responsible investment and sustainable insurance. We already comply with the Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI), while also abiding by the spirit of the Equator Principles (EPs) to develop investment, loan, and insurance products as well as services that do right by the environment and society. In the past year, we have continued to invest in solar power, offering green energy-related funds and ETFs through investment-linked insurance platforms as a means of implementing sustainable and responsible investment.

Following the launch of the United Nations' 17 people-centric sustainable development goals (SDGs), CTBC identified 16 goals we can assist in achieving. These include SDGs relating to eradicating poverty and hunger as well as ensuring good health, work conditions, and economic growth. Poverty alleviation is the key to achieving sustainable development. As part of our commitment to eliminating poverty and helping children in need, CTBC has organized the "Light Up a Life" charity campaign for the past 31 years. As of the end of 2016, we had collected more than NTD 1.7 billion in donations, helping approximately 360,000 children pursue their dreams. Going forward, we hope to apply

the strengths of corporations in working together with the public to build a sustainable and more caring society and future.

More than 20 years ago, as part of efforts to encourage our customers to contribute to society, we became an industry pioneer by issuing the first charity group credit card in Taiwan. In 2016, we partnered with the Paperwindmill Arts Foundation to introduce the Paperwindmill Card. For every purchase made with the card, CTBC makes a donation to the foundation. We have also continued to invest resources in improving the arts education of children in rural areas and to encourage everyone in Taiwan to embrace their cultural identity. Rebates from all four of our charity cards generated donations of nearly NTD 30 million in 2016 alone. As another avenue of improving public welfare, CTBC became the official operator of Taiwan Lottery in 2007. Since then, we have contributed a total of NTD 22.7 billion to the government's social welfare coffers. Furthermore, we have successfully asked lottery winners to donate NTD 4.3 billion of their winnings.

Last year marked the 50<sup>th</sup> anniversary of CTBC. To celebrate this occasion with Taiwanese citizens, we held the first-ever "Home Run Taiwan 9DAYs-8NIGHTs NON-STOP MARATHON", which was joined not only by our employees but also customers and the public, sought to remind everyone of the beauty of the Earth as well as the goodness of Taiwan and its people.

In the year ahead, we vow to stay true to our core values of "challenging ourselves" and upholding the "spirit of altruism" by emphasizing communication with and contribution to our stakeholders in integrating environmental, social, and governance (ESG) criteria into our operating model. By doing so, we will become an even more sustainable, industry-leading financial institution prioritizing responsible investment and sustainable insurance.

Wen Long Yen  
Chairman

# ECONOMIC




## NET PROFIT AFTER TAX

**NTD 27.93** BILLION

In 2016 CTBC reported consolidates profit after tax of NTD 27.93 billion, return on equity (ROE) of 9.98%, which surpassed all publicly listed financial holding companies in Taiwan.



## MAJOR AWARDS

**167**

During the course of 2016, CTBC broke many new records and won 167 domestic and foreign awards. This marked the 5<sup>th</sup> consecutive year of garnering more than 100 awards in one year.

TOTAL NUMBER OF  
ACCESSIBLE ATMS

**5,249** ATMs

CTBC Bank has been placing wheelchair accessible ATMs across Taiwan in compliance with the Design Specifications of Accessible and Usable Buildings and Facilities established by the Ministry of the Interior. The number of accessible ATMs available throughout the nation totaled 5,249 as of 2016.



## TOTAL ASSETS

**NTD 4,840** BILLION

Total assets of CTBC Holding come to NTD 4,839,251,250,000 in 2016, NTD 243,024,500,000 increased from 2015.



**1<sup>ST</sup>**

## FINANCIAL HOLDING IN TAIWAN WITH OVER ONE-HALF OF THE BOARD COMPRISING INDEPENDENT DIRECTORS

CTBC actively recruits external directors to the board; all board members are more-over of non-management backgrounds. In accordance with the law, board members are required to possess specialties in sales, legal affairs, finance or accounting. CTBC elected new board of directors in December 2016, becoming the first financial institution to have independent directors represent more than half of the board of directors.



# ENVIRONMENTAL



## GREEN INVESTMENT

NTD **500** MILLION

In 2016, CTBC invested in green industries such as solar energy and waste disposal, amounted approximately to NTD 500 million.



## AMOUNT SPENT ON GREEN PURCHASING

NTD **206** MILLION

In 2016, CTBC conducted green purchasing totaling NTD 206 million and received the "Outstanding Contribution to Green Purchasing by a Private Enterprise" award from the Department of Environmental Protection, Taipei City Government for 8 consecutive years.



## CDP LEADERSHIP A- No.1

CTBC has long implemented energy conservation and carbon reduction policy. By means of the investment and operation of carbon reduction project, CTBC attained a CDP leadership A- grade in 2016, which has been the best performance so far, first place in Taiwan's financial industry as well.



**7.1%** REDUCTION IN GHG EMISSIONS PER CAPITA

CTBC continues to move ahead on our integration plan for energy resources. The adoption of green building energy-efficient equipment means that the average power consumption per capita in 2016 decreased by 7.1%.



## ELECTRICITY SAVINGS

**1.09** MILLION kWh

The implementation of energy-saving initiatives started with energy-saving management for energy-intensive equipment such as elevators, lighting, and air-conditioning. Our head office and all new offices now use only LED lamps with stabilizers to save electricity. CTBC used 1,097,510 kWh less electricity in 2016 compared with 2015.

# SOCIAL.



## CUMULATIVE REBATES GENERATED THROUGH CHARITY CREDIT CARD USAGE

NTD **500** MILLION

In 1993, CTBC launched the first charity credit card, CTBC Tzu Chi Lotus Card, in Taiwan. As of 2016, more than NTD 500 million rebates were accumulated from use of it.



## REPRESENTING

NTD **51.11** MILLION  
WORTH OF ADDITIONAL PAID LEAVE

Since the CTBC Charity Foundation was established in 2004, a total of 25,557 days of good deed leaves had been granted, representing NTD 51.11 million worth of additional paid leave.



## LOTTERY SALES PERFORMANCE

NTD **117.8** BILLION

Since CTBC took over Taiwan Lottery operations in 2007, lottery sales have grown from NTD 64.2 billion in the first year to NTD 117.8 billion in 2016. Overall sales have therefore nearly doubled.



## COMMUNITY INVOLVEMENT EXPENDITURES

NTD **666.94** MILLION

CTBC contributed a total of NTD 666,949,582 to charity, art and culture, sports trade and economic development education and disaster relief in 2016.



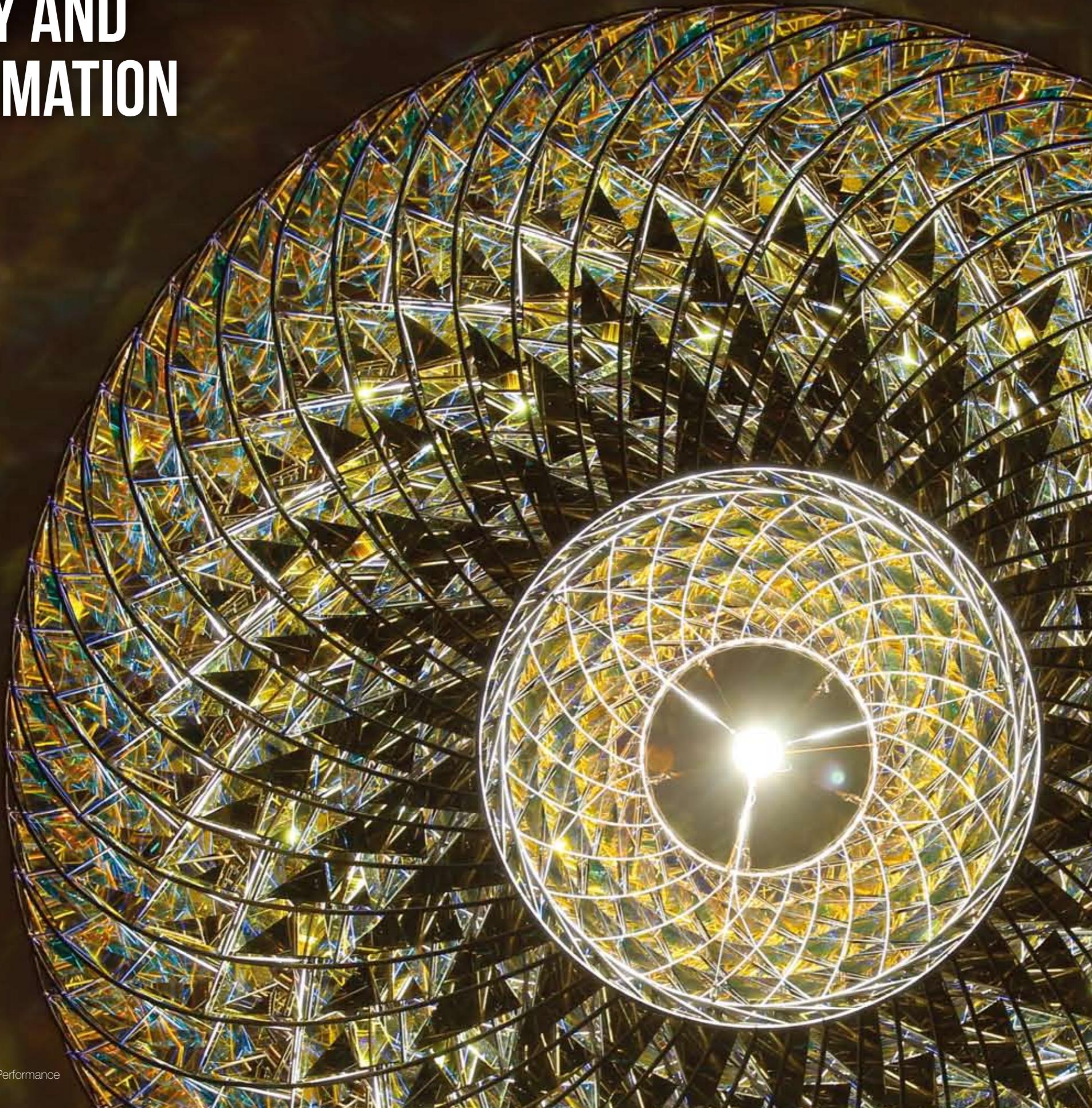
## EMPLOYEE WELFARE EXPENSE

NTD **21.09** BILLION

The average salary of employees is well above the industry average, non-management level employee welfare expense was NTD 21,097,090,000 in 2016, such as marriage allowance, maternity allowance, departmental tourism subsidy, health exam and employee training.



# GLORY AND AFFIRMATION



## RECIPIENT OF 167 MAJOR AWARDS



### Best Corporate Governance and CSR

MSCI Global Sustainability Indexes  
DJSI Emerging Markets Index  
CDP Leadership A-  
Corporate Governance Asia  
The Asian Banker  
Enterprise Asia  
Taiwan Institute for Sustainable Energy (TAISE)  
Global Views  
British Standards Institution (BSI)



### Best Bank in Taiwan

FinanceAsia  
Global Finance  
World Branding Forum  
Brand Finance  
Ministry of Economic Affairs' Industrial Development Bureau  
Wealth Magazine  
Business Today  
Reader's Digest



### Best Private Bank

Euromoney  
FinanceAsia  
Asiamoney  
The Asset  
The Banker & Professional Wealth Management  
Wealth Magazine  
Business Today



# ABOUT CTBC

CTBC Financial Holding Co., Ltd., established on May 17, 2002. It will continue to uphold its brand spirit of We are family, corporate mission of "Protect and Build", and its brand features of "Caring, Professional, and Trustworthy" as we strive to strengthen corporate governance, fulfill corporate social responsibility, and create values for customers, employees, shareholders, and society as a whole. We aim to become "Taiwan Champion, Asia Leader"- a leading brand with the best governance, and the most trusted financial institution by customers and shareholders.

The 8 subsidiaries of CTBC Financial Holding are CTBC Bank Co., Ltd., Taiwan Life Insurance Co., Ltd., CTBC Securities Co., Ltd., CTBC Venture Capital Co., Ltd., CTBC Asset Management Co., Ltd., CTBC Investments Co., Ltd., CTBC Security Co., Ltd. and Taiwan Lottery Corporation. With more than 100 branches overseas.

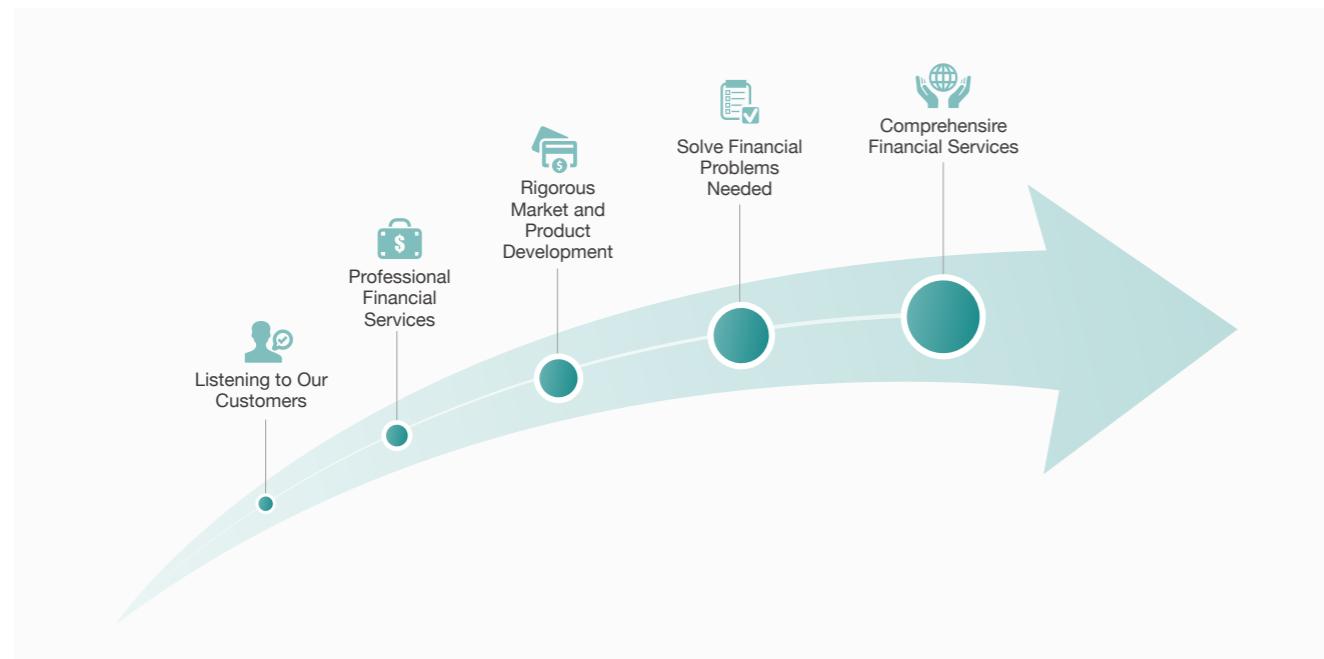
## CTBC Financial Holding Co., Ltd.

Headquarters Location	No. 168, Jingmao 2 <sup>nd</sup> Road, Nangang District, Taipei, Taiwan, R.O.C.
Authorized Capital	NTD 194,969,896,000
Total Assets	NTD 4,839,251,254,000
Number of Employees	26,563
Industry	Finance & Insurance
Stock Code	2891

In 2016, CTBC concluded a consolidated after-tax profit of NTD 27.933 billion and a consolidated after-tax profit of 9.98% on return to ordinary shareholders, which ranked top among all financial holding companies in Taiwan. With the "Core Strengthening, Cross-Industry and Cross-Region" strategy strengthening our operation and businesses, CTBC owned more than 100 branches overseas and the number of employees as of 26,563 in 2016.

## CTBC Value Chain

CTBC has always placed servicing customers as its top priority and listened to their needs with attentive care. By leveraging our professional skills, we focus on developing market and financial products to provide customer with solutions and comprehensive financial services.



## Corporate Overview

### CTBC Financial Holding Co., Ltd. (CTBC Holding)

CTBC Financial Holding Co., Ltd. was established on May 17, 2002. Headquartered in Taipei City, Taiwan, CTBC Holding employs over 26,000 members of staff worldwide with business involvement spanning 8 major areas, including banking, life insurance, securities, venture capital, asset management, investment trust, security, and lottery.

CTBC Holding's main subsidiary - CTBC Bank currently has 150 branches in Taiwan and 108 branches overseas spread across 14 countries and regions including USA, Canada, Japan, Indonesia, the Philippines, India, Thailand, Vietnam, Malaysia, Hong Kong, Singapore, China, Myanmar, and Australia, making it the most globalized financial institution in Taiwan.

### CTBC Bank Co., Ltd. (CTBC Bank)

CTBC Bank was formerly known as China Securities Investment Co., Ltd., which was founded in 1966. CTBC Bank's business activities include deposit, loans, guarantees, foreign currency, offshore banking unit (OBU), trust, credit card, securities, bonds, derivatives, electronic banking, and commission agent for the public welfare lottery.

### Taiwan Life Insurance Co., Ltd. (Taiwan Life)

To reinforce the breadth and diversity of financial services for customers, CTBC received approval from its board of directors on May 12, 2015 to acquire "Taiwan Life" through a share-swap agreement. The share swap was completed on October 15, 2015, making Taiwan Life a wholly-owned subsidiary of CTBC. CTBC subsidiaries Taiwan Life and CTBC Life Insurance were merged in early 2016 to become "Taiwan Life" in the interests of resource consolidation and expansion of the insurance business. The merger of the CTBC and Taiwan Life brands will produce new synergies.

### CTBC Securities Co., Ltd. (CTBC Securities)

CTBC Securities was formerly known as Pou Chen Securities established in 1989. In addition to the head office, the company also operates regional branches titled Zhongxiao, Kaohsiung, Sanchung, Yongkang, Wenxin, Hsinchu, Taoyuan, Songjiang, Chiayi, Shuanghe and Zhongli to serve customers in the trading of securities listed on TWSE/TPEX/Emerging Stock Market and futures. CTBC Securities has now established an Offshore Securities Unit (OSU) to expand its international business and increase the diversity of financial products. These developments will extend the potential of the securities business.

### CTBC Venture Capital Co., Ltd. (CTBC Capital)

CTBC VC is the first venture capital company in the CTBC family and was established in 2003. It invests mainly in businesses such as information, communication, biotech, healthcare, culture, creativity, alternative energy, and conventional industries of sound potential. The professional management team at CTBC VC backed by the financing resources of CTBC and its subsidiaries make it the perfect partner for entrepreneurs looking to grow their business.

### CTBC Asset Management Co., Ltd. (CTBC AMC)

Founded in 2003, CTBC AMC helps companies improve their finances, manages debt trading for financial institutions, engages in leasing investment operations, and assists with the handling and activation of the CTBC group's idle assets in compliance with financial policies. CTBC AMC intends to support the government's urban renewal policy, actively engage in the provision of advances for urban renewal projects, and assist with providing owners and construction developers of old buildings with the funds required for urban renewal projects.



#### CTBC Investments Co., Ltd. (CTBC Investments)

CTBC Investments was formerly known as Fuding SITC, and has become a subsidiary of CTBC Holding since 2013. CTBC Investments principal responsibilities include securities investment trust, discretionary investment services, securities investment consulting services, offshore fund agent services, and engaging in other government-sanctioned business.

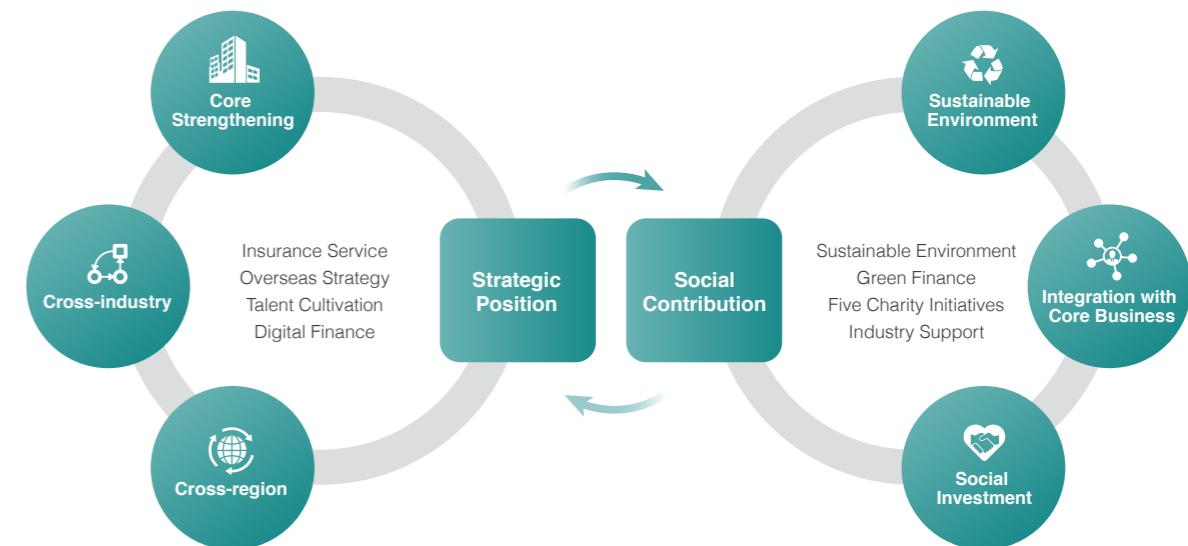
#### CTBC Security Co., Ltd. (CTBC Security)

Founded in 1995, CTBC Security became a subsidiary of CTBC Holding in 2005. Its business activities mainly involve the design and consultancy for fire safety systems, disaster prevention systems, and stationary security. The company primarily serves financial institutions.

#### Taiwan Lottery Corporation (Taiwan Lottery)

Founded in 2006, Taiwan Lottery is a subsidiary of CTBC and is mainly involved in the issuance, sale, marketing, redemption and management of public welfare lottery for CTBC Bank. CTBC Bank has obtained distribution rights to the 4<sup>th</sup> lottery issue, which is valid from January 1, 2014 until December 31, 2023. The Taiwan Public Welfare Lottery generates approximately NTD 25 billion in surplus for the government each year and provides NTD 2.7 billion of funds each year which the government may spend on social welfare programs.

#### CTBC Business Strategy



## Business Strategy and Direction of Expansion

CTBC continuously refines and develops its financial expertise. In a rapidly changing financial market, we combine new technologies to constantly develop products that are tailored to customers' needs. We offer convenient services across different regions and industries, train our employees to utilize new digital banking technologies, extend our presence in the overseas market, and simultaneously improve product and service qualities to continue to grow and flourish in the financial industry. In the future, CTBC will show its support for the government's New Southbound Policy by participating in overseas expansion. The Company will continue to monitor the market trends in Southeast Asian countries and establish links with existing networks in Japan and China to build an Asia regional multinational banking platform through which customer may obtain a full range of services.

While in pursuit of continual growth, CTBC has never neglected contributing to society. We will integrate social contributions with our core business activities and strive toward environmental sustainability and social investment as a way of giving back to society. We will continue to expand the scope of our social contributions through developing local innovative industries, green finance services, and the five categories of charitable events. We believe that continued growth in keeping with environmental developments in a mutually supportive manner is the only way toward corporate sustainability.

## Business Performance

Intense competition in the financial market as well as the unsettled global economy all poses great challenges to business management. Multiple major incidents in 2016 including Brexit and Donald Trump's victory in the US presidential election have impacted the international financial market. Influenced by the poor growth of the global economy, Taiwan's export trading exhibited stagnation. Despite signs of gradual economic revival, market challenges showed no signs of easing;



### Improve Insurance Operations

Taiwan Life, after joining CTBC, will continue to improve its products, channels, investments, operations and services, offer products that satisfy customer needs in the future, and provide diverse channels through its subsidiaries; Taiwan Life will also improve its investments, increasing company revenue by appropriately allocating assets in acquiring capital gains, promoting satisfaction in customer service and increase efficiency in operational procedures through the integration of system digitalization.



### Expand Overseas Branches

CTBC continues to be engaged in the opening of overseas branches in 2016. In addition to opening branches by focusing on banking, CTBC also hopes that developments in securities and life insurance will pave the way for the establishment of a comprehensive financial platform in the future. This together with increasing branches throughout southeast Asia, a move that responds to the administration's New Southbound Policy, will lead us closer to the goal of becoming a regional financial institution.



### Develop Digital Banking

Digital banking applications present challenges and opportunities for traditional financial institutions. As technology changes consumer patterns and lifestyles, CTBC is actively adapting to the tide of the future and devoting itself to improve the experience in customer platforms. CTBC established a digital banking office to take charge of the developmental strategies and blueprint planning for the overall digital banking operations of financial holdings. CTBC also joined R3, the international block chain organization, with the expectation of achieving breakthroughs in digital banking operations from fundamental R&D. Furthermore, the Donghu Mini Branch is transformed into a digitalized branch to proved customers a brand new user experience. More new services that center around customer interaction will be provided in the future so that life and banking is interconnected entirely.



### Cultivate Professional Talent

Overseas expansion and the R&D process in digital banking will demand a large amount of human resources to develop future plans. These professional talents of the future will be different from traditional financial employees. For instance, they will need to be proficient in southeast Asian languages or capable of digital planning or programming. Professional talent in legal compliance is equally indispensable. CTBC will continue to recruit talent from all corners in the future, seek out capable employees to lead the front, and strive to become the leading financial institution in this era.

under these circumstances, CTBC nevertheless still managed to draw on its many years of experience in finance to maintain stable operations and produce an excellent performance. In 2016, CTBC concluded a consolidated after-tax profit of NTD 27.933 billion and a consolidated after-tax profit of 9.98% on return to ordinary shareholders, which ranked top among all financial holding companies in Taiwan.

## Continuous Integration of Life Insurance and Facilitating Rapid Growth Through CTBC Group Resources

CTBC Holding completed the merger and acquisition of Taiwan Life on January 1, 2016. Through comprehensive integration of CTBC's resources and use of its existing channels, CTBC Holding assisted with the growth of Taiwan Life and also developed a multitude of products in order to provide customers with a one-stop service platform on which their financial needs can be fully sated. In future, CTBC Holding will continue to reinforce its extant organizational scale, promote the development of Taiwan Life's assets, and maximize the synergies of CTBC group through cross-selling opportunities across CTBC subsidiaries.

## Supporting Government Policies and Becoming A Regional Financial Institution

CTBC Bank launched the opening of its third branch in China, Xiamen Branch, in July 2016. Xiamen Branch will be linked to 350 of CTBC's branches in Taiwan and Hong Kong as well as overseas, thus forming a full-range cross-border financial platform that offers a comprehensive range of financial products and services to customers located throughout the region, including trade financing and international factoring. In addition to forming a joint venture in China to set up a consumer finance company, CTBC is also actively seeking potential investment opportunities in Southeast Asian countries, such as strategic investments, share investments, or mergers and acquisitions that target specific customer base, network, and complementary services. For example, CTBC Holding signed a memorandum of understanding with LH Financial Group Public Company Limited (LHFG) of Thailand to conduct equity participation in LHFG. Such investment supports the international One Belt, One Road initiative and Taiwan's New Southbound Policy aiming at developing regional financial services.

## Strengthening Corporate Governance and Enhancing Brand Benefit

In 2016, as a response measure to the unending cases of severe penalties imposed upon large international financial institutions by local competent authorities, foreign companies have successively increased the stringency of their corporate governance and regulatory compliance, particularly with regards to money laundering prevention, which is now included as the main target of improvement. CTBC cooperated with Berkeley Research Group, the Anti-Money Laundering Division of the Ministry of Justice Investigation Bureau, and the Financial Supervisory Commission (FSC) in holding seminars regarding money laundering prevention to help our peers in the domestic industry better understand current trends. The CTBC extraordinary meeting of the shareholders in December 2016 approved the changes made to the Board structure, in which more than half of the total number of seats were given to independent directors. This change served to enhance board independence, ensure balance of power, and encourage board decisions to be made transparent, thereby generating a positive influence on the company's governance and performance in the future. CTBC Holding is the first financial institution in Taiwan to have more than half of its board composed of independent directors, which is not only in keeping with current international trends, but also highlights the value CTBC places on corporate governance and its role as a credible financial institution.

## Operating Efficiency & Profitability

In 2016, CTBC generated NTD 319,671,361,000 in net revenues and NTD 27,932,874,000 in after-tax profit. Earnings per share reached NTD 1.43, whereas total assets grew by NTD 243,024,500,000 from the previous year to NTD 4,839,251,254,000. This represented an after-tax return on equity of 9.98%, which surpassed all publicly listed financial holding companies in Taiwan.

## Financial Information

		Unit: NTD, in thousands			
Item of Analysis		2016	2015	2014	2013
Basic Financial Information	Total Assets	4,839,251,254	4,596,226,754	3,654,680,064	2,424,720,079
	Shareholders Equity	282,195,419	277,594,246	229,439,398	192,846,329
	Net Revenue	319,671,361	215,571,927	201,426,687	127,166,619
	Net Profit after Tax	27,932,874	35,402,042	39,443,580	21,510,240
Operating Efficiency	Total Asset Turnover Ratio (Frequency)	0.07	0.05	0.07	0.06
	Ratio of Deposits at Subsidiary Banks(%)	70.20	71.08	73.15	73.13
	Ratio of Npl at Subsidiary Banks(%)	0.33	0.29	0.23	0.35
	Revenue per Employee	16,068	8,436	11,843	9,417
Profitability	Profit per Employee (After-Tax)	1,404	1,385	2,319	1,593
	Return on Assets (%)	0.59	0.86	1.30	0.95
	Return on Common Shareholders' Equity (%)	9.98	13.97	18.69	11.93
	Profit Margin (%)	8.74	16.42	19.58	16.92
Financial Structure (%)	Earnings per Share (NTD) (Note 1)	1.43	1.95	2.39	1.45
	Liability-to-Asset Ratio	94.17	93.96	93.72	92.05
	Double Leverage Ratio	118.43	112.79	105.29	96.51
	Degree of Operating Leverage	1	1	1	1
Leverage	Degree of Financial Leverage	1.55	1.52	1.46	1.68
	Asset Growth	5.29	25.76	50.73	14.72
	Profit Growth	(17.29)	(9.10)	109.54	(12.80)
	Cash Flow Ratio	Note 3	44.80	24.57	40.22
Cash Flow (%)	Cash Flow Adequacy Ratio	242.37	361.92	302.89	335.48
	Cash Flow Satisfaction Ratio	Note 3	1,567.66	Note 2	1,097.45
	Asset Market Share	10.07	10.10	8.75	6.29
	Equity Market Share	8.40	8.86	7.74	7.36
Operational Scale (%)	Market Share of Bank Subsidiary Deposits	5.44	5.56	5.18	5.01
	Market Share of Bank Subsidiary Loans	5.19	5.28	4.88	4.72

Note 1: Earnings per share between 2013 and 2015 are expressed following adjustments to the number of shares distributed for capital increase according to earnings or capital reserves.

Note 2: Net cash inflow originated from investment activities in 2014; therefore, cash flow satisfaction ratio was not calculated.

Note 3: Net cash flow from operating activities was a negative value in 2016; therefore, cash flow ratio and cash flow satisfaction ratio were not calculated.

Note 4: The increase in total asset turnover ratio and revenue per employee was primarily due to a rise in net revenue from the insurance business, which resulted in an increase in 2016 net revenue compared to that in 2015.

Note 5: Decrease in profit per employee, return on assets, return on shareholders' equity, profit margin, earnings per share, and profit growth was primarily due to the net profit generated from an once-off transaction of selling the Songshou headquarter building in 2015, which lead to a reduction in the 2016 after (pre)-tax profit or loss compared to that in 2015.

Note 6: Reduction in asset growth in 2016 was primarily due to the increase in total assets following the merger and acquisition of Taiwan Life in 2015.

Note 7: Decrease in cash flow adequacy ratio was primarily due to net cash outflow from operating activities and a rise in capital expenditure in 2016.

## Key Performance Indicators (KPIs)

	2016	2015	2014
CTBC Holding			
Capital Adequacy Ratio (%)	135.52%	142.37%	156.35%
Efficiency Ratio (%) (Note1)	61.49%	55.99%	49.73%
Commission Revenues as a Percentage Of Operating Revenue (%) (Note2)	36.71%	37.57%	34.16%
CTBC Bank (Merger & Acquisition)			
Capital Adequacy Ratio (%)	14.00%	12.98%	13.46%
Npl Ratio (%) (Note3)	0.63%	0.78%	0.96%
Coverage Ratio for Loan Loss Provision (%) (Note4)	219.21%	168.80%	153.66%

Note 1: Efficiency ratio=Operating expense/Operating revenue before loan loss provision.

Note 2: Commission revenues as a percentage of operating revenues=Net commission revenues/Operating revenues before loan loss provision.

Note 3: NPL ratio=Total overdue loan/total loans.

Note 4: Coverage ratio for loan loss provision=Amount of loan loss provision/overdue loans.

## Percentage of Business Activities

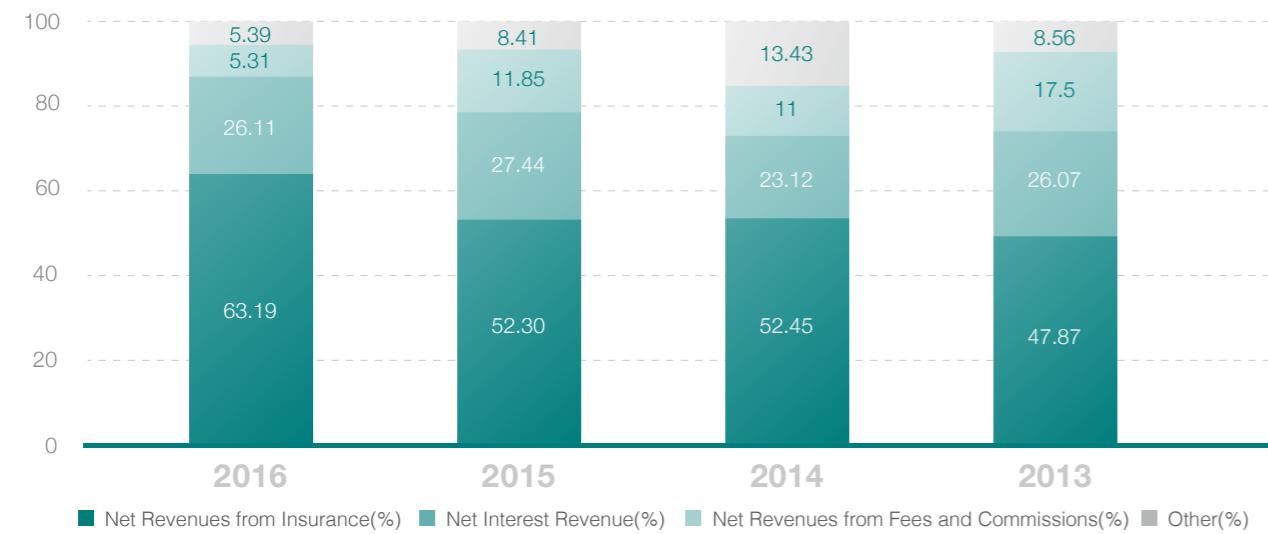
### • By Location

Region	2016	2015	2014
Taiwan	288,113	187,880	179,482
Asia	27,624	24,447	19,103
North America and Canada	3,934	3,245	2,841
Total	319,671	215,572	201,427

### • By Industry

	2016	2015	2014	2013
	Amount	Ratio	Amount	Ratio
Banking	82,158,852	25.7%	87,489,316	40.59%
Insurance	235,836,116	73.77%	126,695,474	58.77%
Securities	947,093	0.3%	1,130,904	0.52%
Other	729,300	0.23%	256,233	0.12%
Total	319,671,361	100%	215,571,927	100%
			201,426,687	100%
			127,166,619	100%

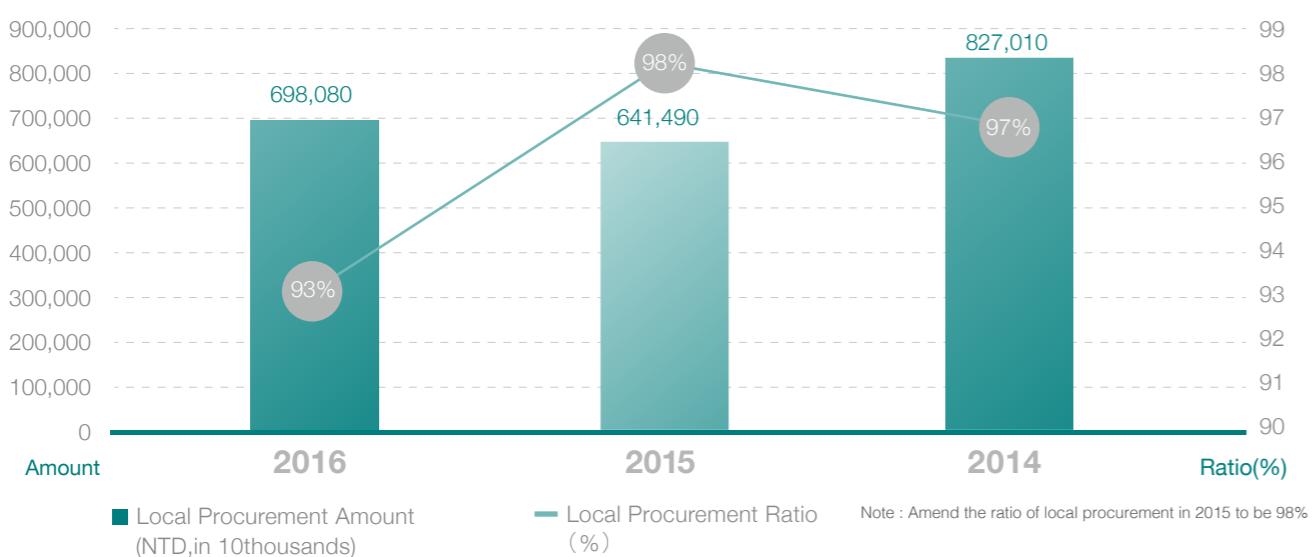
#### • By Revenue



#### Responsible Financing

##### Local Procurement

CTBC has always adhered to its local procurement policy. We believe that purchasing from local industries in Taiwan is conducive to local economic development. Taiwan is CTBC's main base of operations. Local vendors are preferred for all procurements. Our suppliers can be classified into 9 major categories: "security/insurance", "office equipment", "information", "advertising & media", "printing", "gifts/travel", "property maintenance", "construction", and "others". 93% of CTBC's procurements were directed toward local suppliers in 2016, CTBC generated a net increase in total purchase amount of NTD 911,916,951 (by 13.87%) compared to 2015, of which NTD 346,018,753 was contributed by overseas purchase, an increase to 6.78% from 2.46%, thus influencing the ratio of domestic purchase. Nevertheless, domestic purchase amount still projected a net increase of NTD 565,898,198 compared to that in 2015, which is not attributed to an adjusted decrease in domestic purchase, but to the fact that overseas purchase increased more substantially than did domestic purchase. For more information, please refer to the annual reports of CTBC Financial Holding website: [www.ctbcholding.com](http://www.ctbcholding.com).



#### Tax Policy and Tax Information

CTBC respects the importance of tax governance and believes that paying tax in compliance with the law facilitates economic growth and balances regional development. Therefore, CTBC complies with the value of OECD in formulating tax-related policies to ensure our commitment to the following tax governance principles:

- Pay an appropriate amount of taxes in adherence to taxation laws.
- Use advance tax assessment to avoid double taxation, reduce taxation costs and create shareholder value.
- Maintain open and appropriate relations with tax agencies.
- Maintain the transparency of tax information as well as comply with financial reporting standards and the rules governing disclosure in annual reports.
- Effective management of taxation risks.

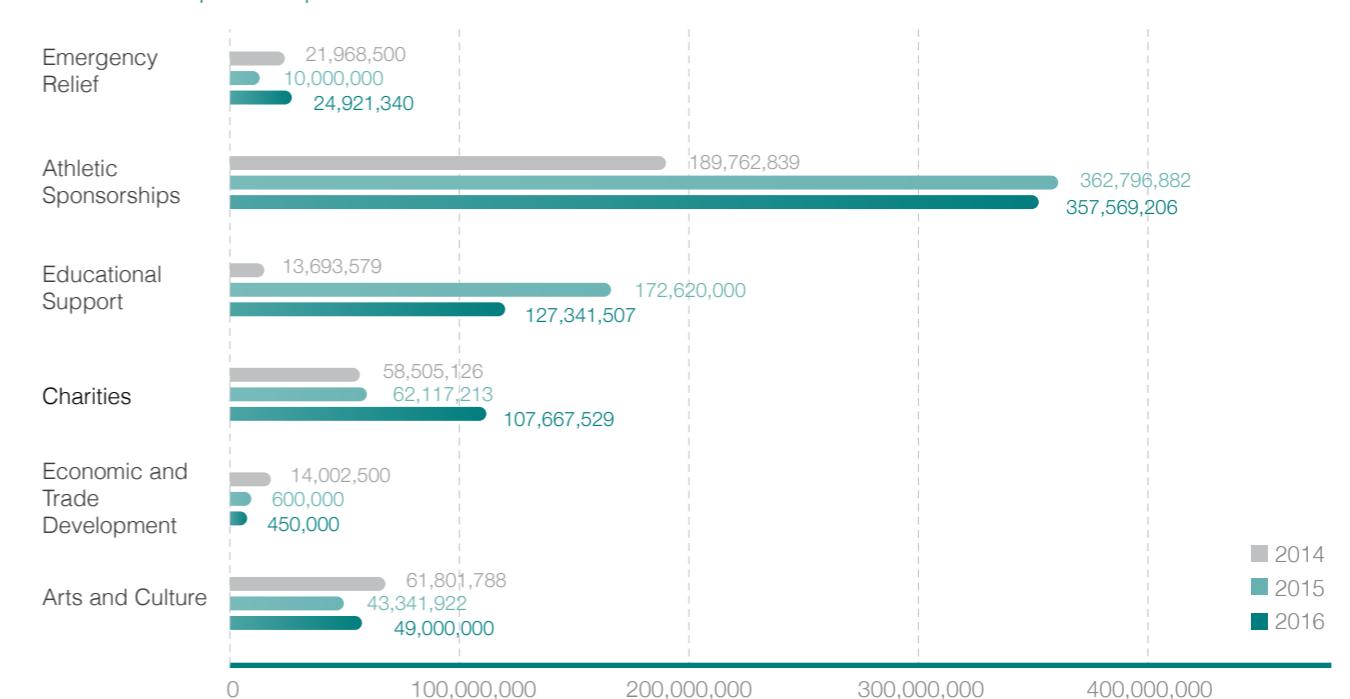
#### Proportion of Taxes Paid Worldwide in 2016

Country	2016
Taiwan	70.2%
Indonesia	1.0%
The Philippines	1.4%
Canada	0.3%
USA	2.2%
Japan	17.7%
India	0.2%
Vietnam	0.6%
Hong Kong	3.7%
Singapore	0.7%
China	2.0%
<b>Total</b>	<b>100%</b>

#### Tax-related Information

Year	2016	2015	2014
Business Income Tax	3,310,022	2,276,380	3,048,640
Business Tax	2,725,996	3,193,020	2,897,897
Stamp Duty	181,969	179,977	172,055
Investment Tax Credits	4,000	-	25,160

#### Donations and Sponsorships



In 2016, CTBC paid approximately NTD 8.86 billion in taxes worldwide. With Taiwan being its major business location and main source of income, taxes paid in Taiwan accounted for approximately 70% of all CTBC taxes. Tax payments in Taiwan over the last three years are shown in the following table.

#### Community Organizations and External Communications

Over the years, in addition to serving customers, CTBC has actively participated in activities organized by organizations, associations, and charities on issues such as corporate sustainability, green productivity, and corporate social responsibility, in hopes of contributing to fields such as energy management, energy conservation and carbon reduction, and green environment.

