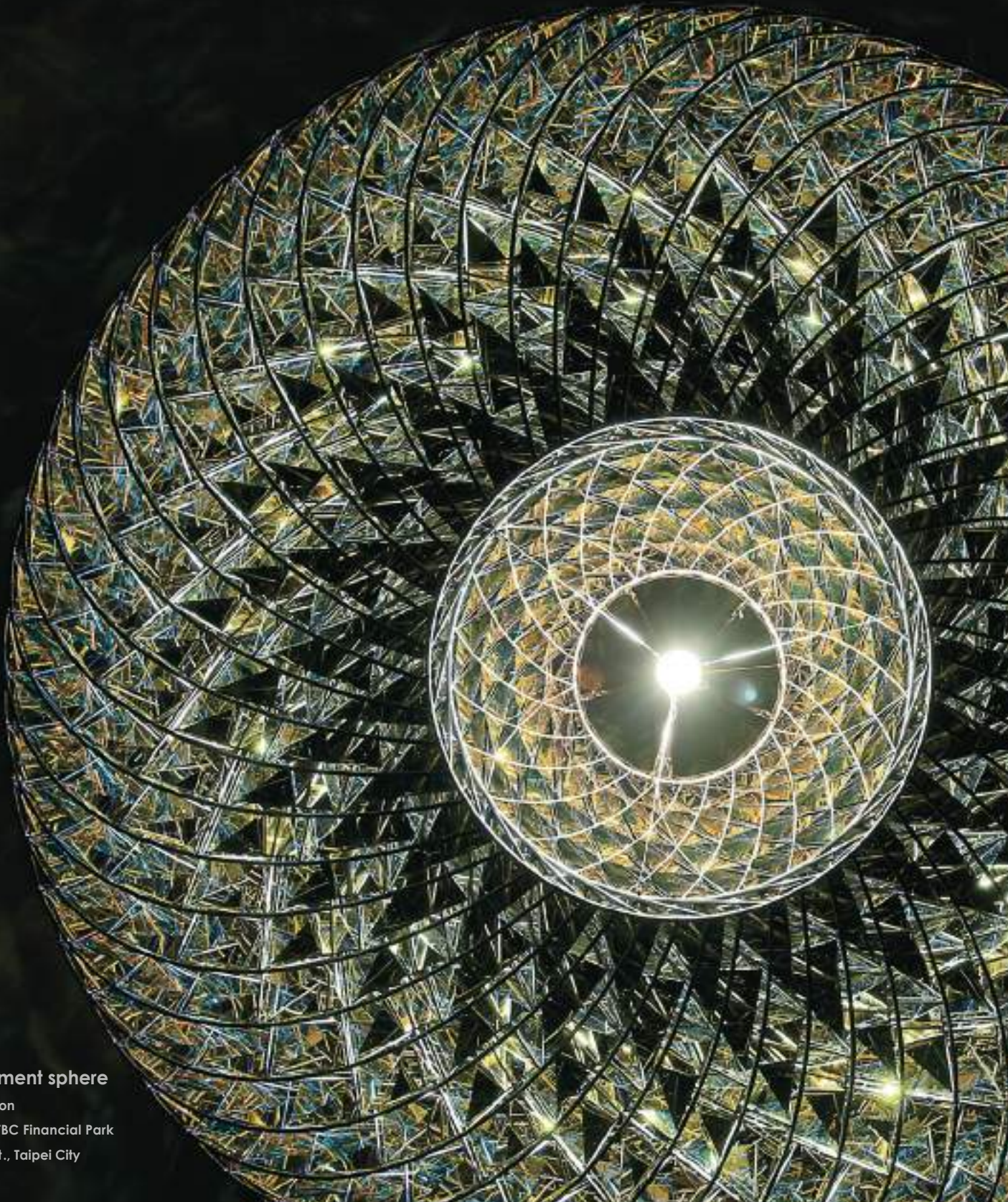




CTBC HOLDING

2017

CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT



Enlightenment sphere

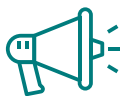
Olafur · Eliasson

Artwork in CTBC Financial Park

Nangang Dist., Taipei City

# REPORT OVERVIEW

The 2017 Corporate Social Responsibility (CSR) Report of CTBC Financial Holding Co., Ltd. (CTBC) complies with the Global Reporting Initiative (GRI) Standards Core Option. 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 and AA1000 AS Type 2 moderate-level assurance.



## Disclosure Frequency

CTBC published its first CSR report in 2007. This year marks the 11<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, 2019. Every year, our CSR report is available from CTBC website and CSR site.



## Scope of the Report

This Report details the practices and performance of CTBC between January 01, 2017 and December 31, 2017. The scope of information disclosed chiefly comprises the environmental, social, and governance 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.



## 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.



## 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 Corporate Sustainability 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

This year, CTBC Bank and Taiwan Life have been the twin engines driving the success of CTBC Financial Holding, enabling us to maintain our steady growth. Although our diversified services are geared toward creating a comprehensive financial holding company, our “We are family” brand spirit remains at the heart of our operations and actions, as we strive to care for our employees and customers while demonstrating our determination to be a good corporate citizen. This principle is also at the core of our efforts to sustainable business development, and it is the foundation on which we have built a leading brand in Taiwan’s financial industry.

Corporate sustainability is both an opportunity and a challenge. With our entry in the insurance sector, we hope to accomplish changes that build the sustainability mindset into our daily operations, becoming a responsibly investing and sustainably insuring financial operator. This is not easy, but we are committed to achieving social revolution through our business strategies.

In 2018, we unveiled our strategy and vision for the sustainability of CTBC. Through our TRUST promise, which covers the five areas of corporate governance, environmental protection, employee care, products and services, and social participation, we have set our criteria for sustainable development. We have renamed the Corporate Social Responsibility Consultation Committee as the Corporate Sustainability Committee, and established a reward system encouraging our employees and their supervisors to propose plans for advancing ESG. These initiatives, which are overseen by independent directors, have helped make sustainability an integral part of our business operations. In addition, we are committed to formally signing on the Equator Principles by the end of 2018.

Every recognition of our efforts give us motivation to push forward and a sense of pride in our sustainability accomplishments. CTBC was included in the Dow Jones Sustainability Indices for the second consecutive year, for the first time listed on both the World Index and the Emerging Markets Index. Also in 2017, we were selected for the fourth straight time for the Morgan Stanley Capital International (MSCI) ESG Leaders Indexes (formerly the MSCI Global Sustainability indexes), ranked fifth in the MSCI Taiwan ESG Leaders Index, and listed in the FTSE4Good Emerging Index. In the best performance of Taiwan’s financial industry, we received a Leadership A- rating from CDP (formerly the Carbon Disclosure Project) for the second year running, in what was a globally trusted affirmation of our efforts in environmental protection, social participation, and corporate governance.

In recent years, the impact of climate change has intensified, as problems like the widening wealth gap and drug abuse among the youths have increasingly become causes for concern. We are fully aware that the full scope of these problems is beyond our reach, but CTBC is continuing to seek out ways to leverage its business operations in order to address them. In 2017, we invested in two solar power generation companies, provided an investment-oriented insurance platform, and finalized the pricing of the first green bonds issued on the Taiwan bond market, taking concrete steps in responsible investment. Meanwhile, we used our insurance business to target social issues in Taiwan by launching impaired risk life insurance, insurance products that incentivize health management, and microinsurance for low- and middle-income earners, striving to serve as a sustainable insurer. In addition, we received verification for ISO 50001 (energy management), ISO 14001 (environmental management), and ISO14064-1 (greenhouse gas inventories),

further promoting energy efficiency and carbon emissions reduction in the Company.

To maximize the effect of corporate resources invested in social welfare, we introduced the Social Return on Investment (SROI) measurement mechanism, applying it on the Company’s first Taiwan Dream Project site. This SROI evaluation, conducted on the Dahu Community of Bitou Township in Changhua County, found that every NTD 1 invested generated NTD 4.26 in social value. With regard to anti-drug work, we believe that doing nothing today will lead to regrets tomorrow, and it is with this mindset that the CTBC Anti-Drug Educational Foundation advocates against substance abuse. We also carried out research on prevention of drugs with the NTU Children and Family Research Center with sponsorship from the CTBC Charity Foundation.

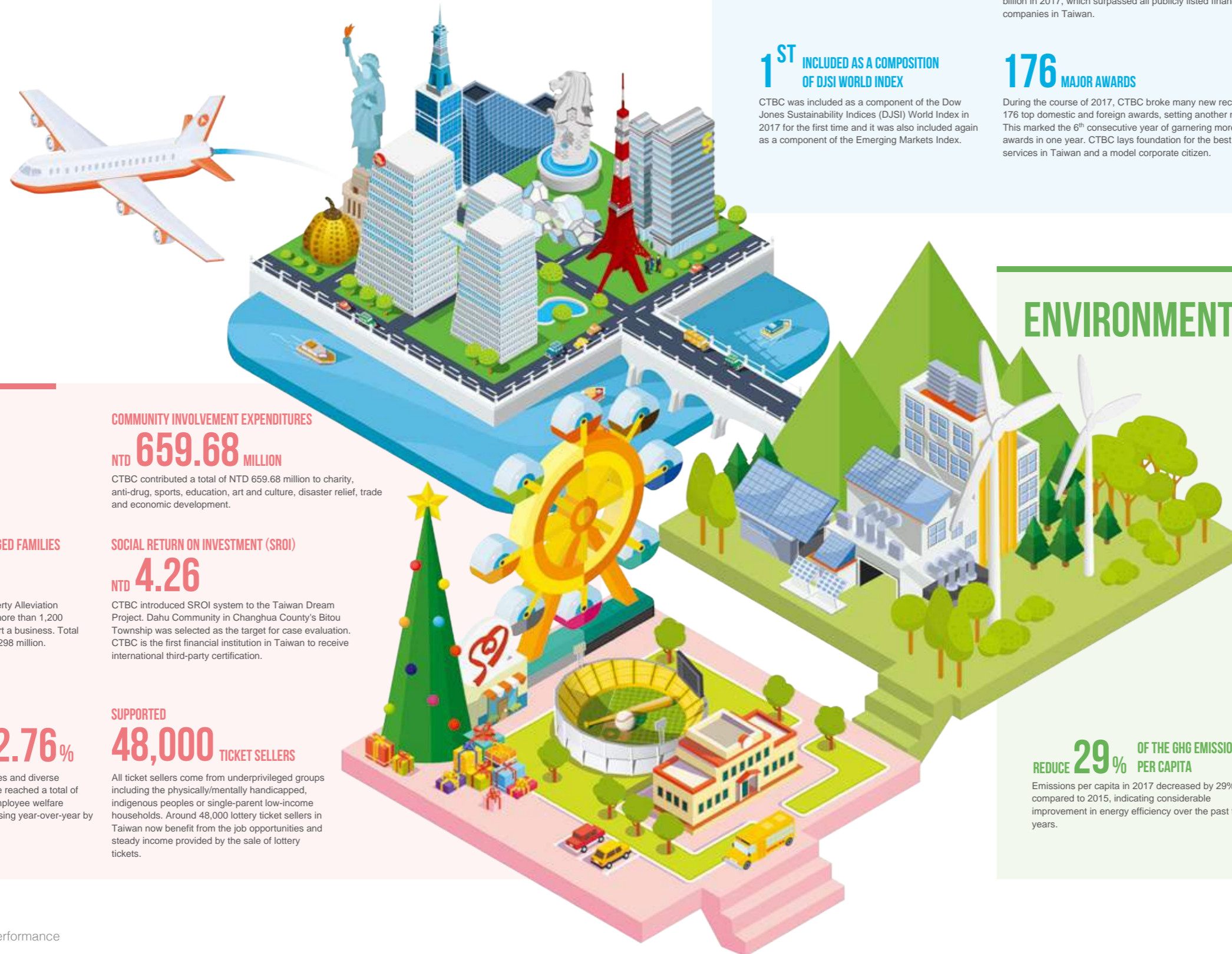
As a leading-brand financial holding company, CTBC is concerned not only with the continuous and steady development of its business, but also with being a meaningful part of charities, the fight against drugs, we also support sports, education, arts, and other aspects of Taiwan society. This participation, in turn, becomes a meaningful part of the empathetic culture here at CTBC. We clearly understand the expectations of our stakeholders, and we will not passively sit back in this era of sustainable transformation. Rather, we will lead the way, protecting and building value for our employees, customers, shareholders, and the community as a whole, bringing them to financial success and to a better future.



CTBC Financial Holding CO., Ltd.  
Chairman  
Wen Long Yen

A handwritten signature in black ink, appearing to read "W. Long Yen". The signature is stylized and fluid, written over a white background.

# CORPORATE SUSTAINABILITY PERFORMANCE



## GOVERNANCE

NET PROFIT AFTER TAX NTD **37.224** BILLION

With banking and insurance as the primary growth engine of the company, CTBC reported consolidated profit after tax of NTD 37.224 billion in 2017, which surpassed all publicly listed financial holding companies in Taiwan.

**NO. 1** IN BRAND SURVEYS

CTBC Bank earned first place in the Top Banking Brands in Taiwan by Brand Finance in their Global 500 Banking Brand Survey for five years in a row.

**1<sup>ST</sup>** INCLUDED AS A COMPOSITION OF DJSI WORLD INDEX

CTBC was included as a component of the Dow Jones Sustainability Indices (DJSI) World Index in 2017 for the first time and it was also included again as a component of the Emerging Markets Index.

**176** MAJOR AWARDS

During the course of 2017, CTBC broke many new records and won 176 top domestic and foreign awards, setting another new milestone. This marked the 6<sup>th</sup> consecutive year of garnering more than 100 awards in one year. CTBC lays foundation for the best financial services in Taiwan and a model corporate citizen.

**1<sup>ST</sup>** JOINED FINTECH CULTIVATION CENTER IN ISREALL

CTBC is the first financial institution in Asia to join forces with The Floor, a FinTech cultivation center in Israel, to collectively research and develop FinTech commercial applications and seek more efficient and safer technological mechanisms for commercial applications.

## SOCIAL

COMMUNITY INVOLVEMENT EXPENDITURES

NTD **659.68** MILLION

CTBC contributed a total of NTD 659.68 million to charity, anti-drug, sports, education, art and culture, disaster relief, trade and economic development.

MICRO-FINANCE TO UNDERPRIVILEGED FAMILIES

NTD **97.29** MILLION

Over the past 6 years, the "CTBC Poverty Alleviation Program" has provided assistance to more than 1,200 customers and helped 211 families start a business. Total loans amounted to more than NTD 97.298 million.

SOCIAL RETURN ON INVESTMENT (SROI)

NTD **4.26**

CTBC introduced SROI system to the Taiwan Dream Project. Dahu Community in Changhua County's Bitou Township was selected as the target for case evaluation. CTBC is the first financial institution in Taiwan to receive international third-party certification.

THE INCREASE IN AVERAGE EMPLOYEE WELFARE EXPENSE **12.76%**

The Company offers excellent incentives and diverse benefits. In 2017, the employee welfare reached a total of NTD 23,991.71 million. The average employee welfare expense was NTD 1.697 million increasing year-over-year by 12.76%.

SUPPORTED

**48,000** TICKET SELLERS

All ticket sellers come from underprivileged groups including the physically/mentally handicapped, indigenous peoples or single-parent low-income households. Around 48,000 lottery ticket sellers in Taiwan now benefit from the job opportunities and steady income provided by the sale of lottery tickets.

## ENVIRONMENTAL

CDP LEADERSHIP A-

**NO. 1**

CTBC continues to promote energy conservation and carbon reduction and integrate financial products in green energy industry investments. As a result, CTBC received a Leadership A- rating two years in a row, demonstrating its outstanding performance in Taiwan's financial industry.

**434** TONNES OF CARBON REDUCED THROUGH ELECTRONIC STATEMENTS FOR CREDIT CARDS

On the promotion of electronic credit card statements, the number of customers receiving electronic credit card statements had exceeded 1.44 million. Around 47.59 million sheets of paper were therefore saved during the year, which is expected to reduce environmental pollution from CO<sub>2</sub> emissions by 434 tonnes.

AMOUNT SPENT ON GREEN PURCHASING

NTD **205** MILLION

Total green purchasing 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 nine consecutive years.

REDUCE **29%** OF THE GHG EMISSION PER CAPITA

Emissions per capita in 2017 decreased by 29% compared to 2015, indicating considerable improvement in energy efficiency over the past two years.

**1<sup>ST</sup>** FINANCIAL INSTITUTION TO ATTAIN RENEWABLE ENERGY CERTIFICATES

CTBC supported the government's green electricity policy in keeping with global trends on promoting the development of renewable energy and transition to a low-carbon economy. In June 2017, CTBC became the first financial institution in Taiwan to receive renewable energy certificates from the Ministry of Economic Affairs.

# 2017 RECIPIENT OF 176 MAJOR AWARDS

## Best Sustainable Governance and CSR

MSCI ESG Leaders Indexes  
DJSI World Index & Emerging Markets Index  
FTSE4Good Emerging Index  
CDP Leadership A-  
Asiamoney  
The Asset  
Enterprise Asia  
Taiwan Institute for Sustainable Energy (TAISE)  
British Standards Institution (BSI)

## Best Bank in Taiwan

Brand Finance  
Industrial Development Bureau, Ministry of Economic Affairs  
FinanceAsia  
Asiamoney  
World Branding Forum  
Reader's Digest  
Business Weekly  
MANAGERtoday

## Best Private Bank

Euromoney  
The Asian Banker  
FinanceAsia  
Private Banker International  
Global Business Outlook  
Wealth Magazine  
Business Today

# ABOUT CTBC

CTBC Financial Holding Co., Ltd., established on May 17, 2002, upholds its brand spirit of We are family, its core values of "Integrity, Innovation, Professionalism, Teamwork, and Caring", corporate missions 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. In 2017, CTBC concluded a consolidated after-tax profit of NTD 37.224 billion, a second high for the year, and a consolidated after-tax profit of 12.77% on return to ordinary shareholders, which ranked top among all financial holding companies in Taiwan. CTBC is based in Taiwan as it actively targets expansion in overseas markets.

## Strengthening of Operations and Businesses

### Expanding Globally, Launching from Asia Pacific

In September 2017, Taiwan's Financial Supervisory Commission approved CTBC Bank Co., Ltd.'s request to open a branch in Shenzhen, China. Looking forward, the branch, which will deepen our reach into the Pearl River Delta Economic Zone and leverage the region's key industry chain, will be linked to our other branches in Taiwan, Hong Kong, and elsewhere overseas to build a full-range cross-border financial platform that offers a comprehensive array of financial products and services, including trade financing and international insurance and finance. Looking at the Southeast Asia market, we have been working in line with the Taiwan government's "New Southbound Policy" to identify strategic investments, share investments, as well as M&A that target specific customer bases, networks, and complementary services. Furthermore, in July last year, CTBC Bank successfully completed its bid for an equity investment in Thailand's LH Financial Group, obtaining a 35.6% stake as well as seats on the company's board. In the future, we will continue strengthening our network and expanding our financial service offerings across Southeast Asia.

## Reinforcing Corporate Governance, Accumulating Brand Value

As a response measure to the increasingly rigorous supervision imposed by competent authorities on financial institutions in 2017, CTBC has set up a strong corporate governance mechanism. It is one to which we are making constant improvements, such as by increasing the personnel dedicated to ensuring sound corporate governance. In addition, the Company is the first financial institution in Taiwan to have independent directors fill more than half of the seats on its board. This ensures that when the Board reviews major proposals, it does so in a manner that is characterized by transparency, independence, and that prioritizes CTBC's customers, employees, and shareholders as well as the public. As part of our efforts to combat money laundering, CTBC has established a special unit tasked with preventing money laundering and terrorism financing, instilling the culture of anti-money-laundering along with combating terrorism financing, promoting anti-money-laundering education initiatives, implementing money-laundering preventative controls, and fighting terror operations. We have also bolstered the supervision of our overseas branches. These efforts are

focused on burnishing the credibility of our group's brand and maximizing the benefits of its equity.

## Integrating Group Resources, Creating Synergy

CTBC Holding completed its acquisition of Taiwan Life on Jan. 1, 2016. By comprehensively integrating CTBC's resources and utilizing its existing channels, CTBC Holding steered the insurer to rapid growth. In 2017, Taiwan Life recorded annual profit of NTD10.2 billion, marking the first time in its 70-year history it has surpassed the 10-billion-dollar milestone and a clear demonstration of the Company's ability to deliver results. Looking ahead, CTBC Holding will continue improving its sales operation model. We will also deepen cooperation among our banking, life insurance, securities, and investment arms. By maximizing their synergy, we will be able to offer a full spectrum of comprehensive financial products and services while facilitating the continual growth of these subsidiaries.

## CTBC Financial Holding Co., Ltd.

Headquarters Location	No. 168, Jingmao 2 <sup>nd</sup> Road, Nangang District, Taipei, Taiwan, R.O.C.
Date of Establishment	May 17, 2002
Paid-in Capital(NTD, in thousands)	198,303,196
Total Assets(NTD, in thousands)	5,340,733,544
Number of Employees	More Than 27,000
Industry	Finance & Insurance
Stock Code	2891

### Upgrading Digital Finance, Creating Value for the Customer

CTBC Holding is committed to upgrading digital finance services, with a development team managed directly under the holding. All services are tested internally prior to launch to ensure flawless service procedures and complete consumer protection. The Company's innovative digital finance services and comprehensive protection of consumer rights have enabled our digital finance products to attain positive results. Recent offerings include finger vein authentication at ATMs, online travel insurance, the smart investment fund ROBOGO, and LINE Pay, a credit card issued in partnership with a mobile payment operator. These are a reflection of CTBC's unsparing effort to develop the digital finance sector and to drive exceptional outcomes.

### Enhancing Risk Control Technology, Achieving Stringent Asset Quality Control

CTBC Holding is well known for sound risk management aligned with international standards. We have adopted Basel III to strengthen risk management, and we continually develop new risk management techniques and systems to keep pace with expansion in the Company's business operations and territories, proactively enhancing the effectiveness of its risk management. By the end of 2017, our non-performing loans ratio had declined to 0.41% and our combined coverage ratio had risen to 306.85%, an indication of our rigorous approach to risk control and asset quality.

### Business Strategy and Direction of Expansion

The Company serves its customers with "caring, professional and trustworthy" services. In a constantly changing financial market, we constantly develop innovative products with customer needs at the core and strive in digital banking development. We offer convenient services across different regions and industries, with Taiwan as our base. We extend our presence in the global market, expand our business operations with strong ambition and international perspectives, emphasize the importance of training and fostering transnational talents, and simultaneously improve product and service qualities to continue to grow and flourish in the financial industry. In the future, CTBC will continue to show its support for the government's New Southbound Policy. 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 financial platform through which customer may obtain a full range of services. CTBC's future business strategies are as follows:

- (1) Enhance our operational efficiency and spur organic growth.
- (2) Establish a solid foundation for digital financial services and accelerate CTBC's digital transformation.
- (3) Cultivate international talent and deepen our operations abroad.
- (4) Strengthen cooperation among subsidiaries so as to maximize group synergy.
- (5) Deepen focus on the Asian market, including by identifying new strategic partners.
- (6) Further improve corporate governance and strengthen the functions of our directors.
- (7) Ensure complete legal compliance as well as the prevention of money laundering.

### Social Contributions Linked to Sustainability

While in pursuit of continual growth, CTBC has never neglected contributing to the society. We will integrate social responsibilities with our core business activities, using "TRUST" as a testament to demonstrate the importance of corporations, the environment, employees, customers, and society to CTBC through five major dimensions of governance and responsibility(Transparency), environmental sustainability(Responsibility), employee care(Understanding), products and services(Satisfactory), and social development(Together). As a company of excellent quality, we will continue to provide thoughtful financial services and fulfill our social and environmental responsibilities, in hopes of creating a better future.

### Business Performance

2017 was a turbulent year punctuated by a rising tide of protectionism in the United States as well as that country's withdrawal from the Trans-Pacific Partnership, along with uncertainty resulting from key elections in major EU countries. However, the overall effect of these geopolitical developments on the global economy was less severe than feared, with its recovery continuing at a steady pace. This extended to Taiwan, where the economy has been gradually picking up in tandem with the global economy. However, the challenges faced by financial holding companies remain. In a market characterized by excess liquidity, the industry has continued to engage in fierce price competition, making operations difficult for industry players. Despite this environment, CTBC Holding, with its solid customer base and dynamic group-wide synergies, generated after-tax profit totaling NTD 37.2 billion, a second high for the year, and a consolidated after-tax profit of 12.77% on return to ordinary shareholders, which ranked top among all financial holding companies in Taiwan.

### Key Performance Indicators (KPIs)

	2017	2016	2015	2014
<b>CTBC Financial Holding</b>				
Capital Adequacy Ratio (%)	139.07	135.52	142.37	156.35
Efficiency Ratio (%) <sup>(Note)</sup>	61.22	61.49	55.99	49.73
Commission Revenues as a Percentage of Operating Revenue (%) <sup>(Note)</sup>	35.10	36.71	37.57	34.16
<b>CTBC Bank (Merger &amp; Acquisition)</b>				
Capital Adequacy Ratio (%)	14.47	14.00	12.98	13.46
NPL Ratio (%)	0.41	0.63	0.78	0.96
Coverage Ratio for Loan Loss Provision (%)	306.85	219.21	168.80	153.66

Note : Insurance is excluded.



Overseas Business Locations



Business Locations in Taiwan: 150  
 Overseas Branches: 110

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.



Full-Range Financial Services

 <b>CTBC Bank</b> Banking	<ul style="list-style-type: none"> <li>Retail banking</li> <li>Corporate banking</li> <li>Capital markets</li> <li>Deposits, Loans, Credit cards</li> <li>Wealth management</li> <li>Derivatives</li> </ul>	 <b>CTBC Capital</b> Venture Capital Investment	<ul style="list-style-type: none"> <li>Information technology industry</li> <li>Culture and Creativity industry</li> <li>Consumer industry</li> <li>Biotech Industry</li> <li>Green energy-saving industry</li> <li>Conventional industry</li> <li>Other industry</li> </ul>
 <b>Taiwan Life</b> Insurance	<ul style="list-style-type: none"> <li>Life insurance</li> <li>Health insurance</li> <li>Accident insurance</li> <li>Annuity insurance</li> </ul>	 <b>CTBC Investments</b> Investment Trust Industry	<ul style="list-style-type: none"> <li>Securities investment trust business</li> <li>Fully fiduciary discretionary investment services</li> </ul>
 <b>CTBC Securities</b> Securities	<ul style="list-style-type: none"> <li>Underwriting</li> <li>Financial consulting</li> <li>Securities brokerage</li> <li>Re-consignment services</li> <li>Futures brokerage</li> <li>Proprietary trading</li> <li>Warrants issuance</li> <li>E-Commerce</li> </ul>	 <b>CTBC Security</b> Security Business	<ul style="list-style-type: none"> <li>Consulting services on safety system for fire safety and disaster prevention</li> <li>Stationed security</li> <li>Personal safety</li> </ul>
 <b>CTBC AMC</b> Asset Management	<ul style="list-style-type: none"> <li>Debt trading for financial institutions</li> <li>Leasing investment</li> </ul>	 <b>Taiwan Lottery</b> Public Welfare Lottery Business	<ul style="list-style-type: none"> <li>Distribution, sales, marketing, operations and management of public welfare lottery</li> </ul>

## Operating Efficiency and Profitability

In 2017, CTBC generated NTD 349.76 billion in net revenues and NTD 37.22 billion in after-tax profit. Earnings per share reached NTD 1.91, whereas total assets grew by NTD 501.48 billion from the previous year to NTD 5,340.73 billion.

## Basic Financial Information

Unit: NTD, in thousands

Item of Analysis		2017	2016	2015	2014
Basic Financial Information	Total Assets	5,340,733,544	4,839,251,254	4,596,226,754	3,654,680,064
	Shareholders' Equity	320,984,171	282,195,419	277,594,246	229,439,398
	Net Revenue	349,763,657	319,671,361	215,571,927	201,426,687
	Net Profit After Tax	37,224,180	27,932,874	35,402,042	39,443,580
Operating Efficiency	Total Asset Turnover Ratio (Frequency)	0.07	0.07	0.05	0.07
	Ratio of Loan-to-Deposits at Subsidiary Banks (%)	67.46	70.20	71.08	73.15
	Non-performance Loan Ratio at Subsidiary Banks (%)	0.21	0.33	0.29	0.23
	Amount of Average Income Per Employee	17,480	16,068	8,436	11,843
	Amount of Average Profit Per Employee (After Tax)	1,860	1,404	1,385	2,319
Profitability	Return on Assets (%)	0.73	0.59	0.86	1.30
	Return on Common Shareholders' Equity (%)	12.77	9.98	13.97	18.69
	Profit Margin (%)	10.64	8.74	16.42	19.58
	Earnings Per Share (NTD) (Note 1)	1.91	1.43	1.95	2.39
Financial Structure (%)	Liability-to-asset Ratio	93.99	94.17	93.96	93.72
	Double Leverage Ratio	116.39	118.43	112.79	105.29
Leverage	Degree of Operating Leverage	1	1	1	1
	Degree of Financial Leverage	1.46	1.55	1.52	1.46
Growth Rate (%)	Asset Growth	10.36	5.29	25.76	50.73
	Profit Growth(Before Tax)	31.73	(17.29)	(9.10)	109.54
Cash Flow (%)	Cash Flow Ratio	Note 3	Note 3	44.80	24.57
	Cash Flow Adequacy Ratio	177.39	242.37	361.92	302.89
	Cash Flow Satisfaction Ratio	Note 3	Note 3	1,567.66	Note 2
Operational Scale (%)	Asset Market Share	10.17	10.07	10.10	8.75
	Equity Market Share	8.64	8.40	8.86	7.74
	Market Share of Bank Subsidiary Deposits	5.78	5.44	5.56	5.18
	Market Share of Bank Subsidiary Loans	5.31	5.19	5.28	4.88

Note 1: Earnings per share between 2014 and 2016 are expressed by retrospective adjustments base according to the number of shares distributed of earnings or capital surplus transferred to capital.

Note 2: Investment activities provide cash inflow in 2014; therefore, cash flow satisfaction ratio was not calculated.

Note 3: Net cash flow from operating activities was a negative value in 2016 and 2017; therefore, cash flow ratio and cash flow satisfaction ratio were not calculated.

Note 4: Reason of change in ratios for the recent two years: (deviations over 20%)

(1) The decrease of non-performance loan ratio is due to a decrease of non-performance loan in 2017.

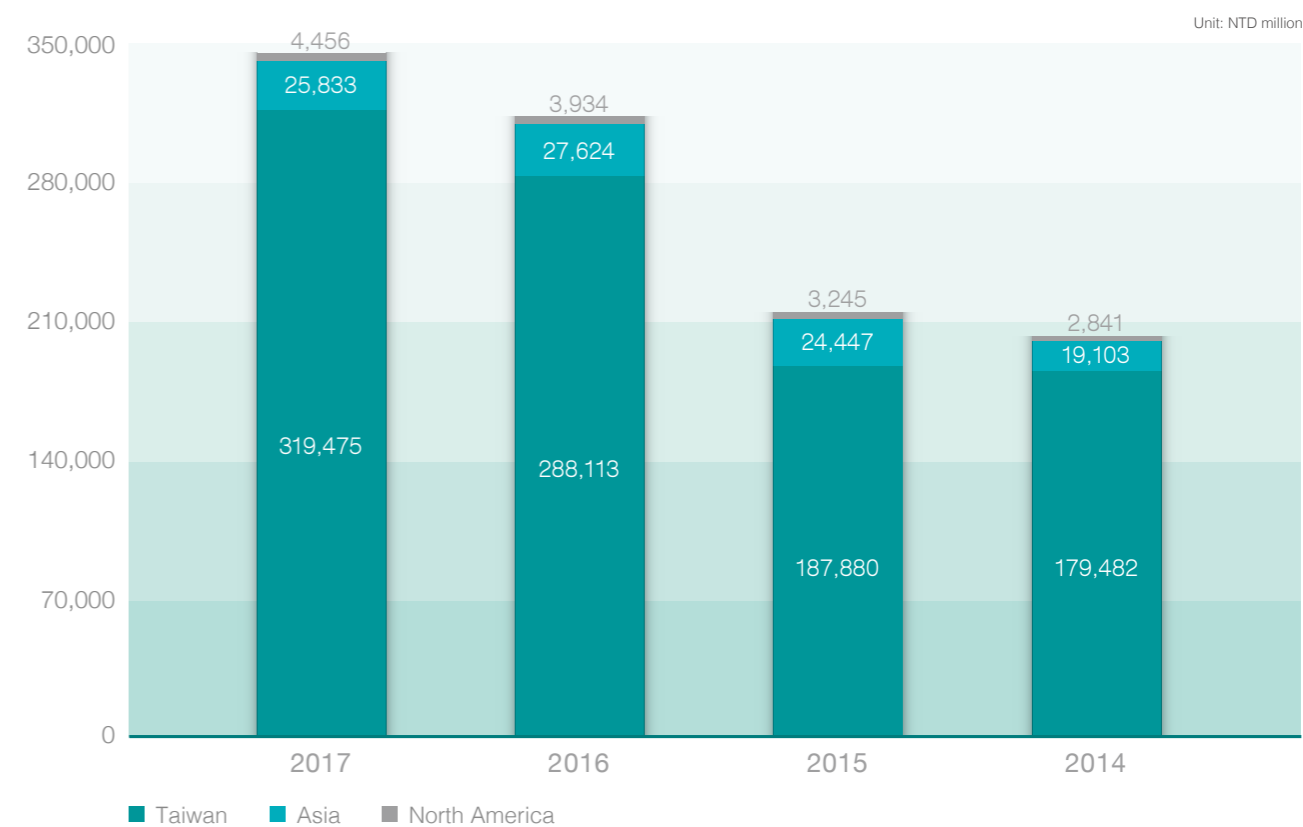
(2) The increase of amount of average income per employee, return on assets, common equity ratio, profit margin, earnings per share, and profit growth rate is due to an increase in the 2017 net income compared to that in 2016.

(3) The increase of asset growth ratio is due to an increase in total assets in 2017 following an increase in financial instrument investment and loan.

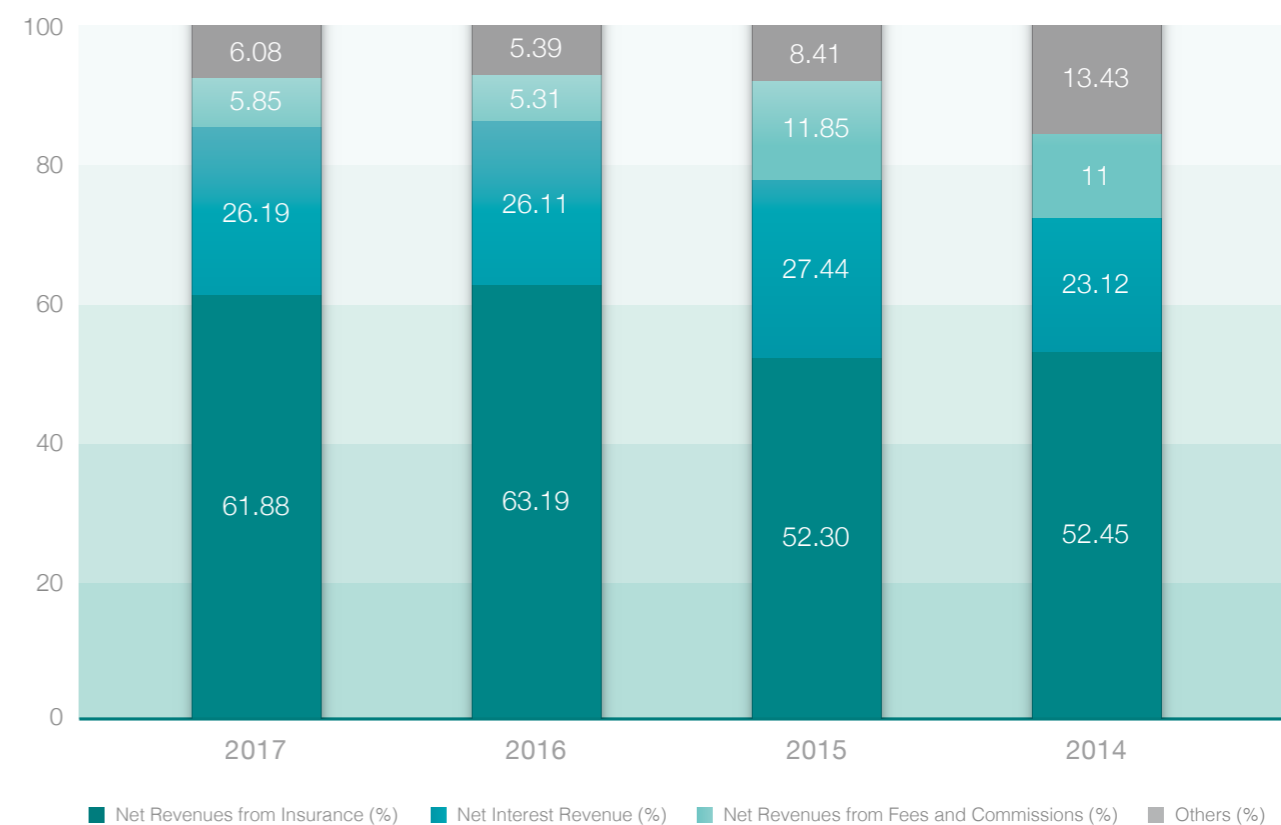
(4) Decrease in cash flow adequacy ratio is due to net cash outflow from operating activities in 2017.

## Percentage of Business Activities

### • By Location



### • By Revenue



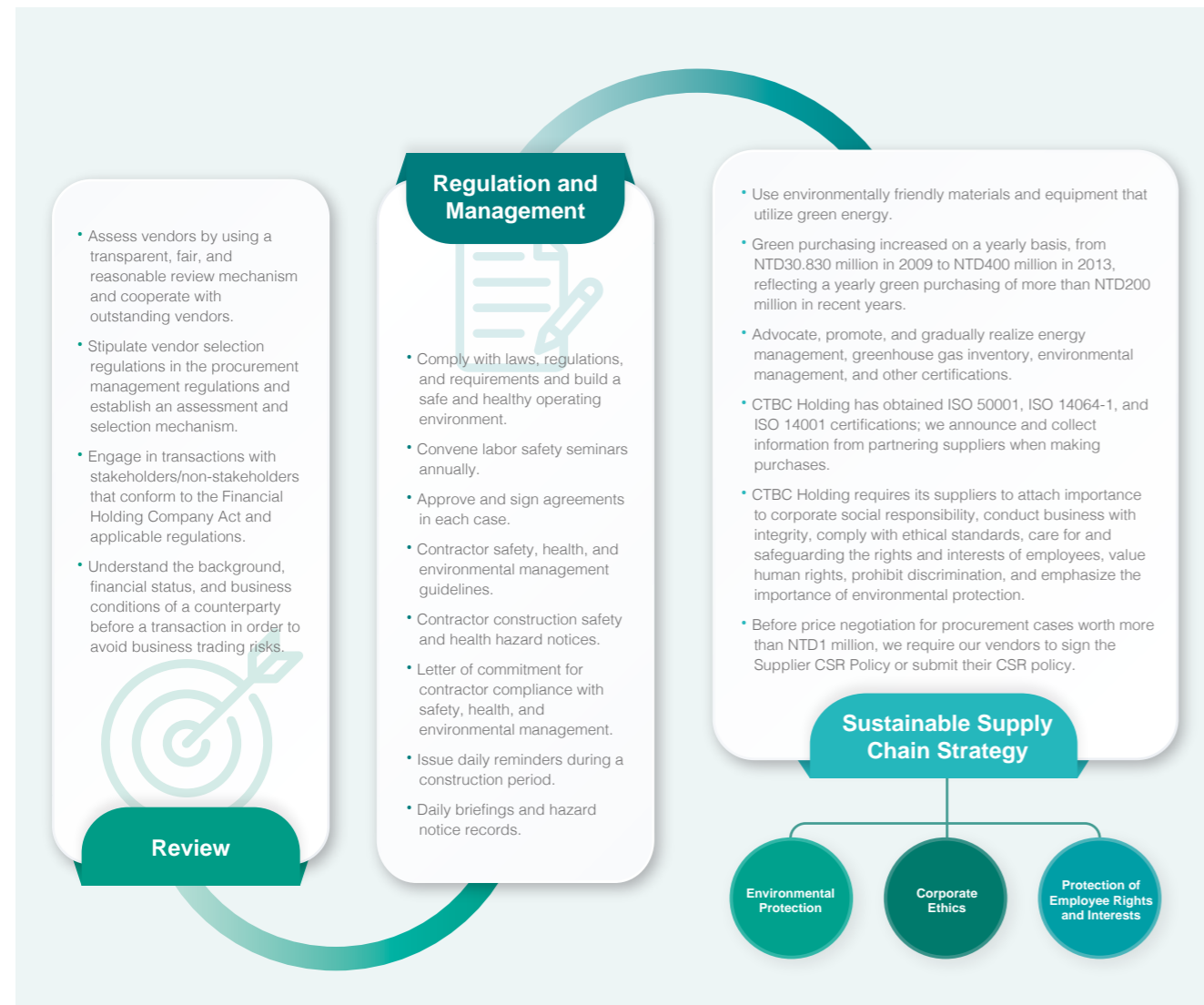
• By Industry

Unit: NTD, in thousands

	2017		2016		2015		2014	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Banking	85,440,604	24.43%	82,158,852	25.70%	87,489,316	40.59%	81,407,051	40.42%
Insurance	262,339,754	75%	235,836,116	73.77%	126,695,474	58.77%	118,062,820	58.61%
Securities	1,347,092	0.39%	947,093	0.3%	1,130,904	0.52%	1,084,476	0.54%
Other Businesses	636,207	0.18%	729,300	0.23%	256,233	0.12%	872,340	0.43%
<b>Total</b>	<b>349,763,657</b>	<b>100%</b>	<b>319,671,361</b>	<b>100%</b>	<b>215,571,927</b>	<b>100%</b>	<b>201,426,687</b>	<b>100%</b>

**Sustainable Supply Chain**

CTBC Holding hopes to strengthen the diffusion of corporate sustainability, a spirit in line with the true nature of corporate sustainability, therefore, with our experience in corporate sustainable development, we aim to transmit this spirit within our supply chain management, inspiring more of CTBC partners to work with us toward a future of sustainability. We implement sustainable supply chain management by following three main steps: supplier review, regulation and management, and promotion of sustainable supply chain strategy.



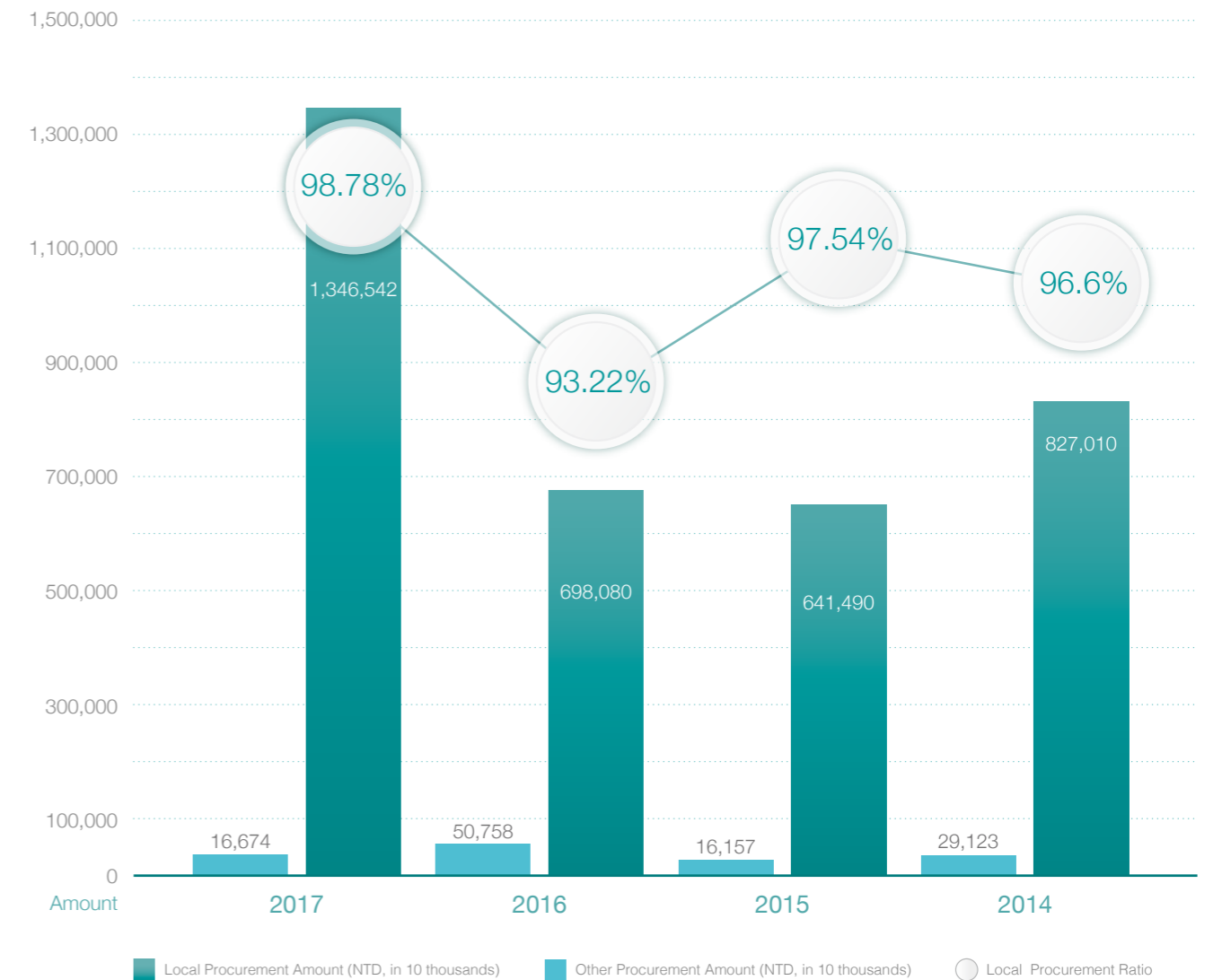
**Sustainable Supply Chain Strategy**

CTBC has developed the sustainable supply chain strategy based on three dimensions of corporate ethics, environmental protection, and protection of employee rights and interests. The strategy has been implemented over the years with promising preliminary outcomes. In future, we will continue to uphold the spirit of sustainable management and partner with our suppliers to strive toward sustainable development.

