



CTBC HOLDING

2018

CORPORATE SOCIAL
RESPONSIBILITY
REPORT



Henry Moore Reclining Figure 1957 | Artwork in CTBC Financial Park Nangang Dist., Taipei City

REPORT OVERVIEW

Report overview

By upholding its “We are family” brand spirit and brand values of care, professionalism, and trust, CTBC Financial Holding Co., Ltd. (CTBC Holding or the Company) prides itself on providing the most professional products and services in Taiwan. We even adopt “TRUST” as an acronym to emphasize the importance we place on corporate governance (Transparency), environmental sustainability (Responsibility), employee care (Understanding), products and services (Satisfaction), and social engagement (Together). As a company committed to quality, we will continue providing thoughtful financial services and fulfilling our social and environmental responsibilities in order to create a better future with and for our employees, customers, shareholders, and community.

Report and disclosure frequency

The Company has published a CSR Report every year since 2007. Going forward, we will continue to issue the report, verified by an impartial third party, and will proactively explain the Company’s operations, performance, and future goals to all of our stakeholders. The next CSR Report is expected to be released by June 30, 2020. All of our previous reports can be viewed and downloaded on the CSR section of the CTBC Holding website.

Scope of report

The scope of this report covers the operations and performance of CTBC Holding and its subsidiaries in the areas of the environment, society, and governance between Jan. 1, 2018, and Dec. 31, 2018. All monetary amounts in the report are denominated in New Taiwan dollars and have been certified and approved by a CPA.

Boundaries of report

Entities that have a material impact on CTBC Holding's operations are presented using a value chain approach, and management practices are also disclosed. The impact of material considerations on the Company's stakeholders, namely customers, investors, the community, the government, suppliers, and employees, is included within the boundaries of the report.

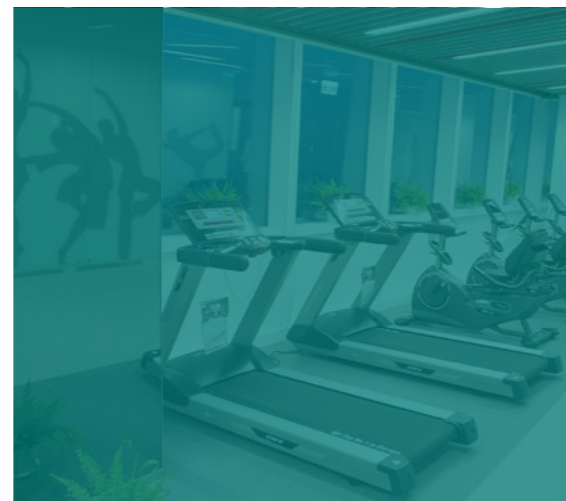
Report drafting principles

This report complies with the Core option of the Global Reporting Initiative (GRI) Standards and embraces the integrated reporting spirit of the International Integrated Reporting Council.

Report verification

The information and data presented in this report were collated by employees across various departments and reviewed by the department heads. After review, they were submitted to the Corporate Sustainability Committee. Suggestions for improvement provided by external experts were also incorporated into the report. Any discrepancies with the data of previous reports are explained in the relevant text. Following the compiling of data and other information, the management of relevant departments conducted reviews level by level before submitting the content to the senior management and Board chairman for approval. This report received AA1000 AS Type II moderate assurance from the British Standards Institution.





CONTENT

1	Letter from the Chairman	4	4	Stakeholders and materiality analysis	28	6	Transparency: Clear governance guidelines	48	8	Understanding: Caring for our employees	94	10	Together: Uniting for social change	128										
	Letter from the President	6													Materiality analysis	30	Corporate governance	50	Talent retention and recruitment	94	Social investment	128		
															Stakeholder communication channels	32	Ethical management	53	Competitive remuneration and benefits	98	Management model of our five core focuses	130		
2	Corporate sustainability performance	8	5	Sustainability	40	7	Responsibility: Ensuring environmental sustainability	68	9	Satisfaction: A full range of products and services	112	11	Appendix	144										
																	Our strategy and vision for sustainability	40	Energy conservation and carbon reduction	70	Service quality	112	Understanding appendix	144
																	Corporate Sustainability Committee	42	Resource management	76	Digital finance	119	Independent assurance opinion statement	146
3	About CTBC Holding	12	SDGs	Concrete practices corresponding to SDGs	46	8	Transparency: Clear governance guidelines	48	8	Understanding: Caring for our employees	94	10	Together: Uniting for social change	128										
															Strategic vision	12	Regulatory compliance	54	Employee rights and interests	101	Charity, anti-drug abuse, sports, education, and arts and culture	132		
															Our value chain	16	Risk management	57	Workplace health and safety	105	Welfare lottery	143		
		Business performance	17	Internal control and auditing	59	Career management and training	109																	
		Sustainable supply chain	20	Information security	63																			
		Shareholders' equity	24																					



LETTER FROM THE CHAIRMAN

Dr. Jeffrey Koo Sr., the founder of CTBC Holding, once said: "The value of an enterprise lies not in its profitability but in its contribution to and positive influence in society." Today, this urge to fulfill corporate social responsibility is driving enterprises to achieve sustainable operations. For us, this comes part and parcel with our "We are family" brand spirit and our mission to "protect and create" value for our employees, customers, shareholders, and community. As a leading brand in Taiwan's financial industry, CTBC Holding is committed to maximizing the interests of its investors—but only while also balancing the interests of all its stakeholders. Our ultimate aim is to guide and foster the betterment of Taiwan.

To this end, for over half a century now, we have not only maintained steady business growth by offering innovative and professional financial services but have acted to fulfill our social responsibility as a good corporate citizen. We pursue a diversified business strategy, with banking and insurance constituting our two largest areas of operation. In line with the United Nations' Sustainable Development Goals, Principles for Responsible Investment, and Principles for Sustainable Insurance, we have launched financial products and services specially tailored to protect the environment and the community. We also fulfill our CSR by investing in and organizing various public welfare activities.

Our sustainable strategy and vision is summed up by TRUST, an acronym we've coined for our commitment to corporate governance (Transparency), environmental sustainability (Responsibility), employee care (Understanding), quality products and services (Satisfaction), and social engagement (Together). Our CSR efforts are overseen by the Corporate Sustainability Committee, with the CTBC Holding president serving as its chairman, the subsidiaries' presidents as its members, and independent directors as its supervisors. The lateral communication this is facilitating among subsidiaries and departments is rooting CSR deeper in the daily business operations across our entire group.

In 2010, before the government had introduced related regulations, CTBC Holding proposed a director and department dedicated to corporate governance. In 2016, we became the first financial holding company in Taiwan to have independent directors make up more than half of its board. Furthermore, having previously established audit, remuneration, risk management, and nomination functional committees, our Board of Directors set up an Ethics and Integrity Committee in April 2018. More recently, in response to new requirements from the competent authority, the Board of Directors created a corporate governance director position in February 2019 in order to strengthen the effectiveness of the Company's corporate governance.

We attach great importance to achieving genuine, tangible sustainable development. Through energy efficiency, carbon footprint reduction, resource management, and green building, we provide green services and practice green procurement and consumption. We also engage in social public welfare at the grassroots level in five main areas, namely charity, anti-drug abuse, sports, the arts, and education.

As a business, we are keenly aware of the expectations of our stakeholders and the considerable resources required for effective CSR programs. However, we also know that with determination and by adhering to our beliefs, we can deliver real-world change. Moving forward, CTBC Holding will maintain a positive, proactive attitude as we draw new blueprints for sustainable business and cement our position as a leader in CSR. By integrating the three core aspects of sustainability—the environment, society, and governance—into our daily operations, we are well poised to become a financial holding company that is characterized by sustainability and resilience.

CTBC Financial Holding Co., Ltd.
Chairman
Wen-Long Yen



LETTER FROM THE PRESIDENT

2018 was a year of global expansion for CTBC Holding. Our Bank's U.S.-based subsidiary in San Francisco opened its Chinatown branch in April that year. Closer to home, we partnered with Xiamen Jinyuan Financial Holding and Gome Holdings to establish Xiamen Jinmeixin Consumer Finance in China. It officially started operations in October 2018, becoming the first cross-strait joint venture consumer finance company. Also in China, our Shenzhen branch opened its doors in January 2019.

Last year also saw us receive substantial recognition from organizations at home and abroad for our CSR efforts. We were selected as a constituent stock of the Dow Jones Sustainability Emerging Markets Index, MSCI ESG Leaders Index, and FTSE4Good Emerging Markets Index, and earned a Leadership A- rating for the third consecutive year from CDP. Furthermore, CTBC Bank demonstrated its commitment to sustainable finance by becoming an Equator Principles signatory in January 2019.

We are determined to leverage the digital finance trend to promote inclusive and sustainable industrial development. In 2018, we formally established a data R&D center, with a focus on data convergence, model construction, and data application planning. In addition, three labs were launched to develop digital transformation and innovation in blockchain, AI, and customer experience.

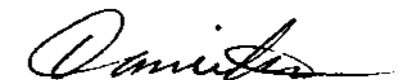
We have adopted social return on investment to quantitatively assess the impact of our CSR programs. In 2018, we evaluated the social value of the CTBC Brothers baseball team, of which we are the primary sponsor. It was found that every NT\$1 invested in the team generated social value of NT\$17.59—the highest return of any sports investment certified by British Social Value International.

Driven by the belief that poverty can be effectively overcome through education, the CTBC Charity Foundation supports disadvantaged groups overseas. For instance, in China in 2013, it launched the Caring for China's Next Generation on Campus program alongside the Caring for China's Next Generation Working Committee and the Social Welfare Foundation for China's Next Generation Fund. Priority has been given to underdeveloped, remote, and ethnic minority areas, in each of which a school has been selected as an educational demonstration site and funds provided to purchase teaching equipment. As of the end of 2018, 44 pilot program sites had been set up and over 53,000 underprivileged students had gained access to more learning resources as a result.

The increasingly dramatic effects of climate change observed in recent years pose hazards not just for humans but for the survival of countless flora and fauna species as well. We're responding to the climate crisis by implementing effective new practices; in 2018, we received certification for three international standards—ISO 14064-1, ISO 14001, and ISO 50001—for all 175 locations of CTBC Bank, while all our subsidiaries also received ISO 14064-1 greenhouse gas inventory certification.

Our banking and life insurance divisions are the dual engines driving CTBC Holding's profitability. As our business continues to thrive, we'll use this momentum to deepen our CSR efforts and ensure open, transparent communication with our stakeholders, cementing our status as a responsible enterprise.

CTBC Financial Holding Co., Ltd.
President
Daniel I.K. Wu



CORPORATE SUSTAINABILITY PERFORMANCE



Governance

205
awards received in 2018

We set a new milestone in 2018 by receiving 205 awards from institutions both at home and abroad. This marked the seventh consecutive year in which we garnered more than 100 awards, highlighting our deepening status as Taiwan's leading financial service provider and corporate role model.

NT\$36B
of after-tax net profit

CTBC Holding's after-tax profit of NT\$36.035 billion for 2018 yielded a 12.09% return to common shareholders—the most of any financial holding company in Taiwan.

Committee
for ethics and integrity established

The Ethics and Integrity Committee comprises three directors, at least one of whom must be an independent director, and is charged with integrating ethical values into the Company's strategy.

91
patents granted for tech innovation

We will continue to launch online and offline digitalization projects and actively engage in digital innovation to provide omni-channel financial services that deliver a consistent customer experience. These efforts have already developed innovative technologies and earned 91 patents—more than any other Taiwanese financial holding company.

Over 50%
of Board members are independent directors

We were the first financial holding company in Taiwan to have independent directors comprise more than half of its board members.

No. 1
ranking in brand surveys

CTBC Bank has been ranked first in the Top Banking Brands in Taiwan category in Brand Finance's Global 500 Banking survey for six years in a row.



Social

Over NT\$7B
in donations and sponsorships

Our charity, anti-drug education, sports, education, arts and culture, emergency relief, and economic and trade development expenditure has exceeded NT\$7 billion.

Over NT\$1.6M
in average employee expenses

In 2018, a total of NT\$23,237,148,000 was spent on the compensation and other benefits of employees in non-management positions, averaging NT\$1,604,000 each.

Nearly NT\$28M
in charity credit card contributions

We collect contributions from four charity credit cards (i.e., the Tzu Chi, Taiwan Fund for Children and Families, Xue Xue, and Paper Windmill cards), with a total of NT\$28 million donated in 2018.

NT\$17.59
social return for every NT\$1 invested

A quantitative analysis found that every NT\$1 we put toward the CTBC Brothers yielded an SROI of NT\$17.59. This certification by British Social Value International was the first of a pro baseball team and represented the highest SROI in the sports field ever certified by the organization.

5 years
in a row on the Taiwan HC100 Index

We provide new employees with salaries superior to statutory requirements—part of why we're included in the Taiwan High Compensation 100 Index.

85%
customer satisfaction rate

In 2018, a customer satisfaction survey consisting of nearly 30 items was conducted with retail banking customers. Approximately 350,000 responses were received, with an average satisfaction rate of 85%.



Environment

Over NT\$250M
in green procurement

CTBC Holding's green procurement exceeded NT\$250 million in 2018. That same year, we received the Outstanding Contribution to Green Purchasing by a Private Enterprise Award from Taipei City Government's Department of Environmental Protection for the 10th consecutive year.

Leadership A-
rating for climate disclosure

Energy conservation, carbon reduction, and environmental sustainability are core concepts for which the Company constantly advocates. We obtained a Leadership A- rating from CDP (formerly the Carbon Disclosure Project) for the third consecutive year.

513 tons
of carbon saved by electronic card billing

As of the end of 2018, approximately 1.7 million accounts were receiving credit card billing electronically, reducing paper consumption by nearly 56.2 million sheets a year—translating into a 513-ton cut in carbon dioxide emissions.

38%
cut in electricity consumption

Our continual adoption of green building and high-efficiency equipment, replacement of outdated equipment, and application of other energy-saving measures yielded a substantial reduction in electricity consumption per square meter of 38% in 2018 from the previous year.

Nearly NT\$2B
in ESG investment in 2018 alone

Taiwan Life has taken action in response to government calls for support of green energy development. In 2018 alone, it made investments totaling NT\$1.89 billion.

Nearly 60%
increase in mobile banking customers

As of the end of 2018, approximately 2.5 million customers were using our mobile banking service, up nearly 60% from the previous year and translating into large-scale reductions in paper and energy consumption.



205

AWARDS WON IN 2018

Awards and honors received in 2018

Sustainable governance and CSR



MSCI: ESG Leaders Indexes



CDP: Leadership A-



TCSA: The Outstanding Corporate Sustainability Professionals



Dow Jones Sustainability Indices: Emerging Markets Index



Enterprise Asia: Social Empowerment and Health Promotion



FTSE4Good: Emerging Index



Global Views Monthly: Promotion of Social Well-being and Education Support



TACS: Golden Eagle Micro-movie Best Picture, Original Screenplay, and Cinematography

Banking and branding



FinanceAsia: Best Bank in Taiwan



International Data Corporation: Best Bank in Asia



Industrial Development Bureau, MOEA and Interbrand: No.1 in Taiwan's financial sector of 2018 Best Taiwan Global Brands



Business Today: Best Brand Award 2018 No.1 in banking sector

Fintech and digital innovation



The Asian Banker: Best Frictionless Robo Advisory Service in Taiwan



Global Finance: Best in Social Media Marketing and Services in Asia Pacific



Global Views Monthly: 2018 First Digital Financial Services Best Bank Awards: Excellence Award, Taiwan



Retail Banker International: Best ATM Innovation, Asia Pacific



The Asset: Best Retail Online Banking Experience, Taiwan



International Data Corporation: Operating Model Master, Taiwan



Private Banker International: Best Use of Data and Analytics, Asia Pacific



Enterprise Asia: International Innovation Awards

Business performance, products, and services



Euromoney: Best Private Banking Services Overall, Taiwan



Global Finance: Best Trade Finance Bank in Taiwan



IFR Asia: Taiwan Loan House



Retail Banker International: Best Mortgage Offering, Asia Pacific



The Asset: Derivatives House of the Year, Taiwan



Private Banker International: Most Effective Wealth Management Platform in Greater China



The Asian Banker: Best Retail Bank in Taiwan



TCSA: Growth through Innovation Awards, Social Inclusion Awards, Creativity in Communication Awards

3

ABOUT CTBC HOLDING



CTBC Holding was established on May 17, 2002. Guided by our “We are family” brand spirit, we are committed to strengthening our corporate governance, fulfilling our social responsibility as a good corporate citizen, and delivering benefits for our customers, employees, shareholders, and community. Based on our core values of integrity, innovation, professionalism, teamwork, and care, we are determined to do more every day to realize our corporate mission of helping to protect and build clients' assets and to cement our status as “Taiwan Champion, Asia Leader”.

In 2018, CTBC Holding generated after-tax consolidated net profit of NT\$36.035 billion and after-tax profit of 12.09% on return to common share holders, among the highest of all Taiwan’s financial holding companies. At present, CTBC Bank, the largest subsidiary of CTBC Holding, has 152 branches domestically and 114 more overseas, making it the most internationalized financial institution in Taiwan.

CTBC Holding

Headquarters	No. 168, Jingmao 2nd Road, Nangang District, Taipei, Taiwan
Date of establishment	May 17, 2002
Capital	NT\$198,303,196
Total assets	NT\$5,753,247,546
Employees	Approximately 27,000
Industry	Finance and insurance
Stock code	2891

Capital (NT\$ thousand)
Total assets (NT\$ thousand)



Taiwan's most internationalized financial institution

CTBC Bank, the largest subsidiary of CTBC Holding, has 152 branches domestically and 114 more overseas, making it the most internationalized financial institution in Taiwan.



Stable business performance

With a solid customer base and by leveraging the group's opportunities for synergy, CTBC Holding generated a net after-tax profit of NT\$36.035 billion and an after-tax profit of 12.09% on return to common shareholders in 2018—among the highest of all financial holding companies in Taiwan.