#### International Trade and Corporate Governance Related Organizations

CTBC has been joining international organizations, including the Asian Bankers Association (chaired by the president, Daniel Wu), Confederation of Asia-Pacific Chambers of Commerce and Industry, Chinese International Economic Cooperation Association, ROC-USA Business Council, Taiwan Japan Association for Business Communication, and other international trade organizations to assist the government expand foreign trade and keep up with international trends.

Furthermore, CTBC has also been accepted as a member of "Taiwan Corporate Governance Director and Supervision Association", where it exchanged ideas with other members of the association on corporate governance practices.

At the same time, to assist with the smooth implementation of the Personal Information Protection Act and its related enforcement rules, CTBC has also been advising the competent authority on operational practice and duly involving itself in formulating public policies and improving Taiwan's economic development by establishing a platform for exchanging ideas.

#### Corporate Sustainability Related Organizations

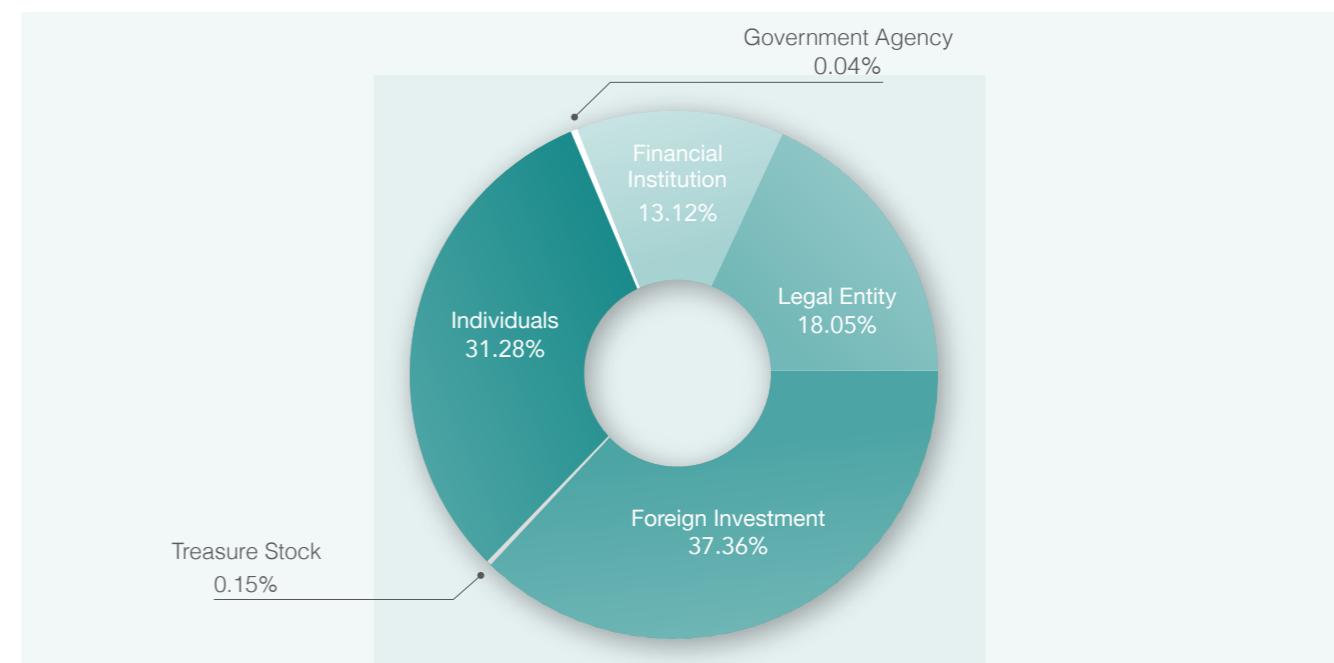
To understand the latest trends on corporate sustainability and implement policies related to corporate sustainability, CTBC has been participating in various conferences and seminars organized by Taiwan Institute for Sustainable Energy (TAISE) and the Business Council for Sustainable Development of Taiwan (BCSD-Taiwan), where it shared its CSR experiences with peers. CTBC Holding was selected as a constituent of DJSI emerging markets in 2016. Based on the requirements of the evaluation, CTBC examines its progress in CSR implementation and takes action to continue to strive toward corporate sustainability.

#### Environmental Organizations

"Green enterprise" is the ultimate goal of CTBC. In 2012, CTBC became a part of the Business Council for Sustainable Development of Taiwan (BCSD-Taiwan) and supported all BCSD's CSR initiatives through concrete actions in order to raise public awareness on carbon management and climate change issues in Taiwan and actively learn about the latest international developments via various channels.

To operate in line with new energy policies introduced by the Bureau of Energy, MOEA, CTBC has been working with "Taiwan Green Productivity Foundation" occasionally to develop an internal energy management system that takes into account the organization's structure, policies, and regulations on energy conservation. Furthermore, CTBC has voluntarily participated in the Carbon Disclosure Project since 2010 for seven consecutive years. In 2016, it was invited again to become a signing party of CDP, making CTBC the first financial institution in Taiwan to receive a Leadership A- rating.

#### Structure of Shareholders



#### Stock Dividend Distribution

	2016(Note2)	2015	2014
Cash Dividends	1	0.81	0.81
Stock Dividends	0	0.80	0.81
Total	1	1.61	1.62

Unit: NTD

Note 1: The year refers to the year in which earnings is generated.

Note 2: The amount of dividend comes from NTD 0.85 of retained earning and NTD 0.15 of additional paid in capital.

#### Shareholders' Equity

CTBC has always been committed to improving its management system and implementing a policy that separates supervisor rights from management rights, because we know that favorable corporate governance can be maintained only by taking into consideration all shareholders' interests and providing shareholders with an uninterrupted and real-time communication channel that ensures information symmetry, thereby creating the best benefit for shareholders.

- Pay an appropriate amount of taxes in adherence to taxation laws.
- Use advance tax assessment to avoid double taxation, reduce taxation costs and create shareholder value.
- Maintain open and appropriate relations with tax agencies.
- Maintain the transparency of tax information as well as comply with financial reporting standards and the rules governing disclosure in annual reports.
- Effective management of taxation risks.

#### Conclusion

Going forward, CTBC Holding will be looking to expand its presence in China, Japan, Hong Kong, Indonesia, the Philippines, and USA and to incorporate them into a global network that provides comprehensive global financial services. Internally, CTBC group has always adopted cross-selling strategy as its business orientation to enhance the effectiveness of cross-selling and maximize the benefits offered by the financial holding group.

# CORPORATE SUSTAINABILITY MANAGEMENT

CTBC has developed the CSR Best Practice Principles and assembled a CSR unit to practice CSR on the organizational level and encourage the participation of all employees. To achieve sustainable development, CTBC has established a CSR Consultation Committee, which sets goals and invests resources each year to maximize the effects of its CSR services. We know that in order to maximize the benefits of our corporate values we must develop a CSR strategy and culture appropriate to the enterprise itself and embrace them completely.



## CSR Best Practice Principles

CTBC regards CSR as a core value of the company, and is committed to protecting the interests and rights of its stakeholders. Meanwhile, we incorporate CSR practices into the company's daily operation management so as to truly fulfill our responsibility toward society. CTBC's CSR Best Practice Principles conform to several major international guidelines, including the United Nations Global Compact Principles, Earth Charter, and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The CSR Best Practice Principles advocate respect for human rights, protection of labor rights, development of sustainable environment, and implementation of anti-corruption policies. Our Principles are in fully consistent with the fundamental principles of these international guidelines.



## Supplier CSR Policy

In addition to fulfilling CSR in terms of CTBC operations and management, we also promote our CSR practices to our suppliers by devising the Supplier Corporate Social Responsibility Policy, which provides advocacy on several issues, including corporate ethics, protection of employee rights and interests (human rights, prohibition against forced labor and child labor, and encouraging freedom of association) as well as environmental protection (including GHG inventory and setting of carbon reduction goals). We also request our cooperating suppliers whose transactions worth over NTD 1 million to sign the declaration for this policy, 100% of our suppliers signed. CTBC is in hopes of working together with our suppliers to fulfill our social responsibilities.

## CSR Department

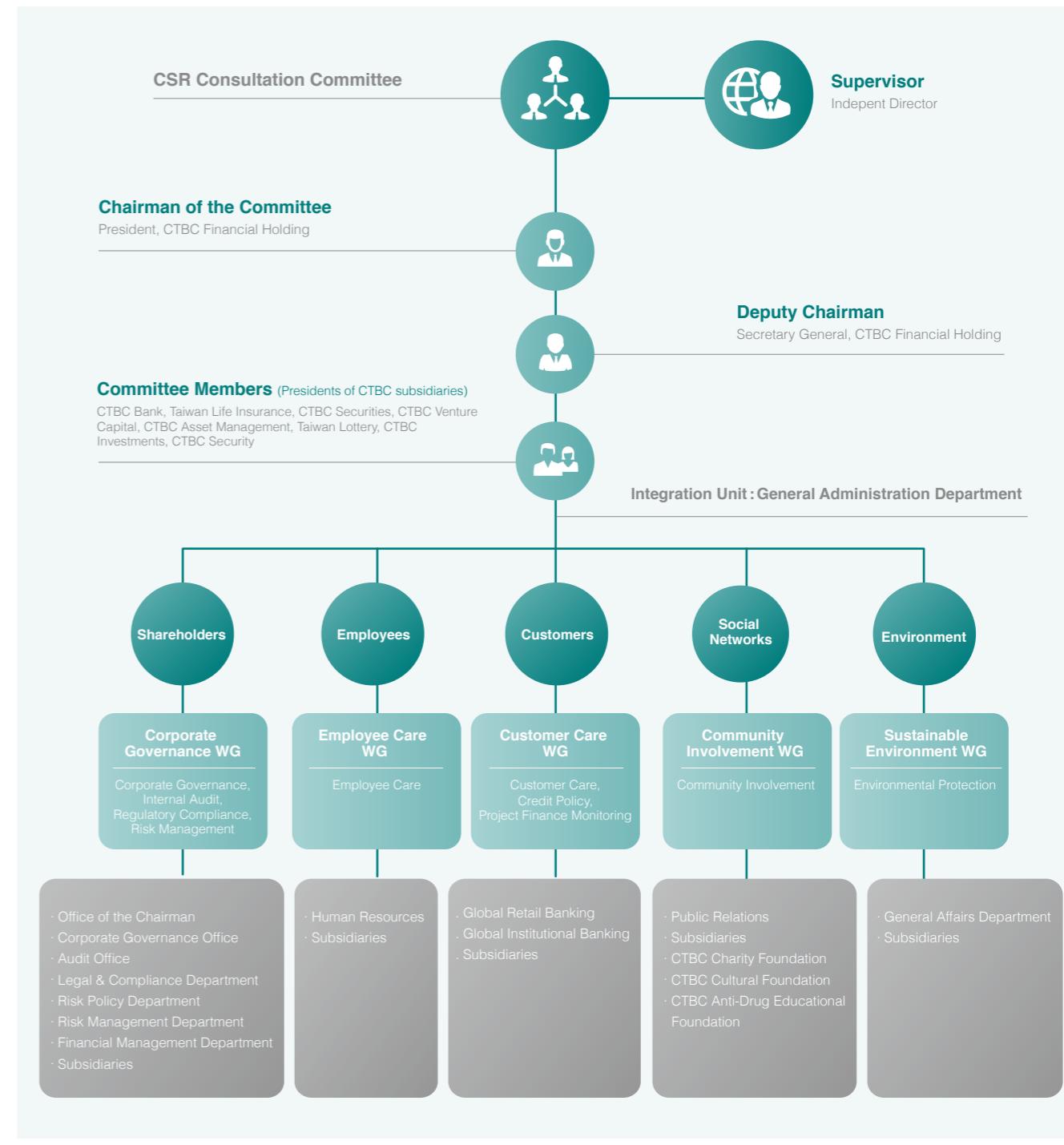
Corporate social responsibility has in this era come to encompass a larger number of aspects ranging from stakeholder interactions, supporting unprivileged groups, to response to climate changes. CTBC recognizes that a specific organizational management policy is required to implement CSR-related tasks and has established a dedicated CSR unit under the General Administration Department to plan and execute all CSR tasks throughout the company. The team comprises 7 full-time staff and reports to the President of CTBC Holding while material issues are escalated to the Board of Directors for a decision. By directly engaging senior management in CSR activities, we have been able to align employees' interests with core CSR values of CTBC and convince them to support the sustainable developments of the company.

## CSR Consultation Committee

To strengthen the capabilities of the CSR team, CTBC upgraded the "CSR Taskforce Committee" to become the "CTBC Corporate Social Responsibility Consultation Committee" (hereinafter referred to as the "CSR Consultation Committee") in 2015. The chairman of the CSR Consultation Committee is the president of CTBC, the deputy chairman is the secretary general of CTBC, while the presidents of CTBC subsidiaries make up the members of the committee. An independent director supervision mechanism was formulated in 2016, and relevant agendas are submitted to the board of directors

to reinforce managerial functions and refine each CSR aspect. Every effort is made to maximize benefits to stakeholders while maintaining a range of open communication channels. Two CTBC CSR Consultation Committee meetings have been convened in 2016 to communicate general matters. Experts and scholars were also invited to these meetings to conduct extensive discussion. To keep in line with international trends, CSR Consultation Committee was renamed the CTBC Financial Holding Co., Ltd. Corporate Sustainability Committee (CTBC Holding Corporate Sustainability Committee) in May 2017, as a testament to our determination to strive toward sustainable development.

## CSR Consultation Committee Organizational Framework



## CSR Progress

2016	<ul style="list-style-type: none"> <li>Independent directors conducted supervision.</li> <li>Submitted CSR implementation report to the board of directors.</li> <li>External experts and consultants invited to comprehensively investigate the correlation between CSR trends and CTBC's system and practices.</li> </ul>
2015	<ul style="list-style-type: none"> <li>"CTBC CSR Taskforce Committee" upgraded to become the "CSR Consultation Committee".</li> <li>The chairman of the CSR Consultation Committee is the president of CTBC, the deputy chairman is the secretary general of CTBC, while the presidents of CTBC subsidiaries make up the members of the committee. Its purposes include strengthening management functions and fine-tuning all aspects of CSR practices.</li> <li>External experts invited to analyze "Strategic CSR opportunities for the financial industry" and "International trends in DJSI and CDP" and provide a reference for adjustments to CSR activities.</li> </ul>
2014	<ul style="list-style-type: none"> <li>Strengthening of internal CSR education and training by inviting outside experts to speak on topics such as "corporate governance" and "international CSR trends".</li> <li>Reviewed and carried out corrective action based on responses to international CSR organizations such as DJSI and CDP.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Subsidiaries included in the "CSR Taskforce Committee" to ensure that the CTBC CSR philosophy is implemented throughout the group.</li> </ul>
2012	<ul style="list-style-type: none"> <li>An inter-departmental "CSR Taskforce Committee" was convened to oversee the implementation of CSR planning.</li> <li>Corporate Social Responsibility Policy formulated.</li> <li>The "CTBC CSR Best Practice Principles" was approved by the Board of Directors for CTBC Financial Holding and its subsidiaries.</li> <li>Support for green energy and environment protection-related industries through lending policies was incorporated into the "CTBC Credit Risk Management Policy".</li> </ul>
2011	<ul style="list-style-type: none"> <li>Established CSR unit.</li> <li>Dedicated personnel assigned to strategic planning and implementation of CSR.</li> </ul>

### Capital Investment

This report also took into account the Integrated Reporting framework formulated by the International Integrated Reporting Council (IIRC) for the first time to provide disclosure on the 6 capitals and strategy planning. The effects and impacts of related performance indicators will provide an important guide during for continued monitoring and management by CTBC.

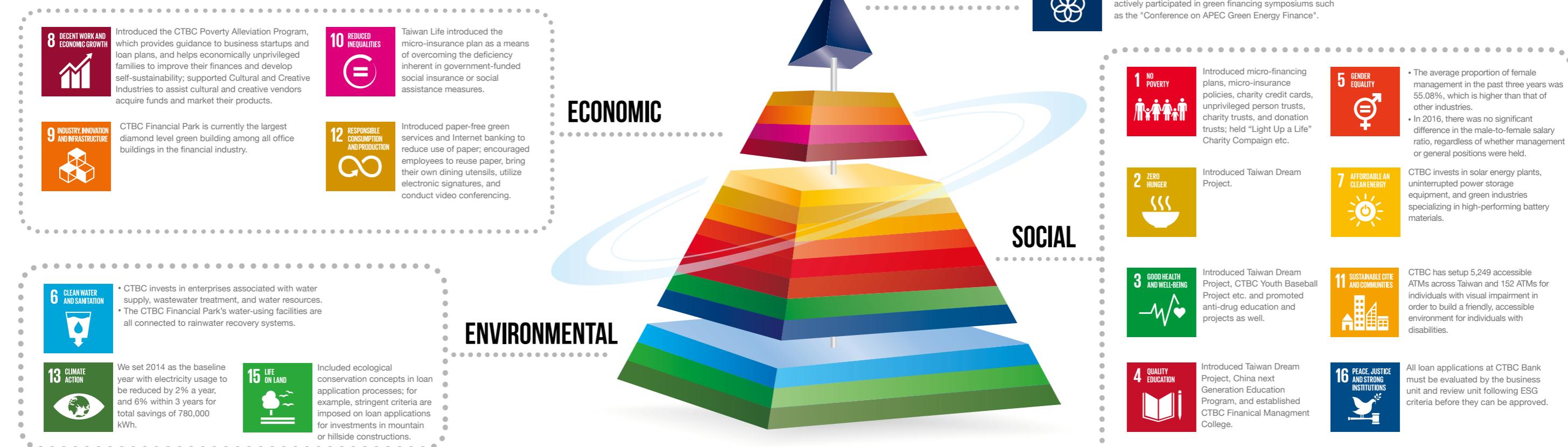
CTBC actively invests in related operational and business targets. In accordance with the Integrated Reporting framework, capital investments in related targets during the quantitative performance of the aforementioned capital investments during 2016 are shown in the following table.

		Definition	Extension of Insurance Services	Expansion of Overseas Market	Development of Digital Finance	Talent Cultivation	Social Contribution	Environmental Investment
	 Financial Capital	Investment, adjustment and planning required for CTBC products, services and related business targets.	<ul style="list-style-type: none"> <li>Integration of Organizational Structure</li> <li>Net Fee and Commission Income</li> <li>Asset Increase</li> </ul>	<ul style="list-style-type: none"> <li>Integration of Organizational Structure</li> <li>Net Fee and Commission Income</li> <li>Customer Assets</li> <li>Asset Increase</li> </ul>	<ul style="list-style-type: none"> <li>Integration of Organizational Structure</li> <li>Net Fee and Commission Income</li> <li>Customer Assets</li> <li>Asset Increase</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment Costs</li> <li>Training Costs</li> <li>Remuneration and Welfare Expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Community Involvement Costs</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Protection Costs</li> </ul>
	 Human Capital	Investments and planning related to personnel for all products, services and related business targets.	<ul style="list-style-type: none"> <li>Recruiting</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Recruiting</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Recruiting</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> <li>Turnover</li> <li>Increase in Employees</li> </ul>		
	 Manufactured Capital	Investment and planning into equipment, facilities and other infrastructure for all products, services and related business targets.	<ul style="list-style-type: none"> <li>Expansion of Service Coverage</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Service Coverage</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Service Scope</li> <li>Development of Digital Service System</li> </ul>		<ul style="list-style-type: none"> <li>Number of Employee Volunteers Involved</li> </ul>	<ul style="list-style-type: none"> <li>Employee Involvement</li> </ul>
	 Intellectual Capital	Investments and planning related to information systems, design of products and services, and information system-related applications for all products, services and related business targets.	<ul style="list-style-type: none"> <li>First Year Premium</li> <li>Insurance Policy Design</li> </ul>	<ul style="list-style-type: none"> <li>Equipment Increase (ATM)</li> <li>Expansion of Overseas Branches</li> </ul>	<ul style="list-style-type: none"> <li>Big Data Applications</li> <li>Information System Design and Expansion</li> </ul>			
	 Social Capital	Stakeholder communication related to all products, services and business targets as well as investments and planning related brand reputation and social involvement.	<ul style="list-style-type: none"> <li>Customer/ Product Communication</li> <li>DM and Websites</li> <li>Customer Grievances</li> <li>Customer Satisfaction</li> </ul>		<ul style="list-style-type: none"> <li>Internet Banking Usage</li> <li>App Development</li> </ul>		<ul style="list-style-type: none"> <li>Foundation Operations</li> <li>Community Involvement and Investment</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Management</li> <li>Credit Process Adjustment</li> </ul>
	 Natural Capital	Environment and resource production conducted for all products, services and related business targets as well as investments and planning related environment-related risks.						<ul style="list-style-type: none"> <li>Green Purchasing</li> <li>Credit Process Adjustment</li> <li>Effective Utilization of Energy and Carbon</li> <li>Paperless Process</li> <li>Water Resource Management</li> <li>Waste Management</li> </ul>

The qualitative performance are described in the corresponding chapters of this report.



## Description of CTBC Holding's SDGs



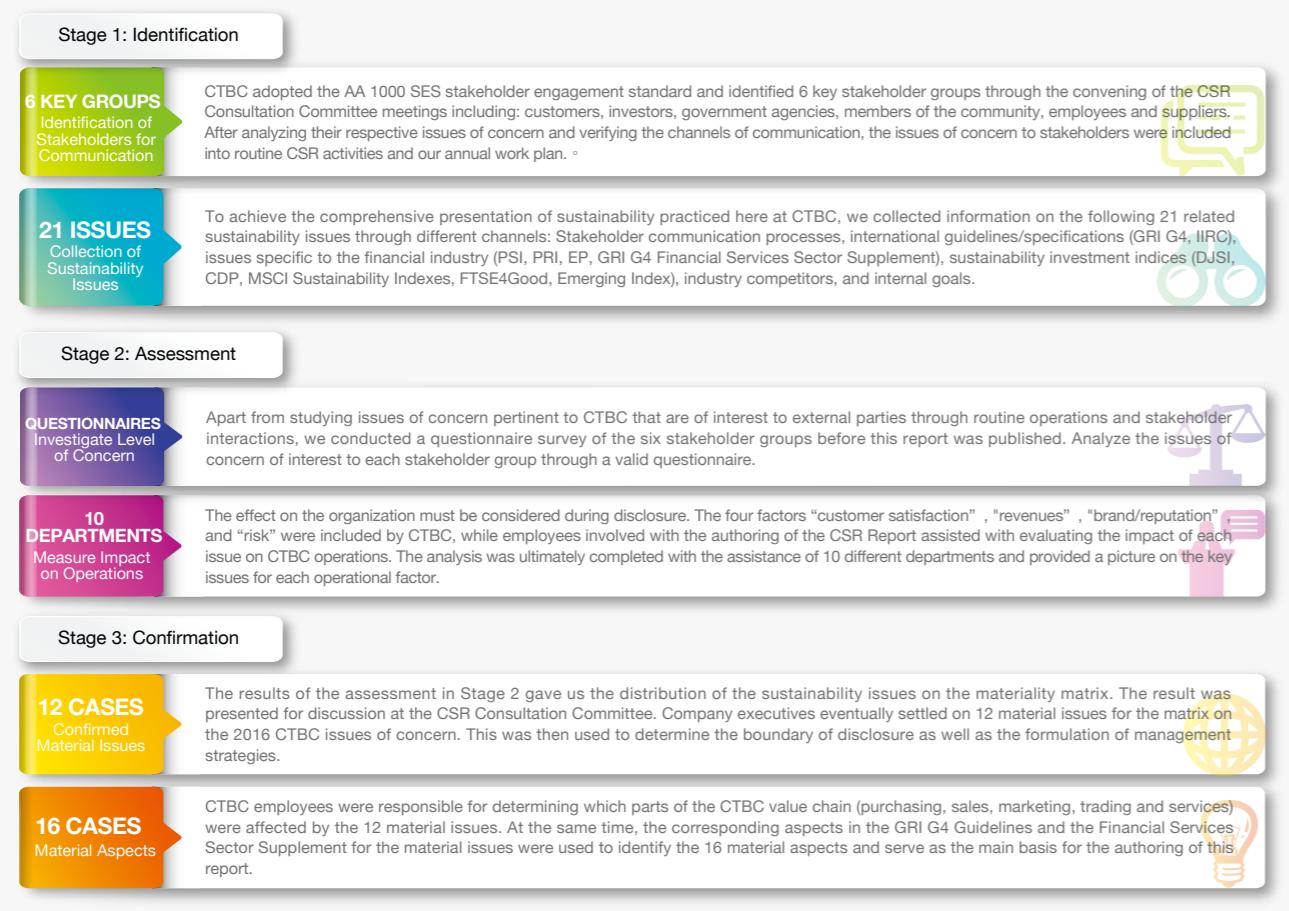


CTBC adopted the AA 1000 SES stakeholder engagement standard and identified 6 key stakeholder groups, 12 material issues and 16 material aspects through the convening of the CSR Consultation Committee to be the infrastructure of editing CTBC 2016 CSR report.

## MATERIALITY ANALYSIS

To ensure that the disclosures in the CTBC CSR Report match shareholder expectations and connect with the company's core operations, we have developed a systematic materiality analysis method to lay the foundations for annual disclosure and sustainable governance. CTBC drew on the identification, assessment and verification processes proposed in the GRI G4 Guidelines to complete an analysis of the material issues for the year. This was used as the main basis for the disclosures in this report as well as the setting of short, medium and long-term goals. Other potential CSR issues in the materiality matrix are also disclosed by CTBC within the CSR report as well. On the boundary of disclosure, the boundary based organizational affiliation was replaced by the value chain format to help stakeholders understand the positive or negative impacts of different topics on the CTBC value chain. At the same time, it provides a basis for strengthening sustainable corporate management here at CTBC.

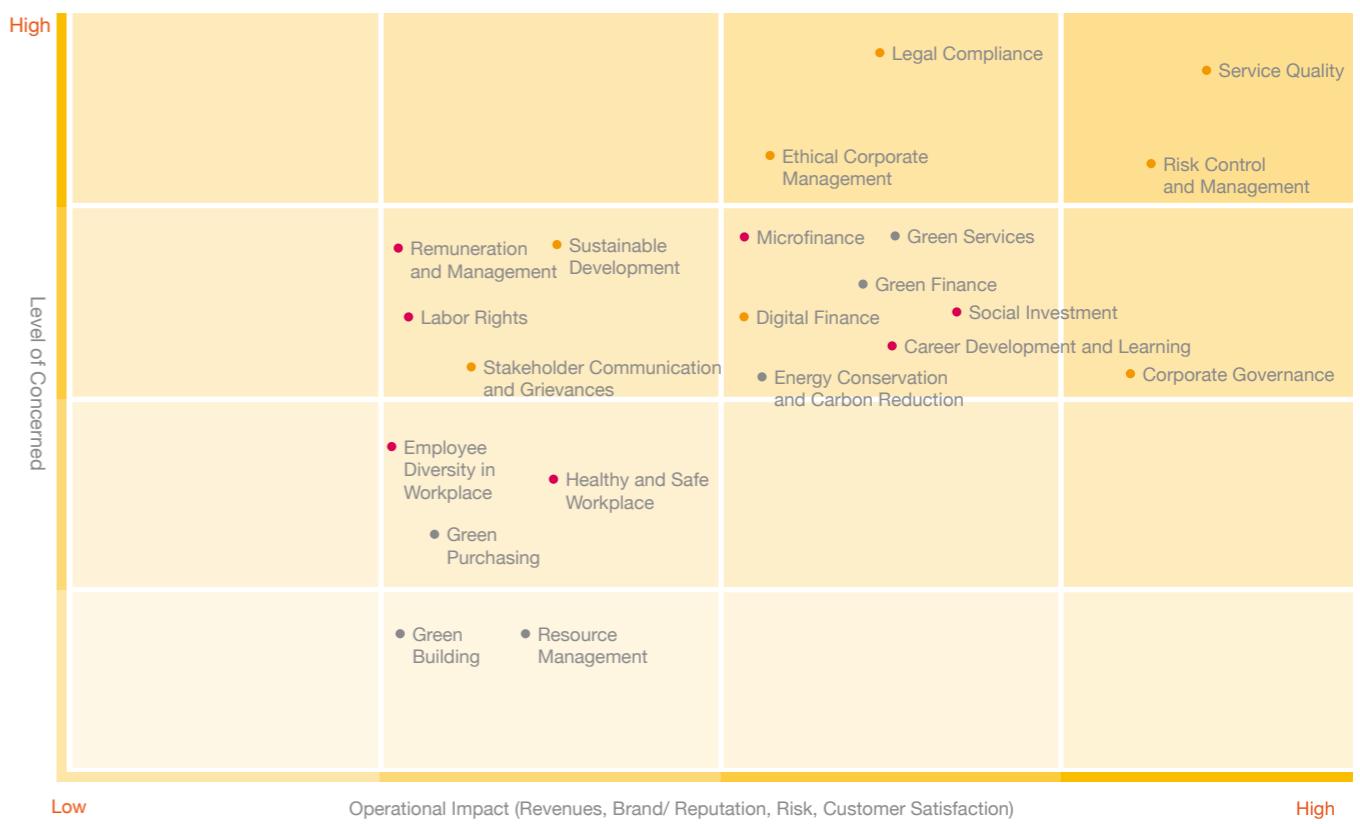
## Stakeholder Engagement and Materiality Analysis



## Explanation on Boundary of CTBC Material Issues

CTBC Materiality Issues	GRI G4 and Financial Services Sector Supplement Considerations	Value Chain					Internal	External
		Purchasing	Sales	Marketing	Trading	Service		
Economic	Service Quality	Product and Service Labeling, Customer Privacy		●		●	●	●
	Risk Control and Management	Audit		●	●		●	●
	Corporate Governance	Anti-corruption					●	●
	Legal Compliance	Environmental Compliance, Social Compliance, Product Liability Compliance	●	●	●	●	●	●
	Ethical Corporate Management	Anti-corruption	●	●	●	●	●	●
	Digital Finance	Product Portfolio		●	●	●	●	●
Environmental	Green Finance	Economic Performance, Product Portfolio, Active Ownership		●	●	●	●	●
	Green Services	Energy, Emission, Products and Services, Product Portfolio		●	●	●	●	●
	Energy Conservation and Carbon Reduction	Energy, Emission	●	●	●	●	●	●
Social	Social Investment	Indirect Economic Impacts, Local Community			●		●	●
	Career Development and Learning	Training and Education		●	●	●	●	●
	Microfinance	Indirect Economic Impact, Product Portfolio, Local Community, Active Ownership		●			●	●

## Materiality Matrix



## Progress of KPIs for Material Issues

Material Issues	Objectives in 2016	Progress	Description in 2016	Objectives in 2017
Service Quality	Satisfaction of corporate financial operation services customer: 90%	O	Satisfaction of corporate financial operation services customer: 99%	Satisfaction of corporate financial operation services customer: 90%
	Satisfaction of individual financial services customer: 85%	O	Satisfaction of individual financial services customer: 86%	Satisfaction of individual financial services customer: 88%
	Satisfaction of online channels customer: 91%	X	Satisfaction of online channels customer: 90%	Satisfaction of online channels customer: 90%
Risk Control	Compliance with IFRS and Basel international supervisory regulations	O	IFRS 9 impairments methodology implementation	IFRS 9 impairments calculation system implementation
		O	Basel regulations difference and impact assessment	Participation in Basel regulations revision; calculation system implementation
Corporate Governance	Number of independent board directors exceeds half of the Board of Directors	O	Board director re-election completed; 4 out of 7 board directors are independent directors	Revise the evaluation measures for Board of Directors performance
	Establish a nomination committee	O	Nomination Committee established	Annual minimum training hours for each board director: 6 hours
	According to the ordinance and the risk assessment results, statutory audits: 20 times; strengthened audits: 3 times	O	20 times of statutory audits and 3 times of strengthened audits completed	Statutory audits: 20 times; strengthened audits: 2 times
Legal Compliance	Strengthen major legal compliance issues in CTBC Group, flaw management and reporting mechanism	O	Formulation and revision of internal regulations completed	1.Related subsidiaries subsequently establish AML supervisors and/or responsible units 2.CTBC Financial Holding Co. and related subsidiaries commission external consultants to support the review of AML regulatory compliance and the planning and implementation of CTBC Group system.
Energy Saving and Carbon Emission	Saving 2% electricity	O	Saving 6.61% electricity	Saving 4% electricity
Green Purchases	Green purchase amount: NTD 205,000,000	O	Green purchase amount: NTD 206,470,000	Green purchase amount: NTD 150,000,000
Green Finance	Implementation of green lending review-aspect of employees	O	Formulate the "Code of Conduct for Employees". When employees are involved in business activities relating to credit investigation and extension, they are required to carefully review loan customers to see if the customers take full responsibility in environmental protection, Integrity management, and social obligations.	Implementation of green lending review-aspect of review process
Social Investment	Introduce LBG model	O	Complete LBG model implementation	Introduce LBG model in 60% of major projects
	Raise over NTD 100 million in the Light up a Life fundraising campaign	O	Fundraising amount: NTD 142,541,966	Raise over NTD 100 million in the Light up a Life fundraising campaign
	Add 50 applications for the CTBC Poverty Alleviation Program	O	61 applications	Accumulated applications for the CTBC Poverty Alleviation Program: 200
	10% increase of attendance for CTBC Brothers Baseball Club games	O	12% increase of attendance for CTBC Brothers Baseball Club games	5% increase of attendance for CTBC Brothers Baseball Club games
	Promote arts and cultural events and collaborate with 36 schools	O	Collaborate with 58 schools	Promote arts and cultural events and collaborate with 75 schools
Healthy and Safe Workplace	Overall satisfaction with health promotion activities, breastfeeding rooms, and healthcare provider service reaches 4.5 points and above	O	Overall satisfaction with health promotion activities: health promotion activities: 4.8; breastfeeding rooms: 4.68; healthcare provider service: 4.63	Overall satisfaction with health promotion activities, breastfeeding rooms, and healthcare provider service reaches 4.5 points and above
	800 attendees for health promotion activities	O	1,095 attendees for health promotion activities	1,100 attendees for health promotion activities
	Health check rate: 68%	O	Health check rate: 85%	Health check rate: 79%

Material Issues	Objectives in 2016	Progress	Description in 2016	Objectives in 2017
Career Development and Learning	Promote development program for middle- and high-ranking employees	O	Established management and development mechanism for middle- and high-ranking employees	Support high-ranking supervisors to complete their personal development program and design a training blueprint
	Establish professional courses for individual financial front line units and risk units	O	Professional training blueprints for 4 grades completed	Establish professional courses for corporate financial front line units and risk units
	Promote 10 trend-driven innovation awards	O	Promote 10 trend-driven innovation awards	Promote 6 trend-driven innovation awards
Employee Diversity	Meet 1% of employment for the physically and mentally challenged as legally required	O	Employment for the physically and mentally challenged meets the legal requirement	Exceed 1% of employment for the physically and mentally challenged as legally required

Note: O:Achieved; X: Not achieved.

## Stakeholder Communication Channels

Stakeholder	CTBC Responsibility	Communication Method	Topics of Concern
Customers	Offering of Quality Products And Services, and Customers Satisfaction	<ul style="list-style-type: none"> <li>Voice of Customer (VOC) platform</li> <li>24-hour toll-free customer service hotline, VoIP, and online mailbox.</li> <li>Monthly e-newsletter</li> <li>Quarterly or annual customer satisfaction surveys</li> <li>Regular financial seminars each year</li> <li>Publication of online financial statements</li> <li>Creation of "Investor Information" section</li> <li>Annual general shareholders meetings</li> <li>Monthly publication of business performance</li> <li>Quarterly investor seminars</li> </ul>	<ul style="list-style-type: none"> <li>Service Quality</li> <li>Digital Finance</li> <li>Green Services</li> </ul>
Investors	Information Disclosure and Transparency	<ul style="list-style-type: none"> <li>Provide the information required for supervision and auditing by regulators</li> <li>Participate in the relevant government conferences and provide recommendations when appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Ethical Corporate Management</li> <li>Sustainable Development</li> <li>Risk Control and Management</li> </ul>
Government	Legal Compliance, Payment of Taxes, Consultation During Law-Making, Cooperating with Legal Education	<ul style="list-style-type: none"> <li>Participation in public conferences</li> <li>Press conferences</li> </ul>	<ul style="list-style-type: none"> <li>Ethical Business Management</li> <li>Legal Compliance</li> <li>Risk Control and Management</li> </ul>
Community	Respect for Local Culture, Participation in Local Charity Events	<ul style="list-style-type: none"> <li>Sponsorship of arts, culture, sports, academic and environmental protection activities</li> <li>Hosting of related charity events</li> </ul>	<ul style="list-style-type: none"> <li>Social Investment</li> <li>Ethical Business Management</li> <li>Microfinance</li> </ul>
Suppliers	Fair Purchasing	<ul style="list-style-type: none"> <li>Through business conferences and price-negotiation meetings</li> <li>Random on-site audits on employee health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Risk Control and Management</li> <li>Ethical Business Management</li> <li>Service Quality</li> </ul>
Employees	Respect for Human Rights, Fair Treatment, Employee Health Promotion	<ul style="list-style-type: none"> <li>Quarterly mobilization events</li> <li>Publication of "People and Events" internal newsletter</li> <li>Provision of employee hot line and grievance mailboxes</li> <li>Hosting of employee health seminars</li> <li>"Employee Satisfaction Survey" and "Organizational Climate Survey," conducted anonymously at irregular intervals</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and Management</li> <li>Career Development and Learning</li> <li>Labor Rights</li> </ul>



## SUSTAINABLE GOVERNANCE



In response to the global expansion of the finance industry and CTBC's long-term strategic development, CTBC elected new board of directors in December 2016, becoming the first financial institution in Taiwan to have independent directors represent more than half of the board of directors. This revolution conforms to international trends. The diverse expertise and independence of independent directors facilitate strengthening the professionalism and supervision functions of the board, which aids CTBC to strive toward sustainable development.

CTBC remains committed to corporate governance, not only by perfecting the governance philosophy that advocates separating management rights from ownership rights, but also by improving the expertise, skills, and experiences of the board of directors to provide a stronger basis for their decisions, given the increasingly complex management practices in the financial industry under an ever-changing economic environment. CTBC Holding's directors are composed of outstanding talents of different backgrounds with experiences in international affairs, a prospective vision, excellent leadership and communication skill. To improve the effectiveness of corporate governance, CTBC also appraises the performance of its board of directors. In 2016, the board of directors was rated as outstanding in its self-appraisal evaluation, and the result of this performance is disclosed on the Company's website. CTBC's performance in corporate governance has also won public recognition, as evident by its ranking as top 5% of the best TWSE listed companies in the Taiwan Stock Exchange's 2nd Corporate Governance Evaluation system, as well as by its inclusion as a constituent stock of the Dow Jones Sustainability Indices (DJSI) in 2016.

In 2016, CTBC was recognized as the first financial holding in Taiwan to have more than half of the board comprising independent directors. This recognition establishes a new paradigm in corporate governance for financial holdings in Taiwan. Given the diverse expertise of independent directors, CTBC's management teams are given effective suggestions are provided to management team of CTBC as a guidance in making appropriate decisions. The Company also draws on the independence of independent directors to implement professional management and become a sustainable enterprise.

We will continue to uphold our We are family brand spirit, "protect and build" corporate mission, and "caring, professional & trustworthy" brand features in order to promote corporate governance and fulfill our corporate social responsibility. The Group will strive to create value for its customers, employees, shareholders, suppliers, and society as it develops its brand as a "Taiwan Champion and Asia Leader". CTBC also aspires to be the most reliable financial institution with the outstanding governance for its customers and shareholders.

#### Corporate Governance

Corporate governance is the foundation of corporate sustainability. We are keenly aware that businesses in the finance industry must adhere to higher standards of corporate governance. After the board of directors formulates policies, each business division establishes a corresponding system and assigns responsibilities appropriately among employees, thereby implementing the corporate governance culture in a top-down approach. A "Corporate Governance Officer" under the office of the chairman has therefore been established, and a dedicated corporate governance unit has moreover been assigned to handle corporate governance and integrity management related matters which can provide help to the board of directors by encouraging the financial holdings group and its respective subsidiaries on building a comprehensive corporate governance framework.

#### Board of Directors and Functional Committees

As the leader in the financial industry, CTBC understands the expectations of the society has placed upon us. Every decision the board of directors makes concerns the interests of stakeholders and has profound impacts in a multitude of perspectives. CTBC board of directors has always complied with the principle of separation between management rights and ownership rights, and no managers hold concurrent positions as directors. In 2016, CTBC was recognized as the first financial holding in Taiwan to have more than one-half of the board comprising independent directors. This recognition establishes a benchmark for financial holding companies in Taiwan. Based on a sound board of directors structure and the diverse expertise of directors, CTBC's management teams are given useful suggestions that help them make the appropriate decisions to engage in ethical corporate management through the independent directors.

Following a new board election held on December 8, 2016, CTBC Holdings now appoints a total of 7 directors, all 50 years or older, and with an abundance of related experience. A total of 30 directors are appointed across CTBC subsidiaries, 5 of them are aged 30 to 50 years, while others are 50 years or above. Their expertise and experiences are highly rated in the industry. For more information background of directors, please refer to P.16-18 in the annual report or at [http://ir.ctbcholding.com/html/gov\\_board.php](http://ir.ctbcholding.com/html/gov_board.php).

To attain the management and supervision functions of the board, CTBC has assembled 4 functional committees, namely "Audit Committee", "Remuneration Committee", "Risk Management Committee", and "Nomination Committee" under the board. The Audit Committee is composed of independent directors, whereas a Remuneration Committee is assembled with 3 independent directors; both Risk Management Committee and Nomination Committee are assembled with 1 director and 2 independent directors.