**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". In 2017, 98.78% of CTBC's procurements were directed toward local suppliers. CTBC generated a net increase in total purchase amount of NTD 6,143,774,713 (by 82.04%) in 2017 compared to 2016, of which NTD 340,844,562 was contributed by overseas purchase, a decrease to 1.22% from 6.78%. Nevertheless, domestic purchase amount still projected a net increase of NTD 6,484,619,275 compared to that in 2016, which is attributed to signing of the long-term procurement contract and large BOT project in 2016.

**Local Purchasing Amount and Ratio**



## Tax Policy and Tax Information

According to CTBC Holding tax governance policy, CTBC and subsidiaries at home and abroad shall adhere to the following principles:

- Pay taxes in compliance with tax laws and regulations.
- Make advance tax analysis to avoid double taxation, reduce tax costs, and create shareholder value.
- Sustain open and appropriate relations with tax authorities.
- Maintain transparency in tax information and comply with financial reporting standards and the rules governing disclosure in annual reports.
- Manage tax risks effectively.

CTBC values tax governance and believes that paying tax in compliance with the law facilitates economic growth and balances regional development. Therefore, CTBC is committed to complying with local tax laws, calculates the correct tax amount, files tax returns, and completes tax payments by the statutory deadline. CTBC adheres to the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the principles of transfer pricing laws of each business location in an effort to implement the arm's length principle. CTBC does not engage in transactions for the sole purpose of tax avoidance and transfer profits to low or exemption tax jurisdictions. In addition, CTBC is focused on ensuring information transparency in order to fulfill corporate social responsibilities.

In 2017, CTBC paid approximately NTD13.04 billion in taxes worldwide. Taxes paid in Taiwan accounted for approximately 77% of all CTBC taxes. This is because Taiwan was the main source of revenues and bore the majority of the tax burden. Tax payments in Taiwan over the last 4 years are shown in the following table.

### Tax-Related Information

Unit: NTD, in thousands

Year	2017	2016	2015	2014
Corporate Income Tax	7,174,607	3,310,022	2,276,380	3,048,640
Business Tax	2,673,713	2,725,996	3,193,020	2,897,897
Stamp Duty	185,491	181,969	179,977	172,055
Investment Tax Credits	2,820	4,000	-	25,160

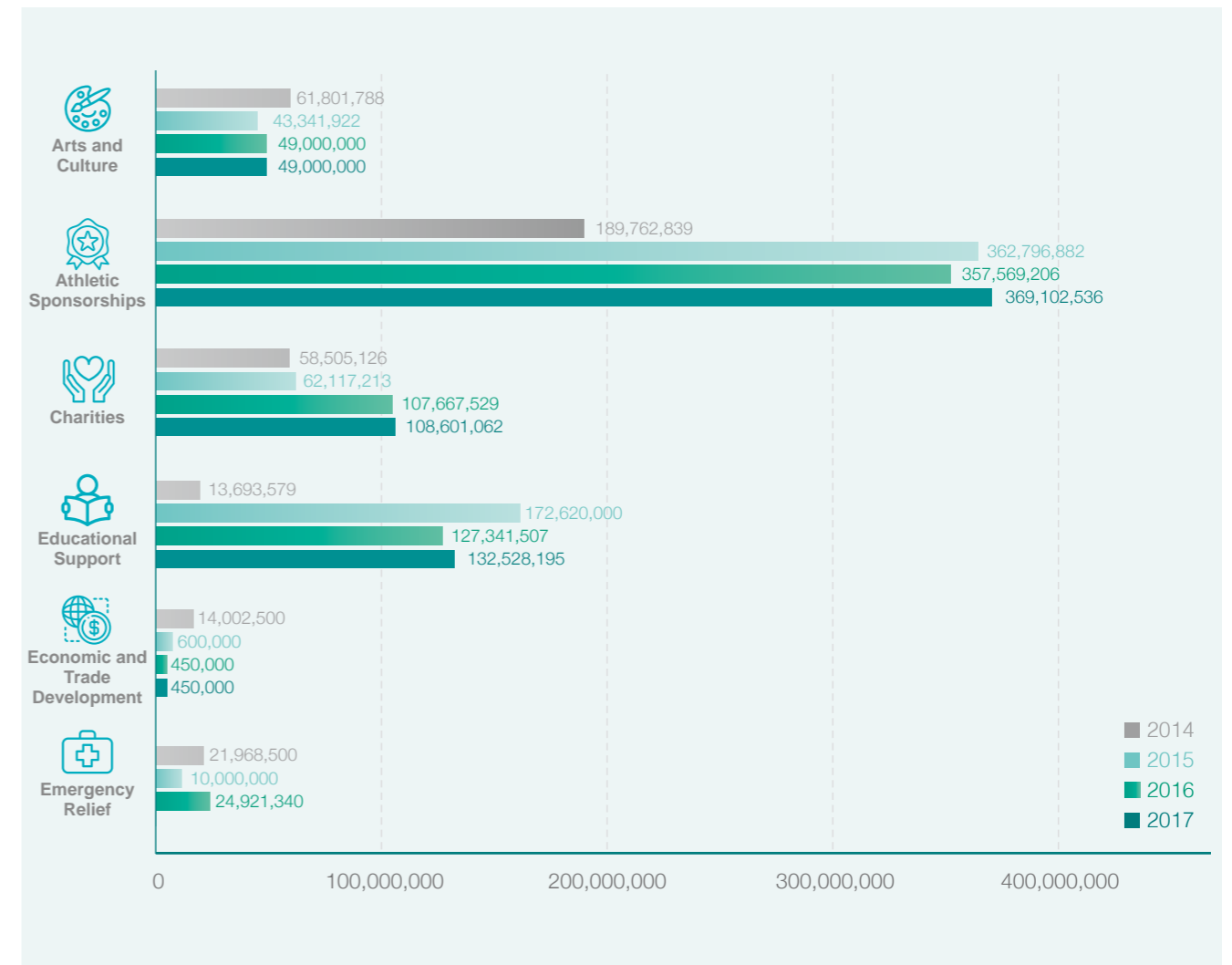
Note: The chart shows taxes paid for the respective accounting years on an accrual basis.

### Amount of Taxes Paid and Percentage Worldwide in 2017

Country	Amount (NTD million)	Percentage
Taiwan	10,034	76.9%
Indonesia	72	0.6%
The Philippines	153	1.2%
Canada	32	0.2%
USA	129	1.0%
Japan	1,979	15.2%
India	5	0.0%
Vietnam	58	0.5%
Hong Kong	312	2.4%
Singapore	16	0.1%
China	249	1.9%
Total	13,039	100%

## Donations and Sponsorships

Unit: NTD



### 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 actively participating in international organizations and local business associations, including the Asian Bankers Association, Confederation of Asia-Pacific Chambers of Commerce and Industry, Association of Foreign Relations, Chinese International Economic Cooperation Association, ROC-USA Business Council, Taiwan Japan Association for Business Communication, to help promote Taiwan's economic ties with other countries.

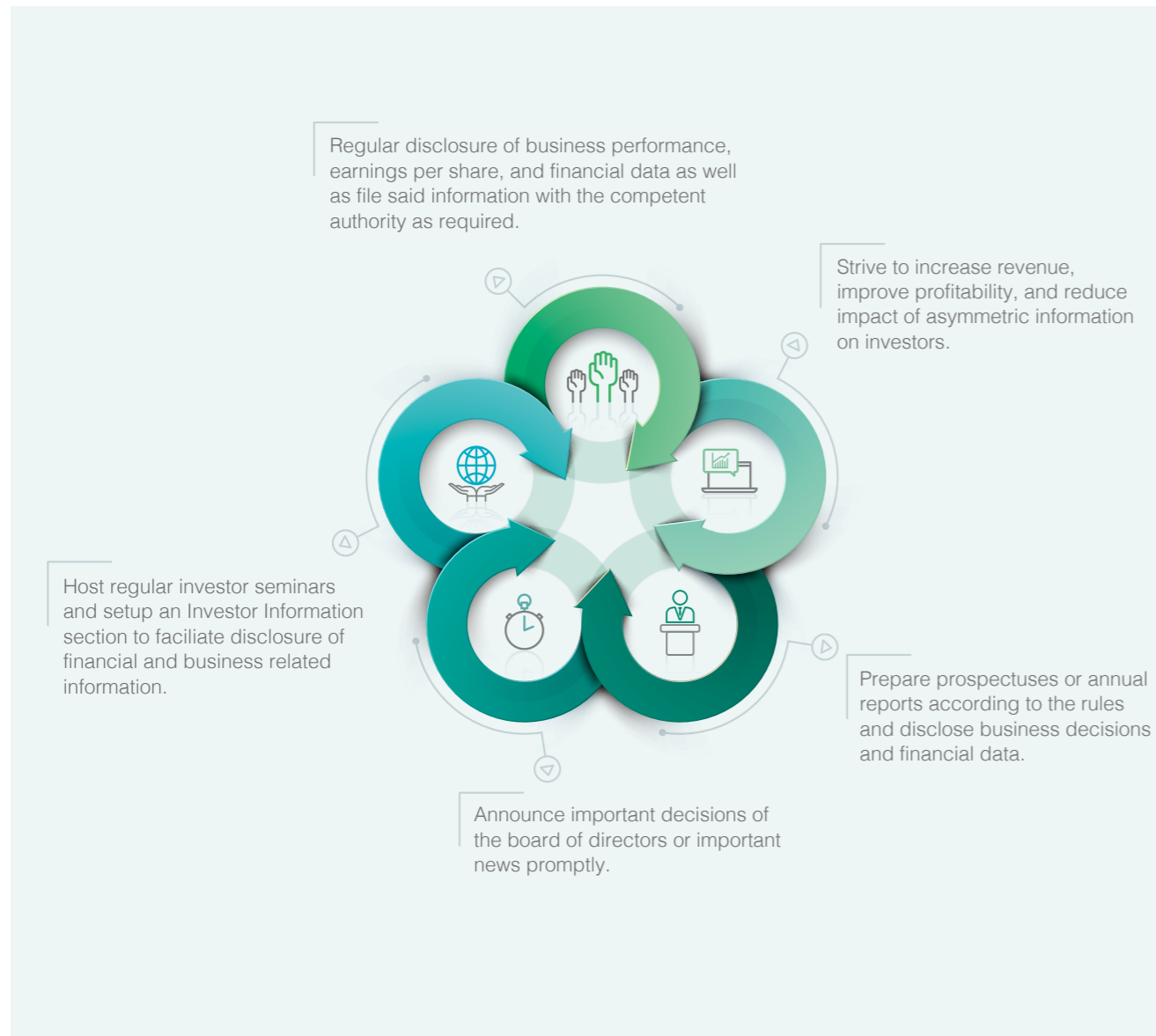
Furthermore, CTBC has also been accepted as a member of "Taiwan Corporate Governance Director and Supervision Association", where it exchanged ideas with other members of the association on corporate governance practices. At the same time, to assist with the smooth implementation of the Personal Information 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 and actively learned 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 CDP since 2010 for eight consecutive years. In 2017, 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 two years in a row.

### Shareholders' Equity

The Company has always been committed to improving its management system and implementing a policy that separates management rights from ownership 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 continuing to create the best benefit for shareholders.



### Shareholder Structure

#### • Common Shares

Baseline Date: April 17, 2018

Quantity	Government Institutions	Financial Institutions	Other Institutions	Foreign Institutions Foreigners	Individuals	Treasury Stock	Total
Number of Shareholders	7	96	890	1,904	427,050	1	429,948
Shareholding (Shares)	1,271	2,868,273,170	3,281,798,992	8,394,893,356	4,925,054,780	26,968,000	19,496,989,569
Percentage (%)	0.00	14.71	16.83	43.06	25.26	0.14	100

#### • Preferred Shares

Baseline Date: April 17, 2018

Quantity	Government Institutions	Financial Institutions	Other Institutions	Foreign Institutions Foreigners	Individuals	Treasury Stock	Total
Number of Shareholders	0	27	114	92	42,056	0	42,289
Shareholding (Shares)	0	216,401,013	84,034,555	3,869,258	29,025,174	0	333,330,000
Percentage (%)	0.00	64.92	25.21	1.16	8.71	0.00	100

### Dividend Distribution

Unit: NTD

	2017	2016 (Note 2)	2015	2014
Cash Dividends Per Share	1.08	1	0.81	0.81
Stock Dividends Per Share	0	0	0.80	0.81
Total	1.08	1	1.61	1.62

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

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

### Conclusion

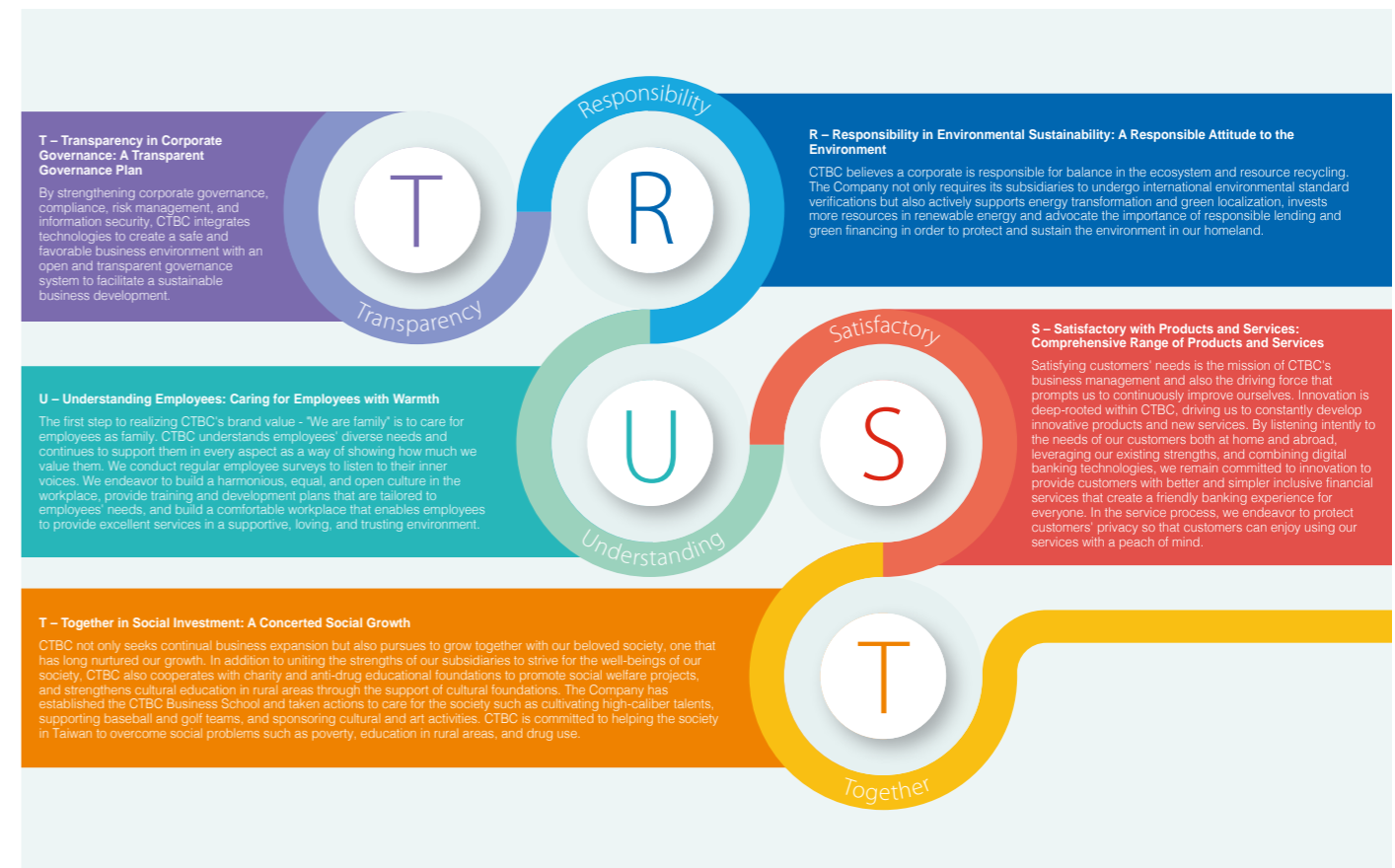
In the future, CTBC Holding will continue to explore growth on top of sound business operations. Prioritizing customer value first, the Company will keep abreast of market trends, endeavor to provide better financial services, extend our reach into the rest of the world, while remaining committed to our brand value - "We are family", as we build an international financial brand that employees, shareholders, customers and the global Chinese population can all be proud of.

# CORPORATE SUSTAINABILITY MANAGEMENT

In 2017, CTBC continues to support the Sustainable Development Goals (SDGs) of the United Nations and continues to disclose our capital allocation and planning strategies according to the integrated reporting framework as a referential guide for CSR management. To be capable of further creating the greatest benefit for our stakeholders and comply with international sustainable development trends, CTBC fulfills its responsibilities in environmental, social, and governance sustainability as we continue to improve the performance and quality of our sustainable management and strive toward corporate sustainable development.

## CTBC Sustainable Strategy and Vision

CTBC is committed to its brand value - "We are family" and its characters as a "caring, professional and trustworthy" service provider to continue providing the most professional products and services for customers. We use "TRUST" as a testament to demonstrate the importance of corporations, the environment, employees, customers, and society to CTBC through five major dimensions of governance and responsibility (Transparency), environmental sustainability (Responsibility), employee care (Understanding), products and services (Satisfactory), and social development (Together). As a company of excellent quality, we will continue to provide thoughtful financial services and fulfill our social and environmental responsibilities, in hopes of creating a better future.



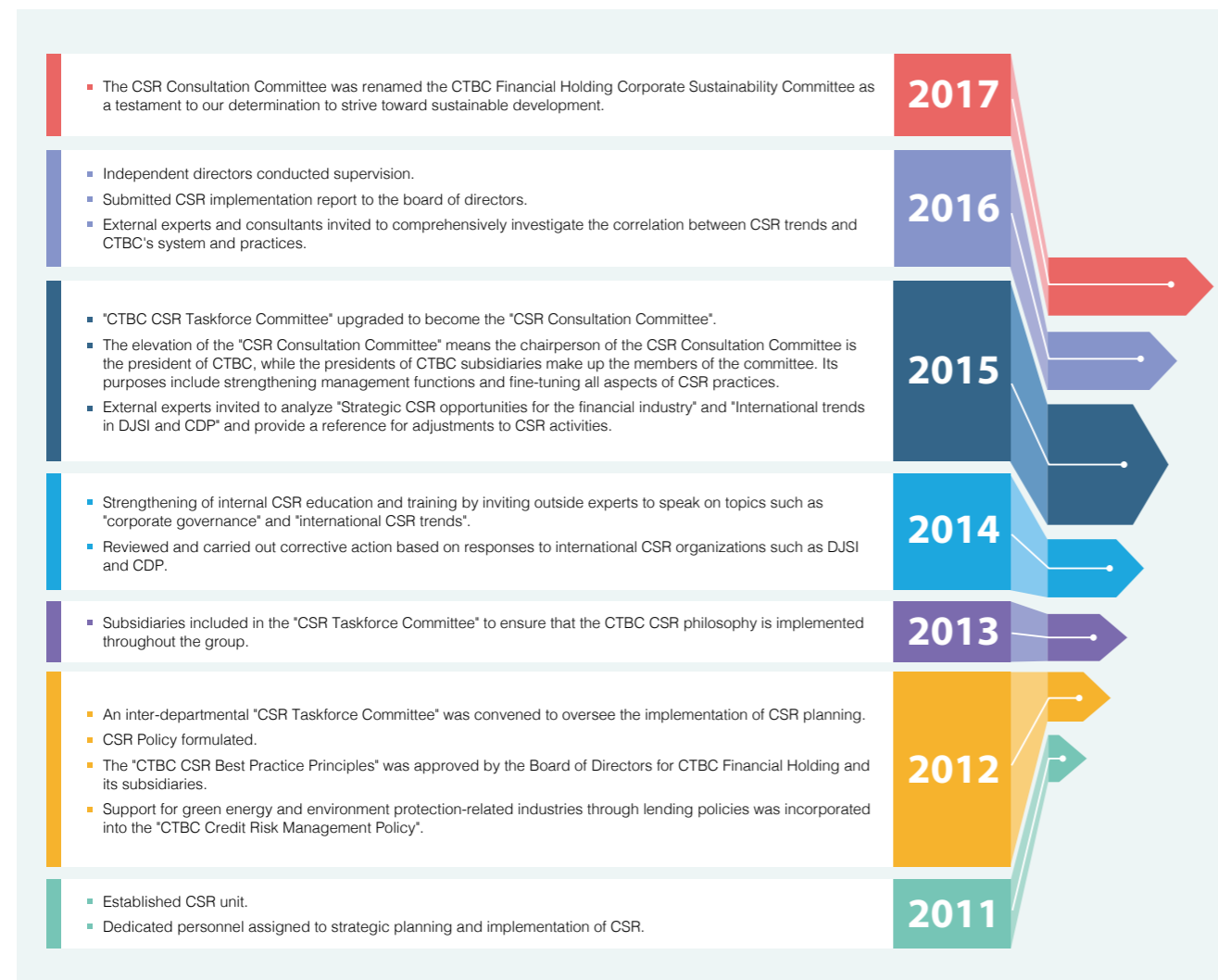
## Corporate Sustainability Management and Progress

The Company 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 Corporate Sustainability Committee, which 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.

### Sustainable Management Framework



### Sustainable Management Progress



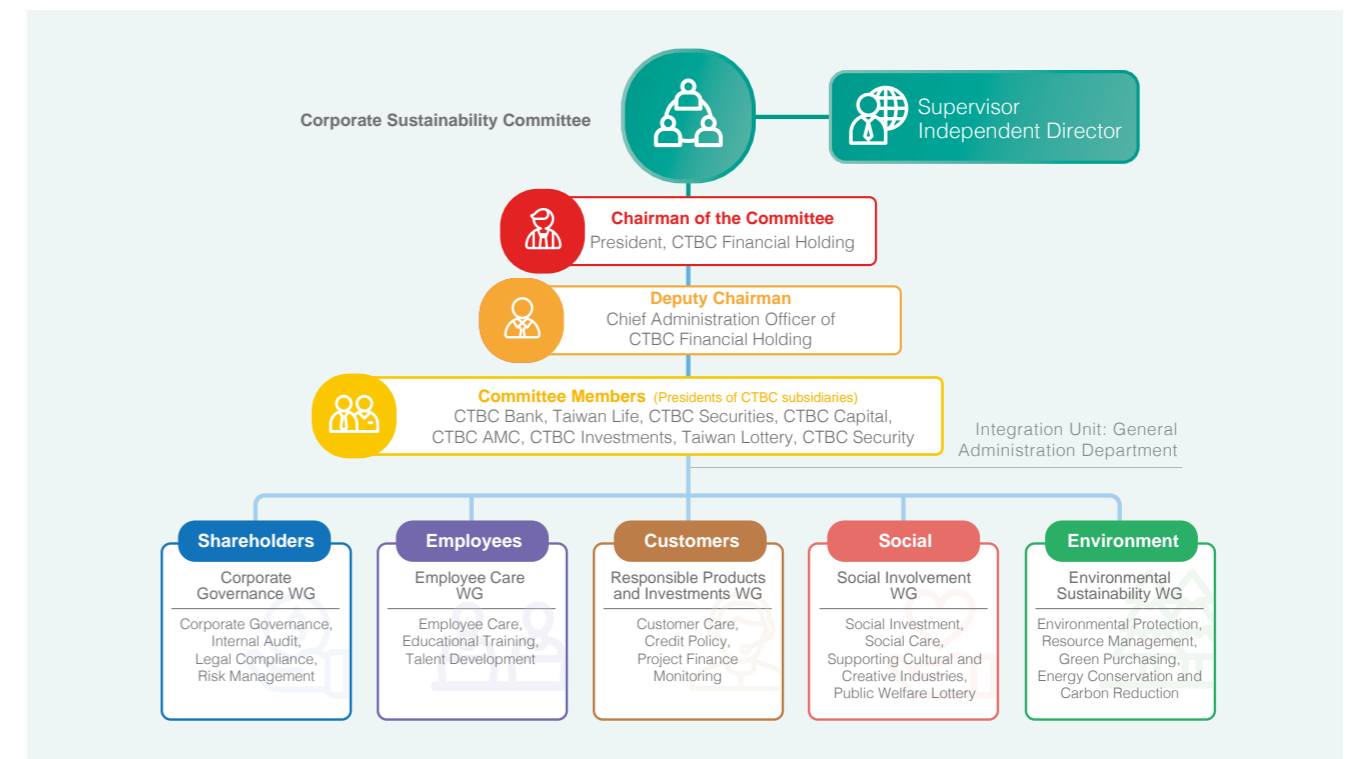
## CSR Best Practice Principles

The Company has developed the CSR Best Practice Principles with reference 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 is based on the spirit of respect for human rights, protection of labor rights, development of sustainable environment, and implementation of anti-corruption policies. All Directors and employees are required to comply with these principles.

### Corporate Sustainability Committee

To keep in line with international trends and fulfill responsibilities in environmental, social, and governance sustainability, the CSR Consultation Committee was renamed the Corporate Sustainability Committee as a testament to our determination to strive toward sustainable development. The Committee convenes annual meetings when necessary to discuss agendas on corporate sustainability, supervises and controls the goals and progress of each work group, and implements corporate sustainability management practices.

### Organizational Profile of the Corporate Sustainability Committee








### CSR Department

In pursuit of CSR fulfillment, we have specifically 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.

### Capital Investment Performance

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 2017 are shown in the following table.

Capital	Definition	Extension of Insurance Services	Expansion of Overseas Market	Development of Digital Finance	Talen Cultivation	Social Contribution	Environmental Investment
 <b>Financial Capital</b>	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 and Investment</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Protection Costs</li> </ul>
 <b>Human Capital</b>	Investments and planning related to personnel for all products, services and related business targets.	<ul style="list-style-type: none"> <li>Key Talent Retention Rate</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Key Talent Retention Rate</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Key Talent Retention Rate</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Key Talent Retention Rate</li> <li>Turnover</li> <li>Increase in Employee</li> </ul>	-	-
 <b>Productive Capital</b>	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>ATM 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>
 <b>Intellectual Capital</b>	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>ATM Increase</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>	<ul style="list-style-type: none"> <li>Cumulative Number of Certificates</li> </ul>	-	-
 <b>Social Capital</b>	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 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>
 <b>Natural Capital</b>	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 quantitative performance of the aforementioned capital investment for 2017 is described in the table below. The qualitative performance is described in the corresponding chapters of this report.

Corporate Sustainability Promotion Model



 **Financial Capital**

	After-tax Profit (NTD, in thousands)	Net Revenue (NTD, in thousands)	Return on Assets (%)
2017	37,224,180	349,763,657	0.73
2016	27,932,874	319,671,361	0.59
2015	35,402,042	215,571,927	0.86
2014	39,443,580	201,426,687	1.30

 **Human Capital**


	Number of Employees (Note 1)	Key Talent Retention Rate (%) (Note 2)	Total Training Expense (NTD10,000)
2017	27,324	93.4	6,143
2016	26,563	92.2	6,244
2015	25,555	93.2	6,181
2014	13,928	94.4	5,561

 **Productive Capital**


	Number of ATMs	Number of Branches	Automated Channel Transactions (million transactions)
2017	5,614	260	34
2016	5,487	258	26
2015	5,502	255	19
2014	5,403	247	No Data Available In The System

 **Intellectual Capital**

	Number of Patents Accumulated	Number of Certified Financial Planner
2017	29 (Note 3)	73
2016	2	33
2015	2	26
2014	2	25

 **Social Capital**

	Customer Satisfaction Rate (%)	Social Investment Amount (NTD)	Number of Awards
2017	88	659,681,793	176
2016	88	666,949,582	167
2015	88	651,476,017	147
2014	87	359,734,332	122

 **Natural Capital**

	Energy Saving Effectiveness (kWh)	Environmental-Related Expenditure (NTD10,000)	Green Purchasing (NTD10,000)
2017	4,177,524	20,957	20,516
2016	1,097,510	20,720	20,647
2015	1,373,966	27,329	27,152
2014	1,033,292	21,040	26,698

Note 1: Employee of overseas branches are included.  
 Note 2: Key talents are defined as employees who are above manager level.  
 Note 3: Admited the wave of digital finance, vigorous FinTech development has given rise to a wide array of innovative financial services. Traditional finance industry and innovative technological companies have ventured into the FinTech market. In face of fierce global competition, CTBC not only commits to the development of innovative financial products and provision of the best and most accessible services for customers, but also focuses on identifying methods through which patents can be used to protect diversity in our innovative businesses. CTBC Holdings has since 2017 delivered impressive performance in FinTech patent applications. We have accumulated 29 patents as of the end of 2017, the highest in the industry. CTBC Holdings will continue to invest more R&D resources to strengthen our business competitiveness and strive to become the pioneer of digital banking.

# DESCRIPTION OF CTBC HOLDING'S SDGs

**1 NO POVERTY**  
 Provided a diverse array of products and services and implemented charity policies to grant disadvantaged groups greater opportunities and help them escape from poverty. These products include microloans, microinsurance, charity credit cards, underprivileged person trusts, charitable trusts, and charitable contribution trusts, as well as the organization of the "Light up a Life" fundraising campaign.

**2 ZERO HUNGER**  
 The Taiwan Dream Project was created to provide impoverished and minority students in the community peripherals diverse opportunities for development and healthy meals. It protects children from hunger, allows them to study and fulfills their dreams.

**3 GOOD HEALTH AND WELL-BEING**  
 From local child issues, adolescent drugs issues and others, we have organized the Taiwan Dream Project, CTBC Youth Baseball Project, the Anti-Drug Education Project, and the CTBC Business School to support the well-being and health of our youth.

**4 QUALITY EDUCATION**  
 The Taiwan Dream Project, the China Cares for the Next Generation Demonstration Base Program, the Anti-Drug Education Project, and the CTBC Business School all deliver quality educations. In addition, CTBC Business School assist minority students in school attendance, and supports fair and high quality education for all.

**5 GENDER EQUALITY**  
 We are devoted to gender equality and equal rights. Currently the CTBC Holding employee female to male gender ratio stands at 17:10, with female supervisors accounting for almost 54.1% of all supervisors in the Company.

**7 AFFORDABLE AND CLEAN ENERGY**  
 CTBC invests in solar energy plants, uninterrupted power storage equipment, and other industries specializing in green energy. Furthermore, CTBC Bank is Taiwan's first Company to have obtained the renewable energy certificate, and among the first financial companies to issue green bonds.

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
 We devoted ourselves to promote inclusiveness, sustainability, and resilience. CTBC has setup 5,539 accessible ATMs across Taiwan and 172 ATMs for individuals with visual impairment in order to build a friendly, accessible environment in our branches for individuals with disabilities.

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
 Loan businesses and fund investments are approved based on Environmental, Social and Governance (ESG) criteria to ensure sustainable development. In August 2017, CTBC Bank also established credit checking rules for environmental risk assessments of project finance to avoid disputed cases.

**17 PARTNERSHIPS FOR THE GOALS**  
 Strengthened the means of implementation in terms of business operations and revitalized external global partnerships for sustainable development. For instance our cooperation with the government's New Southbound Policy aiming at developing local financial services, equity participation in LH Financial Group Public Company Limited (LHFG) of Thailand, and our efforts to help the first public/OTC markets-listing of Taiwanese businesses in Southeast Asia returning to Taiwan. By the end of 2018, CTBC Bank will sign up the Equator Principles.



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
 Reduced energy and resource consumptions during service delivery in fulfillment of social responsibilities, such as the introduction of paper-free green services and Internet banking to reduce use of paper. Encouraged employees to reuse paper, bring their own eating utensils, utilize electronic signatures, and conduct video conferencing, and other measures.

**10 REDUCED INEQUALITIES**  
 Provided micro-insurance policies to disadvantage groups, in response to the funding gaps and inequality that occur when these groups of people are exposed to risks. For instance Taiwan Life introduced the micro-insurance plan as a means of overcoming the deficiency inherent in government-funded social insurance or social assistance measures.

**8 DECENT WORK AND ECONOMIC GROWTH**  
 Provided opportunities to young adults, people with physical disabilities, and micro-enterprises. We encouraged formalization and growth among micro- and small-and-medium enterprises, such as our CTBC Poverty Alleviation Program, which provides guidance to business startups and loan plans. We supported cultural and creative industries and assisted cultural and creative vendors to acquire funds.

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
 Establish resilient infrastructures and promote inclusive and sustainable industry development; such fintech infrastructure developments include third-party payment. In order to increase the number of channels through which small business corporations acquire financial services, CTBC Bank's small and medium enterprise loans emphasize the cultivation of small and medium enterprise customers through by dedicated sales teams at the local level. Slightly weak.

**15 LIFE ON LAND**  
 Incorporated ecological conservation concepts in development projects to include ecological balance concepts in our loan application processes; for example, stringent criteria are imposed on loan applications for investments in mountain or hillside constructions.



**6 CLEAN WATER AND SANITATION**  
 The CTBC Financial Park's water-using facilities are all connected to rainwater recovery equipment, resource recycling equipment, and water conservation equipment.

**13 CLIMATE ACTION**  
 2017 is the baseline year for our electricity usage to be reduced by 2% per year, and 6% within 3 years for total savings of 1,720,000 kWh. Emissions of greenhouse gases are expected to be reduced by more than 900,000 tonnes.




### Description of CTBC Holding's SDGs

Employing core business operations and capabilities to solve the challenges faced by humans and simultaneously create business opportunities is the unyielding expectation of the SDGs for private corporations. CTBC departs from being compliant with SDGs. This year, we adhered to the SDGs Compass principles, identified the SDGs that CTBC can work toward from the dimensions of "business core competencies" and "charity orientation", and determined that SDG 1 (No Poverty), SDG3 (Good Health and Well-being), SDG4 (Quality Education), SDG8 (Employment and Economic Growth), SDG9 (Industry, Innovation and Infrastructure), and SDG10 (Reduced Inequalities) are the priority goals for CTBC. Based on SDGs we developed our long-term goals as the plan of action for achieving SDGs.

### SDGs Practices and Long-Term Goals Based on the Business Core Competencies of CTBC

SDGs	Business Driver	Scheme	Objectives in 2018	Objectives in 2022
 <p><b>1 No Poverty</b></p>	The CTBC Charity Foundation introduced the CTBC Poverty Alleviation Program, which provides guidance to business startups and loan plans, and helps economically disadvantaged families to improve their finances and develop self-sustainability.	CTBC Poverty Alleviation Program	CTBC Poverty Alleviation Program attracted 75 additional loan applications, totaling 275 approved applications.	CTBC Poverty Alleviation Program attracted 300 new loan applications in 10 years, totaling 500 approved applications.
 <p><b>3 Good Health and Well-being</b></p>	Micro-insurance policy is provided for the economically disadvantaged or those with special needs to protect them through micro-premium payments from hardship.	Micro-Insurance Policy	Promote micro-insurance policies and achieve the target of NTD 2.797 million in micro-insurance premiums.	Continue to donate micro-insurance premiums, strengthen social insurance welfare, bridge the gap in emergency care protection for disadvantaged groups, and build a happy society
 <p><b>4 Quality Education</b></p>	Foster financial experts for the parent company.	CTBC Business School	<ul style="list-style-type: none"> <li>Achieve 100% registration and enrollment rate and ensure that average academic achievements at college level satisfy the standards of mid/top-end national universities.</li> <li>Include 16 students with outstanding performance in physical education and 30 outstanding scholarship recipients.</li> <li>Implement the first overseas micro-exchange student program.</li> <li>Initiate CTBC internship program for at least 60 students.</li> </ul>	<ul style="list-style-type: none"> <li>Raise university rankings and academic exposure.</li> <li>Become the pool of financial experts for the parent company and the country.</li> <li>Cooperate with internationally acclaimed universities and complete AACSB international certifications.</li> </ul>
 <p><b>8 Decent Work and Economic Growth</b></p>	The CTBC Charity Foundation introduced the CTBC Poverty Alleviation Program, which provides guidance to business startups and loan plans, and helps economically disadvantaged families to improve their finances and develop self-sustainability.	Business Startup Guidance	CTBC Poverty Alleviation Program attracted 75 additional loan applications, totaling 275 approved applications.	CTBC Poverty Alleviation Program attracted 300 new loan applications in 10 years, totaling 500
 <p><b>9 Industry, Innovation and Infrastructure</b></p>	Focus on providing a comprehensive range of financial services (finance planning, cash management, salary payment for corporation, and financial advisory) based on corporate requirements, needs of corporate owners, and business life cycle to fulfill the diverse needs of businesses and business owners and to flourish with customers.	SME Financing	To support the development of SMEs in Taiwan, CTBC Bank will increase the lending to SMEs of 10% to 16%.	
 <p><b>10 Reduced Inequalities</b></p>	Provide a diversity of public welfare lottery products, encourage social engagement through professional lottery marketing activities, and assist with increasing earnings from government public welfare lottery and promoting a sound public welfare lottery industry to provide benefits for government agency, lottery distributors, and disadvantaged groups through lottery distribution.	Taiwan Lottery	Achieve NTD 26.1 billion in earnings from public welfare lottery and provide them to the government for national health insurance, national pension, and social welfare expenditure of local governments.	Increase the satisfaction and identification with the charitable image of Taiwan Lottery from 73.8% to 80%.

### Charity-Oriented SDGs Practices and Long-Term Goals of CTBC

SDGs	Charitable Driver	Scheme	Objectives in 2018	Objectives in 2022
 <p><b>1 No Poverty</b></p>	Focus on poverty and problems of underprivileged children in Taiwanese society, continue the "Light up a Life" Charity Campaign, and create opportunities to help children pursue their dreams.	Light up a Life	In 2018, the Light up a Life campaign continued to collect donations in hundreds of millions from up to 40,000 donors.	Continue to promote the Light up a Life Charity Campaign and increase the depth of CTBC's image as the leading brand in public welfare.
	To address the "rural street kids" in remote rural areas, CTBC Charity Foundation combined the forces of corporations, government, and community volunteers in the neighborhood support network of the Taiwan Dream Project to provide companionship and caring after school, and building the first line of safety network for children. In addition, financial support was provided to Little League and Youth League Baseball Teams from rural schools through the "CTBC Youth Baseball Project" to foster new baseball players for Taiwan and reduce children's chance of going astray.	<ul style="list-style-type: none"> <li>Taiwan Dream Project</li> <li>CTBC Youth Baseball Project</li> </ul>	<ul style="list-style-type: none"> <li>Include 6 more demonstration sites for the Taiwan Dream Project for a total of 26 sites.</li> <li>Sponsor 650 children in the CTBC Youth Baseball Project.</li> </ul>	<ul style="list-style-type: none"> <li>Develop seeded teachers and construct the SOP of service model.</li> <li>Foster domestic Level 3 baseball teams to cultivate new players for Taiwan and enhance the competitive</li> </ul>
 <p><b>3 Good Health and Well-being</b></p>	Promote anti-drug education based on the principles of "Education and unite against drugs", taking preventive measures to reduce students' risk of exposure to drugs, thereby encouraging everyone in the society to oppose the use of drugs and terminating the vicious cycle caused by drugs.	Anti-Drug Education Project	<ul style="list-style-type: none"> <li>Organize 300 days of anti-drug touring exhibition and reach out to an audience of 70,000 members.</li> <li>Host 175 school activities to raise students' awareness.</li> <li>Organize teacher trainers and volunteer training programs, promoting anti-drug courses in 6 cities.</li> <li>Organize drug court symposium, cooperate and engage with international anti-drug organizations to amplify the effects of anti-drug campaigns.</li> </ul>	<ul style="list-style-type: none"> <li>Implement anti-drug instructional materials across Taiwan.</li> <li>Establish anti-drug education center in 5 years as an instructional site for the general public and students' field trips.</li> <li>Continue to organize 150 sessions of campaigns every year and reach out to 30,000 students.</li> <li>Establish anti-drug professional development and reach out to 10,000 students.</li> </ul>
	Taiwan Life is committed to the long-term care and promotion of health for older adults. Based on the core value of insurance protection, Taiwan Life addresses issues concerning social gap, with the expectation of instigating a user-friendly society for older adults to promote elderly health care, intergenerational harmony, stronger family value, and social stability.	Aging in Place	<ul style="list-style-type: none"> <li>Rural Care: Provide mobile shower vehicles home services in Pingtung for 300 older adults and help 300 older adults to seek medical attention</li> <li>Health care handbook was introduced in 2018, hoping to raise people's awareness on the importance of health care professionals in Taiwan. Foster long-term care talents and have 2,000 people participate in courses.</li> </ul>	Deepen the roles of social participants and adjust how outsiders perceive the social involvements of Taiwan Life.
 <p><b>4 Quality Education</b></p>	To address the "rural street kids" in remote rural areas, CTBC Charity Foundation combined the forces of corporations, government, and community volunteers in the neighborhood support network of the Taiwan Dream Project to provide companionship and care after school and build the first line of safety network for children.	Taiwan Dream Project	Include 6 more demonstration sites for the Taiwan Dream Project for a total of 26 sites.	The CTBC Charity Foundation establishes more than 100 service locations in Taiwan and China, expanding the scope of charity in uence.
	Uphold the belief in educating disadvantaged children, promote overseas aid programs, and improve learning resources for children who live in rural areas in Mainland China.	China Cares for Next Generation Demonstration Base Program	Set up 40 pilot program sites and support 42,000 children	
	CTBC Foundation for Arts and Culture has a long involvement with arts and cultural education. A business model based around "New Art Beyond Novel Hall" is used to continue extending the reach of arts and culture to create a sharing platform where everyone can be closed to art.	<ul style="list-style-type: none"> <li>CTBC Arts Festival</li> <li>LOVE &amp; ARTS for Dream"</li> <li>Campus alliance</li> </ul>	<ul style="list-style-type: none"> <li>Promote arts and cultural activities in 10 counties and cities.</li> <li>Promote of the confidence and self-identification of students in rural areas.</li> <li>Campus alliance with 316 schools in different counties and cities.</li> </ul>	<ul style="list-style-type: none"> <li>Promote arts and cultural activities in 22 counties and cities.</li> <li>Cooperation with schools in rural areas developing arts and cultural education in rural areas.</li> <li>Campus alliance with 500 schools in different counties and cities.</li> </ul>

# MATERIALITY ANALYSIS

Understanding the expectations and needs of our stakeholders has always been the key driver prompting CTBC to promote corporate social responsibility. We strongly believe that only by gaining insight about stakeholders can we create a sustainable organization in which value is shared. Customers, investors, the government, communitys, suppliers, and employees are the primary stakeholders of CTBC. We obtain an in-depth understanding of their thoughts by using different communication channels and platforms and actively respond to them with our utmost sincerity. Such communicative mechanism enables us to ascertain sustainability issues that are of concern to our stakeholders and use these issues as the basis to establish our sustainability strategy.

Stakeholder participation is imperative for materiality analysis, and materiality analysis is the crux of a corporate social responsibility report. CTBC draws on the 3 phases (identification, assessment and verification) and 6 steps of the systematic materiality analysis method, which is based on the GRI Standards, to complete an analysis of the materiality issues for the year.

15 material issues are disclosed in the 2017 CSR report and subsequently used to set our short, medium and long-term goals. On the standards of disclosure, the value chain format based on the GRI Standards was used to help stakeholders understand the positive or negative impacts of different issues on the CTBC value chain. At the same time, it provides a basis for strengthening sustainable corporate management here at CTBC. On the quality of data, we raised the level of verification to AA 1000 AS Type II moderate level of assurance in order to strengthen the reliability and integrity of information disclosures.



## Stakeholder Communication Channels

<p><b>CUSTOMERS</b></p> <p><b>CTBC Responsibility</b> Offering of quality products and services, and customers satisfaction</p> <p><b>Methods of Communication</b></p> <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>Regular customer satisfaction surveys</li> <li>Regular financial seminars each year</li> </ul> <p><b>Topics of Concern</b> Service Quality, Digital Finance, Information Security, Regulatory Compliance, Ethical Corporate Management, Micro-finance</p>	<p><b>INVESTORS</b></p> <p><b>CTBC Responsibility</b> Information disclosure and transparency</p> <p><b>Methods of Communication</b></p> <ul style="list-style-type: none"> <li>Disclosure of business philosophy, interested parties, and corporate social responsibility on the company website</li> <li>Disclosure of business and financial information on the dedicated "Investor Relations" section on the company website</li> <li>Monthly disclosure of business performance</li> <li>Quarterly results briefing</li> <li>Annual general shareholders' meeting</li> </ul> <p><b>Topics of Concern</b> Ethical Corporate Management, Sustainable Development, Risk Control</p>	<p><b>GOVERNMENT</b></p> <p><b>CTBC Responsibility</b> Legal compliance, payment of taxes, consultation during law-making, cooperating with legal education</p> <p><b>Methods of Communication</b></p> <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> <p><b>Topics of Concern</b> Ethical Corporate Management, Regulatory Compliance, Risk Control, Responsible Investment and Products</p>
<p><b>COMMUNITY</b></p> <p><b>CTBC Responsibility</b> Respect for local culture, participation in local charity events</p> <p><b>Methods of Communication</b></p> <ul style="list-style-type: none"> <li>Participation in public conferences</li> <li>Press conferences</li> <li>Sponsorship of arts, culture, sports, academic and environmental protection activities</li> <li>Hosting of related charity events</li> </ul> <p><b>Topics of Concern</b> Social Investment, Ethical Corporate Management, Micro-finance</p>	<p><b>SUPPLIERS</b></p> <p><b>CTBC Responsibility</b> Fair purchasing</p> <p><b>Methods of Communication</b></p> <ul style="list-style-type: none"> <li>Through business conferences and price-negotiation meetings</li> <li>Occasional on-site audit schedule for the employee health and safety.</li> </ul> <p><b>Topics of Concern</b> Risk Control, Regulatory Compliance, Healthy and Safe Workplace</p>	<p><b>EMPLOYEES</b></p> <p><b>CTBC Responsibility</b> Respect for human rights, fair treatment, employee health promotion</p> <p><b>Methods of Communication</b></p> <ul style="list-style-type: none"> <li>Quarterly CTBC Congress</li> <li>"People and Events" internal e-newsletter</li> <li>Provision of employee hotline services</li> <li>Hosting of employee health seminars</li> <li>"CTBC Voice of Employee Survey" and "Organizational Climate Survey," conducted anonymously at irregular intervals</li> </ul> <p><b>Topics of Concern</b> Talent Retention and Recruitment, Career Management and Learning, Regulatory Compliance, Ethical Corporate Management, Labor Rights</p>

## Stakeholder Engagement and Materiality Analysis

### Stage 1 Identification

#### 6 Key Groups Identification of stakeholders for communication

CTBC adopted the AA 1000 SES stakeholder engagement standard and identified 6 key stakeholder groups through the convening of the Corporate Sustainability Committee meetings including: customers, investors, and government agencies, members of the community, suppliers and employees. After analyzing their respective issues of concern and verifying the channels of communication, the issues of concern to stakeholders were included into routine CSR activities and our annual work plan.