Ensuring tax policy transparency

CTBC Holding strives to implement the arm's-length principle in the spirit of the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the transfer pricing regulations of each business location.

Distribution of overseas locations



Strategic vision

Deepening our overseas business, with a focus on Asia

Regarding our growing emphasis on overseas markets, CTBC Holding made notable progress in 2018, especially with the official opening of Xiamen Jinmeixin Consumer Finance, a company established by CTBC Bank in partnership with Xiamen FIG Group and Gome Holdings Group. In addition to being the first-ever cross-strait joint venture consumer finance company, Xiamen Jinmeixin Consumer Finance set another precedent in cross-strait financial cooperation by achieving profitability in just its first year of operations. Elsewhere in China, CTBC Holding achieved a new expansion milestone with the official opening of CTBC Bank Shenzhen Branch in January 2019. In the future, the Company will further expand its Chinese business by leveraging the customer base built by its existing branches in addition to harnessing the business opportunities of the Guangdong–Hong Kong–Macau Greater Bay Area. In Southeast Asia, CTBC Bank has established branches in the Philippines, Indonesia, Vietnam, and Singapore, and made an equity investment in Thailand. In the coming years, we will continue to seek complementary subjects in terms of customer bases, outlets, and businesses, and devise strategic plans to improve our international network and expand our regional financial business.

Strengthening group-wide cooperation and harnessing new synergies

CTBC Holding runs a full range of financial businesses, including banking, life insurance, securities, and investment trust services, and provides comprehensive and closely linked financial products and services, with subsidiaries cooperating with one another to exploit existing synergies and foster new ones. The Company completed its acquisition of CTBC Securities' minority interests in December 2018. This rendered CTBC Securities a wholly owned subsidiary of CTBC Holding, thereby facilitating the development of the securities business and enhancing the subsidiary's decision-making efficiency. Going forward, we will continue striving to expand the scale of our subsidiaries' operations, including through cooperation and co-marketing in order to maximize the group's overall synergy.

Establishing a foundation for digital financial services and accelerating our digital transformation

CTBC Holding and its subsidiaries are committed to promoting digital finance, for which they have already drawn up a clear development blueprint. In addition to promoting the digitalization of various business processes, the Company is also actively developing innovative digital financial services, such as by applying blockchain technology in trade financing and a platform for tracking the cash flow of funds. Furthermore, CTBC Holding was among the first to join FinTechSpace,

Taipei's first publicly funded incubator for the field, and has participated in government-supported experiments aimed at fostering and implementing innovative digital finance. Looking ahead, CTBC Holding and its subsidiaries will maintain their digitalization efforts and continue to drive and expand their digital transformation. They will also review their achievements and challenges in a timely manner and adjust their strategies accordingly in order to meet the continuously changing demands of markets and customers.

Improving our corporate governance and strengthening the Board

CTBC Holding has developed an appropriate and diversified approach to its Board of Directors—one that is based on the Board's specific operations, operating style, and development needs. In consideration of the nature of the industry, the approach prioritizes searching for and recruiting outstanding directors from different background who are forward-looking, have international experience and leadership and communication skills, and are equipped with the knowledge and competencies necessary to perform their duties well. The seven current directors of CTBC Holding are all highly educated and many of them also possess business management experience in major subsidiaries, while one of them has specialized legal expertise. In addition, independent directors account for more than half of the Board's members; their comprehensive and independent supervision is conducive to the further improvement of the Company's corporate governance.

Future development strategy

In the face of constant changes to the financial operating environment and the wild fluctuations of global financial markets, the competent authorities have attached growing importance to corporate governance and regulatory compliance, even approving the establishment of several digital financial businesses. At CTBC Holding, as well as maintaining the steady growth of our existing businesses, we are working to harness the continued efforts of our professional team to track international economic trends and proactively evaluate suitable acquisition opportunities in order to expand our presence in international markets. We will exploit the opportunities afforded by digital finance and develop more convenient and considerate financial services based on our customers' demands. Furthermore, we will further enhance our corporate governance mechanisms, improve information transparency, and ensure strict compliance with all relevant laws and regulations. As we move forward, we will continue upholding our "We are family" brand spirit, moving toward our "Taiwan Champion, Asian Leader" goal, and cementing our reputation for strong corporate governance and our trust among customers and shareholders alike.

Our value chain

We have always been service-oriented, putting our customers first and listening to their needs. By leveraging our professional capabilities in the financial sector, we engage in rigorous market and product development to provide customers with tailored solutions and in turn develop the Company into a comprehensive financial service provider.



Comprehensive financial services



Business performance

The global economy was affected in 2018 by the initiation of the second round of tariff sanctions by the United States and the start of a U.S.–China trade war. While Western countries led by the United States saw strong economic performances, their Asian counterparts experienced turbulence in the face of numerous challenges. In the first half of the year, Taiwan's economy recorded steady growth after the stagnation of the previous two years. However, this growth slowed in the second half as potential risks in the global economy emerged and the challenges faced by the financial sector remained unchanged. As such, in addition to surviving fierce price competition, focusing on completing CTBC Bank's digital transformation is necessary for CTBC Holding.

With a solid customer base and by leveraging the group's opportunities for synergy, CTBC Holding generated a net after-tax profit of NT\$36.035 billion and an after-tax profit of 12.09% on return to common share holders in 2018—among the highest of all financial holding companies in Taiwan.

Key performance indicators

Year	CTBC Holding			
	2018	2017	2016	2015
Capital adequacy ratio (%)	117.94	139.07	135.52	142.37
Efficiency ratio (%) (Note)	59.26	61.22	61.49	55.99
Revenue from processing fees as a percentage of operating revenue (%) (Note)	32.69	35.10	36.71	37.57

Note: Not including Taiwan Life.

Year	CTBC Bank (consolidated)			
	2018	2017	2016	2015
Capital adequacy ratio (%)	14.12	14.47	14.00	12.98
Non-performing loans ratio (%)	0.43	0.41	0.63	0.78
Loan loss provision coverage ratio (%)	296.26	306.85	219.21	168.80

Operating results

In 2018, CTBC Holding generated a net revenue and net profit after tax of NT\$314.37 billion and NT\$36.04 billion respectively. The earnings per share was NT\$1.85 and the capital was NT\$198.30 billion. The total assets grew by NT\$412.51 billion- from the previous year to NT\$5,753.25 billion.

Financial information

Analysis item		2018	2017	2016	2015
Basic financial information	Total assets	5,753,247,546	5,340,733,544	4,839,251,254	4,596,226,754
	Shareholders' equity	315,148,481	320,984,171	282,195,419	277,594,246
	Net revenue	314,374,591	349,763,657	319,671,361	215,571,927
	Net profit after tax	36,035,211	37,224,180	27,932,874	35,402,042
Operating capability	Total assets turnover (times)	0.06	0.07	0.07	0.05
	Ratio of loans to deposits of banking subsidiary (%)	69.73	67.46	70.20	71.08
	Non-performing loan ratio of banking subsidiary (%)	0.22	0.21	0.33	0.29
	Average operating revenue per employee	15,621	17,480	16,068	8,436
Profitability	Average profit per employee (after tax)	1,791	1,860	1,404	1,385
	Return on assets (%)	0.65	0.73	0.59	0.86
	Return on common equity (%)	12.09	12.77	9.98	13.97
	Net profit margin (%)	11.46	10.64	8.74	16.42
Financial structure	Earnings per share (NT\$) (Note 1)	1.85	1.91	1.43	1.95
	Ratio of debt to total assets (%)	94.52	93.99	94.17	93.96
Leverage	Double leverage ratio (%)	118.36	116.39	118.43	112.79
	Operating leverage	1	1	1	1
Growth rate	Financial leverage	1.63	1.46	1.55	1.52
	Asset growth rate of assets (%)	7.72	10.36	5.29	25.76
Cash flow	Profit growth rate of profit (%)	(5.22)	31.73	(17.29)	(9.10)
	Cash flow ratio (%)	7.81	Note 2	Note 2	44.80
Scale of operations	Cash flow adequacy ratio (%)	136.88	177.39	242.37	361.92
	Cash flow reinvestment ratio (%)	Note 3	Note 2	Note 2	1,567.66
	Market share by assets (%)	10.33	10.17	10.07	10.10
	Market share by net worth (%)	8.55	8.64	8.40	8.86
Market share by deposits of banking subsidiaries (%)	5.94	5.78	5.44	5.56	
	Market share by loans of banking subsidiaries (%)	5.50	5.31	5.19	5.28

Note 1: The earnings per share for 2015-2017 are based on the retroactively adjusted number of shares for the capitalization of earnings or capital reserve through the distribution of shares.

Note 2: The net cash flow from operating activities was negative for 2016 and 2017; therefore, the cash flow ratio and cash flow reinvestment ratio are not counted.

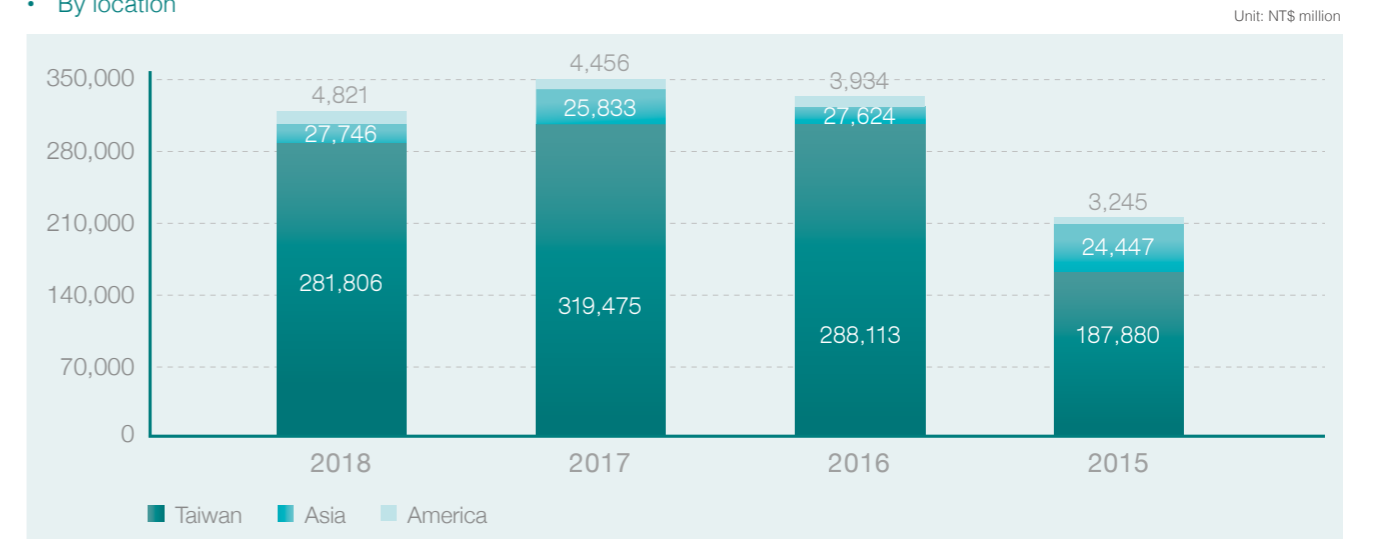
Note 3: The net cash flow from investing activities was in the negative for 2018; therefore, the cash flow reinvestment ratio is not counted.

Note 4: Analysis of reasons for variations exceeding 20% of the financial ratios for the past two fiscal years:

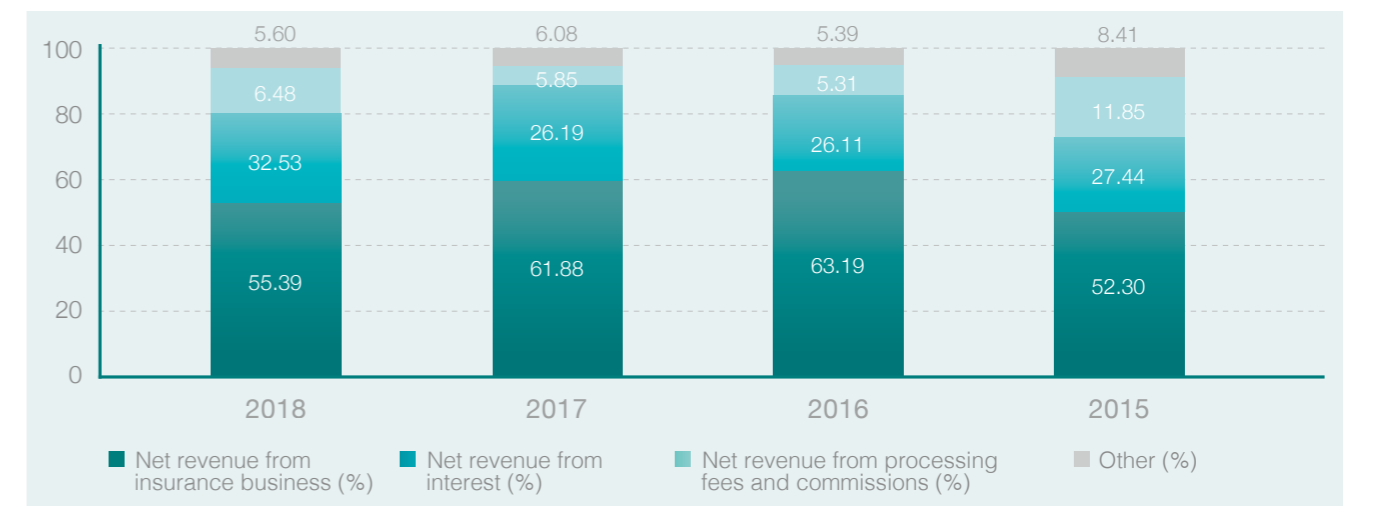
1. The decline of the assets growth rate was mainly due to a decrease in the growth of total assets in 2018.
2. The decline of the profit growth rate was mainly due to a decrease of 2018 net income before tax.
3. The decline of the cash flow adequacy ratio was mainly due to an increase of 2017 cash dividends paid out in 2018 compared to the 2016 cash dividends.

Location, revenue, industry, and capital adequacy composition

• By location



• By revenue



• By industry

Unit: NT\$ thousand

	2018		2017		2016		2015	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Banking	90,152,345	28.68	85,440,604	24.43	82,158,852	25.70	87,489,316	40.58
Insurance	222,158,473	70.67	262,339,754	75	235,836,116	73.77	126,695,474	58.77
Securities	1,295,583	0.41	1,347,092	0.39	947,093	0.3	1,130,904	0.52
Other	768,190	0.24	636,207	0.18	729,300	0.23	256,233	0.12
Total	314,374,591	100	349,763,657	100	319,671,361	100	215,571,927	100

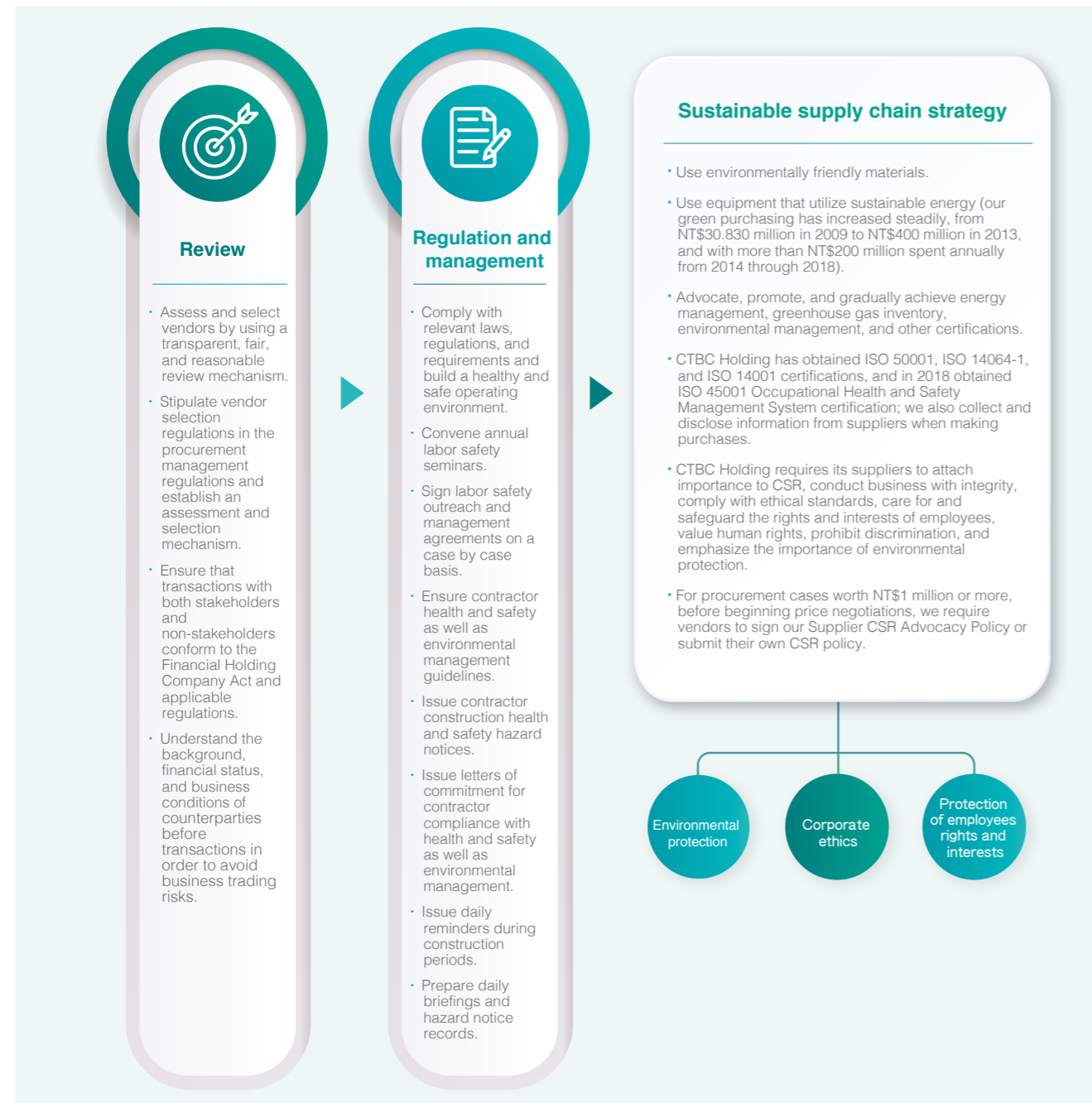
• Capital adequacy

Unit: NT\$ thousand

	2018	2017
Net Tier 1 capital	299,688,129	286,350,070
Total risk exposure	4,169,520,333	4,001,947,601
Leverage ratio (%)	7.19	7.16

Sustainable supply chain

We are committed to reducing the sustainability risk in our supply chain by performing sustainable supply chain management through three key steps: implementing relevant supplier review requirements, ensuring the appropriate regulation and management of suppliers, and complying with our sustainable supply chain strategies. We also aim to gradually elevate the sustainability of our supply chain by adopting a series of effective management systems and requirements.