#### Board of Directors and Committee Members

Title	Name	Gender	Significant Experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors or other department heads	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee
Chairman	Representative of Wei Fu Investment Co., Ltd.: Wen-Long Yen	Male	Vice Chairman of Kainan University Department of Economics, Soochow University, Taiwan	Director of CTBC Bank Co., Ltd. Chairman of Kainan University Chairman of Kainan High School of Commerce and Industry Director of Wei Guo Construction Co., Ltd. Director of He Wei Investment Co., Ltd. Director of Feng Lu Investment Co., Ltd. Director of Wei Fu Investment Co., Ltd. Managing Director of United Real Estate Management Co., Ltd. Director of Long Ri Construction Co., Ltd. Director of Song Hong Investment Co., Ltd. Director of Song Long Investment Co., Ltd. Director of United Asset Management Co., Ltd. Director of Wei Hong Investment Co., Ltd. Supervisor of United Construction Co., Ltd. Director of Evergreen Foundation for Culture and Education	None				
Director	Representative of Chung Yuan Investment Co., Ltd.: Chao-Chin Tung	Male	Chairman of CTBC Bank Co., Ltd. Chairman of CTBC Capital Corp. Chairman of CTBC Bank Corp. (USA) Director of Tokyo Star Bank, Limited Vice Chairman of Showa Denko HD TRACE Corp. Director of Straits Exchange Foundation	Director of CTBC Life Insurance Co., Ltd. Chairman of CTBC Venture Capital Co., Ltd. Chairman of CTBC Asset Management Co., Ltd. M.S. in Material Science, University of Rochester, U.S.A.	None				

Title	Name	Gender	Significant Experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors or other department heads	Audit Committee				Remuneration Committee				Risk Management Committee				Nomination Committee			
						Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee				
Director	Representative of Yi Chuan Investment Co., Ltd.: Thomas K.S. Chen	Male	CTBC Bank Corp. (USA) Chairman Secretary General of CTBC Financial Holding Co., Ltd. Department of Public Finance and Taxation, National Chengchi University	Director of CTBC Bank Co., Ltd. Chairman of CTBC Investment Co., Ltd. Chairman of CTBC Asset Management Co., Ltd. Director of Taipei Financial Center Corporation Chairman of Overseas Investment and Development Corp. Director of He Yeh Investment Co., Ltd. Managing Supervisor of ROC-USA Business Council Director of National Credit Card Center of R.O.C. Vice Chairman of CTBC Charity Foundation Director of Taipei International Community Cultural Foundation Director of CTBC Anti-drug Education Foundation	None	V	V (Convener)														
Independent Director	Chung-Yu Wang	Male	Chairman of China Steel Co., Ltd. Chairman of Tong Lung Metal Industry Co., Ltd. Chairman of Kaohsiung Rapid Transit Corporation Executive Director of Bank of Kaohsiung Independent Director, Chunghwa Telecom Co., Ltd. Director, China Development Asset Management Co., Ltd. Director-general, Taiwan Steel & Iron Industries Association Chairman, World Steel Association CEO, State-owned Enterprise Commission Chairman of Chinese International Economic Cooperation Association Director-general, ROC-USA Business Council Director-general, Chinese International Economic Cooperation Association Honorary Ph. D., Chung Yuan Christian University	Independent Director of CTBC Bank Co., Ltd. Director of CX Technology Corp. Chairman, Hsu Chih Consulting Co., Ltd. Director of General Biologicals Corporation Director, Chi Li Co., Ltd. Director-general, Chinese International Economic Cooperation Association	None	V	V (Convener)	V													

Title	Name	Gender	Significant Experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors or other department heads	Audit Committee				Remuneration Committee				Risk Management Committee				Nomination Committee			
						Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee				
Independent Director	Peter Tuen-Ho Yang	Male	President of Fu Jen Catholic University President of St. John's University Chairman, Wenzao Ursuline University of Languages Adjunct Associate Professor, Department of Law, National Taipei University Ph. D., in Law from the University of California, Berkeley Campus	Lawyer, Senior Consultant at GuoJu Law office Member of the Taipei Bar Association Supervisor, Shiquan Science & Technology Co., Ltd. Director, Jinwen University of Science and Technology Director, Changhua the Founding of the University of Science & Technology Director, WuFeng University Director, Taipei Jinou Girls High School Director, New Taipei City Yu-Tsai Bilingual Elementary School	Independent Director	Peter Tuen-Ho Yang	Male	None	V	V	V	V									
Independent Director	Wen-Chih Lee	Male	Dean of College of Management, National Kaohsiung University of Applied Science Director, Graduate Institute of Finance, Economics, and Business Decisions, National Kaohsiung University of Applied Sciences Professor & Chairman, Department of Accounting, National Kaohsiung University of Applied Sciences Member, Economic Development Bureau, Kaohsiung City Government Independent Director of Bank of Kaohsiung Ph. D., Accounting Department, College of Management, National Taiwan University	Independent Director, CTBC Financial Holding Co., Ltd. Independent Director of CTBC Bank Co., Ltd. Professor, National Kaohsiung University of Applied Sciences Department of Wealth and Taxation Management	Independent Director	Wen-Chih Lee	Male	None	V (Convener)	V	V	V									

Title	Name	Gender	Significant Experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors or other department heads	Audit Committee	Remuneration Committee	Risk Management Committee	Nomination Committee
Independent Director	Shih-Chieh Chang	Male	Independent Director, CTBC Life Insurance Co., Ltd. Commissioner, Financial Supervisory Commission, Taiwan, R.O.C. Ph. D., Dept. of Statistics in University of Wisconsin-Madison, USA	Independent Director, Taiwan Life Insurance Co., Ltd. Independent Director, TLG Insurance Co., Ltd. Professor, Department of Risk Management and Insurance of National Cheng-Chi University Advisory Committee Member, Risk Committee, Chunghwa Post Co., Ltd. Chairman, Risk Management Society of Taiwan, R.O.C. Consultant, Securities Investment Trust & Consulting Association of the R.O.C. Consultant, White Book on Financial Proposals, Taiwan Financial Services Roundtable	None	V	V (Convener)		

#### Functional Committees

 Audit Committee	Composed of Independent Directors. Convenes meetings at least once a quarter, and holds meetings whenever deemed necessary
• Fair representation of the company's financial report. • Appointment or dismissal of CPAs and evaluation of their independence and performance. • Effective implementation of the internal control system. • Adequacy of internal legal compliance procedure and plan. • Management of existing or latent risks. • Review of merger and acquisition.	
 Remuneration Committee	Shall be no less than 3 members, with at least 1 being an independent director. An independent director serves as the convener. Convenes at least 2 meetings annually
• Establish a system of evaluation and regularly review the performance of the directors and managers as well as remuneration policies, systems, standards, and structures. • Regularly assess and establish remunerations for the directors and managers.	
 Risk Management Committee	Members are appointed by the Board of Directors, and there should be no less than 3 members, with at least 1 being an independent director. Convenes meetings at least once a quarter, and holds meetings whenever deemed necessary
• The Committee was established for the purpose of helping the Board of Directors communicate, report, and offer suggestions to support the risk management practice of decision makers. Thus, the decisions made and leaders' supporting actions could exert a widespread influence on all employees and the organization.	
 Nomination Committee	Members are appointed by the Board of Directors, with at least 3 being directors and more than half of the Committee being independent directors. Convenes at least 2 meetings annually
• Define the background required of a director or supervisor (expertise, technical skills, experience, and gender) and independence criteria for seeking, assessing, and nominating director and supervisor candidates for the Company and subsidiaries. • Establish and develop an organizational structure for the board and committees of the Company and its subsidiaries, and evaluate board performance. • Devise and inspect director continuing education plans. • Formulate corporate governance practice for the Company. • Other matters to be conducted by the committees per board resolution.	

#### 2016 Board and Functional Committee Meetings

	Meetings Convened	Director/Committee Member Attendance
Board of Directors	26	93.23%
Audit Committee	25	91.58%
Risk Management Committee	9	91.67%
Remuneration Committee	12	98.33%
Nomination Committee	- (Note)	- (Note)

Note: Nomination Committee was established on December 23, 2016. No meetings were convened in 2016.

#### • Board Member Diversity Policy

To enhance the independence of the Board of Directors as well as the professionalism and diversity of the directors, CTBC actively recruits external directors to the Board; all board members are moreover of non-management backgrounds. In accordance with the law, board members are required to possess specialties in business, legal affairs, finance or accounting. The directors on the board of CTBC Holding also each possess business experience from the main subsidiaries to account for the expertise required in corporate governance; the "Operating Guidelines for Appointment of Directors and Supervisors for Subsidiaries" requires all board members of subsidiaries to be rigorously vetted on their professional ability based on the nature of the industry. The board composition of subsidiaries is also carefully balanced to strengthen the supervisory capabilities of the directors and supervisors.

The expertise, skills, and experiences of the board of directors must be enhanced to provide greater support for their decisions, given the increasingly complex management practices in the financial industry under an ever-changing economic environment. The composition of CTBC directors, based on the Rules for Director Election, takes into consideration the nature of the industry to seek outstanding talents of different backgrounds who are experienced in international affairs, have visions, and possess excellent leadership and communication skills.

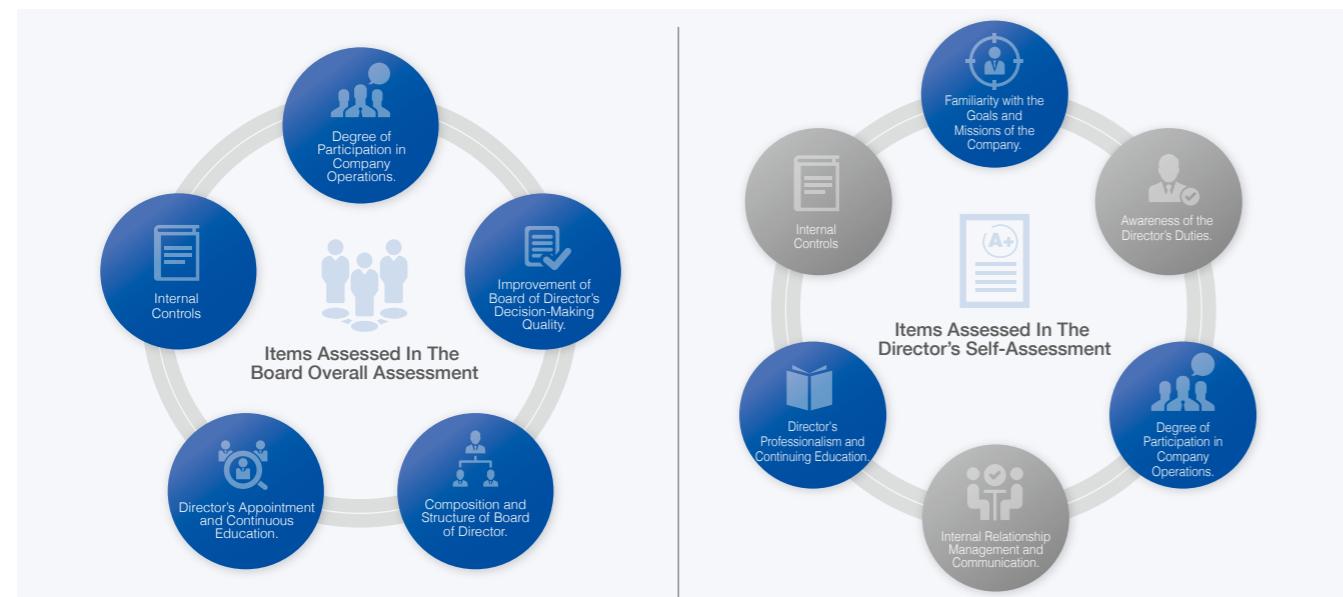
The 7 directors currently appointed possess a broad range of education and work experiences, at least 1 director possesses relevant business experience for each subsidiary. To implement gender equality, subsidiary Taiwan Lottery has appointed 2 female directors and CTBC Venture Capital has appointed 1 female director as board members. With regards to the proportion of female directors, the level of female involvement in decision-making will be increased in accordance with the principle of diversity in the future.

#### Diversification in Board Composition



#### Director Performance Assessment

To implement corporate governance and to improve board functions, CTBC defines performance goals to strengthen board efficiency and establishes board performance regulations that require board performance appraisals to be conducted in



December every year. The "CTBC Financial Holding Co., Ltd. and its Subsidiaries' Board of Directors Evaluation Measures" were revised in 2015 to not only evaluate the overall operations of the Board, but also require a self-assessment to be performed by each director. There are 5 levels in the assessment rating: Excellent, very good, good, acceptable, and improvement needed; the assessment results are reported to the Board of Directors where suggestions on areas require improvement can be proposed.

#### • Strengthening the Role and Efficacy of the Board of Directors

To enhance the managerial role of the board of directors, CTBC launched an electronic proposal system in 2012 into which is incorporated all preparatory works of a board meeting, and therefore decrease the need for manpower and printed materials, in the meantime enabling ease of control. The "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" requires that all directors undergo continuing education to understand the latest corporate governance and risk management practices. To help directors understand more about CTBC's business operations and hence make the right decisions for the company's overall business development, CTBC has arranged for directors to undergo regular training and field observation both local and abroad. This allows them to be better informed on financial trends that are happening around the world. Meanwhile, measures have been taken to insure shareholders against losses caused by directors' conducts. For details of directors' progress in their continuing education every year, please refer to CTBC website:[http://ir.ctbcholding.com/html/gov\\_practice.php#c2](http://ir.ctbcholding.com/html/gov_practice.php#c2).

#### • Ethical Corporate Management

To ensure ethical corporate management, CTBC has established the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Governance Best Practice Principles", "Code of Ethical Conduct", and "CSR Best Practice Principles" as a testament to the Company's commitment to ethical corporate management. The implementation status of ethical corporate management is reported to the Board of Directors every half year. Through educational training and campaign activities in coordination with corporate governance and internal audit measures, all employees are educated on the company's ethical corporate management policy, prevention plans, operating procedures, and consequences of unethical conducts.

When a new director or supervisor takes office, CTBC will provide education and training materials on ethical corporate management as well as ethical management training for all directors and supervisors as needed. CTBC summarizes reports of unethical conduct every 6 months and submits them to the board of directors. Relevant divisions review cases of unethical conduct and propose improvement measures in order to ensure effective ethical corporate management.

#### • Avoidance of Conflicting-Interest Agendas by Directors

According to CTBC's specification of Procedure for Board of Directors, directors are required to abstain from discussion and voting of agendas that pose a conflict of interest to themselves, to the corporate shareholders they represent, or in situations where directors consider it appropriate to do so. In addition, directors who have abstained themselves are not allowed to delegate voting rights to other directors. This requirement has been implemented in accordance with Article 206 of the Company Act. In the event of circumstances as specified in Article 8 of the specification of Procedure for Board of Directors: Major items require board discussion in accordance with the regulations of the competent authority shall be complied with by CTBC.

CTBC Board of Directors urges its directors to exercise a high degree of self-discipline. For any proposal of a board meeting where a director or any institution that the director represents is a stakeholder, key details of the conflict of interest should be described in the agenda, and the director should excuse him/herself from related discussion and voting processes.

## Sound Corporate Governance

CTBC oversees a total of 8 subsidiaries. For ease of management, CTBC has devised a set of subsidiary management regulations and is actively implementing the parent company's organization, policies and philosophies in each of its subsidiaries. Some of the universal rules implemented include: "Directors and Supervisors Remuneration Policy", "Policy for Subsidiary Governance". Meanwhile, the company participated in the "CG6008 Advanced Corporate Governance" assessment, during which an independent third party (Taiwan Corporate Governance Association) conducted a field inspection on how directors and the management have run the company, and assisted in determining whether the company's corporate governance practices were adequate to protect shareholders' interests. In 2013, CTBC Life passed the "CG6008 Corporate Governance for Life Insurance Companies" certification. CTBC, CTBC Bank and CTBC Securities were also subsequently awarded with the "CG6008 Advanced Corporate Governance" certification in 2014.

## Review and Revision of Internal Regulations

CTBC conducts annual reviews on its course of action over the previous year and devises more complete internal regulations and policies as required by the competent authority for the new fiscal year in the interest of pursuing more stable and sustainable growth.

In 2016, the board of directors passed the Nomination Committee Charter that provide the Nomination Committee a basis with which to define the criteria and qualifications of directors and supervisors. The Committee is assigned with the task of evaluating board performance and devising directors' continuing education plans. To facilitate the operation of the Nomination Committee, the "Operating Guidelines for Appointment of Directors and Supervisors for Subsidiaries" was developed to improve the supervisory and managerial capabilities of the board of directors. In addition, CTBC has also implemented the Donation and Sponsorship Management Policy, as well as the Responsibilities and Authorities of the Board of Directors, Chairperson and President to maintain the coherence of relevant procedures with actual operations.

## Remuneration Policy

### Director Remuneration

Directors' remuneration at CTBC is linked to individual contributions, corporate performance, and the risks exposed, and can be divided into a fixed monthly salary and a variable annual bonus. The Remuneration Committee consists of 3 independent directors who assist the board in assessing and supervising remuneration throughout the company, and in determining the level of remuneration paid to directors and senior executives. The committee also defines and implements corporate governance-related rules and policies that protect the interests of all shareholders.

Regarding business travel for directors, CTBC implements the Guidelines for Directors Claiming Business Travel Expenses to provide a basis for claiming expenses.

### Manager Remuneration Policy

Managers' talents and their abilities to plan and execute strategies are key to the company's performance. To align managers' personal goals with those of the company and the shareholders, CTBC has set managers' basic salaries that are commensurate with market competition, with additional incentives that vary according to the company's operations and managers' individual performance ; Generally speaking, variable incentives account for a higher portion of managers' total remuneration than their basic salaries. Incentives were designed to incorporate financial indicators as well as mid- and long-term reputation and social-related indicators (e.g., enhancing corporate social image and maintaining company reputation) into performance goals for encouraging managers to focus on the company's long-term goals and to deliver a win-win situation among the company, the employees, and the shareholders.

The company's remuneration to managers includes long-term incentives that are offered in the form of shares or stock appreciation rights. These incentives are not fully awarded in the year the earnings results are concluded. The values of these incentives are designed to correlate with share price movements so they share in the company's future business risks as well.

### Procedure for Deciding Remuneration

According to the "Management Remuneration Regulations" of CTBC and subsidiaries, the compensation structure of managers are based on market salary surveys as well as annual market competition analysis to ensure that their standard of remuneration are in line with market rates. In accordance with regulatory and actual operational requirements, the Board of Directors determines the remuneration for individual managers based on the remuneration scale stipulated in the "Management Remuneration Regulations". The Remuneration Committee also assists the board in assessing and supervising remuneration throughout the company as well as the defining and promoting of remuneration regulations and policies in order to protect the interests of shareholders. The distribution of company profits are submitted to the shareholders meeting for approval each year in accordance with the company charter.

### Directors' (Including Independent Directors), President's and Vice Presidents' Remuneration as a Percentage of After-Tax Profit

CTBC and all companies included in the consolidated statements paid remunerations totaling NTD926,565,000 to the directors, president and vice presidents of CTBC in 2016 (representing 3.32% of 2016 consolidated after-tax profit). Although the amount of remuneration paid in 2015 was 2.75% more than the NTD901,769,000 paid in 2015, the increased remuneration was largely due a difference in the higher execution price of stock appreciation rights and changes to the appointment of directors, president and vice presidents.

## Legal Compliance

CTBC has always paid close attention to trends in domestic and overseas industrial development and changes in financial policies, laws and regulations. We strictly abide by applicable laws and regulations as we actively develop and expand our business. As part of CTBC's legal compliance policy, we constantly create, update and revise internal rules to reflect newly enacted laws and regulations. Every department and subsidiary under CTBC is required to conduct compliance self-assessment every 6 months to ensure that all service activities comply with regulations.

### Employee Code of Conduct

The "CTBC Employee Code of Conduct" outlines the basic principles that regulate employees' conduct, including employment ethics, legal requirements, employee relations, gifts policy, protection of customer privacy, protection of intellectual property rights, anti-money laundering, prevention of discriminatory behavior, anti-bribery, avoiding conflicts of interest, and protection of the company's capital and reputation. The separation of business and execution units as well as monitoring by compliance and risk management units are also used by CTBC to ensure that sales discipline for financial products are followed to protect the interests of customers and reduce negative impacts on business reputation.

### Protection of Personal Privacy and Intellectual Property

To protect personal information, CTBC has established a set of internal procedures including "Personal Data Management Policy", "Personal File Security Policy", and "Confidentiality Policy for Customer Information". CTBC has also retained professional consultants to assist with the planning and execution of personal information protection measures throughout the Group. Personal information protection operations have been carried out each year to ensure the legitimate gathering and use of personal information from customers and employees.

To ensure legitimate use of intellectual property rights, CTBC requires all units to inspect their software licenses every 6 months. Usage of documents or software that belong to others must be legally authorized and cleared of all infringements before proceeding.



Compliance

- The "CTBC Financial Holding Legal Compliance Officer Policy" was implemented in 2010 to serve as a guideline through which subsidiaries may develop their own compliance systems. In 2014, the policy was renamed "CTBC Financial Holding Compliance Policy" with adjustments made to the provisions governing internal regulations.
- In 2016, CTBC subsidiary established the "CTBC Bank Compliance Committee" and defined the "Rules Governing the Establishment of the CTBC Bank Compliance Committee". In 2017, the CTBC Financial Holding Compliance Policy is amended to conform with the latest amendment of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in order to strengthen the systems.
- The Group Legal Compliance Officer reports to the board of directors and Audit Committee every 6 months on the execution of compliance-related affairs, thereby keeping the board and senior managers up to date on how the group has complied with laws and regulations.



Internal and External Compliance Guidelines

- Every department under CTBC has been directed to comply with external regulations in all aspects of operations. If necessary, the Group Compliance units will also assist each department in setting up internal policies.
- Should a violation occur, the legal compliance unit will supervise to make sure that the violation has been investigated and improved upon. Any fraudulent activities and major flaws are reported to the board of directors, thus keeping them timely informed to make proper decisions.



Compliance Rating System

- CTBC conducts regulatory compliance self-assessments every 6 months to determine whether violations have been committed and improved upon in any part of the group.
- To ensure effective execution of the regulatory compliance policy, CTBC and its banking and insurance subsidiaries have in accordance with the law implemented a rating system that each of the compliance units uses to evaluate the degree of compliance within the organization. In addition, other subsidiaries have started implementing compliance assessment systems in 2017 in order to raise compliance awareness within the Group and to make compliance one of the key elements of the corporate culture.
- Deficiencies identified by CTBC and its subsidiaries through legal compliance self-assessment operations in 2016 have all since been corrected through process improvements and/or increased awareness.



Training and Communication

- CTBC has implemented a system that enables communication, consultation and coordination of regulatory affairs between departments and subsidiaries. Each compliance unit constantly provides regulatory updates and changes to its regulatory compliance officers. Training sessions, conferences and forums are also regularly held to highlight important laws and regulations.
- In 2016, compliance officers at the company and its subsidiaries all completed 3 hours of training during the first half and the second half of the year.
- Regular meetings are held with subsidiaries' regulatory compliance officers to convey the company's main policies and systems. The meetings are used for the coordination, exchange and sharing of experiences to ensure consistency throughout the group.



Establishment of Rotation and Reporting Mechanisms

- CTBC has established a job rotation procedure for managing training as well as eliminating incompetency, idleness and corruption. In addition, the business units have established job rotation procedures for branch staff, and will keep records of job rotations in branches and conduct regular reviews.

#### Anti-Money Laundering and Counter Terrorism Financing Policy

CTBC has established the "CTBC Financial Holding Anti-Money Laundering and Counter Terrorism Financing Policy" and the "CTBC Bank Global Anti-Money Laundering and Counter Terrorism Financing Policy". Based on these policies, the "CTBC Bank Anti-Money Laundering and Counter Terrorism Financing Committee" (hereinafter referred to as the "Committee") was established and the "Rules Governing the Establishment of the CTBC Bank Anti-Money Laundering and Counter Terrorism Financing Committee" were formulated to effectively control and prevent risks from money-laundering and terrorism financing.

#### CTBC Bank Anti-Money Laundering and Counter Terrorism Financing Committee



Chairperson



Committee Members



Attendees



Others

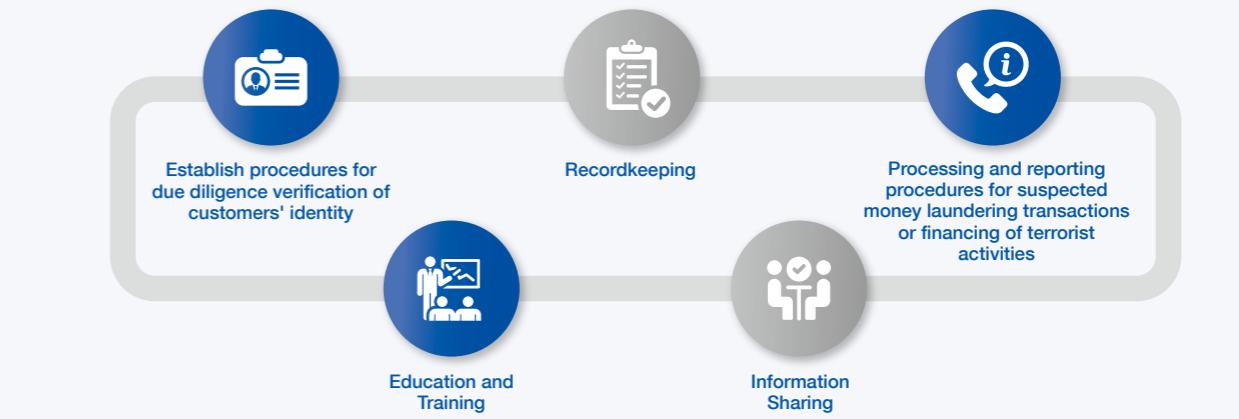
The Committee shall be chaired by the president or representative authorized by the president. The chairperson shall appoint other committee members to act on behalf of him/her when he/she is unable to convene or chair a meeting due to leave of absence or any other reason.

The Committee Members shall comprise the CEO of each business unit, chief strategy officer, chief risk officer, the head of the Company's Group information unit, the head of the Company's Group business information unit, the head of each business operation unit, the head of each business sales unit, the International Management Office, the head of each regional sales unit, top leader of the legal unit, top leader of the compliance unit, the Company's Group Compliance Officer, the head responsible for anti-money laundering, and personnel appointed by the chairperson.

The General Auditor and representatives submitting proposals in the meeting. The Committee chairperson and members may, based on the content of the agenda, advise specific personnel to attend the meeting.

The procedural unit of the Committee is the Anti-Money Laundering Department (II), which is responsible for issuing convening notices, collecting meeting proposals and managing meeting agenda, handling meeting-related support operations, assisting with reporting procedures, producing and distributing meeting minutes, and coordinating pending actions and managing other items of operation.

#### Anti-Money Laundering and Counter Terrorism Processes



#### Insider Trading Prevention Policy

In 2015, CTBC established its "Insider Trading Prevention Policy" which stated that, upon gaining confirmed material information that is capable of influencing a company's share prices or solvency, the information holder—whether board members, managers, employees or other insider of the company, shall be prohibited to trade in related listed or over-the-counter securities, other equity-type securities, or corporate bonds up to 18 hours before and after the publication of the information. The Guidelines for Management of Insider Trading Prevention and Reporting Procedures and Trading Suspension were established in 2016. This is to prevent potential conflicts of interests at the company and to prohibit employees from violating fiduciary duty or engaging in unethical behavior.

#### Establishing Communication Platform and Whistleblowing System for Stakeholders

CTBC values the interests and rights of its related parties and has for this reason set up a stakeholder page on the company website. Through proper communication, CTBC aims to understand the expectations and needs of its stakeholders in order to provide appropriate responses to CSR topics of their concern. The stakeholder page is also the whistleblowing channel. In addition, an internal report mechanism was established. Any unethical or illegal behavior by employees can be reported to the management through the employee complaints hotline, mailbox, or in writing.

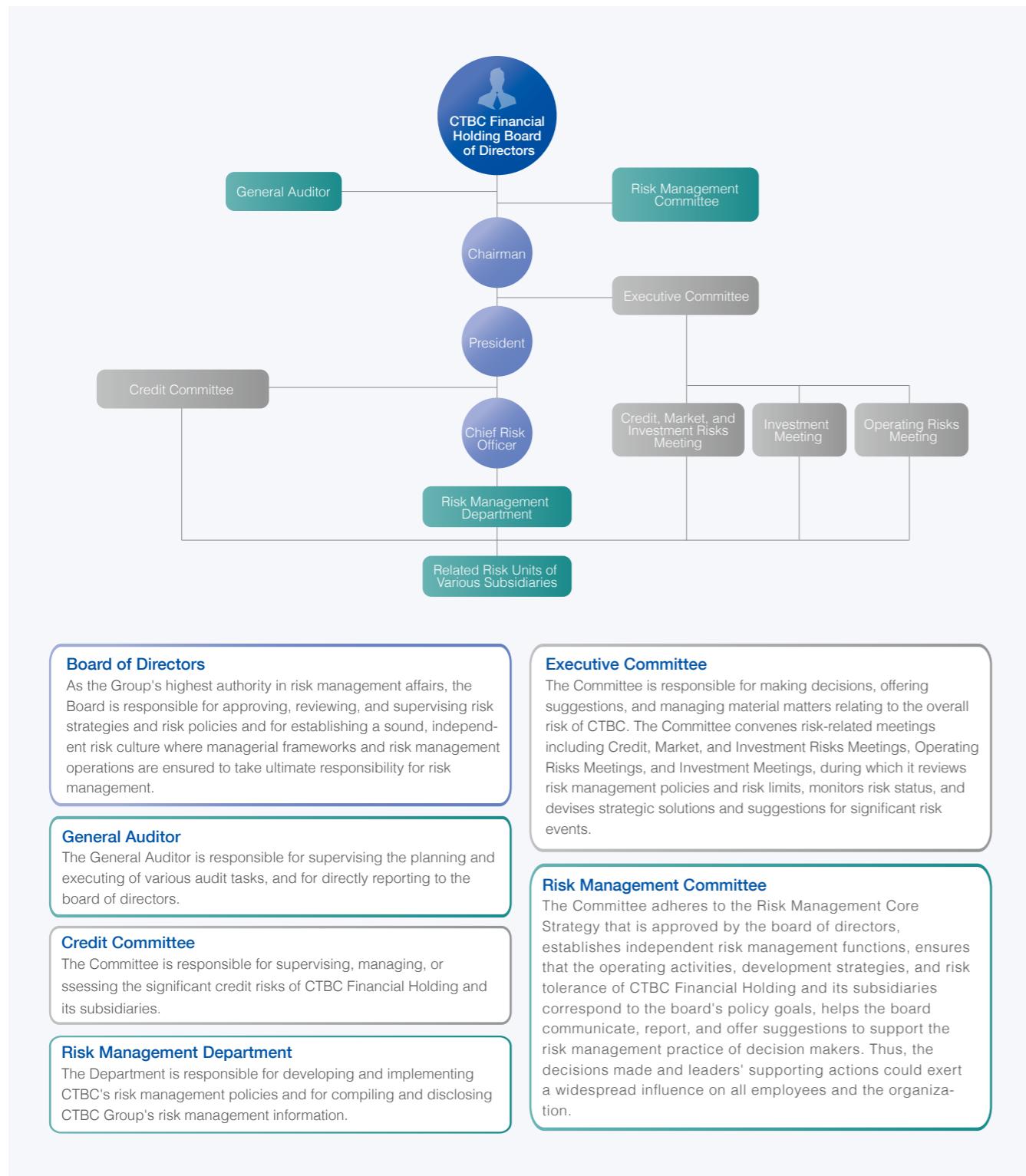
## Penalties Imposed on CTBC and its Subsidiaries by the Competent Authority and Improvement Measures Taken in 2016

Item	Content	Penalties	Improvement		
I	<p>1.Taiwan Life invested in shares of foreign exchange listed companies and entered into share price guarantee agreements with two other institutional shareholders of its subsidiaries. It is deemed that the counterparties in the agreements do not meet the conditions under Article 146, Paragraph 8 of the Regulations Governing Derivatives Transactions Conducted by Insurance Companies.</p> <p>2.Certain terms in Taiwan Life's investment projects were not reported to the board of directors, and the fact hindered the board's decision making process and might threaten the soundness of the company's business practices.</p> <p>3.Taiwan Life invested in offshore exchange-traded notes (ETN) that contained non-principal protected structured products with maturities exceeding 10 years. This is deemed a violation of Article 11 of the Regulations Governing Derivatives Transactions Conducted by Insurance Companies.</p> <p>4.Taiwan Life failed to request policy holders for financial disclosure statements when processing financial underwriting operations. Improvement has not been made as stated in the previous letter. There exists a relatively large short term differences between the annual income proposed and the figures reported in the agent's solicitation reports. Failure to implement verification mechanisms was identified. This is a violation of Article 7, Paragraph 1, Subparagraph 3, Item 2, Subparagraph 4, Subparagraph 8, Item 6 and Article 17 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises, which was established in accordance with Article 148-3, Paragraph 2 of the Insurance Act.</p> <p>5.Taiwan Life used inappropriate sales pitches when selling policies over the telephone, and regarding product comparison and customers' requests for more information, failed to provide accurate information, which was a violation of the Letter Financial-Supervisory-Insurance-III No. 09702549510 dated November 6, 2008 and Article 6, Paragraph 1, Subparagraphs 3 and 9 and Article 17 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises.</p> <p>6.Taiwan Life did not implement regular checks and second notifications for payments payable but unpaid to policyholders. When policyholders collected other installments, Taiwan Life failed to inform the policyholders of uncollected previous installments. The practice did not contribute to protection of consumer rights and might threaten the soundness of the company's business practices.</p> <p>7.Some policyholders of Taiwan Life unit-linked insurance policies who were classified as "conservative" were found to have "aggressive" investment products in their portfolios, which was a violation of the company's internal guidelines. This is a violation of Article 6 of the Terms and Conditions for the Sales of Investment-oriented Insurance Products and Article 6, Paragraph 1, Subparagraph 6, Item 4, Subparagraph 8, Item 8 and Article 17 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises.</p> <p>8.As part of its medium term lending operations, Taiwan Life was found to follow certain inappropriate practices in its decision making process and have failed to follow effectively the credit evaluation procedure. This is a violation of Article 19, Paragraph 1, Subparagraph 2, Item 2 of the Guidelines for Credit Evaluation, Loan Approval, and Review for Lending Insurers and Article 5, Paragraph 1, Subparagraph 12 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, which was established in accordance with Article 148-3, Paragraph 1 of the Insurance Act.</p> <p>9.The policy provisions of Taiwan Life insurance products failed to display clearly disclosures and warnings. This was deemed a violation of the MOF Letter Tai-Cai-Bao No. 841484673 dated March 22, 1995 regarding Item 1, Sub item 4 of the Supplementary Guidelines on Disclosure of Dividend and Non-dividend Paying Life Insurance Policies. It might threaten the soundness of the company's business practices.</p> <p>10.The control procedures in the Taiwan Life policy administration processes failed to contain satisfactory details in accordance with the FSC Letter Jin-Guan-Bao-Shou No. 10302549351 dated October 6, 2014. This is a violation of Article 5, Paragraph 1, Subparagraph 2 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises.</p> <p>11.The information disclosure in Taiwan Life unit-linked insurance products failed to contain all the details required by law. This is deemed a violation of Item 10, Sub item 2, Item 11, Sub item 2, and Item 18, Sub item 2 of the Compliance Matters for Disclosure of Information on Investment-linked Insurance and the FSC Letter Jin-Guan-Bao-Shou No. 10202082000 dated October 29, 2013.</p> <p>12.When managing segregated accounts for interest rate sensitive products, Taiwan Life failed to use reasonable market value transfer pricing and returns on assets to calculate reasonable allocation of direct business management expenses. This is a violation of Article 5 of the Important Information for Life Insurers Offering Interest Rate Sensitive Insurance Products. It might threaten the soundness of the company's business practices.</p> <p>13.The internal audit reports produced by Taiwan Life after conducting internal audits failed to disclose all evaluation items required by law. This is a violation of Article 19, Paragraph 1 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises.</p> <p>Taiwan Life and CTBC Life Insurance collectively submitted an application to use the real estate on the vacant land at Land No. 15 on Jingmao Rd., Nangang Dist., Taipei City. Investigation showed that such application violated the Insurance Act.</p>	NTD4.8 Million	<p>1.Investment projects that include special provisions or require separate agreements will not be considered in the future.</p> <p>2.The terms have been approved by the board of directors, and the operating procedures and verification mechanisms have been amended accordingly.</p> <p>3.Taiwan Life has sold all ETNs in its portfolio, and more attention will be paid to the legality assessment in the assessment documents.</p> <p>4.In compliance with regulatory requirements, we have examined the integrity of financial underwriting settings and control and added special financial underwriting procedures for new individual policies.</p> <p>5.Sales pitches have been submitted to the compliance department for review, and the incident was included in the QC list for point deductions and disciplinary actions. The point deduction rules for related pitches have also been reviewed.</p> <p>6.The unit-linked policyholder profile questionnaire has been modified. An internal memo has been released to announce the launch and settings of the system control mechanisms.</p> <p>7.Regular checks and second notifications have been implemented and the systems have been inspected thoroughly.</p> <p>8.All policy provisions have been reviewed and modified accordingly.</p> <p>9.(1)All unit-linked products have been checked, and the prospectuses now contain the appropriate information.</p> <p>(2)The accuracy of all warnings regarding the funds has been verified.</p> <p>10.The system programs have been changed in compliance with the regulatory requirements.</p> <p>11.Administrative risk management mechanisms have been implemented, and the processes have been inspected and the inspection records filed accordingly.</p> <p>12.The Loans Review Committee has been created to conduct independent loan application reviews. The internal processes and regulations have been reviewed, and the details of the plans mentioned have been examined carefully.</p> <p>13.(1)The audit office has adopted and implemented the Financial Examination Bureau opinions with respect to the scope of the audit project. The fact was disclosed in the internal audit report produced under the Regulation and Management of Financial Consumer Protection Program in 2015.</p> <p>(2)The Taiwan Life internal audit reports are prepared in a clear, concise and constructive manner. Audits are performed by operation type in order to ensure efficient use of auditors. Items deemed to be not in the disclosure were actually included in the background information for the reports. The audit office has listed the items in the disclosure checklist in 2016 in order to ensure a full disclosure.</p>	<p>1.Taiwan Life was found to have incurred expense losses on commissions and bonuses paid on Taiwan Life Chao Ju Li Interest Rate Sensitive Insurance. This is a violation of Article 5, Paragraph 1, Subparagraph 1 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, which was established in accordance with Article 148-3, Paragraph 1 of the Insurance Act.</p> <p>2.Account classification for foreign currency bonds in Taiwan Life's investment portfolio was found less than reasonable, and the scope of market risk monitoring did not include bonds without an active market. This is deemed a violation of Article 5, Paragraph 1, Subparagraph 8 of the Regulations Governing Implementation, which was established in accordance with Article 148-3, and Paragraph 1 of the Insurance Act.</p> <p>3.The indicator of return deviation for Taiwan Life interest rate sensitive policies and the failure of including some of the expenses were a violation of Article 149, Paragraph 1 of the Insurance Act.</p> <p>4.Promotional literature for Taiwan Life non-dividend paying policies failed to display warnings in clearly visible fonts. It might threaten the soundness of the company's business practices.</p> <p>5.Taiwan Life's practices regarding stop-loss management for securities and reasonable price determination were deemed a violation of Article 5, Paragraph 1, Subparagraph 4 and Article 7, Subparagraph 5 of the Regulations Governing Implementation, which was established in accordance with Article 148-3, Paragraph 1 of the Insurance Act.</p> <p>6.Taiwan Life's practices regarding verification of change of policyholder's address or billing address were deemed a violation of the FSC Letter Jin-Guan-Bao-Shou No. 10302549351 dated October 6, 2014 and Article 5, Paragraph 1, Subparagraph 2 of the Regulations Governing Implementation, which was established in accordance with Article 148-3, Paragraph 1 of the Insurance Act.</p> <p>7.Taiwan Life failed to keep records of stakeholders. This was deemed a violation of Article 4, Article 5, Article 7 and Article 9 of the Regulations Governing Implementation, which was established in accordance with Article 148-3, Paragraph 5 of the Insurance Act.</p>	NTD3 Million
II		NTD1.8 Million	<p>The OBU account opening procedures and review of customer financial information violated Article 45-1, Paragraph 1 of the Banking Act and posed risks of unsound business practice.</p> <ul style="list-style-type: none"> <li>Failure to properly establish or execute OBU account opening control procedures.</li> <li>Advised customers to appoint an overseas legal person and recommended agents to customers. Failure to establish a mechanism for verifying the authenticity of the information provided by overseas legal persons.</li> <li>Failure to properly establish a procedure to review the financial information submitted by customers.</li> <li>Assisted customers in compiling their financial information. Approved the loan limit without properly evaluating customer's financial information and verifying the authenticity of customer's information.</li> </ul> <p>CTBC Bank was commissioned by Bai Chi Gan Tou Digital Entertainment Company to engage in the public acquisition of ordinary shares in XPEC Entertainment. CTBC Bank did not comply with the CTBC Bank Know Your Customer Policy, and this policy did not establish customer identification procedures for customers who are obligated to settle their payments. In addition, CTBC Bank did not formulate an internal control operating procedure for handling matters relating to acquisitions. A lack of such operating procedure is deemed as a deficiency in the company's internal control.</p> <p>Serving as the financial consultant for Bai Chi Gan Tou Digital Entertainment Company to assist in the acquisition of XPEC Entertainment, CTBC Securities did not confirm the customer's identity and verify the actual beneficiary, thus violating Article 2, Paragraph 2 of the Regulations Governing Securities Firms. In accordance with Article 66, Paragraph 3 of the Securities Exchange Act, the FSC requested CTBC Securities to suspend its financial planning and advisory businesses for 3 months, beginning from October 1, 2016 to December 31, 2016.</p>	NTD3 Million	
III				<p>1.The distribution channels are monitored closely. Taiwan Life products are no longer sold through the channels incurring major expense losses.</p> <p>2.The criteria for an active market have been completed, and bonds without an active market have been included in the scope of stop-loss notifications. All market risk values associated with offshore positions are included in the market risk value report.</p> <p>3.The formula used to calculate returns was modified in October 2015. Assessments and discussions regarding products with deviations in returns and declared interest rates were conducted in meetings. The company started deducting the custodian fees from the calculation of returns on assets for the segregated accounts in August 2015.</p> <p>4.The flyers have been changed accordingly.</p> <p>5.(1)Different levels of authorization have been established by loss ratio.</p> <p>(2)Domestic bonds and foreign exchange derivatives have been included in the reasonable price determination.</p> <p>(3)Investment instruments exempted from stop-loss or stop-limit mechanisms are monitored when they are part of the portfolio.</p> <p>(4)For offshore bonds without open market prices, prices will be checked against quotations provided by the counterparties or price evaluation produced by the Risk Management Division.</p> <p>6.The functionality and scope of verification have been strengthened, and customers' real intention will be verified.</p> <p>7.Stakeholder records have been created. Stakeholders will be required to complete personal information agreements and JCIC credit check agreements when the board is reshuffled again.</p> <ul style="list-style-type: none"> <li>We have newly formulated and revised new account opening forms, checklists, and operational guidelines.</li> <li>We have amended related operating guidelines.</li> <li>Relevant regulations are previously prescribed in CTBC Employee Code of Conduct. We have therefore held training and campaigns to reinforce the awareness of the Institutional Banking Unit.</li> <li>Relevant guidelines have been amended regarding improvement matters that are specified in the statement.</li> </ul> <p>The internal control system is enhanced in accordance with the acquisition-related external regulations that were amended in November 2016.</p> <p>The competent authority has amended acquisition-related regulations on November 18, 2016. In response to such amendment, the Investment Banking Department has proposed measures to reinforce its internal control system and internal auditing system. These measures were approved in the board meeting held on December 23, 2016 and were submitted to the Securities and Futures Bureau.</p>	

Note: This table provides disclosure on penalties in excess of NTD1 million. For full information please visit the annual report section of the CTBC Financial Holding website: [www.ctbcholding.com](http://www.ctbcholding.com).

## Risk Control and Management

CTBC's objective in terms of risk management is not to eliminate risks completely, but to achieve an optimal balance between risk and return by using active risk management techniques so that resources are allocated efficiently to create core competencies leading to capital appreciation and shareholder return.



## Risk Management Framework

CTBC integrates risk management practices. Its organizational profile is composed of the board of directors, General Auditor, Executive Committee, Credit Approval Committee, and Risk Management Department.

### Risk Management Core Strategy

The "Risk Management Core Strategy" is a set of top-level guidelines on risk management procedures for formulating risk management units and responsibilities, implementing risk identification, measuring, monitoring, reporting and disclosure. Each subsidiary then defines their own risk management policies and regulations based on the nature of their own business operations, risk characteristics and management requirements in accordance with the governance directions stipulated in the strategy.

Risks exist in a variety of forms in transactions we make, products we offer, and daily tasks we perform. Main risks that are common to all companies within CTBC can be categorized by business characteristics and risk attributes as: credit risks, financial market risks, liquidity risks, operational risks, and country risks. Risk management policies are formulated for all major risks as the highest guiding principle, with content covering management goals, organizational structure, duties and authorities, and risk management procedures, so as to effectively identify, measure, and control various risks and to implement risk management measures.

### Internal Control System

To ensure proper implementation of internal controls and operating procedures, CTBC requires all units to review internal policies and identifies discrepancies with external regulations to avoid operational risks and violations. CTBC also requires all units to conduct self-assessment on aspects of management supervision and control culture, risk identification, control activities and segregation of duties, information, communication, supervisory activities, and corrective measures.