#### 20 Issues Collection of sustainability issues

To achieve the comprehensive presentation of sustainability practiced here at CTBC Holding, the Company collected information on the following 20 related sustainability issues through different channels: stakeholder communication processes, international guidelines/specifications/trends (GRI Standards, IIRC, SDGs), issues specific to the financial industry (PSI, PRI, EP, GRI Financial Services Sector Supplement), sustainability investment indices (DJSI, CDP, MSCI ESG Leaders Indexes, FTSE4Good Emerging Index), industry competitors, and internal goals.

### Stage 2 Assessment

#### 1,176 Questionnaires Investigate level of concern

Apart from studying issues of concern pertinent to CTBC Holding that are of interest to external parties through routine operations and stakeholder interactions, we conducted a questionnaire survey of the 6 stakeholder groups before this report was published. A total of 1,176 valid responses were retrieved and used to analyze the issues of concern of interest to each stakeholder group.

#### 31 Questionnaires Measure impact on operations

The effect on the organization must be considered during disclosure. We included the 4 factors "customer satisfaction," "revenues," "brand/reputation," and "risk", while employees involved with the authoring of the CSR report assisted with evaluating the impact of each issue on CTBC operations. A total of 31 valid responses were retrieved and analyzed to provide a picture on the key issues for each operational factor.

### Stage 3 Confirmation

#### 15 Issues Confirmed material issues

The results of the assessment in Stage 2 gave us the distribution of the sustainability issues on the materiality matrix. The result was presented for discussion at the Corporate Sustainability Committee. Company executives eventually settled on 15 materiality issues for the matrix on the 2017 CTBC issues of concern. This was then used to determine the boundary of disclosure as well as the formulation of management strategies.

#### 18 Issues Material topics

CTBC employees were responsible for determining which parts of the CTBC value chain were significantly impacted by the 15 material issues. The 15 material issues were respectively linked to the 15 topics in the GRI Guideline and 1 topic specific to CTBC. Meanwhile, 2 aspects of the GRI G4 Financial Service Sector Supplement were included as the basis for compiling the report.

## CTBC Materiality Matrix



## Materiality Issues, GRI Topics, and Boundaries of Impact







Materiality Issues	GRI Topics	Value Chain					
		Purchasing	Sales	Marketing	Trading	Service	
 Governance	Service Quality		•	•		•	
	Risk Control		•		•		
	Corporate Governance		•	•	•	•	
	Regulatory Compliance		•	•	•	•	
	Ethical Corporate Management		•	•	•	•	
	Digital finance		•	•	•	•	
	Responsible Investment and Products					•	•
	Information Security		•	•	•	•	
 Environmental	Energy Conservation & Carbon Reduction	•	•	•	•	•	
 Social	Social Investment			•			
	Career Management and Training		•	•	•	•	
	Micro-Finance		•				
	Talent Retention and Recruitment		•	•	•	•	
	Labor Rights		•	•	•	•	
	Safe and Healthy Workplace		•	•	•	•	

Note: (1) to (15) belong to GRI Standard Topics; (16) to (17) are GRI G4 Financial Services Sector Supplement aspects; (18) is the topic specific to CTBC; (19) for general disclosure.

Sustainable Management

Sustainability Issue	2017 Target	Explanation of the Current Status in 2017 and Degree of Compliance	2018 Target	2022 Target	Chapter
Regulatory Compliance (2)	<p>Related subsidiaries subsequently establish AML/CFT supervisors and/or responsible units.</p> <p>CTBC and related subsidiaries commission external consultants to support the review of AML/CFT regulatory compliance and the planning and implementation of CTBC Group system.</p>	<p>Compliance Related subsidiaries have established AML/CFT supervisors and/or responsible units.</p> <p>Compliance CTBC has completed AML/CFT regulatory compliance analysis in February 2018 and related projects are in progress as scheduled.</p>	Comprehensively incorporate the rating system for compliance officers in each unit and AML/CFT supervisors(if any) of related subsidiaries.	Use technologies to assist with compliance operations and modify compliance management system to strengthen the management of subsidiaries and refine compliance mechanisms. Go paperless to improve the efficiency of compliance management and implement sustainable environmental protection in corporate social responsibility.	Sustainable Governance
Service Quality (1)	<p>Satisfaction of operating services from customers in corporate banking: 90%.</p> <p>Satisfaction of retail banking services : 88%.</p> <p>Satisfaction of digital channels customer: 90%.</p> <p>Customer complaint response efficiency (7-day closing rate: &gt;=90%).</p>	<p>Compliance Satisfaction of corporate financial operation services customer achieved 99.3%.</p> <p>Non-Compliance Satisfaction of retail banking services customer in 2017: 88%.</p> <p>Compliance Satisfaction of digital channels customer in 2017: 90%.</p> <p>Compliance 7-day closing rate in 2017: 98%.</p>	<ul style="list-style-type: none"> <li>CTBC Bank: Construct a consistent virtually and physically integrated customer service platform with different channels.</li> <li>Taiwan Life:                             <ol style="list-style-type: none"> <li>1.95.5% inspection-free claims payment 3-day closing rate.</li> <li>2.Claims review complaints weighting value &lt; 0.0007%.</li> <li>3.Insurance service: Incorporate a search page for the Policy Holder service function of the app and include 29 additional items of online transaction.</li> </ol> </li> </ul> <p>7-day closing rate: &gt;=90%.</p>	<ul style="list-style-type: none"> <li>CTBC Bank: Develop a full range of customer-oriented retail banking services.</li> <li>Taiwan Life:                             <ol style="list-style-type: none"> <li>1.Provide simple, accessible, and comprehensible claims application and inquiry tool to elevate the experience and satisfaction of policy holders.</li> <li>2.Apply digital technologies to create convenient customer service experience.</li> </ol> </li> </ul> <p>7-day closing rate: &gt;=90%.</p>	Customer Service
Information Security (1)	<ul style="list-style-type: none"> <li>CTBC Bank passes the BS10012 three-year review and is free of deficiencies.</li> <li>CTBC Bank is free of deficiencies in the information system security assessment.</li> <li>The information security and personal information education and training completion rate of CTBC Bank is 100%.</li> </ul>	<p>Compliance</p> <ul style="list-style-type: none"> <li>CTBC Bank passed the BS10012 verification without deficiencies in 2017.</li> <li>CTBC Bank passed the Information system security assessment without deficiencies in 2017.</li> <li>The Education and training completion rate of CTBC Bank in 2017 is 100%.</li> </ul>	<p>CTBC Bank implements new BS10012: 2017 system to align with EU personal information protection guidelines and international standards to ensure that CTBC's personal information protection practices are consistent with international trends and effective.</p> <p>Taiwan Life: Acquired the new BS10012: 2017 certificate and expanded the scope of certification for personal information management operations in light of business development trends and new business developments.</p>	<p>CTBC Bank expands the scope (e.g., digital savings account) of certification for personal information management operations in light of business development trends and new business developments.</p> <p>Taiwan Life: Implements personal information protection to ensure that the Company has fulfilled its obligation for adequate management, and provide customers safe and secure services.</p>	Customer Service
Digital Finance (18)	<p>Build consensus within the financial holding and set digital vision and strategies.</p> <p>Promote digital transformation, develop digital innovations, establish and invest in digital foundation.</p>	<p>Compliance</p> <p>Established a Digital Committee system, and developed and promote the directions of digital transformation for CTBC and its subsidiaries.</p> <p>Compliance</p> <ul style="list-style-type: none"> <li>Digital Transformation CTBC Bank has incorporated digital branches and online services, which include Smart Summary, Smart Loan, Smart Insurance, and Smart Customer Service; Taiwan Life has launched web-cam communication and ATM policy loan application services; CTBC Securities has launched online account opening and service app.</li> <li>Digital Innovation CTBC Bank has launched the ROBOGO, a smart investment in service that combines big data and professional investment teams, which is the first Auto-Rebalance service in domestic industry.</li> <li>Digital Foundation CTBC has completed the recruitment of talents in customer experience, agile development, digital investment, and big data analysis. Fin X Lab, Big Data R&amp;D Center, and FinTech Investment Center were consequently established. Besides cooperating with National Taiwan University, CTBC joined international FinTech Hub and international start-up companies to exchange business experience.</li> </ul>	<ul style="list-style-type: none"> <li>Expand digital customer base and improve digital sales performance by enhancing digital channel experiences.                             <ol style="list-style-type: none"> <li>1.Redesign digital channel process to sustainably expand digital customer base and improve customer experiences.</li> <li>2.Progressively expand online product lines to satisfy customer needs and increase online sales.</li> <li>3.Redesign end-to-end process to focus on customer experience to improve overall process experience and customer satisfaction.</li> </ol> </li> <li>Develop digital foundation.                             <ol style="list-style-type: none"> <li>1.Progressively expand and promote agile development, build cloud-based platform, and introduce artificial intelligence and blockchain technologies and talents.</li> <li>2.Build a Big Data R&amp;D center to converge data, build models, and design data applications.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Complete digital transformation, introduce digital innovation business model, and lead the market in applied core technologies through FinTech investments and research.                             <ol style="list-style-type: none"> <li>1.Complete redesigning end-to-end process by recycling, using virtual and physical integration to provide consistent customer experiences across all channels.</li> <li>2.Develop new business opportunities in domestic and overseas markets through innovative FinTech applications.</li> <li>3.Cooperate with promising FinTech companies and assess potential of FinTech investment opportunities.</li> </ol> </li> <li>Increase the efficiency of digital applications and development through digital foundation.                             <ol style="list-style-type: none"> <li>1.Create dual-speed IT that ensures both productivity and innovation capability, to achieve: a leading status in technological applications, cloud first, and agile development first.</li> <li>2.Build Big Data database for CTBC Holding to support digital operation and develop new business opportunities for The Company and its subsidiaries.</li> </ol> </li> </ul>	Customer Service
Labor Rights (11) - (14)	Comply with international human rights protection guidelines and statutory requirements and implement labor rights protection.	Compliance Developed CTBC Holding human rights policy and declared its position of supporting international human rights protection.	<ul style="list-style-type: none"> <li>Monitor international trends and develop CTBC's human rights policy to promote human rights protection.</li> <li>Promote the bank's 0885 communication channel, guide employees to use international mechanisms to propose equity problems, and enhance internal communication efficiency.</li> </ul>	Build a harmonious, equal, and open culture in the workplace.	Human Capital Development

Sustainable Management

Sustainability Issue	2017 Target	Explanation of the Current Status in 2017 and Degree of Compliance	2018 Target	2022 Target	Chapter
					
Risk Control (16)	<p>IFRS 9 impairments calculation system implementation.</p> <p>Participation in Basel regulations revision; calculation system implementation.</p>	<p>Compliance</p> <p>The IFRS 9 was implemented as of January 1st, 2018, and relevant evaluation process and calculation system were completed in accordance with regulatory requirements.</p> <p>Compliance</p> <ul style="list-style-type: none"> <li>Participated in Basel III pillar I meeting held by Bankers Association (including "Securitization", "Capital standard for bank exposures to central counterparties", "The standardized approach for measuring counterparty credit risk exposures", and "Credit Valuation Adjustment" and also the finalization of the Basel III framework, which was announced in December 2017.</li> <li>Developed systems and procedures of risk weighted asset calculation in accordance with new laws and regulations including "Capital standard for bank exposures to central counterparties", "The standardized approach for measuring counterparty credit risk exposures", and will continue to implement new Basel standard according to regulatory timeline.</li> </ul>	<p>Develop procedures and mechanisms for CTBC to identify emerging risks.</p>	<p>Continue to refine risk management practices.</p>	Sustainable Governance
Corporate Governance (19)	<p>Revise the evaluation measures for Board of Directors performance.</p> <p>Annual minimum training hours for each board director: 6 hours.</p> <p>According to the ordinance and the risk assessment results statutory audits: 20 times; strengthened audits: 2 times.</p>	<p>Non-compliance</p> <p>After TWSE revises the Sample Template of "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd." the Company will decide whether to revise the evaluation measures for Board of Directors performance.</p> <p>Compliance</p> <p>7 directors completed 54 hours of continuing education training in 2017, 2 directors completed 12 hours of training, respectively, 5 directors completed 6 hours of training, respectively.</p> <p>Compliance</p>	<ul style="list-style-type: none"> <li>Revise the Company's Corporate Governance Best Practice Principles to stipulate that independent directors may not serve three terms in a row.</li> <li>Continue to organize continuing education courses for directors.</li> </ul> <p>Adhere to Corporate Governance Roadmap (2018–2020) to ensure that corporate governance operations comply with regulatory requirements.</p>	<p>Adhere to Corporate Governance Roadmap (2018–2020) to ensure that corporate governance operations comply with regulatory requirements.</p> <p>Complete statutory audits and strengthen audits according to the ordinance and the risk assessment results in 2022.</p>	Sustainable Governance
Responsible Products and Investments (17)	<ul style="list-style-type: none"> <li>Continue to promote process digitization.</li> <li>Continue to provide green energy products/services.</li> <li>Support government's green energy policies.</li> </ul>	<p>Compliance</p> <p>CTBC retail banking service continue to provide natural resources and green energy-related funds/bonds/investment-type insurance products to the value of NTD 8.5 billion.</p>	<p>CTBC Bank completes signing of Equator Principles by the end of 2018 and officially become an EPs bank.</p> <p>CTBC Bank's corporate banking services will aid and support domestic and foreign renewable energy related financing projects for its primary customers.</p> <p>Promote process digitization and continue to provide green energy products/services.</p> <p>Taiwan Life expects to invest approximately NTD 500 to 1,000 million in one or two solar energy related projects in 2018 and one wind power related project.</p>	<p>Adhere to Equator Principles in implementation of social responsibilities and environmental protection.</p> <p>Support the government in achieving the goals of energy transformation and green energy localization, and provide financing for developers and financial advisory services.</p> <p>Develop a full range of customer-oriented retail banking services.</p> <p>Continue to increase investments in renewable energy, support the government's goals to reduce carbon and establish a nuclear-free homeland, and provide Taiwan Life stable source of income.</p>	Responsible Products
Energy Conservation and Carbon Reduction (4) - (5)	<p>Saving 4% electricity.</p>	<p>Compliance</p> <p>Electricity consumption reduced 3,770,000 kWh, or by 5.03%.</p>	<ul style="list-style-type: none"> <li>Encourage subsidiaries of CTBC Holding to obtain greenhouse gas inventory certificate.</li> <li>Energy conservation and carbon reduction KPI: Set 2017 as the baseline year with water consumption, electricity usage, and waste generation to be reduced by 2%, respectively.</li> </ul>	<p>Encourage the subsidiaries of CTBC to complete three environmental and energy conservation ISO certifications.</p>	Sustainable Environment
Micro-Finance (17)	<p>Provide micro-financial products and services.</p>	<p>Compliance</p> <p>Taiwan Life: Compliance, exceeded the annual target of 10.45%.</p>	<ul style="list-style-type: none"> <li>CTBC Bank: Continue to provide micro-financial products and services.</li> <li>Taiwan Life: Continue to promote micro-insurance policies and achieve the target of donating NTD 2.797 million in micro-insurance premiums (100% attainment rate).</li> </ul>	<ul style="list-style-type: none"> <li>CTBC Bank: Develop a full range of customer-oriented retail banking services.</li> <li>Taiwan Life: Supporting the government's proactive care policy for disadvantaged groups, continue to strengthen social insurance welfare by donating micro-insurance premiums, bridge the gap in emergency care protection for disadvantaged groups, and build a happy society.</li> </ul>	Responsible Products
Ethical Corporate Management (3)	<p>Educate and train employees of CTBC Holding and its subsidiaries on ethical management.</p>	<p>Compliance</p> <p>In the second half of 2017, CTBC educated and trained all directors, supervisors, and employees of CTBC Holding and its subsidiaries on ethical management issues.</p>	<ul style="list-style-type: none"> <li>Setup Ethical Management Committee.</li> <li>Complete whistleblowing and protection system.</li> </ul>	<p>Continue to provide education and training and refine related systems to make integrity one of the five core values of CTBC.</p>	Sustainable Governance

Sustainable Management

Sustainability Issue	2017 Target	Explanation of the Current Status in 2017 and Degree of Compliance	2018 Target	2022 Target	Chapter	
Social Investment (6) - (7)	Introduce LBG model in 60% of major projects.	Compliance.	Continue using LBG model to examine project investments and impacts.	Strengthen the depth of CTBC's charity brand image.	Social Investment	
	Raise over NTD 100 million in the Light up a Life fundraising campaign.	Compliance, raised NTD 125,804,000.	Raise funds in the 2018 Light Up a Life campaign from up to 40,000 donors.	Continue to promote the Light Up a Life Charity Campaign and increase the depth of CTBC's image as the leading brand in public welfare.		
	Accumulate applications for the CTBC Poverty Alleviation Program: 200.	Compliance, 211 families successfully started up their business.	Attract 75 additional loan applications through the CTBC Poverty Alleviation Program in a single year, totaling 275 accumulated applications.	Attract 300 new loan applications in 10 years through the CTBC Poverty Alleviation Program, achieving the target of 500 approved applications.		
	CTBC Brothers Baseball Club players participate in more than 100 hours of charity services.	Compliance, participated in over 50 sessions for a total of 150 hours.	<ul style="list-style-type: none"> <li>• Enter the final.</li> <li>• Player participation in charity events.</li> </ul>	Integrate baseball in charity events to expand brand influences.		
	Sponsor 500 children in the CTBC Youth Baseball Project.	Compliance.	Sponsored 650 children in the CTBC Youth Baseball Project.	Foster domestic Level 3 baseball teams to cultivate a pool of players for Taiwan and enhance the competitiveness of Taiwan in baseball.		
	20 demonstration sites for the Taiwan Dream Project.	Compliance, provided long-term care for 359 children.	Include 5 more demonstration sites for the Taiwan Dream Project for a total of 25 sites.	<ul style="list-style-type: none"> <li>• Hold the CTBC Arts Festival across Taiwan and organize charity sessions.</li> <li>• Extend reach into rural communities to promote arts and cultural education.</li> <li>• Cooperate with international performing groups to promote arts and cultural exchange.</li> <li>• Become an international performing arts platform, introduce domestic and international performances, and invite outstanding Chinese art and cultural performers to perform in Taiwan.</li> </ul>		
	30 pilot program sites for the Chinese Pilot Education Program.	Compliance, completed 36 sites.	Set up 40 pilot program sites and support 42,000 children.			The CTBC Charity Foundation establishes more than 100 service locations in Taiwan and China, expanding the scope of charity influence.
	Promote arts and cultural activities in 7 counties and cities.	Compliance.	Promote arts and cultural activities in 10 counties and cities.			
	85% attendance in arts and cultural events. At least an audience of 4,000 in outdoor charity events during CTBC Arts Festival.	Compliance, outdoor events attracts tens of thousands of people.	Attract 20,000 event participants in 2018, achieving 85% in attendance rate.			
	Develop campus alliance and unite 133 schools to cooperate in the promotion of arts and cultural events.	Compliance, cooperated with almost 266 schools.	Campus alliance with 316 schools in different counties and cities.	Increase satisfaction and identification with the charitable image of Taiwan Lottery from 73.8% to 80% in the next 5 years.		
Continue to encourage lottery winners to donate some of their winnings to charity; strengthen media reports on the use of lottery winnings in social welfare and caring of disadvantaged groups and subsequently elevate CTBC's charity image of lotteries.	Compliance 2017 goals were focused on stable product sales growth and continued strengthening of charity images.	Taiwan Lottery achieved NTD 26.1 billion in earnings from public welfare lottery and used them in national health insurance, national pension, and social welfare expenditure of local governments.				
Safe and Healthy Workplace (15)	Overall satisfaction with health promotion activities, breastfeeding rooms, and healthcare provider service reaches 4.5 points and above.	Compliance, average satisfaction with health-promoting activities this year was 4.82.	Overall satisfaction with health promotion activities, breastfeeding rooms, and healthcare provider service reaches 4.5 points and above.	Increase coverage of the 4 major protection plans.	Human Capital Development	
	1,100 attendees for health promotion activities.	Compliance, 1,700 participants in this year's events.	Acquired ISO 45001 certification by CTBC Bank.	Include CTBC Bank all branches in Taiwan in the scope of the ISO 45001 certification.		
	Health examination rate: 79%.	Compliance, health examination rate this year: 88%	Health examination rate reach to 90%.	Implement 10-year Cardiovascular Disease (CVD) risk assessment.		
Career Development and Learning (8)	Establish talent development mechanism for middle- and high-level managements and implement training programs.	Compliance, completed new talent assessment & development mechanism, executed CTBC Wharton program for middle & high-level managements.	<ul style="list-style-type: none"> <li>• Establish development measures for middle- and high-ranking employees and personal development plans.</li> <li>• Establish international task talent pool and overseas training hubs.</li> <li>• Design global core value's promotion to employee and produce propaganda materials and videos.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish development mechanism for middle/high-level managements to develop succeeding teams, foster and cultivate talents, and thereby complete the company's pool of middle/high-level managements.</li> <li>• Establish training development measures for international capabilities and language skills to enrich CTBC's global talent pool.</li> <li>• Creating a touching culture that practice value concepts globally.</li> </ul>	Human Capital Development	
	For international talents and reinforce training and development for overseas professionals.	Compliance, completed establishing the international talent pool of CEO and executed international CEO's predeparture/orientation training.				
	Create a touching culture and practice value CTBC's core.	Compliance, completed Chinese and English version of core value concepts and ICON announcements. Executed Voice of Employee of culture investigation.				
Talent Retention and Recruitment (9) - (10)	<ul style="list-style-type: none"> <li>• Regularly review salary standards, maintain salary competitiveness, and continue to be the benchmark of peer industries.</li> <li>• Number of employees with physical/mental disabilities hired complies with statutory standards.</li> </ul>	Compliance <ul style="list-style-type: none"> <li>• Continued to partake in compensation survey.</li> <li>• Adjusted salary to ensure the competitiveness of CTBC's salary standards.</li> <li>• The number of employees with physical/mental disabilities hired in each unit has satisfied or exceeded the statutory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly review salary standards, maintain salary competitiveness, and continue to be the benchmark of peer industries.</li> <li>• Number of employees with physical/mental disabilities hired complies with statutory standards.</li> </ul>	Develop CTBC's employee compensation and benefits into the benchmark of the industry and establish CTBC as one of Taiwan's best companies to work for.	Human Capital Development	

# SUSTAINABLE GOVERNANCE

CTBC remains committed to corporate governance, not only by perfecting the governance philosophy that advocates separating management rights from ownership rights, but also by becoming the first financial holding in Taiwan to have more than one-half of the board comprising independent directors. 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's performance in corporate governance has also won public recognition. CTBC was included as a component of the Dow Jones Sustainability Indices (DJSI) World Index in 2017 for the first time. It was also included again as a component of the Emerging Markets Index. CTBC has been included as a component of the Morgan Stanley Capital International (MSCI) Global Sustainability Indexes for four consecutive years and a component of the FTSE4Good Emerging Index for the second consecutive year.



In 2016, CTBC were recognized as the first financial holding in Taiwan to have more than one-half of the board comprising independent directors. This recognition establishes a new paradigm in corporate governance for financial industries in Taiwan. Given the diverse expertise of independent directors, CTBC's management teams are given useful suggestions that help them make the appropriate decisions. The Company also draws on the independence of independent directors to implement professional management and become a sustainable enterprise.

CTBC will stay committed to our "We are family" brand spirit and remain a "caring, professional, and trustworthy" service provider who "protects and builds" its core values in order to continue to promote corporate governance system. The Company will protect the interests of its stakeholders, strive toward sustainable development 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 Framework

CTBC believes that a sound corporate governance framework is the foundation of corporate sustainability for realizing the governance philosophy that advocates separating management rights from ownership rights. Therefore, we aspire to be 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.

## Board Member Diversity Policy

CTBC actively recruits external directors to the Board; all board members are moreover of non-management backgrounds. Board member is required to have professional background(business, legal affairs, finance, marketing, or technology ), special skill, and industrial experience. To strengthen the capabilities of the directors and supervisors to fulfill their duties,

CTBC has developed the "Operating Guidelines for Appointment of Directors and Supervisors for Subsidiaries" which requires all board members of subsidiaries to be rigorously vetted by the Nomination Committee on their professional ability based on the nature of the subsidiary's industry. The composition of CTBC directors follows the director nomination system and Rules for Director Election to seek outstanding talents of different backgrounds who have visions and possess excellent leadership. The 7 directors currently appointed possess a broad range of education and work experiences, and at least 1 director possesses relevant business experience for the subsidiary. To implement gender equality, subsidiary Taiwan Lottery has appointed 2 female directors and CTBC Investments 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. For details of the directors' backgrounds, please refer to P.20-22 in the annual report or at: [http://ir.ctbcholding.com/html/gov\\_board.php](http://ir.ctbcholding.com/html/gov_board.php).

## Diversification in Board Composition

The board shall consider the principle of diversity for its composition and develop an adequate diversification policy based on the operations, mode of operation, and development requirements of the board. Such policy shall include, but shall not be limited to, the following two dimensions:

- Basic Criteria and Value: Gender, age, nationality, and culture.
- Expertise and Skills: Professional background (e.g., legal affairs, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The knowledge, skills, and literacy required of Board members for executing their duties shall on the whole comprise of the following abilities:

- Ability to make sound business judgments.
- Ability to conduct accounting and financial analysis.
- Ability to manage business activities.
- Ability to handle crisis management.
- Knowledge of the industry.
- An understanding of international markets.
- Leadership.
- Ability to make policy decisions.

## Board of Directors Structure

CTBC Holding now having a total of 7 directors with more than half of the Board being independent directors. 18 board meetings were held in 2017 with average attendance rate of 96.82%. The average tenure of directors of CTBC is 6 years and a half. Except for 2 directors over the age of 70 years, the other directors are 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.

CTBC has established a Corporate Governance Department that aims to perfect the corporate governance framework by raising the level of corporate governance issues, implementing corporate governance system and complete planning; coordinating the corporate governance and ethical conducts of CTBC and its subsidiaries.

## Functional Committees

To ensure the board of directors plays an effective supervisory role, four functional committees, which are the Audit Committee, the Remuneration Committee, the Risk Management Committee, and the Nomination Committee, were created under the board of directors. The Ethics & Integrity Committee was assembled in April 2018. The Audit Committee consists of all independent directors; the Remuneration Committee consists of 3 independent directors; the Risk Management Committee consists of 1 director and 2 independent directors; the Nomination Committee consists of 1 director and 2 independent directors; and the Ethics & Integrity Committee consists of 2 directors and 1 independent director.



## Corporate Governance System

To improve board functions and strengthen board efficiency, CTBC has established board performance regulations, which require directors attend a minimum of 70% of the board meetings in the current year, avoid conflicts of interest during board meetings, and comply with the minimum requirement of continuing education every year. To ensure effective ethical corporate management, CTBC has established the Ethical Corporate Management Best Practice Principles, Code of Conduct, and related guidelines. Effectiveness of the system and compliance with regulatory requirements are reviewed every year as part of the effort to maintain a well-established corporate governance system and consistency with the direction of international development. To ensure integrity of the corporate governance system and the planning process, CTBC has established the Corporate Governance Department and assigned corporate governance issues to be handled at a higher level of authorization. The department oversees corporate governance and ethical management related activities conducted by CTBC and its subsidiaries so to make the corporate governance framework more encompassing.

### Ethical Corporate Management

To ensure effective ethical corporate management, CTBC has established the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Code of Conduct", and "Corporate Governance Best Practice Principles" as a testament to its commitment to ethical corporate management. The Ethical Management Committee serves the purposes of supporting the board of directors in formulating ethical management policies and prevention programs, reporting the status of practices in related areas regularly to the board of directors, and helping the board of directors and the management ensure the effectiveness of prevention measures installed to facilitate ethical management. Furthermore, CTBC organizes training and campaigns in coordination with existing corporate governance and internal audit measures to help employees understand the company's ethical corporate management policy, prevention plans, operating procedures, and consequences of unethical conducts.

CTBC also regularly compiles a summary of cases in which subsidiaries have violated integrity management regulations within the past six months, and submits it to the Board of Directors. The Company supervises relevant divisions to conduct review and make improvements, thereby ensuring the effective implementation of its ethical management policies. When a new director or supervisor takes office, CTBC will provide the necessary education and training as well as regular ethical management training for all directors and supervisors every year.

### Avoidance of Conflicts of Interest

According to CTBC's specification of Procedure for Board of Directors, directors of CTBC 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.

### Continuing Education for Directors

The "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" requires that all directors of the Company undergo continuing education to understand the latest corporate governance, corporate social responsibility, and risk management practices. In addition, CTBC has arranged directors to undergo regular professional training and continue education. The purpose of training is to help Directors to be better informed on CTBC's business operation and development trends that are happening in Taiwan and around the world and to make the right decisions. In 2017, board members participated in CSR-related courses, including Corporate Social Responsibility and Sustainability Business Strategy and Governance in the Financial Sector, How do Directors and Supervisors Assist the Company in Risk and Crisis Management, and Insider Trading and Corporate Social Responsibility Seminar. Directors are all enrolled in the directors' liability Insurance to reduce the risk of losses incurred to directors when performing their duties.

### Director Performance Evaluation

To improve board functions and strengthen board efficiency, CTBC has established board performance evaluation policy, which require board performance appraisals to be conducted in December every year. The performance appraisals not only evaluate the overall operations of the Board, but also require a self-assessment to be performed by each director. There are five levels in the assessment rating: Excellent, very good, good, acceptable, and require improvement; the assessment results are reported to the Board of Directors so that suggestions on areas needing improvement can be proposed.

### 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.



### Director and Manager Remuneration Policy

#### Director Remuneration

Directors' remuneration policy is based on the "Non-independent Directors Remuneration Policy" and "Independent Directors Remuneration Policy". Directors' salary, based on market salary surveys and financial industry level, is approved in accordance with general pay levels in the industry and takes into account the individual's performance, the time spent by the individual and their responsibilities, the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company. The aforementioned directors' remuneration is approved by the Remuneration Committee and Board of Directors. The Company will review the remuneration systems in a timely manner according to business operations and relevant laws and regulations and endeavor to maintain a balance between sustainable management and risk management.

#### Executive Remuneration

As CTBC executives strive to create and improve company operation and performance through their managerial, strategic planning, and execution capabilities, in order for the performance targets of our executives to be aligned with both corporate strategic objectives and shareholder's value, fixed compensation is set at market-competitive level whilst variable compensation is dependent on operating and personal performances. Overall, the variable component that emphasizes on long-term value creation and sustainability is relatively higher than the fixed portion in the executive remuneration mix. CTBC offers shares or Stock Appreciation Rights as a form of long-term variable incentive compensation to our executives. The conditions of these incentives help assure alignment between executive and corporate interests

as realized compensation or payout is dependent on company and stock performance in the future. Further, executive remuneration highly correlates to both financial targets, such as revenue and profit, and non-financial objectives, such as compliance, risk control, succession planning, CSR engagement, and company goodwill retention. These objectives motivate executives to place greater emphasis on long-term corporate goals and talent cultivation, in hopes to maximize value to the company, employees, and shareholders.

### Procedure for Deciding Remuneration

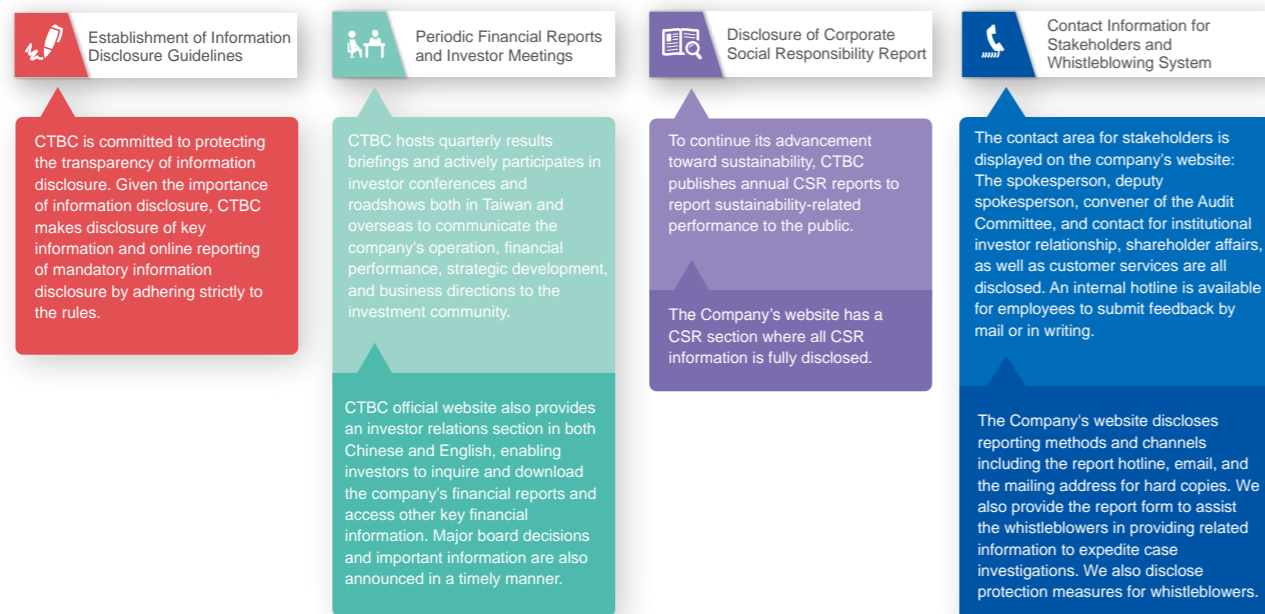
CTBC has established Manager Remuneration Regulations for the company and its subsidiaries. These regulations assure that remuneration design and structure are competitive against the market and concurrently take overall company performance and profitability into account. In compliance with legal regulation requirements, executive remuneration design considers various factors including, but not limited to, individual experience, professional capabilities, and managerial competencies. Remuneration for each executive is assessed by the Remuneration Committee, in accordance with the Manager Remuneration Regulations. Each year, the Remuneration Committee and the CTBC Board of Directors periodically reviews, monitors, plans and approves company-wide compensation policies to ensure total shareholder's equity.

### Director and Executive Remuneration as a Percentage of After-Tax Profit

In 2017, CTBC and its subsidiaries included in the consolidated statements compensated a total of NTD 918,144,000 to the directors and executives (including presidents and vice presidents), representing 2.47% of the consolidated after-tax profit. In 2016, the total director and executive remuneration was NTD 926,565,000. As compared to the figure in 2016, total director and executive remuneration paid in 2017 is 0.91% less, mainly due to changes in director and executive appointments. For related information, please consider p.25-30 in our annual report or at [http://ir.ctbcholding.com/c/financial\\_reports.php](http://ir.ctbcholding.com/c/financial_reports.php).

### Transparency and Integrity

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 its stakeholders of company's CSR practices and performance. To address different stakeholders, CTBC have set up a Stakeholder page, thereby providing an effective communication platform for various types of stakeholders.



### Regulatory Compliance

In addition to actively expanding our business, we are always mindful of the importance of abiding by applicable laws and regulations. We pay close attention to and constantly respond to changes in financial policies, laws and regulations at home and abroad. 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.



**Value Consensus: Code of Conduct**

To ensure that all employees can adopt our longstanding cultural value, we have established the "CTBC Employee Code of Conduct" which 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, protection of the company's capital and reputation and human rights advocacy. The implementation 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 Information and Intellectual Property**

To protect personal information, CTBC has established a set of internal procedures including "Personal Information Management Policy" and "Personal Information Protection Instructions". Personal information protection operations have been carried out each year to ensure the legitimate gathering and use of personal information from customers and employees.

In order to comply with the intellectual property regulations, the Company requires all units to inspect their software licenses every 6 months and ensure that the software used is legally licensed to prevent any infringement of intellectual property rights.

**AML/CFT Policy**

CTBC has established the "Anti-Money Laundering and Countering the Financing of Terrorism Policy (Plan)", "Procedure for Identifying, Measuring, Controlling, Mitigating and Reporting Money Laundering and Terrorist Financing Risks", "Procedure for Sharing and Using Group Customer Information", and "Procedure for Screening Persons other than a Financial Institution's Customers or Related Parties of a Transaction against Counter-Terrorism Financing Act Sanction List". Each subsidiary develops its internal regulations in pursuant to the aforementioned policy and procedures as well as the regulations, templates, and guidelines of associations and competent authorities of each industry. CTBC Bank, Taiwan Life, CTBC Securities, and CTBC Investments have established the AML/CFT Committees to effectively control and prevent risks from money-laundering and terrorist financing.



**Insider Trading Prevention**

"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. Upon gaining confirmed material information that is capable of influencing a company's share prices or solvency, the information holder—directors, managers, employees or other insider of the company is prohibited to trade in related securities up to 18 hours before and after the publication of the information.

**Penalties Imposed on CTBC and its Subsidiaries by the Competent Authority and Improvement Measures Taken in 2017**

Content	Improvement Measures
<p>FSC indicated that CTBC Life Insurance (merged with Taiwan Life) when carrying out real estate investment, did not have a complete real estate appraisal company selection procedure in place, failed to assess the reasonableness of bid price, and failed to properly control the invested real estate income situation, damaging the interests of the company, and was thus in violation of related Insurance Act regulations. A fine of NTD 6 million was imposed on Taiwan Life. &lt;2017.6.16 Jin-Guan-Bao-Shou No. 10602543712&gt;</p>	<ol style="list-style-type: none"> <li>Following the Operational Procedures for the Selection of Appraisers for Real Estate Investments which was approved by the Board of Directors of Taiwan Life on November 8, 2016, the number of appraisal firms was increased from 10 appraisal firms to 15 or more. A random draw method is adopted to select the appraisal personnel of the organizer, and choosing the same appraiser consecutively is avoided to maintain fairness and objectivity.</li> <li>Checklist for the Acquisition or Disposal of Investment Real Estate was established to check the following: (1) Whether investment units have comprehensively listed the reasons for difference in appraisal and validity of the appraisal to facilitate board decision-making; and (2) whether investment units have provided a description of price validity based on information regarding previous open auctions of investment targets and credit evaluation to facilitate board decision-making.</li> <li>Checklist for the Acquisition or Disposal of Investment Real Estate is used to check whether investment units have reached an agreement on guarantee revenue from investment targets, have provided a differential analysis of contract deposit and market rent to facilitate board decision-making, and have examined compliance with statutory requirements for yields on real estate investments if market rent is used for calculation.</li> <li>On October 24, 2016, the control mechanism for inspecting the beneficial owner was incorporated in the Rules for Investment in Domestic Real Estate Products, which was announced and implemented on October 26, 2016. In future, acquisition or disposition of real estate will be inspected case by case.</li> </ol>
<p>CTBC Bank made a mistake while processing information which resulted in loss of audio recording, and was fined NTD 2 million penalty by FSC pursuant to Paragraph 7 of Article 129 of the Banking Act for the violation of Subparagraph 1 of Article 45-1 of the Act. &lt;2017.11.28 Jin-Guan-Yin-Kong No. 10660003651&gt;</p>	<ol style="list-style-type: none"> <li>Inclusion of account management in Security Operations Center (SOC): Accounts managed by the recording system for financial transactions are incorporated in unauthorized SOC, which records any non-system connections in the Privileged Account Abnormal Connection Reporting Sheet and notifies the competent chief.</li> <li>We adjusted the rules to name the backup log of the financial transaction recording system. In addition to "By Unit", "Switch Identifier" is also added to facilitate the identifying the backup log of network storage equipment.</li> <li>As an exception, we approved to elevate the level of authorization from unit heads to the Corporate Information Security Committee: In new information systems, administrator accounts are in principle incorporated for management. If applied system is used, the accounts are listed for management, and passwords are kept secret from maintenance personnel. If the aforementioned requirements cannot be met, approval for exception must be obtained from the CTBC Bank Corporate Information Security Committee. Use of accounts with special authorization must be recorded and incorporated in the SOC for monitoring of abnormal login behavior.</li> <li>Tape drives are used and stored in a different place in an offline state so as to avoid the risk of audio loss caused by abnormalities in online information.</li> </ol>
<p>FSC indicated that the Company obtained the approval of the Board of Directions to pay the bail for its employees involved in a lawsuit without specific internal rules. A fine of NTD10 million and corrective measures were imposed in accordance with Paragraph 16 of Article 60 and Paragraph 1 of Article 54 of the same act. &lt;2017.12.5 Jin-Guan-Yin-Kong No. 10600291711&gt;</p>	<ol style="list-style-type: none"> <li>Review and improve the submission process so that the management team is able to provide sufficient information for strengthening the functionality of the Board.</li> <li>Strengthen the functionality of independent directors to increase the independence and effectiveness of board operations.</li> <li>Review and amend the Company's Regulations Governing Litigation Aid for Performing Duties, Legal Affairs Inquiry Policy, and Regulatory Compliance Policy.</li> </ol>

Note: This table provides a disclosure of cases involving penalties of NTD 1 million or more.

### Stakeholder Communication Platform and Whistleblowing System

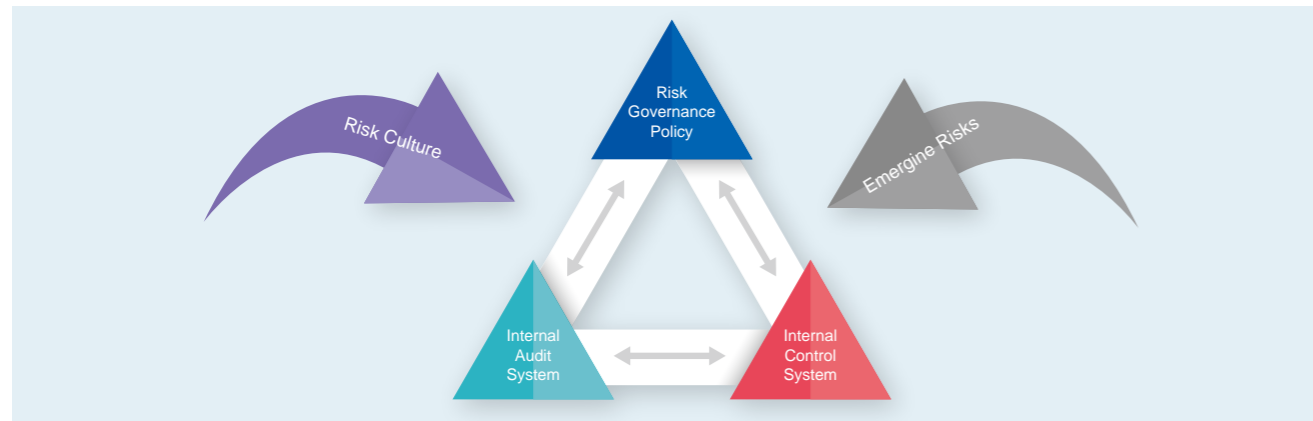
CTBC has set up a stakeholder page on the company website to understand the expectations and needs of its stakeholders in order to provide responses to CSR topics of their concern. In addition, the Company has also established an internal reporting mechanism. Any negligence and misconduct by employees can be reported through the employee complaints hotline, mailbox, or in writing. In response to regulatory and social trends, CTBC has appointed compliance units, in addition to employee complaint mechanism, to process complaints and set up a dedicated committee to conduct investigation and review of filed complaints. CTBC has stipulated in the guidelines the confidentiality obligations of complaint handlers and investigators and prohibition against detrimental treatment for whistleblowers in order to protect the whistleblowers' right to work. We have been dedicating to build honest and transparent corporate culture.

### Risk Management

To increase shareholders equity and capital value, the Company strives to achieve an optimal balance between risk and opportunity by using active risk management techniques so that resources are allocated more efficiently to establish stronger core values and engage in risk management and assessment with principles of steady management.

### Risk Management Framework

The Company's risk management framework is based on a risk management core strategy with the support of an internal control system and internal auditing system in order to manage risks more systematically. CTBC is fully aware of the impact of emerging risks and, by shaping a risk culture within the organization where employees are constantly mindful of the need to manage risks in their daily activities.