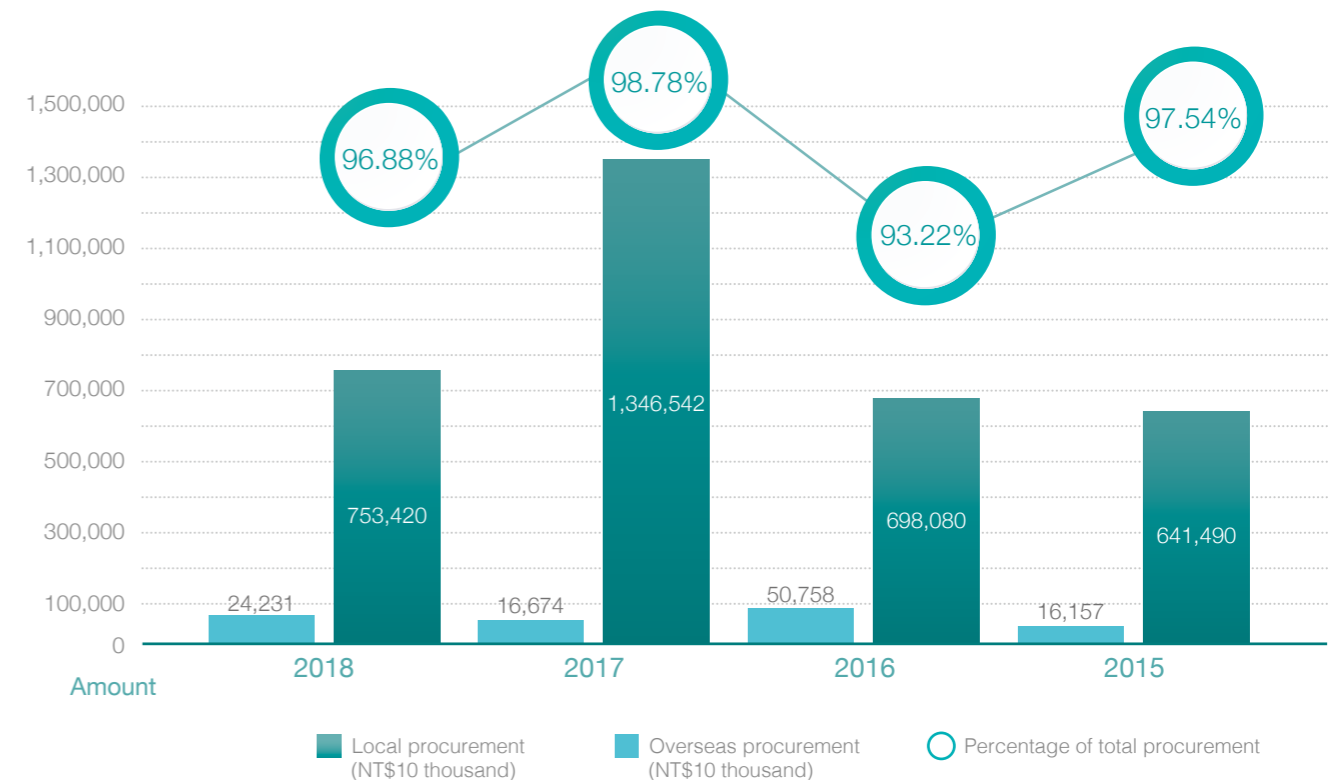
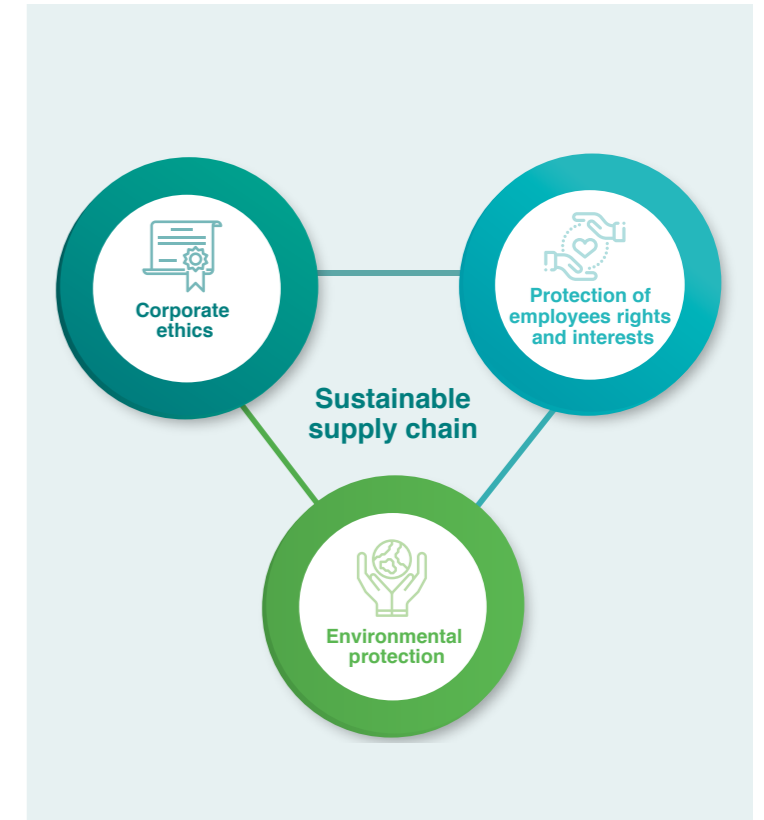


Sustainable supply chain strategy

CTBC Holding has developed a sustainable supply chain strategy comprising the three key elements of corporate ethics, environmental protection, and employee rights and interests. Implemented in stages over several years, the strategy has yielded promising preliminary results. In the future, we will continue to uphold the spirit of sustainable management and work with our suppliers to strive for sustainable development.

Local procurement

CTBC Holding has a long-standing policy advocating for local procurement, which we believe can significantly contribute to local economic development. Our main operation base is in Taiwan, and local vendors here are prioritized for all procurement cases. Our suppliers can be classified into nine major categories: security/insurance, office equipment, information technology, advertising media, printing, gifts/travel, property repair and maintenance, construction and repair work, and other. In 2018, 96.88% of the Company's supplier expenditure was with local suppliers. In net terms, the total procurement amount decreased NT\$5,855,655,128, or 42.95%, from 2017. Of the 2018 amount, overseas procurement increased by NT\$75,565,086 to constitute 3.12%, up from 1.22% in 2017. The increase in procurement amount was primarily due to an increase in purchases required for the establishment and business needs of overseas branches in 2018. The local procurement amount represented a net decrease of NT\$5,931,220,214 from 2017; this was primarily because 2017 saw a significant increase in the total procurement amount due to the signing of long-term purchase contracts and large BOT projects. The total procurement amount in 2018 was similar to that of 2016, up by 3.85%.



Supplier procurement regulations

Supplier type	Procurement regulations
Security/insurance	<ul style="list-style-type: none"> Security companies must pay attention to the actual implementation of various aspects of ESG, have a transparent disclosure policy in place, emphasize employee rights and health, prohibit the employment of people under the age of 15, comply with the relevant labor laws, and implement occupational health and safety education. Insurance companies must implement CSR in terms of corporate governance, environmental sustainability, and social engagement as well as ensure the disclosure of all activities in a transparent manner.
Office equipment	<ul style="list-style-type: none"> Energy-using office equipment must comply with the low energy consumption standards of the Bureau of Energy; where necessary, it must have relevant energy conservation labels and green procurement environmental labels as well as comply with relevant energy conservation regulations.
Information	<ul style="list-style-type: none"> The servers, monitors, and computers, including notebook computers, comprising our IT facilities must comply with the International Energy Conservation Code; the materials and manufacturing processes of the products must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration. All consumables must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration.
Advertising media	<ul style="list-style-type: none"> The agencies and outlets that create and show our advertising and marketing materials must fulfill their social responsibility to provide their audience with diverse and comprehensive information and to ensure its right of access to the media.
Printing	<ul style="list-style-type: none"> Printing businesses must maintain sound corporate governance, environmental sustainability, and social engagement, and comply with and carry out various ESG practices. The related printing products and manufacturing processes must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration. All consumables must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration.
Gifts/travel	<ul style="list-style-type: none"> These business entities must maintain sound corporate governance, environmental sustainability, and social engagement, and comply with and carry out various ESG practices. The materials and manufacturing processes of the procured gifts must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration.
Property repair and maintenance	<ul style="list-style-type: none"> Property or maintenance business entities must maintain sound corporate governance, environmental sustainability, and social engagement, and comply with and carry out various ESG practices. The products and manufacturing processes used must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration.
Construction and maintenance works	<ul style="list-style-type: none"> These companies must use green building materials, comply with national regulations, and possess a Green Building Material Certificate. The renovation and building materials used must comply with the inspection standards of the Bureau of Standards, Metrology and Inspection, regulations of the National Energy Administration, and provisions of the Fire Services Act. Construction and maintenance business entities must maintain sound corporate governance, environmental sustainability, and social engagement, and comply with and carry out various ESG practices.
Other	<ul style="list-style-type: none"> Leased or purchased official vehicles must comply with national standards and regulations, and related products and manufacturing processes must comply with the regulations on the non-use of toxic substances and internationally agreed controlled substances listed by the Environmental Protection Administration. Suppliers not covered above must implement corporate governance, environmental sustainability, and social engagement and carry out various practices.

Tax policy and tax information

In accordance with our tax governance policy, CTBC Holding and its subsidiaries in Taiwan and abroad adhere to the following principles:

- Abide by tax laws and regulations.
- Avoid double taxation, reduce tax costs, and create shareholder value through advanced tax analysis.
- Maintain an open and appropriate relationship with tax authorities.
- Maintain transparency regarding tax information and adhere to financial reporting standards and requirements for annual report disclosures.
- Manage tax risks effectively.

CTBC Holding attaches great importance to tax governance; we believe that paying taxes in accordance with the law facilitates economic growth and balanced regional development. Therefore, the Company is committed to complying with the local tax laws of each business location, calculating the correct tax amount, and completing the tax return and tax payment within the statutory time limit. CTBC Holding strives to implement the arm's-length principle in the spirit of the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the transfer pricing regulations of each business location. CTBC Holding does not engage in transactions for the sole purpose of tax avoidance, nor does it transfer profits to low-tax or tax-free countries. We are also focused on ensuring information transparency in order to fulfill our corporate social responsibility.

CTBC Holding paid approximately NT\$8.187 billion in taxes worldwide in 2018, of which those paid in Taiwan accounted for approximately 69.50%. Taiwan is our main source of revenue and thus bore the majority of the tax burden.

Amounts and percentages of taxes paid worldwide in 2018

Country	Amount (NT\$ million)	Percentage (%)
Taiwan	5,692	69.50
Indonesia	143	1.75
Philippines	165	2.02
Canada	40	0.49
United States	120	1.47
Japan	1,186	14.49
India	17	0.21
Vietnam	80	0.98
Hong Kong	426	5.20
Singapore	16	0.20
Mainland China	302	3.69
Total	8,187	100

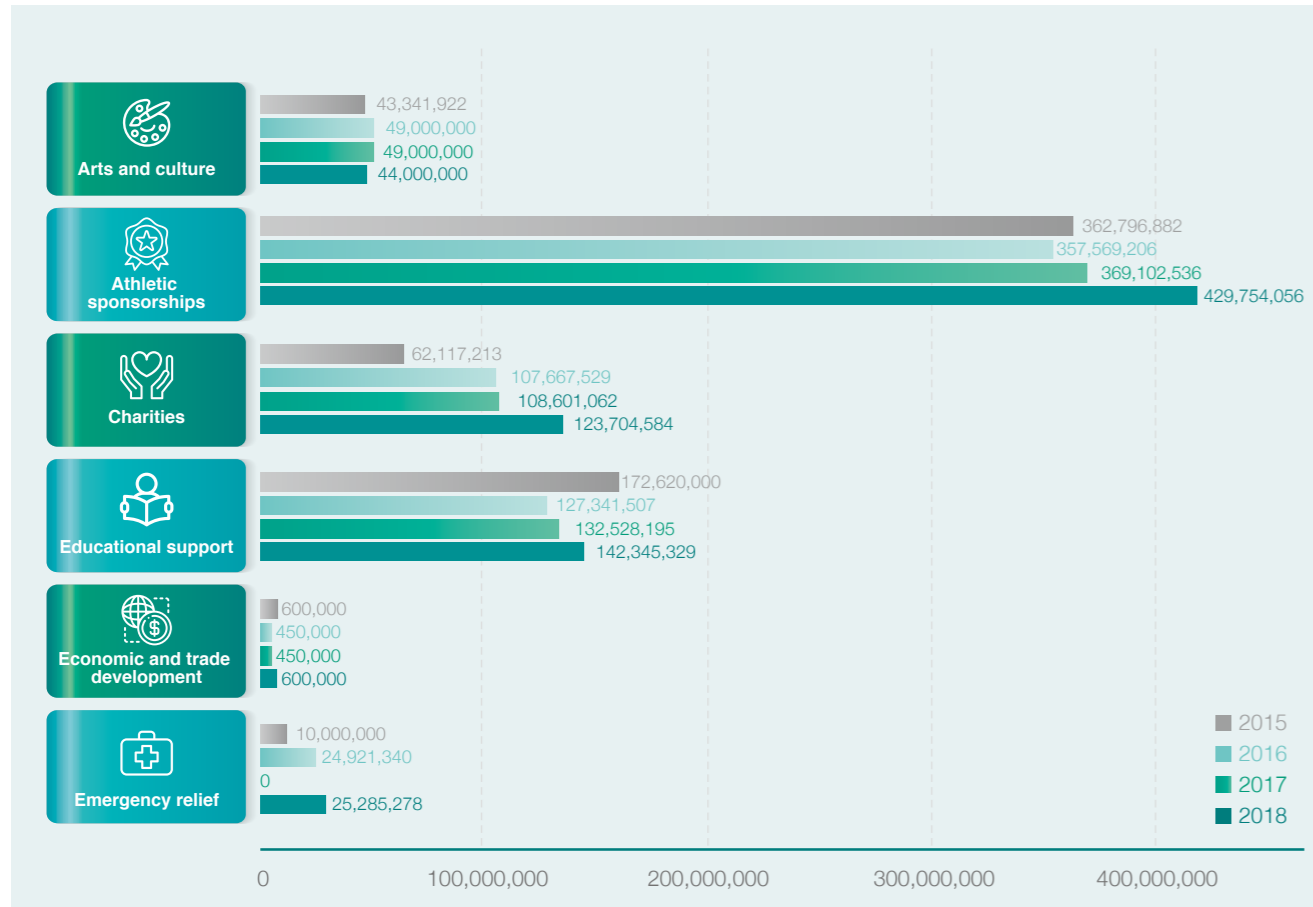
Taxes paid in Taiwan from 2015 to 2018

Year	2018	2017	2016	2015
Profit-seeking enterprise income tax	2,863,649	7,174,607	3,310,022	2,276,380
Business tax	2,646,361	2,673,713	2,725,996	3,193,020
Stamp duty	182,358	185,491	181,969	179,977
Investment tax credit	15,094	2,820	4,000	-

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

Donations and sponsorships

Unit: NT\$



Shareholders' equity

The Company has long been committed to improving its management system and implementing governance that separates management rights from ownership rights. We pursue these objectives because we know that sound corporate governance can be maintained only by taking into account all stakeholders' interests and providing them with uninterrupted, real-time communication channels that ensure information symmetry.

Stakeholder communication channels



Shareholder structure

Composition of common share holders

As of April 26, 2019

Shareholder status	Government agencies	Financial institutions	Other institutional investors	Foreign institutional and individual investors	Individuals	Treasury stock	Total
Quantity							
Shareholders	8	101	981	1,945	457,728	0	460,763
Shares	1,286	3,216,235,941	3,204,759,821	8,018,012,886	5,057,979,635	0	19,496,989,569
Percentage (%)	0.00	16.50	16.44	41.12	25.94	0.00	100.00

Note: Shareholding as of the book closure date of April 16, 2019.

Composition of preferred share B holders

As of April 26, 2019

Shareholder status	Government agencies	Financial institutions	Other institutional investors	Foreign institutional and individual investors	Individuals	Treasury stock	Total
Quantity							
Shareholders	0	28	103	74	38,445	0	38,650
Shares	0	221,375,816	84,416,008	1,537,633	26,000,543	0	333,330,000
Percentage (%)	0.00	66.41	25.33	0.46	7.80	0.00	100.00

Note: Shareholding as of the book closure date of April 16, 2019.

Composition of preferred share C holders

As of April 26, 2019

Shareholder status	Government agencies	Financial institutions	Other institutional investors	Foreign institutional and individual investors	Individuals	Treasury stock	Total
Quantity							
Shareholders	0	24	126	79	48,319	0	48,548
Shares	0	94,356,063	50,757,595	921,428	20,624,914	0	166,660,000
Percentage (%)	0.00	56.61	30.46	0.55	12.38	0.00	100.00

Note: Shareholding as of the book closure date of April 16, 2019.