CTBC continues to implement the culture of 3 lines of defense to ensure the effectiveness of design and operation for internal control system. When conducting business activities, the business units and support units at the first line of defense will ensure compliance with risk management guidelines and enforce risk control practice on a daily basis. The second line of defense consists of business management units such as the compliance and risk management units, and is responsible for planning the risk management system as well as the compliance system, and monitoring the implementation of first line of defense. The third line of defense is the internal audit unit, which is responsible for independent assurance and evaluation of internal controls.

### Internal Audit System

In order to assist the board of directors and management to ensure the effectiveness of internal control, CTBC Holding establishes the general auditor system and sets up the internal audit unit that is directly subsidiary to the board of directors in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". The internal audit unit manages all audit activities in an independent and objective manner, and provides appropriate suggestions for improvement to ensure the effectiveness of internal control system. The internal audit unit shall conduct a full-scope audit on CTBC Holding at least annually, and limited-scope audits on its and all its subsidiaries' finance, risk management, and compliance with applicable acts and regulations at least semi annually.

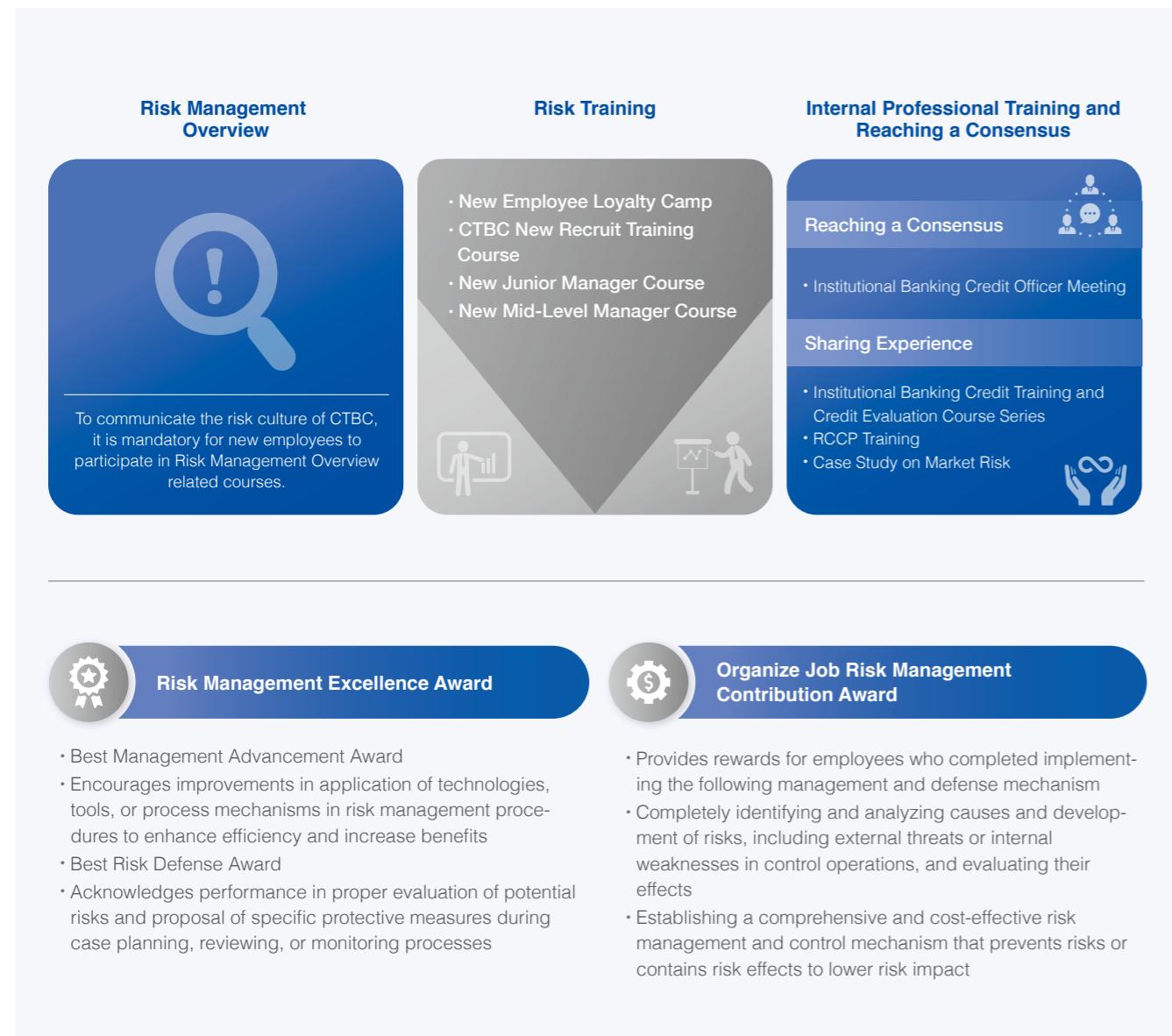
### Creating a Risk Culture

Risk culture is a crucial foundation on which risk management is implemented and is also the principle and core belief shared within CTBC. Training programs are provided to comprehend risk management concepts in daily risk decisions, and

risk management is included in employees' performance appraisal. At the same time, we encourage employees to take actions in identifying potential risks, which can be subjected to risk identification, assessment, measurement, and monitoring procedures through management tools such as risk and control self assessment (RCSA) and key risk indicators (KRI). When discovered the results are presented to the head of operations and are regularly submitted to upper management and the board of directors. Risk units also compile all types of events and summarize them into instructional materials that serve to warn employees of such events. These materials are shared among all units during internal meetings to prevent recurrence of such events.

To raise employees' risk awareness, CTBC distributes Operational Risk Management Contribution Awards and Risk Management Excellence Awards each year as a means of encouraging each unit to submit proposals. Rewards or incentives from department heads are awarded. The competitions are promoted to each unit through EDM and various types of games are planned to encourage full participation, thereby elevating the risk awareness of all CTBC Bank employees.

#### Risk Award and Training Program



#### Risk Training

			2014	2015	2016	2017 Goals	Main Training Content/Courses
Hosted by Songbo Foundation	New Recruits	Number of Trainees	2,000 individuals	1,901 individuals	1,588 individuals		
		Number of Trainees that Completed Training	1,763 individuals	1,751 individuals	1,487 individuals	1,210 individuals	1. New Employee Loyalty Camp: Banking Risk Management 2. CTBC New Recruit Training Course: Banking Risk Management Overview
		Coverage	88.15%	92.21%	93.64%		
		Total Hours	1,328.5 hours	1,257.5 hours	955 hours		
Newly Appointed Managers	Newly Appointed Managers	Number of Trainees	26 individuals	38 individuals	161 individuals		
		Number of Trainees that Completed Training	25 individuals	35 individuals	154 individuals	142 individuals	1. New Junior Manager Course: How to Properly Manage Risks 2. New Mid-level Manager Course: Development and Challenges of Risk Management
		Coverage	96.15%	92.11%	95.65%		
		Total Hours	37.5 hours	52.5 hours	231 hours		
Course for Each Business Unit (including improvement training/expatriate staff)	General Staff	Number of Classes	45 classes	65 classes	51 classes		
		Number of Trainees	512 individuals	701 individuals	469 individuals	-	General Education Course on Risks A Day as Chief Risk Officer
		Total Hours	5,438 hours	4,641 hours	2,578 hours		

Note: Coverage=Number of trainees that completed training/total number of trainees

#### Emerging Risks

CTBC is fully aware of the diversity of risks in the market. As the overall environment changes, numerous new emerging risks are generated. To identify such risks, CTBC adopts risk identification mechanisms to identify emerging risks every year and evaluate their potential impacts. Furthermore, CTBC devises relevant risk mitigation measures or risk response strategies.

## Emerging Risks

Risk Factor	Description	Impact or Influence on Business Operation	Mitigation Measures/Response Strategies
 Network Security and Information Security Risks	DDoS (Distributed Denial of Service attack) terminates the Company's Internet connection, influencing various operating procedures.	Such attacks will negatively influence the Bank's normal operations and connection systems, which in turn influence service delivery, thereby exerting a material impact on financial operations and corporate reputation.	<ol style="list-style-type: none"> <li>1. Working with ISPs to develop DDoS protection capability.</li> <li>2. Developing DDoS monitoring and network filtering mechanisms.</li> <li>3. Strengthening social interaction project drills and information security training programs.</li> </ol>
 Risks of Money Laundering and Terrorism	The transactions, products, or services provided by the Company or its subsidiaries are used as a tool or medium for money laundering or financing terrorist attacks so as to obtain illegal funds, commit criminal offense, and engage in other illicit or improper transactions.	If the transactions, products, or services provided by the Company or its subsidiaries are used as a tool or medium for money laundering or financing terrorist attacks to obtain illegal funds, commit criminal offense, and engage in other illicit or improper transactions, the Company will be exposed to reputation risks or the risk of being penalized by international organizations, which negatively influence investors' willingness to invest in CTBC, thereby influencing the company's operations.	<ol style="list-style-type: none"> <li>1. Regulation: We have developed the "Anti-Money Laundering and Combating Terrorism Financing Policy" and ensured that our internal regulations comply with domestic and foreign laws, regulations, and the guidelines or requirements of relevant competent authorities and/or international institutions.</li> <li>2. Mechanism: Significant regulatory compliance defects regarding anti-money laundering and countering terrorism are demanded to immediately report to the board of directors of both the financial holding and subsidiary company. In addition, immediate remedial measures must be taken and immediate response to the demands of domestic or foreign competent authorities must be made regarding significant defects related to anti-money laundering and countering terrorism.</li> <li>3. Organization: We have setup a "CTBC Bank Anti-Money Laundering and Counter Terrorism Financing Committee" as well as a dedicated anti-money laundering unit to verify the effective compliance of anti-money laundering and counter terrorism financing policies.</li> <li>4. System: Our subsidiaries have established anti-money laundering systems or adopted necessary control measures.</li> <li>5. Training programs: We regularly or occasionally hold or assign participants to engage in on-the-job training (at institutions recognized by the competent authority) for the prevention of money laundering or combating terrorism financing in accordance with business requirements or related laws and regulations to enhance the awareness of prevention of money laundering and combating terrorism financing of related personnel and ensure the effective implementation of related work procedures and internal control institutions.</li> </ol>
 Reputation Risk	Effect of online opinions or negative or incorrect news media reports.	Business conducts not conforming to CTBC stakeholders' expectations will influence CTBC's corporate image and severely impact people's trust in the Company or the Company's business operations.	<ol style="list-style-type: none"> <li>1. Monitoring opinions on a daily basis.</li> <li>2. We proactively issue statements or press release of material issues in a timely manner to provide clarifications to the general public.</li> <li>3. We have established the CTBC Financial Holding Co., Ltd. Announcement Guidelines and setup a single contact window for news release to ensure that the announcements made by the Company and subsidiaries to external parties are consistent.</li> <li>4. We have developed the CTBC Financial Holding Co., Ltd. Crisis Management Policy and established a crisis management team that adopts effective countermeasures to eliminate crises in the shortest time possible and minimize the risks posed to the Company.</li> </ol>

## Information Disclosure

CTBC has invariably pursued transparent and ethical corporate governance by developing implementation guidelines for information disclosure and disclosing financial information and board resolutions on the company's website. The Company also communicates an overview of its operations to domestic and foreign investors through investor conferences. CTBC publishes CSR reports every year to inform our stakeholders of our CSR practices and performance. To address different stakeholders, we have set up a Stakeholder page, thereby providing an effective communication platform for various types of stakeholders.



## Conclusion

2016 is CTBC's 50th birthday. We will stay committed to achieving sustainable development, persist in implementing and refining corporate governance, and continue protecting stakeholders' interests. In the future, we will continue to explore growth on top of sound business operations. The company will capture new markets and new businesses in Asia and the rest of the world by building an international financial brand that employees, shareholders, customers and the global Chinese population can all be proud of.



## CUSTOMER SERVICE

The prevalence of FinTech applications has freed behavioral models from temporal and spatial limitations through innovative technologies, thereby generating new modes of behaviors that have never been previously observed. With the aim to provide financial services that better meet customer needs, as well as well-thought out, real-time, fast and secure services that customers can appreciate, CTBC adopts innovative technological applications and thinks from customers' perspectives so as to comprehensively develop a safe, convenient banking environment in the all-new era of digital banking.

CTBC forged a customer-centric digital finance roadmap based around the 3 aspects of "Innovative Lifestyle Payment", "Digital Experience Branch", and "Community Financial Center", introducing not only innovative solutions (e.g., mobile payment, online insurance, online loan application and online share trading solutions), but also the first App launched in the financial industry that offers barcode/Bluetooth credit card payment functions and provides user convenience in all aspects of everyday life. In addition to improving and expanding dual-platform services that offer mobile and online payment, CTBC also launched the iPayment App, which allows customers to pay their tuition fees and home-related expenses and provides lifestyle information. Customers are thus able to fulfill their daily banking needs anywhere and anytime through their mobile phones, online, or at convenience stores.

CTBC is also aware of the potential issues that may be incurred by developments in digital financing. To protect customers' privacy and rights, we continue to strengthen information security control by not only setting up a Corporate Information Security Committee but also continuously arranging training programs to improve the professionalism of and educate employees on new knowledge on information security threats. CTBC also adjusts its online malicious activity rules in real time so as to respond to the increasing threats to international information security and to comprehensively protect customer information.

CTBC upholds the service-oriented nature of the finance industry in developing innovative services as a means of social contribution and for this reasons provides a complete range of online payment services to fulfill the dreams of micro-entrepreneurs. CTBC developed the third-party payment platform which offers a wide range of services including credit card payment, connection to bank account, ATM transfer, as well as electronic account payment and collection. Our "cash management" platform helps to mitigate buyers' doubts over the security of online transactions, thereby helping business owners complete payment services and supporting the businesses of Taiwan's micro-entrepreneurs.



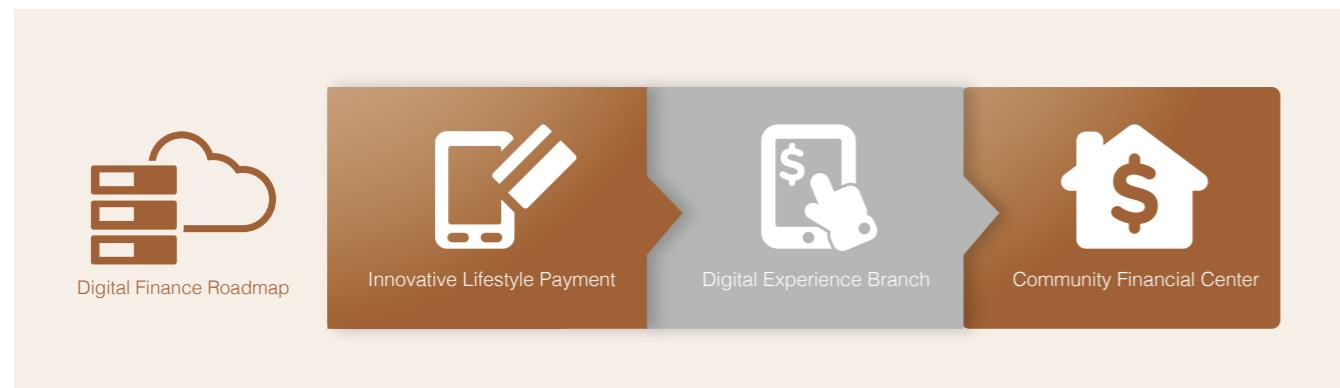
Uphold our core values of "Caring, Professional, and Trustworthy", CTBC forged a customer-centric digital finance roadmap based around the three aspects of "Innovative Lifestyle Payment", "Digital Experience Branch", and "Community Financial" to fulfill their daily banking needs anywhere and anytime through their mobile phones, online, or at convenience stores.

CTBC is committed to its brand value, we are family, and for this reason continues to offer public welfare group credit cards. In 2016, CTBC issued the CTBC Paperwindmill Credit Card. As of the end of 2016, 310,000 public welfare group credit cards have been issued, producing approximately NTD 30 million in charity rebates. We hope to combine the powers of our card holders and continue giving back to society.

### Digital Finance

CTBC is also actively expanding the scope of our digital finance services in keeping with progressive government deregulation. Mobile device apps, payment management platforms and 24-hour ATM services have been integrated to forge a customer-centric digital finance roadmap based around the three aspects of "Innovative Lifestyle Payment", "Digital Experience Branch", and "Community Financial Center". Customers can now meet their everyday financial needs through the use of mobile phones, the Internet, and convenience stores at any place and time.

The continuous development of a convenient, digital banking environment and our efforts in providing customers with better, faster services have spurred the constant increase of online transactions. In 2016, 95% of all CTBC banking transactions were made through automated channels. In the future, CTBC will persist in creating a digital banking environment in which customers can manage their finances with convenience and security.



### Innovative Lifestyle Payment

To help customers satisfy their finance requirements more quickly and conveniently, CTBC strives to think outside the box and has developed numerous innovative lifestyle payment methods. Be it investment, wealth management or insurance and claims, a variety of application methods are now available, effectively eliminating the inconvenience of personal signatures, mailed applications or visiting in person.

### Digital Experience Branch

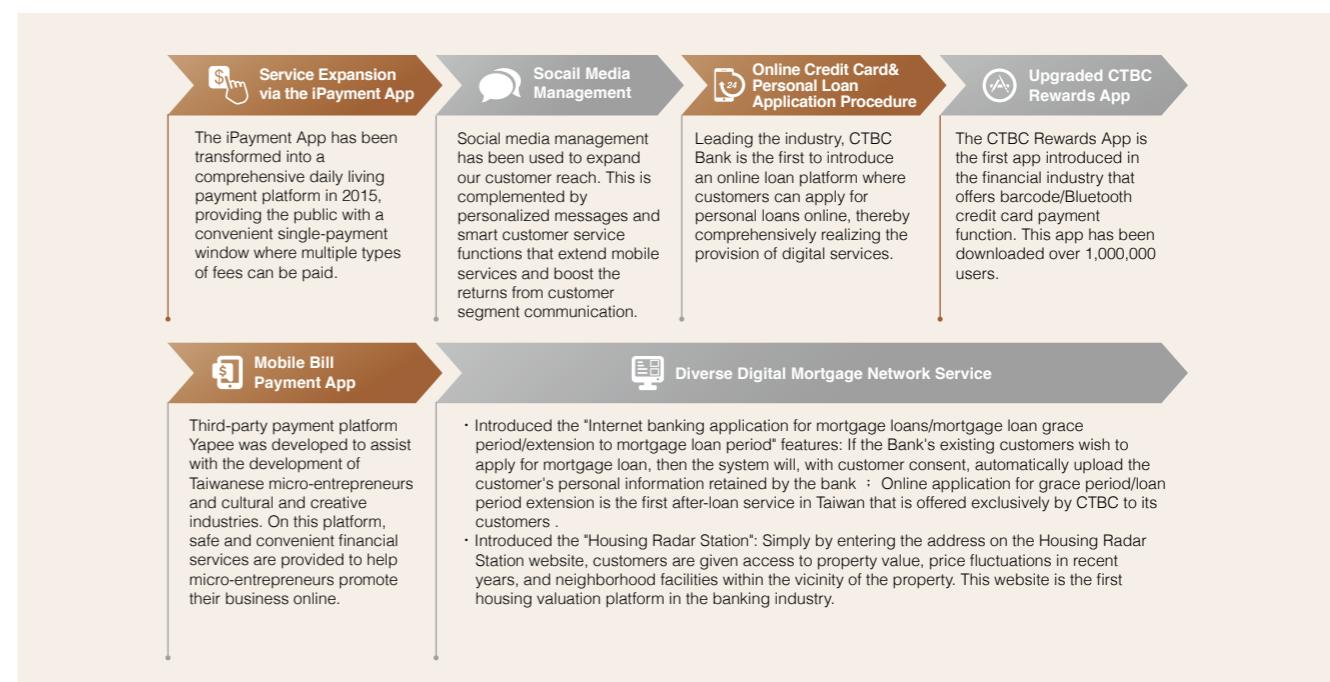
In 2016, big data applications, biometric technologies, financial advisory services, and convenient digital services were integrated into CTBC Bank's digital branch in Donghu to develop video teller machines (VTM) that interact with customers through a monitor, recognize the faces of VIP customers, allow customers to withdrawal cash through fingerprint access, and provide video financial advices, thereby creating an all-new digital banking experience.

### Community Financial Center

In addition to deploying branches across Taiwan, CTBC Bank has also set up ATM service locations in approximately 5,000 24-hour 7-ELEVEN convenience stores nationwide, including Cingjing in Nantou County, Ali Mountain, Hualien, Taitung, Kenting, Lienchiang County and other rural areas, rendering it the leader of the banking industry.

Furthermore, CTBC Bank ATMs offer more than 80 types of services, making it the industry leader in terms of ATM services. Customers are able to complete deposit, withdraw, transfer, and loan application banking services wherever and whenever they desire, and even make payments (e.g., telecommunication fees, insurance premium, and charity donations) through CTBC Bank ATMs, just as if they are banking in a community financial center.

### CTBC Innovative Services



### Proportion of Accessible ATMs and ATMs for Visually Impaired Persons

	2015	2016	Goal of 2017
Total number of accessible ATMs	3,931	5,249	5,489
Total number of CTBC ATMs	5,502	5,487	5,627
Ratio (%)	71.4	95.7	97.5
Total Number of ATMs for Visually Impaired Persons	7	152	172

### Number of Fully-Functional Counters

	2015	2016	Goal of 2017
Number of Branches with Fully-Functional Counters	54	63	67
Total Number of Branches	148	149	150
Ratio (%)	36	42	44

## Accessible Banking Services

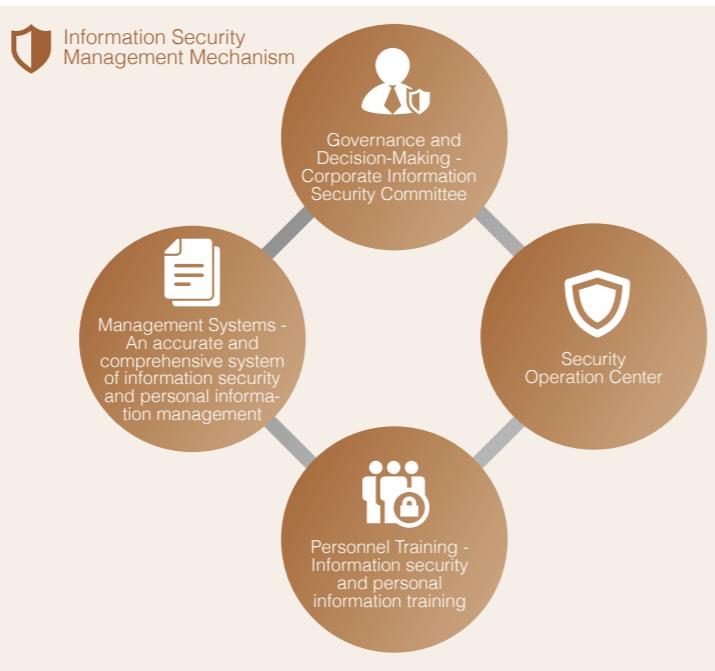
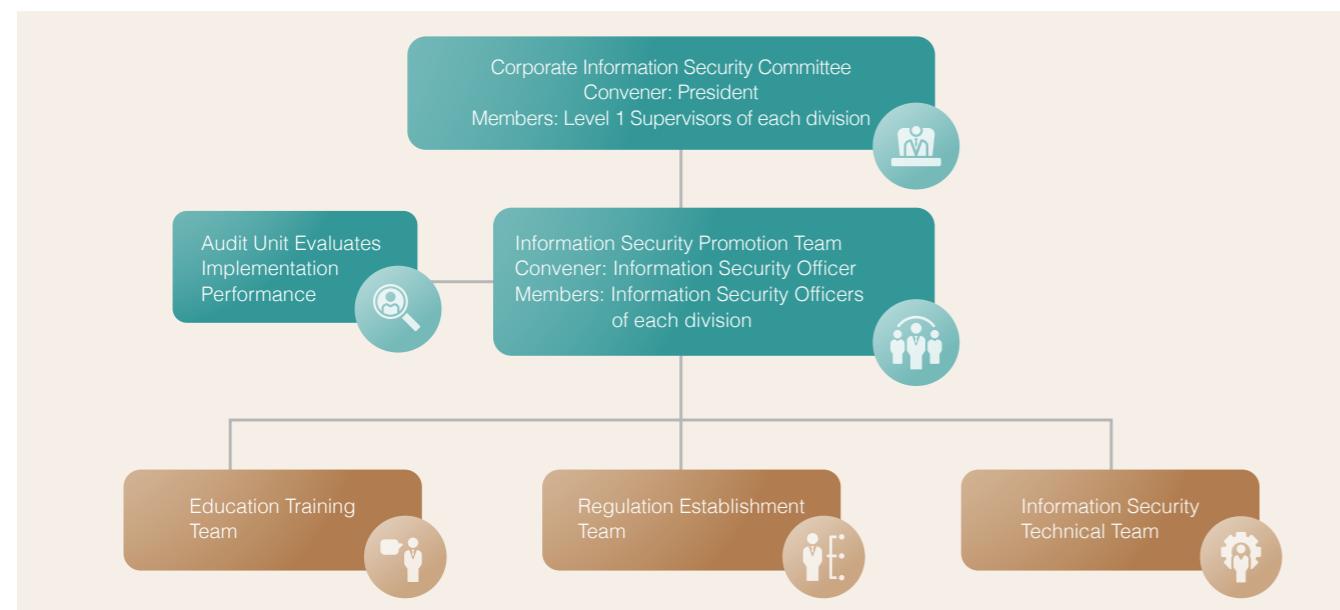
CTBC has established accessible ATMs and barrier-free spaces in compliance with the Design Specifications of Accessible and Usable Buildings and Facilities established by the Ministry of the Interior. We care for people not just as a family, but as someone who is truly concerned about those around us. This is because we have the passion to create a better world.

Furthermore, to accommodate Taiwan's aging society, CTBC Bank has successively established fully-functional counters in 54 of its branch banks since 2015, offering customers a sit-based service and building a customer-friendly environment. Thereafter, we will increase the number of our branch banks according to customer demands and branch bank availability.

## Privacy and Personal Information Protection

As digital banking services continue to diversify, information security becomes increasingly important. However, various means of threatening and attacking information security have also emerged, including cyber-extortion, mobile security threats, and malicious advertisements. To strengthen information security management, clearly communicate information security protection policies, and build a safe and reliable information system to ensure that information assets are secure, CTBC has established the "Information Security Policy" and "Personal Information Management Policy" which serve as guidelines that subsidiaries can comply with and reference to so as to develop their own management systems.

## Organizational Profile of the Corporate Information Security Committee



Meanwhile, CTBC Bank has established the Corporate Information Security Committee to strengthen the management of information security; the committee acts as the highest level of authority in the operational management of information security. The Corporate Information Security Committee is chaired by the president and the Chief of Information Security acts as the convener for Information Security Work Group meeting once a quarter. Specific topics related to information security are all reported to the board of directors.

To facilitate the effective management of information security, CTBC has implemented Security Operation Center (SOC) to actively identify information security issues and adopt response measures in real-time. To complement the conventional use of Signatures in detecting security weaknesses, CTBC cross-analyzes access logs in order to quickly identify sources of suspicious behaviors and then respond and resolve in a timely manner, making operations and crisis management more efficient than before. This mechanism also assists the management in analyzing information security trends and improving investment decisions in order to effectively control risks and prevent information security incidents.



To respond to occurrences of infringement of personal information or information security related incidents, CTBC has established "Personal File Security Policy" and "Regulations Governing Personal Information Protection and Information Security Management" as guidelines for employees to adhere to in the event of a security breach. If employees discover or receive reports of suspected information security incidents (including personal information), they shall immediately notify related units and determine the severity level of the incident. If necessary, a commander will set up an emergency response center within 60 minutes, notify top-level management, and record the details of the incident. The response center commander is assumed by a supervisor or above of the accountable unit whereas task force members of the Corporate Information Security Committee are responsible for incident management, communication and coordination, investigation and assessment, and public media management. The accountable unit will submit a detailed report one week after the lifting of the incident and perform a root cause analysis to lower the probabilities of similar incidents from happening again in the future.

## Employee and Customer Information Security and Personal Information Training

In addition to organizing information security and personal information training for its employees, CTBC also requires new employees to complete information security and personal information training activities and assessments. In 2016, 99.65% of all employees completed the training. For employees who could not complete the training as scheduled due to the nature

## Information Security and Personal Information Training Rate of CTBC

	2016	2015
CTBC Bank	99.65%	99.10%
Taiwan Life	(Information Security) 99.80% (Personal Information) 100%	(Information Security) 99.40% (Personal Information) 99.90%
CTBC Securities	100%	100%
CTBC Investments	100%	100%
Taiwan Lottery	100%	100%

of their work and differences in work shifts (e.g., impromptu business trip, paternal leave, and maternity leave), CTBC has arranged multiple supplementary training programs, and published monthly top-level management e-newsletters on information security to broaden employees' knowledge on information security and protection of personal information files, thereby shaping a culture that emphasizes information security in the company.

Protecting information security requires the active participation of its customers; therefore, a network security guideline is provided on CTBC's official website and through notice letters to customers to share with them tips on account and network security in order to ensure the integrity of online transactions. Due to an up-tick in the number of proxy loan applications, CTBC has organized special financial training programs. Customers can call CTBC's lending fraud reporting hotline at 0800-024-365 ext. 8 to report any suspected fake cold calls or fraud, and CTBC will assign representatives to assist with confirmation of the report.

#### An Accurate and Comprehensive System of Information Security and Personal Information Management

CTBC places high value on customer information security and personal information protection. Since 2015, the Company has conducted information security assessment on its computer systems, specifically Category 1 systems (i.e. systems that directly provide automated services to customers or significantly affect business operations, such as e-banking, branch counter services, and ATM automated services) and Category 2 systems (i.e. systems that directly or indirectly provide services to customers with human intervention, such as operating centers and customer services). The results indicated no sign of security issues, which suggests everything is under effective control and sound management.

To ensure comprehensive protection on customer information, CTBC minimizes the amount of data displayed on its information system to reduce the likelihood of data exposure. CTBC also lowers the risk of data leaks from USB drives. In addition to demanding all units install Data Leak Prevention (DLP) software on all personal computers, CTBC established a collective management system for the use of USB drives to facilitate the management and review of copied data. To take actions in monitoring the implementation status of information security operations, CTBC refers to domestic and foreign information security risk indicators and the company's operational status to establish a Security Operation Center Dashboard that monitors 22 indicators under 4 major dimensions including computer virus protection, hacker invasion

#### Information Security Assessment

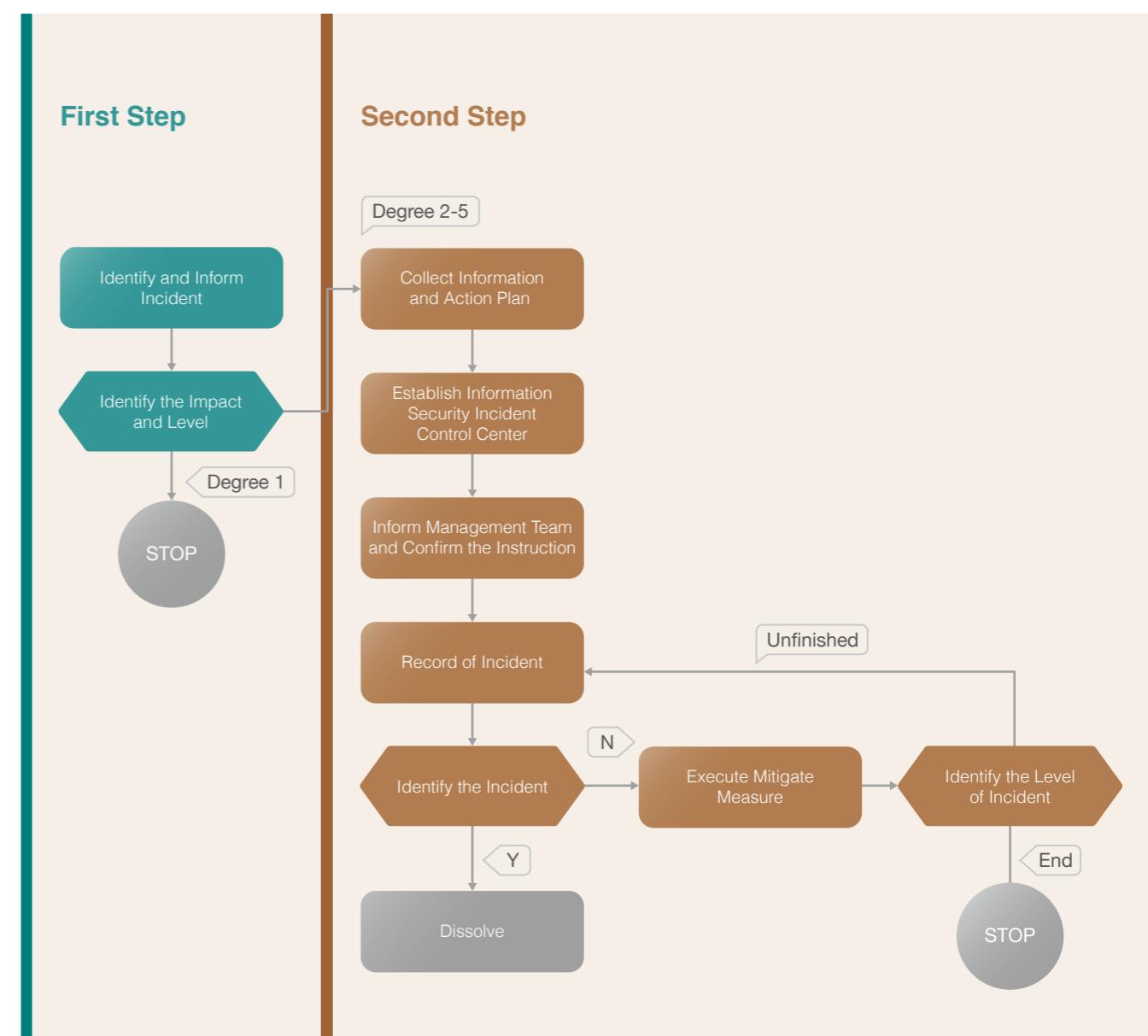
Year	2015	2016	2017
Assessment Systems	<ul style="list-style-type: none"> <li>Category 1 systems: Systems that directly provide automated services to customers or significantly affect business operations (e.g., e-banking, branch counter services, and ATM automated services)</li> </ul>	<ul style="list-style-type: none"> <li>Category 1 systems: Systems that directly provide automated services to customers or significantly affect business operations (e.g., e-banking, branch counter services, and ATM automated services)</li> <li>Category 2 systems: Systems that directly or indirectly provide services to customers with human intervention (e.g., operating centers and customer services)</li> </ul>	<ul style="list-style-type: none"> <li>Category 1 systems: Systems that directly provide automated services to customers or significantly affect business operations (e.g., e-banking, branch counter services, and ATM automated services)</li> <li>Category 3 systems: Systems that contain no customer information or do not provide services and exert no influence on business operations (e.g., human resources, financial accounting, and general affairs)</li> </ul>
Evaluation Item	Information framework, network activities, equipment, website security, safety settings, and legal compliance.	Information framework, network activities, equipment, website security, safety settings, and legal compliance.	Information framework, network activities, equipment, Internet servers, customer programs, safety settings, and legal compliance.

protection, risk of information leakage, and legal compliance. Automated systems are used to collect real-time operational information, which is displayed on the Dashboard to more effectively monitor risks and respond to them in a timely manner.

#### Outcome and Goals of Information Security Management

CTBC Bank conducts verification on 9 core services, such as Internet banking, fee payment and collection, Internet services, and email services, all of which have received ISO 27001 Information Security Management System (ISMS) international standard certification. Based on the association between personal information and the importance of operations, business services rendered by CTBC Bank, including branch counter account opening services, credit card application, and institutional account opening services, were found to be free of deficiencies and therefore passed the BS 10012: 2009 Personal Information Management System (PIMS) verification. Taiwan Life and TLG Insurance received the ISO 27001 ISMS certification in May 2017, Taiwan Life was planning to complete the incorporation of the BS 10012: 2009 PIMS by 2017.

#### Information Security Incident Control and Management Work Flow



These achievements demonstrate that both CTBC bank's personal information management system and information security management conform to international standards. Meanwhile, related regulations are also included as a basis for internal audit to ensure that all control measures are effectively implemented. There were no violations of information security laws in recent years.

### Strengthening Corporate Banking Services

CTBC bank's corporate banking service team provides customers with a broad variety of financial services including loans, trade financing, cash management, trust and international trade financing, as well as offshore private banking and investment planning for high net worth customers. It also provides customized solutions based on customers' funding and financial planning needs, including syndicated lending, structured financing, and financial consultation services. Offering wide-ranged foreign exchange and derivative products to fulfill customers' hedging or financing needs, and specializing in structured product design and proprietary trading as well.



### Refinement of Corporate Banking Team

In addition to implementing a corporate customer service hotline, the institutional banking service team provides free and fast 24-hour information sources and complaint channels. The team also assembled personalized customer service teams in Taiwan and Hong Kong in 2011 and 2014, respectively. The teams established a single contact service model based on the idea of one-stop shopping, which significantly reduces the amount of time customers spend on transactions and troubleshooting and in turn improved corporate customer satisfaction.

### Continue to Cultivate SME

CTBC has continued to cultivate SME customers in recent years, endeavoring to become a bank that best understands SMEs in Taiwan. To achieve this, CTBC has built a SME financial services platform, which is founded on the ideas of technological innovation, personalized services, and global networking, thus offering secure, efficient financial services for SMEs. By following the three major strategic axes, CTBC has comprehensively enhanced the efficiency of its loan service



(loan application > loan approval > loan disbursement) for SME customers such as accepting fax copies in wire transfers in lieu of original documents, Code Fax services for letters of credit, instant alert by email, SMS, or MMAS for transactions including inward and outward remittances and trade financing, and an international Internet banking platform (eTrust) where customers can make real-time online inquiries and transactions according to their levels of authorization. Looking forward to 2017, we will continue to advance toward the three major strategic axes and implement the spirit of "We are family" in full force in the services provided to SME customers.

### Listening to the Voice of Our Customers

Starting with consumer demands, CTBC engages in external cooperation and internal R&D and adopts big data analysis, customer behavior prediction, and market surveys to determine potential market demands, continuously promote a diversity of innovative products or services, and satisfy customers' needs.

### Development of New Products

CTBC values customer needs and the needs of different populations, which is why providing a wide array of convenient financial services and channels has always been our goal. Therefore, we often communicate and work together with our stakeholders to develop products from multiple perspectives that closely meet the needs of our customers.

### Products Developed to Meet the Needs of Stakeholders

Stakeholder	Case
External Experts	<ul style="list-style-type: none"> <li>Launched 22 micro-insurance products to support care of economically disadvantaged groups: Micro-insurance policies are offered to the economically disadvantaged or those with special needs. Coverage provided through micro-premium payments is intended to protect individuals and their families from hardship in the event of accidental death or disability.</li> <li>We cooperated with Schroders Taiwan to introduce the first Target Maturity Fund, which employs the target investment method as a strategy to verify investment period and give investors, who are concerned about market volatility and are not adept at determining the best times to buy/sell funds, the chance to participate in investment and easily fight against the effects of low interest rate and market changes. Subsequently, investors will be more willing to hold their funds until maturity without the need to concern themselves with buy and sell, interest rate fluctuation, and net worth changes.</li> <li>CTBC Bank was aware that market interest rates are to gradually increase in 2016. In response to this trend, the Bank teamed up with external investment banks to create the first contract maturity swap (CMS)-linked structured notes (SN), which generated a fixed amount of high interest dividend and principal guaranteed products as interest rates increased.</li> <li>Card-free cash withdrawal from finger vein ATM and mobile phones</li> <li>Video teller machine</li> <li>Coin exchange machine</li> <li>Small payment service</li> <li>LINE Pay</li> <li>Third-party payment platform Yapee was developed to assist with the development of Taiwanese micro-entrepreneurs and cultural and creative industries. On this platform, safe and convenient financial services are provided to help micro-entrepreneurs promote their business online.</li> </ul>
Non-Government Organization/ Non-Profit Organization	<ul style="list-style-type: none"> <li>Kaohsiung Veterans General Hospital Medical Fee Payment App</li> <li>Cooperating with external charity institutions, CTBC introduced public welfare group credit cards. As of the end of 2016, 310,000 credit cards have been issued, producing approximately NTD 30 million rebates. We hope to combine the powers of our card holders to help them contribute to the society.</li> <li>CTBC began offering micro-insurance products to increase the insurance coverage for economically disadvantaged individuals or those with special needs.</li> </ul>
Competent Authority or Local Government	<ul style="list-style-type: none"> <li>Interbank loans (beneficiary rights to special-purpose money trusts to be pledged for interbank loans)</li> <li>Reverse mortgage for pension by housing</li> <li>Funds with high winning percentage: Worked with investment trust associations to confirm the product contents to be communicated.</li> <li>ATM information security strengthening, ATM EMV card security mechanism</li> </ul>

## Products Developed to Meet the Needs of Stakeholders

Stakeholder	Case
Customers	<ul style="list-style-type: none"> <li>Housing Radar Station (smart housing valuation, housing price index, livability index)</li> <li>Calculation of credit line allowed</li> <li>Loan extension and grace period can be applied online. Application for grace period within 2 months before the loan is due can be approved immediately online.</li> <li>Prescheduled branch service</li> <li>PAD form preprocessing</li> <li>Based on the spirit of a customer-oriented, thoughtful service, "Mobile Financial Advisor" combines technologies and wealth management to create a safer, more efficient, comprehensive range of financial consultation services provided anywhere and anytime in a timely manner. CTBC was the first to launch a "Mobile Bookshelf" function that can be used to access product information, market information, and relevant marketing events. Whether working inside or outside of the bank, financial advisors can use their tablet computers to show customers different financial plans and products as well as convenient digital services that address the customer's specific needs.</li> <li>Service improvement: CTBC Line account service (individualized alert service, smart customer service, wealth management information, credit card account inquiries, and bonus point inquiries)</li> <li>Smart financial management: Market survey is conducted to determine customers' financial concerns and product proposition</li> <li>Expenditure management: Market survey is conducted to determine the functions customers require to manage their expenditures and thereby develop services that are suited to their needs</li> <li>Market survey is conducted to elucidate customers' financial needs, considerations, and concerns at different stages of their life. The results are used to determine the main target customers and their appeals</li> <li>ATM provides 100 dollar notes</li> <li>e-ACH online authorization, mobile e-forms</li> </ul>
Enhancement of Social Welfare	Encourage branch banks to offer ATMs for individuals with physical disabilities/visual impairment

## Initiating a New Era of Multi-Channel Digital Services

CTBC constantly strives to create a multi-channel service model, enabling customers to acquire services and assistance through various channels anytime. In addition to refining its telephone and voicemail services, CTBC has set up a Facebook Service, LINE Business Connect, and Live Chat service, affording greater diversity and comprehensive range of convenient digital services.