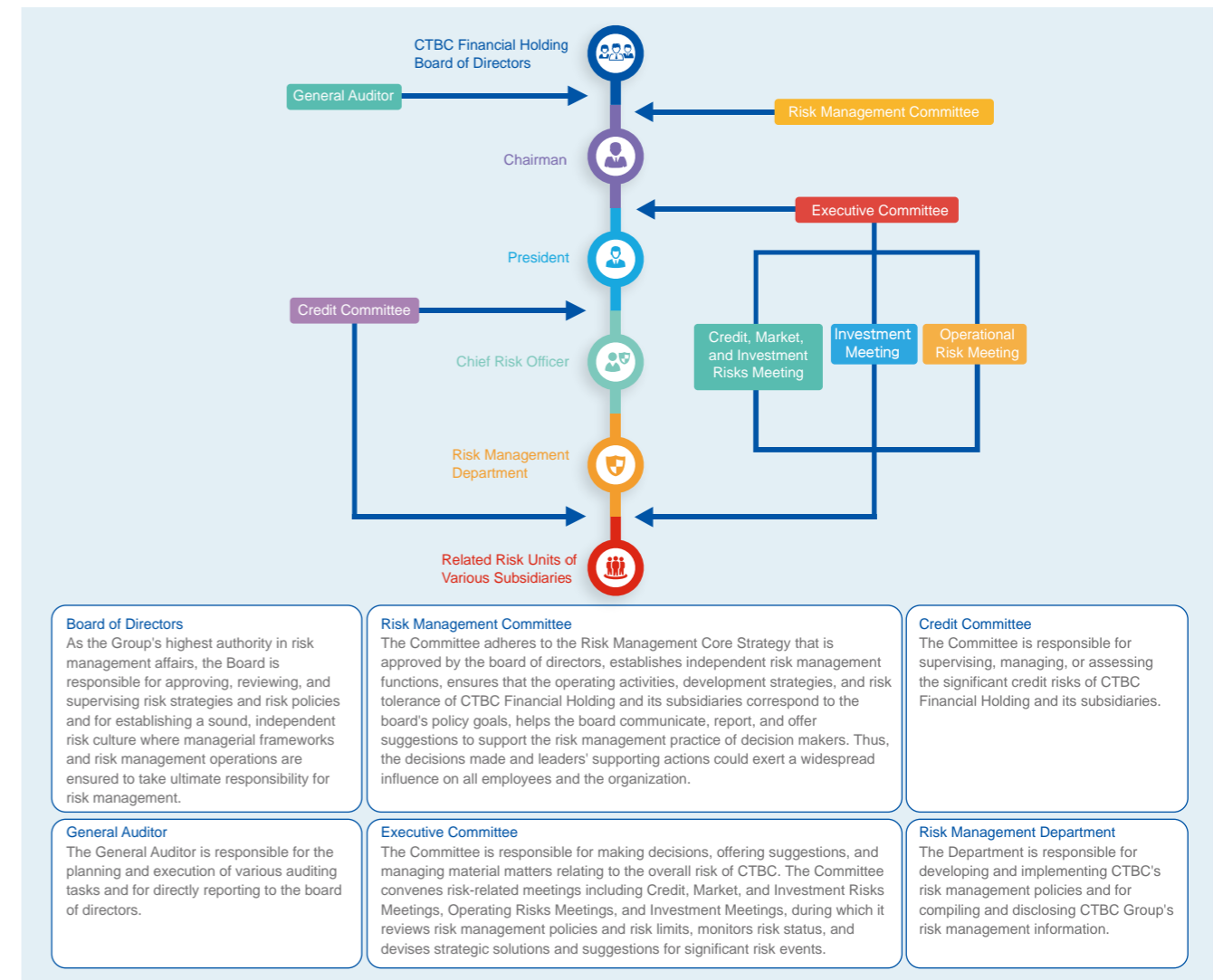
### Risk Management Policy

The "Risk Governance Policy" 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 Policy.

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 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.

### Risk Management Organization

Because risks are influential, we integrate risks by employing an organizational framework that comprises the board of directors, General Auditor, Executive Committee, Credit Approval Committee, and Risk Management Department. CTBC uses a rigorous control and reporting mechanism to effectively manage risks.



### Internal Control

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 and communication, supervisory activities, and corrective measures.

CTBC continues to implement the three lines of defense as part of its internal control system to ensure the effectiveness of its design and operation. When conducting business activities, the business units and support units at the front line should 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 compliance, risk management and other related management units, and is responsible for establishing management mechanism, and monitoring the implementation of the first line of defense. The third line of defense is the internal audit system, which is responsible for independent verification and evaluation of internal controls.

### Three Lines of Defense in the Internal Control System

Unit & Role		Function & Responsibility	
First Line of Defense	Business Unit Supporting Unit	Main Risk Taker and Manager	<ul style="list-style-type: none"> <li>• Identification/assessment/control/mitigation risks</li> <li>• Report the risk exposure status to the second line of defense</li> <li>• Establish/implement internal control and risk management procedures</li> <li>• Propose improvement plans when process/control is ineffective</li> </ul>
Second Line of Defense	Risk Management Unit Compliance Unit Other Dedicated Unit	Assist/monitor the first-line on the management of risk	<ul style="list-style-type: none"> <li>• Develop a comprehensive policy and establish a management framework</li> <li>• Assist/monitor the first-line on the management of risk and the implementation of self-assessment</li> <li>• Regularly present the risk management result to senior management</li> </ul>
Third Line of Defense	Internal Audit	Independently assess the first/second-line of defense	<ul style="list-style-type: none"> <li>• Evaluate the effectiveness of the design and implementation of internal control and risk management on the first/second-line, and provide improvement recommendation.</li> <li>• Report to the board of directors and senior management</li> </ul>

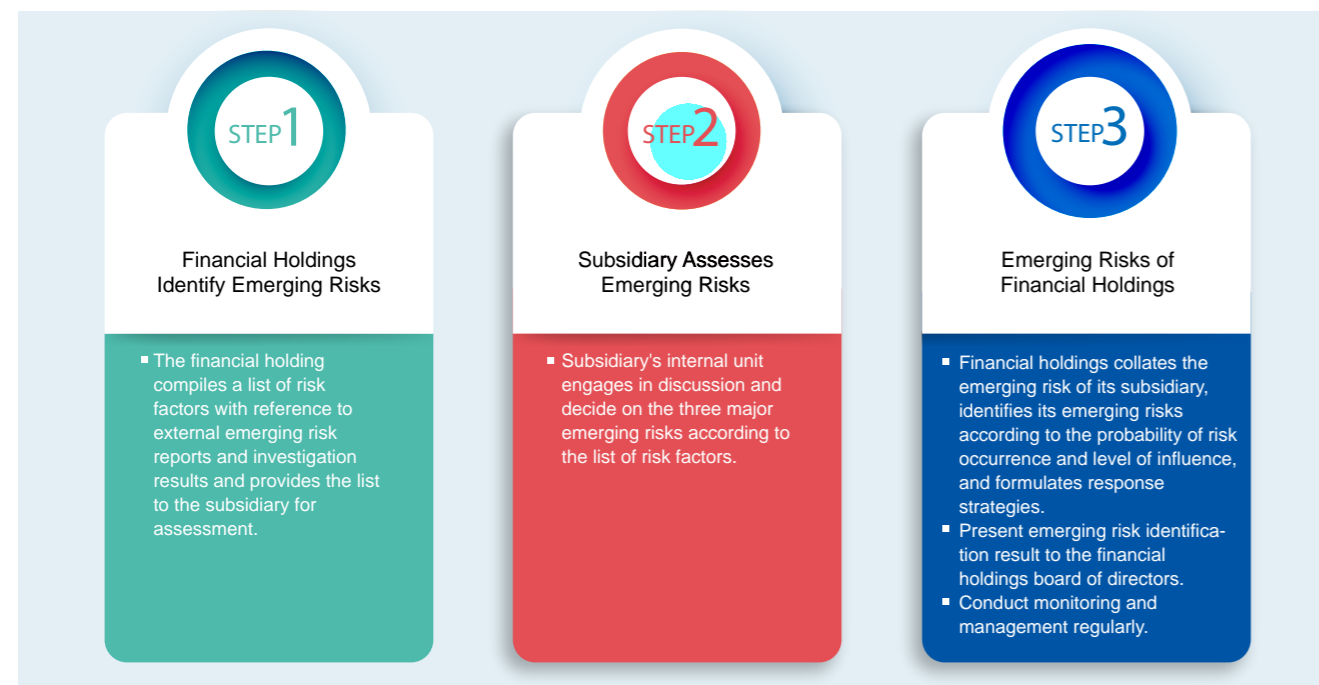
### Internal Audit

CTBC internal audit unit, in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", is directly subsidiary to the board of directors. The General Auditor is responsible for the supervision on all of the internal audit activities. The internal audit unit manages all audit activities in an objective and fair manner, and provides appropriate suggestions to ensure that the internal control system is implemented and to help the board of directors and executive management to inspect and evaluate the effectiveness of internal control. The internal audit unit conducts a full-scope audit on CTBC annually, and limited-scope audits on CTBC and all its subsidiaries' finance, risk management, and compliance with applicable acts and regulations at least semiannually.

### Emerging Risks

As the overall environment changes, numerous new or unexpected emerging risks might be generated. An emerging risk identification mechanism was developed to prepare the company for future challenges. This mechanism is mainly used to identify emerging risks and assess the impact of these risks. Based on the results, risk mitigation measure or management mechanism is developed and submitted, along with the risk identification result, to the board of directors.

### Emerging Risk Identification Process



### 2018 Emerging Risks

Risk Factor	Description	Impact or Influence on Business Operation	Mitigation Measures /Response Strategies
Network Security and Information Security Risk	Information leakage, hacker invasion into main operating systems, DDoS (Distributed Denial of Service) attack terminates the Company's Internet connection, advanced persistent threat (APT) penetrates internal network environment for long period, and opportunistic theft of confidential information.	Material financial loss, reputation loss, sanction by competent authority.	<ol style="list-style-type: none"> <li>1. Continue to raise employees' awareness on information security.</li> <li>2. Strengthen the capability of SOC to monitor information security, DDoS attack rehearsals, and contingency response to information security incidents.</li> <li>3. Build online protection and management system, invasion detection system, firewall, spam filter and anti-virus system.</li> </ol>
Risks of Money Laundering and Terrorist Financing	The products or services provided by the Company's subsidiaries may be used as a tool or medium for money laundering or terrorist financing so as to obtain illegal funds, commit criminal offense, and engage in other illicit or improper transactions.	Reputation risks or the risk of being penalized or imposed international sanctions, which negatively influence investors' willingness to invest in CTBC.	<ol style="list-style-type: none"> <li>1. Periodically conduct institutional risk assessment, formulate AML/CFT plans based on the results and business nature.</li> <li>2. Reinforce self-inspection and internal audit procedures, periodically report the implementation results to the Board of Directors.</li> </ol>
Supervision/Legislation Changes	Rigorous financial supervision will be imposed on the financial industry, particularly its overseas business, and severity of punishment will increase.	If financial supervision requirement is violated, the company may experience financial losses, restriction of business development, employee suspension or termination, and /or revokement of its business license.	<ol style="list-style-type: none"> <li>1. Collate media reports, participate in trade unions, and keep abreast of legislative changes and draft amendments at all time.</li> <li>2. Analyze cases of penalties imposed on financial institutions and monitor the trends of financial supervision.</li> <li>3. Organize education on legal compliance. Provide collection of new laws and regulations monthly and conduct follow-up on the response measures and implementation status of relevant units in order to ensure that the Company's business activities comply with laws and regulations.</li> </ol>

### Employee Risk Awareness

The foundation and outcomes of risk management are the product of employees' concerted efforts. The risk awareness of employees hinges on daily training and culture creation. Training programs are provided to comprehend risk management concepts in daily risk decisions, and risk management outcomes are included in employees' performance appraisal.

Risk Training

Type		2015	2016	2017	2018 Goals	Main Training Content/Courses	
Hosted by Koo College	New Recruits	Number of Trainees	1,901	1,588	1,106	1,158	CTBC New Recruit Training Course: Banking Risk Management Overview Operational Risk Management Overview
		Number of Trainees that Completed Training	1,751	1,487	1,095		
		Coverage (%)	92.21	93.64	99.01		
		Total Hours	1,257.5	955	996.5		
	Newly Appointed Managers	Number of Trainees	38	161	146	143	1. New Junior Manager Course: Risk Management 2. New Mid-level Manager Course: Risk Management
		Number of Trainees that Completed Training	35	154	144		
		Coverage (%)	92.11	95.65	98.63		
		Total Hours	52.5	231	216		
Course for Each Business Unit (including improvement training/expatriate staff)	General Staff	Number of Classes	65	51	82	-	-
		Number of Trainees	701	469	8,671		
		Total Hours	4,641	2,578	26,889		

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

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.

Risk Management Excellence Award and Operational Risk Management Contribution Award



Conclusion

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

CTBC has always been committed to taking a customer-oriented approach, and we hope that our continued promotion of digital banking will enable our financial services to be free from the limitations of time and space, allowing our spirit of service to be reflected in everything we do. This echoes CTBC Holding's dedication to serve customers based on our caring, professional, and trustworthy brand values and provide customers with secure, considerate, and highly personalized financial services.

CTBC has always emphasized the importance of the customer experience by providing financial services and solutions that are tailored to the particular needs of customers of different age groups. Moreover, even as we strive to create innovative new designs, we never lose sight of the fact that our customers are always our top priority. CTBC Holding's digital banking services are being developed to better meet the everyday needs of the general public. Whether it's virtual or physical channels or the design and procedures of our products and services, we work to ensure that everything meets the individual needs of our customers. Our aim is to provide timely, convenient, and efficient financial services, and we are also making a concerted effort to further develop a more secure and convenient banking environment that allows us to embrace this new era of digital banking alongside our customers.

In addition to launching a wide range of bold new digital financial services, we also recognize that information security plays a vital role in the ability of our company to continue to grow and thrive. CTBC is also aware of the potential issues that digital banking can pose. To

protect customers' privacy and rights, we have continued to strengthen information security control by setting up a Corporate Information Security Committee within the bank and by continuously arranging training programs to improve the professionalism of employees and educate them on the latest knowledge of information security threats in order to comprehensively protect customer information.

In our continuous pursuit of innovation, we never lose sight of the fact that customers remain our top priority. This is why we always endeavor to understand the needs of our customers and offer the best services possible to ensure that our customers are always satisfied. We deeply respect each and every suggestion we receive from our customers and use this feedback to improve our internal processes. We will never ease up on our commitment to achieving the highest customer satisfaction rate. In addition to being committed to upholding the standards of professional integrity as a financial institution, CTBC actively promotes financial education and the transmission of important financial concepts that applies to all ages, from young adults to older individuals pursuing their

retirement goals. Our aim is to enable customers in each stage of life to achieve adequate financial planning, and we endeavor to treat each customer like a member of our own family, which reflects our brand spirit of "We are family". Together, we will embrace the future with our customers.

## Meeting the Financial Needs of Customers through Innovative Services

CTBC is actively expanding the scope of our digital finance services, including integrating mobile device apps, payment management platforms, and 24-hour ATM services to create a customer-centric digital finance roadmap based around the 3 aspects of "Fully-Integrated Innovative Digital Financial Services", "Innovative Lifestyle Payments", and "Community Financial Lifestyle". Customers can now meet their everyday financial needs through the use of mobile phones, the Internet, and convenience stores at any place and time.

## Fully-Integrated Innovative Digital Financial Services

In response to the trend of fintech and to satisfy customers' diverse needs for digital financial tools, CTBC



bank launched "Digital 4 U", a suite of digital innovation financial services which ranges from investing, expense tracking, and loans to insurance services, making cash flow easier for customers to manage at the touch of a finger:

1. **ROBOGO**: CTBC was the first bank in Taiwan to introduce an approach to strategic investing called "Auto Rebalance", which combines investing and financial engineering specialists with a specialized technology and software team. "ROBOGO", a ROBO-advisor program developed based on big data analysis, allows the allocation of assets to be quickly and dynamically adjusted according to current market conditions in order to maintain optimal performance.
2. **Smart Balance**: An account balancing platform help customers record income and expense automatically.
3. **Smart Loans**: For customers who need a housing or personal loan, CTBC provide "iLoan" website services and "Online Loan" platform. The iLoan smart housing loan platform created by CTBC's Real Estate Big Data Bureau includes 500,000 actual appraisal data entries sourced from the bank's own databases along with public data and actual price registration records released by the government. The innovative platform also integrates current GPS data and analytical spatial routing techniques, culminating in various services including smart valuation, housing price index, and a livability index. "Online Loan", CTBC's web-based personal loan service, continues to be an industry-leading platform for providing optimized digital services. In April of 2017, we utilized a new credit review process driven by big data technology to launch a service that can approve a loan in as little as 30 minutes and disburse funds to customers within 1 hour. During the same year, the scope of the service was expanded to allow all banking customers to apply for loans online. The entire application process is all handled online, which means customers do not have to visit a branch in person, thereby fully realizing one-stop digital services. In 2017, the number of online loan applications grew year-over-year by 331%.
4. **E-Insurance**: Provides web-based insurance application services that allow policyholders to access even more insurance products along with faster and more convenient insurance application services through CTBC Bank's website.

• **24-hour ATM Policy Loan Services**

Taiwan Life has launched a policy loan and bill pay service which is available to customers 24/7 all year round at more than 5,000 CTBC ATMs in 7-ELEVENs throughout Taiwan (excluding outlying islands), making CTBC the first bank to have added a cash withdrawal option for policy loans to ATMs in 7-ELEVEN convenience stores. Policy loan customers can use an ATM card issued by any bank to directly withdraw policy loans in cash from ATMs at participating 7-ELEVENs. In 2017, this service was utilized about 6,000 times.

• **Video Conferencing Service Launched by Taiwan Life Allows Virtual Consultations to Be Completed in 5 minutes**

Digital banking has quickly become a major force in the industry, and significant gains with respect to the speed and efficiency of policyholder services have already been made by applying innovative digital technologies in the financial and insurance sector. Taiwan Life has launched a digital banking policy in support of the government's policies which aims to deliver ultra-competitive and efficient services, including the creation of an all-new video conferencing service which was unveiled in September 2017. The video conferencing service, which is used to conduct policyholder survival surveys and handle certain underwriting operations, enables policyholders to set up appointments to virtually interact with investigators, reducing the amount of time it takes to complete the evaluation process to as little as 5 minutes. Video conferencing also helps bypass various intricacies associated with contacting customers and conducting on-site consultations altogether so that policyholders can enjoy faster and more satisfying digital services. When a policyholder opts to utilize the video conferencing service, a mobile device of the policyholder, financial advisor, or sales representative can be used such as a smartphone, tablet computer, or other device equipped with a webcam and internet access such as a desktop computer or laptop. After installing Taiwan Mobile's M+ video conferencing software, a customer can choose a convenient time and place to have a virtual meeting with a Taiwan Life investigator.

**Innovative Lifestyle Payments**

CTBC has continued to actively expand the use of payment application scenarios and forge strategic partnerships with more companies. In terms of locations where these payment options can be used, in addition to numerous existing food,

clothing, accommodation, transportation, education, and entertainment merchants, CTBC observed that convenience stores are often closely intertwined with the everyday lives of consumers, making them one of the most frequent settings in which the public experiences different payment methods. Hence, the introduction of newer digital payment configurations into convenience stores provides customers with a more convenient and diverse payment experience.

• **Paperless Digital Shopping**

In an effort to expand the scope of our service offerings, CTBC began installing the latest generation of electronic signature pads which accept credit and debit cards (including UnionPay cards, with the exception of American Express) issued by any bank in Taiwan. These new e-signature devices also support numerous mobile payment services such as Apple Pay, Google Pay, Samsung Pay, Hami Wallet, Taiwan Pay, and Garmin Pay etc., delivering a more complete and streamlined payment environment to consumers. Consumers can enjoy the convenience of using mobile payment "swipe-to-buy" technology to make purchases without the need for a signature. Moreover, if a customer's credit card supports the use of electronic receipts and he or she has a prize-winning receipt number, they will be automatically notified by their issuing bank that they have won a prize, thereby helping the customer avoid the hassle of having to go out and redeem prizes on their own, creating a truly paperless online shopping environment.

• **Diverse Experiences**

We also partner up with numerous other companies involved in sectors relating to everyday living such as department stores, transportation, telecommunications, digital shopping, and social media. As a result of beginning our cooperation with LINE Pay at the end of 2016, consumers can now use LINE to handle a wide assortment of tasks including applying for credit cards, making mobile payments, checking their current amount of accumulated points, and redeeming points for exclusive LINE stickers. In 2017, we also sought to expand the number of locations at which LINE Points can be redeemed, allowing cardholders to make purchases at more establishments such as convenience stores as well as numerous department stores, e-commerce platforms, and other retail outlets. From the application process and shopping to the final point of consumption, every step of the way can be quickly completed via the LINE APP, creating a positive cycle of accumulating points through a completely digital service experience.

• **Taiwan Life Launches Free Pharmaceutical Delivery and Claims Application Home Delivery Services**

To provide even better services to our policyholders, in July 2017 Taiwan Life teamed up with iHealth to launch a new nationwide pharmaceutical home delivery service which also incorporates delivery of claims applications to the homes of policyholders, truly taking our service to the next level. The free pharmaceutical home delivery service is offered to Taiwan Life policyholders along with their friends and relatives who are processed by certified pharmacists, thereby helping to meet the healthcare needs of policyholders who have chronic illnesses. Taiwan Life was also the first company in Taiwan to launch a pioneering service which sends insurance claims applications directly to the homes of customers.



- **Expansion of Electronic Payment Services**

In 2017, CTBC Bank acquired the necessary business license to engage in e-payments, value adding, and O2O services, ensuring that the company possesses all necessary licensing for handling e-payments and related services. Electronic payments offer numerous special qualities in terms of their patterns and significance, especially with regard to security features, thereby helping to solve various pain points associated with numerous transactions types including C2C and P2P. In addition to continuing to maintain our current strategic alliance with Yahoo, in the future CTBC will continue expanding the system for collaborating with other platforms to boost our membership count. In addition, we will further utilize the features of e-payments to boost our innovative capabilities in terms of developing proprietary membership-based financial products and services.

- **A Wide Variety of e-Voucher Services**

CTBC's e-voucher platform services involve the use of voucher serial numbers which are issued and administered by the bank. The platform's one-stop service approach to voucher services provides a guarantee for consumers and merchants alike. Merchants can use our services to distribute exclusive vouchers, regardless of how large or small their operation is. Consumers, on the other hand, get to enjoy an even more convenient and worry-free way to purchase vouchers. In 2017, we actively expanded our base partners participating in the e-voucher platform through programs such as the Taipei Fun Pass card and numerous restaurants and companies in the tourism industry. This not only enables consumers to access a wider variety of services from merchants, but also helps to expand their rights and interests as consumers and provides an overall excellent payment experience.

- **Introduction of Three Major NFC Mobile Payment Systems**

CTBC bank has made a longstanding commitment to be a leader in the development of digital services. In 2017, we introduced three of the biggest mobile payment services into Taiwan for the first time in quick succession: Apple Pay, Google Pay, and Samsung Pay. CTBC was the pioneer in the industry to cooperate with these three major NFC payment processing providers, enabling cardholders to use their smartphones to make mobile payment transactions and utilize more diverse payment methods. In December of 2017, we also went on to become the first bank in the market to begin offering binding services for debit cards.

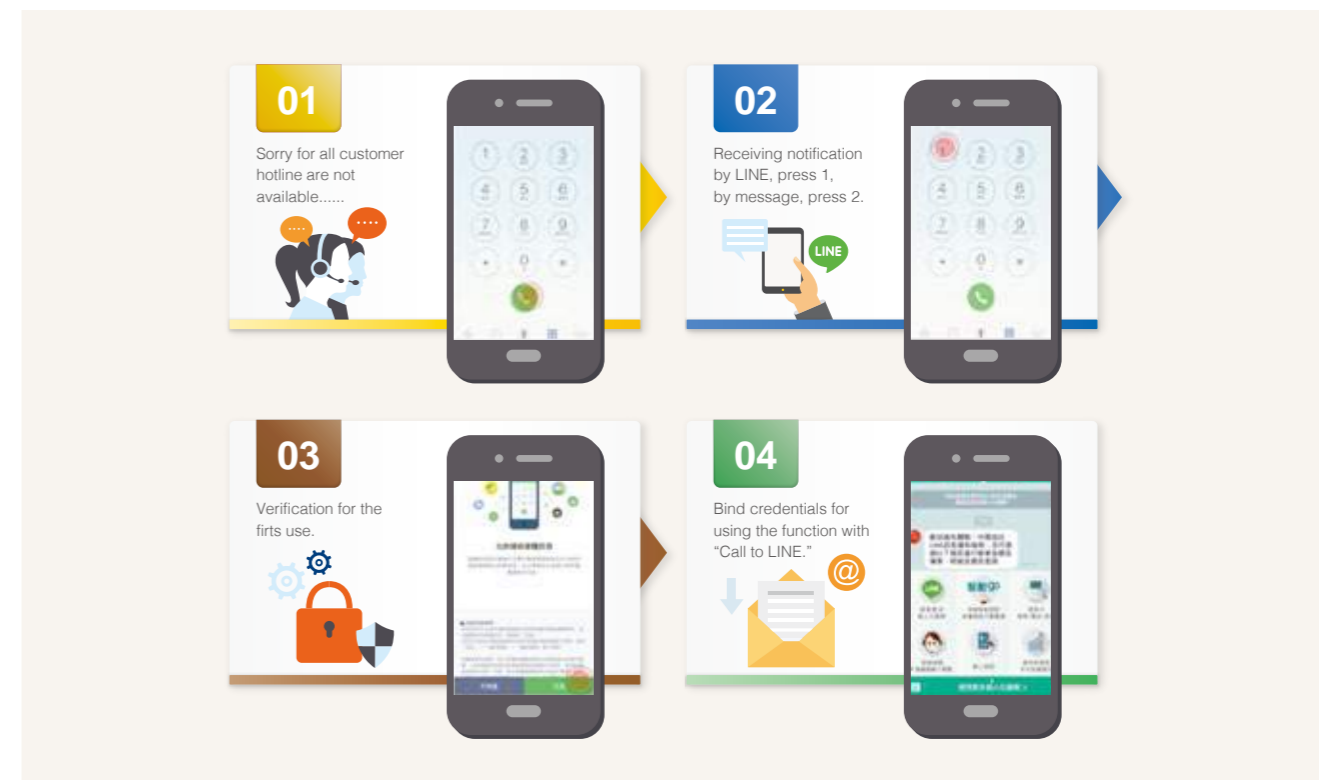
According to our statistical data, the primary customer segment which utilizes mobile payments consists of young customers aged 35 and under, many of whom have just entered the workforce and are utilizing many kinds of financial services for the first time in their lives. While some of these younger customers may not have a credit card, they are often willing to try new forms of payment methods. Currently, since the only option for many people who want to go cashless is to sign up for a credit card, the debit card binding services provided by CTBC effectively solves their pain point by providing access to alternative payment methods. Going forward, we will continue to prioritize the use of unique packaging and innovative services in our marketing activities to build more long-term customer loyalty.

- **Community Financial Lifestyle**

Over the years, CTBC has made a point to closely observe the needs of our customers. In light of the high degree of stickiness and usability offered by social media messaging software, we launched our official CTBC LINE account service in September 2015 and also integrated personalized services through LINE Business Connect, allowing customers to conveniently make personalized queries and promptly receive personalized notifications which cover the following services: online card applications, spending notifications, credit card billing alerts, and payment reminders, the ability to check the latest status of accumulated bonus points and gift rewards and other credit card information and services, bank deposit notifications, currency exchange rate queries, as well as the ability to look up various bank services such as the nearest location of branches and ATMs; these highly convenient mobile financial services made the satisfaction rate of CTBC LINE official account reach to 90%. In the future, we will make further use of various social media platforms in order to provide faster and more convenient financial services.

- **"Customer Connect" AI-Powered Customer Services**

In November of 2017, CTBC Bank collaborated with LINE in an industry-leading move to launch an AI-powered customer service system called Customer Connect, which integrates CTBC's customer service call center and the messaging app LINE to launch a seamlessly integrated AI service platform called "Call to LINE". When all of our representatives are currently busy serving our customers, our customers can browse a set of systematically categorized topics and relevant services they want to use. Customers can agree to allow the system to send out LINE push notifications directly to their smartphone's LINE account, and our smart customer service "Little C" can provide answers. The ability to receive responses through LINE as push notifications gives customers the option to avoid having to listen to explanations over the phone and allows customers to quickly get answers to their questions and save relevant information with ease, which subsequently increases our service efficiency and customer satisfaction rate.



- **Community Financial Center**

In addition to establishing 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, Alishan, Hualien, Taitung, Kenting, Matsu, and other rural areas, rendering it the leader in the banking industry. In 2017, CTBC Bank was also the first bank to launch a foreign currency cash withdrawal service, which was first rolled out at the Hanzhong location of 7-ELEVEN in Ximending. In addition to allowing customers to convert TWD to USD, JPY, and RMB through a two-way cash exchange, the ability to withdraw USD from ATMs at 150 CTBC branches nationwide was added by the end of 2017, and a select number of branches allow JPY and RMB cash withdrawals. As a result, CTBC has become the bank in Taiwan with the greatest quantity and coverage of ATMs that offer foreign currency cash withdrawals, allowing the public to make foreign currency withdrawals 24 hours a day, 365 days a year.

- **Creating a Friendly Financial Service Experience**

CTBC Bank branches have 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.

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

Year	2014	2015	2016	2017	2018 Goals
Number of CTBC ATMs	5,403	5,502	5,487	5,614	5,801
Total Number of Accessible ATMs	3,820	3,931	5,249	5,539	5,730
Ratio (%)	71.1	71.4	95.7	98.7	98.8
Total Number of ATMs for Visually Impaired Persons	5	7	152	172	178

In addition, to better accommodate Taiwan's aging society, CTBC has installed fully-functional service counters and low-height accessible counters at 54 branches since 2015, allowing us to provide customers more comfortable sit-down services as well as services that don't require written forms, thereby enabling customers to conduct transactions orally and fostering a friendlier and more welcoming service environment.

## Number of Fully-Functional Counters

Year	2015	2016	2017	2018 Goals
Number of Branches with Fully-Functional Counters	54	63	69	85
Total Number of Branches	148	149	150	152
Ratio (%)	36	42	46	56

Our continuous development of a convenient digital banking environment and our efforts in providing customers with better and faster services have spurred a steady increase in the number of transactions conducted online. In 2017, more than 34 million banking transactions were made through automated channels. In the future, CTBC will continue to foster a digital banking environment in which customers can manage their finances with greater convenience and security.

Year	2015	2016	2017
Quantity of Transactions Completed by Customers via Automated Channels (million transactions)	19	26	34

## Embracing the Future of Digital Finance

In light of the increasing trend toward digitalization in the financial sector in recent years, CTBC has adopted a three-pronged strategy for embracing the development of digital banking comprising the aspects of digital transformation, digital innovation, and digital foundation. We have unveiled a series of methods in which banking and insurance serve as the primary growth engine of the company, such as constantly launching online to offline digital projects and actively achieving digital innovation to provide omni-channel financial services that deliver a consistent customer experience. Meanwhile, in response to various trends in digital development, CTBC has in recent years sought to bring on board new digital talent who possess different academic qualifications and professional backgrounds as well as a more diverse range of competencies, in contrast to the focus on developing talent who already have a financial background. In 2017, we completed our talent recruitment efforts aimed at four major domains which are customer experience, agile development, data technology R&D, and fintech investment.

## Embracing the Future of Digital Finance - Invest in both Software and Hardware

### Digital Transformation

#### Continuing to apply the latest technologies to ensure an optimal customer experience through digital channels

- Continuously improving our mobile APPs and online platform experience by biometrics and voice interaction technologies.
- Online financial services such as on boarding and transactions are fully integrated into our banking, securities, and insurance business.

#### All CTBC Bank branches nationwide are gradually upgraded to support digital operations

- Providing cardless ATM access via fingervein technology to deposit, withdrawal and transfer money, using mobile devices to make appointments to receive in-branch services, and accessing free Wi-Fi.
- Gradually introducing Video Teller Machines (VTM), enabling our customer service representatives to remotely assist customers to open a new account, obtain a debit card, and setup online banking services through video conferencing technology.
- Consistent Omni-Channel experience: Integrate all tracks for interacting with customers through different channels and utilize big data analysis to deliver a customized, simple, interactive, and consistent financial service experience.
- Advanced fintech tools: Robotic Process Automation (RPA) has been extensively incorporated into our subsidiaries. RPA helps cut costs, improve service, and augment operating efficiency, thereby boosting our customer satisfaction.

### Digital Innovation

#### Disruptive Innovation

CTBC continues to seek out cross-industry alliances (including teaming up with e-commerce companies, social media platforms, and digital wallet companies) in order to create diverse, innovative and scenario-based financial services. For example, Tokyo Star Bank — CTBC's subsidiary in Japan — introduced a program to join up with the global payment network "Ripple", which has connected more than 57 Japanese banks to jointly utilize blockchain technology in a way that enables cross-border remittances to be completed in seconds rather than multiple days.

#### Aggressive Adoption of Application Programming Interface (API) Platform Services

The incorporation of API software reduces the time to launch a new product or service to less than 10 days and increases opportunities of cross-industry collaboration; API applications also increase market responsiveness and drive new business development.

#### Start New Digital Investments

- Advanced technology applications and research: Joined R3, the biggest blockchain alliance in financial industry, and teamed up with global FinTech incubators. In addition to obtaining technological support, forging close global alliances offers an opportunity to establish stronger connections with the global financial industry to jointly develop and test new projects.
- Establish "FinTech Investment Center" in 2018: Actively conducting strategic investment analysis and assessments in fintech sector helps CTBC Holding stay abreast of the latest technologies and trends and apply technologies in our digitalization efforts as well as gain tangible financial benefits from these investments.

### Digital Foundation: A, B, C, D, E

#### A (Artificial Intelligence - AI)

- Coordinate industry-academia cooperative research programs and integrating the technology ecosystem to develop smart banking applications.
- Customer applications: Our use of AI technology allows us to provide more convenient and easy-to-use services (such as chatbot customer service).
- Internal applications: Applying AI technology to boost operational efficiency (e.g., automatic claims process and call qualitycheck).

#### B (BlockChain Technology)

- Established Blockchain Lab in 2016, which has expanded to a staff of 70 people, making it the largest of its kind in the domestic banking sector.
- Work with more than 90 financial institutions including HSBC Hong Kong and U.S. Bancorp to jointly develop a unified technical specification and completed effectiveness testing for trade finance and cross-border remittance services.
- Teamed up with domestic partners in music, ticket sales, and crowdfunding industries to develop blockchain applications in 2017.

#### C (Cloud Technology)

- Establish a cloud system which allows systems to have greater scalability, to enable cross-cloud coordination, and to be expanded as needed.
- Cross-cloud hybrid architecture provides an economically viable way for optimizing business operations and enhancing innovative capacity.

#### D (Big Data)

- Establish a CRM data platform and data mining techniques to discover potential data-driven scenes, which creates a unique business value and expand advanced analytical applications.

#### E (User Experience)

- Leading the industry, CTBC set up the Usability Lab, which helps the company continually improve terminal UI design and overall service quality by actual user observations and interviews.
- Utilizing user-oriented design process which takes customers' needs into consideration aims to boost online sales, service quality, customer satisfaction, and develop innovative applications and services.
- Introduced an agile design process to elevate design and development results.

### Enhance 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. We also provide customized solutions based on customers' funding and financial planning needs, including syndicated lending, structured financing, and financial consultation services along with transaction services that fulfill our clients' hedging strategies and wealth management needs.

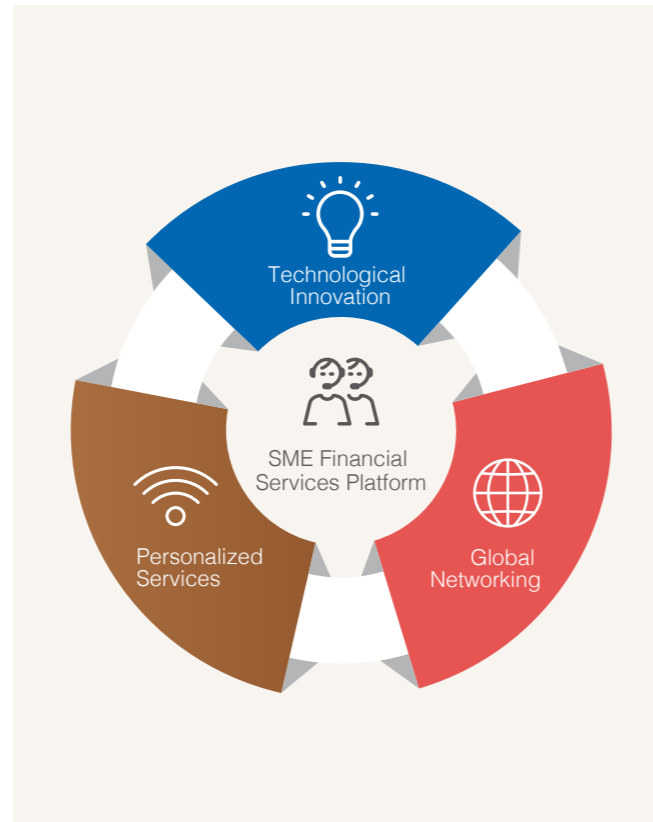
### Refinement of Corporate Banking Team

In addition to implementing a corporate customer service hotline, the corporate 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.

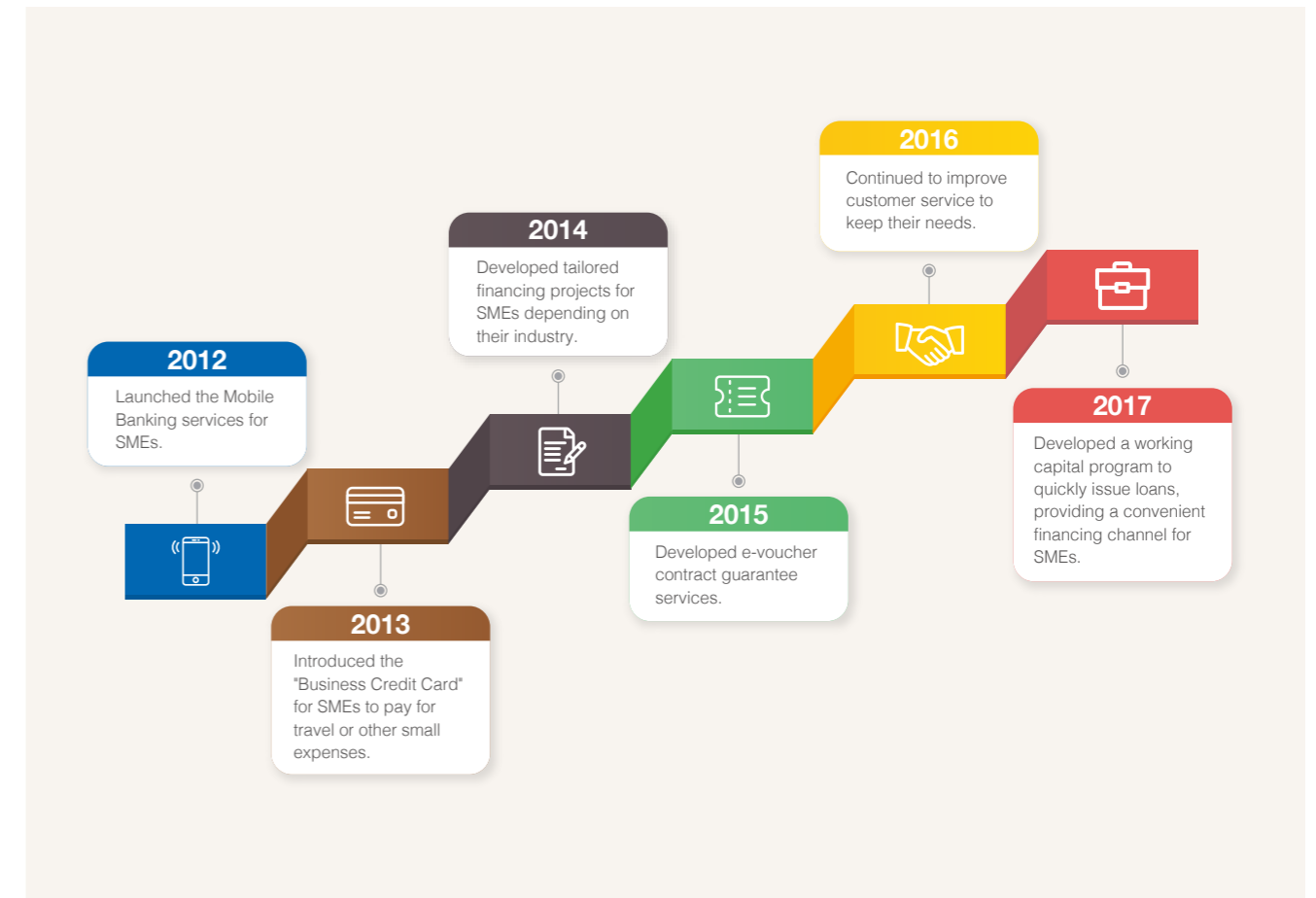
In 2014, the corporate banking department proposed the Service Level Agreement (SLA) project, which uses the systems to simultaneously monitor completion rate of End-to-End SLA between receiving a case and finishing the process. Since launching the program, the company's SLA achievement rate for various operation services has steadily increased with each passing year. Of particular note is that, in addition to complying with all relevant anti-money laundering and counter financing of terrorism (AML/CFT) regulations, CTBC continued to record a SLA achievement rate in excess of 99% in 2017. Furthermore, with respect to cases where SLA targets are not met, we periodically gather and analyze data to determine the root causes, formulate corresponding improvement measures, as well as follow up on the improvements resulting from implementation, highlighting CTBC's demand for the highest quality financial services and attitude toward the continual pursuit of excellence. CTBC also plans to incorporate SLA into our overseas offices in the near future, which will allow us to provide better and more consistent services to our customers around the world.

### Continued Support for SMEs

CTBC Bank 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 founded on the ideas of technological innovation, personalized services, and global networking, thus offering secure and efficient financial services to SME customers. 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 ahead to 2018, we will continue to refine our three major strategies by applying advanced technology to develop an online loan platform which can provide SME customers with more efficient services.



### SME Services Milestone



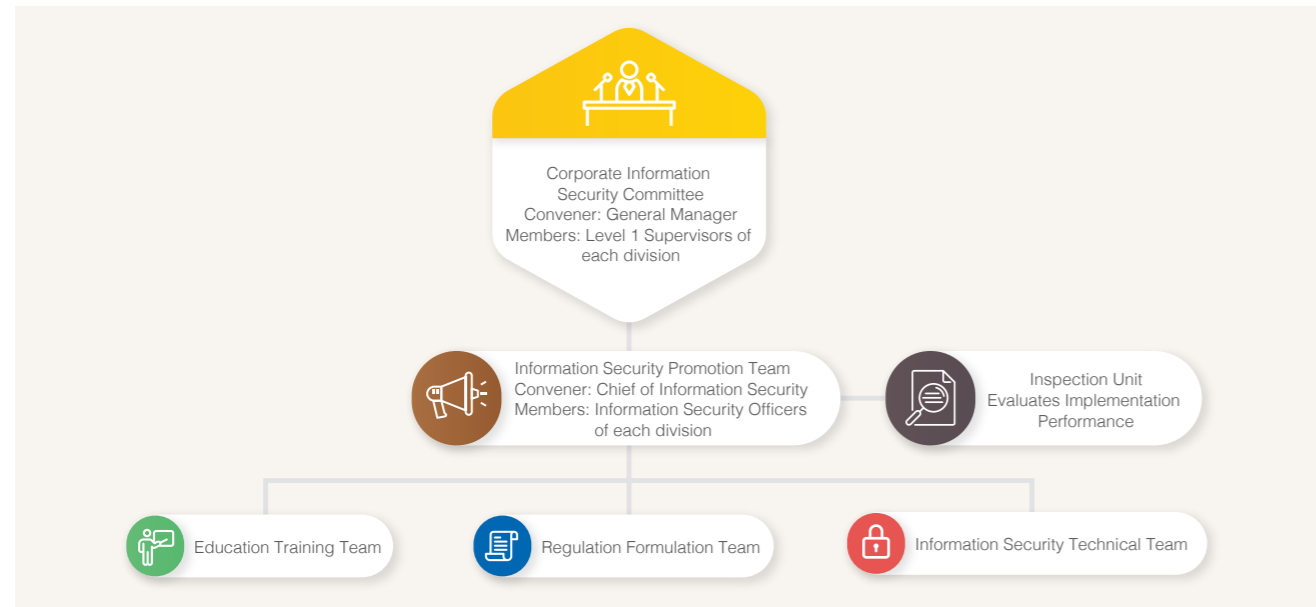
### Privacy and Personal Information Protection

New types of digital banking services are constantly being developed, and to confront increasingly dangerous cyber security threats and respond to a new era of cyber risks, CTBC emphasizes the critical role of prevention and being prepared with adequate response measures. To this end, we have adopted 5 main strategies covering information security management, information security prevention, monitoring and response measures, information gathering and joint defense, and personal information protection, resulting in a comprehensive set of controls. Moreover, to ensure information security and provide customers with a worry-free guarantee, CTBC has taken steps to maintain comprehensive control over various aspects of the company including its organizational and system structure, hardware and software improvements, education and awareness, and the implementation of sound management practices which conform to international norms.

### Organizational and System Structure

To strengthen the management of information security, CTBC Bank formulated the "Information Security Policy" and also established the "Enterprise Information Security Committee". Moreover, in 2017, the company established the "Corporate Information Security Department", which reports directly to the General Manager, ensuring that CTBC Bank has a sound information security framework in place. The Enterprise Information Security Committee is chaired by the General Manager, and the working team of Enterprise Information Security Committee is chaired by the Chief Information Security Officer. Each quarter, information pertaining to the effectiveness of implementing security management policies along with the latest information on security topics and response measures are reported during meetings of the Enterprise Information Security Committee. Topics of critical concern are separately reported to the Board of Directors, and an annual report on the effectiveness of the company's information security management is also presented to the Board of Directors.

## Organizational Profile of the Corporate Information Security Committee



### Improved Hardware and Software Capabilities

To facilitate the effective management of information security, CTBC established the Security Operation Center (SOC) and assigned dedicated personnel to conduct 24-hour monitoring of changes in the company's internal information security environment so as to actively identify information security issues and adopt response measures in real-time. To prevent the occurrence of information security incidents, the SOC regularly holds information security incident simulations and drills based on the information security incident response measures, thereby enhancing the company's ability to detect and respond to such incidents. In order to strengthen information security countermeasures, pertinent budgets for 2018 were scaled up by 50%; in addition to outfitting equipment with enhanced hardware protection measures, we will continue to train and cultivate internal information security professionals.

### 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 2017, 100% of all employees completed the training. For employees who could not complete the training as scheduled due to the nature of their work and differences in work shifts (e.g., due to an impromptu business trip, paternal leave, or maternity leave), CTBC arranges multiple supplementary training programs. CTBC 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.