Dividend distribution

Unit: NT\$

	2018	2017	2016 (Note 2)	2015
Cash dividends per share	1	1.08	1	0.81
Stock dividends per share	0	0	0	0.80
Total	1	1.08	1	1.61

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

Note 2: NT\$0.85 was allocated from the earnings for 2016, and NT\$0.15 was allocated from the capital reserve.

International organization membership and external exchanges

Over the years, CTBC Holding has actively participated in myriad activities organized by international economic and trade organizations, and other guilds, associations, and charities related to corporate sustainability, green productivity, and CSR in the hope of contributing to fields such as international economic and trade cooperation, enterprise exchanges, energy management, energy conservation, and carbon reduction.

Corporate sustainability community organizations

CTBC Holding is a member of the Taiwan Corporate Governance Association and the Independent Director Association Taiwan. Participating in these organizations' activities enables us to exchange practical experience in corporate governance with other members. Furthermore, in order to facilitate the implementation of the Personal Information Protection Act and related rules, we provide the competent authorities with recommendations based on practical operating considerations, and we also participate in the formulation and development of public policies.

To identify and understand the latest trends in corporate sustainability and actively implement corporate sustainability, the Company participates in relevant conferences and seminars organized by the Taiwan Institute for Sustainable Energy and the Business Council for Sustainable Development of Taiwan, during which it shares its CSR experiences with industry peers. In addition, CTBC Holding has been actively involved in the CDP carbon emissions project since 2010. In 2018, we were invited to become a signatory to the CDP; that same year, we became one of the first financial institutions in Taiwan to receive a Leadership A- rating from the CDP three years in a row. We also became an official Equator Principles signatory in January 2019, taking us further toward our goal of becoming the most prominent role model in sustainability for Taiwan's financial industry.

Conclusion

Going forward, CTBC Holding will continue to pursue growth through stable business operations. We will prioritize customer value, proactively stay on top of market trends, strive to provide better financial services, and gradually expand our business into more markets around the world. While remaining committed to the brand spirit of "We are family", we will work toward cementing our position as a financial brand of which every one of our employees, shareholders, and customers can be proud.

The Third Wednesday Club



The Third Wednesday Club was established by Dr. Jeffery L.S. Koo, the founder and chairman of CTBC Holding, and Dr. Pin-Kung Chiang, who would go on to serve as the chairman of our subsidiary Tokyo Star Bank. It was set up to foster cooperation between Taiwan and foreign enterprises through non-governmental forces, mainly by promoting exchanges between the club members and Chinese and Japanese economic and trade organizations. At present, the club has 75 corporate members and 42 sponsor members.

Taiwan Japan Association for Business Communication



The Taiwan Japan Association for Business Communication was founded in 1992 by CTBC Holding founder Dr. Koo to assist Taiwan business in building networks in Japan and third-country markets, promoting the alliance between Taiwan and Japan in industrial investment and technical cooperation, and enhancing the fellowship and exchange among its members. It also provides a business platform for liaison and coordination with related government agencies and business organizations. Through the association, we hold meetings with local banks in Japan to recruit vendors for business matching, enabling the robust growth of small and medium-sized companies in Taiwan and Japan, establishing multi-channel communication between the private sector and the Japanese government, exploring cooperation opportunities for companies in Taiwan and Japan, and promoting partnerships between both countries' governments in the creation of an innovative platform for cooperation with third countries by leveraging the advantages of Taiwan and Japan.

Chinese International Economic Cooperation Association (CIECA), Taiwan



The Chinese International Economic Cooperation Association promotes bilateral and multilateral economic and trade exchanges and cooperation. CTBC Holding and its overseas banking subsidiaries actively support the association, including by integrating the resources of the Taiwan-ASEAN Economic and Trade Club. By participating in bilateral economic cooperation meetings and arranging economic and trade visits, we are able to initiate collaborations with private organizations and strengthen the economic and trade ties between Taiwan and friendly Asia-Pacific counterparts. The association's annual and bilateral conferences also help to promote exchanges among private enterprises, encouraging joint efforts to foster international economic and trade exchanges.

Chinese National Association of Industry and Commerce



The Chinese National Association of Industry and Commerce was established in 1952. Its membership currently comprises approximately 1,200 representatives from small to large-sized enterprises in Taiwan's industrial and commercial sectors. The association promotes international economic and trade cooperation, integrates the opinions of the business community, and makes recommendations to the government, acting as a bridge between industry and government. In 2014, CTBC Holding established the Taiwan ASEAN Economic and Trade Association, connecting 23 industrial and commercial organizations and think tanks from across Taiwan. Through regular meetings, the association helps operate chambers of commerce and industry, including Taiwanese chambers of commerce, in various countries, and works with overseas CTBC Bank branches to stimulate and advance global business. In addition, insights gained by the association through its dealings with domestic and foreign businesspeople and enterprises are analyzed to provide the government with advice on how it can better promote international economic cooperation and exchanges in order to expand foreign trade.

Confederation of Asia-Pacific Chambers of Commerce and Industry



The Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) was founded in May 1966. Its permanent secretariat was officially established in Taipei City at the end of 1980, making it one of the few international organizations of industry and commerce that is headquartered in Taiwan. The organization's members include 30 industrial and commercial organizations from 28 countries, throughout Asia Pacific, and its mission is to promote the development of economic and trade cooperation. Since its foundation, CTBC Holding has actively participated in the CACCI's international conference and assisted it in providing advice on regional economic development as well as promoting and maintaining the relationship between the National Chamber of Commerce and Industry and business leaders in Asia, thereby facilitating the sustainable and balanced development of the region. We also use our membership in the CACCI to support the government's New Southbound Policy, help the government and the business community participate in regional economic integration, and promote economic cooperation and industrial ties in Asia Pacific.

Asian Bankers Association



The Asian Bankers Association (ABA) was established in 1981 at the initiative of CTBC Holding founder Dr. Koo, with its permanent secretariat located in Taipei. Daniel Wu, President of CTBC Holding, served as the ABA's president for two consecutive terms, from 2014 to 2018. By participating in the ABA's annual conferences and seminars, we are able to exchange views with over 70 banking sector representatives from 25 economies in Asia Pacific and the Middle East, maintain friendly relations and cooperation among financial institutions, and assist the ABA in fostering interaction among these institutions.

4

STAKEHOLDERS AND MATERIALITY ANALYSIS

Understanding begins with communication. CTBC Holding firmly believes that only by listening to the voices and opinions of our stakeholders can we better fulfill our CSR. Therefore, we have established myriad communication channels to communicate and respond to the opinions of customers, investors, the government, the community, suppliers, and employees, so that these stakeholders can better understand how we fulfill our social responsibility. The process and results of each engagement help us identify the CSR-related concerns of stakeholders, which in turn serve as a reference for the compilation of our CSR Reports.

Materiality analysis is the main process in the compilation of our CSR Reports. With reference to the GRI Standards, we have established a systematic analysis method comprising three stages (identification, assessment, and verification) and six steps for determining material sustainability issues. These issues are then used to prepare the year's CSR Report and formulate our long-term sustainable business objectives. In creating the 2018 report, we identified 21 potential material sustainability issues from the results of questionnaires completed by our stakeholders. Furthermore, an "Internal control and internal audit" subsection has been added to this year's report and the "Responsible Products" subsection has been renamed "Responsible finance". Through questionnaires, we collated the opinions of 1,330 stakeholders and 40 employees on the materiality of sustainability issues to the business, with the materiality matrix for the 2018 CSR Report designed accordingly.

Finally, in consideration of the survey results regarding stakeholder concerns and the impact of these issues on our operations, 16 sustainability issues were determined to be material issues in this report. Short- and long-term goals were developed based on these issues, and a sustainability vision for 2021 was formulated in line with CTBC Holding's five-year operating plan. In terms of disclosure standards, we have adopted the value chain approach of the GRI Standards to enable stakeholders to understand the positive or negative effects of various issues on our value chain. This approach also serves as a basis for the Company to strengthen its corporate sustainability management. In terms of data quality, we have adopted AA 1000 AS Type II (moderate assurance level) and are continually working to enhance the reliability and integrity of our information disclosure.



Materiality analysis

We adopted the AA 1000 Stakeholder Engagement Standard and, through Corporate Sustainability Committee meetings, identified six main stakeholder groups. After collecting and analyzing issues of concern and verifying the communication channels, the issues of concern to stakeholders were then incorporated into routine CSR activities and the annual plan.



Vision for sustainability

In consideration of the survey results regarding stakeholder concerns and the impact of these issues on our operations, 16 sustainability issues were determined to be material issues in this report. Short- and long-term goals were developed based on these issues, and a sustainability vision for 2021 was formulated in line with CTBC Holding's five-year operating plan.

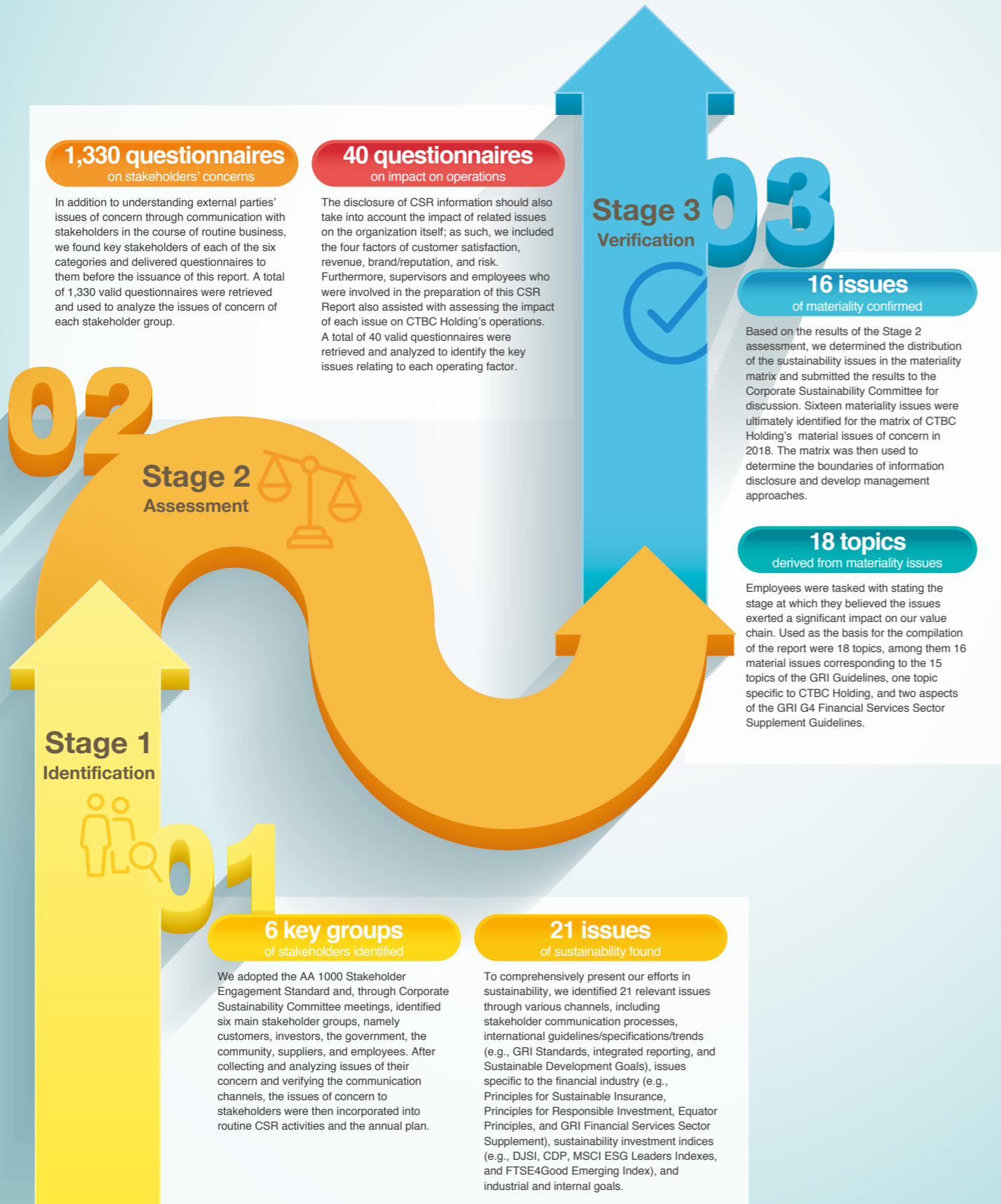


Sustainable value chain

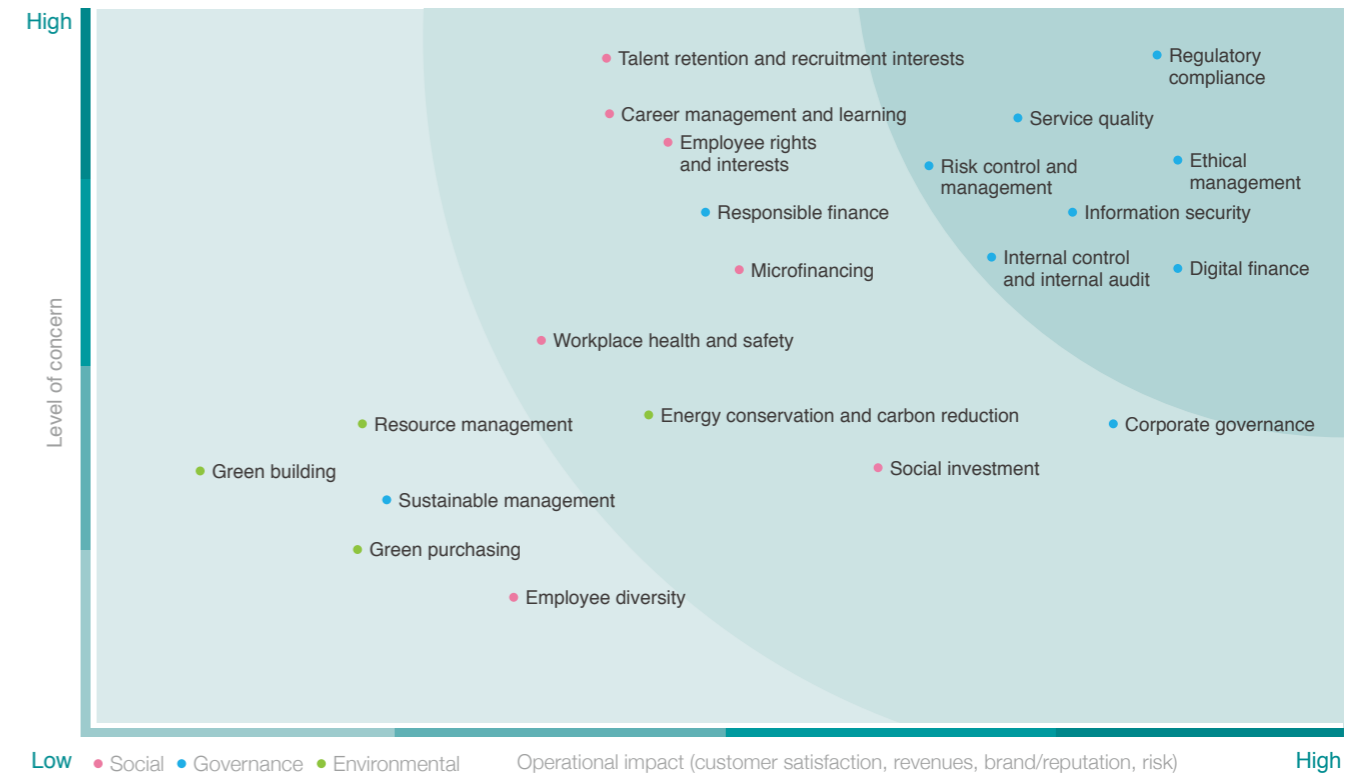
In terms of disclosure standards, we have adopted the value chain approach of the GRI Standards to enable stakeholders to understand the positive or negative effects of various issues on our value chain. This approach also serves as a basis for the Company to strengthen its corporate sustainability management.

Materiality analysis

The disclosures within this CSR Report are intended to provide for the related needs of stakeholders and reflect the core operations of the Company. We have also developed a systematic materiality analysis method as the basis for our corporate sustainability governance and our related annual information disclosure.