## Multi-channel Digital Services

	Facebook Service	LINE Business Connect	Live Chat
Service Contents	On the CTBC Credit Card Facebook fan page, customers can make direct inquiries into all types of finance-related questions and receive prompt, professional responses.	Customers are given the chance to enjoy accounts and bonus point inquiries, activity logins, payment reminders, and various other services, anytime.	They can interact with service personnel through texts, thus satisfying not only customers who prefer digital communication and self-service inquiries, but also enriching the diversity and convenience of digital services
Effectiveness	-	-	Accumulated 28,000 online inquiries; effectively served 17,000 customers

## Simple and Uninterrupted Service Experience

CTBC customer service center advocates rendering a simple, uninterrupted service experience to deliver diverse, complex cash flow and payment products and activities to customers in a simple manner. Thus, customers could efficiently obtain professional solutions in an era prevalent of information explosion. This communication model differs from that adopted by other banks and is a major innovation of the financial service industry. In response to the prevalence of digital services and self-services, we have also inventoried and analyzed the types of problems in new and old services, producing our findings into simple, comprehensible e-teaching and promotional materials. This not only provides frontline customer service personnel with an e-learning platform for self-learning and revision, but also renders video clips and simple schematic diagrams that enable customers to quickly understand the operating procedures, thereby elevating communication efficiency. As of the end of December 2016, the Customer Service Center has accumulated producing and distributing 121 copies of e-materials and promotional materials, and all 370 employees of the Customer Service Center (100%) have used this platform to learn. Test pass rate was 83.1% after training, with an average score of 90.1. These figures further verify the effectiveness of such system.

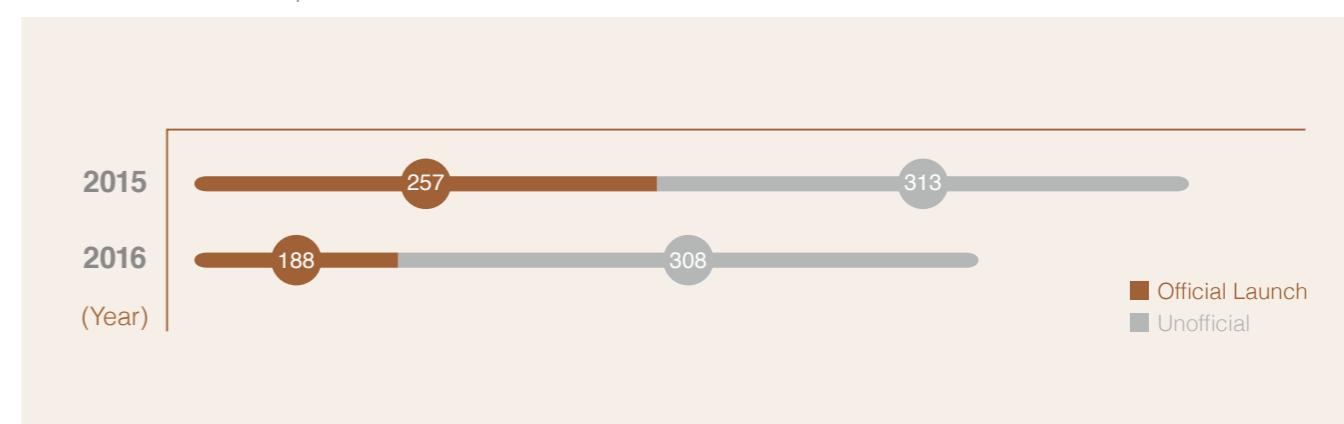
## Establishing a Transparent Complaint Handling Procedure

Customer feedback forms the basis of progress at CTBC. CTBC created the "Voice of Customer (VOC)" platform in 2007, and then the Customer Care Committee in 2011. Every month, the committee regularly reviews the service quality indicators, VOC from inside, customer complaints from outside, and various customer care programs.

To ensure customers' issues can be resolved more effectively and strengthen communication mechanisms for before VOC issues, in 2016, a total of 496 proposals for external and internal processes were obtained through the VOC mechanism, of which 188 proposals officially went online. In addition, 43 reports were on customers' issues, of which 14 reports were submitted to higher levels and discussed at meetings of division heads. CTBC continues to listen carefully to customers' voices, enabling customers' suggestions to become the crucial focus of product and process improvements.

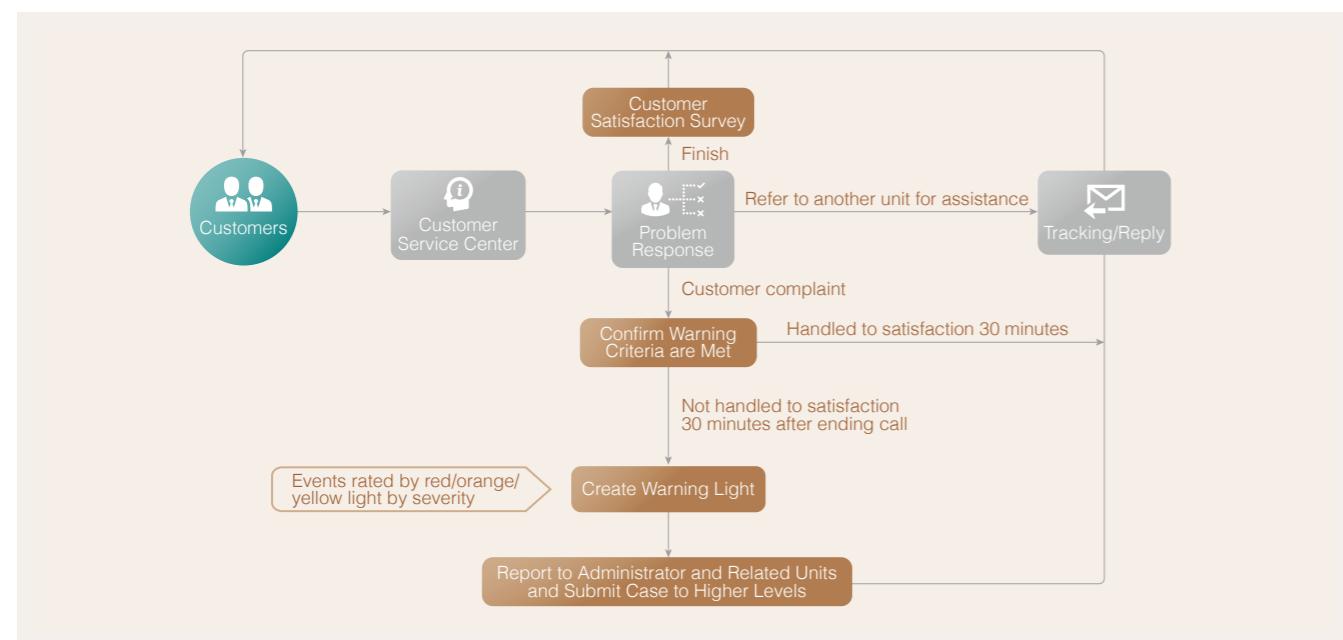
Furthermore, CTBC has applied big data analysis to determine customer background, consumption patterns, behaviors, and preferences, developed a set of systematic event-based service (EBS), and established an effective bidirectional communication and interaction channel according to customer settings. The customer service center applied its precious experience in customer interaction, as well as structured and unstructured data obtained from big data analysis, with the expectation of rendering customer-oriented products and services and protecting the rights and interests of the customers.

## Number of Procedure Proposals



In addition to the 24-hour customer service hotline and email, we have implemented a customer complaint hotline (0800-057-034) and a corporate customer service hotline (0800-017-888) to handle any disputes over the full range of our products or services. To enable the customer service center to seize the critical moment of a complaint, the Service Light Signal was implemented in 2012, allowing customer service representatives to accurately identify a customer's problem in the shortest time and efficiently propose the most suitable solution. In 2016, the 7-day closing rate was 94% for complaints from credit card holders, which continues to be higher than the predetermined goal.

#### Customer Complaint Handling Procedure



In addition, for various business divisions, CTBC appoints designated division representatives to handle customer complaints. The representatives will coordinate tracking and managing of complaints relevant to the divisions and handle communication, which will submit customer complaints to higher levels. A total of 586 alerts were reported in 2016, the majority of which was resolved to customer's satisfaction ; Furthermore, our customer complaint mechanism was able to effectively exert a warning effect. Specifically, when recent customer complaints (received over a period of two months) exhibit a certain commonality (in terms of category or abnormality), this mechanism notifies the contact window of relevant divisions and supervisors and reminds them to respond in advance and make improvements, which reduce the chances of future customer complaints.

However, the successive launch of new services has increased the complexity of service and handling procedures. Therefore, 332 customer complaints were filed in 2016, 39 complaints more than those filed last year. We will uphold our

#### Customer Complaint Mechanism and Related Closing Rate

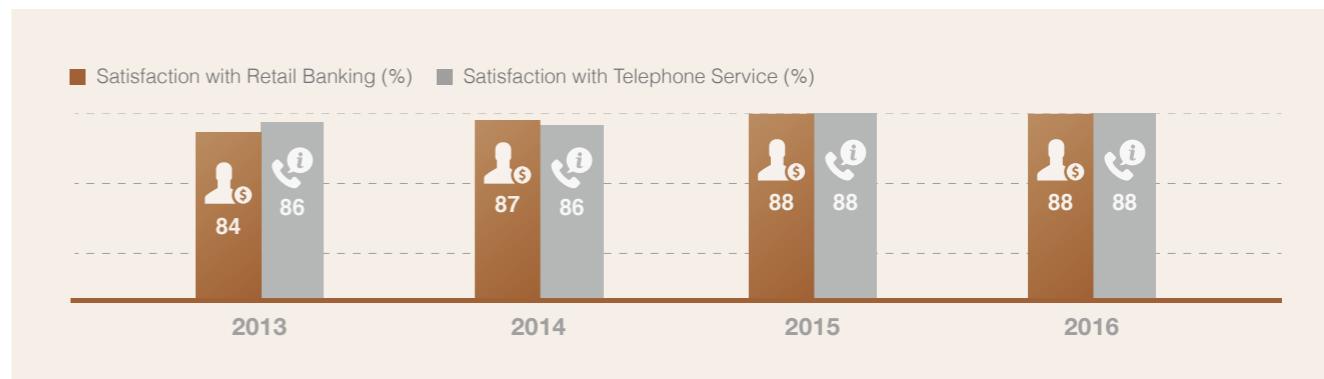
	2015	2016	Target
Proposals for External and Internal Processes Obtained Through VOC	570	496	-
7-day Closing Rate for Complaints from Credit Card Holders	99%	94%	90%
Number of Alerts Issued	584	586	-

commitment in providing the best services by continuing to refine our customer services and effectively resolving issues on behalf of our customers.

#### Customer Satisfaction Survey

To ascertain customers' satisfaction with our products and services as reference for future improvements, CTBC conducted 32 customer satisfaction surveys regarding retail banking services in 2016. In addition to the existing items, including satisfaction with branch, satisfaction with banking specialists, satisfaction with customer services, satisfaction with automated services, and satisfaction with application procedures, the surveys also included reexamining and adjusting survey items and adding new customer groups, including corporations, salary-paying customers, and wealth management and upgrades. Thus, the scope of surveys is further perfected and broadened. Approximately 220,000 questionnaires were returned in 2016, which yielded an average satisfaction rating of 88%. This rating is continuously increasing and has exceeded the average target of 87% for 2016.

#### Customer Satisfaction of Retail Banking and Telephone Service



Due to the exponential growth of digital services driven by Internet prevalence, the proportion of online banking and mobile transactions by customers has been increasing on a yearly basis. In 2016, CTBC introduced a multitude of service functions such as online applications, inquiries, and account opening functions. Meanwhile, CTBC has also proposed intelligent customer services for the development of novel banking services, thus raising the satisfaction with online banking from 83% to 91%. Moreover, the satisfaction with CTBC ATM reached 91%. Satisfaction with telephone service and live chat, both of which are frequently used, also exceeded 85%, exhibiting outstanding performance. The aforementioned customers' voices expressed through satisfaction surveys have been forwarded to the respective departments to provide the basis of improvement, and are regularly reviewed by the Customer Care Committee. Furthermore, given the growing usage of mobile devices, the satisfaction survey response platform was extended from computers to mobile devices in 2015, enabling customers to provide their feedback and opinions more conveniently on a variety of platforms, while allowing CTBC to collect more valuable voices.

Given the yearly increase in customer satisfaction, with regard to which some services even garnered satisfaction rates of 95% or more, CTBC Bank introduced the Net Promoter Score (NPS) indicator from 2016. NPS was proposed by Bain & Company and is widely used by major international corporations such as Apple, Johnson & Johnson, and AE. Compared with satisfaction, "promoter" represents personal credibility and guarantee at the psychological level, and enables enterprises to more accurately measure customers' perceived experience for the continuous refinement of customer services.

Voice of Customer Management and Improvement: Customers' voices expressed through satisfaction surveys have all been forwarded to the respective departments to facilitate improvement and are reviewed by the Customer Care Committee on a monthly basis.

#### **Product Risks**

CTBC exerts stringent control over product risks as a means to protect customers' interests and rights. To this end, the company has not only established an Internal Retail Banking Internal Control Center, which manages matters pertinent to the risk management of customer-invested products through central integration and actively informs customers of imminent product risks. Our financial advisors explain to customers the potential risks involved in investment activities, the perfect embodiment of how CTBC regards the protection of customers' interests and right as our top priority.

#### **Established Retail Banking Internal Control Center**

CTBC Bank is equipped with a wealth management department, which helps customers engage in a variety of investment and financial decisions. To offer customers better protection, the Compliance and Risk Management Center was established in 2011 to oversee internal policies and issues of financial consumer protection. It safeguards customers' interests by monitoring customers' responses and the bank's risk management practices.

To offer products and convenient purchase service procedures that meet customer needs, ensure the protection of customer rights and interests, and reduce risks, we established a Retail Banking Internal Control Center in 2016. Through central integration, the Center manages matters pertinent to the risk management of customer-invested products and monitors the legal compliance of sales personnel in transaction procedures. The Center aims to reduce the risks and disputes associated with wealth management products, and assumes the responsibility of protecting both customers and sales personnel.

#### **Product Risk Control**

While extending the scope of wealth management to include services related to bonds and structured instruments, CTBC is committed to the control of credit risks so as to effectively manage business risks and protect customers' investment interests. In addition to referring to external credit rating information, financial information of issuers (guarantors), as well as offshore structured investment observation post systems, CTBC also endeavors to improve its internal risk management mechanisms. In 2016, issuers/guarantors of such product lines issued 125 reminders through online banking notifications, bank statements, and customer notices sent by registered mail in addition to the consulting services of financial specialists, so as to provide customers with immediate insight regarding investment risks.

#### **Promotion of Financial Education**

To improve the financial literacy of the general public, CTBC Bank held over a hundred forums and seminars that focus on finance-related themes in 2016. Through newspapers, magazines, and digital media, a series of reports and events were produced and published to strengthen the dissemination of finance-related information starting from the wealth triangle based on differentiated customer needs to columns and reports that address the specific needs of customers of different generations and wealth management requirements.

For example, the "Light Up the Future of Children Wealth Management Camp" was held to ensure that children have solid foundational knowledge of financial management through picture book learning and practical demonstrations. For undergraduates and graduates, a series of activities, camps, and seminars were held. These events were designed based on the theme "Topsy-Turvy Leader of the World", which aims to equip younger generations (including undergraduates and graduates) with the ability to think independently, learn the value of investment management, and develop international

viewpoints during innovation activities, while studying abroad, or in business startups. In 2016, CTBC teamed up with the College of Management of National Taiwan University to collaborate in the NTU Seeds of Hope Industry-Academia Cultivation Project, the objective of which is to educate outstanding students on banking practices so as to foster future corporate talents.

In response to the social concerns regarding Taiwan's aging society, CTBC announced the retirement readiness index for the six special municipalities in Taiwan as well as Hsinchu, and hosted the "Retirement Readiness Summit Forum" to which industry, government, and academic experts were invited to share their thoughts regarding financial preparations for retirement in a low-interest environment. "Family Inheritance Seminar" educates wealth management customers on ways to adequately plan their individual and family inheritance, while experts were invited to the "Market Trend Prospect Conference" to interpret the latest financial trends. Through the use of iPads to interact with attendees and Q&A sessions, global financial trends and investment opportunities were extensively discussed.

#### **Conclusion**

We would like to thank our customers for the support and encouragement they have granted us over the years. In future, we will remain committed to our brand value - We are family, listen to the voices of our customers, and combine technologies and techniques to create a safe financial environment that best addresses the needs of our customers. We will integrate service into the daily lives of our customers with the expectation of establishing a relationship in which we can support each other and grow together so as to realize our corporate mission of "creating and protecting value." We seek to partner with our customers in creating a better future together and accomplish our vision of becoming the most trusted financial institution by customers.

# RESPONSIBLE PRODUCTS

CTBC mandates all the potential environmental impacts must be considered in the making of investment or financing decisions. The potential returns, risks, and costs associated with environmental conditions are all integrated into our daily financial activities, and eco-protection and pollution management are given due stress in our practices of financial management. Through invest in and loans to energy-saving industries, CTBC seeks to promote the sustainable development of our society. CTBC also complies with the Equator Principles (EPs), Principles for Responsible Investment (PRI), and Principles for Sustainable Insurance (PSI), and supports the government's 5+2 Industry Policy, focusing specifically on green technologies and circular economy. Working with all of our subsidiaries to promote responsible products and investments, we are devoted to become a financial holding company that embraces the concept of sustainability in all aspects of our investment and insurance businesses.

For example, one of CTBC subsidiaries, CTBC Bank, is planning to amend and announce Green Due Diligence Process in 2017 Q3, introducing EPs project by Q4. And will commit to sign up EPs by the end of 2018.



CTBC complies with the Equator Principles (EPs), Principles for Responsible Investment (PRI), and Principles for Sustainable Insurance (PSI) actively. Moreover, CTBC issued the first public welfare credit card in 1993, producing a total of approximately NTD 500 million in charity rebates accumulated to 2016.

5 BILLION UP



## Responsible Products and Investments

In December 2012, the CTBC board of directors passed the CTBC Credit Risk Management Policy, thereby outlining a strategy of support in extending credit to green energy/environmental protection industries.

### CTBC Responsible Investment and Loan Related Policies

CTBC Bank	As stipulated in our Institutional Finance Core Credit Risk Management Policy, we support business strategies and credit products relating to green energy and environmental protection related industries, and pay special attention to obligors that announce material information regarding illegal actions on CSR related issues (e.g. the operations with high energy consumption, high resources consumption or high pollution, labor rights disputes, or corporate governance) under their duty of care, which may influence the obligor's business operations and increase their level of credit risk.
Taiwan Life	Specifically require that corporate borrowers should be evaluated during the application review process to determine whether they have fulfilled their responsibilities in environmental protection, ethical management, and social contribution.
CTBC Securities	The Internal Control System mandates that attention should be paid to investee companies with respect to but not limited to related news reports, financial performance, industry overview, management strategy, environmental practices, social responsibilities, labor rights, and corporate governance.
CTBC Capital	The Investment Business and Risk Policy stipulates that investment units shall conduct a complete investment analysis and establish items to be monitored after investment for investee companies. Furthermore, levels of authority and procedures have been established. In addition, attention must be paid to whether investee companies have fulfilled their responsibilities in environmental protection, ethical corporate management, social contribution, labor rights, and corporate governance. After investment is conducted, CTBC Venture Capital continues to monitor whether the investee companies have fulfilled the aforementioned responsibilities and supervise the investee companies to make improvements on relevant matters.
CTBC Investments	6 principles are provided in the Statement on the Stewardship Principles for Institutional Investors including to establish and disclose stewardship policies; establish and disclose policies on managing conflicts of interest; regularly monitor investee companies; maintain an appropriate dialogue and interaction with investee companies; establish clear voting policies and disclose voting results; and periodically disclose to clients or beneficiaries the status of fulfillment of stewardship responsibilities.

In 2015, to ensure that CTBC Bank implements CSR so as to enact its corporate culture and put sustainable management into practice, CTBC enacted the Institutional Finance Core Credit Risk Management Policy based on the dimensions of environmental, social, and corporate governance (ESG), and stipulated that credit risk management units shall support green energy/environmental protection credit business strategies and products under the premise that credit risks are controlled. When conducting credit application and interim management, related staff should pay attention to those obligors that announce the material information regarding illegal actions on CSR related issues (e.g. the operations with high energy consumption, high resources consumption or high pollution, labor rights disputes, or corporate governance) under the duty of care, which may influence the obligor's operation and increase the credit risk. Regarding the implementation of corporate social responsibility by sales personnel, the Bank has established the Code of Conduct, which clearly regulates that when conducting credit-related business activities, the CSR of the applicant in terms of environmental protection, ethical management, and social contribution must be thoroughly reviewed.

In the process of reviewing loan projects, CTBC Bank stipulates that borrowers shall ensure legal compliance in their environmental activities, pollution prevention, and waste treatment procedures, and that they shall obtain approval from various competent authorities in accordance with laws and regulations, including but not limited environmental assessments. In project financing agreements, the Bank requests borrowers to uphold their commitment in this regard. In the past two years, the Bank has undertaken 4 project finance applications, all of which were processed in accordance with the aforementioned regulations, thus highlighting CTBC's value and support of green industries. Furthermore, we hope to provide a diverse array of products to meet the requirements of green industries, and subsequently facilitate the development of such industries.

To implement corporate social responsibility, Taiwan Life also duly evaluates corporate borrowers during the application review process to determine whether they have fulfilled their duties in environmental protection, ethical management, and social contribution.

### ESG-Based Products and Services

Categories	Subsidiaries	Content	2016 Assets/Amounts
Investments	CTBC Bank	Invested in green-related industries, such as waste disposal, hydroelectric power generation, and solar energy.	270 million
	Taiwan Life	Invested in solar energy industry.	112.5 million
	CTBC Capital	Green Industry	About 114 million
Loan	CTBC Bank	Loan to green technology industry, circular economic industry and green building.	Loans & Discounts about 142.9 billion
	Including CTBC Bank (Overseas), Taiwan Life, and TLG Capital	Loan to ESG related industry such as wind power, oil and electricity hybrid car etc.	About 26.5 billion
Insurance	Taiwan Life and TLG Capital	Products related to ESG.	177 million
Products	CTBC Bank	<ul style="list-style-type: none"> <li>CTBC Bank has issued funds and bonds relating to natural resources and green energy, and related funds/ ETF have been provided through investment insurance platforms.</li> <li>Launch Green Bond in 2017.</li> </ul>	Funds: 7,690 million Bonds: 1,000 million
	CTBC Investments	CTBC Investments solicited Taiwan's first old age income fund that offered in conjunction with various types of bonds (e.g., investment grade bonds, high yield bonds, and emerging market bonds).	At of December 31, 2016, the total value of the fund was 1.615 billion.
Professional Services	CTBC Bank	Provides trust and cash management related products for government agencies to promote environmental protection; acts as commissioned account manager of the green point system; collects and pays resource recycling management funds; and collects remediation fees for soil and underground water pollution.	7,343 million

### Recycling Fund Payment Processing Services

Item	2016	2015	2014
Number of payments processed (Transactions)	56,827	51,861	46,318
Total amount processed (NTD100 million)	73.43	70.63	71.09

## Professional Environmental Protection Services

Commissioned Account Manager of The Green Point System	CTBC integrates the resources of Environmental Protection Administration, related ministerial departments, and private organizations, provides rewards to those that purchase green products and other environmentalists, and guides the general public toward a greener lifestyle. CTBC Bank safeguards and manages trusts and properties, and allocates subsidies to contract institutions according to the instructions given by the Environmental Protection Administration.
Recycling Fund Payment Processing Services	CTBC has been the exclusive provider of payment processing and grant disbursement services to the EPA Recycling Fund for almost 10 years.
Collection of Soil and Groundwater Pollution Remediation Fees	In response to the EPA's requirement for multi-channel payment processing of soil and groundwater pollution remediation fees, CTBC Bank participated in and won the tender with its proposal of a tailored multi-channel payment processing service that is scheduled to go live in 2017.

Taiwan Life, a CTBC subsidiary, has established a new green energy company that will invest primarily in domestic solar energy power plants which are not only anticipated to generate steady returns but will moreover support the government's green energy policies. The joint venture will be formed in June 2017. With a nominal value of NTD 1 billion will be issued. Capital will be increased to NTD 3 billion through subsequent rounds of financing in 2019 with further investments in other power station projects. Taiwan Life will acquire a 30% stake, and will increase to a total of NTD 900 million based on the same ratio of participation. The new green energy company plans to install a generator with generating capacity of 60MW by the end of 2017. Total installed generating capacity will reach 200MW in 3 years, making it the important power suppliers in Taiwan.

As the issue of climate change has received much attention and emphasis in recent years, CTBC hopes to combine green energy with its core business by offering sales of green energy funds. Therefore, Taiwan Life, one of CTBC's subsidiaries, has shown its support for energy conservation and environmental protection by investing in green industries such as solar energy, waste treatment, and natural gas power generation.

## Green Investments by Taiwan Life

Year	Green industry	Type	Amount (NTD)	Effectiveness
2016	Galaxy Energy Group Limited	Solar Power Generator	112.5 million	Able to generate 27.13 MWh of electric power and reduce CO <sub>2</sub> emissions by 14,324 tonnes annually, equivalent to the carbon absorption of 54.77 Da-an Forest Parks.
2016	Taiwan Cogeneration Corporation	Natural Gas Generator	171 million	Able to generate 1.51 GWh of electric power and reduce CO <sub>2</sub> emissions by 604,000 tonnes annually, equivalent to the carbon absorption of 2,309.49 Da-an Forest Parks.
2015	Sunnyfriend Environmental Technology Co., Ltd.	Waste Recycling	92 million	Annually sterilizes and treats medical and industrial wastes into reusable materials.
2014	Galaxy Energy Group Limited	Solar Power Generator	111 million	Able to generate 31.3 MWh of electric power and reduce CO <sub>2</sub> emissions by 16,526 tonnes annually, equivalent to the carbon absorption of 63.18 Da-an Forest Parks.

Note: Reference: <http://greenevent.epa.gov.tw/act/calculate1>

Furthermore, CTBC also assists external organizations in the promotion of industrial greening. Since 2013, CTBC has participated in the discussion of loan schemes through the Million Rooftop PVs and the Low Carbon and Sustainable Homeland projects. In 2015, we attended the international seminar held by the Green Trade Project Office, and delivered talks on green financing. We also worked with the Center of Excellence on Green Productivity under the Asian Productivity Organization (APO) in visiting Indonesia where we assisted in promoting green industry policies and enhancing the green productivity of Asia. In 2016, we partnered with the Taiwan Institute of Economic Research (TIER) on the Green Industry

Promotion Project of New Taipei City Government and provided financing consultation at the Green Energy Industry Inventory Seminar. We also actively participated in green financing symposiums such as the "Conference on APEC Green Energy Finance," "Symposium on Supporting the Green Energy Industry and Development of Green Finance." We hope these exchanges with local and overseas peers as well as related industries will lead to further progress on the fulfillment of corporate social responsibility.

## Green Finance and Services

For CTBC's operations, a paperless environment is an important part of our green service commitment and a crucial concept for extending CTBC's resource management outward. In 2007, CTBC Bank led the industry in adding non-printout of transaction slips to ATM services. In 2015, the subsidiary Taiwan Life introduced a 24-hour online service for insurance enrollment. As of the end of December 2016, CTBC Securities had raised its electronic transactions ratio up to 63.8% from 59.9% in 2015, all for the purpose of reducing the need for paper consignment orders.



## Paperfree Green Service

In 2016 CTBC continued to promote the use of automated channels (Internet banking/mobile banking/online ATM) by encouraging customers to use Internet banking, mobile banking, and Internet ATMs for wire transfers, paying bills, exchanging currency, applying for gold passbooks, or fund transactions. Online transactions in 2016 accounted for nearly 70% of all currency exchanges as well as nearly 60% of all fund and wire transfers. effectively reducing the consumption of paper and related energy resources.

For example, CTBC Bank has developed a service splitting platform using bar-code payment and e-invoices to ensure the entire transaction process remains paperfree. The service splitting platform integrates multiple types of bar-code payments and boosts acceptance by enabling merchants to support multiple bar-code wallet types at low costs. Store staff can also

## Number of Internet Banking Transactions as A Percentage of All Transactions

Transaction	Growth Rate (%)	2016	2015	2014
Currency Exchange (%)	6	69	65	67
Funds (%)	0	58	58	55
Wire Transfer (%)	9	59	54	42

	2016	2015	2014
Electronic Statements for Credit Cards (Accounts)	1,180,000	1,010,000	770,000
Paper Savings (Sheets)	38.98 million	33.40 million	25.35 million
Carbon Reduction (Tonnes)	356	305	231

Note 1: Average percentage of electronic statements per month: 92%

Note 2: One sheet of A4 paper generates 7g CO<sub>2</sub>; one statement is approximately 3 sheets of A4 paper; delivery of 1 paper statement generates 6.35g CO<sub>2</sub>

store the e-invoices on the credit card itself, shortening the payment process and helping the environment by reducing paper consumption. CTBC Bank is investing in third-party payments as well by integrating virtual and physical store services. The development of the Taiwanese e-commerce market will also help reduce CO<sub>2</sub> emissions during the transaction process.

A "Mobile Financial Planning" service has also been developed by CTBC Bank to combine financial planning with technology. This new full-range financial planning service model is simpler, timelier, more professional, more secure, and not restricted by time and space. Financial planners can use the app to query all of the information they need for proper financial planning, meaning that financial planners can now venture beyond bank branches and no longer have to wrestle with stacks of printouts. They can review a customer's product portfolio on their tablets and provide personalized financial advice on the spot.

#### New Payment Methods Create Green Consumption Models

CTBC is dedicated to creating a digital financial environment where ATM, mobile, and online payment methods are available to satisfy customers' daily financial needs anytime and anywhere, creating a green consumption model that facilitates energy conservation and carbon reduction at the same time.

For example, CTBC has been replacing its 3,300 outdated 7-ELEVEN ATMs with Recycle ATMs since 2014, which combine the cash flow in cash withdrawal/deposit of the banking's front-end with that of the bank/security's back-end and provide the best use of available funds, reducing the number of cash delivery trips by security companies by nearly 20,000 trips a year.

#### ATM Services and Replacement Rate



Note: Replacement Rate = Number of Recycle ATMs/Total Number of ATMs

#### Carbon Reduction from Paperless Credit Card Operations



Note: Each application requires 1.5 sheets of A4 paper; each sheet of A4 paper produces 7g of CO<sub>2</sub>



#### Microfinance

"Caring, Professional, and Trustworthy" has always been a CTBC brand value. We hope to truly embrace this brand value in our core operations through proactive caring and mutual support. A variety of microfinance products are offered by CTBC; through the five service categories of loans, insurance, credit cards, trusts and friendly customer relations, our core operations can respond to and fulfill the needs of our community. The elimination of poverty is essential to the creation of a truly sustainable society and future. The 17 Sustainable Development Goals (SDGs) set by the United Nations also define poverty as one of the most crucial steps to be taken in the pursuit of sustainable development for mankind. The CTBC "Poverty Alleviation Program" aims to provide more proactive support for economically disadvantaged families and children in Taiwan. The business start-up process helps them gain financial independence, master self-development and find a business model suited to their family's needs. Taiwan Life, a CTBC subsidiary, also offers micro-insurance policies for the economically disadvantaged or those with special needs. Coverage provided through micro-premium payments is intended to protect individuals and their families from hardship in the event of accidental death or disability.

#### Microfinance Products

- The CTBC Poverty Alleviation Program was launched through the CTBC Foundation in 2011. The program offers entrepreneur guidance and related loans that help economically disadvantaged families improve their circumstances of living and gain financial independence.
- The CTBC Philippines branch began working with microfinance organizations in 2012. Loans to microfinance organizations are used to indirectly provide financing resources to micro-enterprises and individuals at the bottom of the social pyramid. The micro-loans are used for paying student tuition, everyday family expenses, emergency post-disaster repairs and medical expenses. We have so far partnered with 4 microfinance organizations and total credit transactions exceed 1.3 billion Philippine Pesos.
- The CTBC India branch established a working relationship with 4 micro-loan organizations to provide 950 million Indian Rupees in line of credit in 2016. Bank financing of micro-loan organizations provide individuals with indirect financial resources that help them generate active income through business operations and improve their own living standards.
- The CTBC Vietnam branch began working with microfinance institution from 2015, indirectly provide loan to person without account in bank to buy motorcycle or other durability products. We have also partnered with 3 microfinance institution and total credit transaction USD 33 million.

Micro-insurance	The subsidiary Taiwan Life began offering micro-insurance in support of government policy. Micro-insurance enhances basic insurance protection for the economically disadvantaged or persons with special needs.
Charity Credit Cards	<ul style="list-style-type: none"> <li>Co-branded card products were launched in partnership with external charities. A set percentage of every transaction made by the consumer is donated by CTBC Bank to the charity for helping those in need.</li> <li>Co-branded cards have also been issued for universities. A set percentage of every transaction made by the card-holder is forwarded by CTBC Bank to the school's academic fund for talent development, off-campus internships, and school development.</li> </ul>
Disadvantaged Person Trusts	To protect the financial security of people with disabilities from misuse or fraud, a dedicated trust service is available to pay for care and medical costs. This helps to avoid problems with asset management after the beneficiary becomes incapacitated or disabled.
Charitable Trusts	Assistance is provided to customers with the setting up of charitable trusts. The clients can then use the trust system to engage in charitable activities and donations, give back to society, and help those in need. Limited resources can therefore be converted into unlimited philanthropy.
Donation Trusts	Charitable donations for individuals and families after natural disasters or accidents can be placed in a trust for protection and management. Long-term financial planning of earmarked funds ensure that donations are truly used to look after their intended beneficiary.

#### Performance of Microfinance Products

	Year	2016	2015	2014
Loan	Loan Approvals under Poverty Alleviation Program (Cases)	61	56	6
	Cumulative Loan Approvals under Poverty Alleviation Program (Cases)	166	105	49
	Amount of Loans Approved under Poverty Alleviation Program (NTD)	14,571,000	18,752,000	1,244,000
	Cumulative Amount of Loans Approved under Poverty Alleviation Program (NTD)	45,976,000	31,405,000	12,653,000
Insurance	Type of Micro-Insurance (Contracts)	5	5	3
	Micro-Insurance Policy Purchases (Contracts)	306	3,922	310
	Micro-Insurance Premiums (NTD)	2,626,879	853,977	83,853
Credit Cards	Charity Credit Card Rebates (NTD) (Tzu Chi, Xue Xue, TFCF, Paperwindmill)	27,000,000	25,000,000	25,000,000
	University Co-branded Card Rebates (NTD)	300,000	300,000	300,000
Trusts	Total Assets in Disadvantaged Person Trusts (NTD)	162 million	146 million	116 million
	Total Assets in Charitable Trusts (NTD)	13.991 billion	13.963 billion	13.910 billion

Note: In 2015, most micro-insurance policies were individual policies with lower premiums. In 2016, most micro-insurance policies were from large groups, so a small number of cases produced higher total premiums.

Charity Credit Cards	Rebates	Purpose
Tzu Chi Lotus Card	2.75‰-5‰	Assists the Buddhist Compassion Relief Tzu Chi Foundation with providing emergency assistance in the field.
TFCF Card	5‰	Donated to the "Children Support Fund" of the Taiwan Fund for Children and Families to help more disadvantaged children.
Xue Xue Card	3‰-5‰ (Domestic) 8‰-1‰ (Overseas)	Used for promoting art and aesthetics education among the disadvantaged and assisting children from disadvantaged families in remote areas to cohesively develop the five senses.
Paper Windmill Card	5‰ of transaction amount	Donated to the Paperwindmill Foundation for promoting grassroots art and cultural education.
University Co-branded Card	2‰-4‰ (Soochow University Signature Card)	Goes toward the university fund and supporting internships for enrolled students.

#### Microfinance Services

Charitable Services	The Yapee third-party payment platform helped numerous non-profit organizations such as charities and foundations by providing them with access to online cash flow services. Consumers can then purchase charity calendars and other merchandise through the online platform.
Friendly Services - Physical Disability	<ul style="list-style-type: none"> <li>CTBC Bank is actively committed to installing accessible ATMs and environments to protect the financial independence of the physically challenged. CTBC currently offers accessible ATMs for people in wheelchairs or those visually impaired.</li> <li>Accessible Internet Banking: Visually impaired customers can now check currency exchange and interest rates through online banking instead of having to visit a branch in person.</li> </ul>
Friendly Services - Remote Areas	<ul style="list-style-type: none"> <li>CTBC ATMs offer more than 80 services, making it the industry leader in terms of ATM services. In addition to banking services, customers have access to a range of payment services (e.g. telecommunication bills, insurance premiums, charity donations) on CTBC ATMs. Inter-bank deposits were also introduced in October 2015. The extensive range of services means that customers in remote areas can do their banking at the nearest ATM instead of having to travel all the way to a branch.</li> <li>Apart from ATM services, customers in remote areas can also take advantage of our online application/transaction services from home.</li> </ul>
Friendly Services - Seniors	Friendly services for the physically challenged (including the elderly, the infirm, pregnant women, and those with children): These include counters/facilities that comply with statutory accessibility requirements, courtesy glasses for seniors, and ticket/queue machines that have been upgraded in large screen displays.
Friendly Services - Foreign Workers	The new "U Remit" ATM foreign currency remittance service launched by CTBC Bank helps foreign workers remit their earnings in Taiwan to their home country. This helps prevent problems with transaction security and remitter's human rights caused by dependence on black market exchanges.

Year	2016	2015	2014
Wheelchair-accessible ATMs (Units)	5,249	3,931	3,820
Visually Impaired-accessible ATMs (Units)	152	7	5

#### Conclusion

As Jeffrey Koo Sr., founder of CTBC holding, had said, "The value of a business is not only about its ability to profit, but more importantly how it contributes and the positive influences it brings to society".

In the future, CTBC will continue to uphold its product and investment responsibilities and continue contributing to the global economy and sustainable development by assigning equal importance to the economy, environment and society. We will also strive to embrace and promote the Equator Principles, the UN Principles for Responsible Investment, and the UN Principles of Sustainable Insurance in our financial operations, so that we can reach out to more corners of society and become a force for positive change.

# SUSTAINABLE ENVIRONMENT

An "Environmental Sustainability Task Force" has been established by CTBC to prevent potential environmental impacts from being incurred by our business operations and services and to ensure our commitment to "Green Policy, Green Future" is continuously fulfilled. Environmental risk identification, analysis, assessment, monitoring and response processes have been put into place to monitor and track all life-cycle impact factors and reduce the negative environmental impacts incurred by our services. We are also fully committed to efforts in pollution prevention, energy conservation, carbon reduction and environmental protection. CTBC understands that businesses are faced with all kinds of environmental challenges in all aspects of their operations. A change from the past models of economic cooperation is necessary and they must now work together with stakeholders across a broader scope. The environmental performance of CTBC therefore expands beyond the company itself. To this end, we take further steps to engage with our upstream and downstream partners in the value chain and our customers in hopes of joining the rest of the world in contributing to environmental conservation and protection.



As a global corporate citizen, CTBC upholds the values of energy efficient carbon reduction and sustainable environmental protection, commits to implementing a "Green Policy, Green Future", and actively promoting green energy-related financial products and services in an effort to encourage environmental protection-related industries through offering credit policies. We are committed to establishing ourselves as a green financial institution that aims to exert an influence on sustainable economy with our leading status in the market.



The regulatory, market, and physical risks associated with climate change mean businesses must formulate an integrated management system in order to deal with extreme climate and natural disasters. CTBC develops and provides services that contribute to the mitigation of climate change, and simultaneously continues promotion of the "energy conservation, carbon reduction and environmental protection" philosophy. By expanding from "energy conservation and carbon reduction", "resource management" and "green building" to "green services" and "green purchasing", we can protect planet earth together and make a firm pledge to become the most environmentally-friendly green financial institution. CTBC Bank issued the following environmental and energy policies in 2015:



Self-compliance to laws and regulations and extensive purchase of products with energy-saving labels.

Regular education and training and advocacy of environmental protection and energy management.

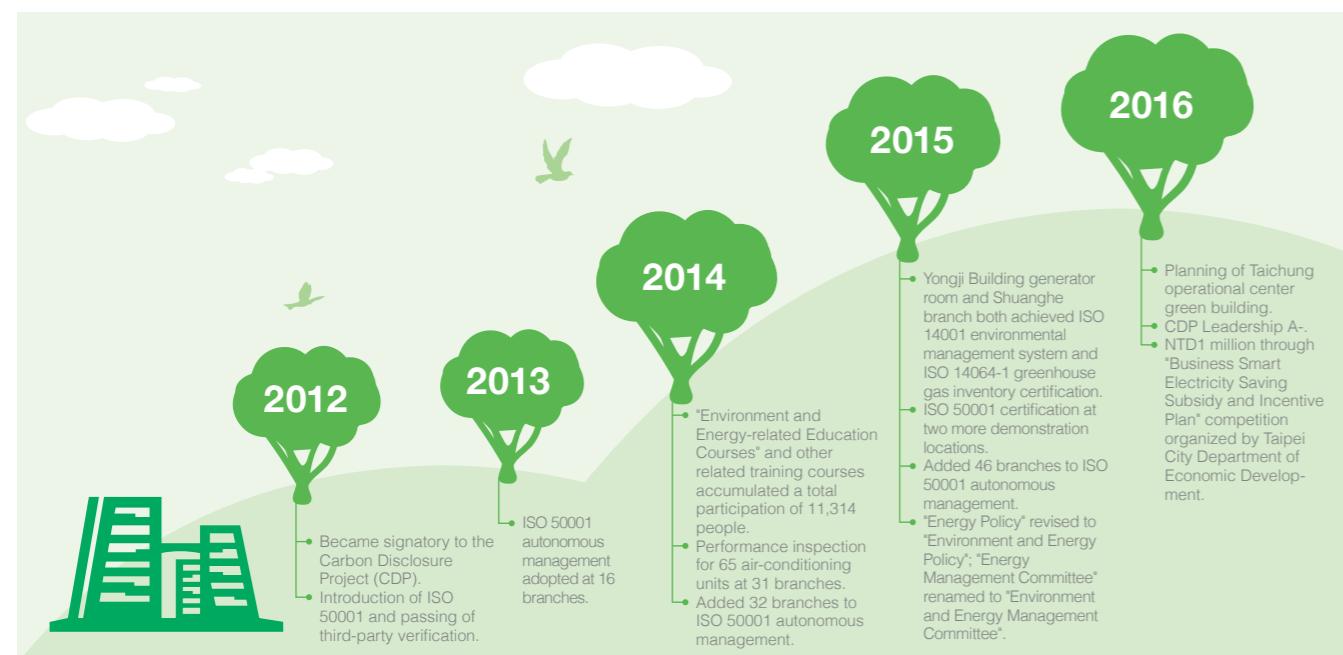
Integration of relevant resources and implementation of environment and energy management programs.

Continuous improvement on the environment and energy use as well as periodic reviews to achieve goals on sustainable development.

Expansion of corporate influence and formation of a green energy circle with associated businesses.

### Energy Conservation and Carbon Reduction

In 2012, CTBC was invited to become a signatory to the Carbon Disclosure Project (CDP) and turned into one of the first financial institutions in Taiwan to support this non-profit organization and take action. Since then, CTBC keeps to continuously implement energy-saving and carbon-reduction management system certifications every year. In 2015, CTBC's Yongji Building generator room and Shuanghe branch both acquired ISO 14001 environmental management system and ISO 14064-1 greenhouse gas inventory certifications. In order to make efforts on environmentally sustainable business practices, CTBC took corporate social responsibility on environmental protection to the next level in 2016. In addition to using the CTBC Financial Park as a blueprint for the Taichung operational center green building, we also became the only financial institution to receive CDP leadership A- at the same year, and were counted among the top 20% of the global



financial industry. CTBC's commitment to mitigating climate change does not stop here naturally. In 2017, the scope of ISO 14064-1, ISO 14001 and ISO 50001 autonomous management were expanded for the first time to all CTBC Bank branches in Taiwan. The move marks a new era in climate change management at CTBC.