### Information Security and Personal Information Training Rate of CTBC

Completion Rate of Each Subsidiary	2017	2016	2015
CTBC Bank	100%	99.65%	99.10%
Taiwan Life	(Information Security) 100% (Personal Information) 100%	(Information Security) 99.8% (Personal Information) 100%	(Information Security) 95.2% (Personal Information) 99.9%
CTBC Securities	100%	100%	100%
CTBC Investments	100%	100%	100%
Taiwan Lottery	100%	100%	100%

### Achieving Sound Management and Conforming to International Norms

Protecting the personal information of customers is of paramount concern to safeguarding the company's reputation and ability to maintain sustainable operations. Hence, to ensure comprehensive protection of customer data, CTBC Holding only displays the least amount of data in the information system which is actually needed to handle a particular service, thus helping to minimize risk exposure. We also take steps to reinforce the extent of our information security prevention infrastructure, including through the use of data classification levels, workstation web restrictions and controls, installation of Data Leak Prevention software on personal computers, defense against Distributed Denial of Service (DDoS) attacks, account privilege management, and monitoring and detection of advanced persistent threats (APT). Reference is also made to various foreign and domestic information security risk indicators, including computer virus protection software, steps to prevent hacker breaches, data leak risks, and regulatory compliance, all of which undergo comprehensive monitoring, and daily alerts are issued to the responsible unit supervisor in the event that a target indicator is not met. Information security management system (ISMS) international standard certification has been obtained for our main subsidiaries and business operations.

To respond to occurrences of infringement of personal information or information security related incidents, CTBC Bank established the "Personal Information Protection Instructions" and "Personal Information Protection and Information Security Management - The Guidance", and Taiwan Life has also formulated the "Emergency Response Plan for Infringement of Personal Files", all of which serve 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 Enterprise 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.

### Introduction of PIMs and ISMs

	Personal Information Management System(PIMS)	Scope of Verification	Information Security Management System(ISMS)	Scope of Verification
CTBC Bank	BS 10012: 2009 PIMS	<ul style="list-style-type: none"> <li>Branch Counter Account Opening Services</li> <li>Credit Cards Application Services</li> <li>Corporate Account Opening Services</li> </ul>	ISO/IEC 27001 (ISMS)	CTBC Bank was verified on 9 core services, such as Internet banking, fee payment and collection, Internet services, and email services, all of which have received certification.
Taiwan Life	BS 10012: 2017 PIMS	Customer Service Offices: Contracts Dept., Claims Dept., Policy Services Dept., Customer Service Dept., and information operations of the aforesaid units.	ISO/IEC 27001 (ISMS)	Upkeep of online insurance application services ("Policyholder Members' Zone", "Policyholders' Mobile App", "B2B Travel Insurance", "B2B Group Insurance", and "Online Insurance Enrollment") and the IT department's information system framework services.
TLG Insurance	A company-wide preview was completed prior to the end of December 2017. It is estimated that company-wide BS10012 verification will be completed by the end of 2018.		ISO/IEC 27001 (ISMS)	ISO 27001 certification was obtained on March 31, 2017. The scope of verification includes e-commerce. It is scheduled that the IT department will become ISO 27001 certified by the end of 2018.
CTBC Securities	-	-	ISO/IEC 27001 (ISMS)	ISO 27001 certification was obtained certification on November 20, 2017. The scope of (verification includes) e-trading environment (encompassing customer front-end operations to back-end server data storage).

To take actions in monitoring the implementation status of information security operations, the company has referred 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 protection, risk of information leaks, 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.

### Listening to 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.

#### A Design for A Simple, Uninterrupted Service Experience

CTBC bank 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 terms of customer service, CTBC's most important pledge to customers is to provide the best service experience possible so that customers can enjoy the most streamlined service experience. To this end, CTBC's Customer Service Center continued to carry out the following efforts in 2017:

- Established a dedicated unit tasked with improving the customer service experience by focusing on delivering simple, streamlined, and differentiated services and designing comprehensive end-to-end services.
- Promoted a simple, uninterrupted service experience that makes diverse, complex services easier to handle for customers so that customers receive fast and efficient professional services.
- Continued to develop numerous digital services that provide online-to-offline functionality such as mobile websites and options to send documents electronically, enabling customers to seamlessly access services.
- With respect to our corporate banking services, we also developed and launched "iCall", an innovative customer service system which allows the identity of customers to be automatically verified during incoming calls and consolidates all available banking information of each customer into one place. When a call is received from a customer, our representatives can promptly access all pertinent information on the customer including their entire banking and service records, thereby facilitating greater precision, speed, and ability to deliver relevant responses to customer's questions and provide even more impressive service.

Taiwan Life has set up a toll-free customer service hotline (0800-099-850) which is administered by the Customer Service Department to offer various free consultation service channels including via phone, internet, fax, email, and an interactive voice response system. Customer feedback and suggestions are recorded, providing an excellent means for customers to interact with the company through a one-stop service. In the future, we will also take steps to further expand and develop our digital banking services in a way that utilizes digital banking technology to deliver more convenient and secure innovative services to customers, thereby creating an entirely new digital banking service experience.

#### Diverse Services Allow Customers to Find Exactly What They Need, When They Need It

CTBC's Customer Service Center has taken various steps to create a friendlier service environment which offers a diverse range of services that allow customers to find exactly what they need, including:

- In addition to our existing telephone service channel, CTBC has introduced various online-to-offline integrated support services, including online text services, a smart robot assistant, and an automated text-based advisor to help customers resolve issues in a timely manner.

- Continued to expand our social media service channels to provide greater convenience to customers. For example, we have set up pages through platforms such as LINE and Facebook, and after linking in the LINE BC binding mechanism, we provide numerous frequently used personalized services through these channels, giving customers channels that are even more convenient to use.

### Multi-channel Digital Services

Channels	Facebook Service	LINE Business Connect	Smart Customer Services (Online Text-Based Customer Services & 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.	<ul style="list-style-type: none"> <li>• The official account can be used to look up daily currency exchange rates and investing and market information, and LBS can also be used to find the nearest ATM or branch location and access information on exclusive credit card offers.</li> <li>• CTBC customers can specify in their personal preferences to receive real-time personalized LINE notifications to stay on top of their account information, such as individual line-item credit card purchase notifications, account credit/debit notifications, payment reminders, and more. Customers can also use LINE to look up their accumulated bonus points, login activity, and various other query services.</li> </ul>	Customers can interact with customer service personnel through text-based messaging, which not only satisfies the needs of customers who prefer digital communication and self-service inquiries, but also enriches the diversity and convenience of digital services.
Effectiveness	875,000 friends <sup>(Note1)</sup>	520,000 customers have registered using these services <sup>(Note2)</sup>	<ul style="list-style-type: none"> <li>• Accumulated 206,000 monthly automated online inquiries <sup>(Note2)</sup></li> <li>• Effectively served 43,000 customers per month <sup>(Note2)</sup></li> </ul>

Note 1: Number of people is calculated by the number of fans on the CTBC Rewards and CTBC Facebook page.

Note 2: Data sourced from internal statistical results.

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 based on each customer's individual circumstances. 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.

#### Listening to Customers and Focusing on Meeting Their Needs

CTBC was the first bank in the industry to have created a Voice of Customer (VOC) platform in 2007, which was followed by establishing the Customer Care Committee in 2011. Since then, the company has continued to review the service quality indicators, VOC from inside, customer complaints from outside, and various customer care programs.

- In 2017, we received a total of 150,000 instances of customer voice feedback. In addition to helping us better understand our customers' needs; this VOC feedback enables us to make corresponding improvements to our services.
- In 2017, a total of 29 critical issues of concern to customers were reported and discussed by the Customer Care Committee or in meetings of division heads.

- Established the VOC alert mechanism, which systematically reports feedback to relevant units so they can make improvements that better safeguard the rights and benefits of customers. A total of 1,412 alerts were received in 2017, the majority of which were resolved in a manner that customers found to be satisfactory. However, as a result of the introduction of various new services which are slightly more complex and comprise lengthier handling procedures, and due to the recent consolidation of our banking and credit card services, a total of 425 customer complaints were received in 2017. We will uphold our commitment in providing the best services by continuing to refine our customer service and effectively resolving issues on behalf of our customers.

To ensure that our customers' voices are heard, Taiwan Life also established a comprehensive system for handling customer feedback and complaints which provides a wide array of channels through which a customer can provide feedback. In addition, Taiwan Life has established a customer feedback hotline which is staffed by a dedicated unit, and follow-up services for customer feedback are processed by dedicated personnel. Our system, operating procedures, and early-warning alert mechanism for handling financial consumer disputes (and complaints) allow us to handle customer complaints in a prudent manner and continuously implement follow-up improvement measures. Based on data released by the Financial Ombudsman Institution (FOI) (published twice annually for the corresponding period of the prior year), the actual results of Taiwan Life's customer complaint processing system are as follows: With respect to composite score (evaluation), Taiwan Life's ranking improved from 9th place in 2016, as published at the end of March 2017 (Jan. 1, 2016 to Dec. 31, 2016), to 4th place as of the end of September 2017 (July 1, 2016 to June 30, 2017). We will endeavor to ensure that our customers remain our primary focus, emphasize customer experience, and continue to work hard to improve and provide the best services possible.

#### Customer Satisfaction

To better understand the degree to which our customers are satisfied with the various products and services we provide, CTBC conducts customer satisfaction surveys for most types of the services we offer, and we use the feedback we collect from these surveys to make improvements.

- CTBC Retail Banking Services:** In 2017, a approximately 30 item customer satisfaction survey was conducted on retail banking customers which covered a wide range of issues, including bank branches, financial advisors, customer service, automated channels, and the overall satisfaction rate for various application procedures. In addition, we surveyed the satisfaction rate and needs of our customers with respect to different customer segments, corporate accounts, payroll accounts, new cardholders, family financial planning, real estate, cardholder benefits, and other special services, giving us a chance to hear what our customers have to say about how we do business. This year, we also rolled out a new dual questionnaire survey which utilizes QR Code and short URLs for text (SMS) messages in hopes of reaching out to even more customers and increasing the rate at which customers share their feedback. About 220,000 responses were received in 2017 with an average satisfaction rate of 88%. In order to be the first retail bank to offer comprehensive customer-centric services, CTBC Bank incorporated the Net Promoter Score (NPS) indicator. NPS was proposed by Bain & Company and is widely used by major international corporations such as Apple, Johnson & Johnson, and American Express. Compared with satisfaction rate, a "recommendation" represents personal credibility and guarantee at the psychological level and enables enterprises to more accurately measure customers' perceived experience to help us continuously refine our customer service. CTBC Bank scored 8 in 2017, keep pace with large retail banking in Europe, America or Australia market launched by Bain & Company.
- CTBC Corporate Banking Services:** In 2017, a total of 17 different cross-product and cross-channel satisfaction surveys were issued for corporate banking customers using online services; in total, about 1,800 responses were received, with more than 98% of customers reporting on average that they had received satisfactory service, and more than 60% of customers reported that they thought CTBC was the leading bank in the industry. This goes to show that CTBC is unwavering in its commitment to achieving a high customer satisfaction rate.
- Taiwan Life:** Taiwan Life believes that it is very important to listen to the voices of our customers. Implementing a customer satisfaction survey enables us to better understand what our customers need and what they expect. In 2017,

our satisfaction survey focused on 7 main areas: staff services, bill pay services, policy change services, head office customer service hotline, claims services, online services, and policy issuance services. A telephone survey was used to identify the satisfaction rate of our customers. The results of customer satisfaction surveys are reported during the company's management-level meetings. In addition to helping the company better understand the needs of policyholders, surveys also enable us to receive recommendations on future directions of improvement with respect to the company's business promotions and policyholder services, and relevant units are requested to continuously think of ways to refine our customer service in order to make Taiwan Life the most highly recommended leading brand by customers.

#### Customer Complaint Mechanisms and Resolution Rates

	2014	2015	2016	2017	Target
Number of Alerts Issued	596	584	586	1,412	Na
7-day Resolution Rate for Complaints	98.1%	99.5%	99.2%	97.9%	90%
Problem Applicability Rate	93.3%	95.2%	94.3%	95.2%	90%

Note: The figures for the period from 2014 to 2016 are for credit cards; all figures for 2017 are from retail banking.

#### Customer Satisfaction Rate

Type	2017	2016	2015	2014
Retail Banking	Satisfaction(%)	88	88	88
	Number of Questionnaires Returned	220,000	220,000	220,000
Corporate Banking	Satisfaction(%)	99.3	99.3	98.94
	Number of Questionnaires Returned	1,856	1,863	1,651
Taiwan Life <sup>(Note 2)</sup>	Satisfaction(%)	70	-	-
	Number of Questionnaires Returned	1,000	-	-

Note 1: Number of retail banking satisfaction questionnaires retrieved was calculated as of 2015; therefore, original data for 2014 are unavailable.

Note 2: Taiwan Life completed the share swap on October 15, 2015, becoming a wholly-owned subsidiary of CTBC. Therefore, data prior to 2015 are not disclosed. Due to institutional adjustments and system integration in 2016, customer satisfaction survey was conducted beginning in 2017.

## Product and Operating Risks



Seminar on Family Inheritance" to help educate our wealth management customers on the latest laws and regulatory requirements as well as cover critical planning concepts for passing on their wealth to family. In addition, we held a "Market Trend Prospect Conference" which featured talks by experts on how to interpret the latest financial trends. iPad and Q&A sessions were used to promote greater interaction with attendees, and global financial trends and investment strategies were extensively discussed.

In October 2017, Taiwan Life held 4 sessions of a lecture series aimed at individuals on the verge of retiring entitled "Preparing to Retire: Setting the Stage for a Worry-free Retirement". The lectures featured engaging talks by experts to help attendees gain a more thorough understanding of insurance planning concepts and learn how to make adequate preparations for retirement. In all, about 2,000 members of the public attended the lectures.

### Conclusion

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.

### Promoting 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 2017. Through newspapers, magazines, and digital media, a series of reports and events were produced and published to enhance 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.

In particular, to help children acquire a solid foundation of financial knowledge, we launched a financial management website designed especially for parents and children called "Meeting Your Future Self". The website aims to help children gradually learn financial concepts such as the basics of financial planning, how to save and spend money, and the importance of credit. Meanwhile, for adults, we also planned and launched the "Retirement Outlook for a New Era: Predictions for 2025 Lecture Series" which covers topics ranging from healthy living to LOHAS and wealth management in order to help people on the verge of retirement better envision what their future retirement will be like.

For customers who require information on how to plan on passing on an inheritance, we also created a "Informational

# RESPONSIBLE PRODUCTS

The challenges facing the development of mankind has now been defined by the United Nations Sustainable Development Goals (UN SDGs) and the Paris Agreement. As a leader of the financial industry, CTBC has not forgotten the critical role that should be played by the capital market. The principles of impact investing were adopted by CTBC in 2012 so that investment decisions not only look at the financial returns but also take into account their positive impacts on the environment and society. Attention is given to ecological protection and pollution topics during financial operations while investments and loans are channeled to industries involved in green energy.

## Responsible Lending and Investment

In 2017, CTBC committed itself to becoming one of the signatory banks to the Equator Principles by the end of 2018. Apart from continuing to comply with the UN Principles for Responsible Investment (PRI), the UN Principles for Sustainable Insurance (PSI), and the Stewardship Principles for Institutional Investors, CTBC also supports the government's "5+2 Industry Policy". We are working with all of our subsidiaries to promote responsible products and investments so that we can become a holding company for sustainable investment and insurance.

CTBC personnel practice due diligence in accordance with the relevant rules of the "Corporate Core Credit Policy" on loan applications and during interim management for businesses with energy-intensive, resource-intensive and pollution-intensive operations, with labor disputes or corporate governance issues, or those that issue important announcements due to illegal behavior to prevent credit risks arising from their impact on operations. CTBC Bank has established the Employee Code of Conduct to enforce responsible lending. Credit checks must assess

the borrower's fulfillment of environmental protection, ethical corporate management and social responsibility. Sales personnel should also be given assistance on risk assessments for ESG-related cases.

For all project finance reviews, CTBC bank requires the borrowers to comply with the minimum requirements of the relevant laws and regulations on environmental protection, pollution prevention and waste disposal regardless of the amount involved. Approvals from all competent authorities must also be secured including but not limited to environmental impact assessments. The borrower will be required by contract to maintain the same commitments if project financing is extended. In August 2017, credit checking rules for environmental risk assessment were also added for project finance to avoid disputed cases and fulfill the role of responsible investment.

Taiwan Life investigates enterprises applying for a loan to see if they were prosecuted over ethical corporate management and social responsibility issues. The information must be explicitly recorded in the Credit Review/Approval Form to provide full disclosure on

review outcomes and facilitate the making of appropriate lending decisions by managers at all levels. If a borrower enterprise is unable to satisfy the ESG requirements then the lending criteria may be adjusted to provide enterprises willing to commit to making improvements or to accept responsibility with a suitable amount of financing. Such financing will encourage borrowers to take ESG issues seriously, provide an incentive for fulfilling ESG goals during development, live up to the spirit of the Equator Principles and expand the influence on all levels of business.

In asset management, the CTBC Investments adheres to principle 5 "establish clear voting policies and disclose voting results" of the "Stewardship Principles for Institutional Investors." A total of 15 motions were proposed in 2017 and successfully voted on 768 times. The 2017 "Stewardship Fulfillment Report" of CTBC Investments can be downloaded from its official website. Besides, CTBC Securities provided counseling to green energy-related industries including automotive batteries, circular economy, materials.

## Responsible Investment and Loan Related Policies

CTBC Bank	Our "Corporate Core Credit Policy"(CCCP) expresses support for credit strategies and products relating to green energy and environmental protection. Due diligence must be conducted on businesses with energy-intensive, resource-intensive and pollution-intensive operations, with labor disputes or corporate governance issues, or those that issue important announcements due to illegal behavior to prevent credit risks arising from the impact on their operations.
Taiwan Life	The "Operating Regulations for Credit Investigation, Approval and Review of Loans" specifically require the evaluation of corporate borrowers during the application review process to determine whether they have fulfilled their responsibilities in environmental protection, ethical management, and social responsibility.
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 responsibility, labor rights, and corporate governance. After investment is conducted, CTBC Capital continues to monitor whether the investee companies have fulfilled the aforementioned responsibilities. Investee companies also receive supervision to ensure that improvements are being carried out on relevant matters.
CTBC Investments	The 6 principles set out in the compliance statement for "Stewardship Principles for Institutional Investors" are as follow: to establish and disclose stewardship policies; to establish and disclose policies on managing conflicts of interest; to monitor investee companies on a regular basis; to maintain an appropriate dialog and interaction with investee companies; to establish clear voting policies and disclose voting results; and to periodically disclose to clients or beneficiaries the status on fulfillment of stewardship responsibilities.

Taiwan Life began supporting the development of energy in 2014 in line with government policy. The "5+2 Industry" policy introduced by the government in 2017 also began encouraging investment by life insurance companies. Taiwan Life has invested up to NTD 1.7135 billion to date including 3 solar power projects, 1 natural gas power station, and 1 waste disposal company. The investments are expected to reduce carbon emissions by 830,000 tons per year. In 2018, Taiwan Life expects to invest in a further 1 to 2 solar-related and 1 wind power-related projects. Total investments will amount to between NTD 500 to 1,000 million.

Taiwan Life has invested in Star Shining Energy, a company that primarily invests in domestic solar energy power stations. The investment is not only expected to generate a steady return but will support the government's green energy policies as well. The joint venture was formed in October 2017. A total of 100,000,000 shares with a nominal value of NTD 1 billion was issued; Capital will be increased to NTD 3 billion through subsequent rounds of financing in 2018 and 2019 with further investments in other power station projects. Taiwan Life will acquire a 30% stake. Total investment will rise to NTD 900 million through subsequent capital increases on a proportional basis. Hsing Yao Energy purchases 28MW of generating capacity at the end of 2017. The development of new projects will add 80MW of generating capacity by the end of 2018 and 70MW of generating capacity in 2019. Total generating capacity will be approximately 200MW and become a part of the domestic power supply.

## Green Investments made by Taiwan Life

Year	Green Industry	Type	Total Investment (NTD:100 million)	Anticipated Annual Power Production (10 MWh)	GHG Reduction (tonnes)	GHG Reduction Performance Equivalent to How Many Da-an Forest Parks <sup>(Note1)</sup>
Since 2014	Star River Energy Group Limited	Solar Power Generator	1.11	3,130	16,526	63
2015	Sunny Friend Environmental Technology Co., Ltd.	Waste Management	0.92	Sterilize and reprocess medical and industrial waste into reusable materials. All stakes in the company were sold after it went public in 2016		
Since 2015	Star Energy Power Corporation	Natural Gas Generator	1.71	151,000	604,000	2,309
Since 2016	Star River Energy Group Limited	Solar Power Generator	1.125	2,713	14,324	54
Since 2017	Star Shining Energy Co.	Solar Power Generator	9 <sup>(Note 2)</sup>	25,327	133,980	512
Since 2017	Whole Max Green Power <sup>(Note 4)</sup>	Solar Power Generator	3.27	11,740	62,105	237

Note1: Da-an Forest Park covers 25.894 hectares. Calculations based on each hectare of forest capturing 10.1 tons of carbon each year as given in the 2015 Annual National Inventory Report (Source: <http://greenevent.epa.gov.tw/act/calculate1>).

Note2: Initial investment of NTD 300 million, total investment of NTD 900 million investment.

Note3: The anticipated annual power production is based on the parameters of investment proposals.

Note4: Passed by Board of Director of Whole Max Green Power in November 2017, approved by Insurance Bureau in March 2018, expected asset injection will be in July 2018.

In addition to becoming a responsible investment company, the insurance business also plays an important role in CTBC's push towards sustainability. The mission of the Taiwan Life subsidiary under the UN PSI is to use insurance to solve social problems. Taiwan Life has now introduced micro-insurance policies aimed at the economically disadvantaged or special groups. An example of this is the affordable aging policy for aged people that can't purchase life insurance to help solve the social problems associated with "aging"; To look after national health, Taiwan Life introduced the first sub-health insurance policy for Hepatitis B carriers and the first health management spill-over policy in the industry. The policies aim to encourage the general public to maintain a healthy lifestyle through eating healthy foods, exercising, and regular health checks. At the end of 2017 there were 6,235 sustainable insurance policies generating NTD 94.49 million in premiums.

Categories	Subsidiaries	ESG Content	2016 Assets/Amounts	2017 Assets/Amounts
Investments	CTBC Bank	Invested in green-related industries, such as waste disposal, hydroelectric power generation, and solar energy.	Total Investment: 9.6	Total Investment: 41
	Taiwan Life	Invested in solar energy industry.	Total Investment: 1.125	Total Investment: 12.27
	CTBC Capital	Investment in green energy industry.	Total Investment: 1.14	Total Investment: 1.146
Loans	CTBC Bank	Green loans to green technology industry, circular economy and green building.	Loan Balance: 1,429	Loan Balance: 1,331
	CTBC Bank (overseas), Taiwan Life, and TLG Capital	Loan to ESG related industries such as wind power, electric vehicles and hybrid vehicles.	Approved Loans: 265	Approved Loans:66.73
Insurance	Taiwan Life	Introduced micro-insurance/sub-health insurance/funeral non-cash payment insurance/health management spill-over/affordable aging insurance policies to help the disadvantaged and provide social care.	Total Policies: 0.027	Total Policies: 0.9
	TLG Insurance	Promoted compulsory automobile liability insurance and basic residential earthquake insurance in support of government policy. Insurance coverage also offered for natural disasters such as typhoon and flooding.	Total Policies: 4.7	Total Policies: 4.9
Products	CTBC Bank	Natural resources, green-related funds/bonds/investment-linked insurance products.	Amount of Assets: 76.9	Amount of Assets: 75
		Issuing of green bonds.	-	Amount of Bonds:10
	CTBC Investments	Global Silver Age Income Fund/Global iSport Fund.	Fund Size: 31.4	Fund Size: 37.8
Service	CTBC Bank	Provides account management services for the government's recycling management fund/soil and ground water pollution remediation fees/green point system.	Amount Accepted by Proxy 73.43	Amount Accepted by Proxy 81.3 <sup>(Note)</sup>
		Underwriting of green bonds.	-	Underwrite Amount: 10

Note: Account management services for soil and ground water pollution remediation fees are starting from April 2017.

Insurance Product Type	Policy Type	Solve Social/Environmental Problems	Number of Policies	Premiums (NTD: million)
Micro-Insurance	6	Insurance product that provides economically underprivileged or special groups with basic coverage on certain risks. Features include low insured amount, low premiums, and coverage that are simple and easy to understand. They are also set up as commercial insurance. The promotion of micro-insurance is aimed at reducing the burden on society by encouraging underprivileged groups to review their own requirements and engage in risk-shifting.	2017: 6,235 cases 2016: 291 cases	2017: 94.49 2016: 2.735
Affordable Aging Insurance	1	"Affordable Aging Insurance" is characterized by higher age limits and lower premiums than other ordinary life insurance policies on the market; the purchasing of commercial insurance will hopefully help solve some of the social problems associated with "aging." For senior citizens unable to purchase death insurance it will help pay for their funeral expenses at the end of their lives.		
Sub-Health Insurance	3	Some people with health issues may be classified as "non-standard" by insurers leading to "higher premiums", "exclusion clauses" or "refusal of coverage"; to meet the need for coverage from people with sub-health, Taiwan Life became the first in the industry to offer sub-health policies for Type 2 diabetes patients and Hepatitis B carriers. The policies fulfill an insurance company's social responsibility on expanding the scope of coverage.		
Spill-Over Policy	1	The policy supports the government policy of promoting "prevention is better than the cure". Rather than the traditional approach of treating diseases after they happen, a new approach based on preventive medicine and health management before diseases happen is now emphasized. Discounts on premiums are used as an incentive to encourage insured to exercise regularly or follow healthy diets. This will not only reduce the incidence of diseases but also lower the amount of insurance pay-outs made by insurance companies. The burden on social medical resources is indirectly reduced as well; the result is a win for insured, insurers and the government alike.		
Insurance Conversion Policy	2	Planning for retirement has become increasingly important in an aging society. To provide more comprehensive coverage that meets the needs of insureds, Taiwan Life offers a functional contract conversion (insurance conversion) service that lets customers convert their existing life insurance policies into health insurance or annuity. Such conversion not only means savings on premiums but also allows life insurance coverage to be converted into paying for future medical and living expenses for a better quality of life in retirement.		
Compulsory Automobile Liability Insurance	1	Policy insurance that provides victims of traffic accidents with basic coverage for their basic needs.		
Basic Residential Earthquake Insurance	2	Earthquake insurance offered in accordance with government policy to cover the loss of property suffered by clients during earthquakes.	2016: 113,130 cases 2017: 130,927 cases	2016: 145.15 2017: 166.48
Typhoon and Flood Insurance (Fire Insurance)	2	Due to the increasing severity of property losses caused by natural disasters, the risk distribution mechanism provided by insurance is used to protect the property of insureds.	2016: 240 cases 2017: 230 cases	2016: 15.12 2017: 18.60
Typhoon and Flood Insurance (Car Insurance)	1		2016: 281 cases 2017: 218 cases	2016: 1.60 2017: 1.25

## Professional Environmental Protection Services Provided by CTBC Bank

**Commissioned Account Manager of "Green Point System"**

CTBC integrates the resources of the Environmental Protection Administration, related ministerial departments, and private organizations to encourage the general public to embrace green living by providing rewards for purchasing green products and other environmental initiatives. CTBC Bank serves as the steward for assets under trust, and allocates subsidies to contract institutions according to the instructions given by the Environmental Protection Administration.

**Recycling Fund Payment Processing Services**

CTBC Bank has been the exclusive provider of payment processing and grant disbursement services to the EPA Recycling Fund for over 10 years. In 2018, CTBC began providing vendors with mobile phone payment services in response to the trend towards mobilization.

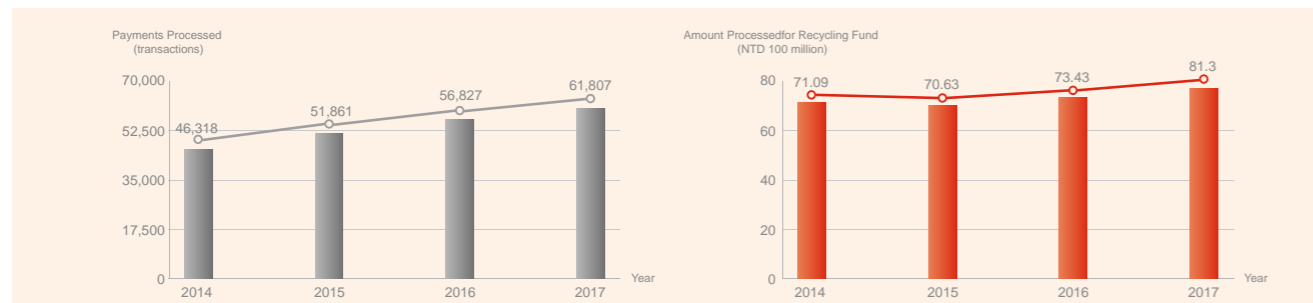
**Collection of Soil and Groundwater Pollution Remediation Fees**

CTBC Bank developed a multi-channel payment processing service tailored to the EPA's requirement for multi-channel payment processing of soil and groundwater pollution remediation fees. System integration has been completed and the fee collection service went live in April 2017.

**Underwriting Green Bonds**

Underwrote green bonds for funding GHG reduction equipment.

## Recycling Fund Payment Processing Services

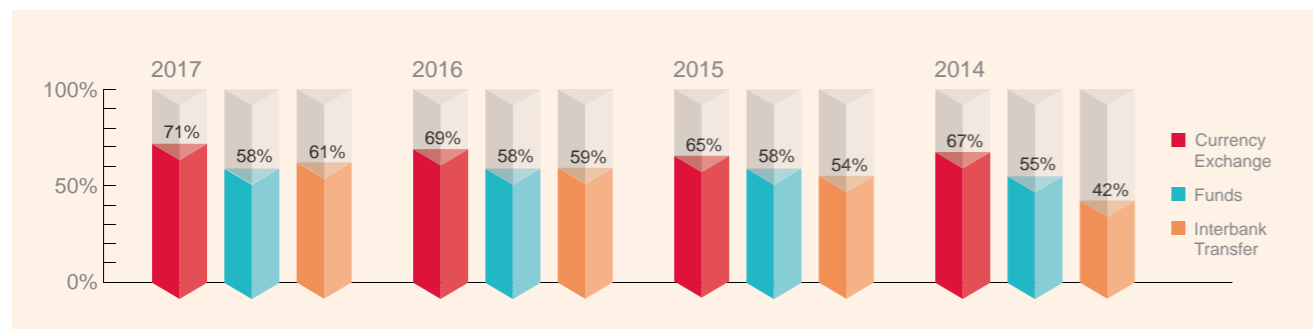


## Green Finance and Services

### Paperless Green Services

Service is heart of CTBC's business. By providing green service, CTBC hopes to join with our customers in promoting environmental protection and raising their level of environmental awareness. "Paper-free" is an important component of green service. In 2007, CTBC Bank led the industry by offering ATM customers the option of "don't print receipt." In 2016, CTBC began promoting the use of automated channels with customers encouraged 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 2017 accounted for more than 70% of all currency exchanges, nearly 60% of all fund transactions and over 60% of interbank transfers. The number of people using online currency exchange and interbank transfers has also grew by nearly 3% compared to 2016, effectively reducing the consumption of paper and related energy resources. On the promotion of electronic credit card statements, the number of customers receiving electronic credit card statements had exceeded 1.44 million by the end of 2017. Around 47.59 million sheets of paper were therefore saved during the year, reducing environmental pollution from CO<sub>2</sub> emissions by 434 tons.

## Internet/Mobile Banking as A Percentage of All CTBC Bank Transactions



## Carbon Reduction from Electronic Statements for CTBC Bank Credit Cards



CTBC Bank has developed a service splitting platform using bar-code payment and e-invoices to ensure the entire transaction process remains paper free. 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 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 "Mobility Financial Service" has also been developed by CTBC Bank to combine financial planning with technology. This new full-range financial planning service model is more secure, more efficient, more timely, and free from space constraints. Financial planners can use the app to query all of the information they need for proper financial planning. Financial planners can therefore venture beyond bank branches and no longer have to wrestle with stacks of printouts. They can now review a customer's product portfolio on their tablets and provide personalized financial advice on the spot; "banking service application" and "insurance calculation" services can also be completed digitally through the app. Online transaction functionality will be added in the future. Client orders can be placed through the pad itself to reduce the amount of printed paper generated by transactions.

Taiwan Life became one of the first insurance companies in Taiwan given approval to trial online insurance services in 2014. The 24-hour service, continued optimization of processes and expanding of product categories proved popular with clients. Taiwan Life's online insurance platform is now used by the most number of insurance brokers. In 2017, overall satisfaction among online members was 84% and a total of NTD 141.69 million in premiums were collected during the year, catapulting Taiwan Life from 7<sup>th</sup> place in the online insurance market in 2016 to 2<sup>nd</sup> place. To actively cultivate the insurance requirements of online users and improve the service efficiency of sales problem through the use of mobile technology, Taiwan Life has been providing sales personnel with a variety of mobility tools that improve the quality and efficiency of their customer service since it became one of the first insurers authorized to offer "mobile insurance" services. Mobile insurance, mobile recommendations, policy check-ups and requirement analysis were used by 30% of all clients in 2017. Active promotion should see these used by over 90% of all users in 2018. In addition to great savings on paper otherwise used for insurance applications this also shortens the application and processing time as well.

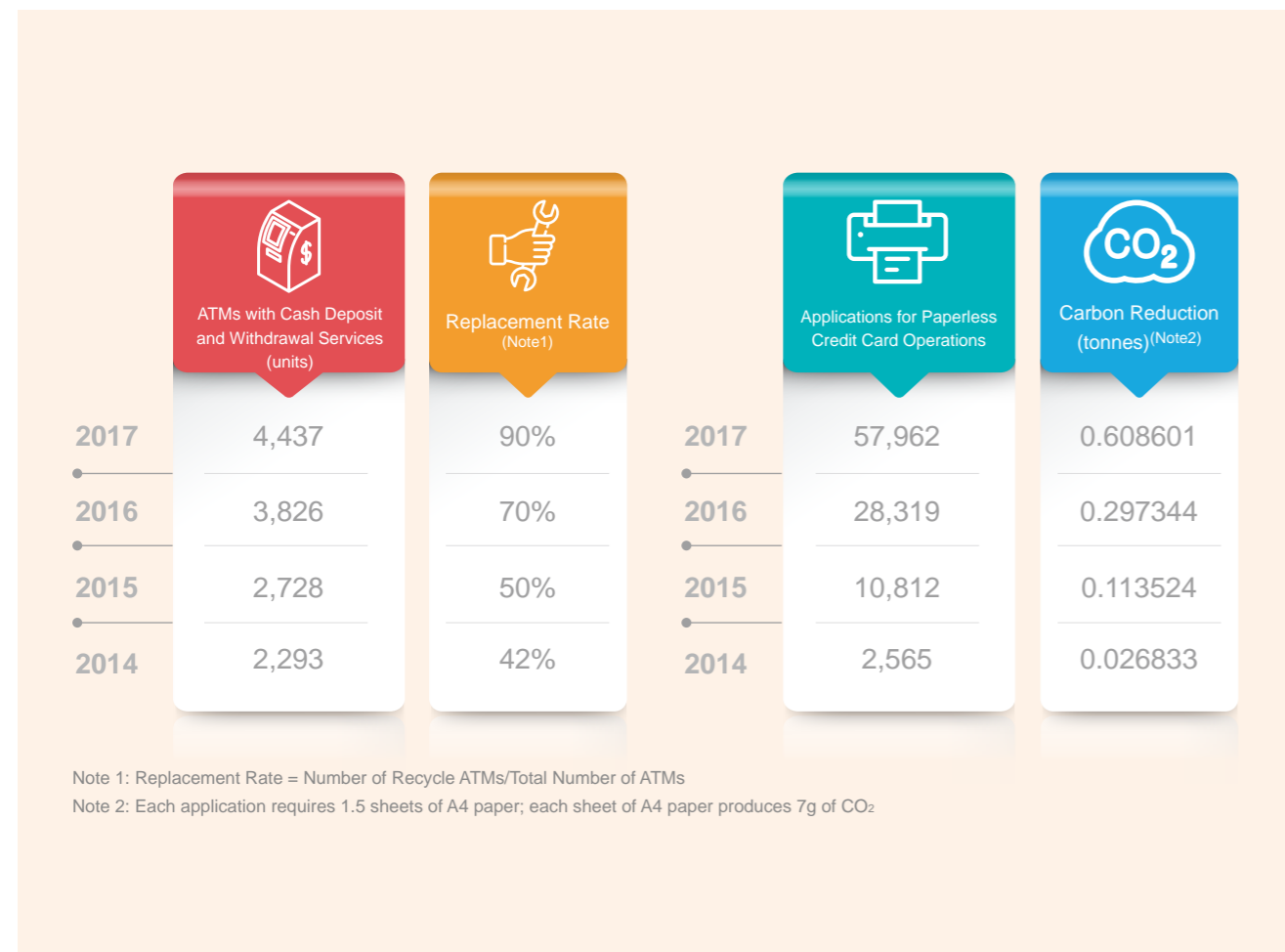
From January 2017 onwards, CTBC Securities implemented paper-free operations for everything from internal administration to external customer service to achieve NTD 940 thousand in savings. This is the equivalent of 2.44 million sheets of paper (printed in single-sided A4 monochrome) so translates into great savings on paper and energy consumption; at the end of December 2017, the percentage of electronic transactions increased to 67.11%, up from the 59.9% in 2015 and 63.8% in 2016. All of these served to reduce the consumption of paper from consignment orders.

#### New Payment Methods Create Green Consumption Models

CTBC Bank is dedicated to the development and management of mobile payment tools and application scenarios that provide clients with secure and convenient payment methods. The digitized financial environment will hopefully satisfy the financial requirements of clients in everyday life and, create a green consumption model that also facilitates energy conservation and carbon reduction.

- **ATM Service** - CTBC bank launched a replacement program for ATMs in Uni-President convenience stores in 2014. The old ATMs were replaced by Recycle ATMs that combine the cash flow of client deposits/withdrawals at the front-end along with the bank and Security Company's back-end to optimize their use. The new ATMs reduces the number of security escort trips more than 20,000 times a year, reduces CO<sub>2</sub> emissions from vehicles, and makes a contribution to environmental protection.
- **CTBC Rewards APP** - Provides online card application for existing customers, mobile loyalty point redemption and mobile payment account inquiry services to effectively reduce the consumption of paper as well as emissions from repeatedly starting and connecting terminals for inquiries. A total of 57,962 sheets of paper were saved in 2017, equivalent to a reduction of 608.6 kg in carbon emissions annually.

#### ATM Services and Replacement Rate & Carbon Reduction from Paperless Credit Card Operations



#### New Mobile Online Card Application

CTBC Bank leads the industry with its online application process for credit cards. In the past, online credit card applications could only be made on the computer. The service experience was upgraded in 2017 by CTBC Bank with the addition of a mobile edition application page. Applications can now be made through LINE BC, Internet keyword searches and clicking on the web pages of co-branding organizations.

Front-line personnel promoting CTBC credit cards can guide customers to apply through the mobile web page. Apart from making the forms easier and quicker to fill out, this also reduces the consumption of resources during the card application process to achieve a truly paper-free process. The details of client applications can be transmitted directly back to the bank for system review, reducing the risk of client details being leaked or lost. Consumers applying for their first card (new user) or existing CTBC Bank card-holders (legacy users) can all apply through this channel. Current account holders or those with cards from other banks can use OTP authentication or credit cards from other banks for verification. Not having to sign in person for new card applications greatly enhances the client experience.

#### Mobile Statements in Support of Green Services

Apart from printed and electronic statements, the rise of digital finance and popularity of smart phones means CTBC Bank is now offering a mobile statement service. Card-holders can now receive their statements over SMS, query account details, pay off credit cards and apply for installment plans through their mobile phones each month. They no longer have to worry about late payments due to printed statements being misplaced. The card-holder can also pay off the credit card online using a cash account instead of having to make wire transfers at convenience stores, banks or ATMs. A new era in billing services is now being introduced. The use of interactive technology and a friendly user-interface design will hopefully enable card-holders to carry out all of their financial services through the mobile phone. The continued promotion of paper-free operations will also reduce paper consumption and help protect the environment.

#### More Inclusive Financing to Meet the Needs of Society

Caring 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 micro-finance 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.



CTBC Micro-Finance Products

Small and Medium Enterprises	CTBC's small and medium enterprise loans emphasize the cultivation of small and medium enterprise customers through by dedicated sales teams at the branch level. The full-spectrum of financial services such as "financing planning", "cash management", "salary payment" and "financial advice" is provided to satisfy the diverse needs of businesses and business owners. According to the strategy and action plan, the compound annual growth rate was about to 18% these three years.
Micro-Loans	<ul style="list-style-type: none"> <li>The CTBC Poverty Alleviation Program was first launched through the CTBC Foundation in 2011. The program offers entrepreneur guidance and related loans that help economically disadvantaged families improve their circumstances and gain financial independence.</li> <li>The Philippines branch of CTBC Bank 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 3 microfinance organizations and total credit transactions exceed 1.4 billion Philippine Pesos.</li> <li>The Vietnam branch of CTBC Bank began working with microfinance institutions from 2015 to indirectly provide people without bank accounts with financing on motorcycles and durable consumer goods as well as cash loans. The loans help the Vietnamese government reduce poverty. We now have 3 microfinance institution partners and the total line of credit is USD 33 million.</li> <li>CTBC's Tokyo Star Bank subsidiary in Japan began providing assistance to economically disadvantaged groups in Vietnam from March, 2018, by providing up to USD 4 million in micro-loans to micro-enterprises.</li> </ul>
Micro-Insurance	The Taiwan Life subsidiary has answered the government's call for micro-insurance policies by providing micro-insurance for individuals, collectives, and groups. In addition to donating towards the insurance premiums of disadvantaged groups, sales personnel also engage with disadvantaged people or special groups to expand the reach and protection offered by micro-insurance.
Charity Credit Cards	<ul style="list-style-type: none"> <li>Co-branded cards 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. CTBC has continued to support charity credit cards. There were around 300,000 charity credit cards from four organizations (Tzu Chi, TFCF, Xue Xue, and Paper Windmill) in circulation at the end of 2017 and these generated approximately NTD 30 million in rebates for their respective charities. We hope our card-holders can continue to channel their resources and compassion into giving back to society.</li> <li>Affinity 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 client 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 ensures that donations are truly used to look after their intended beneficiary.
Debt Management Assistance	In addition to providing repayment plans based on a customer's current debts during the debt management process, we also identify economically disadvantaged borrowers to help promote their products and increase their income, or refer them to social welfare organizations to help raise funds for children from poor families or seek donations of needed supplies.

Charity Credit Cards

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

CTBC Micro-Finance Product Performance

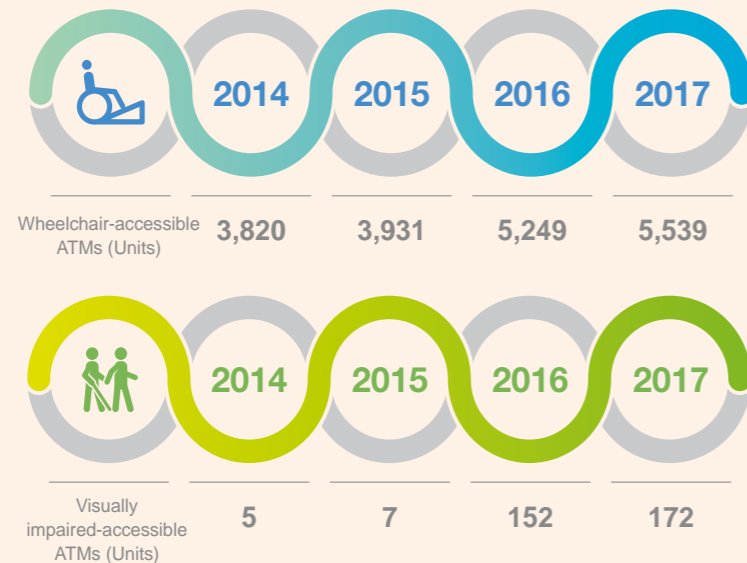
Year		2017	2016	2015	2014
Loan	Loan Approvals under Poverty Alleviation Program (cases)	45	61	56	6
	Cumulative Loan Approvals under Poverty Alleviation Program (cases)	211	166	105	49
	Amount of Loans Approved under Poverty Alleviation Program (10,000 NTD)	2,250	3,008.6	2,668.2	213.2
	Cumulative Amount of Loans Approved under Poverty Alleviation Program (10,000 NTD)	9,729.8	7,479.8	4,471.2	1,803
Insurance	Micro-Insurance Policy Types	6	6	6	3
	Micro-Insurance Policy Purchases (contracts) <sup>(Note)</sup>	260	289	3,922	310
	Micro-Insurance Policy Holders (persons)	25,491	20,391	8,533	-
	Micro-Insurance Premiums (NTD)	2,609,056	2,631,119	853,977	83,853
Credit Cards	Charity Credit Card Rebates (million NTD) (Tzu Chi, Xue Xue, TFCF, Paper Windmill)	30	27	25	25
	University Affinity Card Rebates (10,000 NTD)	30	30	30	30
Trust	Total Assets in Disadvantaged Person Trusts (100 million NTD)	1.77	1.62	1.46	1.16
	Total Assets in Charitable Trusts (100 million NTD)	141.47	139.91	139.63	139.1

Note: Micro-insurance policies run for 1-year. Policy not renewed by proposer.

CTBC Micro-Finance Services

Charitable Services		The Yapee third-party payment platform helped numerous non-profit organizations such as charities and foundations introduce to online cash flow services. Consumers can purchase charity calendars and other merchandise through the online platform.
Friendly Services -	Physical Disability	<ul style="list-style-type: none"> <li>Installation of accessible ATMs: 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. CTBC Bank refined the accessible internet banking service with involving the designing process by visually impaired customers on Jan 2018, and received the conformance level A of web Accessibility service. Which features responsive web design, ease of use and friendly guidance.</li> </ul>
	Remote Areas	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. Apart from ATM services, customers in remote areas can also take advantage of our online application/transaction services from home.
	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.
	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.
Smart Text Chat Customer Services		People who have difficulty with speech communication (e.g. The hearing-impaired) have access to text-based customer services. These are complemented by smart service systems that provide this particular group of customers with the fastest and most convenient financial support services.