CTBC Holding materiality matrix



Materiality issues, GRI topics, and boundaries of impact

	Materiality issue	GRI topic(s)	Value chain					Corresponding chapter
			Purchasing	Sales	Marketing	Trading	Service	
Governance	Service quality	Customer privacy ⁽⁴¹⁸⁾						Transparency
	Risk control and management	Audit*						Transparency
	Corporate governance	General disclosure						Transparency
	Regulatory compliance	Socioeconomic compliance ⁽⁴¹⁹⁾ and environmental compliance ⁽³⁰⁷⁾						Transparency
	Ethical management	Anti-corruption ⁽²⁰⁵⁾						Transparency
	Digital finance	CTBC Holding-specific topic						Satisfaction
	Responsible finance	Product portfolio*						Responsibility
	Information security	Customer privacy ⁽⁴¹⁸⁾						Transparency
	Internal control and internal audit	Audit*						Transparency
Environmental	Energy Conservation and Carbon Reduction	Energy ⁽³⁰²⁾ and emissions ⁽³⁰⁵⁾						Responsibility
Social	Social investment	Indirect economic impacts ⁽²⁰³⁾						Together
	Career management and learning	Education and training ⁽⁴⁰⁴⁾						Understanding
	Microfinancing	Product portfolio*						Responsibility
	Talent retention and recruitment interests	Market presence ⁽²⁰²⁾ and labor-management relations ⁽⁴⁰¹⁾						Understanding
	Employee rights and interests	Labor-management relations ⁽⁴⁰²⁾ , non-discrimination ⁽⁴⁰³⁾ , forced or compulsory labor ⁽⁴⁰⁹⁾ , and human rights assessment ⁽⁴¹²⁾						Understanding
	Workplace safety and health	Occupational health and safety ⁽⁴⁰³⁾						Understanding

() : GRI Standard
* : Aspect of GRI G4 Financial Services Sector Supplement Guidelines

Stakeholder communication channels

 <p>CUSTOMERS</p> <p>Our responsibilities Convenient products, quality services, and customer satisfaction</p> <p>Communication channels</p> <ul style="list-style-type: none"> Voice of Customer platform 24-hour toll-free customer service hotline, voice over internet protocol (VoIP), and online customer service mailbox Monthly e-newsletters Regular customer satisfaction surveys Financial briefings every year <p>Topics of concern Service quality, digital finance, information security, and ethical management</p>	 <p>INVESTORS</p> <p>Our responsibilities Transparent information disclosure</p> <p>Communication channels</p> <ul style="list-style-type: none"> Financial information on corporate website Investors Relations section of website Annual general shareholder meetings Monthly announcements of business performance Quarterly investor briefings <p>Topics of concern Ethical management, regulatory compliance, and responsible finance</p>	 <p>GOVERNMENT</p> <p>Our responsibilities Regulatory compliance, tax payment, and lobbying</p> <p>Communication channels</p> <ul style="list-style-type: none"> Provide the relevant information required for supervision and auditing by the competent authority Government conferences and provide recommendations <p>Topics of concern Ethical management, regulatory compliance, risk management, and responsible finance</p>	 <p>COMMUNITY</p> <p>Our responsibilities Respect for local culture and participation in local charity events</p> <p>Communication channels</p> <ul style="list-style-type: none"> Symposiums Press conferences Sponsor arts, sports, academic, and environmental activities Charitable events <p>Topics of concern Social investment, ethical management, and microfinancing</p>	 <p>SUPPLIERS</p> <p>Our responsibilities Fair purchasing</p> <p>Communication channels</p> <ul style="list-style-type: none"> Business briefings and price-negotiation meetings Ad-hoc site audits for employee health and safety <p>Topics of concern Risk management, regulatory compliance, and workplace health and safety</p>	 <p>EMPLOYEES</p> <p>Our responsibilities Respect for human rights, fair treatment, and employee health</p> <p>Communication channels</p> <ul style="list-style-type: none"> Quarterly mobilization meetings People and Events internal e-newsletter Employee communication channels and employee complaint channels Employees health seminars Ad-hoc Employee Satisfaction Surveys and Organizational Climate Surveys <p>Topics of concern Talent retention and recruitment, career management and learning, labor rights, and service quality</p>
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CTBC Holding's vision for sustainability in 2021

Discussion topic	Importance of operations management	Strategy	Long-term goal (2021)	2018 target	2018 status	2019 target	2016	2017	2018
Corporate governance	A well-established corporate governance structure enables the Board of Directors and management to function effectively, achieving operational goals on the basis of balancing and safeguarding the interests of all stakeholders and improving efficiency and competitiveness.	<ul style="list-style-type: none"> Refine our corporate governance organizational structure to provide sufficient support to the Board of Directors. Strengthen the functions and information transparency of the Board of Directors. Integrate domestic and international corporate governance trends and receive relevant domestic and international appraisal and certification. 	KPI 1: Appoint qualified corporate governance officer and personnel	-	-	-	-	-	-
			KPI 2: Extend continuing education for directors to at least 6 hours each year	100%	Achieved	100%	100%	100%	100%
			KPI 3: Increase the expertise and diversity of directors	-	-	-	-	-	
			KPI 4: Disclose important corporate governance regulations in English on the official website	-	-	-	-	-	
			KPI 5: Selected as a constituent stock of international indices or be highly ranked in governance-related assessments	-	-	-	-	-	
Risk management	<ul style="list-style-type: none"> Optimize the risk management mechanism for overseas branches in order to support the stable expansion of the Bank's businesses. Prepare for the implementation of IFRS17 in the life insurance industry and make early changes in financial statements, asset-liability matching, and risk management. 	<ul style="list-style-type: none"> Internationalize the risk management regulations of banking subsidiaries, namely in the form of globalized alignment, localized integration, and customer friendliness. Insurance subsidiaries shall manage and control financial reporting as well as interest rate risk and assets and liabilities management. 	KPI 1: Complete the revision of internal regulations	-	-	50%	-	-	-
			KPI 2: Assess reserve fund adequacy and minimize financial risks	-	-	Executed according to legal schedule	-	-	-
			KPI 3: Monitor assets and liabilities indicators and reduce the impact of interest rate fluctuations	-	-	Executed according to legal schedule	-	-	-
Information security	In the face of rapidly evolving information security (infosec) threats, CTBC Bank shall protect the information and rights of customers through corporate infosec governance and technology measures, and ensure that financial services and corporate information and assets are safeguarded.	<ul style="list-style-type: none"> Maturity measurement: Use industrial maturity indicators to set goals and measure progress. Long-term planning investment: Prepare, optimize, and implement a five-year plan for infosec. Key risks: Identify and establish key indicators and focus on the management of key risks. 	KPI 1: Information security maturity: ≥ 4.5 points	-	-	Information security maturity: ≥ 4 points	-	-	-
			KPI 2: Completion rate for five-year plans: 100%	-	-	Completion rate for five-year plans: 90%	-	-	-

Discussion topic	Importance of operations management	Strategy	Long-term goals (2021)	2018 target	2018 status	2019 target	2016	2017	2018
Information security	With the increasing prevalence of cyberattacks, Taiwan Life has established a defense-in-depth framework to protect its websites and assets. In addition, it has further bolstered the security of its IT operations and customer information processes, achieving expanded ISO 27001 and BS 10012 certification.	<ul style="list-style-type: none"> External security defense enhancement: To strengthen our website security through constant system vulnerability scans, source code vulnerability scans, and vulnerability fixes. Internal security defense enhancement: To reduce the risk of viruses attacking internal IT devices through security training, social engineering training, and various security devices. Secured process: To extend the certification scope of ISO 27001 to ensure the security of all IT processes. 	KPI 1: Number of high- and medium-risk vulnerabilities of external website's system and source code: 0	-	-	High-risk weaknesses: 0	-	-	-
			KPI 2: Company-wide infection rate of computer viruses or worms: < 1%	< 3%	Achieved	< 2%	-	-	0.96%
			KPI 3: Coverage of ISO 27001 certification: 100% of information systems under the Information Technology Department	100%	Achieved	100%	8.2%	8.2%	100%
			KPI 4: Coverage of BSI 10012 certification: 100% of departments	39%	Achieved	100%	-	10.4%	39%
Service quality	Meeting customer needs is the core mission of CTBC Holding's business operations and the driving force pushing us to continually improve.	Become a customer-centric, full-service retail bank.	KPI 1: Personal financial customer satisfaction	86%	Not achieved	86%	-	85%	85%
			KPI 2: Settlement efficiency for customer complaints, with a seven-day settlement rate of 90% or more	90%	Surpassed	≥ 90%	99%	98%	98%
	The nature of the insurance industry requires us to provide warm, professional service in order to meet customer expectations and needs. Taiwan Life's official website shall integrate query pages and increase the number of online trading projects to 24.	<ul style="list-style-type: none"> Work efficiency: Make faster claims application payments. Customer satisfaction: Better manage and control our claims complaint rate. Service quality: Use apps to optimize our customer experience. Digital infrastructure: Launch digital investments. 	KPI 1: Three-day settlement rate for free-to-check payment claims: 96.5%	95.50%	Achieved	95.50%	93%	93%	95.50%
			KPI 2: Complaint rate for claim reviews: 0.045‰	0.07‰	Achieved	0.045‰	0.27‰	0.27‰	0.07‰
Ethical management	We require internal compliance with regulations and codes of conduct and externally communicate our commitment to integrity management and ethical standards, with the goal of becoming a trusted partner to all our stakeholders.	<ul style="list-style-type: none"> Develop relevant internal norms, organize related training and promotion programs, and disclose the implementation status. Provide internal and external reporting channels and have protective measures in place for whistleblowers. 	KPI 1: Conduct education and training for employees, with a training rate of 100% and completion rate of 95%	-	-	100%	-	-	-
			KPI 2: Report on the implementation of integrity management to the Board of Directors on a regular basis	100%	Achieved	100%	100%	100%	100%
Responsible finance	As the main supplier of corporate funds, the financial industry can support socially and environmentally responsible enterprises through its lending and investment, thereby encouraging more enterprises to address their social responsibility.	<ul style="list-style-type: none"> Green Loans: Support major clients' domestic and international renewable energy-related project financing. Responsible lending: Adopt the Equator Principles to fulfill our social and environmental protection responsibilities. Become a customer-centric, full-service retail bank. 	KPI 1: Complete the project financing required to achieve domestic green energy development goals	Have Corporate Banking Services support major clients' domestic and international renewable energy-related project financing	-	Become a host bank and financial consultant for offshore wind power project financing and assist in hedging against risks of interest rate and exchange rate	-	-	Became the local financial consultant for offshore wind power developers, assisted in selecting potential wind farms, and made initial plans for developers' offshore wind power project financing with their international financial consultants
			KPI 2: Become the leading bank in domestic renewable energy project financing	Have Corporate Banking Services support major clients' domestic and international renewable energy-related project financing	-	Expand customer base of large ground-mounted solar project and complete large ground-mounted solar project financing.	-	-	Assessed and participated in project financing related to offshore wind power, solar power, biomass, and more
			KPI 3: Disclose Equator Principles case data in annual reports	Have CTBC Bank become an Equator Principles signatory by the end of the 2018	-	<ul style="list-style-type: none"> Complete CTBC Bank guidelines for Equator Principles-applicable corporate loans. Host two or more large-scale educational training activities 	-	-	Completed the signing of the Equator Principles on Jan. 23, 2019
			KPI 4: Offer green energy products and services	Ongoing	Ongoing	Ongoing	NT\$8.7 billion	NT\$8.5 billion	NT\$10.8 billion
Internal control and internal audit	<ul style="list-style-type: none"> Internal auditing shall be conducted objectively and fairly. Recommendations shall be given to reasonably ensure the implementation of the internal control system in order to assist the Board of Directors and management in checking and evaluating the system's effectiveness. The internal control and operational procedures shall be managed to avoid operational risks or illegal deficiencies. 	<ul style="list-style-type: none"> Assurance service: Conducting audit work to assure the implementation of the internal control system based on regulations and internal policies and procedures. Quality assurance: Developing an ongoing Quality Assurance and Improvement Program (QAIP). Enhancing CTBC Bank subsidiaries internal control system's three lines of defense: focus on risk, control compliance, and carries out regulator review initiatives. [BRCC (Business, Risk, Compliance and Control) meeting] 	KPI 1: Conduct annual auditing based on relevant laws, regulations, and risk assessment results.	20 full-scope/limited-scopes audit 2 special audits	Achieved	20 full-scope/limited-scopes audit 5 special audits	20 full-scope/limited-scopes audit 3 special audits	20 full-scope/limited-scopes audit 2 special audits	20 full-scope/limited-scopes audit 2 special audits
			KPI 2: Complete the QAIP of the CTBC Holding internal audit unit.	Once a year	Achieved	At least once a year	Once a year	Once a year	Once a year
			KPI 3: Convene a BRCC meeting every quarter for overseas branches and subsidiaries	-	-	80%	-	-	-

Discussion topic	Importance of operations management	Strategy	Long-term goals (2021)	2018 target	2018 status	2019 target	2016	2017	2018
Regulatory compliance	Ensure the Company's operations comply with applicable external laws and regulations as well as internal policies and procedures; reduce the compliance risks; and create a culture of compliance in the group in order to enhance customer trust and ensure investors' rights.	<ul style="list-style-type: none"> Establish a group-wide culture of compliance. Reduce risks stemming from non-compliance. Enhance the competitiveness of the group. 	KPI 1: Establish a compliance and AML/CFT education and training program for new employees	-	-	Introduce a compliance and AML/CFT training program for new employees	-	-	-
			KPI 2: Strengthen regulatory compliance to follow early-warning mechanism for major cases	-	-	Cases with material compliance risks in the group should be reported in a timely manner	-	-	-
			KPI 3: Introduce assistive technology, transition toward paperless operations, improve regulatory compliance regarding management efficiency and functionality, and implement sustainable environment protection	Plan for the function / demand of the compliance management system	Achieved	Launch phase I compliance management system online	-	-	-
Digital finance	By introducing new technologies and through the digital transformation of our business models, provide proper financial services for customers of all ages, create a better customer experience, maintain customer loyalty, and ultimately become a leading regional financial institution in digital finance.	<ul style="list-style-type: none"> Digital transformation: Optimize end-to-end omni-channel digital processes by adopting a customer-centric approach through technological applications. Digital innovation: Create API platform services and develop innovative service processes and financial product and business models by leveraging advanced technologies, such as AI and blockchain, and through fintech cooperation. Digital infrastructure: Build a foundation for CTBC Holding data-based projects and launch the intelligent transformation of various operations; create a lightweight core system by increasing the rate of cloud-based applications and developing a flexible and scalable application architecture; and promote a culture of innovation and agile development. 	KPI 1: Digital customer satisfaction rate: > 90%	> 90%	Not achieved	> 90%	90%	90%	86%
			KPI 2: Increase in use of agile development: > 80%	-	-	> 80%	-	73%	78%
			KPI 3: RPA usage: > 200 items	-	-	> 100 items	-	-	> 60 items
			KPI 4: Cloud platform as a percentage of all infrastructure: > 20%	-	-	> 5%	-	-	-
Energy conservation and carbon reduction	We are committed to fulfilling our responsibilities as a good corporate citizen, hence our "Green Policy, Green Future" commitment. Starting with our own energy conservation and carbon reduction, we will develop more green products and strategies and engage in green initiatives with our clients and employees in order to work toward a common goal of environmental sustainability.	Promote the introduction of environmental certification by all subsidiaries.	KPI 1: Certification scope: 100%	55%	Achieved	70%	45%	50%	55%
			KPI 2: Using 2017 as the baseline year, annual water use reduction: 2%	2%	Surpassed	2%	15.02%	-6.20%	15.38%
			KPI 3: Using 2017 as the baseline year, annual energy use reduction: 2%	2%	Surpassed	2%	6.61%	5.03%	2.39%
			KPI 4: Using 2017 as the baseline year, annual waste reduction: 2%	2%	Not achieved	2%	Self-management was applied in waste disposal before 2017, and waste reduction data was not tracked		-28.53%
Employee rights and interests	Only through a lawful and appropriate management system that protects employees' rights and interests can we create a happy working environment, enhance team cohesion, and effectively leverage the Company's key assets.	Maintain good labor relations, and create a friendly workplace.	KPI 1: Achieve a labor-management dispute involvement rate lower than the national standard issued by the Directorate General of Budget, Accounting and Statistics (number of people involved in labor-management dispute cases as accepted by the competent authority in the current year/total number of employees)	< 0.485%	Achieved	Labor-management dispute involvement rate in the previous year	-	0.08%	0.16%

Discussion topic	Importance of operations management	Strategy	Long-term goals (2021)	2018 target	2018 status	2019 target	2016	2017	2018
Career management and learning	To facilitate our corporate strategies and meet our organizational needs, we shall continue to invest in systematic learning resources, strengthen our internal lecturer system, and explore innovative learning experiences in order to enhance the competitiveness of our employees and supervisors.	<ul style="list-style-type: none"> Training input: Continual addition of learning resources. Internal inheritance: Increase the ratio of lecturers from internal departments. Digital experience: Promote and utilize mobile learning. Talent development: Increase the replenishment rate of internal positions. 	KPI 1-1: Average education and training per person per year: ≥ 30 hours	> 30 hours	Achieved	Over 30 hours	33 hours	37 hours	40 hours
			KPI 1-2: Investment rate for management staff training expenses: ≥ 30%	> 30%	Achieved	Over 30%	32.76%	36.66%	42.24%
			KPI 2: Percentage of eligible internal lecturers who serve as lecturers: > 16%	10%	Achieved	12%	4.90%	8.10%	10.60%
			KPI 3: App mobile learning rate among employees: ≥ 60%	40%	Achieved	50%	16%	30%	42%
			KPI 4: Replenishment rate of internal positions: ≥ 40%	35%	Achieved	40%	31.22%	31.42%	36.84%
Talent retention and recruitment	Recruit and retain professional financial management talent in order to maintain organizational competitiveness and promote sustainable development.	<ul style="list-style-type: none"> Regularly review compensation levels to ensure their competitiveness and to remain an industry benchmark setter. Encourage senior managers to hold Company shares thereby ensuring management practices that are aligned with the interests of shareholders. 	KPI 1: Ensure the average of employee's fixed pay maintaining at top 25% of the industry.	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved
			KPI 2: Percentage of designated managers with total stock value 1.5 times or more than their annual fixed pay: 85%	80%	Achieved	82%	-	-	100%
Microfinancing	Respond to government policies by offering microinsurance and providing individual and group insurance. In addition to proactively reaching out to provide services to disadvantaged and marginalized groups, donations are also made toward the insurance premiums of these groups in order to expand the number and scope of those people covered by microinsurance. Insurance products with basic coverage are provided for specific risks to these groups. These products are characterized by low amounts of insurance, low premiums, and simple, easy-to-understand language. They are considered commercial insurance. It is hoped that promoting microinsurance can encourage disadvantaged people to independently assess their insurance needs and transfer risk accordingly.	<ul style="list-style-type: none"> Expand insurance coverage: Strengthen cooperation with qualified and compliant groups and institutions. Increase service personnel recruitment: Expand the reach of our service through business development personnel. Check service quality regularly: Ensure the rapid processing of insurance and claims services. 	KPI 1: Achieve sustainability targets as verified by government	NT\$2,797,000	Achieved	NT\$2,874,000	NT\$1,745,000	NT\$2,362,000	NT\$2,797,000
Workplace safety and health	Through quantifiable assessments and the promotion of occupational health and safety-related protections, we can more clearly understand related inadequacies, in turn helping us to better care for our employees.	<ul style="list-style-type: none"> KPI 1: Physical and mental health risk management indicator Implement employee physical and mental health management policies such as the Workplace Maternal Health Protection Plan, Overwork-Related Hazards Prevention Plan, and Ergonomic-Related Hazards Prevention Plan by analyzing employee health checkup data and following physicians' advice and management guidelines. KPI 2: Disease risk management indicator Based on the results of employees' annual health checkups, physicians identify those with a 10-year risk of cerebral and cardiovascular stroke and executed disease risk population management accordingly. In addition, employee health management strategies are formulated and assessments and adjustments carried out in a timely manner through occupational medicine specialists and nurses. KPI 3: Workplace safety risk management indicator Conduct workplace risk assessments to quantify potential hazard levels and controls. 	KPI 1: Risk management indicator for physical and mental health: < 0.4%	< 0.5%	Achieved	< 0.5%	-	-	0.092%
			KPI 2: Disease risk management indicator: < 4.5%	< 5%	Achieved	< 4.88%	-	-	0%
			KPI 3: Workplace safety risk management indicator: 2.60%	2.96%	Achieved	2.90%	-	-	2.96%
Social investment	In response to the U.N.'s Sustainable Development Goals, we shall effectively utilize the group's resources and promote social well-being through our business drivers in order to enhance our brand image.	<ul style="list-style-type: none"> Charity: Improve the condition of the poverty- and education-related problems faced by disadvantaged children and households. Anti-drug education: Realize the vision of a "drug-free homeland". Sports: Implement grassroots baseball education and support the sport's development at all levels. Arts: Foster arts and cultural exchanges at home and abroad and bring arts and cultural education to remote areas. Education: Implement educational programs and provide enrollment quotas and grants for disadvantaged students. 	KPI 1: Disadvantaged people helped each year: 600,000	600,000 people/year	Surpassed	600,000 people/year	495,494 people/year	847,418 people/year	847,747 people/year
			KPI 2: Total participants in "anti-drug education" activities: 580,000	285,000 people/year	Surpassed	446,000 people/year	75,000 people/year	177,000 people/year	360,000 people/year
			KPI 3: Total participants in baseball grassroots education activities: 13,000	3,725 people	Achieved	8,950 people	850 people	2,200 people	3,725 people
			KPI 4: Total participants in all arts and cultural activities: 140,000	85,000 people	Achieved	103,000 people	38,000 people	66,000 people	85,000 people
			KPI 5: Disadvantaged students assisted with bursaries: 600	360 people	Achieved	480 people	120 people	239 people	386 people

5 SUSTAINABILITY

Moving toward a more sustainable enterprise



In view of the ever-changing global financial environment and the new challenges that it brings every year, CTBC Holding is actively devising an expanded blueprint for sustainable development in order to stay relevant and competitive in the face of crises. In continued response to the U.N. Sustainable Development Goals (SDGs), we disclose information on our 2018 capital and planning strategies, in part by assimilating the principles of these goals into an integrated reporting framework for use as a reference in our CSR management. In addition, we have fulfilled our responsibilities in ESG sustainability as we have continued to improve the performance and quality of our sustainable management to further maximize the benefit for our stakeholders.