To make everyone at CTBC aware of the threat posed by climate change to the company's future operations and human welfare, CTBC organizes energy conservation education and training for all employees every year to raise their environmental awareness. The annual energy conservation general education online course for all bank employees as well as the promotion of the "Energy Conservation and Carbon Reduction" policy through the quarterly environmental and energy management e-newsletter have helped implement climate change mitigation management throughout every aspect of CTBC operations. In addition to the efforts above, the ISO 50001 energy management regulations require the Administration Department to conduct related cognitive training for key energy contractors. Such training makes contractors aware of CTBC's requirements on energy use, and implements climate mitigation measures across different value chains.

### 2016 Energy Conservation Education Courses

Course Name	Course Duration	Course Purpose	Course Audience	Number of Participants
ISO 50001 Cadre and Internal Audit Training	7	Teaching of energy management, energy-saving technology and equipment maintenance techniques for ISO 50001 energy management system, power, lighting, and air-conditioning equipment.	Representatives of all branches of CTBC Bank	150
2016 Environment and Energy Conservation General Education Course	2	Energy management-related training courses are organized every year in accordance with the ISO 50001 and ISO 14001 management procedures to emphasize the importance of energy management, energy conservation, and carbon reduction to employees. Environment management and carbon emission management are now included as well. The training ensures the proper implementation of energy conservation/carbon reduction operations in response to the government-sponsored "Energy-Saving and Carbon Reducing New Lifestyle Movement".	All employees of CTBC Bank	10,326
Energy-Saving and Carbon Reduction Training Class for Industrial and Commercial Energy Management Personnel in Taipei City	14	Understand energy conservation regulations, energy-saving techniques and the maintenance of related equipment.	Energy management specialists	1

Electricity accounts for the bulk of energy consumption by CTBC. Fuel consumption consists of gasoline used by company cars, natural gas used for cooking in kitchens, and small amounts of diesel used during routine testing of emergency generators. The head office was progressively moved from the Xinyi Building to the CTBC Financial Park after 2015, therefore electricity consumption by the Xinyi Building in 2015 represents only a portion of average annual consumption. From 2012 to 2014, electricity consumption continued to decrease in terms of both total usage and intensity for three consecutive years due to the implementation of power-saving initiatives. The launch of operations at the CTBC Financial Park in 2015 as well as an increase in the number of employees and volume of business meant that electricity usage jumped by 30.5% compared to the average over the past three years. The adoption of green building and energy-efficient equipment, however, meant that the average power consumption per capita in 2015 increased by only 22.5% over the average for the preceding three years. Electricity usage intensity per square meter also decreased by 4.6%. It is therefore clear that CTBC has made significant improvements in terms of electricity efficiency.

To accelerate the implementation of the energy management action plan, CTBC continued to move ahead on our integration plan for energy resources in 2016. Our new target sets 2014 as the baseline year with electricity usage to be reduced by 2% a year, and 6% within 3 years for total savings of 780,000 kWh. Emissions of greenhouse gases are expected to be reduced by more than 400,000 tonnes. In terms of electricity-saving performance, with the exception of 2015 when the commissioning of the CTBC Financial Park led to an increase in total electricity usage over the previous year, total electricity usage was lower than the previous year in every year.

#### Energy Consumption and Intensity

Type of Energy	Unit of Consumption	Area of Consumption	2016	2015	2014	2013	2012
Gasoline	Liter	CTBC Financial Park	265,348	269,374	-	-	-
		Xinyi Building	-	-	238,806	212,468	174,778
		Yongji Building	-	-	-	-	-
		Other Branches	-	-	-	-	-
		Total	265,348	269,374	238,806	212,468	174,778
Natural Gas (NG)	m <sup>3</sup>	CTBC Financial Park	33,569	26,196	-	-	-
		Xinyi Building	-	-	20,253	34,745	27,057
		Yongji Building	-	-	-	-	-
		Other Branches	-	-	-	-	-
		Total	33,569	26,196	20,253	34,745	27,057
Electricity	kWh	CTBC Financial Park	36,734,400	30,483,200	-	-	-
		Xinyi Building	-	4,813,600	8,653,200	10,990,800	10,644,000
		Yongji Building	15,329,739	15,860,147	17,094,008	16,868,312	18,209,112
		Other Branches	28,616,310	35,434,612	35,808,589	39,812,884	40,924,665
		Total	80,680,449	86,591,559	61,555,797	67,671,996	69,777,777
Electricity Usage Intensity	kWh/ Person	CTBC Financial Park	9,395	8,297	-	-	-
		Xinyi Building	-	-	2,956	7,274	7,044
		Yongji Building	14,300	16,184	12,081	8,624	9,309
		Other Branches	4,978	6,021	6,118	6,327	6,503
		Total	7,519	8,216	6,038	6,934	7,149
Electricity Usage Intensity	kWh/ m <sup>2</sup>	CTBC Financial Park	367.7	305.1	-	-	-
		Xinyi Building	-	75.7	136.0	172.7	167.3
		Yongji Building	519.6	537.6	579.4	571.8	617.2
		Other Branches	160.6	198.9	201.0	223.5	229.7
		Total	262.3	233.3	226.9	249.5	257.2

Note 1: Other branches include regional centers and all of CTBC's 150 Taiwan branches.

Note 2: The head office was moved from the Xinyi Building to the CTBC Financial Park in Nangang after 2015, which is the reason why only electricity consumption was incurred by the Xinyi Building in 2015.

Note 3: Management of company vehicles and natural gas has become the sole responsibility of the CTBC Financial Park since 2015, so there is no gasoline or natural gas usage at other buildings and premises.

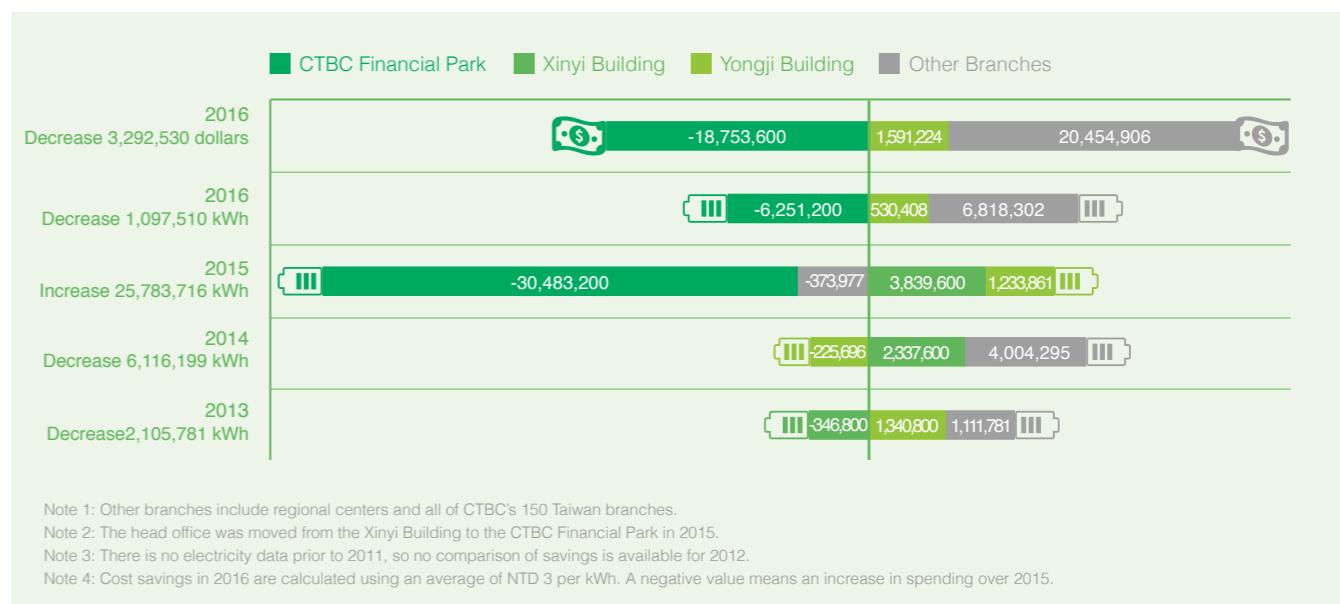
Note 4: Since the Yongji Building and other branches are not equipped with kitchens, natural gas consumption is zero.

Note 5: Since CTBC does not own any cargo trucks, and in 2015 emergency generators were only turned on for routine testing, diesel usage is not included in this data.

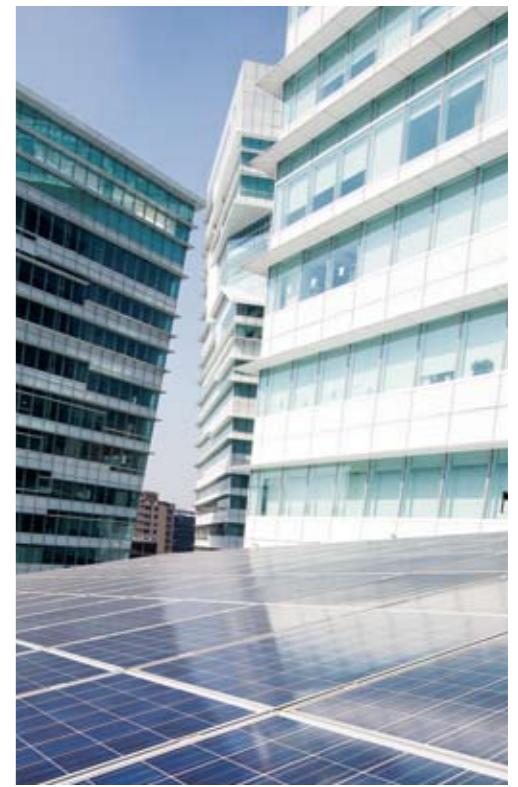
Note 6: The learning and development center in Linkou is located in a commercial office building. However, since the building's management committee calculates cost-sharing by floor space, it is not possible to obtain data on kWh usage. Therefore, the cost per kWh is extrapolated based on kWh usage at the Cheng Lake Building, which is a comparable building.

CTBC's total Scope 1 and Scope 2 emissions of greenhouse gases in 2016 amounted to 45,812.25 tons of CO<sub>2</sub>e. Up to 95.4% were Scope 2 emissions. Our total emissions reduced by 2.8% compared to the 47,107.29 tons of CO<sub>2</sub>e in 2015. Electricity has become the main source of greenhouse gas emissions at CTBC. The number of employees and volume of business in the CTBC Financial Park also increased significantly in 2015. As a result, total greenhouse gas emissions increased by 31.3% in 2015 over the average for the preceding three years. However, an increase in the efficiency of electricity usage saw average emissions per capita in 2015 increase by only 23.2% over the average for the preceding three years. Average emissions per capita in 2016 was 16.6% lower than 2015, reflecting CTBC's longstanding efforts in improving energy efficiency.

#### Electricity Savings and Cost Savings



Electricity is the main type of energy consumption and GHG emission source at CTBC. In addition to energy-saving initiatives aimed at conserving or improving the efficiency of electricity usage, we also supported the government's green electricity policy by purchasing 100,000 kWh of green electricity in 2016 in keeping with global trends on promoting the development of renewable energy and transition to a low-carbon economy. The implementation of energy-saving initiatives started with energy-saving management for energy-intensive equipment such as elevators, lighting, and air-conditioning. All 150 CTBC Bank branches throughout Taiwan were required to install timer devices and adjust the on and off times of their signage based on summer and winter daylight hours. Our head office and all new offices now use only LED lamps with stabilizers to save electricity. Our elevators use energy-saving emergency power switching for power outages. Air-conditioning equipment is regularly cleaned and maintained to ensure efficiency. Air temperature is controlled at 26°C across all building floors, and central air conditioning is turned off at 6:30 pm. The use of air-conditioning when working overtime is controlled by the building and requires prior approval. To conserve electricity 699 square meters of solar panels have been installed in CTBC Financial Park producing 237,274 kWh of power and reducing carbon emissions by 161.346 tonnes of CO<sub>2</sub> equivalents in 2016. Furthermore, CTBC has also actively participated in external organizational activities that focus on energy conservation. For example, it has participated in the Business Smart Electricity Saving Subsidy and Incentive Plan, promoted by the Department of Economic Development, Taipei City Government. In January 2015, 26 of our business locations were a part of this plan and reduced total energy usage by 15.8%. Energy-saving programs at the CTBC Financial Park, Yongji Building, and other branches reduced electricity usage by 3.02 million kWh in 2016 than baseline year, approximately equivalent to 1,595 tonnes of GHG emissions.



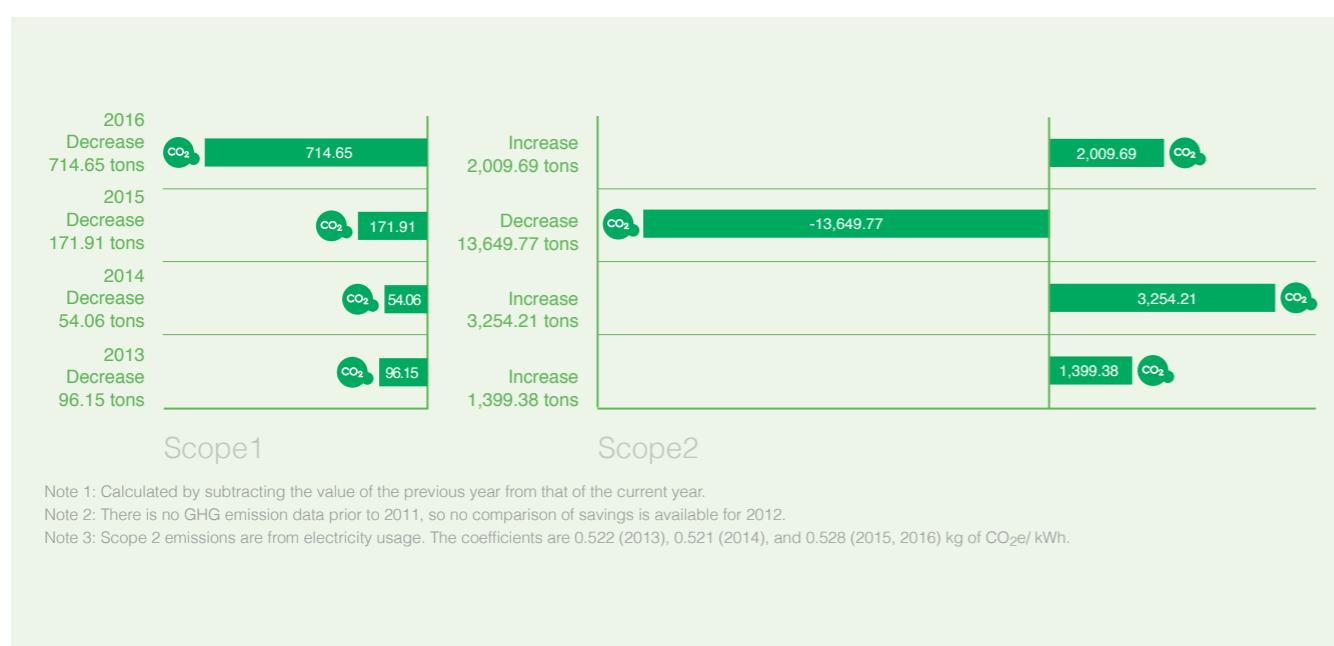
## Amount and Intensity of Greenhouse Gas (GHG) Emissions

Scope	Unit of Emission	2016	2015	2014	2013	2012
1	Tons of CO <sub>2</sub> Equivalents	2,101.60	1,386.95	1,215.04	1,160.98	947.74
2	Tons of CO <sub>2</sub> Equivalents	43,710.65	45,720.34	32,070.57	35,324.78	34,700.89
1+2	Tons of CO <sub>2</sub> Equivalents	45,812.25	47,107.29	33,285.61	36,485.76	35,648.63
1+2	Tons of CO <sub>2</sub> Equivalents/ Person	3.73	4.47	3.26	3.74	3.88
3	Tons of CO <sub>2</sub> Equivalents	1,605	1,447	2,478	1,789	2,406
	Tons of CO <sub>2</sub> Equivalents/ Trip	0.35	0.32	0.35	0.43	0.42

Note 1: Scope 2 emissions are from electricity usage. The coefficients are 0.522 (2013), 0.521 (2014), and 0.528 (2015, 2016) kg of CO<sub>2</sub>e/ kWh.

Note 2: Scope 3 emissions are from business travel by air. This is calculated using the calculator on the ICAO website.

## Reduction of Greenhouse Gas (GHG) Emissions



## GHG Reduction Programs and Outcomes in Previous Years

Area of Implementation	2016	2015	2014
CTBC Financial Park	<ul style="list-style-type: none"> <li>Reduction in down light circuits in core floor areas.</li> <li>Reduced lamp count in underground parking areas.</li> <li>Timer switch for ventilation system.</li> <li>Adjustment to schedule of ice storage system.</li> <li>Adjustment to the power of mainframe units and auxiliary equipment.</li> <li>Adjustment to A/C operating time.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced lamp count in underground parking areas and replacement of T5 lamps with LED lamps.</li> <li>Installation of lighting remote control and switching off the lights for 1 hour at noon.</li> </ul>	-
Yongji Building	Adjustment of generator room A/C operating mode to reduce A/C energy consumption.	Lighting in IT server room switched off to save energy and switch to IR surveillance cameras.	Adjustment to A/C nighttime shutdown.
Other Branches	A/C at 3 branches switched off 1~1.5 hours before closing.	<ul style="list-style-type: none"> <li>4 A/C units at branches were replaced.</li> <li>Lighting fixtures and lamps at 3 branches were replaced.</li> </ul>	3 A/C units at branches were replaced.
Total electricity savings each year (kWh)	3,021,201	1,197,497	767,418
Total GHG emission reduction each year (tons)	1,595.19	632.28	399.82

Note1: The electricity emission coefficients are 0.521 (2014) and 0.528 (2015, 2016) kg of CO<sub>2</sub>e/ kWh.

Note2: Baseline year for electricity savings and greenhouse gas reduction: 2014 as of 2015, and 2011 before 2013.

## Resource Management

In 2016, CTBC continues its efforts on resource management, looking forward to contribute toward ensuring a sustainable environment. For the first time, CTBC entered the "Enterprise Environmental Protection Award" hosted by the Environmental Protection Administration (EPA) of the Executive Yuan and won the Bronze Medal Award to become the second financial institution to win an award upon initial entry. We also joined the Water Resource Task Force of the "Taiwan Corporate Sustainability Forum" (TCSF) to regularly meet with representatives across various industries to discuss future developments that demand attention from water resource companies or to tour benchmark industries. 100% of our water usage is provided by Taiwan Water Corporation. No ground water or water from other natural water bodies and organizations are used. Office buildings and operational locations only supply water to employees and customers, so there is no significant negative impact on water sources. All domestic sewage is discharged through the municipal sewer system for processing.

The CTBC Financial Park's indoor water-using facilities, outdoor fountains and sprinklers are all connected to rainwater recovery systems, water recycling systems, and water-saving devices. CTBC installed a 2,625 ton rainwater storage tank, which is located in the basement level of the Financial Park, in case of water shortages caused by extreme climate. The water tank can also be used for flood retention during heavy rain. The rainwater system maintains separate flows for

rainwater and runoff. It does not discharge at the same time as the sewage system and grease traps are installed for kitchen wastewater as well. Dedicated collection facilities for waste and kitchen scraps are provided on level B1 in accordance with the city policy of ensuring no waste touches the ground. The waste processing and refrigeration facilities are regularly cleaned by contractors. Moreover, a waste sorting and recycling system has been implemented to reduce sewage and waste. In order to conserve water and ensure water quality, CTBC has purchased and installed water conservation devices as well as using opto-electronic sensors to control water volume. The building's water towers are regularly cleaned and tested for water quality. Water consumption and usage intensity have shown signs of increase over the years mainly due to an increase in number of employees and volume of business operations. In 2016, water consumption for the CTBC Financial Park, Yongji Building, and other branches was 880,000 cubic meters resulting in a 12.6% reduction in terms of the intensity in 2015. The water-saving target for 2017 is a 2% reduction using 2016 as the baseline year.

#### Water Resource Usage and Intensity

Item	Unit of Consumption	Area of Consumption	2016	2015	2014	2013	2012
Water	m <sup>3</sup>	CTBC Financial Park	246,442	235,798	29,237	-	-
		Xinyi Building	-	-	-	61,777	54,777
		Yongji Building	50,345	51,465	58,651	60,388	61,407
		Other Branches	584,831	577,734	570,723	-	-
		Total	881,618	864,997	658,611	122,165	116,184
Water Usage Intensity	m <sup>3</sup> / Person	CTBC Financial Park	63.0	64.2	-	-	-
		Xinyi Building	-	-	-	40.9	36.3
		Yongji Building	47.0	52.5	41.4	30.9	31.4
		Other Branches	101.7	98.2	97.5	-	-
		Total	71.7	82.1	64.6	35.2	33.5

Note 1: Other branches include regional centers and all of CTBC's 150 Taiwan branches.

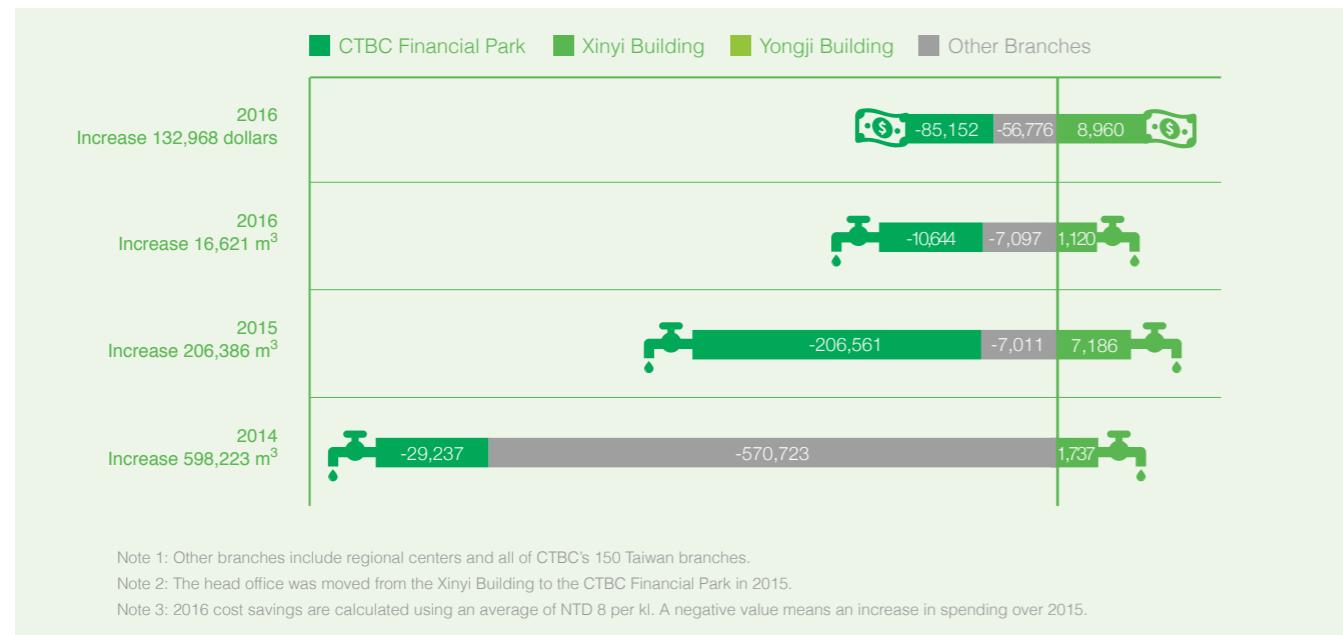
Note 2: The head office was moved from the Xinyi Building to the CTBC Financial Park in 2015.

Note 3: From 2012 to 2013, the data included water usage by the Xinyi and Yongji Buildings; water consumption increased primarily due to an increase in the number of employees.

Note 4: In 2015, the data included water usage by the Nangang and Yongji Buildings; water consumption was lower than that in 2014 due to the relocation to CTBC Financial Park, where centralized management was practiced and Building C was not yet occupied.

Note 5: Water consumption in 2016 was higher than 2015 due to Taiwan Life's relocation to levels 5-14 of Building C.

#### Water and Cost Savings from Water Resource Management



All CTBC waste comes from office activities. These are sorted into general waste, recyclables and food waste. In 2016, the CTBC Financial Park and Yongji Building produced 985 tonnes of general waste. Other branches practiced autonomous management prior to 2015 but began tracking waste production in 2016. The 2017 waste reduction target is a 2% reduction from the baseline year of 2016.

No rubbish bins are provided at each seat in CTBC offices. Basic sorting is performed by employees in the pantry on each floor to reduce waste. The building management then collects and stores all rubbish in the waste sorting area. Recycling companies are notified to collect recyclables while general waste is removed by licensed refuse collection operators and taken to incinerators. In 2016 NTD 4.48 million was spent on waste disposal. With regards to waste reduction, CTBC encourages employees to reuse paper, bring their own eating utensils, utilize electronic signatures, and conduct video conferencing. In addition, to realize the concept of recycling, recycled paper and environmentally friendly paper as well as toilet paper are all FSC or PEFC certified.

Recycling is divided into paper, PET bottles, aluminum/ tin cans and computer equipment. In 2016 the recycling rate was around 25%. Paper accounted for the bulk of recycling at 298 tonnes. PET bottles accounted for 24 tonnes while aluminum/ tin cans amounted to around 10 tonnes. In 2016 a total of 4,600 units of computer equipment were recycled. With regards to management operations, in 2016 recyclable kitchen waste were turned into organic fertilizer after being filtered, fermented and dried for over 48 hours then used for landscaping throughout the financial park.

#### Waste Production



## Resource Recycling

Recyclable Type	Area of Production	2016	2015	2014	2013	2012
Paper (kg)	CTBC Financial Park	178,509	119,111	-	-	-
	Xinyi Building	-	-	20,429	87,442	42,730
	Yongji Building	5,557	8,715	26,527	32,623	27,987
	Other Branches	113,622	Autonomous management	Autonomous management	Autonomous management	Autonomous management
	Total	297,688	127,826	46,956	120,065	70,717
PET Bottles (kg)	CTBC Financial Park	11,757	8,090	-	-	-
	Xinyi Building	-	-	1,056	1,223	1,190
	Yongji Building	335	394	1,155	2,170	1,317
	Other Branches	11,906	Autonomous management	Autonomous management	Autonomous management	Autonomous management
	Total	23,998	8,484	2,211	3,393	2,507
Aluminum and Tin Cans (kg)	CTBC Financial Park	6,024	4,248	-	-	-
	Xinyi Building	-	-	749	860	470
	Yongji Building	59	292	916	2,401	508
	Other Branches	3,433	Autonomous management	Autonomous management	Autonomous management	Autonomous management
	Total	9,516	4,540	1,665	3,261	978
Computer Equipment (units)	CTBC Financial Park	1,870	1,018	-	-	-
	Xinyi Building	-	-	2,364	2,202	2,589
	Yongji Building	1,247	250	750	391	749
	Other Branches	1,534	1,407	2,314	1,757	2,724
	Total	4,651	2,675	5,428	4,350	6,062
Resource Recycling Rate (%)		25.2%	22.6%	33.2%	30.6%	24.9%

Note 1: Other branches include regional centers and all of CTBC's 150 Taiwan branches.

Note 2: The head office was moved from the Xinyi Building to the CTBC Financial Park in 2015.

Note 3: Resource recycling rate is calculated by weight. Computer equipment is excluded for now as it is counted in units. Rate calculation = (Paper + PET bottles + aluminum/ tin cans) \* 100 / (waste + paper + PET bottles + aluminum/ tin cans).

## Green Building

The CTBC Financial Park in the Nangang Business Park covers 30,691 m<sup>2</sup>, which is currently the largest diamond-class green building by area among financial office buildings. Taiwan Architecture & Building Center has confirmed that the CTBC Financial Park satisfies eight of Taiwan green building assessment. As a benchmark, CTBC subsidiary Taiwan Life planned to adopt a silver-class green building, as its operational center at the Huikou site located in Taichung City. The construction is expected to be completed in 2017 and the EEWH silver rated green building will be acquired in 2018.

The adoption of green building design by CTBC in response to climate change shows that the CTBC Financial Park has an average building coverage ratio of just 51% which is far lower than the statutory maximum of 65%, while 49% of the site is therefore open space. The 22,479 m<sup>2</sup> of public space on the first floor and adopted green land make it the largest public open space of a private-sector development in Taipei City. Furthermore, CTBC transformed the public parking spaces neighboring the park into a 12,036 m<sup>2</sup> Sanchong World Trade Eco-Park, where vegetation is distributed according to the four seasons with tropical and subtropical zones representative of forestland in Taiwan. In addition, 131 fern species were planted in cooperation with National Taiwan University, thus establishing Taiwan's first fern park, which serves as a representative of diversity among all urban parks. Upon the opening of the Park, CTBC has held Christmas light shows and opened the first outdoor skating rink in Taiwan. The integration of art, culture and park space represents a new milestone in urban architecture for Taiwan.

## CTBC Financial Park - Green Building Environmental Performance



## Environmental Profit and Loss Evaluation

The backbones of life on earth and human civilization are natural resources and the ecological system. According to "The Limits to Growth", however, overdevelopment through human activities has resulted in imbalances in the ecological system. Moreover, our natural resources are rapidly declining. Human beings take the services offered by the ecological system for granted and consider them as free or without much value. However, CTBC believes it is because of the provision of the natural capital that we are able to create quality services and products for our customers, and we deeply understand how valuable this natural capital is. On this account, we referred to Natural Capital Protocol and the valuation structure (Keeler et al., 2012) to develop the Environmental Profit and Loss (EP&L) method to evaluate the impact of three natural capitals: greenhouse gas, water resource, and waste. This method is able to analyze external costs incurred during CTBC's service provision process, as well as serve as a decision-making tool to be integrated with environmental management.

### Environmental Profit and Loss Evaluation of Natural Capital

Items	Measurement			Valuation	
	Unit	Impact Driver	Measure Impact Driver	Methodology	Monetary (USD)
GHG	Tons of CO <sub>2</sub> Equivalents	Scope 1	630.44	Social Carbon of Cost (SCC) from US EPA	-27,723
		Scope 2	42,599.27		-1,874,526
		Scope 3	1,605		-70,626
		GHG Reduction	1,595.19		+70,012
Waste	Metric Ton	Waste	980.45	SCC and External Costs of Heavy Metals	-36,091
Water Resource	m <sup>3</sup>	Water Withdrawals	881,618	External costs per DALY	-153

Note 1: The Disability-Adjusted Life Year (DALY) is a measure of overall disease burden developed by the World Health Organization (WHO) and the World Bank. DALYs are calculated by taking the sum of the years of life lost (YLL) and the years lost due to disability (YLD) components.

Note 2: Considering that waste is mainly incinerated in Taiwan, our calculation base considers the social cost (heavy metals, etc.) of incineration as per EXIOPOL report, and the social cost of carbon emissions incurred in the process of incineration.

Note 3: With respect to the external cost of water resource, damage to human health is our primary consideration, therefore, we adopt "DALY values for water resource-incurred malnutrition causing human health damage" (Pfister et al. 2009), and "DALY values for water resource-incurred waterborne diseases causing human health damage" (Motoshita et al., 2010). Both DALYs above are already converted to the Taiwan-specific coefficients.

Note 4: The external cost of greenhouse gas considers the social cost of the overall carbon emissions. The valuation scope for other natural capitals is more restricted. For example, for waste, only incineration is considered; for water resource, only human health is considered.

Note 5: Values of all currencies take the inflation factor into account, and the value is calculated in USD for 2016; -/+ represents loss/profit.

## Green Purchasing

Environmentally-friendly suppliers play an important role as they can help CTBC reduce its environmental footprint. In order to further realize energy conservation and carbon reduction goals, CTBC purchases products bearing government or trade association sponsored ecolabels that certify environmentally friendly, energy efficient, water conserving, or green building material attributes. Ecolabels issued by institutions in Europe, the US, Japan and Korea as well as the Energy Star and the FSC labels are also accepted. For the construction of the CTBC Financial Park and the furnishing of bank premises, CTBC also ensures that materials with ecolabels are purchased so there is no additional burden on the environment. Total green purchasing in 2016 exceeded NTD 200 million. CTBC has also been awarded the "Outstanding Contribution to Green Purchasing by a Private Enterprise" by the Department of Environmental Protection, Taipei City Government for 8 consecutive years. The EPA moreover commended CTBC for "Outstanding Contribution to Green Purchasing by a Private Enterprise" in 2016.

## Green Purchasing Items and Amount

Unit: NTD

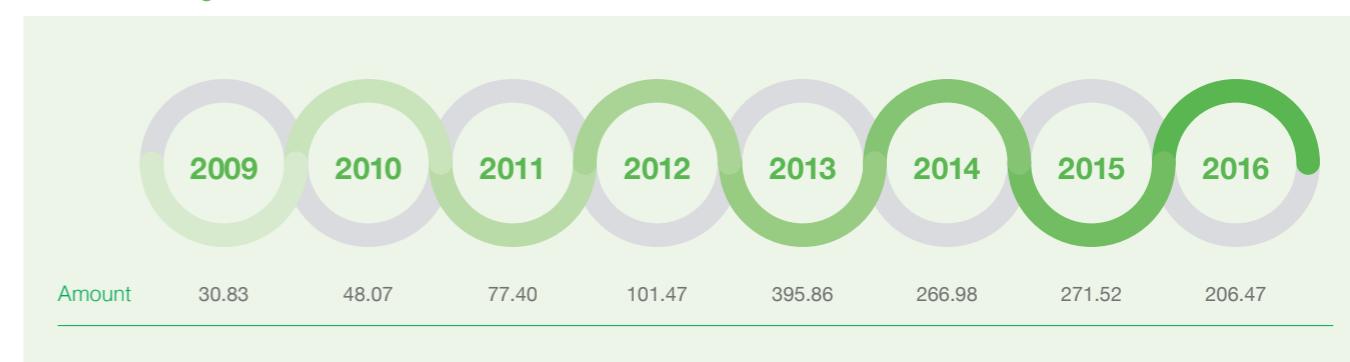
Purchase Item	2016	2015	2014	2013	2012	Environmental Impact Reduced
Type 1	174,276,384	173,634,835	169,097,335	187,644,717	64,129,090	<ul style="list-style-type: none"> <li>Use of renewable materials to reduce the consumption of non-renewable natural resources.</li> <li>Can be recycled and reused to reduce the amount of waste produced.</li> <li>Purchasing of products with ecolabels help reduce environmental impact during production and use.</li> <li>Products with eco- and energy-saving labels can reduce the use of fossil fuels and greenhouse gas emissions.</li> </ul>
Type 3	32,198,701	97,885,240	97,885,240	208,214,448	37,340,007	
Total	206,475,085	271,520,075	266,982,575	395,859,165	101,469,097	

Note 1: Type 1 includes products with domestic or overseas ecolabels.

Note 2: Type 3 are products with domestic energy-efficiency marks, water-saving marks, green building material marks and carbon footprint label, as well as green products certified by the FSC, PEFC or other overseas organizations.

## Green Purchasing Achievements

Unit: NTD, in millions



## Conclusion

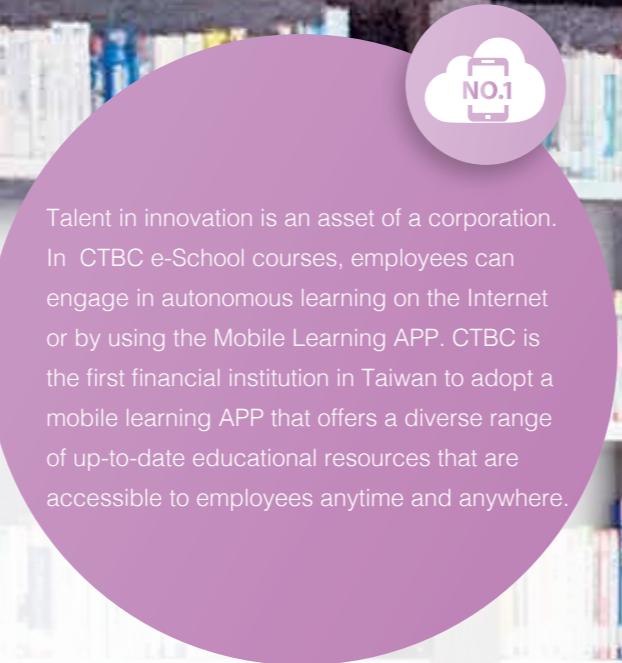
The golden grail for global investors is the de-linking of economic growth and GHG emissions, whereas it is increasingly evident that a new low-carbon model for corporate development is beginning to gain momentum in the international market. The escalating threat of rising GHG levels along with extreme weather and the loss of natural resources in recent years have instilled in CTBC a keen awareness of how global warming will impact sustainable development. We have not only excelled in energy conservation, carbon reduction, resource management, green building and green purchasing, but also lead the domestic financial industry with an A- rating in the CDP Climate Change Report, an authoritative international assessment. CTBC has always incorporated environmental protection through sustainability into every aspect of our operations. We started with internal energy conservation and resource efficiency improvements through education, management systems, environmental initiatives and value-chain engagement. We then expanded our efforts to cooperation with upstream and downstream business partners to leverage the power of teamwork and maximize our contribution to the future natural environment. Climate change has become the greatest challenge to sustainable development around the world.

# HUMAN CAPITAL DEVELOPMENT



CTBC believes that talents are a company's most important asset and the key to sustainable competitiveness. Upholding our brand value, We are family, CTBC emphasizes the importance of "family", regarding each of its employees as family. The company is not only committed to caring for its employees and their families, but also endeavors to protecting and creating value for its employees. Under this business philosophy, CTBC is devoted to building a perfect home for its employees with confidence, care, consideration, love and happiness in order to create a secure, inspiring work-friendly environment based on a safe, equal, healthy workplace and a generous remuneration system. To strengthen talent development, we plan a wide range of cultivation programs and simultaneously establish an incentive system that contributes to employees' sense of achievement at work.

CTBC believes strongly that employee happiness comes from compensation and encouragement commensurate with their performance at work, the support and respect of the company, as well as achieving a balance between work and life. This serves as the basis of our human capital development strategy; by taking good care of our employees, we can continue to provide them with happiness and fulfillment.



Talent in innovation is an asset of a corporation. In CTBC e-School courses, employees can engage in autonomous learning on the Internet or by using the Mobile Learning APP. CTBC is the first financial institution in Taiwan to adopt a mobile learning APP that offers a diverse range of up-to-date educational resources that are accessible to employees anytime and anywhere.



## Employee Diversity and Rights

The comprehensive employee care system at CTBC covering talent recruitment & retention, salary and incentives, as well as safe and equal workplace has resulted in a steady increase in the number of employees and new recruits over the past two years.

In 2016, CTBC employed a total of 13,632 people including 12,959 full-time employees and 673 contracted employees.

CTBC's major business locations made hiring locally a priority, with Taiwan achieving a local hiring ratio of 99.9%, and overseas locations achieving a ratio of 89.4%.

The following employment data covers mainly CTBC Financial Holding and subsidiaries including CTBC Bank (including overseas branches, and service locations), CTBC Securities, CTBC Capital, CTBC AMC, Taiwan Life, CTBC Investments and Taiwan Lottery. (Overseas banking subsidiaries, as well as former Taiwan Life and CTBC Life commission-based sales representatives are not included. Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2014 and 2015.)

## Employee Structure—Gender Breakdown

Employed as of 12/31/2016		Taiwan		Overseas Locations		
Gender		Permanent	Temporary	Permanent (incl. expatriate staff)	Contract-based	Temporary
Male		4,750	234	436	4	23
Female		8,209	439	547	5	19
Total		12,959	673	983	9	42

## Permanent Employee Structure—According to Gender, Age, and Management/Non-management Position

Employed as of 12/31/2016		Full-time Taiwanese Employees			Full-time Employees at Overseas Locations (incl. expatriate staff)		
Gender	Age Range	Management Position	Non-management Position	Total	Management Position	Non-management Position	Total
Male	50 and above	251	442	693	43	28	71
	30 to 49	465	2,765	3,230	61	243	304
	Less than 30	1	826	827	0	61	61
	Total	717	4,033	4,750	104	332	436
Female	50 and above	174	404	578	19	24	43
	30 to 49	696	5,363	6,059	41	324	365
	Less than 30	5	1,567	1,572	0	139	139
	Total	875	7,334	8,209	60	487	547
Total		1,592	11,367	12,959	164	819	983

Note: Non-management refers to not responsible for the management of other employees or units of administrative responsibility.

## New Employee Statistics

		Full-time Taiwanese Employees				Full-time Employees at Overseas Locations (incl. expatriate staff)			
Gender	Age Range	Management Position	Non-management Position	Total	Percentage of New Employees	Management Position	Non-management Position	Total	Percentage of New Employees
Male	50 and above	3	13	16	0.2%	6	2	8	0.9%
	30 to 49	12	327	339	3.1%	10	64	74	8.2%
	Less than 30	0	386	386	3.6%	0	27	27	3.0%
	Total	15	726	741	6.9%	16	93	109	12.1%
Female	50 and above	1	3	4	0.1%	3	2	5	0.6%
	30 to 49	12	419	431	4.0%	4	61	65	7.1%
	Less than 30	1	593	594	5.4%	0	55	55	6.1%
	Total	14	1,015	1,029	9.5%	7	118	125	13.8%
Total		29	1,741	1,770	16.40%	23	211	234	25.9%

Note: New hire ratio formula = Total new hires ÷ average personnel at beginning and end of reporting period

## Turnover Statistics

		Full-time Taiwanese Employees			Full-time Employees at Overseas Locations (incl. expatriate staff)			
Number of employees at end of 2016		11,061			983			
2016 Turnover rate		12.8%			8.8%			
Male	Gender	Age Range	Management Position	Non-management Position	Total	Management Position	Non-management Position	Total
	50 and above	10	41	51	2	6	8	
	30 to 49	18	337	355	8	52	60	
	Less than 30	0	199	199	0	19	19	
Female	Total	28	577	605	10	77	87	
	50 and above	8	30	38	0	2	2	
	30 to 49	15	474	489	5	40	45	
	Less than 30	0	295	295	0	25	25	
Total		23	799	822	5	67	72	
		51	1,376	1,427	15	144	159	

Note: Turnover rate formula = Total departures ÷ average personnel at beginning and end of reporting period

## Resignation Statistics

Year	2016	2015	2014	2013
Turnover Rate (%)	12.8%	15.0%	17.8%	10.2%
Voluntary Resignation Rate (%)	12.5%	14.6%	17.3%	9.9%

## Talent Recruitment and Overseas Strategy

In 2016, CTBC Financial Holding executives went on campus for face-to-face meetings with students and upcoming graduates to expand the recruitment of top students. Particular focus was placed on next-generation applicants with specialties such as digital technology, social networking, digital marketing, big data and risk management to support Bank 3.0 financial innovations and the expansion of our overseas business. We are also continuing to recruit top students with a

command of English, Japanese and Southeast Asia languages willing to challenge themselves as part of our overseas strategy and development.

During the campus recruitment period each year, executives and management trainees meet students face-to-face to share their own career experience and offer career advice. They also analyze future trends on employment in the financial industry to give students a better idea of what to expect and encourage them to pursue their dreams in the financial industry.

#### Human Rights and Gender Equality

CTBC is committed to employee care founded on the bases of human rights and gender equality. In 2016 no incidents of discrimination, child labor, forced or compulsory labor or incidents infringing on employee interests occurred. At the same time, international human rights provisions have been added to the employee code of conduct. As of 2016, human rights topics have been incorporated into training for new employees. Promotional programs and materials are additionally used to strengthen employee awareness on human rights.