CTBC Micro-Finance Service Performance



Promotion and Cultivation of Debt Management Culture

To fulfill the CTBC brand spirit of "We are family" and practice the corporate mission of "Protect and Build", CTBC established a caring culture platform to communicate the core values of caring, professionalism and trust. Economically underprivileged borrowers are identified during the debt management process to help promote their products and increase their income, or refer them to social welfare organizations to help raise funds for children from poor families or seek donations of needed supplies. The assistance allows customers under debt management to carry on with their lives, establishes a long-term relationship of trust with the customer, and encourages the customer to not give up with a fight. Such direct assistance helps the customer get through their economic difficulties and see hope for the future.

Caring Culture	Execution	Outcomes
Charitable Group Buys	Employees launch group buys over the intranet on their own initiative to directly help customers under debt management get through their difficulties.	From December 2008, CTBC Bank provided debt management assistance to 58 customers, launched 205 charitable group buys. A total of 5,088 people from across the bank took part and made up to NTD 2,345,458 in charitable group buys.
Charitable Donations	Provided referrals for the children of customers under debt management. Assistance was also provided to help economically disadvantaged children go to school.	From 2009, CTBC Bank successfully helped the families of 10 debt management customers achieved financial independence. A further 19 children were adopted through the debt management assistance program in 2018. Total participation amounted to 7,691 people and total donations amounted to NTD 2,238,732.
Donation Drive for Charity Goods	Launched animation donation drives to help economically disadvantaged families under debt management.	From 2012, CTBC Bank provided assistance to 73 cases of economically disadvantaged families under debt management, launched 60 donation drives for charity goods and made total participation amounted to 893 people.

Conclusion

Global risks such as climate change, energy resource shortages and ecological destruction means "sustainable development" is a challenge that enterprises worldwide must now face. The 17<sup>th</sup> UN SDG advocates a strengthening of sustainable development action plans and revitalizing the global partnership for sustainable development. In the future, CTBC will continue to shoulder its responsibilities on responsible products and investments. Continued donations of micro-insurance will help support the government's policy of looking after underprivileged groups, strengthen social insurance/welfare protection, and fill in the gap on emergency protection for underprivileged groups. For the economic, environment and social aspects, CTBC will incorporate the Equator Principles, UN PRI and UN PSI into its finance business and become a strong advocate as well to assist more members of society. CTBC will become a force for positive development in society and make a contribution to global economic and sustainable development.

# SUSTAINABLE ENVIRONMENT

As a global corporate citizen, CTBC promises to uphold a "Green Policy, Green Future" and effectively reduces the potential environmental impact from operational activities and services through risk identification, analysis, assessment, mitigation, and follow-up. An Environmental Sustainability Task Force has been established by CTBC Corporate Sustainability Committee to obtain a comprehensive grasp on and monitor the risk factors and opportunities in the life cycle, prevent the environmental impacts of business operations and services, and thereby mitigate the negative environmental influence of these activities, adopt the "TCFD Recommendation" published by the Task Force on Climate-related Financial Disclosures (TCFD)\* of the G20 Financial Stability Board for the disclosure, simultaneously implement energy conservation, carbon reduction, pollution prevention, and environmental protection, contributing to environmental conservation and protection.

Global climate change has created a series of environmental hazards on a yearly basis, which will inevitably bring about one of the worst disasters in the human history. Climate change not only incurs transition and physical risks for enterprises, but also brings forth opportunities for market innovation. The financial sector in such critical moment plays a vital role in driving the world toward low-carbon economy. CTBC hopes to tap on its leading status in the financial industry to exert an influence on the sustainable economic model. By using green loans, investment, insurance, and other solutions, we anticipate not only a strengthened climate resilience of the organization but also continuous communication with our stakeholders through the disclosure of our planning processes and performance results. CTBC continues to promote the "energy conservation, carbon reduction and environmental protection" philosophy. By expanding from "energy conservation and carbon reduction", "resource management" and "green building" to downstream "green services" and upstream "green purchasing", we aim to develop and provide services and products that contribute to the mitigation of climate change in the future and commit to become the most environmentally-friendly

green financial institution.

## Energy Conservation and Carbon Reduction

CTBC has since 2012 continued to complete CDP questionnaires, becoming one of the first signatories to the CDP in Taiwan. Beginning in 2016, we also became the only financial institution to receive CDP Leadership A- for the second consecutive year and were counted among the top 20% of the global financial industry. This achievement shows that CTBC has taken the best action in its business operations to actively reduce and manage greenhouse gas emission and further extend to our partners in the value chain. CTBC Bank also passed the verification for ISO 50001 in 2012, which made us the first financial institution in Taiwan to receive this certification. Since then, our major domestic branches were also incorporated into ISO 50001 autonomous management every year over the next five years. 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 verifications. This officially unveils the stage curtain of CTBC's efforts in environmentally sustainable business practices and

energy-saving improvements. In 2017, CTBC expanded the scope of the three major international standard certifications, ISO 14064-1, ISO 14001, and ISO 50001, to the 151 CTBC Bank branches in Taiwan. In 2018, all subsidiaries under CTBC Holding have completed the ISO14064-1 verification. The move marks a new era in the history of climate change management at CTBC.

CTBC constantly promotes all types of energy resource integration project every year. The previous goal of saving 6% of electricity consumption within 3 years was successfully achieved. Our next 3-year target sets 2017 as the baseline year with electricity usage to be reduced by 2% per year, and 6% within 3 years for total savings of 1.72 million kWh. Emissions of greenhouse gases are expected to be reduced by more than 900,000 tonnes. 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 largest source of energy consumed was electricity because of the industry characteristics of CTBC. The CTBC Financial Park commenced operation in 2015. The number of employees



Cloud City:HAT-P-12  
Tomás Saraceno  
Artwork in CTBC Financial Park  
Nangang Dist., Taipei City

## CTBC Holding Environmental Sustainability Policy



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



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



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



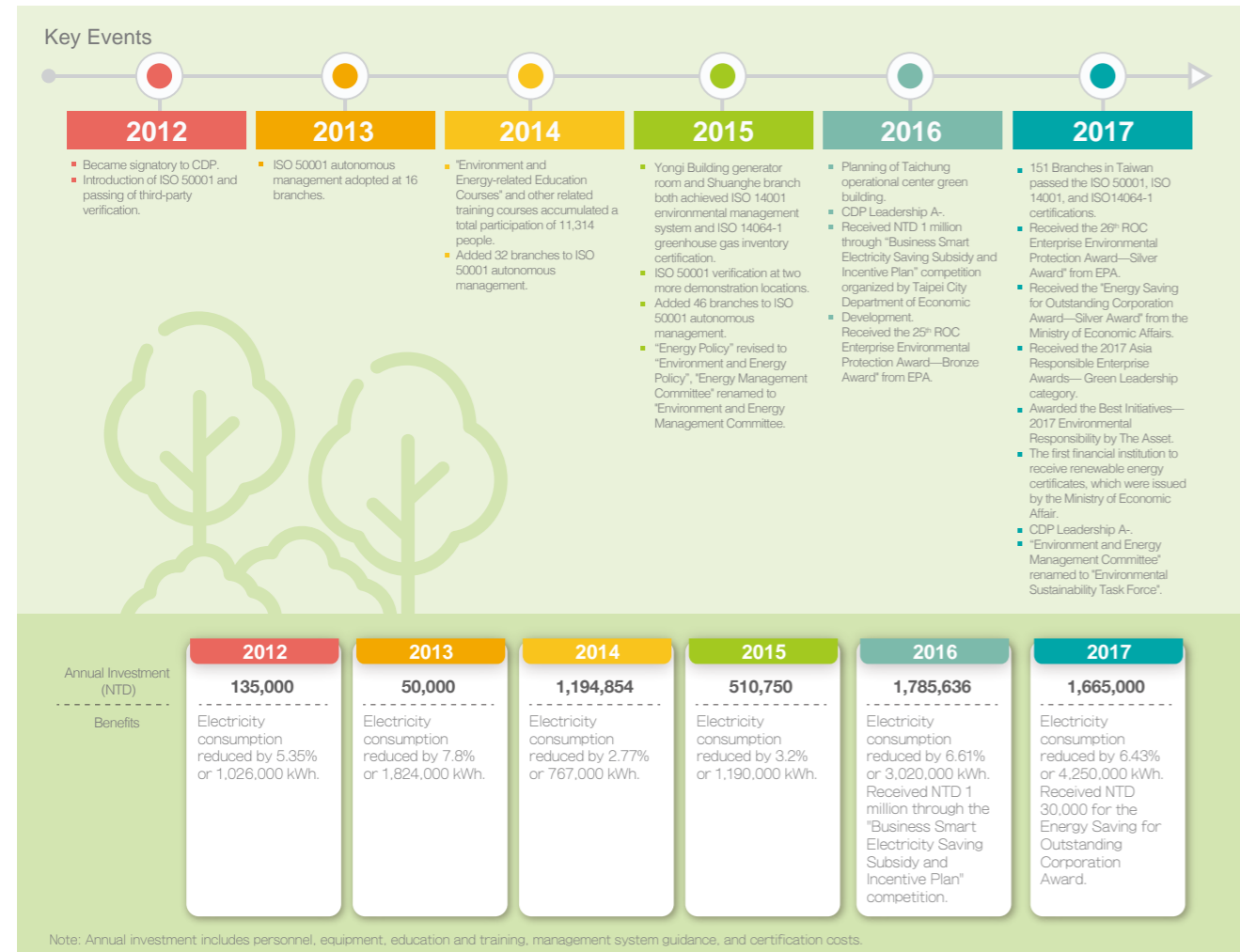
Expansion of corporate influence and formation of a green energy circle with associated businesses.



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

and volume of business increased; therefore, fuel and electricity consumption after 2015 increased compared with previous levels of consumption. Attributable to the successive adoption of green buildings and energy-efficient equipment as well as the replacement of old equipment, the average power consumption per capita in 2017 decreased by 23.6% compared with that in 2016. Electricity usage intensity per square meter also decreased by a similar value.

### Record of Energy Management Promotion



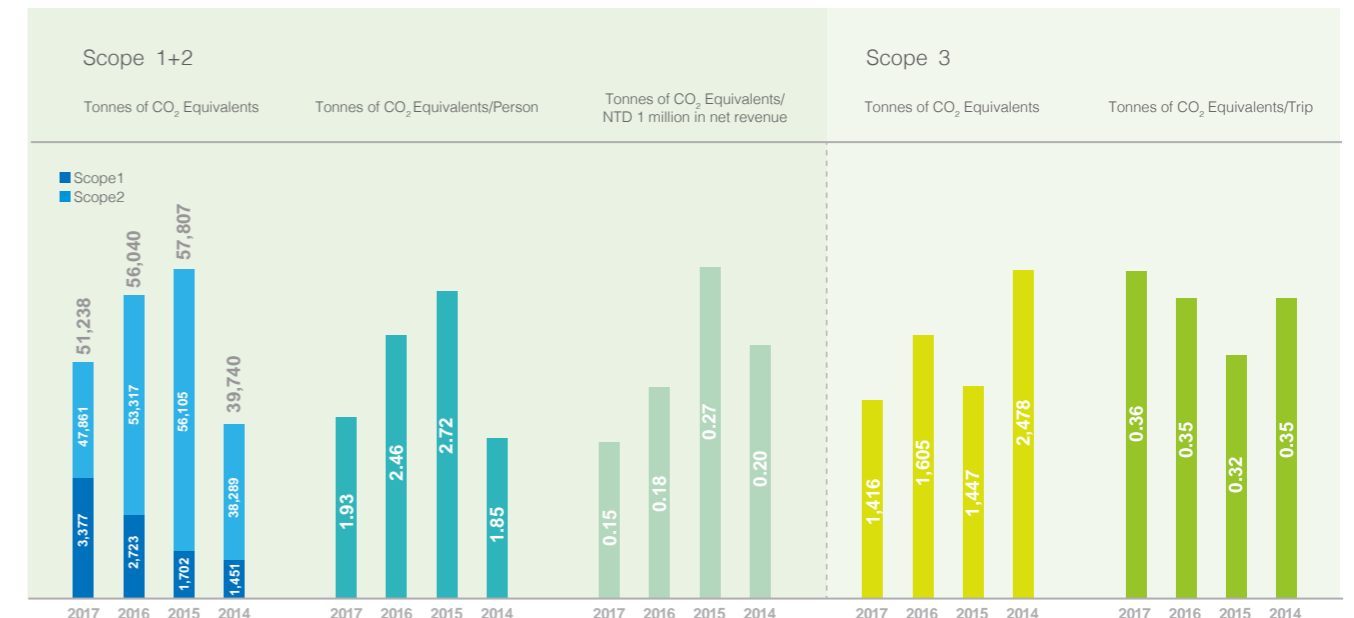
### Energy Consumption and Intensity

Energy Type and Consumption Intensity	Unit	2017	2016	2015	2014
Gasoline	liter	491,337	265,348	269,374	238,806
Diesel Fuel	liter	9,562	4,846	-	-
Natural Gas (NG)	m <sup>3</sup>	38,866	33,569	26,196	20,253
Liquefied Petroleum Gas	liter	436	-	-	-
Electricity	kWh	89,722,825	100,788,048	106,258,948	73,492,174
Total Energy Consumed	million joule	3.44x10 <sup>11</sup>	3.63x10 <sup>11</sup>	3.83x10 <sup>11</sup>	2.65x10 <sup>11</sup>
Electricity Usage Intensity	kWh/person	3,378	4,417	5,004	3,413
	kWh/m <sup>2</sup>	281	265	285	200
	kWh/NTD 1 million in net revenue	257	315	493	365

Note: Electricity usage intensity is obtained from domestic ISO14064-1 verification data and then used to calculate global total electricity consumption according to the electricity consumption per capita.

CTBC's total Scope 1 and Scope 2 emissions of greenhouse gases in 2017 amounted to 51,238 tonnes of CO<sub>2</sub>. Up to 93% were Scope 2 emissions (electricity usage). Because electricity is the main source of greenhouse gas emissions at CTBC Holding. The number of employees and volume of business at CTBC also began increasing significantly in 2015. As a result, total greenhouse gas emissions increased considerably after 2015. While the efficiency of electricity usage increased, emissions started decreasing annually after 2016. Emissions per capita in 2017 decreased by 29% and 22% compared with 2015 and 2016, respectively. This trend implies CTBC's commitment in energy efficiency over the past two years.

### Amount and Intensity of GHG Emissions



Note 1: Scope 1 and Scope 2 emissions were obtained from domestic ISO14064-1 verification data and then used to calculate global total emission according to emissions per capita.  
 Note 2: Scope 2 emissions are from electricity usage. The coefficients are 0.522 (2013), 0.521 (2014), 0.528 (2015), and 0.529 (2016, 2017) kg of CO<sub>2</sub>e/kWh.  
 Note 3: Scope 3 emissions are from business travel by air. This is calculated using the calculator on the ICAO website (<http://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>).

CTBC supported the government's green electricity policy by purchasing 100,000 kWh of green electricity in 2017 in keeping with global trends on promoting the development of renewable energy and transition to a low-carbon economy. In June of the same year, CTBC became the first financial institution to receive renewable energy certificates, which were issued by the Ministry of Economic Affairs. A total of 51 certificates were received as of December. Electricity is the main type of energy consumption and GHG emission source at CTBC. CTBC Financial Park has installed two sets of solar power generator that supplies 74,883 kWh of electricity for common use in 2017. In addition, CTBC simultaneously implemented a series of energy-saving initiatives, including energy-saving management for energy-intensive equipment such as elevators, lighting, and air-conditioning. All 151 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. Furthermore, CTBC bank 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 4.25 million kWh in 2017, approximately equivalent to 2,248 tonnes of GHG emissions.

GHG Reduction Programs and Outcomes in Previous Years

Area of Implementation	2017	2016	2015
CTBC Financial Park	<ul style="list-style-type: none"> <li>Adjustment to A/C operating time in office areas</li> <li>Operation using melted ice water from the ice storage system during peak A/C demand period</li> <li>1°C increase in ice water temperature from water cooler main units increases office temperature by 1°C</li> <li>Reduction in switching on of public area ventilators in each floor level</li> <li>Sensor-based A/C in conference room</li> <li>Fan speed reduction by adjusting the frequency of A/C variable frequency motor</li> <li>Use of LED lights in all areas/automatic control switch/independent remote control light switch</li> <li>Use of dimming lighting in public areas/Adjustment to on/off times based on area and time period</li> <li>Noon shutdown/nighttime overtime shutdown</li> <li>Installation of independent control circuit in lighting equipment next to windows/corridors</li> <li>Reduction of dimming in lighting equipment in underground parking/whole area shutdown</li> <li>Adjustment to operating time of outdoor landscape lighting (in conjunction with brightness detector)</li> <li>Adjustment to operating time of outdoor landscape fountain pump</li> <li>Adjustment to operating and scheduling time of underground parking ventilation equipment</li> <li>Adjustment of drinking fountains to energy saver mode at night/on weekends and holidays</li> <li>Enhancement of green transport intention and establishment of electric car charging station</li> </ul>	<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>
Other Bank Branches	<ul style="list-style-type: none"> <li>A/C power consumption at 12 branches reduced</li> </ul>	<ul style="list-style-type: none"> <li>A/C at 3 branches switched off 1-1.5 hours before closing</li> <li>Adjustment of generator room A/C operating mode to reduce A/C energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>A/C units at 4 branches were replaced</li> <li>Lighting fixtures and lamps at 3 branches were replaced</li> <li>Lighting in IT server room switched off to save energy and switch to IR surveillance cameras</li> </ul>
Other Subsidiaries	<ul style="list-style-type: none"> <li>Reduction in number of downlight</li> <li>Replacement of cooling blade in cooling water tower</li> <li>Replacement of variable frequency A/C in elevator machine room</li> <li>Replacement of LED lights in 1-12 elevator lobbies</li> </ul>	<ul style="list-style-type: none"> <li>Use of efficient LED lighting (reduction of light bulb wattage)</li> <li>1-hour shutdown at noon</li> <li>1°C increase in A/C temperature</li> </ul>	<ul style="list-style-type: none"> <li>1-hour shutdown at noon</li> <li>A/C setting at 26°C and increased use of energy-saving fans</li> <li>Reduction of lamp count in underground parking areas</li> <li>Adjustment to operating time of underground ventilation equipment</li> <li>Adjustment of drinking fountains to energy saver mode at night/on weekends and holidays</li> </ul>
Total Electricity Savings Each Year (kwh)	4,250,336	3,021,201	1,197,497
Total GHG Emission Reduction Each Year (tonnes)	2,248	1,595	623

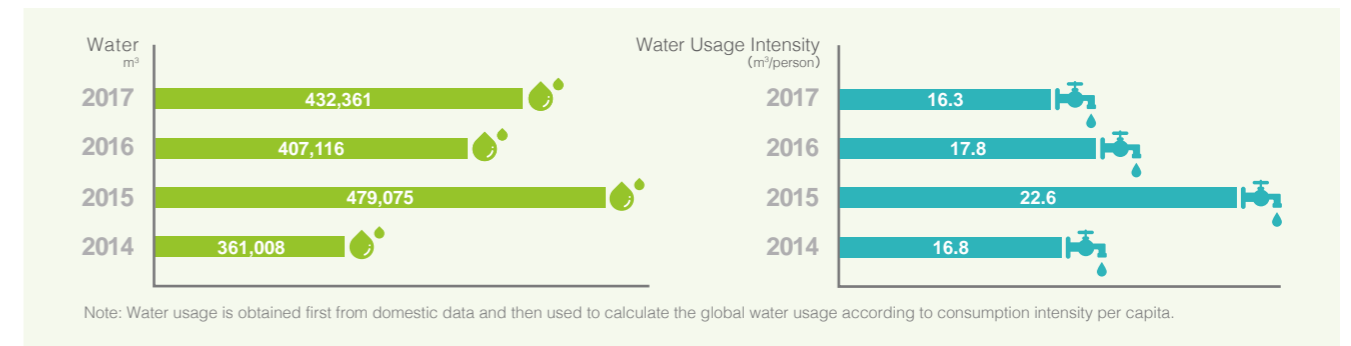
Note 1: Other bank branches refer to business locations outside of the financial park.  
 Note 2: Other subsidiaries include Taiwan Life, CTBC Securities, CTBC Venture Capital, CTBC AMC, CTBC Investments, CTBC Security, and Taiwan Lottery.  
 Note 3: The electricity emission coefficients are 0.521 (2014), 0.528 (2015), and 0.529 (2016, 2017) kg of CO<sub>2e</sub>/kWh.

Resource Management

The water-saving target for 2017 is a 2% reduction using 2016 as the baseline year. Due to an increase in volume of business operations, water consumption increased by 6% in 2017; however, water intensity reduced by 8%, indicating improved water efficiency. Water consumption for CTBC was 400,000 m<sup>3</sup> in 2017. The CTBC Financial Park's indoors 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 CTBC 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 basement level 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.

CTBC continues its efforts on resource management, receiving the "ROC Enterprise Environmental Protection Award" from EPA for two consecutive years. In 2017, the Ministry of Economic Affairs awarded the Energy Saving for Outstanding Corporation Award—Silver Award to CTBC, the sole winner of this award in the financial industry. In addition, CTBC Holding 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.

Water Resource Usage and Intensity



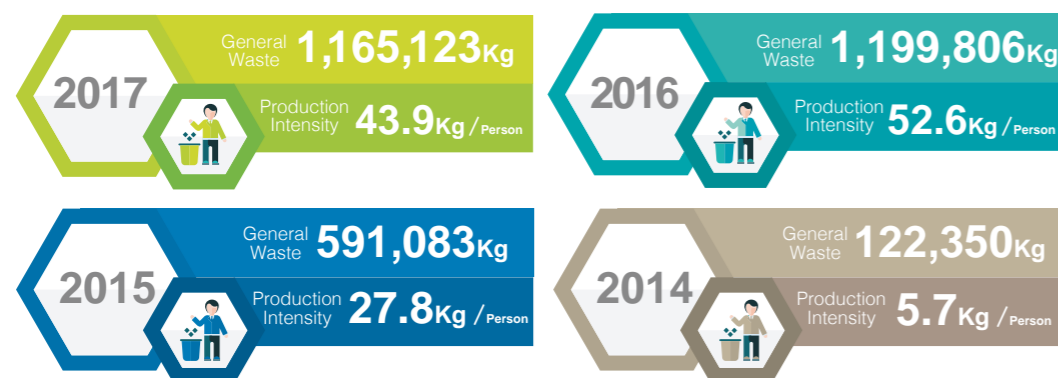
Water Resource Management Practices



The 2017 waste reduction target is a 2% reduction from the baseline year of 2016. Actual amount of waste reduced was 2.9%, achieving the defined target. All CTBC waste comes from service activities. These are sorted into general waste, recyclables and food waste. In 2017, the CTBC Financial Park and Yongji Building produced 1,165 tonnes of general waste. Other branches practiced autonomous management prior to 2015 but began tracking waste production in 2016. No rubbish bins are provided at each seat in office areas. 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 2017 NTD 3.68 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.

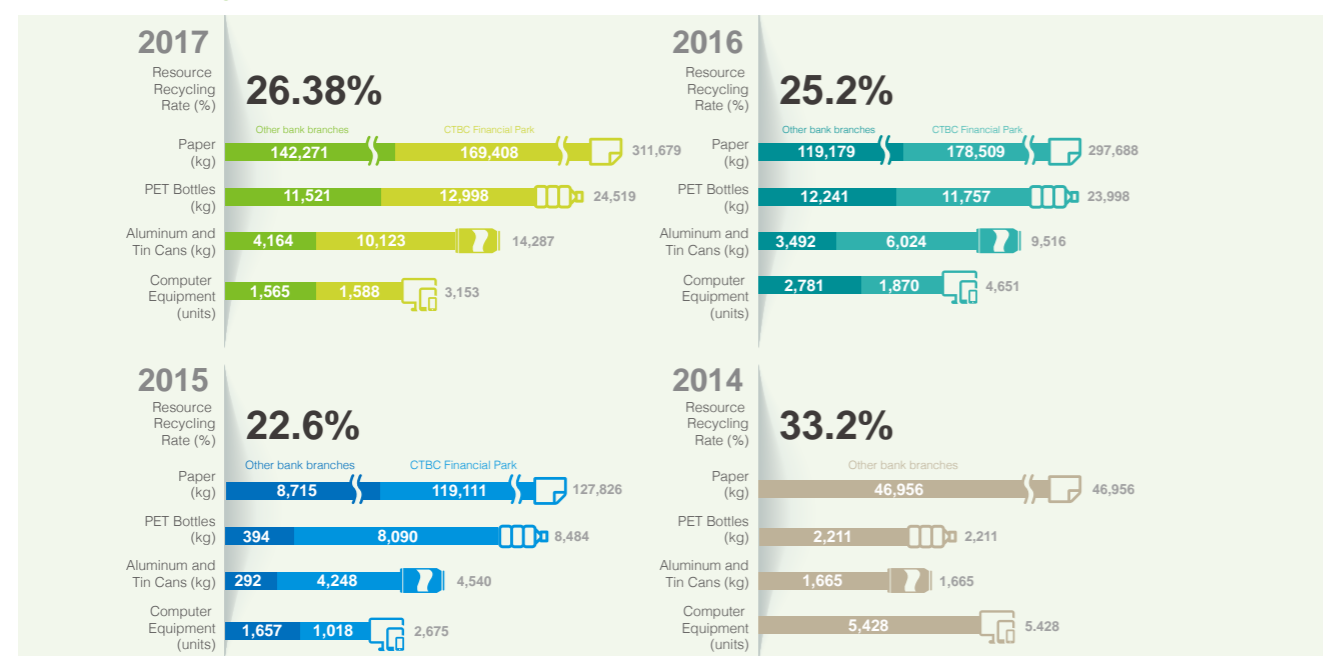
Recycling in the CTBC Financial Park is divided into paper, PET bottles, aluminum/tin cans and computer equipment. In 2017 the recycling rate was around 26%. Paper accounted for the bulk of recycling at 311 tonnes. PET bottles accounted for 24 tonnes while aluminum/tin cans amounted to around 14 tonnes. In 2017 a total of 3,100 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 and Production Intensity



Note: Waste production is obtained first from domestic data and then used to calculate the global production volume according to production per capita.

#### Resource Recycling



Note 1: Other bank branches refer to business locations outside of CTBC Financial Park.

Note 2: Resource recycling rate is calculated by weight. Computer equipment is excluded for now as it is counted in units. Resource recycling rate = (Paper + PET bottles + aluminum/tin cans) ÷ (waste + paper + PET bottles + aluminum/tin cans) × 100%

#### Green Building

Building use is one of the sources of global greenhouse gas emission. Using green finance as the service concept, CTBC Holding is fully committed to green building designs for climate change mitigation, which can not only elevate workplace comfortability and safety for employees but also integrate elements of nature and ecology into the local environment for providing customers with the most eco-friendly and productive service quality. With CTBC Financial Park as benchmark, Taiwan Architecture & Building Center has confirmed that the CTBC Financial Park satisfies Taiwan's eight green building assessment indexes: Amount of greening, on-site water retention, daily energy saving, CO<sub>2</sub> reduction, waste reduction, indoor environment quality, use of water, and wastewater and refuse treatment, making it one of the most exceptional role models for energy efficient carbon reducing office buildings in Taiwan. The 0.64-acre Taiwan Life Huiguo Building, from the initial stages of planning and design, was designed using green building features that facilitate environmental protection and energy conservation. The building fulfills six domestic green building assessment indexes: Amount of greening, on-site water retention, daily energy saving, waste reduction, use of water, and wastewater and refuse treatment. Therefore, the building acquired the Silver-Level Green Building Candidate Certificate and is expected to receive the EEWH Silver-Level Green Building Label in 2020. In support of the government's green building policy for inspection of building designs, "Build and Operation Transfer(BOT) of the Cultural and Creative Centre Co-constructed with Kaohsiung General Library" acquired the Silver-Level Green Building Candidate Certificate in September 2017. Taiwan Life continues to plan the development of the real estate on the vacant land at Land No. 15 on Jingmao Rd., Nangang Dist., Taipei City. In line with the spirit of environmental sustainability, Taiwan Life will adopt the Gold-Level green building plan design to turn the building into a new landmark for the eastern part of Taipei. Construction is expected to be completed by 2022 and will acquire the EEWH Gold-Level Green Building Label in the next year. To create a humanized and comfortable building, CTBC is committed to build a sustainable urban space that simultaneously mitigates the environmental impacts of development activities.

Location	Label Grade and Status Quo	Features
CTBC Financial Park	Acquired EEWH Diamond Level Green Building.	<ul style="list-style-type: none"> <li>30,691 m<sup>2</sup>, the largest among financial office buildings of equivalent level.</li> <li>Average building coverage ratio of roughly 51% which is far lower than the statutory maximum of 65%; 49% of the site is therefore open space.</li> <li>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.</li> <li>The public parking spaces neighboring the park were transformed into a 12,036 m<sup>2</sup> Sanchong World Trade Eco-Park, where vegetation is distributed according to the four seasons and tropical and subtropical zones representative of Taiwan's forestland. In addition, 131 fern species were planted in cooperation with National Taiwan University, thus establishing Taiwan's first fern park.</li> <li>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.</li> </ul>
Taiwan Life Huiguo Building	Acquired EEWH Silver-Level Green Building Candidate Certificate.	<ul style="list-style-type: none"> <li>2,595 m<sup>2</sup>, from the initial stages of planning and design, incorporated green building features that facilitate environmental protection and energy conservation. This year, a green building label will be obtained for the completed building to contribute to building a healthy eco-friendly environment that embraces energy conservation and waste reduction.</li> <li>Average building coverage ratio of 49.21%; 50.79% of the site is therefore open space, reserving the largest space with limited area.</li> <li>We will adopt 227 m<sup>2</sup> of sidewalk to provide building users and the general public a sufficiently green, interactive urban open space, create a clean urban environment with extended city park roads and street view, and thereby beautify the overall environment.</li> <li>The entire green building will use LED lights to conserve energy and by varying lighting designs, we attempt to create different visual perceptions and transform the building into a new landmark of the 7<sup>th</sup> office building.</li> </ul>
Land No. 555, Subsection 2, Shijia Section, Cianjhen District, Kaohsiung City	Acquired EEWH Silver-Level Green Building Candidate Certificate.	<ul style="list-style-type: none"> <li>To increase green area, the first floor is designed using open space elements, and landscape setting is applied to the base setback space for planting all types of plants. The green area on the 7<sup>th</sup> and 24<sup>th</sup> floor is increased by using sky garden concepts.</li> <li>Daily energy-saving equipment such as rooftop insulation material, low-e glass, VAV A/C system, and high-reflectivity lights are used.</li> <li>Designs that reduce the use of blast furnace cement, high-performance reinforced concrete, and mixture of RC and SRC are used to reduce carbon emission.</li> <li>Dual flush toilets and rainwater storage system are used to save, recycle, and reuse water.</li> </ul>

Land No. 15 on Jingmao Rd., Nangang Dist., Taipei City	Planning EEWB Gold-Level Green Building Design.	<ul style="list-style-type: none"> <li>41,600 m<sup>2</sup>, the total floor area of the office building will be 401,864 m<sup>2</sup>; the building will be a flagship of the East Taipei Development Plan, which is currently promoted by the Taipei City Government.</li> <li>Average building coverage ratio of roughly 50.5% which is far lower than the statutory maximum of 80%; 49.5% of the site is therefore open space.</li> <li>The roads along the entire base area are set back by more than 10 m to reserve space for urban green belts. The area facing the Jingmao 2<sup>nd</sup> Road is set back more than 20 m and is reserved for large functional plazas for urban activities (e.g., The Heart of Taipei), theme-based fountain plaza, and large art sculpture plaza. The total area of the plazas and green land is 16,615 m<sup>2</sup>, which makes it one of the private developments of large public open spaces in Taipei City.</li> <li>Small and large trees and plants native to Taiwan are planted in the plazas and green belts to create a circle of forest featuring exclusive walkways for Taipei City. Pine trees with unique features are selected for important nodes as the visual focus in the space.</li> <li>A large sculpture will be installed right next to the Jingmao plaza, fully integrating three elements of technology and business, art and culture, and park space to create a business and entertainment environment that features cultural and art atmosphere and represents a new milestone in business development for Taiwan.</li> </ul>
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### 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			
	Impact	Unit	Measure Impact Driver		Methodology	Monetary (NTD)	
			2017	2016		2017	2016
GHG	Scope 1	tonnes of CO <sub>2</sub> equivalents	3,377	2,723	Social Carbon of Cost (SCC) from US EPA	- 4,739,061	- 3,723,298
	Scope 2		47,861	53,317		- 67,164,944	- 72,903,085
	Scope 3		1,416	1,605		- 1,987,122	- 2,194,599
	GHG Reduction		2,248	1,595		+ 3,154,696	+ 2,180,926
Waste	Waste	tonnes	1,165	1,200	SCC and External Costs of Heavy Metals	- 1,927,511	- 1,957,232
Water Resource	Water Withdrawals	m <sup>3</sup>	432,361	407,116	External costs per DALY	- 19,228,449	- 18,105,725

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.

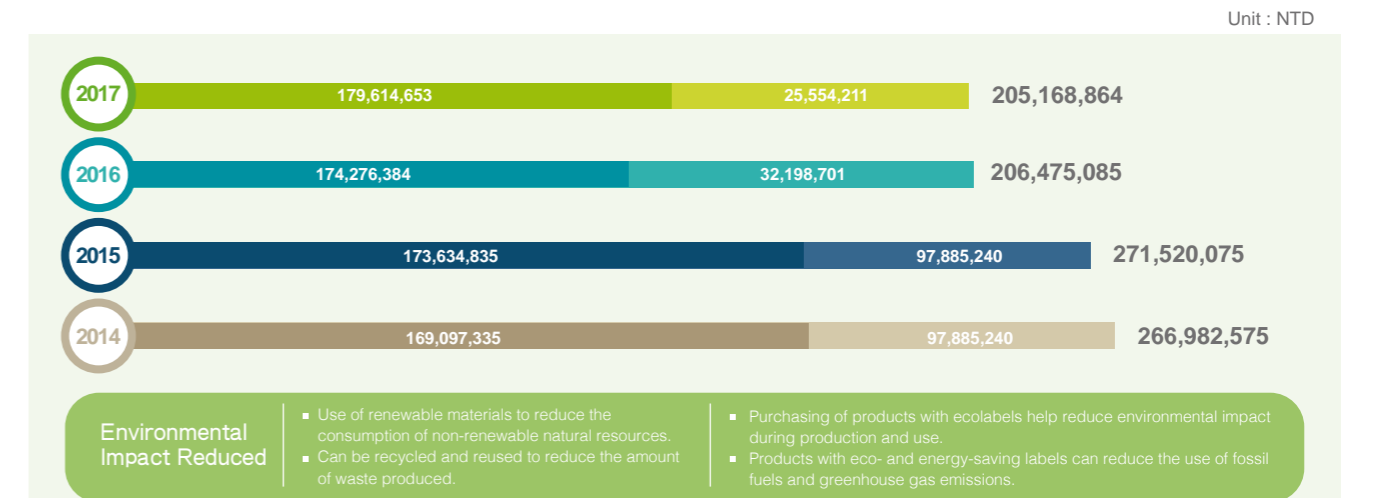
Note 4: The external cost of greenhouse gas considers the social cost of the overall carbon emissions. The valuation scope for other natural capitals is more restricted. For example, for waste, only incineration is considered; for water resource, only human health is considered.

Note 5: Values of all currencies take the inflation factor into account, and the value is calculated in NTD for 2017; +/- represents loss/profit.

### Green Purchasing

Total green purchasing in 2017 exceeded NTD 200 million. CTBC Holding has been awarded the "Outstanding Contribution to Green Purchasing by a Private Enterprise" by the Department of Environmental Protection, Taipei City Government for 9 consecutive years. The Company has also been awarded the "Outstanding Contribution to Green Purchasing by a Private Enterprise" by the Environmental Protection Administration, Executive Yuan for 8 consecutive years. CTBC purchases products bearing government or trade association sponsored ecolabels for environmentally friendly, energy efficient, water conserving, or green building material attributes. Ecolabels from Europe, the US, Japan and Korea as well as the Energy Star and the FSC labels are also accepted. In green building construction and renovation projects, CTBC Holding also requests the use of green materials and equipment or furniture (ceiling, compartment wall, oil painting, carpet, lighting) bearing ecolabels for environmentally friendly or energy efficient attributes so as to reduce environmental burden and comply with environmental requirement.

### Green Purchasing Items and Amount



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.

CTBC's concept of environmental management has always been grounded on the philosophy of a "Green Policy, Green Future", which is why the company has consistently delivered leading performance. We have not only excelled in energy conservation, carbon reduction, resource management, green building and green purchasing, but also achieved an A-rating in the CDP Climate Change Program for two consecutive years, which is also the best achievement in Taiwan's financial industry. Through continuous expansion of ISO 14001, ISO 50001, and ISO 14064-1 verifications, we aim to incorporate international management practices into every integral part of our business operations. Environmental sustainability cannot yield results in the short run, but it requires a long run of actions in order to produce tangible outcomes. In addition to implementing management systems, we started with internal energy conservation and resource efficiency improvements through customer engagement, supplier management, education, and environmental initiatives. We then expanded our efforts, starting from our core business operations, to cooperation with upstream and downstream business partners and customers, with the hope of joining stronger forces to maximize our contribution to the natural environment for the future generation.

# HUMAN CAPITAL DEVELOPMENT

"Home" is the basis of CTBC Holding's We are family brand spirit. We hope to establish a healthy and safe workplace, offer competitive remunerations, and simultaneously cultivate and train employees' skills so that employees can be treasured as the key asset of CTBC. Our workplace is where we strive together with the Company to serve our customers and achieve corporate sustainability. We regard each of our employees as family. By building a perfect home for our employees with confidence, care, consideration, love, and happiness, we understand that employee's contentment comes from compensation and encouragement for their performance at work, the support and respect of the company, as well as achieving a balance between work and life and having a platform where they could wield their skills and talents. By genuinely implement these actions as the basis of our human capital development strategy; by taking good care of our employees, we can continue to provide our employees with happiness and achievement.



## Talent Recruitment and Retention

### Employee Composition and Diversity

CTBC upholds a high-quality corporate culture, follows the company's strategic development direction, and actively develops a complete mechanism for talent recruitment and development, a sound reward and incentive system, and a safe and secure workplace. With respect to talent development, the Company attaches high level of importance to talent cultivation. To facilitate employee development, we design career development frameworks and road maps for different positions and supervisors of all levels. We continue to refine talent training and development, assist employees to hone their expertise, leadership skills, and international perspectives, thereby boosting the company's competitiveness and elevating the overall capabilities of our employees.

With respect to human rights protection, we strictly abide by the local laws and regulations of our service locations around the globe as well as international human rights related regulations and protect the legal rights and interests of our employees in order to create a diverse, open, equal and harassment-free workplace. With respect to workplace improvement, we provide a safe,

healthy, and comfortable workplace and recreational facilities where employees can be happy at work.

We are also committed to eliminating safety and health risks in all types of workplaces so that employees can feel secure at work.

In the past two years total number of employees and rate of new hires have seen stable growth. In 2017, CTBC employed a total of 22,594 people including 13,066 Full-time Employees, 688 Temporary Employee, and 8,840 Commission-Based Sales Representatives.

Striving to become "Taiwan Champion, Asia Leader" financial institution, we have actively invested in overseas talent development in recent years to complete our strategic plans for overseas expansion. CTBC's major business locations (Taiwan, United States, Canada, Japan, Australia, Greater China, and Southeast Asia) made hiring locally a priority, with Taiwan achieving a local hiring ratio of 99.9%, and overseas locations achieving a local hiring ratio of 87.3%. The following employment data cover mainly CTBC 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, and CTBC Security, were excluded.

### Talent Recruitment and Overseas Development

In response to international competition, talent outflow, and FinTech development, CTBC along with our troop of senior executives continues to advance into campus and engage in close-range interaction with graduates. By providing descriptions of job openings and career guidelines, we target students with a profession in digital marketing, big data analytics, smart development, and risk measurement as well as multinational financial professionals who are fluent in English, Japanese, or Southeast Asian languages and are interested in building their career overseas. CTBC strongly believes that talent is the fundamental of a company. CTBC is committed to the development of investment talents. In addition to recruiting elites, we implement a management associate program to systematically cultivate talents and build a pool of talent at all levels. So far, we have cultivated hundreds of financial elites and dozens of young cadres. CTBC hopes to recruit more international talents with different backgrounds to work with us to pursue dreams and establish an innovation paradigm.

## Employee Structure

	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Taiwan</b>									
Full-time	4,840	8,226	13,066	4,750	8,209	12,959	4,376	7,543	11,919
Temporary	238	450	688	234	439	673	187	398	585
<b>Total</b>	<b>5,078</b>	<b>8,676</b>	<b>13,754</b>	<b>4,984</b>	<b>8,648</b>	<b>13,632</b>	<b>4,563</b>	<b>7,941</b>	<b>12,504</b>
<b>Overseas Locations</b>									
Full-time (Incl. Expatriates)	442	582	1,024	436	547	983	372	452	824
Contractor	4	8	12	4	5	9	3	5	8
Temporary	26	21	47	23	19	42	23	14	37
<b>Total</b>	<b>472</b>	<b>611</b>	<b>1,083</b>	<b>463</b>	<b>571</b>	<b>1,034</b>	<b>398</b>	<b>471</b>	<b>869</b>
<b>Commission-Based Sales Representatives in Taiwan</b>									
Contractor	2,539	4,569	7,108	2,598	4,579	7,177	-	-	-
Dual Contract	452	1,280	1,732	530	1,457	1,987	-	-	-
<b>Total</b>	<b>2,991</b>	<b>5,849</b>	<b>8,840</b>	<b>3,128</b>	<b>6,036</b>	<b>9,164</b>			

Note 1: Data cover CTBC Financial Holding and subsidiaries including CTBC Bank, CTBC Securities, CTBC Capital, CTBC AMC, Taiwan Life, CTBC Investments, and Taiwan Lottery.  
 Note 2: CTBC Bank overseas branches and service locations do not include overseas banking subsidiaries.  
 Note 3: Commission-based sales representatives of Taiwan Life include contractors and personnel on dual contracts.  
 Note 4: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2015.