Our strategy and vision for sustainability

In upholding our “We are family” brand spirit and mission to protect and build wealth, we are committed to providing our customers with professional products and services—and shaping a better future in the process. Our sustainability strategy is guided by TRUST, an acronym we have coined that emphasizes our five major focuses of corporate governance (Transparency), environmental sustainability (Responsibility), employee care (Understanding), products and services (Satisfaction), and social engagement (Together).

Best practice principles for CSR

For CTBC Holding, fulfilling its social responsibility as a good corporate citizen is a core value. We require all employees to follow the Corporate Social Responsibility Best Practice Principles, which were drafted with reference to leading international standards such as those of the U.N.’s Global Compact initiative, the Earth Charter declaration, and the OECD’s Guidelines for Multinational Enterprises and based on fundamental concepts including respect for human rights, protection of labor rights, the development of a sustainable environment, and the implementation of anti-corruption policies.

Sustainability strategy

Our sustainability strategy is guided by TRUST, an acronym we have coined that emphasizes our five major focuses of corporate governance (Transparency), environmental sustainability (Responsibility), employee care (Understanding), products and services (Satisfaction), and social engagement (Together).

Sustainability management

We established a Corporate Sustainability Committee to oversee our annual CSR-related budget and resource allocation and enhance the effectiveness of our CSR implementation practices.

Responding to SDGs

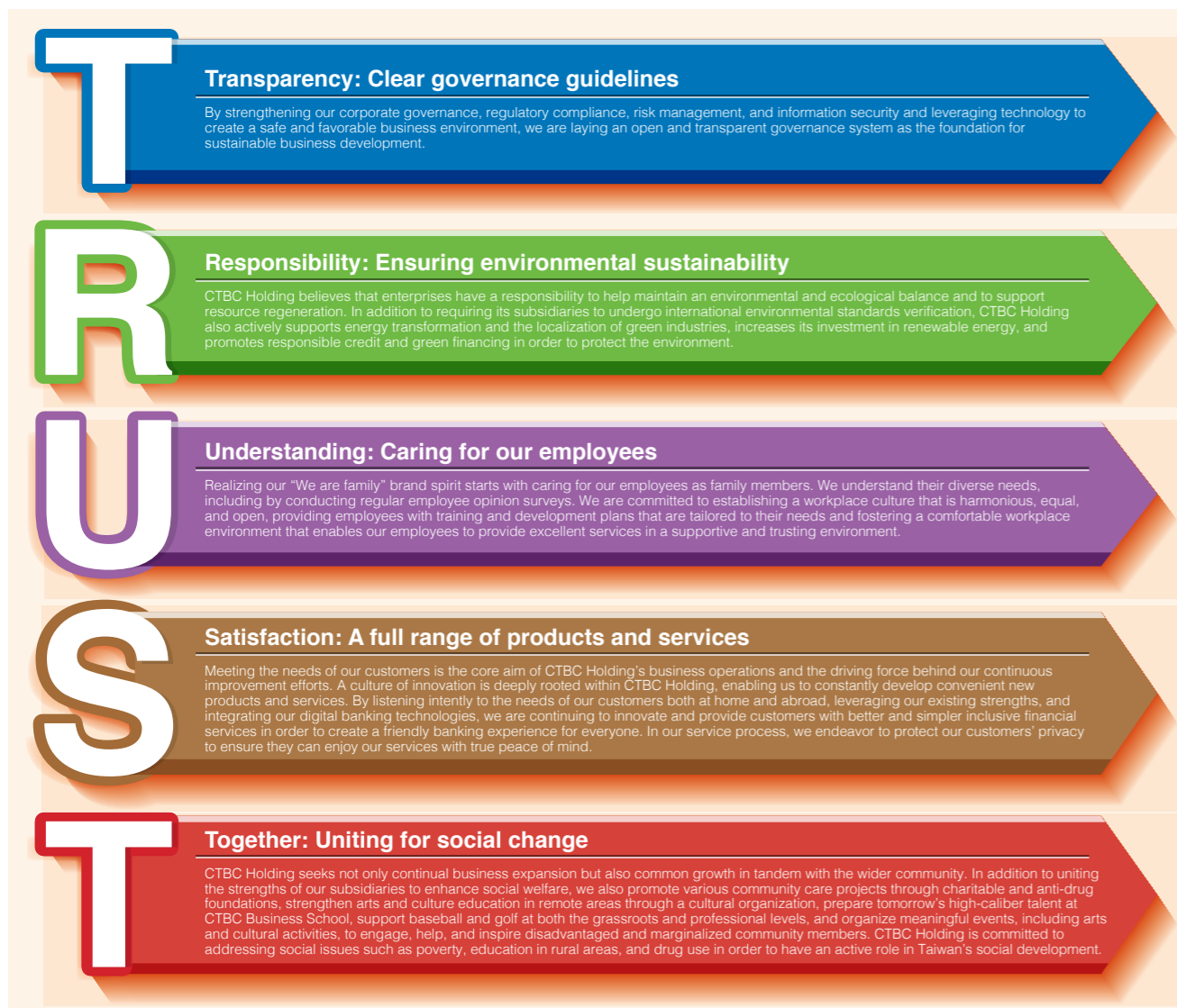
Using the SDG Compass, we identified our top SDG priorities: SDG1 (no poverty), SDG3 (good health and well-being), SDG4 (quality education), and SDG8 (employment and economic growth).

Corporate sustainability management and progress

In pursuit of our sustainability goals, CTBC Holding has not only drafted the Corporate Social Responsibility Best Practice Principles but also established a CSR Unit under our Administration Department. The unit is responsible for the strategic planning and implementation of the Company's overall CSR-related work. It has a total of seven full-time specialists, with the president of CTBC Holding being the highest reporting supervisor. It submits any important proposals to the Board of Directors for a vote and ensures that the Company fulfills its CSR through execution by the organization and participation by all employees. Furthermore, the Corporate Sustainability Committee has been established for budget and resource allocation each year to enhance the effectiveness of our CSR implementation practices. We know that the value and benefits of corporate sustainability can be maximized only by developing and implementing a CSR strategy and culture tailored to our Company and industry.

A sustainability strategy based on TRUST

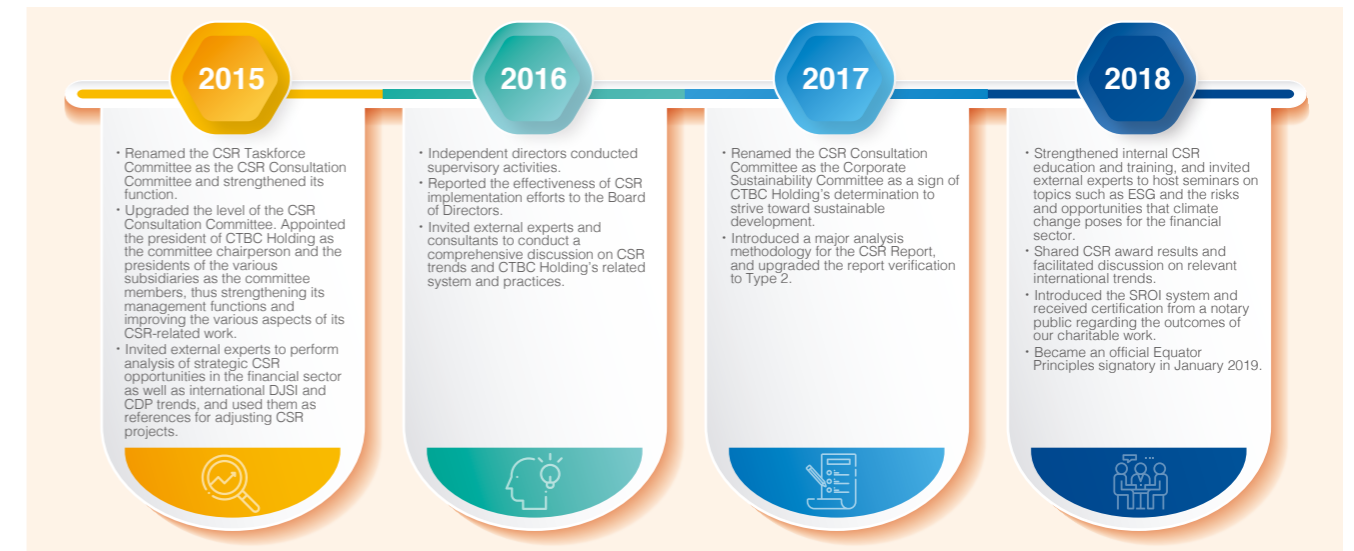
With the TRUST strategy, CTBC Holding has laid out a comprehensive blueprint for sustainable development.



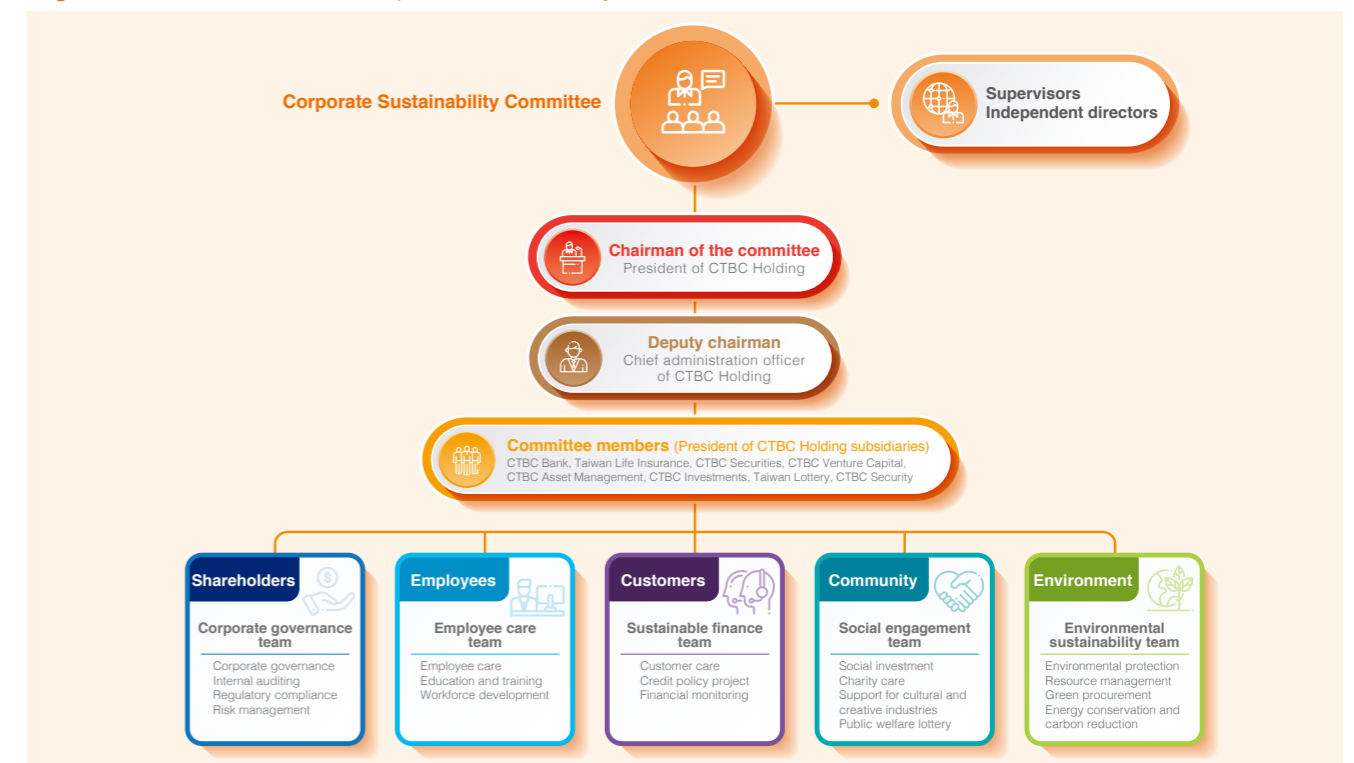
Corporate Sustainability Committee

To keep pace with international trends in sustainable development and fulfill its responsibilities in ESG sustainability, CTBC Holding has established a Corporate Sustainability Committee and various working teams underneath it. The committee conducts ad-hoc meetings every year to discuss important proposals related to corporate sustainability as well as to supervise and manage the goals and progress of the various working teams in order to ensure the effective implementation of sustainable corporate governance.

Sustainability management progress



Organizational structure of the Corporate Sustainability Committee



Corporate social responsibility unit


We have set up a social responsibility unit under the General Administration Department. It is responsible for the strategic planning and promotion of the Company's CSR-related work. The unit has seven full-time staff members and reports to its highest level of supervisor, the president of CTBC Holding, with important resolutions reported to the Board of Directors. Senior supervisors participate directly in CSR-related activities in order to encourage colleagues Company-wide to also participate by practicing the core values of our CSR and contributing to CTBC Holding's sustainable operation.

Capital identification and value creation performance

CTBC Holding is committed to refining its sustainable development strategy and understands that information disclosure requires conducting relevant planning for topics that are of concern to the stakeholders as well as actively demonstrating its ongoing performance. This report discloses the information on the six major capitals and strategic planning of the International Integrated Reporting Council's integrated reporting framework. The influence and impact of the relevant performance indicators on the organization will serve as an important reference for the Company's continual supervision and management of corporate sustainability.



CTBC Holding has actively allocated relevant capital investment during the setting of operational and business targets. In accordance with the integrated reporting framework, our 2018 capital investment-related targets were as follows:

According to the aforementioned capital investment details, our quantitative performance in 2018 is presented in the following table; our qualitative performance is described in the various chapters of this report.