#### Corporate Social Responsibility Code of Practice

- We observe laws and regulations and follow international convention on human rights such as gender equality, employment rights, prohibition of discrimination and other such rights.
- We formulate relevant management policies and procedures to fulfill its responsibility of human rights protection. The Company should follow internationally recognized labor rights, such as freedom of association, collective bargaining rights, care for disadvantaged groups, prohibition of child labor, elimination of all forms of forced labor and elimination of employment discrimination, and confirm that its human resources policy does not involve the discrimination of sex, race, socioeconomic class, age, marriage or family status in order to implement equal and fair treatment in employment, as well as fair and equal conditions of employment, salary, welfare, training, evaluation and promotion opportunities.
- For matters that harm labor rights, We provide an effective and appropriate appeals mechanism to ensure equality and transparency in the appeals process. The appeals mechanism should be concise, convenient and smooth, as well as appropriately respond to employee appeals
- We provide employees with information to enable them to understand the labor laws in the country within which they are employed, as well as the rights to which they are entitled.
- We provide employees with a safe and healthy work environment, including providing equipment necessary for health and first aid, reducing factors that could adversely affect employee safety and health to guard against occupational hazard, and holding regular employee safety and health education and training sessions.
- We create an environment conducive to employee career development and establish effective career development training programs. In the meantime, it shall adequately reflect the result of its business performance in its employee compensation policy to ensure its recruitment and retention abilities and the encouragement of human resources and achieve a sustainable business goal.
- We establish communication and dialog channels to give employees the opportunity to have the right to receive information and express their views regarding operations, management, decision-making, and planning.
- We respect employee representatives in their exercise of rights regarding work conditions and shall provide employees with the necessary information and hardware to promote negotiation and cooperation among the employer, employees and employee representatives.
- We inform employees of business changes that may have a substantial impact on them in a reasonable way.

#### Contents of CTBC Regulations on Human Rights

Document Title	Content of Provisions
Employee Code of Conduct	<p>Human right principle:</p> <ul style="list-style-type: none"> <li>• We provide a safe and healthy workplace.</li> <li>• We eliminate illegal discrimination to ensure equal opportunity and prevent sexual harassment through adherence to the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace".</li> <li>• We prohibit compulsory labor.</li> <li>• We assist employees in maintaining their well-being and an adequate balance between work and life.</li> <li>• We continue to maintain open channels of communications with employees to promote harmonious labor relations.</li> <li>• We regularly inspect and assess related systems and practices.</li> </ul>
Sexual Harassment Prevention Procedure	<ul style="list-style-type: none"> <li>• We prevent acts of sexual harassment, establish a friendly workplace, and eliminate sex or gender-based hostility factors within the workplace to protect employees from the threat of sexual harassment.</li> <li>• We regularly organize or encourage personnel to take part in education and training on sexual harassment prevention every year. Participation is classified as company business and eligible for funding support.</li> <li>• Effective corrective and remedial actions shall be taken immediately upon being made aware of sexual harassment. Attention should also be paid to the following aspects:           <ol style="list-style-type: none"> <li>1. Protecting the rights and privacy of the victim.</li> <li>2. Maintaining or improving the safety of premises.</li> <li>3. Other preventive and improvement measures.</li> </ol> </li> </ul>

To protect human rights, CTBC developed an evaluation framework based on risk occurrence and severity. Through regular risk assessment on human rights, employee's exposure to risk of inclusive workplace, working hour, sexual harassment, discrimination, and, health and safety is assessed. After that, annual improvement measures are established using the risk assessment results for each human rights issue, with the aim to create a workplace with zero human rights risks.

#### Human Rights Assessment and Management Measures

Issues	People Affected	Risk Level	Overall Risk Ratio	Mitigation Measures
Inclusive Workplace	Indigenous people or physically or mentally challenged employees	Medium		<ul style="list-style-type: none"> <li>• Establish hiring procedures for special personnel and monitor the ratio of special personnel hired.</li> <li>• Establish working hours management tools and remind employees through management report.</li> <li>• Establish internal audit mechanism and include attendance and overtime management into monthly self-checking items.</li> <li>• Assist supervisors at all levels to establish correct labor management concept through training courses and practical seminars.</li> <li>• Abide by the Labor Standards Act and relevant laws and regulations, and conduct proper communication with employees through regular labor-management meetings.</li> </ul>
Working hours	All employees	Medium		<ul style="list-style-type: none"> <li>• Pertaining to labor-management disputes, our company adopts fair treatment, clarifies the truth, and communicates properly and resolves issues together with the employees. In case of improper management behavior by supervisors, the Rules on Employees Rewards and Punishments shall be invoked and internal disciplinary mechanism initiated.</li> <li>• Publicly disclose in workplace using methods such as posters. Establish sexual harassment complaint handling committee to handle cases in an impartial manner.</li> <li>• In 2016, training courses were conducted throughout the company to promote measures on the prevention of sexual harassment.</li> <li>• Strictly abide by the laws and regulations on prohibition of discrimination against employees.</li> <li>• Improve on areas that cause employees to sustain major occupational injuries due to falling from height.</li> <li>• Pertaining to the three major abnormal items of the employees' health examination, provide health promotion activities and talks on food, lifestyle and sports.</li> </ul>
Labor-Management Disputes	All employees	Low	2%	
Sexual Harassment	All employees	Medium		
Discrimination	All employees	Low		
Health and Safety	All employees	Low		

CTBC strives to recognize the importance of diversity in the workplace, respect individual differences, provide a professional, dignified workplace, and explicitly prohibits harassment, intimidation, or discrimination. Currently the CTBC employee female to male gender ratio stands at 16:9. Apart from CTBC Bank subsidiaries where more than 56% of managers are female, women account for 55% of all management personnel at CTBC. 70% of model employees recognized each year are female as well; proof that CTBC offers full gender equality and non-discriminatory career advancement opportunities.

#### Ratio of Women and Managers

	2016	2015	2014
Ratio of Female Employees (%)	63.3	64.3	63.2
Ratio of Female Managers (%)	55.0	54.8	55.5
Ratio of Women in Senior Management (%)	18.5	16.3	15.9
Ratio of Women in Middle Management (%)	43.2	43.4	46.3
Ratio of Women in Junior Management (%)	58.3	59.2	58.7

Note 1: Ratio of Female Employee = Number of female employees / Number of all employees.

Note 2: All management: Management refers to an employee tasked with an overseeing management role.

Note 3: Ratio of Female Employee = Number of female employees / Number of all management.

Note 4: Senior Management: Division head (inclusive) or higher; Middle Management: Department head (inclusive) or higher, senior management was not included; Junior management: Junior Management: Department head level below supervisor.

Note 5: Ratio of Senior Management = Number of senior female management / Number of senior management.

Note 6: Ratio of Middle Management = Number of middle female management / Number of middle management.

Note 7: Ratio of Junior Management = Number of junior female management / Number of junior management.

CTBC has always supported job access for the disabled persons and indigenous peoples with job opportunities provided through different channels. Internal role adjustments and assessments are conducted for the physically challenged to provide them with suitable positions and conditions that exceed statutory requirements. Security personnel at CTBC are provided by the CTBC Security subsidiary. The "Sexual Harassment Prevention Regulations and Case Studies" training course has been taken by 91% of security personnel and all forms of intimidation, harassment or discrimination are strictly prohibited.

CTBC takes an interest in important issues on social care. In the wake of the Formosa Fun Coast dust explosion for example, CTBC embraced its CSR core values in offering suitable job openings within the group (recruitment area: <http://hrbank.ctbcbank.com/p2.html>). Job responsibilities were re-designed based on the victims' recovery and physical ability to help them adapt to the workplace. The necessary vocational training and assistance was also provided to help them settle into their new roles. On top of all these measures, CTBC was the first company throughout the entire Taiwanese community to employ victims of the Formosa Fun Coast incident.

To provide employees with a secure working environment, CTBC has support mechanisms in place for women and families to protect the rights and interests of employees such as menstruation leave, parental leave, paternity leave, family care leave, and childcare subsidy. In 2016, 163 employees from different units applied for parental leave without pay with a return to work ratio of 61.8%; Up to 996 employees applied for a total of NTD14,861,652 in childcare subsidies. To encourage employees to have more children and boost the national birth rate, CTBC also offers a bonus of up to NTD 4,000 per child. Statistics indicate that the raw birth rate at CTBC in 2016 was 40‰, compared to 8.86‰ for Taiwan as a whole. This showed that the benefits and support measures provided by CTBC enabled employees to not only discharge their responsibilities at work but also at home.

#### Disable Persons Employment Statistics

	2016	2015	2014
Number of Disabled Employees (persons)	83	66	51

#### Unpaid Parental Leave Statistics

	Male	Female	Total
2016 Unpaid Parental Leave, Total Employees Potentially Returning to Work (A)	12	140	152
2016 Unpaid Parental Leave, Total Employees Actually Returning to Work (B)	4	90	94
2016 Rate of Employees Returning to Work (B/A) (%)	33.3%	64.3%	61.8%
2015 Unpaid Parental Leave, Total Employees Actually Returning to Work (C)	13	100	113
2015 Total Number of Employees Returning to Work after Parental Leave and Completing One Year of Service in 2016 (D)	8	71	79
2016 Retention Rate (D/C) (%)	61.5%	71.0%	69.9%

#### Uninterrupted Employer-employee Communication Channel

A harmonious and safe workplace is a key part of our mission to nurture LOHAS employees. CTBC regularly holds labor-management conferences with all employees voting for labor representatives in formal elections every year (for which a gender shall have more than one-third representation when said gender encompasses more than one half of the total employee number). Representatives are also appointed by the management. All matters relating to labor conditions must be approved through the labor-management conference, clearly stated in the work rules and announced to all employees. Matters relating to employee welfare are also regularly compiled and reported during the conferences. In 2016, the CTBC Bank subsidiary convened 4 labor-management conferences where none of the labor representatives were employees in management positions. There were a total of 11 labor-management disputes all of which have been appropriately resolved and closed.

#### Number and Types of Labor Disputes

	2016	2015	2014
Number of Labor Disputes (cases)	11	4	9
Type of Dispute	Employment relationship, compensation, work hours		

The shortest notice period for a change in assignment that can be given to employees are as follows: for new branches or increases in manpower within a branch, at least one week prior to the transfer, if a branch is closed, taken over, declares a loss, downsizes, or if an employee decides they are unable to execute assigned responsibilities, a minimum of 10 to 30 days notice is required to terminate labor contracts.

10 days' notice	20 days' notice	30 days' notice
Employees with more than 3 months and less than 1 year of service	Employees with more than 1 year and less than 3 years of service	Employees with more than 3 years of service

CTBC regularly holds employee conferences and publishes employee communication newsletter "Peoples Monthly" to strengthen the channels for employee communication. Employee satisfaction surveys and organizational climate surveys are hosted at different times to pro-actively identify employee needs. To boost the effectiveness of bi-directional communication with employees, in 2016 CTBC took part in the best employer-employee survey hosted by the Aon Hewitt consulting company. Overall employee commitment and identification with the company was 62%, higher than the Taiwan average of 60%.

CTBC has established a dedicated Employee Complaint Center for investigating and processing complaints. Employees can also express their opinions through the General Administration Department's internal website and independent director hot-line. In 2016, a total of 152 employee opinions were received via internal channels. Contents included salary and welfare, performance evaluation, internal communications, occupational safety and health, food quality, and software and hardware facilities. Dedicated units are tasked by CTBC to respond to all employee suggestions. All were resolved to employees' satisfaction.

#### Employee Opinion Processing Statistics

	2016	2015	2014
Employee Opinions Collected Through Internal Website (cases)	152	144	198
Top Issues	1. Food Quality 2. Internal Communications 3. Salary and Performance 4. Workplace Advice	1. Food Quality 2. Internal Communications 3. Salary and Performance	1. Food Quality 2. Internal Communications 3. Salary and Performance
Corrective Measures CTBC Employee Hot Line			<ul style="list-style-type: none"> <li>Food Quality Improvements: Food safety controls, daily sampling of lunch boxes, responding to lunch box feedback, monthly meetings with lunch box suppliers, monthly inspections of lunch box supplier's working environment, and keeping monthly records on disinfection of lunch box supplier's working environment were enforced to ensure food safety and quality for all employees.</li> <li>Internal Communications Improvements: Communicated with feedback owner and responded to each case as necessary.</li> <li>Salary &amp; Performance Improvements: Communicated with feedback owner and responded to each case as necessary.</li> </ul>

#### Employee Hot Lines

All submissions are handled in a confidential manner to protect the rights and interests of the complainant.

- Posted in writing to the human resource division or directly submitted to the highest human resources executive
- Provided feedback in person to any manager in human resources
- Grievance E-mail Address: 0885@ctbcholding.com
- Employee Hot-line: (02)3327-8804
- Internet Communication Website: General Administration (General Affairs) Department website

#### Workplace Safety and Health

CTBC has established an Occupational Safety and Health Committee composed of 1 chairperson (management representative), 3 occupational safety and health management staff, 2 nursing personnel, and 7 worker representatives. The Committee therefore has 13 representatives of which at least one-third must be worker representatives. The Committee is convened on a quarterly basis as required by law. It offers recommendations on safety and health policies, oversees safety and health management plans, reviews safety and health training plans, tracks the monitoring results for indoor air

quality and illumination, and ensures progress on occupational diseases promotion. Related training in 2016 included "Fire Prevention Manager", "Occupational Safety Supervisor" and "First-Aid Personnel". A total of 317 people underwent initial/refresher training. The completion rates for both refresher and initial training were 100%. Apart from requiring contractors to sign a safety and health statement, CTBC also conducts safety and health inspections while the work is being performed as part of due diligence.

	2016	2015	2014
Initial and Refresher Training on Occupational Safety and Health Management (persons)	317	518	476
Completion Rate for Refresher Training (%)	100	91	100
Completion Rate for Initial Training (%)	100	100	100

For employees suffering on-the-job injuries, the company gives occupational injury leave as required by law and in accordance with the actual situation. Employees also receive assistance on the filing of a labor insurance claim. Employees receive the maximum amount of assistance possible in the shortest possible time to minimize work-related injuries. In 2016, a total of 13 people applied for occupational injury leave with a total of 264.5 days lost. There were no workplace fatalities. Related indicators also show a downward trend. The reason given for most incidents of injury leave was accidents on the stairs. CTBC has therefore installed anti-slip strips or warning signs in areas with potential fall hazards to reduce the frequency of workplace injuries.

CTBC conducts occupational safety and health training every year to improve the safety and health awareness of employees. Over 90% of all employees attended training courses in 2016. Total participation was 9,730 people with coverage of 94%.

#### Statistics for Disabling Injuries

Year	2016			2015			2014			2013		
	Gender	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total Employees with Disabling Injuries	1	12	13	2	10	12	0	6	6	4	10	14
Total Lost Work Days Due to Disabling Injury	149	115.5	264.5	14.5	193.5	208.0	0.0	248.5	248.5	78.5	430.0	508.5
Disabling Injury Frequency Rate (FR)	0.04	0.46	0.49	0.089	0.446	0.535	0.000	0.281	0.281	0.197	0.493	0.690
Disabling Injury Severity Rate (SR)	5.66	4.39	10.05	0.647	8.632	9.279	0.000	11.656	11.656	3.870	21.201	25.072
Rate of Absenteeism Due to Disabling Injury (AR)	9.06	7.02	16.08	1.035	13.811	14.846	0.000	18.649	18.649	6.193	33.922	40.115

Note 1: Total employees with disabling injuries: Number of workers who are temporarily unable to return to work after sustaining an occupational injury.

Note 2: Total lost work days due to disabling injury: Number of work days lost because workers are temporarily unable to return to work after sustaining occupational injury.

Note 3: Total work hours = Total employees x work hours per day x number of working days per year; Total number of work days = Total number of employees x number of work days in a year.

2016: Total work hours = 26,324,000 hours; Total work days: 3,290,500 days.

2015: Total work hours = 22,417,408 hours; Total number of work days in 2015: 2,802,176 days.

2014: Total work hours = 21,320,376 hours; Total number of work days in 2014: 2,665,047 days.

2013: Total work hours = 20,281,664 hours; Total number of work days in 2013: 2,535,208 days.

Note 4: Disabling Frequency Rate (FR) = Total employees with disabling injuries x 1,000,000 / total work hours.

Note 5: Disabling Severity Rate (SR) = Total lost work days due to disabling injury x 1,000,000 / total work hours.

Note 6: Rate of absenteeism due to disabling injuries = Total lost work days due to disabling injury ÷ total working days x 200,000.

## Absenteeism Statistics

Year	2016			2015			2014			2013		
Gender	Male	Female	total	Male	Female	total	Male	Female	total	Male	Female	total
Absentee Days	3,725.0	11,727.5	15,452.5	2,178.0	7,529.5	9,707.5	2,123.5	7,201.5	9,325	1,624	7,378.5	9,002.5
Absenteeism Rate	0.11%	0.36%	0.47%	0.08%	0.27%	0.35%	0.08%	0.27%	0.35%	0.08%	0.27%	0.35%

Note 1: Total number of work days = Total number of employees x number of work days in a year; Total number of work days in 2016: 3,290,500 days; Total number of work days in 2015: 2,802,176 days Total number of work days in 2014: 2,665,047 days Total number of work days in 2013: 2,535,208 days.

Note 2: Number of days absent = Number of work days missed due to occupational injuries + menstruation leave + sick leave.

Note 3: Absenteeism rate = Total no. of days absent ÷ Total no. of working days x 100%.

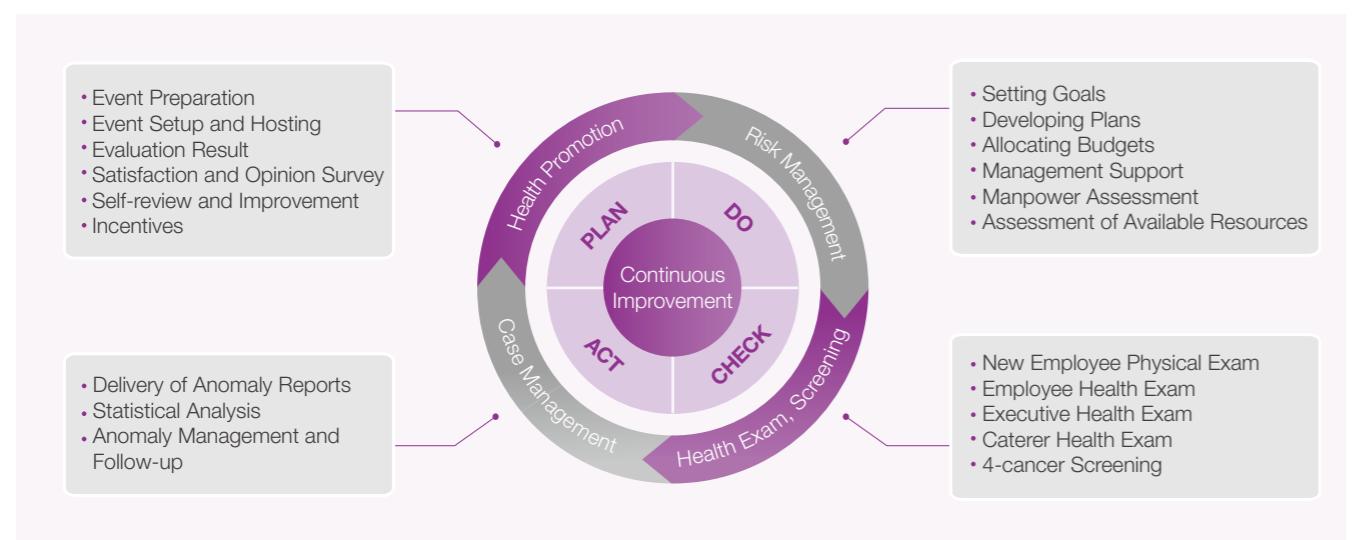
## Occupational Safety and Health Training

	2016	2015	2014
Employee Participation in Safety and Health Education (persons)	9,730	9,152	8,647
Employee Coverage of Safety and Health Education (%)	94	91	88.17
Satisfaction	4.8	4.5	4.5

Note: 5-point satisfaction grading scale.

To promote health in the workplace, full-time health care personnel at CTBC formulate an annual health promotion activity schedule based on employee requirements, feedback and activity outcomes every year. Company, government and vendor resources are leveraged for hosting a variety of health-related events. Apart from promoting better physical and mental health among employees through health exams, cancer screening, on-site clinics, health seminars and fitness activities, we also provide employees with anomalies, potential risks or related requirements with support and follow-up services to facilitate their recovery, disease management and improvement. During this process (PDCA), the activities are continuously adjusted and revised based on satisfaction surveys, participation rates, data analysis and event reviews.

CTBC provides employees with health exams and organizes health promoting activities every year to safeguard their health. These help employees understand their health conditions, and facilitate early detection and treatment of diseases.



Employees can consult with doctors after a health exam. Internal nursing personnel also analyze anomaly reports from all employees and write newsletter columns to remind employees what health conditions to watch out for. Data from health exams is furthermore used to analyze the distribution and incidence of employee health risks.

The top 3 health anomalies among employees over the past three years were: high levels of cholesterol, low-density lipoprotein cholesterol, body fat percentage and Body Mass Index. To improve employee health, CTBC started by offering employees a healthy diet, appropriate exercise, and lifestyle changes. Employees are also encouraged to attend seminars, weight loss classes, and personal consultations with doctors. Health exam outcomes are also tracked to reduce the rate of health anomalies among employees.

## Employee Health Exam Statistics

	2016	2015	2014
Health Exam Coverage (%)	85%	85%	80%
Top 3 Health Anomalies	<ul style="list-style-type: none"> <li>Body fat percentage</li> <li>Total cholesterol</li> <li>Body Mass Index (BMI)</li> </ul>	<ul style="list-style-type: none"> <li>Body fat percentage</li> <li>Low-density lipoprotein cholesterol (LDL-C)</li> <li>Total cholesterol</li> </ul>	<ul style="list-style-type: none"> <li>Body Mass Index (BMI)</li> <li>Total cholesterol</li> <li>Low-density lipoprotein cholesterol (LDL-C)</li> </ul>

A total of 46 events, including "On-site Doctors' Medical Examination Service", "Healthy Workplace Seminars", and "Health Promotion Activities", were held throughout 2016. A total of 1,095 persons took part in these health promotion activities. CTBC provides 2-3 sessions of on-site doctors' medical examination service each month. The doctors carry out prevention of ergonomically-related musculoskeletal injuries along with on-site instruction to reduce the risk of ergonomic injuries to employees. The most common problems in health reports that employees seek advice for are metabolic syndrome and the three highs (blood pressure, blood fat and blood sugar). The doctor provides individual health education while nursing personnel also organize weight loss classes and weight reduction seminars to help mitigate employee health risks. Employee satisfaction surveys are conducted every time a health risk prevention event is organized by CTBC to see if the event has fulfilled employee needs. All related events of satisfaction rating held in 2016 is over 4.5 out of 5.

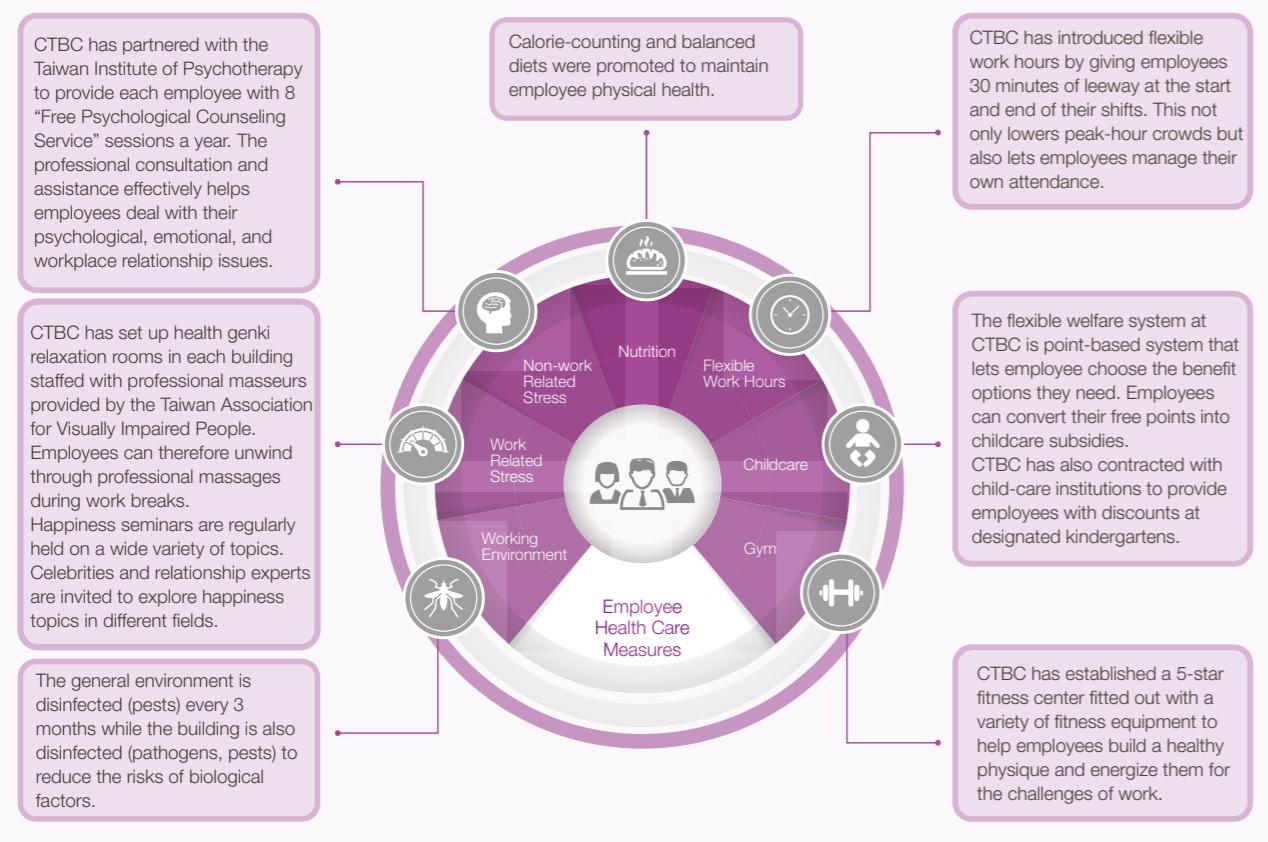
The Nangang Head Office Building also received government recognition such as "Quality Nursery Certification" and "Healthy Workplace Certification". To promote employee health and boost productivity, CTBC encourages employees to cultivate the habit of regular exercise as well, resulting in the awarding of the "Taiwan iSport Corporate Certification" mark for implementing health promoting measures and creating a quality workplace.

## Health Promtion Activity Statistics

	2016	2015	2014
On-site Doctors' Medical Examination Service (sessions)	32	15	9
Number of On-Site Employee Consultations	393	120	63
On-site Doctors' Medical Examination Service Satisfaction Rating	4.88	4.92	4.82
Workplace Health Seminar (sessions)	4	5	6
Number of Participants for Workplace Health Seminar	283	209	179
Workplace Health Seminar Satisfaction Rating	4.69	4.56	4.65
Health Promoting Activity (sessions)	10	10	3
Number of Participants for Health Promoting Activity	419	619	157
Health Promoting Activity Satisfaction Rating	4.82	4.82	4.82

Note: 5-point satisfaction grading scale.

## Employee Health Care Measures

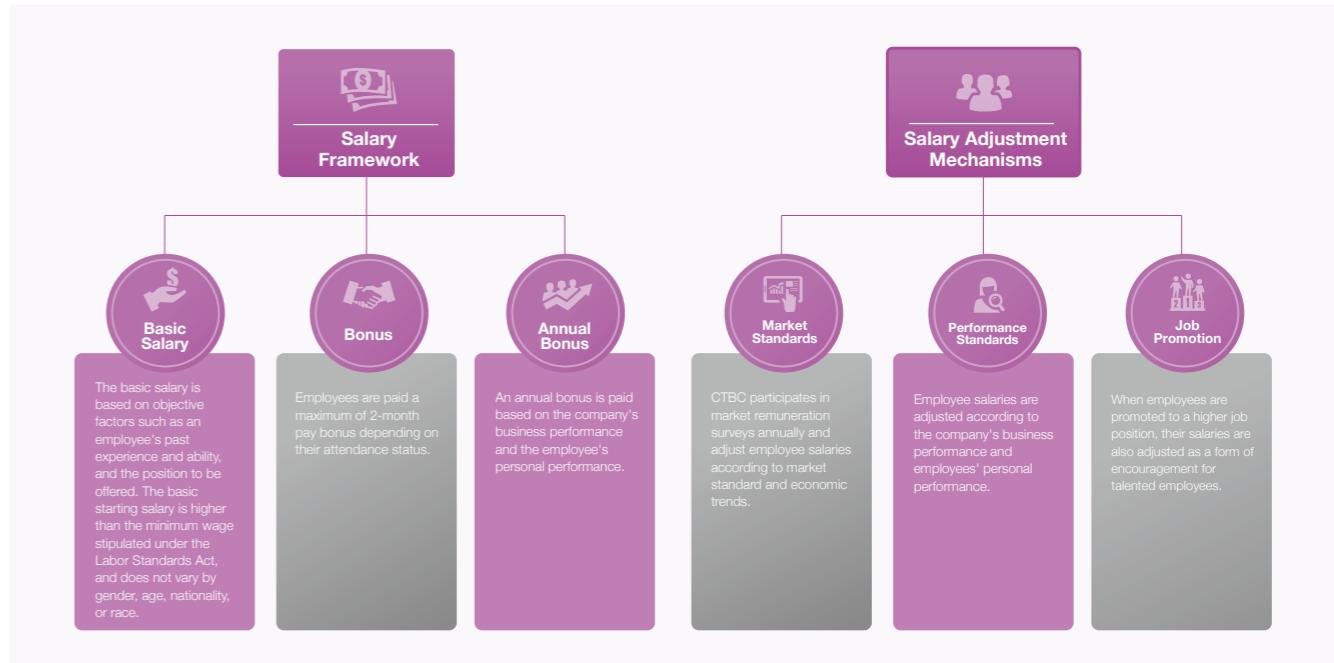


## Generous Remuneration and Benefits

The human capital development strategy of CTBC seeks to attract and retain talented personnel by providing competitive salaries along with a variety of profit-sharing mechanisms such as stock appreciation rights, employee subscription rights for new issues, and employee stock trusts. Talented financial professionals are therefore drawn to work with CTBC in building a new future.

### Salary Framework and Adjustment Mechanisms

CTBC determines salaries and incentives based on objective factors such as current position and overall performance. The salary framework and adjustment mechanisms are as follows:



The performance management system is connected to the company's strategical goals and employees' individual work performance. Career development opportunities are then offered based on employee performance. Bonuses and training are provided to those who demonstrate both excellence and development potential. An open and transparent promotion scheme enables CTBC to identify talented employees eligible for further development and more generous remuneration. These measures help stimulate the positive development of the overall organization.

In general, employees of CTBC receive 14 months of salary, including 12 monthly pays and a 2-month pay bonus. An annual bonus is also paid based on the company's business results and the employee's personal performance. Regarding the gender pay ratio for CTBC in Taiwan in 2016, there was no significant difference between male and female employee on annual pay regardless of whether they were in management or not. The average pay increase at CTBC Bank was 2.8% and the largest personal pay increase was 16.4% (including raise after promotion).

### Magnitude of Salary Increases (consolidated)

	2016	2015	2014
Salary Increase (%)	2.8%	3.5%	2.3%

### Men and Women's Salaries and Remuneration Ratio

	2016	2015	2014
Management Position	Salary 101%	100%	100%
Non-management Position	Salary 101%	100%	100%
	Remuneration 96%	98%	94%
Management Position	Remuneration 93%	79%	89%
Non-management Position	Remuneration 93%	79%	89%

Note 1: Non-management refers to not responsible for the management of other employees or units of administrative responsibility.

Note 2: Salary Ratio = Men's Salary / Women's Salary.

Note 3: Remuneration Ratio = Men's Remuneration / Women's Remuneration.

### Profit-Sharing Mechanism

To encourage employees to join the company in reaching new heights in business performance and achieving the goals of sustainable development, CTBC offers long-term incentives such as stock appreciation rights so that employees may share in company profit. A deferred remuneration mechanism has also been set up to reward and retain talent. Furthermore, to satisfy the need for life planning over the long term, CTBC has designed long term bonuses including "employee stock trust" to inspire loyalty and motivate employees by letting employees share in the company's success. CTBC is also the first financial institution to launch an employee stock trust in order to encourage its employees to participate in the stock ownership trust by making regular fixed amount of investment. It offers a simple way for employees to make investments and work with the company to accumulate wealth in a win-win situation. More than 9,000 employees have taken up this offer. The benefits savings trust and employee stock trust have now accumulated NTD 5.3 billion in assets.

### Diversified Welfare Systems

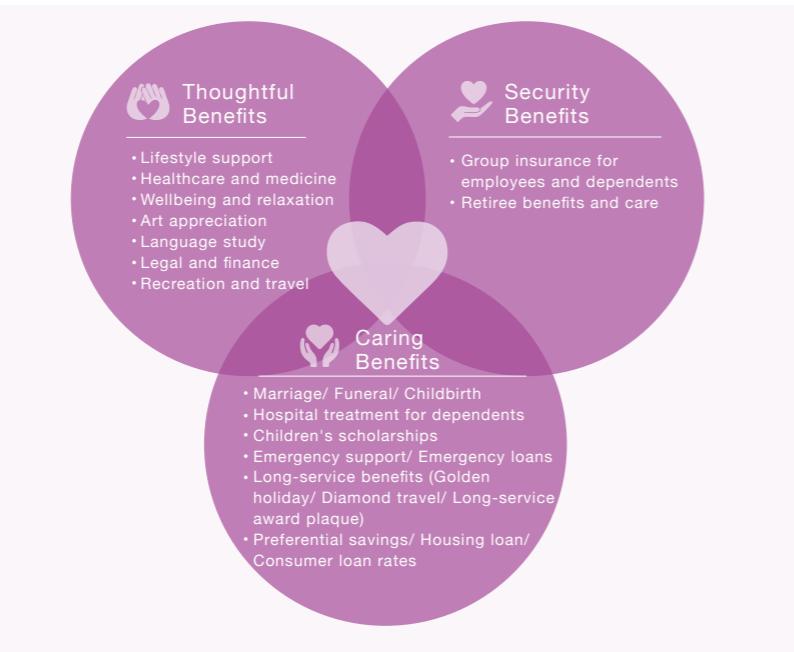
To help its employees enjoy more stability and happiness in their lives, CTBC established the Employee Welfare Committee to provide benefits, employee care services as well as a wide range of benefit options. On July 1, 2003, CTBC became first in the industry to provide a flexible points-based welfare system which issues points to full-time employees every year. Employees can spend the points on various benefits of their choosing, including food, clothing, accommodation, transportation, education, and entertainment. A total 14,018 non-management staff are employed at CTBC, an increase of 2.25% over the previous year. CTBC spent a total of NTD 21,097,090,000 on employee welfare for staff members in non-management positions. The average employee welfare expense was NTD1,500,500, down 0.53% from the previous year.

Average employee welfare expense excludes those for overseas subsidiaries and Taiwan Life commission-based sales.

Through the "Core Welfare" system formulated by CTBC, employees are not only enrolled in labor insurance and national health insurance as required by the law, but are moreover entitled to allowances for weddings, funerals, childbirth, medical care, children's education as well as birthday gifts, three festive bonuses, and emergency financial support. Furthermore, CTBC provides comprehensive group insurance, and offers preferred mortgage loans to its employees. The maximum amount will depend on the pay grade. CTBC offers employees preferred mortgage-rates below 1%, better than other banks.

### Employee Club Activities

CTBC holds harmony seminars each month through which a wide variety of topics are conveyed to help employees find their own special happiness in life. In addition, CTBC hosts a variety of leisure activities and supports employee participation in club activities. The company supported a total of 28 clubs in 2016. The range of activities included golf, English public speaking, music, flower arranging, aerobics, and X-biking. A total of 1,150 sessions were organized and attended by 19,530 participants. Total club funding for the year was NTD 9,719,000. Large outdoor events were also organized, such as the CTBC



Golf Tournament, Banking Cup Basketball Tournament, Banking Cup Badminton Tournament, and the Banking Cup Ping Pong Tournament. Company support and group effort provide employees with more opportunities to embrace nature and improve their fitness, encourage employees to continue pushing their limits, and give them the courage to pursue their dreams.

	2016	2015	2014
Number of Clubs	28	28	26
Events (Sessions)	1,150	1,078	929
Event Participation (persons)	19,530	19,212	13,669
Club Subsidy (NTD)	9,710,000	7,680,000	6,500,000

### Employee Rewards and Awards

CTBC utilizes a diversified rewards system to give outstanding employees more public recognition and boost the commitment of long-serving employees. The Model Employee Competition has been held every year since 2005, and winners are publicly recognized. CTBC also runs the Senior Employee Recognition Program, which rewards certificates and recognition to employees who have been with the company for five years or more. Meanwhile, employees who have been with the company for five or ten years are given a one-time five-day paid "golden holiday," and employees who have been with the company for 15 years, 20 years, 25 years, or 30 years are given a "diamond holiday" allowance of NTD 30,000, NTD 35,000, NTD 40,000, and NTD 50,000, respectively.



### Employee Satisfaction Survey

The CTBC philosophy on employee care is based on building open channels of communication and listening carefully to employee suggestions. We believe that listening to our employees is fundamental for building mutual trust. The implementation of biennial employee opinion surveys for CTBC and its subsidiaries from 2017 onwards was proposed in 2016. The results of the survey will be used to decide on further improvements or communication plans. The 2017 survey will focus on high-performance organizational culture and employee commitment. The results of the employee opinion survey will hopefully give CTBC a better understanding of employees' feelings and thoughts across different generations, gage the difference between organizational loyalty and external benchmarks, and provide a reference for policy and management changes. Through the regular cycle of follow-up surveys, CTBC aims to provide employees with a better workplace, boost employee commitment and thus create long-term organizational payoffs.

### Employee Retirement and Lifelong Learning

In accordance with the Labor Standards Act, CTBC makes pension contributions based on employees' total remuneration to the Corporate Labor Pension Accounts of the Bank Of Taiwan on a monthly basis. The company also contributes 6% of personal salaries to the personal pension accounts of each employee under the Bureau of Labor Insurance every month in accordance with the Labor Pension Act. Voluntary employee pension contributions are deducted at the voluntary contribution rate from monthly salaries and deposited into individual labor pension accounts at the Bureau of Labor Insurance as well.

As a gesture of appreciation to retired employees, CTBC has respective departments organize retirement parties for retiring employees. The retirees will also receive retirement gifts from their supervisors on behalf of the company. CTBC organizes reunions and learning activities for retired employees every year. The company follows up on its retired employees and offers opportunities for lifelong learning.

### Competency Management and Career Development

CTBC considers talent as the most precious asset and a key advantage to pursuit of excellence and sustainable management. To meet the development needs of employees in different stages of their careers, CTBC implements a joint development mechanism for specialists and managers, and designs career development road maps for different positions. The company offers professional training, management training, international courses, overseas training, soft skill training, and financial qualifications, or provides opportunities of overseas visits, job rotation, and project assignments to facilitate long-term career development for employees. In 2016, CTBC learning platform was upgraded to afford informative training resources and enhance platform performance. The Mobile Learning App went live in October. Employees can use this APP to learn with their mobile phone, register for courses, browse teaching materials, and report their attendance. CTBC is the first financial institution in Taiwan to adopt mobile learning app in employee training, so that employees can learn anytime and anywhere without having to interrupt their work. This approach effectively enhanced the learning atmosphere in the company.

A total of 1,968 classroom courses were held in 2016 to train a total of 32,945 persons; a total of 674 online training sessions were held in 2016 to train a total of 89,127 persons. Total employee training hours amounted to 448,598 hours and total training costs were NTD 62,445,548. Each employee on average received 33 hours of training.

### CTBC Education and Training Statistics

	2016	2015	2014
Classroom training sessions	1,968	1,862	1,523
Classroom training participants	32,945	20,073	17,406
Online training sessions	674	743	1,009
Online training participants	89,127	83,292	80,040
Total training hours	448,598	412,706	439,264
Average training hours per person	33	32	34
Total training expense (NTD10,000)	6,244	6,181	5,561
Training expense per person (NTD)	4,554	4,761	4,283
New employee training participants	3,619	1,232	1,247
New employee training hours	64,012	52,010	54,281

Note : Only the expenses of OJT (on-the-job training) courses are included, total number of sessions, attendees and hours are incalculable.

CTBC	Total Training Hours		Average Training Hours	
	Management Position	Non-Management Position	Management Position	Non-Management Position
Female	40,302	229,166	50	31
Male	27,372	151,760	41	32
Total	67,673	380,925	46	31

Note: Non-management refers to not responsible for the management of other employees or units of administrative responsibility.

### Employee Development Programs

The programs are drawn up by integrating the requirements of the company's 2016 business targets and employee career development.

Employee development program	Commercial benefits	Quantitative impact of commercial benefits	Project coverage
Education and Training	<ul style="list-style-type: none"> <li>Tailored training roadmaps were developed for each position so that supervisors can work with employees to formulate Individual Development Plans specific to each person.</li> <li>CTBC e-Academy online learning website, interactive e-learning through e-learning platform, and online e-book library.</li> <li>Hosting of self-development course series. This consisted of 23 courses including 12 online courses. Registration was open to all CTBC employees.</li> <li>Partnered with the CommonWealth magazine to introduce more than 500 CommonWealth Leader Academy courses to encourage self-motivated learning among employees.</li> <li>Partnered with LIVE ABC to provide employees with an interactive progressive learning platform for improving their English proficiency.</li> </ul>	<ul style="list-style-type: none"> <li>A total of 2,642 training sessions were organized in 2016.</li> <li>A total of 1,968 physical classes were held to train 32,945 persons.</li> <li>A total of 674 online classes were held to train 89,127 persons.</li> </ul>	All employees
		<ul style="list-style-type: none"> <li>Total employee training expenses reached NTD 62,445,548, average training expense per person was NTD 4,554, and average training hours were 33 hours per person.</li> </ul>	All employees

CTBC hopes that education and training can enhance employee abilities and realize the joint development of employees, company targets and business strategy in a labor-intensive service industry. The Human Capital ROI indicator was introduced in recent years to calculate the return from each dollar of investment in human capital. The indicator is important for evaluating the medium to long-term performance of a company.

Year	2016	2015	2014	2013
Human Capital ROI	2.69	2.62	2.61	2.59

Note: Human Capital ROI =  $(\text{Return} - (\text{Operating expense} - (\text{Salary cost} + \text{Benefits cost}))) / (\text{Salary Cost} + \text{Benefits cost})$ .

### Conclusion

CTBC strongly believes that employees are our most important asset. We will therefore continue to invest more resources on internal training and improving employee competency in the future. Ensuring that the right people are in the right positions will help maximize their potential and performance. Externally, we will boost the competitiveness of our remuneration package. Recruitment will also be expanded and the retention system fine-tuned to encourage more talented people to join and grow with CTBC. In the aspect of employee care, we will continue to look after employees by being "Thoughtful, Secure, Caring". We will provide a happy, equal workplace and create a heart-warming business culture so that employees can experience this sense of happiness in both their professional and private spheres of life and achieve a better balance between work and leisure. This positive influence will in turn spread throughout society and contribute to a better future for businesses, employees and society.

# SOCIAL INVESTMENT

The United Nations developed a set of 17 people-centered Sustainable Development Goals (SDGs) in 2016 to provide a guide on sustainable development over the next 15 years. As the most internationalized financial institution in Taiwan, it is the duty of CTBC to help solve the problems of sustainable development for mankind. CTBC will continue to irrigate this land with love and support in response to the UN SDGs by creating more shared value. We will bring love to all families in need by eliminating poverty in all forms and all areas (SDG 1), eliminating hunger, achieving food security, improving nutrition, and supporting sustainable agriculture (SDG 2), ensuring healthy lifestyles and promoting well-being for people at all ages (SDG 3), ensuring inclusive and quality education for all and advocating lifelong learning (SDG 4), and promoting inclusive and sustainable economic growth, employment and decent work for all (SDG 8).