## Employee Structure - Breakdown by Age, Gender and Position

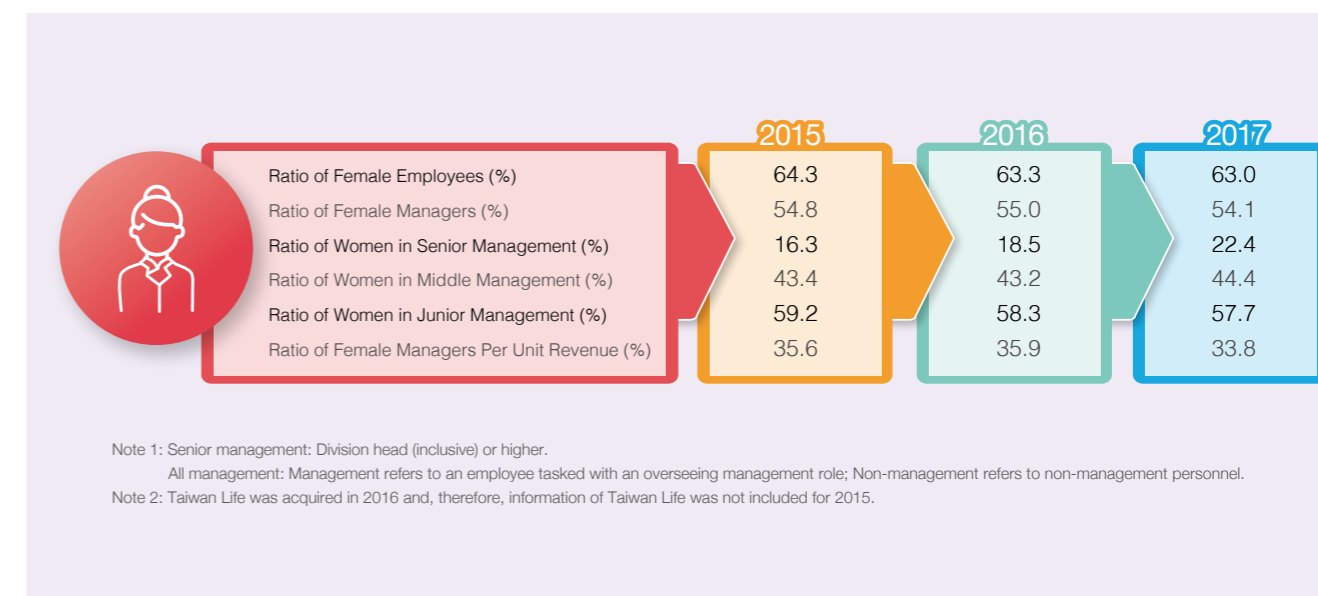
	2017						2016						2015					
	Management			Non-Management			Management			Non-Management			Management			Non-Management		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Taiwan</b>																		
50 and above	281	196	477	481	455	936	251	174	425	442	404	846	216	129	345	335	248	583
30 to 49	448	664	1,112	2,784	5,293	8,077	465	696	1,161	2,765	5,363	8,128	443	668	1,111	2,578	5,004	7,582
Less than 30	1	1	2	845	1,617	2,462	1	5	6	826	1,567	2,393	2	3	5	802	1,491	2,293
<b>Total</b>	<b>730</b>	<b>861</b>	<b>1,591</b>	<b>4,110</b>	<b>7,365</b>	<b>11,475</b>	<b>717</b>	<b>875</b>	<b>1,592</b>	<b>4,033</b>	<b>7,334</b>	<b>11,367</b>	<b>661</b>	<b>800</b>	<b>1,461</b>	<b>3,715</b>	<b>6,743</b>	<b>10,458</b>
<b>Overseas Locations</b>																		
50 and above	50	20	70	25	30	55	43	19	62	28	24	52	37	15	52	19	19	38
30 to 49	69	53	122	227	337	564	61	41	102	243	324	567	94	85	179	162	211	373
Less than 30	1	0	1	70	142	212	0	0	0	61	139	200	0	4	4	61	117	178
<b>Total</b>	<b>120</b>	<b>73</b>	<b>193</b>	<b>322</b>	<b>509</b>	<b>831</b>	<b>104</b>	<b>60</b>	<b>164</b>	<b>332</b>	<b>487</b>	<b>819</b>	<b>131</b>	<b>104</b>	<b>235</b>	<b>242</b>	<b>347</b>	<b>589</b>
<b>Commission-Based Sales Representatives in Taiwan</b>																		
50 and above	206	586	792	460	1,222	1,682	217	605	822	478	1,126	1,604	-	-	-	-	-	-
30 to 49	425	832	1,257	1,121	2,275	3,396	425	890	1,315	1,133	2,358	3,491	-	-	-	-	-	-
Less than 30	112	109	221	667	825	1,492	123	127	250	752	930	1,682	-	-	-	-	-	-
<b>Total</b>	<b>743</b>	<b>1,527</b>	<b>2,270</b>	<b>2,248</b>	<b>4,322</b>	<b>6,570</b>	<b>765</b>	<b>1,622</b>	<b>2,387</b>	<b>2,363</b>	<b>4,414</b>	<b>6,777</b>						

Note 1: Data cover CTBC Financial Holding and subsidiaries including CTBC Bank, CTBC Securities, CTBC Capital, CTBC AMC, Taiwan Life, CTBC Investments, and Taiwan Lottery.  
 Note 2: CTBC Bank overseas branches and service locations do not include overseas banking subsidiaries.  
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## Female Management

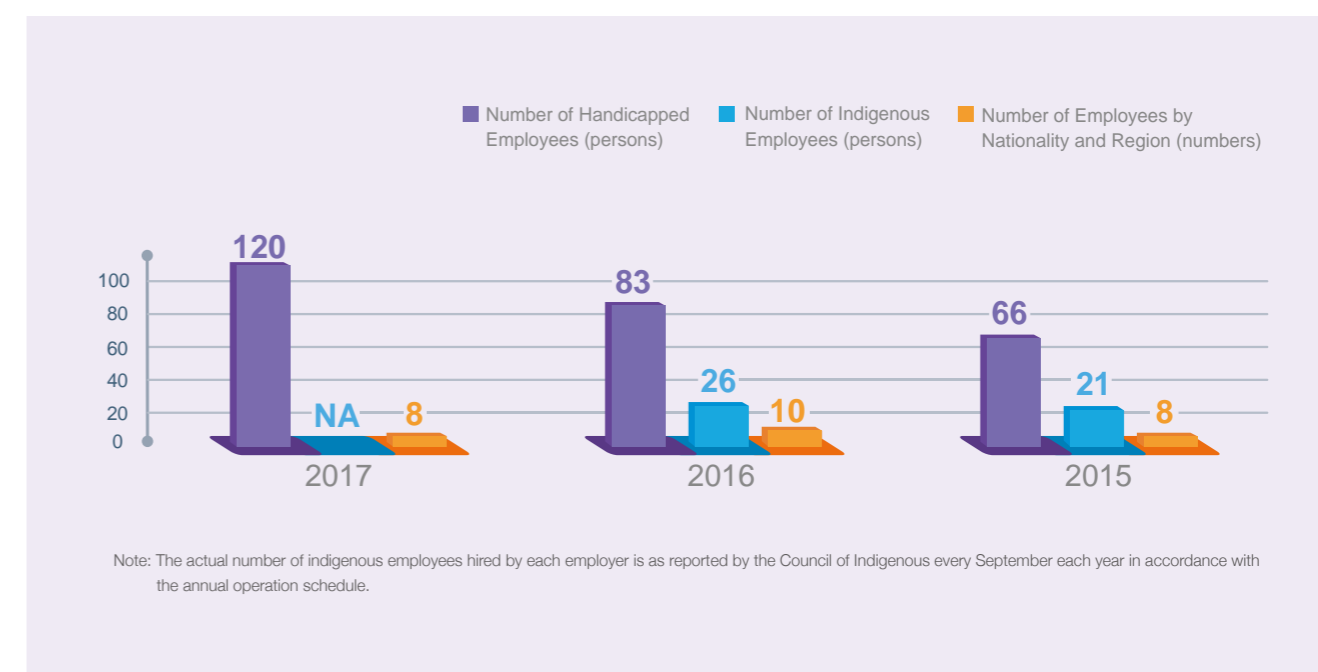
Currently the CTBC employee female to male gender ratio stands at 17: 10. Currently the ratio of total female managers across the company is 54.1%, with 60% of BEST Employees recognized annually being females, indicating that the company achieves full gender equality and non-discriminatory career advancement opportunities.

## Ratio of Women and Managers



## Diversification

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. Furthermore, CTBC recruits transnational talents, strengthens our competitive advantage, and establishes workplace diversity in our overseas and local business locations.



## New Employee Distribution

		Full-Time Taiwanese Employees			Full-Time Employees at Overseas Locations (Incl. Expatriate Staff)		
Year		2017	2016	2015	2017	2016	2015
Gender	Age Range						
Male	50 and above	23	16	17	7	8	6
	30 to 49	338	339	323	54	74	65
	Less than 30	381	386	343	38	27	31
	Total Number of Males	742	741	683	99	109	102
Female	50 and above	7	4	63	3	5	3
	30 to 49	387	431	361	67	65	62
	Less than 30	577	594	529	64	55	56
	Total Number of Females	971	1,029	953	134	125	121
Total		1,713	1,770	1,636	233	234	223
Percentage of New Employees		15.1%	16.4%	15.6%	23.2%	25.9%	28.6%

Note 1: New hire ratio formula = total new hires ÷ average personnel at beginning and end of reporting period.

Note 2: Sales personnel are not included in this table.

## Resignation Distribution

		Full-Time Taiwanese Employees			Full-Time Employees at Overseas Locations (Incl. Expatriate Staff)		
Year		2017	2016	2015	2017	2016	2015
Types of Resignation Rate							
Turnover Rate (%)		12.4%	12.8%	15.0%	21.0%	17.6%	18.4%
Voluntary Resignation Rate (%)		11.7%	12.5%	14.6%	20.2%	15.6%	17.6%
Number of Resigned Employees							
Male	Age 50 and above	70	51	53	13	8	4
	30 to 49	319	355	356	58	60	62
	Less than 30	218	199	171	20	19	19
	Total Number of Males	607	605	580	91	87	85
Female	Age 50 and above	43	38	31	8	2	3
	30 to 49	449	489	608	74	45	57
	Less than 30	309	295	277	39	25	29
	Total Number of Females	801	822	916	121	72	89
Total		1,408	1,427	1,496	212	159	174

Note 1: Turnover rate formula = Total departures ÷ average personnel at beginning and end of reporting period.

Note 2: Sales personnel are not included in this table.

## Competitive Remuneration and Benefits

The human capital development strategy of CTBC, as the leader in the financial industry, seeks to attract and retain talented financial personnel by providing competitive compensation along with a variety of profit-sharing mechanisms such as stock appreciation rights with 3-year extensions, employee subscription rights for new issues, and employee stock trusts to encourage employees to join the company in reaching new heights in business performance and achieving the goals of sustainable development. According to our fair and complete performance management system based on the company's strategic goals and employees' individual work goals, every full-time employee (including administration managers, technical specialists, general staff members and employees) must set their individual performance goals at the beginning of the year. At the end of the year, managers will rate employees based on goal achievements and all types of feedback from other managers or peers. To account for the differences in employees' evaluation results, performing ranking is performed according to the personnel's unit or job position to enhance the fairness and reasonableness of the performance valuation. Rewards, training, and career development opportunities are offered based on employee performance. An open and transparent promotion scheme for those who demonstrate both excellence and development potential 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.

**Long-Term and Diverse Incentives**

- The 1<sup>ST</sup> financial institution to offer employee stock trust**  
Employee stock appreciation rights
- Over 10,000 employees with employee stock trust**  
Employee subscription rights for new issues
- 62.5 billion in assets of employee benefit savings trust and employee stock trust**  
Employee stock trust

**Salary Framework**

- Base Salary:** The basic salary is based on objective factors such as an employee's past experience and ability, and the position to be offered. The basic starting salary is higher than the minimum wage stipulated under the Labor Standards Act and does not vary by gender, age, nationality or race.
- Bonus:** Employees are paid maximum of 2-month pay bonus depending on their attendance status.
- Annual Bonus:** An annual bonus is paid based on the company's business performance and the employee's personal performance.

**Salary Adjustment Mechanisms**

- Market Standards:** CTBC participates in market remuneration surveys annually and adjust employee salaries according to market standard and economic trends.
- Performance Standards:** Employee salaries are adjusted according to the company's business performance and employees' personal performance
- Promotion Standards:** When employees are promoted to a higher job position, their salaries are also adjusted as a form of encouragement for talented employees.

In 2017, 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 was 2.8% and the largest personal pay increase was 14.3% (including raise after promotion).

Year	2017	2016	2015
Salary Increase (%)	2.8	2.9	3.5

Note: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not include for 2015.

## Men and Women's Salaries and Remuneration Ratio

		2017		2016		2015	
Male/Female		Salary	Remuneration	Salary	Remuneration	Salary	Remuneration
Management Position	All Management	Salary	101%	101%	100%	100%	100%
		Remuneration	99%	96%	98%	98%	
	Junior Manager	Salary	106%	107%	107%	107%	
		Remuneration	104%	105%	102%	102%	
	Mid-Level Manager	Salary	100%	107%	110%	110%	
		Remuneration	102%	111%	104%	104%	
High-Level Manager	Salary	101%	100%	98%	98%		
	Remuneration	98%	101%	105%	105%		
Non-Management Position		Salary	102%	101%	100%	100%	
		Remuneration	95%	93%	79%	79%	

Note 1: Salary: Base Salary, Remuneration: Payments other than the base salary.

Note 2: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2015.

Note 3: High-level Management: Division head (inclusive) or higher; Middle Management: Department head (inclusive) or higher, High-level management was not included; Junior Management: Department head level below supervisor.

### 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. To promote employee health, physical examination benefit, which are superior to statutory requirement, is offered once every year to employees aged 40 years or older and once every two years to employees aged 39 years or younger. A total of 14,141 non-management staff is employed at CTBC, an increase of 0.88% over the previous year. CTBC spent a total of NTD 23,991,714,000 on employee welfare for staff members in non-management positions. The average employee welfare expense was NTD1,697,000, down 12.76% from the previous year, average employee welfare expense excludes Taiwan Life commission-based sales.



	2017	2016	2015
Number of Clubs	28	28	28
Events (Sessions)	1,378	1,150	1,078
Event Participation (Persons)	22,188	19,530	19,212
Club Subsidy (NTD 10,000)	1,020	971	768



### Employee Club Activities

CTBC hosts a variety of leisure activities and supports employee participation in club activities. The company supported a total of 28 clubs in 2017. The range of activities included golf, English public speaking, music, flower arranging, aerobics, and X-Biking. A total of 1,378 sessions were organized and attended by 22,188 participants. Total club funding for the year was NTD 10,207,760. Large outdoor events were also organized, such as the CTBC Employee 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.

### Employee Rewards and Awards

The BEST 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 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.

### Voice of Employee 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. In 2017, we conducted employee opinion survey of CTBC and its subsidiaries with a focus on high-performance organizational culture and employee commitment. The results of the survey enabled CTBC to obtain a better understanding of employees' feelings and thoughts across different generations, gauge the difference between employee identification and external benchmarks, and provide a reference for policy and management changes. Through employee opinion surveys once every two years and 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 performance.

#### CTBC Voice of Employee Survey

- Commitment
- Leadership
- Goal and Direction
- Immediate Supervisors
- Professionalism
- Innovation

- Team
- Performance Management
- Employee Care
- Harmony after Merger
- Core Value
- Remuneration and Benefits

- Customer Care
- Balance between Work and Life
- Intention to Stay
- Organizational Communication
- Honesty
- Organizational Reform

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#### Target and the Score of overall Sustainable Engagement

**18 Dimensions**  
Over **12,000** Participants  
**87%** Participation rate

In 2017, employee opinion survey was conducted by Willis Towers Watson consulting company to collect employee feedback and opinion based on 18 dimension including organizational culture, strategic plan, and company system.

**82% CTBC Holding**  
**80% Global Financial Industry Average**  
**77% Taiwan Industry Average**

Subsidiaries and business entities have developed their improvement plans based on the result of the employee opinion surveys and continued to implement follow-up surveys and respond to employee recommendations.

## Human Rights

### Human Rights Policy and Risk Assessment

Having no incidents of discrimination, child labor, forced or compulsory labor or incidents infringing on employee interests is key to building a happy and inclusive workplace for CTBC and also the principles by which to implement human rights and gender equality. In 2017, we raised employee awareness on human rights within the organization by integrating human rights issues in education and training for new employees as well as in regular and irregular training for existing personnel. To declare our position of supporting international human rights protection, we have established the CTBC Human Rights Policy in 2018 and included customers and our business partners in the scope of application. In 2017 no incidents of discrimination, child labor, forced or compulsory labor or incidents infringing on employee interests occurred.

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 risk of human rights. In 2017, we have established a "Preventing Workplace Bullying Plan", which is a comprehensive mechanism of risk identification and assessment for all branches to control and manage risks at all levels. We plan to formulate a "Maternity Protection Plan", "Preventing Overwork-Related Hazards Plan" and "Preventing Ergonomic-Related Hazards Plan" in 2018. We also have acquired ISO 45001 Occupational Health and Safety Management Systems in 2018 to ensure employee health and safety in the workplace and protect employee interests and rights.

### CTBC Human Rights Risk Assessment and Management Measures

Issue	Targets	Risk Level	Risk Exposure	Mitigation Measures
Inclusive Workplace	Indigenous Peoples or Physically or Mentally Challenged Employees	Low	5.9	<ul style="list-style-type: none"> <li>For service locations where insufficient number of employees with physical/mental disability is employed, hiring procedures for special personnel are established and hiring procedures for special personnel and the ratio of special personnel hired is monitored.</li> </ul>
Working Hours	All Employees	Medium		<ul style="list-style-type: none"> <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> </ul>
Labor-Management Disputes	All Employees	Low		<ul style="list-style-type: none"> <li>Abide by the Labor Standards Act and relevant laws and regulations, and conduct proper communication with employees through regular labor-management meetings.</li> <li>Pertaining to labor-management disputes, our company adopts fair treatment, clarifies the truth, and communicates properly and resolves issues together with the employees.</li> <li>In case of improper management behavior by supervisors, the Rules on Employees Rewards and Punishments shall be invoked and internal disciplinary mechanism initiated.</li> </ul>
Sexual Harassment	All Employees	Medium		<ul style="list-style-type: none"> <li>Raise the awareness on sexual harassment in the workplace to reduce sexual harassment in the workplace.</li> <li>Establish sexual harassment handling committee for a fair and transparent handling process.</li> </ul>
Discrimination	All Employees	Low		<ul style="list-style-type: none"> <li>Strictly abide by the laws and regulations on prohibition of discrimination against employees.</li> </ul>
Health and Safety	All Employees	Medium		<ul style="list-style-type: none"> <li>Promote weight loss and health-promotion activities for employees with health problems.</li> <li>Promote the maternity protection and prevention of ergonomic injuries, abnormal work load, and workplace bullying to reduce new occupational injuries.</li> <li>Strengthen general occupational safety and health education and training to raise employees' awareness on risk identification.</li> </ul>

## Labor-Management Relations

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 2017 CTBC Holding and subsidiaries have convened labor-management conferences where none of the labor representatives were employees in management positions. Labor-management conferences were held regularly. There were a total of 11 labor-management disputes all of which have been appropriately resolved and closed.

### Number and Types of CTBC Labor Disputes

	2017	2016	2015
Total Labor Disputes (Cases)	11	11	4
Type of Dispute	Employment relationship, business trip leave, overtime pay, occupational injury compensation, and year-end bonuses.		

Note: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2015.

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 day's notice is required to terminate labor contracts.

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

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 Employee Hotline Services. In 2017, a total of 76 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.

### CTBC Employee Opinion Processing Statistics

	2017	2016	2015
Employee Opinions Collected Through Internal Website (Cases)	76	152	144
Top Issues	<ol style="list-style-type: none"> <li>Food Quality</li> <li>Internal Communications</li> <li>Salary and Performance</li> <li>Software/Hardware Problems in the Office</li> </ol>	<ol style="list-style-type: none"> <li>Food Quality</li> <li>Internal Communications</li> <li>Salary and Performance</li> <li>Workplace Advice</li> </ol>	<ol style="list-style-type: none"> <li>Food Quality</li> <li>Internal Communications</li> <li>Salary and Performance</li> </ol>
Improvement Measures	<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>		

Note: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2015.

## Employee Hotlines Services

Complaint and Appeals	<ul style="list-style-type: none"> <li>Posted in writing to the human resource division or directly submitted to the highest human resources executive. All submissions to the Employee Hotlines Services are handled in a confidential manner to protect the rights and interests of the complainant. Provided feedback in person to any manager in human resources.</li> <li>Grievance E-mail Address: 0885@ctbcbanking.com</li> <li>Employee Hotline Services: (02) 3327-8804</li> <li>Employee Communication Area: <a href="http://ga.ctbcbank.com">http://ga.ctbcbank.com</a> <a href="https://staff.taiwanlife.com/ad/Human/communication2.asp">https://staff.taiwanlife.com/ad/Human/communication2.asp</a> (Taiwan Life)</li> </ul>
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## Absenteeism Statistics, Childcare/Childbirth Subsidies Statistics

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 2017, 157 applicants from different units applied for parental leave without pay with a return to work ratio of 77%; Up to 1,004 employees applied for a total of NTD15,347,117 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 2017 was 36.4‰, compared to 8.26‰ 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.

## Unpaid Parental Leave Statistics

	Male	Female	Total
2017 Unpaid Parental Leave, Total Employees Potentially Returning to Work (A)	20	137	157
2017 Unpaid Parental Leave, Total Employees Actually Returning to Work (B)	14	107	121
2017 Rate of Employees Returning to Work (B/A)(%)	0.70	0.78	0.77
2016 Unpaid Parental Leave, Total Employees Actually Returning to Work (C)	4	90	94
2016 Total Number of Employees Returning to Work after Parental Leave and Completing One Year of Service in 2016 (D)	3	72	75
2016 Retention Rate (D/C)(%)	0.75	0.80	0.80

## Total employees who are entitled to unpaid parental leave

Maternity Leave (Female Employees)	Paternity Leave (Male Employees)	Total
394	173	567

## Workplace Safety and Health

Organizational Member	Ratio of Labor Representatives	Meeting Frequency	Duties
1 Chairman 3 Occupational Safety and Health Managements 5 Occupational Health Nurses 7 Labor Representatives	Over one third or more	Quarterly	<ul style="list-style-type: none"> <li>Occupational safety and health policy advices</li> <li>Monitor occupational safety and health management system</li> <li>Review occupational safety and health training programs</li> <li>Follow-up monitoring results of carbon dioxide and light intensity in the workplace</li> <li>Promote occupational disease prevention</li> </ul>

## Educational Training

Related training in 2017 included "Fire Prevention Manager", "Occupational Safety and Health Supervisor" and "First-Aid Personnel." A total of 522 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 occupational safety and health inspections while the work is being performed as part of due diligence.

## Occupational Safety and Health Training

	2017	2016	2015
Initial and Refresher Training on Occupational Safety and Health Management (Persons)	522	317	518
Completion Rate for Refresher Training (%)	100	100	91
Completion Rate for Initial Training (%)	100	100	100

	2017	2016	2015
Employee Participation in Occupational Safety and Health Education (Persons)	12,072	9,730	9,152
Employee Coverage of Occupational Safety and Health Education (%)	96	94	91
Satisfaction	4.7	4.8	4.5

## Statistics for Disabling Injuries

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 2017, a total of 12 persons applied for occupational injury leave with a total of 286.5 days lost. There were no workplace fatalities.

The Company conducts occupational safety and health training every year to improve the safety and health awareness of employees. Over 96% of all employees attended training courses in 2017. Total participation was 12,072 people.

## Statistics for Disabling Injuries

Year	2017			2016			2015			2014		
Total Work Hours	26,485,077			26,324,000			22,417,408			21,320,376		
Total Number of Work Days	3,313,908			3,290,500			2,802,176			2,665,047		
Gender	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total Employees with Disabling Injuries	2	10	12	1	12	13	2	10	12	0	6	6
Total Lost Work Days, Due to Disabling Injury	184	102.5	286.5	149	115.5	264.5	14.5	193.5	208.0	0.0	248.5	248.5
Disabling Injury Frequency Rate (FR)	0.08	0.38	0.45	0.04	0.46	0.49	0.089	0.446	0.535	0.000	0.281	0.281
Disabling Injury Severity Rate (SR)	6.95	3.87	10.82	5.66	4.39	10.05	0.647	8.632	9.279	0.000	11.656	11.656
Rate of Absenteeism Due to Disabling Injury	11.10	6.19	17.29	9.06	7.02	16.08	1.035	13.811	14.846	0.000	18.649	18.649

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.

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.

Note 7: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2014 and 2015.

### Absenteeism Statistics

Year	2017			2016			2015			2014		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Absentee Days	3,451.5	9,906.0	13,357.5	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
Absenteeism Rate	0.10%	0.30%	0.40%	0.11%	0.36%	0.47%	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 2017: 3,313,908 days; 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.

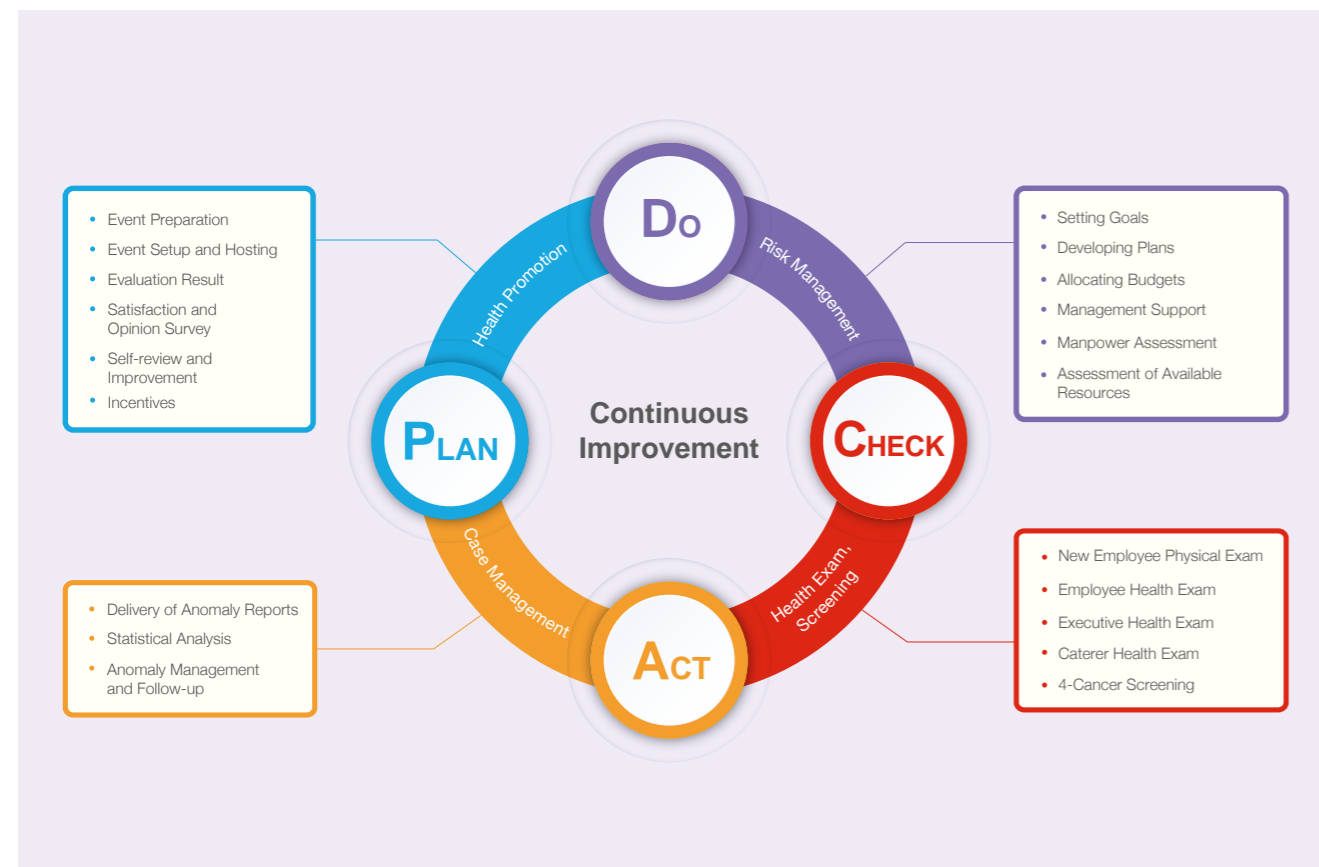
Note 2: Number of days absent = Number of work days missed due to occupational injuries + menstruation leave + sick leave.

Note 3: Absenteeism rate (%) = Total number of days absent ÷ Total number of working days × 100%.

Note 4: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2014 and 2015.

### Healthy Workplace Promotion

To promote health in the workplace, the Company has full-time health care personnel in place to 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 main 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 (BMI). To improve employee health, the Company 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.



A total of 83 events, including "On-site Doctors' Medical Examination Service," "Healthy Workplace Seminars," and "Health Promotion Activities," were held throughout 2017. A total of 542 applicants 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 Metabolic Syndrome (hypertension, hyperlipidemia, hyperglycemia). 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 held in 2017 achieved a satisfaction rating of over 4.8 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.

	2017	2016	2015
On-Site Doctors' Medical Examination Service (Sessions)	52	32	15
<b>Total On-Site Employee Consultations</b>	<b>549</b>	<b>393</b>	<b>120</b>
On-Site Doctors' Medical Examination Service Satisfaction Rating	4.94	4.88	4.92
Workplace Health Seminar (Sessions)	14	4	5
<b>Total Participants for Workplace Health Seminar</b>	<b>609</b>	<b>283</b>	<b>209</b>
Workplace Health Seminar Satisfaction Rating	4.68	4.69	4.56
Health Promoting Activity (Sessions)	17	10	10
<b>Total of Participants for Health Promoting Activity</b>	<b>542</b>	<b>419</b>	<b>619</b>
Health Promoting Activity Satisfaction Rating	4.85	4.82	4.82

#### Employee Health Care Measures

Nutrition	<ul style="list-style-type: none"> <li>Calorie-counting and balanced diets were promoted to maintain employee physical health.</li> </ul>
Flexible Work Hours	<ul style="list-style-type: none"> <li>CTBC has introduced flexible work hours by giving employees 30 minutes of leeway at the start and end of their shifts. This not only lowers peak-hour crowds but also lets employees manage their own attendance.</li> </ul>
Childcare	<ul style="list-style-type: none"> <li>The flexible welfare system at CTBC is point-based system that lets employee choose the benefit options they need. Employees can convert their free points into childcare subsidies.</li> <li>CTBC has also contracted with child-care institutions to provide employees with discounts at designated kindergartens.</li> </ul>
Work-Related Stress	<ul style="list-style-type: none"> <li>CTBC has set up Health Genki Relaxation Rooms in each building staffed with professional masseurs provided by the Taiwan Association for Visually Impaired People. Employees can therefore unwind through professional massages during work breaks.</li> <li>Happiness seminars are regularly held on a wide variety of topics. Celebrities and relationship experts are invited to explore happiness topics in different fields.</li> </ul>
Working Environment	<ul style="list-style-type: none"> <li>The general environment is disinfected (pests) every 3 months while the building is also disinfected (pathogens, pests) to reduce the risks of biological factors.</li> </ul>
Gym	<ul style="list-style-type: none"> <li>CTBC has established a 5-star fitness center fitted out with a variety of fitness equipment to help employees build a healthy physique and energize them for the challenges of work.</li> </ul>
Non-Work-Related Stress	<ul style="list-style-type: none"> <li>CTBC has partnered with the Taiwan Institute of Psychotherapy to provide each employee with 8 "Free Psychological Counseling Service" sessions a year. The professional consultation and assistance effectively helps employees deal with their psychological, emotional, and workplace relationship issues.</li> </ul>
Ergonomically-Related Injuries	<ul style="list-style-type: none"> <li>CTBC will develop an Ergonomically-Related Hazard Prevention Program for musculoskeletal injuries caused by repetitive tasks and regularly conduct hazard control.</li> </ul>

#### Talent Development

CTBC considers talent as the most precious asset and the critical advantage to pursuit of excellence and sustainable development. To meet the developing needs of employees, a dual track developing system for both experts and managers has been constructed, and training roadmaps has also been created according to different job content. In addition,

diversified training courses which includes professional knowledge, managerial skills, international operation know-how, soft skill, and financial certification, and various development opportunities such as overseas visit, job rotation, and project assignment, etc. are provided for employees to seek for long-term career development.

A total of 2,164 classroom courses were held in 2017 to train a total of 33,710 participants; a total of 735 online training sessions were held in 2017 to train a total of 161,744 participants. Total employee training hours amounted to 535,718 hours and total training costs were NTD 61,430,000. The training hours per person were 37 hours.

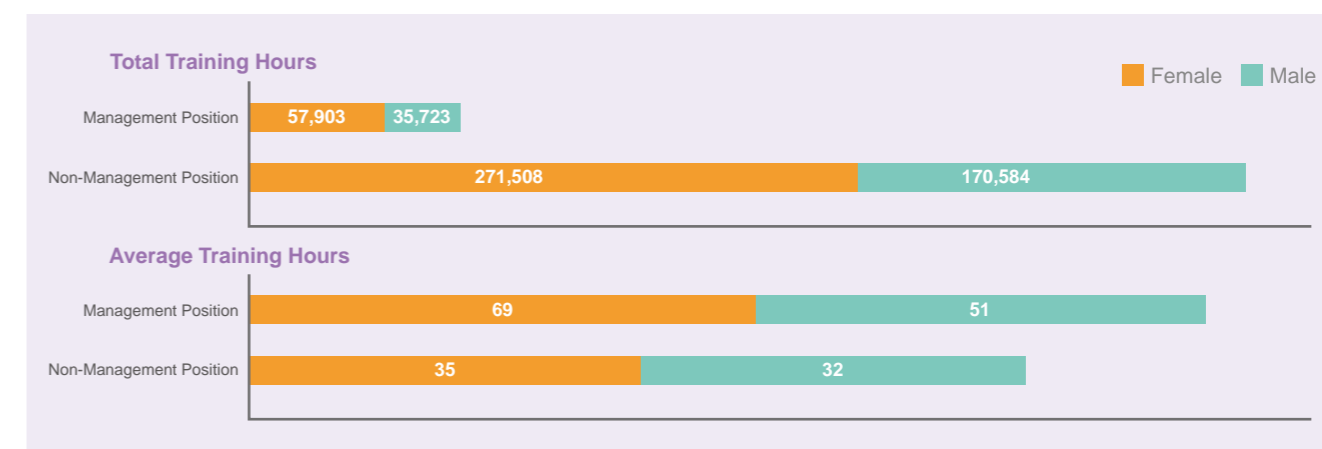
#### Education and Training Statistics

	2017	2016	2015
Classroom Training Sessions	2,164	1,968	1,862
<b>Classroom Training Participants</b>	<b>33,710</b>	<b>32,945</b>	<b>20,073</b>
Online Training Sessions	735	674	743
<b>Online Training Participants</b>	<b>161,744</b>	<b>89,127</b>	<b>83,292</b>
<b>Total Training Hours</b>	<b>535,718</b>	<b>448,598</b>	<b>412,706</b>
<b>Average Training Hours Per Person</b>	<b>37</b>	<b>33</b>	<b>32</b>
Total Training Expense (NTD 10,000)	6,143	6,244	6,181
<b>Training Expense Per Person (NTD)</b>	<b>4,197</b>	<b>4,554</b>	<b>4,761</b>
New Employee Training Participants	4,303	3,619	1,232
<b>New Employee Training Hours</b>	<b>47,200</b>	<b>64,012</b>	<b>52,010</b>

Note 1: Excluding Taiwan Life, subsidiary participation in bank-organized training courses was incorporated in calculation (expenses/number of employees/hours).

Note 2: This does not include expenses for training courses organized by CTBC Financial Holding and subsidiaries themselves (Taiwan Lottery, CTBC Investments, and CTBC Securities).

Note 3: This does not include the number of employees, hours and sessions for CTBC Bank OJT training courses.



CTBC establishes annual training and development goals each year and develops training programs such as RM training programs and life insurance agent training programs. The main purpose is to help sales improve their professional expertise and generate business growth. In addition, CTBC also adopts the Kirkpatrick Model to review the performance of training programs.

Moreover, CTBC is committed to the evaluation of training and refers the Jack Phillips' ROI Methodology, the Level 5 Return on Investment (ROI), to review the ROI of the training based on the quantitative data generated by training results and verify the specific economic benefits for the Company.

## Kirkpatrick Model

Level	Content	Evaluation Method
Level 1	Reaction: Measures participant reaction to and satisfaction with the training program and participant's plans for action.	Design training forms including pre-course survey and satisfaction questionnaires. Record operating procedure in the training SOP.
Level 2	Learning: Measures skills and knowledge gains.	Proceed related activities in accordance with program requirements to verify the outcome. They include tests after courses, internal or external licenses, and study reports from participants.
Level 3	Behavior: Measures changes in on-the-job application, behavior change, and implementation.	Conduct assessments after training course including task planning forms, MBO target setting, and evaluations.
Level 4	Results: Measures business impact.	Evaluate the achievement rate of passage in related qualification or examinations such as licenses test and evaluation assessments.
Level 5	Return on Investment (ROI): Compares the monetary value of the business outcomes with the costs of the training program.	Systematically progresses through the key evaluation/development steps from needs assessment through program objectives development, evaluation strategy, evaluation instrument design, data collection, analysis, return on investment calculating, and reporting.

## Employee Development Programs

Employee Development Program	Training Purpose	Training Content	Quantitative Impact of Commercial Benefits	Project Coverage
Institutional Banking ARM/RM Training	To increase professional knowledge of the products and skills for increase profits.	<ol style="list-style-type: none"> <li>ARM orientation training: 56 hours of classes over 8 days. The courses include fundamental of credit risk, financial analysis, industry risk analysis, credit report, site visit and reporting</li> <li>They are required to pass the underwriting qualification reviews as part of the certification training programs.</li> <li>When they have work experience and completed compulsory courses, ARM attends qualification reviews for promotion to RM.</li> <li>After taking on the role of RM, the training shall include courses on financial products, professional sale skills, and case study on credit risk.</li> </ol>	Increase more clients and make more sales and therefore more profits.	521 RM and ARM in total
Life Insurance Agent Training	To improve life insurance related professional competencies and provide training for agents on various levels of the organization development.	A standard and systematic training program, the Taiwan Life STAR Salesperson Training System, has been implemented, covers product information, certification and examination, customer needs analysis and service, and policy check-ups. This is a system that encompasses basic training, interim training, and certification training. The training helps agents perform professional services, which will contribute to higher first year premium income and a larger market share for the company.	Added new insurance policy holders and first-year insurance premiums.	8,770 agents in total
Autonomous Learning	Fast, easy to get learning resources and available to employees on the platform. Enable them to develop professional and management skills anytime, anywhere and build up the range of options in their career path.	<ol style="list-style-type: none"> <li>Learning Resources <ul style="list-style-type: none"> <li>Soft skill training programs: This consisted of 24 classroom courses and 14 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>Happiness lectures with a wide variety of topics consisted 21 courses last year.</li> <li>Partnered with Live ABC to provide employees with an interactive progressive learning platform for improving their English proficiency.</li> </ul> </li> <li>Learning platform <ul style="list-style-type: none"> <li>CTBC e-Academy: provides interactive e-learning resources easily and friendly, and e-book library.</li> </ul> </li> </ol>	Statistics show that in 2017, the CTBC e-Academy was visited 12,842 times, and a total of 5,279 users installed the CTBC e-Academy APP.	All employees

## Human Capital ROI

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		2017	2016	2015	2014
Human Capital ROI	CTBC Holding <sup>(Note1)</sup>	9.05	9.06	6.47	6.69
	CTBC Bank	2.85	2.69	2.62	2.61

Note 1: Taiwan Life was acquired in 2016 and, therefore, information of Taiwan Life was not included for 2014 and 2015.  
Note 2: Human Capital ROI = Return - (Operating Expense - (Salary Cost + Benefits Cost)) ÷ (Salary Cost + Benefits Cost)

## Conclusion

CTBC consistently believes that well-rounded employees are the key for companies to maintain their leading status. In line with our three business strategies: being strong domestically, and pursuing cross-sector and cross-border opportunities, CTBC must constantly make innovative plans and breakthroughs in the area of talent cultivation. We will continue to strengthen employee competency and competitiveness by investing resources. Internally, we will enhance employee competency with a solid training system to ensure that the right people are in the right positions, which 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 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

As Jeffrey Koo Sr., founder of CTBC, once 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." Social care is an important part of CSR. CTBC follows the philosophy of returning to society whatever is taken from society, starting from care for employees, while sharing love with customers, society as a whole and extending to overseas. True social influence can be exerted by providing the resources and assistance that better meets the needs of society. CTBC is always thinking about how its own core competencies can be leveraged to improve the economic power of underprivileged groups, resulting in the launch of products and services. We hope the business stimulus we provide can lead to the development of better social welfare in society as a whole.



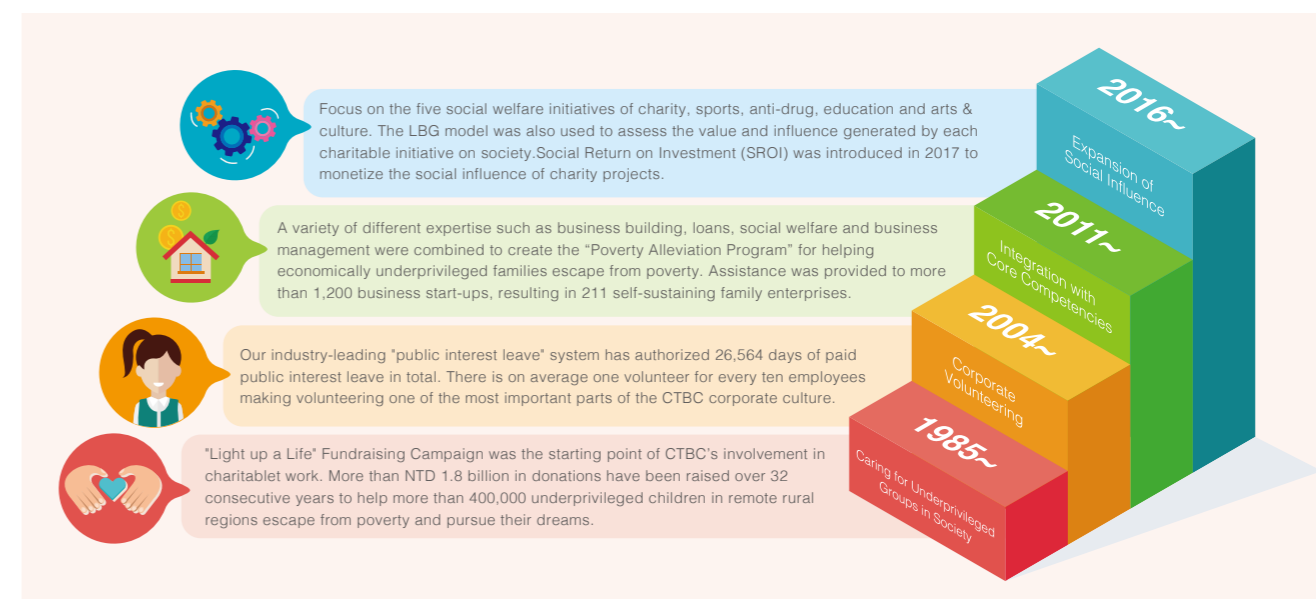
The introduction of the UN Sustainable Development Goals (SDGs) made us realize that our responsibility as a global corporate citizen has become even greater. CTBC not only supported the SDGs by examining how our existing social investment connects to the SDGs. The five key themes of charity, anti-drug, sports, education, arts & culture matches the five key indicators for No Poverty (SDG1), Zero Hunger (SDG2), Good Health and Well-being (SDG3), Quality Education (SDG4) and Decent Work and Economic Growth (SDG8). The community investment assessment model of the London Benchmarking Group (LBG) was also adapted to record expenditures such as cash and time invested, goods donated and management costs. The direct benefits and indirect influence of these investments on the commercial and social level were also analyzed to help us allocate our resources most effectively in each charity project. We hope that every cent invested in charity by CTBC can generate the most positive influence possible in this land we call home.

## Social Investment Milestones

32 years ago (1985), CTBC founder Jeffrey Koo Sr. launched the "Light up a Life" fundraising campaign and pioneered charity fund-raising by Taiwanese enterprises. CTBC has never stopped caring for society over the years by making investments towards different aspects of social

welfare such as charities, anti-drug, sports, education, arts and culture. Beyond "seeing the need", CTBC hopes to bring about "change in society" so that the positive force for "common participation" can create countless "cycles of kindness".

## From Supporting Charities to Creating Share Value



# Management Model of the Five Charity Shared Values

### Resources by Category (Amount & Percentage)

- Cash Donations  
NTD 561.78M / 89.73%
- Time Contributions  
NTD 2.01M / 0.32%
- In-kind Donations  
NTD 2.58M / 0.42%
- Administrative Expenses  
NTD 59.68M / 9.53%

### Activity Type (Amount & Percentage)

- Charitable Activities  
NTD 26.85M / 4.29%
- Business Initiatives  
NTD 477.80M / 76.32%
- Community Investments  
NTD 121.39M / 19.39%

### Identification of the 5 Key Social Requirements

The 17 UN Sustainable Development Goals (SDGs) and 169 action matters were used to identify the five major social issues that our business influence could play a role in.

<b>1 NO POVERTY</b> 	Assisting poor and underprivileged groups with securing fair and equal access to economic resources and financial services.
<b>2 ZERO HUNGER</b> 	Ensuring that the poor and underprivileged groups can obtain safe nutrition and sufficient food throughout the year.
<b>3 GOOD HEALTH AND WELL-BEING</b> 	Strengthen the prevention and treatment of substance abuse, including abuse of anesthetics and alcohol.
<b>4 QUALITY EDUCATION</b> 	Ensuring that the underprivileged groups have channels for receiving education and training; All students can learn essential knowledge and skills.
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	Support job-creating, micro-, small and medium enterprises by providing channels for obtaining development-oriented financial services.

### Focus on the 5 Major Charity Initiatives

- Charity**
  - Light up a Life
  - Taiwan Dream Project
  - Overseas Aid
  - Charity Co-branded Card
  - CTBC Poverty Alleviation Program
- Anti-Drug**
  - Touring Exhibition
  - Raising Students' Awareness
  - Compilation of Anti-Drug Teaching Materials
  - Raising Families' Awareness
  - International Cooperation
- Sports**
  - CTBC Youth Baseball Project
  - CTBC Black Panther Pennant (National High School Baseball Competition)
  - CTBC Brothers
  - Golf Tournament
- Education**
  - CTBC Business School
  - Scholarship for the Underprivileged and Talented Students
  - Overseas Study
- Arts and Culture**
  - CTBC Arts Festival
  - LOVE & ARTS for Dream+ Initiatives
  - The Master Class Series
  - Indie Bands and Alternative Platforms

### Execution Outcomes

Commercial Benefits	<b>2,297 PPL</b> Corporate Volunteering
	<b>1,007 Day</b> Public Interest Leave
	<b>NTD 97.29M</b> Amount Loaned CTBC Poverty Alleviation Program
	<b>NTD 1.7B</b> CTBC Brothers Media Exposure
	<b>100%</b> CTBC Business School Enrollment Rate
Social Benefits	<b>NTD 30M</b> Charity Co-Branded Card Credit Card Rebates
	<b>NTD 125M</b> Light up a Life Charitable Donations
	<b>359 PPL</b> Taiwan Dream Project Underprivileged Elementary Students
	<b>230K PPL</b> Anti-Drug Education Exposure
	<b>66 PPL</b> No. of Underprivileged Students Enrolled CTBC Business School
<b>1,200 PPL</b> CTBC Poverty Alleviation Program Entrepreneurship Guidance	
<b>41K PPL</b> Overseas Aid Underprivileged Children	

### Influence

- Company Revenues**
- Brand Awareness**
- Stakeholders**
- SROI 4.26 times (Taiwan Dream Project)**
- Quality of Life**
- Knowledge & Skills**

CTBC had made becoming a "caring bank" its mission. We hope that employees can learn in this big family how to care for underprivileged groups, spread the message of love, and how it is better to give than to receive. In 2004, we became the first in the industry to offer "Public Interest Leave". Volunteers can earn 1 day of leave for every 6 hours they volunteer. Each person can apply for up to 10 days of paid public interest leave each year, the most in the industry. The CTBC volunteer team is divided among "mentoring volunteers", "financial planning volunteers", and "English volunteers". They not only provide selfless service but also assistance in a planned, organized and systematic manner. They provide underprivileged children and families with the best possible support. Underprivileged children and families need sustained support rather than one-off assistance to truly make a difference. More than 1,953 volunteer sessions had been held by the end of December 2017, helping more than 68,355 underprivileged children and families. This year, a group of "anti-drug volunteers" was introduced to assist with frontline anti-drug education. A total of 141 volunteers (including 59 external volunteers) were recruited, which highlights the positive response to our charity investments.