Capitals	Definition	Extension of insurance services	Expansion of overseas markets	Development of digital finance	Cultivation of professional talent	Social contribution	Environmental investment
 Financial capital	Financial capital refers to the investments, related organizational adjustments, and planning required for the various products and services of CTBC Holding as well as related operational targets.	<ul style="list-style-type: none"> Integration of organizational structure Proportion of processing fees and net commission income Increase in asset 	<ul style="list-style-type: none"> Integration of organizational structure Proportion of processing fees and net commission income Customer assets Increase in assets 	<ul style="list-style-type: none"> Integration of organizational structure Proportion of processing fees and net commission income Customer assets Increase in assets 	<ul style="list-style-type: none"> Recruitment expenses Staff training expenses Salary and welfare expenses 	<ul style="list-style-type: none"> Social engagement and investment 	<ul style="list-style-type: none"> Environmental protection investment
 Human capital	Human capital refers to the investments and planning related to human resources that are carried out for various products and services as well as related operational targets.	<ul style="list-style-type: none"> Retention rate of key talent Staff training 	<ul style="list-style-type: none"> Retention rate of key talent Staff training 	<ul style="list-style-type: none"> Retention rate of key talent Staff training 	<ul style="list-style-type: none"> Retention rate of key talent Staff turnover Increase in the number of employees 	-	-
 Manufactured capital	Manufactured capital refers to the investments and planning related to equipment, venues, and other basic constructions that are carried out for various products and services as well as related operational targets.	<ul style="list-style-type: none"> Expansion of service areas 	<ul style="list-style-type: none"> Expansion of service markets 	<ul style="list-style-type: none"> Expansion of service scope Digital service system development 	-	<ul style="list-style-type: none"> Number of employee volunteers 	<ul style="list-style-type: none"> Employee involvement
 Intellectual capital	Intellectual capital refers to the investments and planning related to information systems, product and service design, and information system-related applications that are carried out for various products and services as well as related operational targets.	<ul style="list-style-type: none"> Premium income from new contracts Policy design and optimization 	<ul style="list-style-type: none"> Increase in ATM facilities Increase in overseas branches 	<ul style="list-style-type: none"> Big Data applications Information system design and expansion 	<ul style="list-style-type: none"> Cumulative number of certificates 	-	-
 Social and relationship capital	Social and relationship capital refers to the investments and planning related to communication with main stakeholders, brand reputation, and social engagement that are carried out for various products and services as well as related operational targets.	<ul style="list-style-type: none"> Customer/CTBC Holding/product communication materials and websites Customer complaints handling process Customer satisfaction 	-	<ul style="list-style-type: none"> Online banking usage App development 	-	<ul style="list-style-type: none"> Foundation operations Social engagement and investment 	<ul style="list-style-type: none"> Supplier management Adjustment of credit process
 Natural capital	Natural capital refers to the investments and planning in environmental resource protection and environmental risks carried out for various products and services as well as related operational targets.	-	-	-	-	-	<ul style="list-style-type: none"> Green procurement Adjustment of credit process Energy and carbon reduction measures Paperless process Water resource management Waste management

Model for nurturing a sustainable enterprise



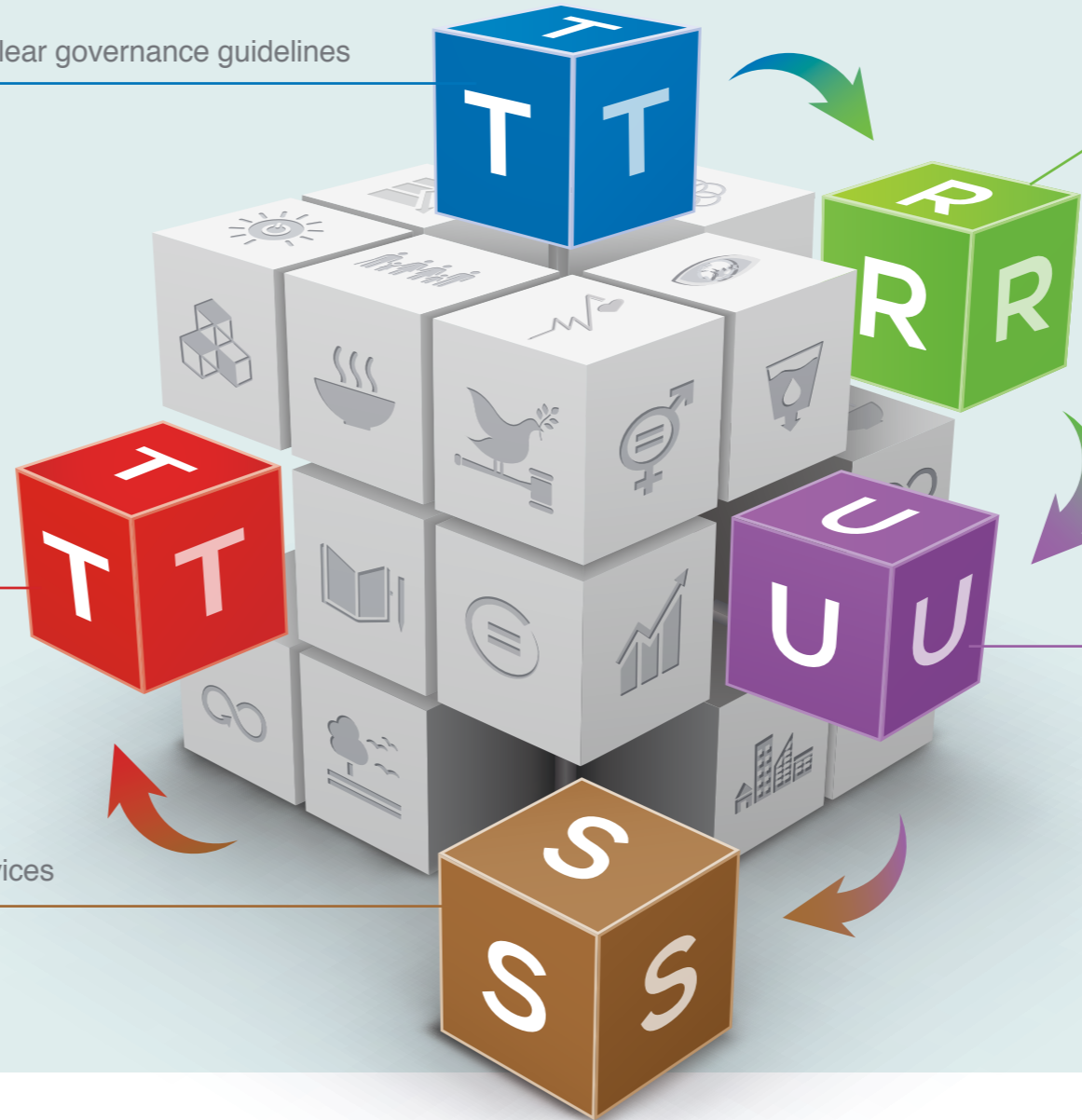
 Financial capital	Net profit after tax (NT\$ thousand)	Net revenue (NT\$ thousand)	Return on assets (%)	 Intellectual capital	Cumulative patents	Cumulative CFP certificates	
2018	36,035,211	314,374,591	0.65	2018	91 (Note 3)	118	
2017	37,224,180	349,763,657	0.73	2017	29	73	
2016	27,932,874	319,671,361	0.59	2016	2	33	
2015	35,402,042	215,571,927	0.86	2015	2	26	
 Human capital	Headcount (Note 1)	Retention rate of key talent (Note 2) (%)	Employee training expenses (NT\$10 thousand)	 Social and relationship capital	Customer satisfaction (%)	Social investment amount (NT\$)	Awards
2018	26,730	91.8	7,073	2018	85	765,689,247	205
2017	27,324	93.4	6,143	2017	85	659,681,793	176
2016	26,563	92.2	6,244	2016	88	666,949,582	167
2015	25,555	93.2	6,181	2015	88	651,476,017	147
 Manufactured capital	Number of ATMs	Number of branches	Number of transactions via self-service and automated channels (million)	 Natural capital	Energy efficiency (degree)	Environmental protection spending (NT\$10 thousand)	Green procurement spending (NT\$10 thousand)
2018	5,789	266	45	2018	1,763,256	25,840	25,562
2017	5,614	260	34	2017	1,862,527 (Note 4)	20,957	20,516
2016	5,487	258	26	2016	1,097,510	21,040 (Note 5)	20,647
2015	5,502	255	19	2015	1,373,966	27,329	27,152

Note 1: Our numbers of employees include those overseas branches.
 Note 2: Key talent is defined as personnel at the managerial level and above.
 Note 3: Financial technology (fintech) development has given rise to a wide array of innovative financial services. As a result, both traditional financial institutions and startups are competing in fintech R&D. In the face of fierce global competition, CTBC Holding is committed to the development of innovative banking products and provision of convenient, high-quality services as well as in identifying methods through which patents can be used to protect diverse business innovation. Since 2017, CTBC Holding has shown significant results in its development of fintech patents. By the end of 2018, we had accumulated 91 patents—an industry high in Taiwan. Moving forward, CTBC Holding will continue to invest more resources in R&D aimed at strengthening our business competitiveness and cementing our place as a leader in digital banking.
 Note 4: The energy efficiency was misprinted as 4,177,524 in 2017. It has been revised to 1,862,527.
 Note 5: The environmental protection spending was misprinted as 20,720 in 2016. It has been revised to 21,040.

Concrete practices corresponding to SDGs

CTBC Holding sustainability strategy practices aimed at meeting the U.N. Sustainable Development Goals

TRANSPARENCY Clear governance guidelines



RESPONSIBILITY

Ensuring environmental sustainability



TOGETHER Uniting for social change



SATISFACTION A full range of products and services



UNDERSTANDING

Caring for our employees



1 NO POVERTY

- We offer various microfinance products and services, including loan, insurance, credit card, and trust services.
- We raised NT\$143 million through the 33rd Light Up a Life national charity fundraising campaign.
- We collect contributions from four charity credit cards (i.e., the Tzu Chi, Taiwan Fund for Children and Families, Xue Xue, Paper Windmill cards), with a total of NT\$28 million donated in 2018.

2 ZERO HUNGER

- Through the Taiwan Dream project, we set up 26 community dream sites, helping 499 disadvantaged children and investing nearly NT\$109 million.

3 GOOD HEALTH AND WELL-BEING

- Through the CTBC Anti-Drug Educational Foundation, we held 456 tour exhibitions and awareness events at schools, military sites, and correctional facilities, reaching approximately 360,000 people.
- We offer microinsurance, including old-age policies, with 8,122 policies issued in 2018 alone.

4 QUALITY EDUCATION

- CTBC Business School has achieved a 100% enrollment rate, and has helped more than 300 disadvantaged young people in the process.
- Through the Love & Arts for Dreams Initiatives, we generated NT\$4.18 in social value for every NT\$1 invested.

5 GENDER EQUALITY

- The ratio of women to men employed at CTBC Holding is 164:100, and women account for 54.7% of all our managers.

6 CLEAN WATER AND SANITATION

- We customized our multi-channel collection services to assist the Environmental Protection Administration in collecting soil and groundwater pollution remediation fees, having so far facilitated the collection of NT\$1.18 billion.

7 AFFORDABLE AND CLEAN ENERGY

- We plan to make either one or two additional solar energy investments and one wind power investment in 2019, with such investment ranging from approximately NT\$1 billion to NT\$2 billion.
- We equipped CTBC Financial Park with solar power equipment, generating approximately 77,000 kWh of electricity for use around the park.

8 DECENT WORK AND ECONOMIC GROWTH

- We provided 1,583 microloans worth more than NT\$120 million to help 291 families start their own businesses through the CTBC Poverty Alleviation Program.
- Taiwan Lottery provides work for 43,000 sales staff.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- We promote digital finance, having so far introduced 191 foreign currency ATMs, 2,784 finger vein ATMs, and 47 personalized LINE Business Connect notifications.
- We invested more than NT\$800 million to support the government's push for cultural and creative industrial development, and successfully lobbied a government fund to invest an additional amount of more than NT\$400 million.

10 REDUCED INEQUALITIES

- We launched the U Remit ATM foreign currency remittance service to help migrant workers send earnings home more safely by enabling them to avoid underground exchanges.
- We hold regular labor-management meetings, where all matters related to labor conditions are approved.

11 SUSTAINABLE CITIES AND COMMUNITIES

- Our Bank had 5,751 barrier-free ATMs in operation in 2018, accounting for 95.7% of all our ATMs.
- We offer full-service care counters to accommodate Taiwan's growing elderly population, with 56% of CTBC Bank branches having them as of 2018.
- We developed weather insurance policies in response to property losses caused by climate change and natural disasters, with 2,626 of these policies issued in 2018.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- We issued electronic statements for more than 1.7 million accounts as of the end of 2018, reducing paper consumption by nearly 56.2 million sheets a year and cutting CO₂ emissions by 513 tons.
- In 2018, 68% of all our Bank's foreign exchange transactions were made online, whereas 60% and 68% of all fund-related transactions and interbank transfers, respectively, were made online.

13 CLIMATE ACTION

- With 2017 as the baseline year, we set a target to cut electricity consumption by 2% a year for three years, for a total reduction of 1.72 million kWh.
- Taiwan Life has supported the government's push for green energy development since 2014, to date having made investments totaling NT\$1.89 billion and in the process reducing carbon emissions by an estimated 830,000 tons.

15 LIFE ON LAND

- We are an Equator Principles Financial Institution.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

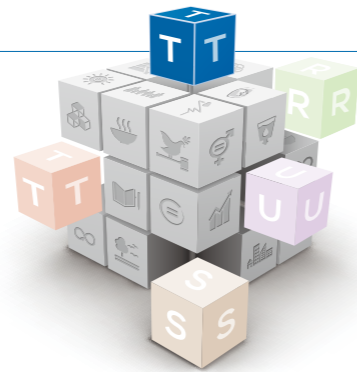
- We organize risk education courses, with coverage rates for new employees and newly appointed managers of 96.36% and 99.3%, respectively, as of Dec. 31, 2018; of our general employees, more than 14,000 have received risk-related education.
- We develop anti-money laundering regulations and actively promote anti-money laundering education and training. Senior executives are required to undergo education and training annually, and all employees are required to complete a general anti-money laundering course on a regular basis.

17 PARTNERSHIPS FOR THE GOALS

- We are an Equator Principles Financial Institution.

6 TRANSPARENCY

Clear governance guidelines



CTBC Holding's TRUST sustainability strategy lays out our CSR vision letter by letter. The first "T" is for "transparency", referring to our commitment to enshrine corporate governance in our business operations. By strengthening our corporate governance, regulatory compliance, risk management, and information security while integrating fintech to create a secure and fertile business environment, CTBC Holding is establishing an open and transparent governance system as the foundation for its sustainable business development.

As part of our continual improvement of corporate governance, we set a new precedent in 2016 by becoming the first financial holding company in Taiwan to have independent directors comprise more than half of its board members. We also value and promote diversity among our independent directors and provide comprehensive decision-making suggestions and guidance to the management team. The professionalism and independence of our independent directors facilitate our implementation of the principles of professional management and transparent governance, in turn facilitating the Company's sustainable development.

CTBC Holding's efforts in corporate governance have been recognized by numerous international institutions. In 2018, we remained a component of the Dow Jones Sustainability Emerging Markets Index and were listed in the MSCI ESG Leaders Indexes for the fifth consecutive year and the FTSE4Good Emerging Markets Index for the third consecutive year.

Sound board structure

The Board of Directors of CTBC Holding has seven directors, four of whom are independent directors. In 2018, the Board held 17 meetings, the average attendance rate of which was 96.64%.

Regulatory compliance

We pay close attention and constantly respond to changes in the domestic and overseas financial and legal environments while also staying on top of new and changing laws and regulations in a timely manner. All business units and subsidiaries under CTBC Holding are required to conduct self-assessments every six months to ensure that their business and operations are in compliance with regulatory requirements.

Strict information security

To ensure the protection of customers' personal data, the Company's information system displays only the minimum amount of information required for the service in use, thereby reducing risk exposure. We are also taking steps to ensure that our information security infrastructure and operations are in compliance with regulatory requirements.

Corporate governance

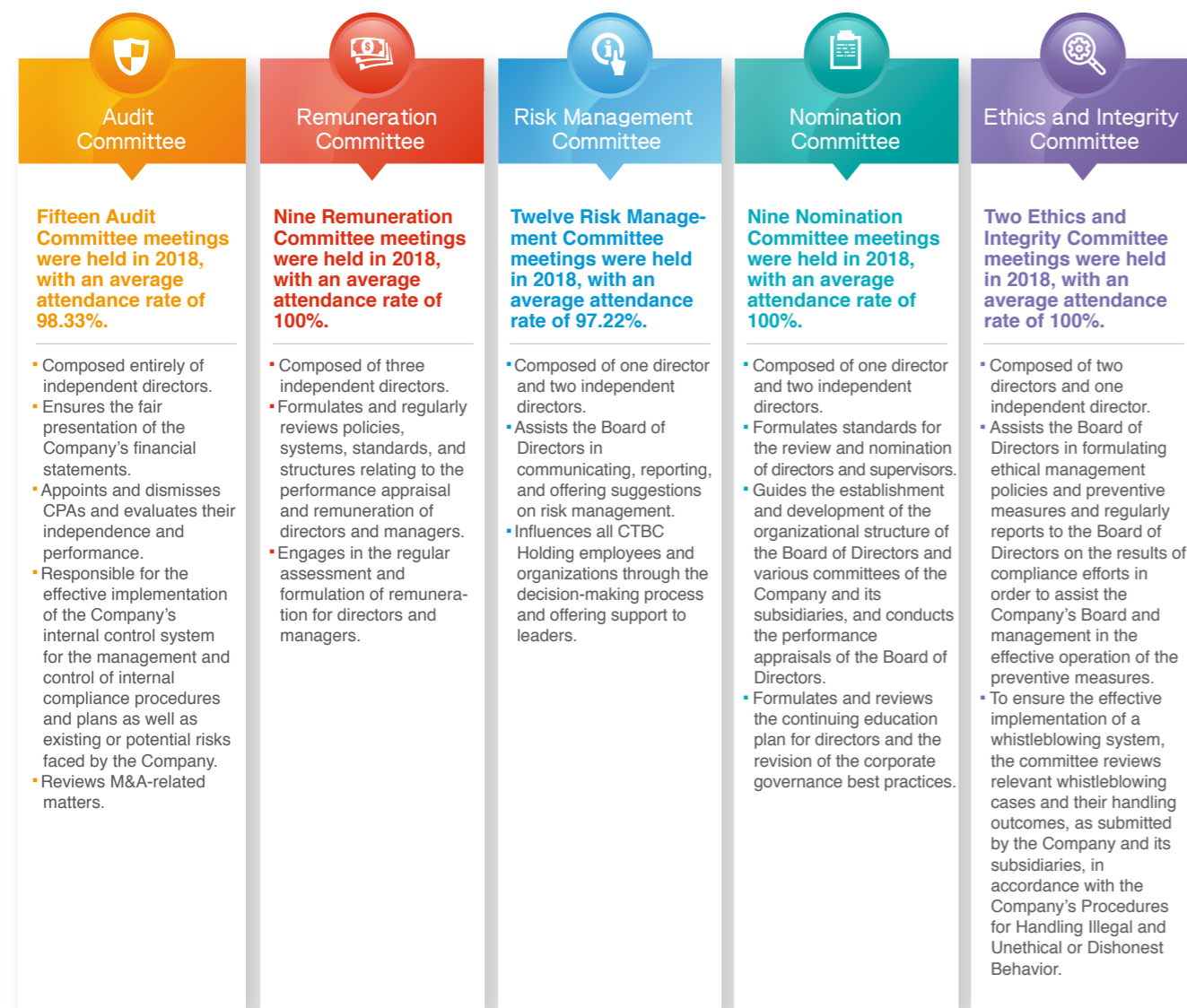
A robust corporate governance framework is a key foundation of the Company's sustainable development. CTBC Holding was the first financial holding company in Taiwan to have independent directors comprise more than half of its board members. In addition, the diverse backgrounds of our independent directors and our implementation of a governance philosophy that advocates separating management and ownership rights enable the Board to perform its supervisory duties and conduct business with integrity.