As Jeffrey Koo Sr., founder of CTBC Financial Holding, once said: "Only by maintaining the environment we live in and caring for the people around us, especially employees, we are able to make the society a better place and build a long-lasting business". CTBC is committed to becoming an enterprise that brings happiness to employees. We also make it our mission to spread this happiness outwards. Through continuous innovation and contribution, we will create a feeling of happiness for employees, their families and the greater community.

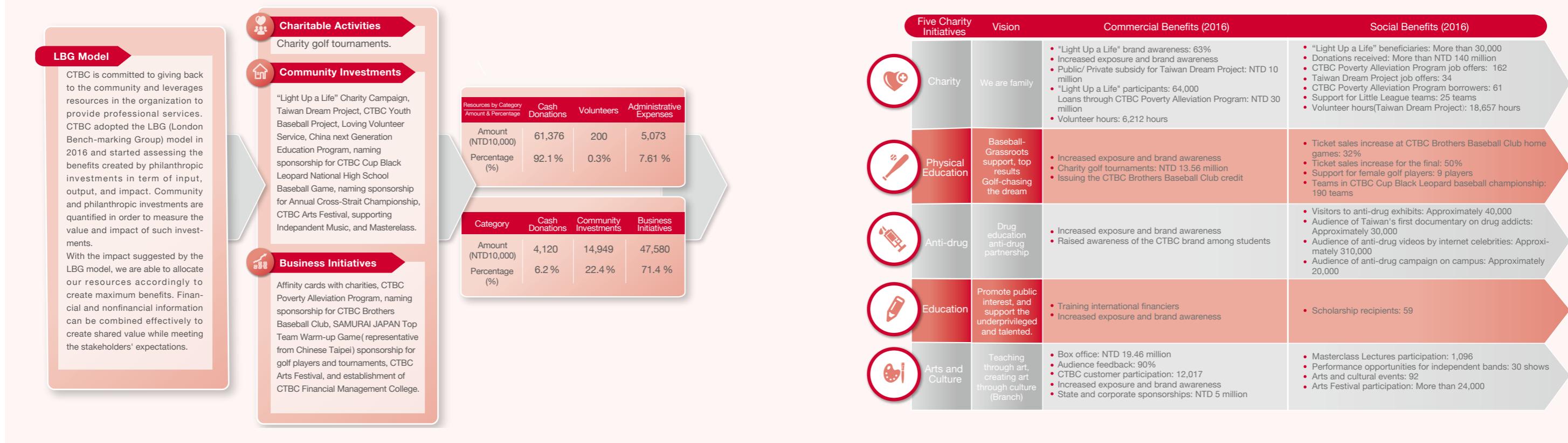
CTBC's contribution to social welfare is reflected in its employees' contributions. Volunteer service at CTBC has already become an important part of corporate culture with at least one volunteer from every 10 employees on average. The Good Deed Leave Program pioneered by CTBC also offers 1 day of leave for every 6 hours of volunteer service. Each employee can apply for up to 10 days of paid good deed leaves each year, the highest among all industry peers. Since CTBC Charity Foundation was established in 2004, a total of 25,557 days of good deeds leaves have been granted, representing NTD 51.11 million worth of additional paid leave.



CTBC set a precedent for corporate charity donations 31 years ago when hosted the first "Light Up a Life" Charity Campaign. Since then, we have been supporting charities, sports, anti-drug efforts, education, arts and culture and advocating many first-of-its-kind social charity projects in Taiwan. CTBC, as a responsible citizen, is aspiring to be a role model for other companies in Taiwan.



## Five Charity Management Model of Sharing Value



## Charitable Care

### "Light Up a Life" Charity Campaign

"Light Up a Life" was CTBC's first charity event. It also became the first corporate charity fund-raiser in Taiwan; CTBC's longstanding support for charities was first initiated due to a love for children. 31 years ago (1985), CTBC Financial Holding founder Jeffrey Koo Sr. saw that poor children in rural areas needed food and clothing. He launched the "Light Up a Life" Charity Campaign with all donations passed onto social welfare organizations to improve the lives of children in need. CTBC believes that a helping hand provides socially disadvantaged children from rural regions a chance to change their future. "Light Up a Life" Charity Champaign has been continuously held for 31 years and is the longest-running charity fund-raiser in Taiwanese corporate history. It is also the best charity platform for helping unprivileged children. In 2016, the 31<sup>st</sup> "Light Up a Life" Charity Campaign raised a total of NTD 142 million; this brought total cumulative donations to NTD 1.7 billion. The initiative has helped more than 360,000 children by giving them the chance to escape poverty and pursue their dreams. More than NTD 100 million each year in donations has been achieved for 10 consecutive years now, and CTBC hopes that the seeds of love and compassion planted in the children's hearts will one day become a cycle of positive influence that enriches and betters the greater community.



### Taiwan Dream Project

CTBC discovered through its interest in children's welfare that skip-generation families are very prevalent in remote rural areas. Up to 36% of children do not return home immediately after school and become "rural street kids". To provide these children in remote rural areas with a sanctuary where they can nurture their dreams, the CTBC Charity Foundation launched the "Taiwan Dream Project" in November 2015. Community locations in remote rural areas and on offshore islands throughout Taiwan were designated for the building of companionship homes that offer love and warmth to unprivileged children. The initiative received support from all levels of government as well as businesses, community volunteers and public agencies. This is the first community children companionship project which resulted from comprehensive cooperation among Taiwan industry, goverment and academe. After an 8-months trial, the first companionship site at "Dahu Community in Bitou Township, Changhua County" officially opened on July 4, 2016. A total of 18 communities around Taiwan have been chosen for implementation of the Taiwan Dream Project. As of 2016, the project is officially up and running in 14 communities with 327 unprivileged elementary school students now receiving long-term care. There are 322 community volunteers and residents involved in the project. CTBC financial planning volunteers and English and character-building picture book volunteers have begun visiting Taiwan Dream Project sites since July 2016. The Paperwindmill Theatre has been performing at the sites as well. The Global Views Educational Foundation and the National Library of Public Information have succeeded in collecting 3,000 book donations for the 18 communities. The project is now recognized as a "model of success" by the Ministry of Health and Social Welfare. Moreover, because of CTBC's success in launching and implementing this project, CTBC was awarded the 2017 Asia Responsible Entrepreneurship Award (Social Empowerment Category).

CTBC has always been committed to long-term engagement in social welfare because we know that it takes continuous and sustained contributions rather than just money and material support to make a difference in our community. The working group therefore surveyed 243 local residents/ volunteers and 262 children during Taiwan Dream Project's trial period. They discovered an increase in the children's sense of self-confidence. Before the project was launched in the community, 31.7% of the local children felt sad and dejected. Once the project was launched, negativity in the children dropped to 21.2%. This showed that the community volunteers or the diversified courses provided the children with positive energy. In addition, since the project was launched in the community, 86.8% of the children now feel hopeful about their future and nearly 90% of all children believe that Taiwan Dream Project will help them fulfill their dreams. The project has therefore been proven effective in setting up a neighborhood support network for children that can provide them with more tangible forms of assistance.

#### **CTBC Poverty Alleviation Program and CTBC Caring Shop**

Apart from looking after the children, to help the parents of unprivileged children start their own business and escape the poverty trap, CTBC worked with business building, loans, social welfare and business management specialists to create a localized implementation of the "Village Bank" microfinance concept developed by Dr. Muhammad Yunus, winner of the Nobel Peace Prize. The pioneering "CTBC Poverty Alleviation Program" was launched in 2011 to help parents of unprivileged families maintain a basic standard of living. The "CTBC Caring Shop" brand was also launched to help promote merchandise from customers of CTBC Poverty Alleviation Program. Over the past 6 years, the innovative "CTBC Poverty Alleviation Program" has provided assistance to 1,269 customers and helped 166 families start a business. Total loans have exceeded NTD 74,798,000. 129 of the businesses have become self-sustaining, giving disadvantaged children and their parents the courage to pursue their dreams. The "CTBC Poverty Alleviation Program" has not only won praise from Dr. Yunus and Lai Sun-Quae, former Director of the MOEA Small and Medium Enterprise Administration, but also received accolades such as the "Global Views Monthly Corporate Social Responsibility Award" and "Taiwan Corporate Sustainability Social Inclusion Award."

#### **CTBC Youth Baseball Project**

The CTBC Charity Foundation, through its longstanding interest in education for children in remote rural areas, discovered that many indigenous children in rural areas have great sporting talent but lack stable funding resources and thus often fall through the cracks. The "CTBC Youth Baseball Project" was therefore launched in 2014 to adopt school baseball teams in rural areas. The number of sponsored baseball teams grew by 14 in 2016 for a total of 25 Little League teams over 3 years, which realizes the target of supporting at least one school baseball team per county or city. Even Little League teams from offshore islands such as Lienchiang County, Kinmen County and Penghu County have been included in the "CTBC Youth Baseball Project". The Project organizes training camps for the children every year as well as the CTBC National Baseball Game to make the young players pit their skills against each other. The results from the 3<sup>rd</sup> "CTBC National Baseball Game" showed that the Foundation's past efforts on the young players have begun to bear fruit. The championship team from Xinjie Elementary School in Nantou County was the first school to receive support from CTBC Youth Baseball Project and also the school that inspired the Foundation to set up the project in the first place. After three years of coaching, the young players all showed significant progress in their baseball skills, studies and etiquette. Their winning of the CTBC National Baseball Game in the 3<sup>rd</sup> year made their teachers and parents proud as well.

#### **Other Charitable Care Initiatives**

In 2016, a strong tremor measuring 6.4 on the Richter Scale shook southern Taiwan in February. Typhoon Nepartak also devastated the Taitung region in July. CTBC demonstrated its commitment to caring by donating NTD 20 million and NTD 10 million to each region respectively for the re-construction of schools and hospitals in the disaster area, and to provide

affected residents with support for rebuilding and care. CTBC hopes these efforts will speed up post-disaster recovery and allow local life to return to normal as soon as possible.

Taiwan Life, a CTBC subsidiary, is also supporting the government's proactive care policy for unprivileged groups by providing a variety of charitable care measures. These include: micro-insurance policies that provide basic coverage for the economically unprivileged so that they can focus on improving their life; donations to the National Federation of Lottery Ticket Vendor Unions of R.O.C. to provide micro-insurance for the unprivileged; working with the Blood Center since 2011 to organize blood donation drives at leading universities. In 2016, 4,377 bags of blood were collected at 20 sessions.

In terms of overseas aid, the CTBC Charity Foundation launched the "China next Generation Education Program" in 2013 and 26 pilot program sites have been set up as of the end of 2016. The program covers 17 provinces and autonomous regions throughout China. Ethnic minority schools account for 16 out of the 26 pilot program sites and a total of 28, 695 unprivileged students now have access to more learning resources as a result. A strong earthquake measuring 7.3 on the Richter Scale hit Kumamoto Prefecture in Japan's Kyushu in June 2016. Many people were dead and injured while over 100,000 were left homeless. In spirit of humanitarianism, CTBC donated NTD 10 million towards disaster-relief efforts to sustain the victims through their difficulties and help rebuild their homes.

To promote the spirit of philanthropy and contribute to society, CTBC and the Buddhist Compassion Relief Tzu Chi Foundation joined forces in 1993 to issue the "CTBC Tzu Chi Lotus Card", the first credit card in Taiwan to combine consumption with charity. Donations go towards supporting Buddhist Compassion Relief Tzu Chi Foundation's initiatives in charity, healthcare, humanities and education. They also provide assistance to many unprivileged families and groups. Since then, CTBC has gone on to issue the "TFCF Card", "CTBC Paperwindmill Card" and "CTBC Xue Xue Card". Rebates from the four charity cards generated donations in excess of NTD 500 million as of 2016. The channels for charitable deeds and efforts in giving back to society offered by CTBC over the years have resonated with the general public as well.

#### **Athletic Sponsorships**

In 1956, CTBC founder Jeffrey Koo Sr. represented Taiwan at the 1<sup>st</sup> World Amateur Golf Team Championship in the U.K. CTBC subsequently began sponsoring golf charity events and has been hosting the "CTBC Up International Golf Team Tournament" for 20 consecutive occasions to help promote trade diplomacy in the private-sector; As "it is the duty of every business to support baseball because baseball is the national sport of Taiwan," CTBC became the naming sponsor for CTBC Brothers Baseball Club in 2014 to support the sustainable development of the Taiwanese baseball industry and transform the national sport into a national movement. CTBC continued to give its support to baseball and golf in 2016. In addition to cultivating young talented athletes, providing a stage for them to showcase their talents, improving salaries and ensuring the integrity of the competition environment, CTBC also combines sports with charity, and hopes to become the leading brand for the promotion of sports charities. Apart from working behind the scenes, CTBC Bank is also willing to lead by example and call upon the general public to help foster sports at the grassroots level in Taiwan. In 2016, CTBC also received the "Sponsorship category - Gold Award" and "Sponsorship category - Long-term Sponsorship Award" at the Sports Administration "Sports Activist Awards." The awards marked the 6<sup>th</sup> consecutive year of recognition CTBC has received through the "Sports Activist Awards".

#### **Supporting Professional Baseball and Redefining the National Sport**

In the eyes of CTBC, baseball is not only a sport, but also a way of making dreams come true. CTBC Brothers Baseball Club work hard to train and to recruit foreign coaches to make the team stronger. CTBC Brothers Baseball Club also invests

in upgrading the facilities in order to turn the stadium into a playground for fans to enjoy. The home games in 2016 were attended by close to 430,000 people. The 12% increase was the highest of the 4 professional teams. It reflected a success in making baseball popular again and a success owed to CTBC Brothers Baseball Club players and the fans. CTBC Brothers Baseball Club players have made a commitment to charitable causes and become the strongest support for CTBC in the "Grassroots Support, Top Results" baseball campaign. The players' participation in various baseball projects has had a positive influence and also established CTBC Brothers Baseball Club as a pioneer of charity in professional baseball.

#### Supporting Baseball on All Levels

The CTBC Cup Black Leopard National High School Baseball Game, known as "Taiwan's Koshien", provides a venue for high school players to showcase their talent regardless of age or gender. Amateur players have the opportunity to compete with trained players and even national team players. A total of 190 teams played in the CTBC Cup Black Leopard National High School Baseball Game in 2016. They set a new record in the number of teams as well as a new milestone of having teams playing from all 22 cities in Taiwan. In addition to supporting games, CTBC organized a series of activities to provide more training for junior baseball players. Such activities included the "CTBC Cup Black Leopard Road Tour", the "CTBC Brothers Baseball Club Private Coaching Lessons" and the "CTBC Brothers Baseball Club vs Black Leopard Competition". These events helped CTBC Brothers Baseball Club players pass on their experience and work together to support the national sport.

#### Championship Supporting Golf Players and Golf Games

CTBC has been working in a "Golf Talent Training Program" since 2011 to provide long-term financial support to outstanding golfers. Supported athletes included Teresa Lu, Hsin-ning Yeh, Tzu-chi Lin, Wei-ling Hsu, Yu-ling Hsieh, Ssu-chia Cheng, Ai-chen Kuo, Shan-shan Feng, and Yu-ting Shi. Lady golfers sponsored by the CTBC shone in 2016 by winning a total of 11 championship trophies. Moreover, CTBC is actively involved in the hosting of golf tournaments. The "2016 CTBC Ladies Open" retained both CLPGA and LPGA certification. It also counted towards the world ranking, therefore, drew 108 top golfers from around the world, creating an international stage for Taiwanese golfers. Teresa Lu eventually emerged as the champion and the championship trophy stayed in Taiwan for the first time, giving more people a chance to learn about Taiwan through golf.

#### Pro Golfers Swing for Charity

The "CTBC Ladies Open" invites golfers and customers to swing for charity each year. Golfers have in turn caught on with this spirit of philanthropy as well. After Teresa Lu joined the CTBC in 2014, a "Teresa Charity Game" was held in 2015, and the scale of the charity game was further increased in 2016 by working with CTBC in holding the "2016 CTBC Teresa Charity



Game", during which numerous golfers and baseball players assisted in raising funds. As a result, a total of NTD 13.56 million were raised and donated to the 31<sup>st</sup> "Light Up a Life" Charity Campaign. This was the first charity event held through joint cooperation between a corporation and professional golfers. The 2<sup>nd</sup> annual "2017 Teresa Charity Game" raised more than NTD 16 million in donations for the CTBC.

#### Promotion of Anti-drug Education

CTBC became aware of the serious problems caused by drug abuse after becoming involved in charitable activities. The Anti-Drug Educational Foundation was, therefore, established in 2015 to help teenagers stay clean. It is also the first Taiwan professional anti-drug educational institution founded by a private sector enterprise. In 2016, the Foundation launched "The Truth about Illegal Drugs", a high-tech interactive anti-drug exhibition. The exhibition educated the general public on illegal drugs in an easy-to-understand interactive format. The exhibition had toured 8 counties and cities by the end of 2016 and reached around 40,000 participants. The Foundation also engaged in campus outreach by educating children about drugs and reducing the risk of drug abuse through 3D movies and engaging performances. Around 20,000 students from 46 schools took part in 2016. The Life Skill Training (LST) course framework, developed by Cornell University in the U.S., was used as the basis for formulating the first experience-based anti-drug teaching materials in Taiwan. The LST materials and teaching methods insure students are exposed to anti-drug education at an early age.

In addition to traditional education methods, "Sisyphus.exe", the first documentary in Taiwan to provide a very raw look at the lives of drug addicts, was aired through exhibitions and the Internet from September 2016 onwards. It reached around 30,000 participants and was intended to give the audience a realistic understanding of the harms caused by drugs; "Tsai A-Ga's modern twist on Snow White" was used to create an anti-drug education video for elementary and junior high school students. The video used a humorous plot and tone to teach students on how to say no to drugs. More than 310,000 participants viewed the video and there was a strong positive public response.

#### Charity Education

Escaping poverty through education has always been the central mission of CTBC's interest in the topic of rural education. In 2015, Taiwan Lottery funded the creation of the CTBC Financial Management College with "Promote public interest, support the underprivileged and talented" as its educational philosophy. Founder Jeffrey Koo Jr.'s charity education philosophy of "Love for Youth" was also embraced to build a new model for corporate-sponsored charity education. To support unprivileged youths with potential, the CTBC Charity Foundation set up the "Hope Scholarship" to allocate 30% of places to charity students. Unprivileged students receive support with "Academics, Care, Employment" as their three goals in order to improve their employability in the future. A total of 59 unprivileged students have received support on continuing their studies in the last two years.



The CTBC Financial Management College aims to become "the most practical business college in Asia" and cultivate international financiers of tomorrow. Now a member of The Association to Advance Collegiate Schools of Business (AACSB), the financial management institute, finance, financial law and business management programs are all up to the standard of top international universities. The college holds the unique CTBC Forum (CEO lectures). It has also formed partnerships with the Waseda University in Japan and the Wharton School of Business in the US to host courses taught by prestigious lecturers and provide outstanding students with overseas study and summer internship opportunities. These ensure that theory are effectively put into practice and attracts top students. Three years after its creation, the college set a record for Taiwan of 100% enrollment rate. The college's ability to "guarantee employment for outstanding students, and integrated cultivation of industry expertise" meant it was also rated as one of the "top 20 universities by educational performance" in a survey of university presidents by the Cheers magazine.



#### Development in Arts and Culture

The CTBC Foundation for Arts and Culture was established by CTBC in 1996. In the early years, "Novel Hall" touched the hearts of countless people and set an example for partnership between business and the arts including 11 "Arts & Business Awards" from the Ministry of Culture. The vision of the CTBC Cultural Foundation is to build a "sharing platform that makes arts and culture accessible to everyone". A change in approach was adopted in 2015 with the hosting of the annual "CTBC Arts Festival", which will help realize the philosophy of "teaching through art, creating art through culture". A diversified and sharing approach will enable more people to not only "enjoy the arts" but also lead to a bloom in cultural creativity as well.

The Foundation is continuing to promote the "LOVE & ARTS" arts & culture charity initiative as well. It hopes that business philanthropy can be combined with private - and public-sector resources to strengthen cultural education in rural areas. The diversity of art can be used to widen the horizons of rural students and enrich their "Art Passbook"; Through performances, seminars and workshops, "Cultural Branches" can also be opened in every corner of Taiwan so that one day, CTBC will be synonymous with the "Cultural Bank" that brings art into more people's lives.

#### CTBC Arts Festival

The CTBC Arts Festival is the annual signature arts event of CTBC Foundation for Arts and Culture. It is the most direct embodiment of the "teaching through art, creating art through culture" and is true to the Foundation's founding spirit of "diversified support, education and sharing". The "CTBC Arts Festival" injects new creative energies into every corner of Taiwan to stimulate both local and overseas art exchanges and inspire more diversity in arts and culture. "LOVE & ARTS" initiatives invite children from remote areas to visit the theaters and fill their childhood with the colors of art.

In 2015, the CTBC Arts Festival took place in Kaohsiung and attracted more than 10,000 attendees; the 2016 CTBC Arts Festival celebrated the 50<sup>th</sup> anniversary of the CTBC Group with the theme of "Crossing the Limits of Art". The program encompassing new circus, music and theater hoped that the promotion of arts and culture can start at home. The audience was invited to hold each other's hands and appreciate the wonders of art together. The CTBC Arts Festival performances in Tainan, New Taipei City and Taipei City attracted more than 20,000 people. The annual LOVE & ARTS charity session of

the CTBC Arts Festival invited nearly 3,000 rural students to visit the theaters over two years. The sessions strengthened art education for rural children and broadened their horizons through the accumulation of artistic energies.

#### Masterclass Series

Every year, top local and overseas artists are invited as speakers of the "Masterclass Series" to share their experiences with the public. In 2015, the young adult version of the "Peony Pavilion" developed in conjunction with renowned novelist Prof. Hsien-yung Pai proved extremely popular; In 2016, the Foundation partnered with grand master of modern dance Fang-yi Sheu, a former principle dancer of the Martha Graham Dance Company, to host the "Body Art" workshops in school in remote areas. Ms. Sheu personally visited to inspire students not only how to release their bodies but also to pursue their dreams. The "Body Art" series of events attracted over 1,000 participants.

#### Supporting Independent Music-searching for the Next SodaGreen

Music is an important part of Taiwan's soft power. The Foundation expanded its reach to sponsor landmark musical competitions such as the Gongliao Rock Festival, Ironrose Festival, and Golden Melody at NCCU. These included the establishment of the "CTBC People's Choice Award" and a novel sponsorship model based on providing independent bands with performance sessions. Cross-industry stages were created for campus, pro-baseball stadium and corporate events. The "Taiwan Soul" band, which had been receiving extensive support, even caught the eye of a record company to release its first album in 2016 and for the first time held a concert that was attended by over 1,000 people. CTBC Foundation for Arts and Culture hopes that new performance opportunities will help winning bands become more than just "Stars for the Day" at rock festivals and instead, "cross" over to the more diversified "Novel Hall" so that their original music can be "heard" by more people.

#### Additional Sponsorships in Arts and Culture

The continued promotion of arts and culture has always been integral to CTBC's charity efforts. "The Festival Academy" program hosts talks by international experts, offers general education courses on art, holds performance workshops to share the principles of artistic creation, and sponsors representative arts competition in hopes of opening a "window to the arts of the world" that serves to stimulate students' creativity. In the future, we will also host more diverse and cross-boundary arts and cultural events in the community so that art in its many forms can become a part of more people's lives, exert their cultural influence, and highlight the public interest in popular arts. CTBC can then realize its goal of becoming the "Cultural Bank."

#### Supporting the Creative Industry

CTBC was the pioneer leading investor focus on the Cultural and Creative Industry among all financial holding companies. To support the government's cultural and creative industry policy, CTBC's subsidiary, CTBC Venture Capital has facilitated the development of cultural and creative industries in Taiwan since 2010. It has now accumulated 6 years of experience in how finance can support cultural creativity through investment, financing and sponsorship. Our longstanding support for the cultural creativity industries and fulfillment of social responsibility inspired the Financial Supervisory Commission to award CTBC with two first places in "Financial institutions that demonstrate excellence in investing in or sponsoring the creative industries". When the Ministry of Culture launched Phase 1 of the "Enhanced Management Program for Culture and Creativity Industry" in 2011, CTBC Venture Capital became the only financial holding entry to qualify for the Project. The outstanding performance of CTBC Venture Capital in Phase 1 also motivated other financial holdings to join the project, expanding the effects of the financial holding industry on the cultural and creative industries in Phase 2. CTBC is now the undisputed leader in both number and total amount of investments among the fund managers of the Ministry of Culture's "Enhanced Management Program for Culture and Creativity Industry".

CTBC Venture Capital stepped up its support of the Taiwanese cultural and creativity industry in 2010. Its investments over the years have included the production of hit films such as "The Killer Who Never Kills", "Black & White Episode I: The Dawn of Assault", "Step Back to Glory", "KANO", and "The Art: the Adventure Begins". In 2016, CTBC Venture Capital also joined the Ministry of Culture in funding the documentary "The Moment". Renowned director Li-chou Yang used 51 domestic movies everyone knows to weave a touching record of ordinary people's lives in Taiwan over the past 50 years. This coincided with the 50<sup>th</sup> anniversary of CTBC's founding and perfectly embodies how the enterprise has grown hand in hand with Taiwan. CTBC Venture Capital was also the sole sponsor for Taiwan-born director Lee Ang's film production of "Billy Lynn's Long Halftime Walk" and invested in the projection equipment of the only advanced 3D movie theater in Taiwan to secure the global premiere. A special preview session was also held where the director spoke with a hundred up-and-coming film makers to support the next-generation development of the film industry.

CTBC Venture Capital helps cultural and creative industry operators obtain funds to commercialize, internationalize, and standardize their cultural and creative products and services. This in turn promotes cultural and economic developments while also showcasing the cultural and creative values of Taiwan. CTBC is continuing to boost its venture funding, business loans, consumer financing, trust management and other services for cultural and creative operators. The initiative is aimed at injecting more funding into the cultural and creative industry. Financial holding resources can also be used to assist with marketing. Support is also given to cultural and creative operators who show development potential to help them enter the capital market and become listed companies. Cultural and creative companies with strong potential such as Eslite Spectrum, HIM International Music, Pili International Multimedia Co., Ltd., and B'IN LIVE Co., Ltd. have all instilled the MIT cultural and creative industry with new energy.

#### Public Welfare Lottery

"When you buy a lottery ticket, you can feel proud knowing that a portion of your hard-earned money is going toward a good cause!" To CTBC, the public welfare lottery is a charity business based on "common good" that government institutions, lottery distributors, and disadvantaged groups can all benefit from. The general public can also contribute to charity when they buy lottery tickets and bask in the hopes of winning. Since CTBC took over Taiwan Lottery operations in 2007, lottery sales have grown from NTD 64.2 billion in the first year to NTD 117.8 billion in 2016. Overall sales have therefore nearly doubled.

During the public welfare lottery issuing period, CTBC provides a fixed amount of contribution to the government every year to help the government in doing good deeds. 60% of proceeds from lottery sales is paid as winnings, while the remaining 40% is used to subsidize the government's social welfare spending, national pension payments, and the National Health Insurance program.



CTBC encourages lottery winners to donate some of their winnings to charity as well, greatly boosting the lottery's effectiveness in public welfare. As of the end of 2016, lottery winners have donated more than NTD 4.3 billion in total. These donations are then redirected back into society as charitable contributions. Under CTBC Charity Foundation's effective planning, these contributions are used to subsidize the education, food, and medical care of unprivileged groups, building repair of social welfare institutions or purchasing hardware equipment, and emergency rescues. Donations were made to 200 social welfare and public welfare groups, executing almost 750 charity events, and helping 4.9 million unprivileged individuals.

#### Conclusion

In 2017, CTBC will not only continue to strengthen its engagement with the five aspects of social justice but also continue to push for even more extensive social participation to help even more people in need. We are also constantly thinking of ways of using limited resources to expand our influence on society so that unprivileged groups can see true change. To this end, we introduced the social welfare assessment model from LBG to examine the performance of each initiative. We hope this will maximize CTBC's influence on society, increase happiness in this land and exert a positive influence upon society. At the same time, we are continuing to monitor the cultural and creative industry to identify stars of tomorrow in Taiwan so they can engender even more creative value and culture. We also hope to expand the influence of the public welfare lottery to help more unprivileged groups for the common good.

## INDEPENDENT ASSURANCE OPINION STATEMENT

### CTBC Financial Holding Co., Ltd. 2016 Corporate Social Responsibility Report

The British Standards Institution is independent to CTBC Financial Holding Co., Ltd. (hereafter referred to as CTBC in this statement) and has no financial interest in the operation of CTBC other than for the assessment and assurance of this report.

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

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CTBC. 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 CTBC only.

#### Scope

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

1. The assurance scope is consistent with the description of CTBC 2016 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the CTBC's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

#### Opinion Statement

We conclude that the CTBC 2016 Corporate Social Responsibility Report provides a fair view of the CTBC CSR programmes and performances during 2016. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the CTBC and the sample taken. We believe that the 2015 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate CTBC's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CTBC's description of their approach to AA1000 Assurance Standard and their self-declaration in accordance with the core option of GRI G4 guidelines were fairly stated.

#### Methodology

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

- a review of issues raised by external parties that could be relevant to CTBC's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 25 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

#### Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4 guidelines is set out below:

##### Inclusivity

This report has reflected a fact that CTBC has continually made a commitment to its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CTBC's inclusivity issues.

##### Materiality

CTBC publishes sustainability information that enables its stakeholders to make informed judgements about the company's management and performance. In our professional opinion the report covers the CTBC's material issues.

##### Responsiveness

CTBC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for CTBC is developed and provides the opportunity to further enhance CTBC's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the CTBC's responsiveness issues. However, the future report will be improved by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

##### GRI-reporting

CTBC provided us with their self-declaration of 'in accordance' with the G4 sustainability reporting guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CTBC's social responsibility and sustainability issues.

##### Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

##### Responsibility

This CSR report is the responsibility of the CTBC'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 and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu

Managing Director BSI Taiwan

15 April, 2017



AA1000

Licensed Assurance Provider  
000-4

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Indicator				Chapter/ Description	Page
Strategy and Analysis					
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Letter from the Chairman	4-5		
G4-2	Provide a description of key impacts, risks, and opportunities.	Sustainable Governance Letter from the Chairman	58-62 4-5		
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G4-4	Report the primary brands, products, and services.	About CTBC	16-18		
G4-5	Report the location of the organization's headquarters.	About CTBC	15		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About CTBC	18		
G4-7	Report the nature of ownership and legal form.	About CTBC	15		
G4-8	Report the markets served.	About CTBC	18-19		
G4-9	Report the scale of the organization.	About CTBC	15		
G4-10	Report the total number of employees.	About CTBC Human Capital Development	15 106		
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Human Capital Development	106		
G4-12	Describe the organization's supply chain.	About CTBC	16		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	About CTBC	17-18		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Sustainable Governance	53-54 58-62		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	About CTBC Sustainable Environment	26 92		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	About CTBC	26		
Identified Material Aspects and Boundaries					
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	About CTBC	16-19		
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Report Overview	1		
G4-19	List all the material Aspects identified in the process for defining report content.	Materiality Analysis	36-41		
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	Materiality Analysis	38		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	Materiality Analysis	38		

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G4-24	Provide a list of stakeholder groups engaged by the organization.	Materiality Analysis	39		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Materiality Analysis	38		
G4-26	Report the organization's approach to stakeholder engagement.	Materiality Analysis	36-41		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Materiality Analysis	38		
Report Overview					
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Report Overview	1		
G4-29	Date of most recent previous report.	Report Overview	1		
G4-30	Reporting cycle.	Report Overview	1		
G4-31	Provide the contact point for questions regarding the report or its contents.	Appendix	136-146		
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report.  a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Report Overview Appendix	1 136-146		
G4-33		Report Overview	1		
Corporate Governance					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Sustainable Governance	44-48		
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Corporate Sustainability Management	30-31		
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Corporate Sustainability Management	30-31		
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	Corporate Sustainability Management	30-31		
G4-38	Report the composition of the highest governance body and its committees.	Sustainable Governance	44-49		

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G4-39	Report whether the Chair of the highest governance body is also an executive officer.	Sustainable Governance	44-45
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Sustainable Governance	44-50
G4-41	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Sustainable Governance	51
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Corporate Sustainability Management	30-31
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Sustainable Governance	51
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Corporate Sustainability Management	30-31
	b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.		
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	Corporate Sustainability Management Sustainable Governance	30-31 58-62
	b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.		
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Corporate Sustainability Management	30-31
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Corporate Sustainability Management	30-31
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Corporate Sustainability Management	30-31
G4-49	Report the process for communicating critical concerns to the highest governance body.	Materiality Analysis	38
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Materiality Analysis	36-41
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration.	Sustainable Governance	52-53
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.		
G4-52	Report the process for determining remuneration.	Sustainable Governance	52-53
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals.	Sustainable Governance	52-53
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Sustainable Governance	51

Indicator		Chapter/ Description	Page
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G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Sustainable Governance	51,55
Economic			
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G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Sustainable Environment	92
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G4-EC4	Financial assistance received from government.	About CTBC	25
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G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Human Capital Development	106
G4-EC7	Development and impact of infrastructure investments and services provided.	Customer Service	66-67
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	About CTBC Social Investment	24 124
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	About CTBC	24
Environment			
G4-EN1	Materials used by weight or volume.	CTBC is engaged in the financial services industry, not the manufacturing industry, so this index is not applicable.	-
G4-EN2	Percentage of materials used that are recycled input materials.	CTBC is engaged in the financial services industry, not the manufacturing industry, so this index is not applicable.	-
G4-EN3	Energy consumption within the organization.	Sustainable Environment	93-94
G4-EN5	Energy intensity.	Sustainable Environment	93-94
G4-EN6	Reduction of energy consumption.	Sustainable Environment	95
G4-EN7	Reductions in energy requirements of products and services.	Responsible Products	85-86
G4-EN8	Total water withdrawal by source.	Sustainable Environment	97-98
G4-EN9	Water sources significantly affected by withdrawal of water.	Sustainable Environment	97-98

Indicator		Chapter/ Description	Page
G4-EN10	Percentage and total volume of water recycled and reused.	Sustainable Environment	97-98
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Sustainable Environment	100-101
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	CTBC's operational base is not located in the relevant area.	-
G4-EN13	Habitats protected or restored.	CTBC's operational base is not located in the relevant area.	-
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	The habitats that CTBC's operational activities might affect do not have any IUCN red list species or nationally protected organisms.	-
G4-EN15	Direct greenhouse gas (GHG) emissions. (Scope 1)	Sustainable Environment	96
G4-EN16	Energy indirect greenhouse gas (GHG) emissions. (Scope 2)	Sustainable Environment	96
G4-EN17	Other indirect greenhouse gas (GHG) emissions. (Scope 3)	Sustainable Environment	96
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Sustainable Environment	96
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Sustainable Environment	96
G4-EN20	Emissions of ozone-depleting substances. (ODS)	CTBC is not in the manufacturing industry. As such, it does not emit substances that would damage the ozone layer.	-
G4-EN21	NOx, SOx, and other significant air emissions.	CTBC is not in the manufacturing industry. As such, it does not emit substances that would damage the ozone layer.	-
G4-EN22	Total water discharge by quality and destination.	Sustainable Environment	97-98
G4-EN23	Total weight of waste by type and disposal method.	Sustainable Environment	99
G4-EN24	Total number and volume of significant spills.	None	-
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	CTBC is engaged in the financial services industry. As such, it does not produce waste listed in the Basel Agreement.	-

Indicator		Chapter/ Description	Page
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	Due to industry characteristics, CTBC's emissions of waste water, waste, will not have a significant impact on biological diversity	-
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Responsible Products	-
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	CTBC is engaged in the financial services industry. As such, it does not engage in any behavior that would require that it recover or recycle any products or packaging.	-
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	-
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	CTBC is engaged in the financial services industry. As such, it does not produce significant environmental shocks due to the transportation of raw materials or personnel.	-
G4-EN31	Total environmental protection expenditures and investments by type.	Sustainable Environment	103
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	None	-
Labor Practices and Decent Work			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Human Capital Development	106
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Human Capital Development	114-116
G4-LA3	Return to work and retention rates after parental leave, by gender.	Human Capital Development	111
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Human Capital Development	111
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Human Capital Development	112-113
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Human Capital Development	112-114
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	CTBC is engaged in the financial services industry. As such, it does not engage in any production behavior that would cause expose employees an inordinately high risk of certain illnesses or have employees engaged in behavior risky to their health.	-

Indicator		Chapter/ Description	Page
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	CTBC has not set up a union.	-
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Human Capital Development	119-121
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Capital Development	119-121
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Human Capital Development	116-117
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Human Capital Development	106
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Human Capital Development	117
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	Human Capital Development	111
Social Human Rights			
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human Capital Development	108-111
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	Human Capital Development	108-109
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	Human Capital Development	108-109
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Human Capital Development	108-109
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Human Capital Development	108-109
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Human Capital Development	110
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	All of CTBC operations and activities are carried out in accordance with the law and has evaluated whether they meet with local human rights standards.	-
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	All of CTBC operations and activities are carried out in accordance with the law and has evaluated whether they meet with local human rights standards.	-
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	Human Capital Development	111
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G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Social Investment	122-133

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G4-SO2	Operations with significant actual and potential negative impacts on local communities.	CTBC's points of operation are primarily offices in nature. As such, their activities do not have any significant impact on local areas.	-
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Sustainable Governance	58-62
G4-SO4	Communication and training on anti-corruption policies and procedures.	Sustainable Governance	51-55
G4-SO5	Confirmed incidents of corruption and actions taken.	Sustainable Governance	56-57
G4-SO6	Total value of political contributions by country and recipient/ beneficiary.	None	-
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	CTBC is not related to the case.	-
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Sustainable Governance	56-57
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	None	-
Social Product Responsibility			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Due to the industry in which CTBC is engages, this item is not applicable.	-
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	Due to the industry in which CTBC is engages, this item is not applicable.	-
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	CTBC engages in the practice of 100% disclosure of financial services, including wealth management and insurance, that it provides to customers.	-
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FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Responsible Products	87-89		
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FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Responsible Products	82-84		
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FS15	Policies for the fair design and sale of financial products and services.	Customer Service	77		
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Category	10 Principles	Chapter	Page
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	Make sure that they are not complicit in human rights abuses.	Human Capital Development	104-121
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Human Capital Development	104-121
	The elimination of all forms of forced and compulsory labor.	Human Capital Development	104-121
	The effective abolition of child labor.	Human Capital Development	104-121
	The elimination of discrimination in respect of employment and occupation.	Human Capital Development	104-121
Environment	Businesses should support a precautionary approach to environmental challenges.	Sustainable Environment	92
	Undertake initiatives to promote greater environmental responsibility.	Sustainable Environment	90-103
	Encourage the development and diffusion of environmentally friendly technologies.	Sustainable Environment	92-103
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Sustainable Governance	51-55

#### CTBC Holding Corporate Social Responsibility Report 2016

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To protect and help improve the global environment, this report was printed on recycled paper using ink made from soy beans.



## 1. Promoting Physical Fitness

"2016 CTBC Ladies Open" infused golf with the spirit of charity in a series of mixed pro/amateur matches where customers and professional players played for charity. Over million dollars of proceeds collected went to "Taiwan Dream Project."

## 2. Fully Support Culture & Creativity

CTBC Holding is the sole sponsor for Lee Ang's film production of "Billy Lynn's Long Halftime Walk". CTBC Bank Director Chao-Chin Tung (far right), CTBC Venture Capital President Po-Shan Hsu (far left), and film director Lee Ang along with the actors Joe Alwyn and Mason Lee at the Asia Premier of the film.

## 3. A Supportive Community

Based on the theme the Rink at the Rockefeller Center, the "Christmas Fun Party" held in the CTBC Financial Park creates the opportunity for Taiwanese citizens to embrace themselves under the falling snow. The ice rink was open to the public for almost three months, during which more than 36,000 visitors and CTBC customers were able to share a memorable experience of gliding gracefully on ice.

## 4. The 50<sup>th</sup> Birthday Celebration

CTBC Holding Chairperson Wen-Long Yen (fourth on the left) at the headquarters Sales Department along with a number of senior executives raising their champaign glass to CTBC Bank employees from 150 branches across Taiwan in celebration of CTBC's 50<sup>th</sup> birthday. They shared the happiness of this special occasion with customers and employees for their long-term support and efforts.

## 5. Business Innovations

Big data applications, biometric technologies, financial advisory services, and convenient digital services were integrated into CTBC Bank's digital branch in Donghu, combining the functions of virtual and physical services and creating an all-new digital banking experience.

## 6. International Acclamation

CTBC Holding's performance has been affirmed as an internationally acclaimed brand. For the first time, CTBC Holding was rated as the 2016 Best Taiwan Global Brands by the MOEA Industrial Development Bureau, Taiwan Institute of Economic Research, and Interbrand, a global brand consultancy. The award was received by the President of CTBC Financial Holding, Daniel Wu.

## 7. Charity Identification

CTBC Bank partnered with the Paperwindmill Arts and Educational Foundation to introduce the Paperwindmill Card, continuing to invest resources to contribute toward improving art education for children in rural areas and encouraging everyone in Taiwan to identify with their culture.

## 8. Commemoration of the Founder

In memory of the devotion that CTBC founder Jeffrey Koo Sr. has made throughout his life time, CTBC erected a memorial statue of Koo in the lobby on the first floor of the Nankang Headquarters. The unveiling ceremony was held on December 6, 2016, during which the date December 6 was announced as CTBC's anniversary.

## 9. Community Companionship

Since 2015, CTBC has initiated "Taiwan Dream Project", which is aimed at integrating reputable community associations with local resources to setup companionship project sites across Taiwan, where care services that more closely meet the living needs of economically unprivileged children are provided.

## 10. Care for Children in Rural Areas

The CTBC Charity Foundation expanded the scope of application of its "CTBC Youth Baseball Project" in 2016, incorporating elementary schools in Kinmen and Penghu for the first time. Participating teams have also delivered new record-high performances. In total, 25 baseball teams from remote schools have been sponsored. CTBC will continue to support these children through "CTBC Youth Baseball Project", helping them to hit their home run in life.

## 11. International Certifications

CTBC Bank Chairman Chao-Chin Tung was honored with the Best CEO award by the Asian Banker, making him the one and only winner in Taiwan's financial industry for the past decade. CTBC Bank was also rated as the Best Managed Bank. CTBC won the highest number of awards among financial institutions in the Asia Pacific, receiving 9 individual and group awards in total.

## 12. Calling for Love

The 31<sup>st</sup> "Light Up a Life" Charity Campaign donations amounted to NTD 142 million. Over NTD1.7 billion in donation has been collected over the past 31 years, assisting approximately 360,000 children to pursue their dream with hopes of planting seeds of love and compassion in the children's hearts and spreading positive influence in the society.

## 13. Stable Expansion

CTBC Bank joined the ASEAN Economic Community in March 2016, when its Rangoon Representative Office commenced operation to provide local Taiwanese business people with cross-border financial services and help CTBC Bank to extend its presence in the Asia Pacific regions and develop multinational financial services in the Southeast Asian market.

## 14. Home Run Taiwan

In celebration of CTBC's 50<sup>th</sup> anniversary, CTBC hosted the "Home Run Taiwan 9DAYs-8NIGHTs NON-STOP MARATHON", during which participants ran a total of 1,000 km in 200 hours amidst wind and rain to rally their support for Taiwan and work hand-in-hand to create new memories with CTBC.

## 15. Green Finance

To implement CTBC Bank's value and support of green industries, CTBC Bank was approved by the competent authority on May 9, 2017 to issue green bonds. After the issuing procedure was established and the price of the first green bond set, CTBC started trading the bonds on May 19, a day that represents the first step of Taiwan's securities market toward green financing.