### Social Care

#### Light up a Life

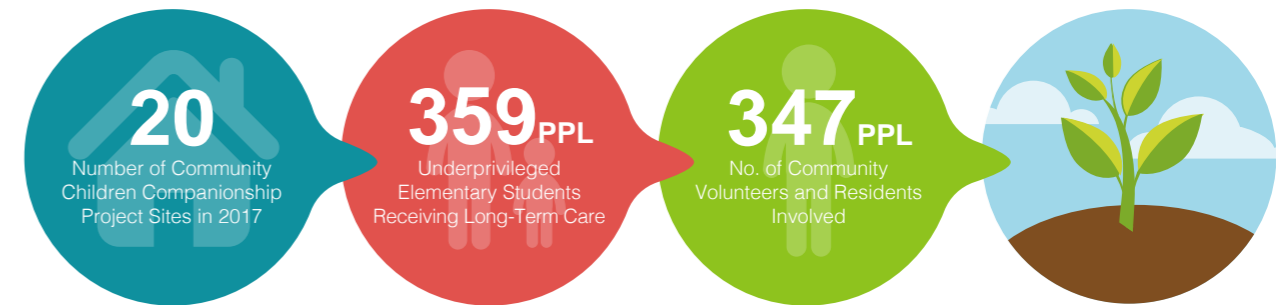
The "Light up a Life" fundraising campaign is the longest-running charity event in Taiwan. Now in its 32<sup>nd</sup> year, the campaign has helped more than 400,000 underprivileged children and families from remote rural regions. CTBC also leverages its own strength in financial service resources and channels such as branches, Internet banking, ATM, reward points, and wealth points to disseminate charity information through different channels using the power of commerce. More customers and consumers can then help people with ease, making it the best charity platform for the general public to assist underprivileged children. The 32<sup>nd</sup> "Light Up a Life" campaign raised a total of NTD 125 million over three months in 2017. All of the money was donated to 330 rural schools in the Child Welfare League Foundation's "Rural Elementary School Student Companionship Project", 20 community development associations in the "Taiwan Dream - Community Children Companionship Project", the Paper Windmill Foundation, and the Eden Social Welfare Foundation. This is expected to improve the learning environment and family life of nearly 40,000 underprivileged children in rural regions. Children in rural regions will receive companionship from kind-hearted local people instead of missing out on the opportunity to find their own worth due to poverty or lack of resources. We hope this will plant the seeds of love and goodness deep in the hearts of these children to further expand the cycle of love.



#### Taiwan Dream - Community Children Companionship Project

"The children in the community are our children." The "Taiwan Dream - Community Children Companionship Project" was launched by the CTBC Charity Foundation in 2015 and by the end of 2017, it had established 20 community companionship sites and officially started operating in 18 communities. In addition to the organizing of local volunteers, financial planning, English and character volunteers from CTBC Holding are also dispatched to provide their support as well. A total of 359 elementary students from underprivileged families now receive long-term care with 347 community volunteers and residents involved in the project. We hope to build the first safety net for children by drawing upon

the power of mutual support within the local community. The children in these remote rural communities can then be provided with a safe environment for incubating their dreams. The project was recognized with the "Asia Responsible Entrepreneurship Award (Social Empower Category)" from Enterprise Asia, as well as the "CSR Impact Award - Public Welfare Impact Award" by PwC and the Taiwan representative of Cannes Lions in 2017.



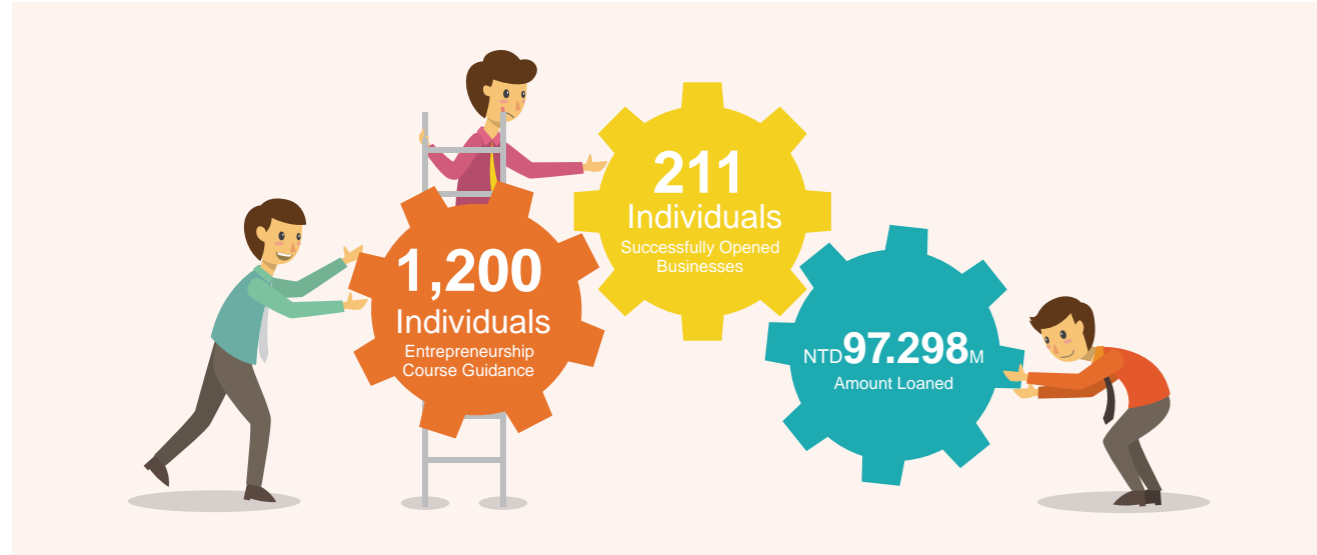
CTBC has always been committed to sustainable engagement in social welfare because we know that it takes continuous and sustained contributions rather than just money and material support to make a difference in our community. CTBC Holding introduced the Social Return on Investment (SROI) system to social welfare projects in 2017. Dahu Community in Changhua County's Bitou Township was selected as the pilot site of the "Taiwan Dream - Community Children Companionship Project" for case evaluation. The rigorous assessment of SROI was used to determine the influence and changes created by the "Taiwan Dream Project" on residents. It found that 97% of the students were proud of being a member of the community, 90% of parents believed that it helped to alleviate economic and child-care burdens, and 77% of volunteers felt happiness and a sense of achievement from serving. The external resources that Dahu Community gained access to through the Taiwan Dream Project saw it grow by nearly 4.4 fold compared to the previous year as well. Calculation and analysis found that for every NTD 1 invested into Dahu Community in Changhua County's Bitou Township, social value worth NTD 4.26 was generated. The "Taiwan Dream - Community Children Companionship Project Social Return on Investment Report" ("Taiwan Dream SROI Report") was verified by Social Value International (SVI) and was also the first SROI reported from a financial enterprise verified by the SVI. The project was also recognized with the top award in the social welfare category at the "14<sup>th</sup> GLOBAL VIEWS Corporate Social Responsibility Awards" in 2018.

In the future, we will continue to strengthen community cohesion and build a protective umbrella for children through their neighbors. We hope this initiative will continue to gather steam so that children in remote rural regions can receive better care and make a positive impact on public welfare.

#### CTBC Poverty Alleviation Program

The "Poverty Alleviation Program" was launched in 2011 and provided counseling to more than 1,200 business start-ups over seven years. A total of 211 families successfully started their own business and total loans amounted to more than NTD 97,298,000. In addition, 157 of these businesses have become self-sustaining. We hope this will help underprivileged families escape from poverty. The "Poverty Alleviation Program" develops localized micro venture loans based on the actual needs of economically underprivileged families in Taiwan. Bank, life insurance, Small & Medium Enterprise Credit Guarantee Fund (SMEG) and consultant team resources are integrated to provide comprehensive services such as loan cash flow, credit guarantee, start-up insurance and start-up guidance that help underprivileged families find a brand new future. Awards included the "GLOBAL VIEWS Corporate Social Responsibility Awards" and "Taiwan Corporate Sustainability Social Inclusion Award".

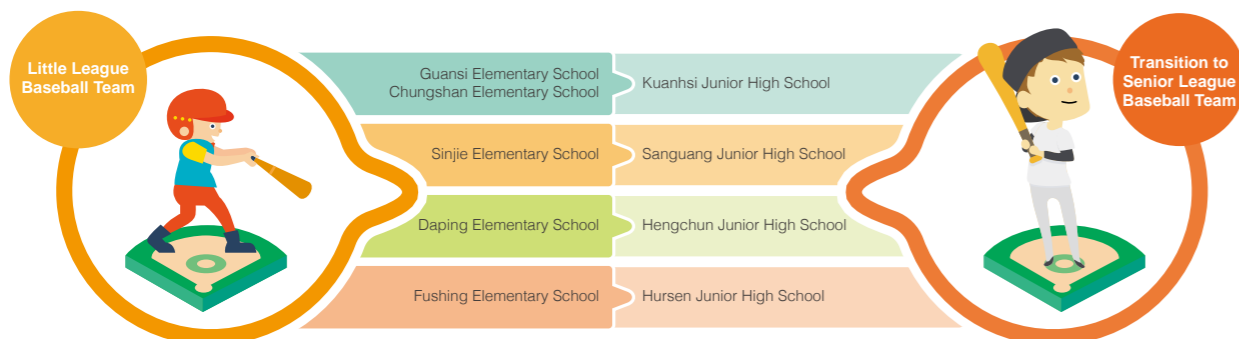
In the future, we hope our commercial influence can continue to give underprivileged groups on the bottom rung of society a chance to return to the road to happiness. We also hope that it can integrate with the "Taiwan Dream Project" so that more community support can be recruited to help parents of underprivileged families.



#### CTBC Youth Baseball Project

The promotion of "sports charity" has always been an important mission for CTBC. The "CTBC Youth Baseball Project" was launched in 2014 to provide financial support to grassroots baseball teams. Schools are assessed on their investment into grassroots baseball and the contents of after-school mentoring. Supported baseball teams are provided with financial planning education, academic mentoring, baseball gear, coach salaries, competitions and off-site training. The hosting of the "CTBC Youth Baseball Championship" also provides young baseball players with a stage to test their mettle against each other. CTBC hopes that the team life and discipline requirements of baseball will help the children complete their schooling and achieve independence.

In 2017, The "CTBC Youth Baseball Project" extended from the little league to senior league for the first time, with subsidies provided to 500 baseball players in 24 teams. Ten of the sixteen players on the national team at the U12 Baseball World Cup came from little league baseball teams subsidized by the CTBC Charity Foundation through the "CTBC Youth Baseball Project" as well. We hope to become a pillar of support for children pursuing their dreams and to popularize the national sport off Taiwan at the grassroots level. The constant flow of new blood into the sport will open up new horizons and a new future for the baseball in Taiwan.



#### China Cares for the Next Generation Demonstration Base Program

In terms of overseas aid, the CTBC Charity Foundation embraced the philosophy of "overcoming poverty through education" by launching the "China Cares for the Next Generation Demonstration Base Program" overseas in 2013. As of the end of 2017, 36 pilot program sites have been set up. The program covers 24 provinces and autonomous regions including 17 ethnic minority areas throughout China. 41,557 underprivileged students now have access to more learning resources as a result.

#### Other Charitable Care Initiatives

Taiwan Life is one of CTBC Financial Holding's two engines that power profitability and a partner in diverse public welfare programs. CTBC has long been dedicated to caring for disadvantaged children and Taiwan Life has focused its public welfare goals on long-term care, the elderly and medical services. They correspond to the spirit of CTBC Financial Holding's brand "We are family" and Taiwan Life advances public welfare actions based on the idea of "help the next generation by taking care of yourself" as it takes care of the two ends of life to expand the breadth and depth of care. Taiwan Life also follows the government's long-term care policies and advances "local aging" and "active aging" initiatives to address issues concerning social gaps. Taiwan Life not only provides services to the elderly with demand for long-term care but also connects with international trends for senior citizens' happy lives. Taiwan life encouraged youths to participate in elderly design innovation and intergenerational learning and use the new perspectives of youths to resolve "old" issues, explore new demands derived from the aging society, and overturn biases against old age and the elderly. In addition, Taiwan Life advanced health promotion activities for the elderly to strengthen family value and social stability.

#### Social Initiatives Undertaken by Taiwan Life in 2017

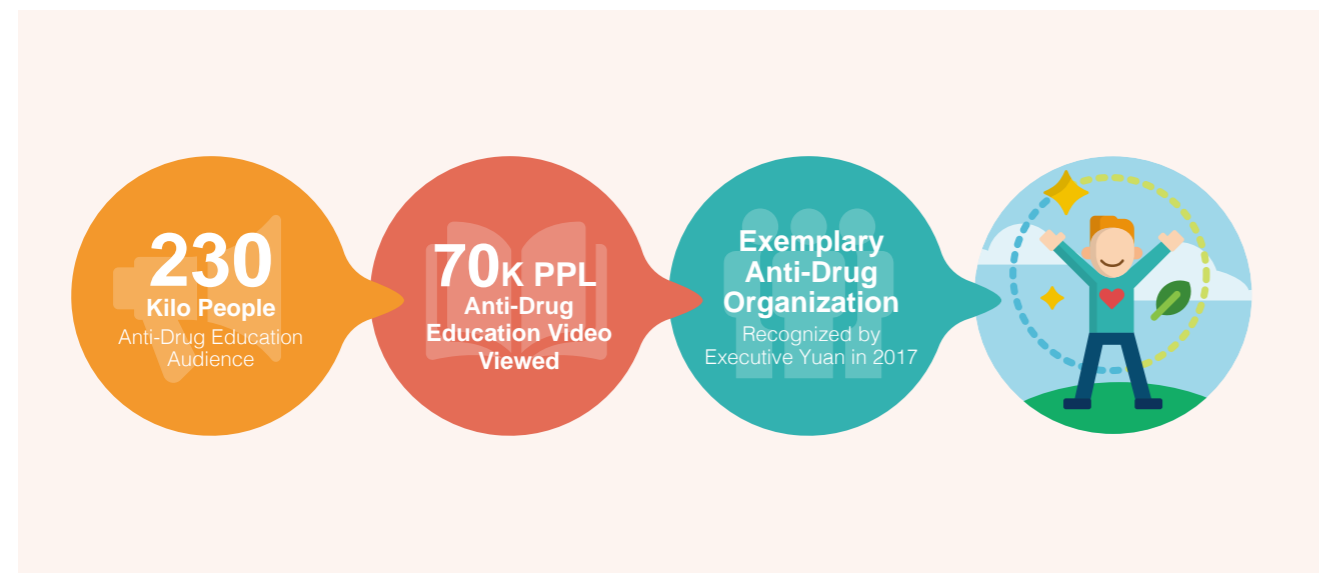
<p>Aging in place</p>	<p>Cultivation of long-term care talent (Partner: Hondao Senior Citizen's Welfare Foundation)</p> <ul style="list-style-type: none"> <li>The first training center in Taiwan with simulated Home care Environment for training long-term care personnel.</li> <li>A total of 1,902 professional carers were cultivated in 2017. A professional book for carers will be published in 2018.</li> </ul> <p>Medical Support Program for Senior Citizens Living Alone (Partner: Hondao Senior Citizen's Welfare Foundation)</p> <ul style="list-style-type: none"> <li>Targeted at disadvantaged senior citizens living alone with weak family support systems in urgent need of medical treatment or care after hospital discharge.</li> <li>A total of 3,368 service trips were made in 2017 resulting in 32,195 care hours. The service helped senior citizens living alone maintain their independence and reduced their medical burden.</li> </ul> <p>In-Home Bathing Service (Partner: Bjorgaas Foundation)</p> <ul style="list-style-type: none"> <li>Promoted home bathing service projects in the 12 townships of Pingtung County. Home bathing services were provided 168 times.</li> </ul>
<p>Active Aging</p>	<p>Design challenge hosted by The Stanford Center on Longevity (Partner: Silver Linings Global)</p> <ul style="list-style-type: none"> <li>Leverage the power of innovative technologies from a global perspective to build a senior citizen-friendly environment.</li> <li>Innovative designs were submitted by more than 90 teams from 40 schools in the Asia-Pacific region in 2017 Inter-Generational Learning Project.</li> </ul> <p>Young and Old Joint-Learning Project (Partner: Old Five old Foundation)</p> <ul style="list-style-type: none"> <li>A variety of co-learning courses and workshops promote inter-generational harmony through interactions between children and senior citizens.</li> <li>Services were provided to senior citizens and children 208 times and 468 times respectively.</li> </ul> <p>Three-Generation Get Together - Healthy and Happy Carnival</p> <ul style="list-style-type: none"> <li>A total of 4,500 people took part in the event in 2017. The event has been held for 6 consecutive years and cumulative attendance now approaches 100,000.</li> <li>Through family and intergeneration interactions, Taiwan Life increases senior citizens' willingness to maintain physical fitness, reduce degradation of physical fitness, and focus on family companionship and other social issues. The Three-Generation activities were awarded the "2017 Asia Responsible Entrepreneurship Award (Health and Hygiene Promotion Category)" and the "7th Taiwan Insurance Excellence Award (Excellence in Social Contribution Category)".</li> </ul>
<p>Outreach Hepatitis Screening</p>	<p>2017 Liver Screening for Remote Rural Regions in Taiwan (Partner: Liver Disease Prevention &amp; Treatment Research Foundation)</p> <ul style="list-style-type: none"> <li>Taiwan Life is aware of the relative deficiency in medical resources in remote areas of Taiwan as well as the people's low awareness of liver disease prevention. Taiwan Life cooperates with the Liver Disease Prevention &amp; Treatment Research Foundation to jointly advance liver hepatitis screening and liver disease prevention awareness.</li> <li>Liver cancer ranks first in the cancer mortality rate in Yunlin County. Taiwan Life therefore provided liver disease screening services for nearly 3,000 people in Taixi Township and Mailliao Township in Yunlin County and Nantou City. Liver health screening has been provided to 19,780 people from 2015 to 2017.</li> <li>Taiwan Life has observed the demand for insurance of patients suffering from hepatitis B and gaps in coverage. As such, Taiwan Life used its core competency to develop the world's first impaired risk policy for hepatitis B carriers with the "Taiwan Life substandard Liver Whole Life" which was approved by the competent authority on December 27, 2017. The policy provides hepatitis B patients with a lump-sum payment and multiple payments to pay for the high medical or care expenses for disease management, care, and high expenditures for severe diseases in order to effectively relieve the burden on families.</li> </ul>
<p>Children's Art and Public Welfare</p>	<p>Taiwan Life organized the "Healthy and Happy Exercising Family" charity children's drawing competition in 2017 to support CTBC Financial Holding's long-term care for the education of children in remote areas.</p> <ul style="list-style-type: none"> <li>The event attracted 28,000 entries and Taiwan Life donated NT\$3 to elementary school libraries in rural regions for every entry submitted. Entrants can therefore contribute to charity through art. A total of 210 children's books were donated to the Child Welfare League Foundation for children to read. In addition to cultivating positive character traits such as love and compassion in children, the initiative also generated public attention and support for disadvantaged people.</li> </ul>

### Promotion of Anti-Drug Education

Research by the NTU Children and Family Research Center and U.S. Government found the every USD 1 invested in preventive education saved USD 64 in social cost. In accordance with the philosophy of "Educate and unite against drugs.", CTBC founded the CTBC Anti-Drug Educational Foundation in 2015 - the first organization dedicated to anti-drug education established with corporate donations in Taiwan. In the last two years, the Foundation has hosted more than 200 anti-drug touring exhibition and campus education events throughout Taiwan and offshore islands. The events have reached more than 230,000 people so far including the 3-month "The Truth About Drug Addiction" special exhibition at the National Taiwan Science Education Center, as well as the "High" 3D anti-drug movie targeted at schools in 2017. The general public is introduced to drugs in an easy-to-understand and interactive format in the hopes to persuading young people to steer clear of drugs. The Foundation was recognized by Executive Yuan for its contribution to the fight against drugs. The project also received the top award at the "14<sup>th</sup> Global Views CSR Awards (Education and Promotion Category)" and received the Social Empowerment category of the Asia Responsible Enterprise Awards 2018 (AREA 2018)

The Foundation also partnered with documentary director Li Hui-ren to produce "Sisyphus.exe", the first documentary about drug addicts in Taiwan. The realist imagery gave the audience a very deep appreciation on the harm caused by drugs. The documentary has been viewed more than 340,000 times to date; Tsai A-Ga's modern twist on Snow White was also 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 400,000 people viewed the video and both generated a strong public response.

To promote anti-drug education on campus, CTBC partnered with the NTU Children and Family Research Center, and Taipei City Government's Department of Education to develop a "Positive Interpersonal & Life Orientation Training(PILOT)" based on the LST (Life Skill Training) course framework from the Cornell University in the U.S. The new course was implemented at part of junior high schools in Taipei City from academic year 2017 onwards. The Foundation also joined forces with the K-12 Education Administration and NTNU Department of Educational Psychology and Counseling to promote Competency-Oriented Anti-Drug Education. " The course was trailed at 10 junior high schools in Taichung City. A teaching approach based on interaction and games is used to promote anti-drug education for children. In addition, the Foundation worked with the Agency of Corrections, Ministry of Justice to improve the child-parent relationship environment for female prison inmates with children. The foundation donated NTD 3.79 million to upgrade the child-rearing environment in women's prisons and purchase early-childhood teaching programs. The improvements to the nursery software and hardware facilities in women's prisons will hopefully end the vicious cycle created by drugs.



### CTBC Anti-Drug Education Foundation History and Organization

2012	Supported NTU Children and Family Research Center in conducting academic research in hopes of finding drug prevention strategies.
2013-2014	Invited core members of the USA DEA Educational Foundation to host a symposium in Taiwan and share their views on new trends in anti-drug education.
2015	<ul style="list-style-type: none"> <li>Founded "CTBC Anti-Drug Education Foundation"</li> <li>Launched "A Loving Family in a Drug-Free Future" touring exhibition styled after the exhibition format of the USA DEA museum for anti-drug education</li> </ul>
2016	Launched "The Truth about Illegal Drugs" touring exhibition
2017	<ul style="list-style-type: none"> <li>Launched the "Competency-Oriented Anti-Drug Education" and "Positive Interpersonal &amp; Life Orientation Training(PILOT)"</li> <li>Named by the Executive Yuan as "Exemplary anti-drug organization" of 2017</li> <li>Launched "The Truth About Drug Addiction" touring exhibition</li> </ul>




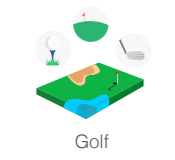
### Athletic Sponsorships

In embracing the philosophy of "Chasing the dream", CTBC has not only organized large golf tournaments over the years but also provides corporate sponsorships to rising golf stars including Teresa Lu, Shan-shan Feng, Yu-ling Hsieh, Yu-ting Shi, Ssu-chia Cheng, Hsin-ning Yeh, Tzu-chi Lin, and Ai-chen Kuo. Athletes are encouraged to "stay true to your beliefs" to "fulfill your dream". As "it is the duty of every business to support baseball because it is the national sport of Taiwan", CTBC not only became the naming sponsor for the CTBC Brothers professional baseball team. But also promotes "Take root downward and bear fruit upward" for baseball in Taiwan. Baseball players are encouraged to become involved with charity work and to participate in grassroots baseball education. These efforts were recognized with the 2017 "Taiwan Corporate Sustainability Social Inclusion Award".

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 in the hope of become the leading brand for the promotion of sports charities., In 2017, CTBC received the "Sponsorship Award Gold Class" and "Sponsorship Award Long-Term Sponsorship Award" at the Sports Administration "Sports Activist Awards". The awards marked the 7th consecutive year of recognition CTBC has received through the "Sports Activist Awards". In addition, CTBC subsidiaries CTBC Bank and Taiwan Life were both presented with the Taiwan i Sports (certificate of corporate wellness) by the Sports Administration as well. CTBC therefore received a total of three within a period of two years.

Instruction from CPBL coaches and players helped pass on their playing skills and experience to players at the grassroots level. In 2017, CTBC partnered once again with CTBC Brothers and the National Library of Public Information for the second year on hosting the "Home Run Readers" series of activities. More than 20 libraries and 10 libraries-on-wheels took part in the promotion of reading activities. These libraries were introduced into remote areas. Approximately 8,000 books have been circulated across 30 rural areas in Taiwan so that children living in remote areas were also given the opportunities to read books. Free e-book service was also provided, allowing reading activities to rise above the constraints of time and space and reach into every corner of Taiwan. A total of 179,766 people took part in the events. Giveaways included 7,228 outfield tickets and 800 infield tickets to CTBC Brothers home games, 50 baseballs signed by event spokesperson Steven Chou, and 10 CTBC Brothers "1-day VIP + Baseball field tour" packages.

### Sports Activities in 2017

 <p>Baseball</p>	<p><b>CTBC Brothers</b></p> <ul style="list-style-type: none"> <li>Total media exposure approaching NTD 1.7 billion with the highest TV ratings of all four CPBL teams.</li> <li>Recruited a total of 7 foreign US Major League-grade coaches, the most of all four CPBL teams.</li> <li>CTBC Brothers players took part in more than 40 charity events totaling 150 hours.</li> </ul> <p><b>CTBC Black Panther Pennant(National High School Baseball Competition)</b></p> <ul style="list-style-type: none"> <li>The number of registered teams reached the 200-team milestone for the first time. Teams from all 22 counties and cities in Taiwan were represented for the second year in a row.</li> <li>A total of 72 female players and coaches took part in the competition, a new record.</li> <li>The number of students at each session of the CTBC Black Panther Pennant(National High School Baseball Competition) Road Tour increased to 100 people. Six more CTBC Brothers players were recruited as instructors. The road tour was integrated with anti-drug education as well to promote grassroots baseball education to benefit a total of 400 senior high school students.</li> </ul> <p><b>CTBC National Grassroots Baseball Road Tour</b></p> <ul style="list-style-type: none"> <li>Head coach Fu-lien Wu visited baseball teams at 18 schools around Taiwan playing in the three-tier system with 21 CTBC Brothers coaches and players.</li> </ul>
 <p>Golf</p>	<p><b>Support for Golfers and Tournaments</b></p> <ul style="list-style-type: none"> <li>Professional women golfers with long-running sponsorships from CTBC won a total of 8 tournaments.</li> <li>Teresa Lu won 4 tournaments in the Japan Ladies Professional Golf Association Tour (JLPGA) in a single year, earning more than 100 million Yen in prize money and a 3rd place ranking.</li> <li>Shan-shan Feng was crowned three times during the LPGA Tour. Her accumulated score catapulted her to world No. 1 and made her the 13th queen of international ladies' golf.</li> <li>The "2017 CTBC Ladies Open" attracted a total of 108 top international golfers. It retained cross-strait certification from both CLPGA and TLPGA, and also counts towards the world rankings making it an international stage for golfers in Taiwan.</li> </ul> <p><b>Pro Golfers Swing for Charity</b></p> <ul style="list-style-type: none"> <li>The "CTBC Ladies Open" is combined with a charity event every year with golfers invited to swing with customers for charity.</li> <li>The "Teresa Charity Game" has been held in partnership with top golfer Teresa Lu for two straight years so far. Many golfers and professional baseball players took part in the fund-raising event. More than NTD 16 million in donations were raised in 2017 for the CTBC Anti-Drug Educational Foundation for the promotion of anti-drug education.</li> </ul>



### Charity Education

The philosophy of the CTBC Business School funded by CTBC Holding is "Promote public interest, and support the underprivileged and talented". Its educational mission is to cultivate international financiers and its goal is to become the most practical business school in Asia. The School has achieved a 100% enrollment rate three years in a row since it was established in 2015, and it was recognized by Cheers Magazines in both 2016 and 2017 as "TOP 20 Best Performing Universities". At the same time, CTBC Holding has provided many resources to craft a comprehensive learning environment based on scholarships, financial aids, industry-university cooperation, overseas study, and guaranteed employment program to cultivate outstanding international financiers of tomorrow.

- The "Elite Scholarship" and "Hope Financial Aid" serve to attract outstanding high school students. 30% of the quotas is

reserved for underprivileged high school students with strong potential, and the goal is to provide a supportive learning environment and opportunities. In 2017, 66 out of nearly 300 students have been offered tens of millions in scholarships and grants.

- Through the partnership with CTBC, one of the core courses is called CTBC Forum in which three senior executives from CTBC management team are invited as guest speakers to speak on career path, trend analysis and actual practice to the students regularly. By standing on the shoulders of giants, students are able to learn how to think like a leader. A number of special projects have also been set up because of the industry-university cooperation, including the only ICRT campus station in Taiwan, access to Master Kenichi Ohmae's Business Breakthrough platform, and distinctive learning in sports analysis, golf and wine appreciation.
- About 79 students received full sponsorships to study at the Waseda University, Japan, and the Lyceum of the Philippines University, Philippines. Apart from the professional classes in finance, students were invited to visit CTBC overseas branches (Tokyo Star Bank and the Philippines branch of CTBC Bank) to experience the operations of international finance. In the future, a group of 45 students with outstanding performance will continue to be chosen every year for this overseas learning opportunity. In 2018, students will be chosen on merit to spend one year at the Wharton School in the U.S. for in-depth learning and cultural immersion.

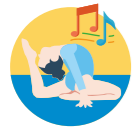


In 2017, the scope of education has been expanded with the establishment of CTBC International Academy (CIA), the first experimental high school in southern Taiwan. CIA offers Individual Curriculum Plans for each student and an all-English teaching environment, and multicultural elective courses. The courses and resources offered to CIA students are jointly shared by CTBC Business School to develop an integrated channel for higher education, and to be an international financier.

### Arts and Culture Development

CTBC Foundation for Arts and Culture has a long involvement with arts and cultural education. A business model based around "New Art Beyond Novel Hall" is used to continue extending the reach of arts and culture to create a sharing platform where everyone can be closed to art. Efforts have been focused on promoting "LOVE & ARTS" for charity in recent years. In addition to inviting rural students to charity sessions to learn more about arts & culture, the "LOVE & ARTS Dream+ Project" travels to remote rural communities with art teachers from different fields to help more children dare to dream, chase their dream, and fulfill their dream. CTBC Holding was presented with the Ministry of Culture's 13<sup>th</sup> Arts & Business Award in 2017, making it the 12<sup>th</sup> time that it has received this honor. The CTBC Foundation for Arts and Culture also received the Ministry of Education's 2017 "Social Education Contribution Awards" in recognition of its ideals and achievements in promoting arts & cultural education.





Arts and Culture

**CTBC Arts Festival**

- The CTBC Arts Festival converses with different cities through the "Mobile Arts Festival" formal. It injects the energy of innovation into Taiwan in partnership with local and overseas performance groups to inspire the art and cultural sparks of diversity. Love & Arts Benefit Performance are hosted every year as well with rural students invited to get closer to arts and culture. The Ministry of Culture praised the CTBC Arts Festival for its "unique" blend of local culture and international spirits.
- The LOVE & ARTS Benefit Performance of the CTBC Arts Festival ventured outdoors for the first time in 2017 with a performance by "U-Theatre" at the Fulfillment Amphitheatre in Taichung that attracted an audience of ten thousand. LOVE & ARTS Benefit Performance sections were allocated by the Festival at other programs to invite rural students to the theater.
- "Nicholas Angelic Piano Recital" presented classics spanning two centuries.
- VERO by "Deborah Colker Dance Company" invited Brazil's famous dance company to Taiwan and set a new milestone in art and cultural diplomacy.

**LOVE & ARTS Dream\* Initiatives**

- Partnered with art mentors in different fields to venture deep into remote rural regions to help dreamers with a passion for arts and culture pursue their dreams.
- Eric Chang the panpipe player led young "mountain pipers" from Lehe Tribal Village in Hualien on a journey to build their dreams. More than a hundred students and teachers from 11 schools in Hualien County ultimately took to the stage at Hualien Cultural Center to fulfill their musical dreams.
- Partnered with cancer survivor painter "GG King" to publish charity emoticons that channel the energy of love and arts through the social network media.

**The Master Class Lectures**

- Cooperated with Beijing Opera Wei Haimin to host the "Recital in Memory of Mei Baoju by Wei Hamin" concert and campus lecture for an appreciation of the Mei School's "traditional yet contemporary" artistic aesthetics.

**Supporting Independent Music-Searching**

- Indie Bands and Alternative Platforms full of support for original music! Sponsored leading musical events such as the Ho-hai-yan Rock Festival, Taoyuan Iron Rose Music Festival and Golden Melody at NCCU.
- The establishment of the "CTBC Audience Award" provided an innovative model for channeling CTBC group resources to indie bands and built "Alternative Platforms" at CPBL baseball fields, campus competitions and corporate events.
- A total of 14 bands have been provided with 51 performance opportunities so far. The "Taiwan Soul" band in particular is now preparing to release its second album.

**Supporting Cultural and Creative Industries**

CTBC was the first financial company to answer the government's call to support the development of the cultural and creative industries. Strong support was given to the development of the domestic film industry over the years. In 2017, CTBC Capital and the Ministry of Culture invested in "The Great Buddha+". The film's highlighting of absurdities in life and society resulted in invitations to 25 local and overseas film festivals. It then went on to win 5 awards at the 2017 Taipei Film Festival, 5 awards at the 54th Golden Horse Awards, and Best Film from Mainland And Taiwan at the 37th Hong Kong Film Awards.



Other investments over the years included blockbusters such as "The Killer Who Never Kills", "Step Back to Glory", and "The Moment". In 2016, CTBC became the exclusive sponsor of director Ang Lee's "Billy Lynn's Long Halftime Walk." CTBC Capital also invested in projection equipment for Taiwan's only 3D, 4K, 120 FPS advanced cinema to fulfill and support Ang Lee's dream of showing his film in high-quality format in his homeland simply because he had said: "The global premiere will be held in Taiwan if the cinema is available".

CTBC Capital helps cultural and creative industry operators obtain funds to commercialize, internationalize, and go public. This in turn promotes cultural and economic developments while also showcasing the cultural and creative values of Taiwan.

At the same time, 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., Kham Inc., and B'in Live Co., Ltd. have all instilled the MIT cultural and creative industry with new energy. In the future, CTBC will continue to play the role of the "navigator" in cultivating the soft power of the culture and creative industries through the provision of different services and resources.

**Public Welfare Lottery**

To CTBC, public welfare is a charity enterprise for the "common good". A variety of lottery products are provided to the general public through a network of professional lottery sellers to encourage public participation, boost the government's lottery surpluses, and promote the development of a healthy public welfare lottery industry. The government, lottery ticket sellers and underprivileged groups can all benefit as a result. Since CTBC took over Taiwan Lottery operations in 2007, lottery sales have grown from NTD 64.2 billion in the first year to NTD 119.5 billion in 2017. Overall sales have therefore nearly doubled compared to the first year.

During the public welfare lottery issuing period, CTBC provides a fixed amount of contributions to the government every year to support charity initiatives by the government. Over NTD 14.6 billion in rebates were provided over the 7 years of the third term and NTD 2.7 billion in rebates are provided every year in the 4th term. The government will therefore receive NTD 27 billion in total over ten years. The boost to social welfare funding will help provide coverage to more underprivileged groups. Between January 2007 and the end of December 2017, Taiwan Lottery generated NTD 284.457 billion in lottery earnings for the government that were used to subsidize social welfare spending by local governments, the National Pension scheme and National Health Insurance. Around 8~10% of each ticket's selling price goes to the lottery ticket seller as their sales commission. All ticket sellers come from underprivileged groups including the physically/mentally handicapped, indigenous peoples or single-parent low-income households. Around 48,000 lottery ticket sellers in Taiwan now benefit from the job opportunities and steady income provided by the sale of lottery tickets.

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 2017, lottery winners have donated more than NTD 4.6 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 underprivileged 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 800 charity events, and helping 5.47 million underprivileged individuals.

**Conclusion**

CTBC Holding spares no effort when it comes to supporting social welfare with the Group's resources harnessed to provide professional services. At the same time, we are also continuing to think about how our core competencies can be leveraged to expand the social influence of the resources we have at hand.

In the future, we will continue to strengthen our engagement with the five aspects of social welfare through continued innovation and involvement. By promoting more in-depth social caring, we will create more happiness across this land and serve as a positive force in society. At the same time, we will continue 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 underprivileged groups for the common good.

## INDEPENDENT ASSURANCE OPINION STATEMENT

CTBC Financial Holding Co., Ltd. 2017 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 verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for CTBC only for the purposes of verifying its statements relating to its sustainability, 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 followings:

1. The assurance scope is consistent with the description of CTBC 2017 CSR report.
2. The evaluation of the nature and extent of the CTBC's adherence to all three AA1000 AccountAbility Principles and the reliability of specified sustainability performance information in this report as conducted in accordance with type 2 of AA1000AS (2008) sustainability assurance engagement.

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

### Opinion Statement

We conclude that the CTBC 2017 CSR report provides a fair view of the CTBC programmes and performances during 2017. The CSR report subject to assurance is materially correct without voluntary omissions based upon testing within the limitations of the scope of the assurance, the information and data provided by the CTBC and the sample taken. We believe that the 2017 economic, social and environmental performance indicators are correctly 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 assessors 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 of 'in accordance' with the GRI Standards:2016 the Core option were fairly stated.

### Methodology

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

- 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 CTBC's approach to stakeholder engagement. Moreover, we had sampled two external stakeholders to conduct interview
- 30 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 extent and maturity of the relevant accounting systems for financial and non-financial reports
- review of the findings of internal audits
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data
- review of the processes for gathering and ensuring the accuracy of data, followed data trails to initial aggregated source and checked sample data to greater depth during site visits
- the consolidated financial data are based on audited financial data, we checked that this data was consistently reproduced
- review of supporting evidence for claims made in the reports
- an assessment of the 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 sustainability performance information as well as the GRI Standards (2016) are set out below:

### Inclusivity

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

### Materiality

The CTBC publishes sustainability information that enables its stakeholders to make informed judgements about the organization'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 the CTBC is developed and continually provides the opportunity to further enhance the CTBC's responsiveness to stakeholder concerns. In our professional opinion the report covers the CTBC's responsiveness issues.

### Performance information

Based on our work described in this statement, specified sustainability performance information such as GRI Standards disclosures disclosed in this report, CTBC and BSI have agreed upon to include in the scope. In our view, the data and information contained within CTBC 2017 CSR Report are reliable by means of vouching, re-tracking, re-computing and confirmation.

### GRI Sustainability Reporting Standards (GRI Standards)

CTBC provided us with their self-declaration of 'in accordance' with the GRI Standards (2016): the Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to the GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CTBC's social responsibility and sustainability topics.

### 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 experienced in Engineering sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14004 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  
2018-05-04



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413:Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Social Investment	120-133
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	417-3	Incidents of non-compliance concerning marketing communications	No Violation	-
418:Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No Violation	-
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Category	10 Principles	Chapter	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	Human Capital Development	110-111
	Make sure that they are not complicit in human rights abuses.	Human Capital Development	110-111
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Human Capital Development	110-111
	The elimination of all forms of forced and compulsory labor.	Human Capital Development	110-116
	The effective abolition of child labor.	Human Capital Development	110-111
	The elimination of discrimination in respect of employment and occupation.	Human Capital Development	110-111
Environment	Businesses should support a precautionary approach to environmental challenges.	Sustainable Environment	93-98
	Undertake initiatives to promote greater environmental responsibility.	Sustainable Environment	92-101
	Encourage the development and diffusion of environmentally friendly technologies.	Sustainable Environment	99-100
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Sustainable Governance	48

Level	Recommended Disclosures	Description	Chapter	Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	The Chairman of the CTBC Holding Corporate Sustainability Committee is the President of CTBC Holding. The Committee is supervised by Independent Director to ensure the Company's compliance with international sustainable development trends in its operations and the implementation of obligations for sustainable ESG risk management. In addition, a dedicated CSR unit was established under the General Administration Department and full-time staff are assigned to plan and execute all tasks regarding sustainable development includes climate change issue in the Company. The team reports to the President of CTBC Holding while material issues are reported to the Board of Directors for resolutions. The subsidiary bank has established a system for managing continuous operations and the Board of Directors is responsible for approving management policies for continuous operations. It reviews related plans for continuous operations including the "Disaster Response Plan" and "Key Business Continuity Plan" and supervises remedial measures for material issues.	Corporate Sustainability Management Sustainable Governance	24-33 44-59
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	An Environmental Sustainability Task Force has been established by CTBC Holding Corporate Sustainability Committee to periodically obtain a grasp on and monitor the risk factors and opportunities of climate change in the life cycle. The Corporate Sustainability Committee convenes meetings each year irregularly. Independent Director discuss issues on sustainable corporate development and supervise and control the goals and progress of the Environmental Sustainability Task Force including environmental regulations, climate change risks, energy consumption, water resources, etc.  In accordance with the policies of the subsidiary bank, senior management including the President of the Bank and the CEOs shall follow policies approved by the Board of Directors and establish adequate management mechanisms for continuous operations and ensure the validity of related mechanisms. Their responsibilities include reviewing management policies for continuous operations, approving the results of the identification of "severe accidents" and "key businesses", approving the "Disaster Response Plan" and "Key Business Continuity Plan", coordinating and ruling on material business continuity management issues, inspecting the results of drills in related plans for business continuity management, and approving remedial measures for material issues.	Sustainable Governance Sustainable Environment	44-59 92-101
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Short-term impact occur within the organization as the Company faces mounting pressure in energy prices greenhouse gas reduction, and equipment performance improvement each year. Medium-term impact may require responding to changes in customer behavior, transformation of services, and actual disasters. As customers increase their demand for digital products, they may transfer assets to competitors with higher levels of digitalization in their products. The development of the next-generation financial products would definitely involve low-carbon economic development in the future.  With regard to responding to natural disasters, we may invest more in prevention and remedial measures for our assets. Insurance companies may experience an increase in the number and the number of claims or disputes in claims that would affect company profitability. In the long term, as multiple regulations and policies related to the environment tighten, borrowers may be required to change their own operations model in response to the regulations and policies. Such changes may lead to inefficiency or increase costs and thereby cause credit or market risks that would impact profitability. On the other hand, the policies for reducing carbon emissions across the world will bring forth potential investment opportunities for new energy vehicles.	Customer Service Responsible Products	60-77 78-91
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	International or domestic regulations for controlling greenhouse gas emissions and compulsory enforcement of company inventory, reports, and verification would cause significant negative financial impact on the supply of products or services over the short term. To prevent physical risks from interrupting the services of the information system, we need to ensure the normal operations of the server room and we may incur additional use of water, electricity, and energy use or operating expenditures for strengthening the security of facilities. We shall fully develop the Omni-channel business strategy and advance the upgrade of mobile banking and online banking in order to satisfy diverse customer demands with wealth management and consumer finance payment services and prevent the loss of our competitive edge.  In addition, we established related clauses in the "Institutional Finance Core Credit Risk Management Policy" which specifies that under the premise of controllable credit risk, the credit risk management unit would support the business strategy and credit products relating to green energy and environmental protection related industry. 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.	Customer Service Responsible Products	60-77 78-91
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	It is currently being developed and a risk impact assessment will be performed in the future based on scenario analysis.	-	-

Level	Recommended Disclosures	Description	Chapter	Page
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	Related procedures can be roughly classified into five steps including risk identification, analysis, prioritizing, response, and report. Business and functional units participate in the consensus meeting, identify potential risks that may impact business operations, evaluate and analyze the possibility, impact time, impact scope, and early warning of various risks to prioritize them, and formulate response measures for material risks and submit them to senior management and the President for approval.	Sustainable Governance Sustainable Environment	44-59 92-101
	b. Describe the organization's processes for managing climate-related risks.	Faced with short-term risks, the Company establishes targets for energy conservation and carbon emissions reduction and certification and discloses such targets. In 2017, CTBC expanded the scope of the three major international standard certifications, ISO 14064-1, ISO 14001, and ISO 50001, to the 151 CTBC Bank branches in Taiwan. In 2018, all subsidiaries under CTBC Holding have completed the ISO14064-1 verification.  The Bank includes customers' environmental risks into assessments and reviews when processing credit extensions. Under the premise of controllable credit risk, we support the business strategy and credit products relating to green energy and environmental protection related industry. In terms of property insurance, we invite consulting firms to implement diverse assessments with natural disaster models each year. To disperse residual risks for losses in insurance products for typhoons, floods, and other natural disasters sold by the Company, we perform insurance approval operations in accordance with the insurance approval guidelines when providing insurance products related to typhoons and floods to prevent risks of accumulating excessive amounts of insurance coverage for a single area. We also arrange reinsurance to disperse risks.	Sustainable Governance Responsible Products Sustainable Environment	44-59 78-91 92-101
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	CTBC has adopted the principle of impact investment since 2012. In 2017, CTBC committed itself to becoming a signatory bank to the Equator Principles by the end of 2018 and it shall continue to comply with the UN Principles for Responsible Investment (PRI) and the UN Principles for Sustainable Insurance (PSI).	Responsible Products	78-91
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	In terms of investment, loans, insurance, products, and services, all of CTBC's subsidiaries have promoted products and services related to climate change. For instance, CTBC Bank has NTD 133.1 billion on the loan balance for green loans to green technology industry, circular economy industry and green buildings, and has also issued NTD 1 billion in green bonds, the first batch of such bonds issued in Taiwan's bond market, to invest in renewable energy, energy technology, and the enhancement of energy efficiency and support resource recycling and reuse, thereby empowering the green energy and environmental conservation industries. CTBC Securities provided counseling to green energy-related industries and assisted companies in their IPOs. Current green energy industries include automotive batteries, the circular economy, and photovoltaic materials.  Taiwan Life began supporting the development of energy in 2014 in line with government policy. It has invested up to NTD 1.7 billion to date including 3 solar power projects, 1 natural gas power project, and 1 waste disposal company. In 2018, Taiwan Life expects to invest in a further 1-2 solar-related and 1 wind power-related projects. Total investments will amount to between NTD 500 to 1,000 million.  TLG Insurance's income from insurance products related to climate change account for approximately 5.27% of total insurance premiums. With regard to maximum losses in construction insurance, fire insurance, and natural disasters such as typhoons and floods, the amount calculated based on minimum regression period is approximately NTD 370 million, while the company lost around NTD 50 million in deductible.	Responsible Products	78-91
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The total Scope 1 and Scope 2 emissions of greenhouse gases in 2017 amounted to 51,238 tons of CO <sub>2</sub> . Up to 93% were Scope 2 emissions (electricity usage). As electricity consumption is our main source of greenhouse gas emissions and the Company's employees and businesses may continue to expand in the future, we would face additional pressure for reduction under Taiwan's current power generation structure. We would be required to allocate large sums of investments to improve equipment, construct renewable energy facilities, and purchase green energy certificates. The Scope 3 emissions derived from investments and loans would be also highly likely to be exposed to high-carbon assets.	Sustainable Environment	92-101
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Electricity: Our next 3-year target sets 2017 as the baseline year with electricity usage to be reduced by 2% a year, and 6% within 3 years for total savings of 1.72 million kWh. Water: The water-saving target for 2017 is a 2% reduction using 2016 as the baseline year. Waste: The 2017 waste reduction target is a 2% reduction from the baseline year of 2016.	Sustainable Environment	92-101

## CTBC Holding Corporate Social Responsibility Report 2017

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Reclining Figure  
Henry Moore  
Artwork in CTBC Financial Park  
Nangang Dist., Taipei City



CTBC HOLDING