Sound board structure

The Board of Directors of CTBC Holding has seven directors, four of whom are independent directors. In 2018, the Board held 17 meetings, the average attendance rate of which was 96.64%. The average term of office of CTBC Holding's directors is 7.7 years. Each director brings a wealth of relevant experience; of the independent directors, one is a former member of the Financial Supervisory Commission and a current university professor, one is the long-serving chairman of a listed company, one is a lawyer, and the other is a professor with the diverse expertise needed for the operation of the Company, the expertise and experience of whom are highly rated in the industry.

Functional committees supporting supervision

To assist and strengthen the supervisory functions of the Board of Directors, five functional committees have been established, namely the Audit Committee, Remuneration Committee, Risk Management Committee, Nomination Committee, and Ethics and Integrity Committee. Each committee comprises directors and independent directors.



Diverse director recruitment

The Company is actively recruiting external directors to the Board of Directors. Board members do not hold concurrent management positions in the Company, and the composition of the Board is primarily based on diversity. In addition to basic demographic criteria such as gender, age, nationality, and culture, we ensure that the diversity of our directors extends to their professional backgrounds, skills, and industry experience, be it in law, accounting, finance, marketing, technology, or another relevant field. To further strengthen the capabilities of its subsidiaries' boards, CTBC Holding has formulated the Operating Guidelines for Appointment of Directors and Supervisors for Subsidiaries. The guidelines require these boards' members to be rigorously evaluated by the Nomination Committee with respect to their professional capacities in accordance with the nature of each subsidiary's industry, and it determines their optimal deployment. Through its director nomination and election systems, CTBC Holding identifies outstanding talent from different backgrounds who possess excellent leadership and vision in fields and areas such as operational judgment, business management, industrial knowledge, leadership, accounting and financial analysis, crisis management, international markets, and decision-making. The seven directors currently serving on CTBC Holding's Board possess a broad range of education and work experience, with at least one of them possessing relevant business experience for a subsidiary. In addition, as part of efforts to implement gender equality, CTBC Holding subsidiaries Taiwan Lottery and CTBC Investments have appointed two women directors and one woman director, respectively. Looking ahead, we will continue pursuing diversity by recruiting additional talented women to serve as directors.

Measures strengthening corporate governance

CTBC Holding has established a Corporate Governance Department as part of its efforts to establish a sound operating system for the Board of Directors and to improve its corporate governance and planning. Charged with the escalation of corporate governance issues to higher levels of authorization, the department oversees activities related to corporate governance and ethical management involving CTBC Holding and its subsidiaries, with the aim of creating a more comprehensive corporate governance framework. In addition, to improve the Board's efficiency and strengthen its operation, CTBC Holding has established Board of Directors Evaluation Measures and requires each director to attend at least 70% of Board meetings every year. Board directors are required to avoid conflicts of interest and meet minimum annual continuing education requirements.

Ethical management and avoiding conflicts of interest

To help fulfill CTBC Holding's commitment to ethical management, the Company's directors must exercise a high degree of self-discipline. Where there is a conflict of interest between any director and their legal representative for any proposal listed on a Board meeting agenda, the director shall, when reviewing the proposal, state the key details of the conflict of interest, recuse themselves from the relevant discussion and voting, and not exercise their voting rights on behalf of other directors.

In terms of corporate governance, CTBC Holding has established the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Code of Conduct, and Corporate Social Responsibility Best Practice Principles. The Ethics and Integrity Committee assists the Board of Directors in formulating ethical management policies and programs for the prevention of dishonest or otherwise unethical behavior, regularly reports the status of compliance to the Board of Directors, and assists the Board and management in maintaining the effective operation of the preventive measures established through ethical business practices.

As part of its pursuit of stable growth and sustainable development, CTBC Holding annually reviews its practices over the past year and proposes more stringent internal standards and policies for the coming year in response to the requirements of the competent authorities. In 2018, these efforts led to the amendment of the Corporate Governance Best Practice Principles, Ethics and Integrity Committee and Nomination Committee charters, Guidelines for Proposals by the Board of Directors and Functional Committees, and its regulations for subsidiaries.

In addition, we utilize training and advocacy, in conjunction with corporate governance and internal audit and control



mechanisms, to ensure all employees understand our ethical management policies, prevention programs, operating procedures, and the consequences of violating ethics and integrity rules. We also regularly compile and submit to the Board of Directors a summary of cases in which subsidiaries have violated such rules within the past six months; furthermore, we urge relevant units to carry out related improvements and monitor their implementation. When a new director or supervisor comes on board, the Company carries out relevant education and training; it also conducts annual ethical management education and training for all directors and supervisors.

Rules for directors' continuing education

All CTBC Holding directors participate in continuing education every year, in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, in order to more deeply understand emerging trends in corporate governance, CSR, and risk management. Aside from professional courses, overseas visits and study trips are also arranged to enable the directors to develop more in-depth insights into various businesses and to be better informed on domestic and foreign industry and market trends, ultimately improving their decision-making ability. In 2018, Board members participated in corporate governance and CSR refresher courses such as An Overview of the Banking Industry's Role in Money Laundering, Anti-money-laundering Challenges Posed by Fintech and U.S. Federal Regulatory Compliance, New Trends in Sustainable Decision-making: TCFD Climate-related Financial Disclosures, and Case Studies of the Principle of Fair Dealing in the Financial Service Industry. Furthermore, to reduce the risks faced by directors in the execution of their official duties, CTBC Holding has secured director liability insurance for all directors.

Rules for director performance appraisals

To improve the efficiency and function of the Board of Directors, the Company has established the Board of Directors Evaluation Measures, which require appraisals to be conducted for directors every December. These performance appraisals include the evaluation of the overall operations of the Board of Directors as well as a self-evaluation by each director. The evaluation results are graded on five levels: Excellent, very good, good, fair, and to be improved. The evaluation results are reported to the Board of Directors and suggestions are made for areas in which improvements are required. The 2018 evaluation conducted pursuant to the aforementioned rules yielded an "excellent" rating.

Online disclosure of material information	Regular financial statements and investor meetings	Corporate Social Responsibility Report	Contact information for stakeholders and whistleblowers
<p>CTBC Holding not only formulates implementation guidelines for the public disclosure of information but also strives to maintain transparency regarding these disclosures. In doing so, we handle the disclosure of significant information and the online reporting of public information in accordance with the relevant regulations to ensure effective communication with stakeholders.</p>	<p>We hold quarterly investor conferences and participate in investor forums and roadshows in Taiwan and overseas to communicate our business overview, financial performance, corporate strategy development, and business directions to shareholders and investors, with more than 10 such activities organized in 2018. In addition, an Investor Relations section, available in both Chinese and English, has been added to our website, providing financial statements, annual reports, and other key financial, business, and corporate governance information as well as resolutions and other material information from the Board of Directors.</p>	<p>CTBC Holding prepares and publishes an annual CSR Report detailing its sustainability-related performance to the public in a transparent manner. We also maintain a CSR section on our website, which provides complete information about related efforts as well as PDF versions of the reports.</p>	<p>In 2018, CTBC Holding formulated the Procedures for Handling Illegal and Unethical or Dishonest Behavior, which establishes the Compliance Department as the contact window for whistleblowing reports; furthermore, the Complaint Investigation and Review Committee has been set up to investigate and review the reports. To protect whistleblowers' right to work and ensures an ethical and transparent corporate culture, the abovementioned procedures clearly stipulate the confidentiality obligations of those who handle whistleblowing cases and prohibit any adverse treatment of whistleblowers.</p>

Ethical management

Transparency and ethics are more than means of implementing and demonstrating CSR—they are also means of reducing brand risks, boosting employee morale, and enhancing attractiveness to both local and foreign investors. CTBC Holding has always pursued transparent and ethical corporate governance; it strives to be open and detailed in its information disclosure and to provide a platform for smooth communication among stakeholders.

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Director and manager remuneration policy

Director remuneration	<p>The Company's director remuneration policy is formulated based on two internal policies, namely the Non-independent Directors Remuneration Policy and the Independent Directors Remuneration Policy. Director remuneration is determined with reference to market remuneration survey data and financial industry standards. The importance of individuals to the Company's business performance and risk management is also taken into consideration by assessing their personal performance, the time they have invested in the Company, the responsibilities they have undertaken, and their contribution to the achievement of the Company's long- and short-term business targets as well as to the Company's financial position. Director remuneration is reviewed and approved by the Remuneration Committee and the Board of Directors. The Company reviews its remuneration systems in due course according to business operations and relevant laws and regulations, and it endeavors to maintain a balance between sustainable management and risk control.</p>
Managerial remuneration	<p>The managerial capabilities, strategic planning, and execution skills of CTBC Holding's management staff are fundamental to its operating performance. To integrate the personal goals of managers with the short- and long-term business objectives of the Company and the interests of shareholders, the Company's managerial remuneration policy is based on the principle of offering a competitive fixed, market-based salary in addition to variable pay determined according to the operating performance of the Company and the personal performance of individual managers. Variable pay generally accounts for a higher percentage of total remuneration than does the fixed-salary amount, with particular weight given to long-term incentives. The remuneration payable by CTBC Holding to its directors, president, and vice presidents include long-term incentives in the form of stocks or stock appreciation rights, which are not paid out in full at the end of the current fiscal year and are tied to the Company's current and future share price, thereby ensuring that the management shares a common interest in the Company's continued performance success.</p> <p>The remuneration of managers is closely linked to performance targets and includes financial and nonfinancial indicators. These financial indicators include revenue and profit whereas the non-financial indicators include sound compliance and risk management, succession planning and leadership development, and medium- and long-term responsibilities such as improving the Company's corporate social responsibility and maintaining its favorable reputation. This approach encourages executives and managers to give due attention to the long-term business goals of the Company and to cultivate outstanding talent in order to create a win-win-win situation for the Company, its employees, and its shareholders and to fulfill the Company's corporate social responsibility.</p>
How remuneration is determined	<p>CTBC Holding and its subsidiaries have established the CTBC Remuneration Policy for Senior Executives and Managers. The remuneration structure of managers was designed to include reference to the market remuneration survey data, and a market competitiveness analysis is conducted annually to ensure that our remuneration standards are in line with our market positioning and above market averages. In accordance with the law and practical operating requirements, the remuneration of individual managers is determined according to their experience abilities, and position, and reported to the Remuneration Committee and the Board of Directors by using the remuneration brackets set forth in the aforementioned policy. The Remuneration Committee also assists the Board of Directors in annually assessing the Company's overall remuneration policy and in formulating and implementing various remuneration regulations and systems to safeguard the rights and interests of our shareholders.</p>
After-tax net profit paid to directors, president, and vice presidents	<p>The remuneration paid by CTBC Holding and all companies in the consolidated financial statement to CTBC Holding's directors, president, and vice presidents in 2018 totaled NT\$1,061,431 thousand (accounting for approximately 2.95% of the net income after tax in 2018).</p> <p>The total remuneration paid in 2018 was approximately 15.61% higher than that in 2017, which was NT\$918,144 thousand; this increase was mainly caused by a rise in the exercise price of stock appreciation rights.</p>

Regulatory compliance

We pay close attention and constantly respond to changes in the domestic and overseas financial and legal environments. All business units and subsidiaries under CTBC Holding are required to conduct self-assessments every six months to ensure that their business and operations are in compliance with regulatory requirements.

Regulatory compliance

- In 2016, subsidiary CTBC Bank established the CTBC Bank Regulatory Compliance Committee and formulated the Rules Governing the Establishment of the CTBC Bank Regulatory Compliance Committee.
- In 2017 and 2018, the Regulatory Compliance Policy and related rules were revised in response to amendments to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries in order to strengthen the relevant systems.
- The chief compliance officer reports to the Board of Directors and Audit Committee every six months to keep the Board of Directors and relevant senior executives updated on the implementation status of regulatory compliance matters.
- In 2018, subsidiaries CTBC Bank and Taiwan Life conducted compliance risk assessments and reported their risk-based management and supervision frameworks to their boards of directors in the third and fourth quarters, respectively. CTBC Securities will do likewise in the second half of 2019.

Internal and external regulatory compliance

- Every department and subsidiary under CTBC Holding is required to comply with external regulations in all aspects of operations. If necessary, the Compliance Department may assist them in establishing related internal policies.
- In the case of violation of a law or regulation, the Compliance Department takes a supervisory role to ensure that the violation is investigated and changes made as appropriate. Any fraudulent activities or major flaws are reported to the Board of Directors to keep them informed in a timely manner and to properly inform their decision-making.

Compliance assessment

- Compliance self-assessments are conducted every six months to assess whether the business operations of each department have violated any law or regulation.
- To ensure the effective implementation of its regulatory compliance policy, CTBC Holding and its banking and insurance subsidiaries have implemented a rating system, which the Compliance Department of each subsidiary uses to evaluate the compliance implementation results of the subsidiaries' various departments. Since 2017, our subsidiaries have gradually introduced the rating system in order to raise compliance awareness within the Group and to establish compliance as a core value in our corporate culture.
- Since 2018, CTBC Holding and its subsidiaries have been simultaneously introducing a rating system for the compliance officers of all departments as well as their anti-money laundering and combating the financing of terrorism (AML/CFT) supervisors.

Training and communication

- CTBC Holding has implemented a system to facilitate communication, consultation, and coordination regarding legal and compliance affairs among its departments and subsidiaries. The Compliance Department provides constant regulatory updates and changes to the compliance officers of each department. Training sessions, conferences, and forums are also regularly held to highlight important laws and regulations.
- The Compliance Department's supervisor and personnel as well as the compliance officers of each department have completed a 30-hour training program and passed a related examination. CTBC Holding has organized on-the-job education and training that covers new and amended laws and regulations, new services, and new financial products.
- Regular meetings are held with subsidiaries' chief compliance officers to convey the Company's main policies and systems. The meetings are aimed at ensuring consistency throughout the Group by allowing for coordination, exchange, and experience sharing.

Instilling our Code of Conduct

To ensure that all employees adopt our long-standing values, we have established a Code of Conduct and instilled the principle of regulatory compliance through our education, training, and communication system, thereby protecting the rights and interests of our customers.

The Code of Conduct covers areas including employment ethics, legal norms, employee relations, gifts and hospitality policy, protection of client privacy, intellectual property (IP) rights, anti-money laundering, prevention of discriminatory behavior, anti-bribery, avoidance of conflicts of interest, protection of the Company's assets and reputation, and human rights advocacy. Furthermore, through the implementation efforts of its business and execution units and the monitoring of its compliance and risk management units, CTBC Holding ensures professional discipline in the sale of its financial products in order to protect the interests of its customers and avoid potential reputational damage.

All new CTBC Holding employees are required to sign a statement of commitment to the Code of Conduct on the day they report for work, and the Code is reiterated during their orientation course. The Code applies to everyone who agrees to take a position in the Company, and they are also responsible for compliance with the relevant laws, the Code of Conduct, and the policies and internal regulations of their respective business units with effect from the date of employment. The Code of Conduct outlines the basic standards that regulate employees' actions; it also briefs them on the legal norms they should abide by and the obligations they must fulfill in their work. More generally, it stipulates the basic standards and commitments by which employees must abide when engaging in any business-related activities. Training based on the Code of Conduct is conducted for all employees every three years. As members of CTBC Holding, they are required to faithfully conduct business and fulfill their duty of care, shall exercise their authority with a high degree of self-discipline and prudence, and follow our principles of corporate governance, ethical business, and the fair treatment of shareholders.

Maintaining a safe financial system

With the rapid development of criminal techniques, the protection of personal information and IP rights has become a paramount concern. Moreover, in terms of anti-money laundering and terrorist financing mechanisms, CTBC Holding has been making improvements and introducing international norms and standards. Education and training sessions are organized to enhance employee awareness of these issues and thus help them fulfill their responsibility to prevent malicious actors from utilizing the financial system to commit crimes.

Protecting personal information and IP

To protect customers' personal data, CTBC Holding has established a Personal Information Security Management Policy and Personal Information Security Guidelines. Special operations are conducted annually to ensure that we collect and use personal data for only legitimate reasons. In order to comply with relevant IP rights regulations, the Company requires all units to inspect their computer software every six months and ensure that legal authorization has been obtained for the software.

In addition, CTBC Holding will continue to pay special attention to information security in the event of consecutive workday holidays, during which IT staff could be insufficient. Taking subsidiary Taiwan Life for example, during the Mid-Autumn Festival from Sept. 22 to 24, 2018, a holiday security monitoring team was established to comprehensively strengthen information security control and tracking. In addition, an SOP for consecutive workday holidays was launched to monitor various information systems to ensure the normal operation of online services for policyholders.

Combating money laundering and terrorist financing

- Regulations: To comply with regulations such as the Money Laundering Control Act, Counter-Terrorism Financing Act, and Regulations Governing Anti-Money Laundering of Financial Institutions, CTBC Holding has established the Anti-Money Laundering and Countering the Financing of Terrorism Policy; Procedures for Identifying, Measuring, Controlling, Mitigating, Monitoring and Reporting Money Laundering and Terrorist Financing Risks; Procedures for Group Anti-Money Laundering and Countering Terrorist Financing Information-Sharing and Application; Procedures for Counter-Terrorism Financing Act Sanctions List Screening of Persons other than Financial Institution Customers or Related Parties of a Transaction; and Education and Training Measures for Anti-Money Laundering and Combating Terrorist Financing. Our subsidiaries formulate their internal regulations in accordance with these policies and rules as well as the norms, models, and guidelines of the competent authorities and trade associations of various industries.

CTBC Bank, Taiwan Life, CTBC Securities, and CTBC Investments have established a joint Anti-Money Laundering and Terrorist Financing Committee to ensure that related risks are properly controlled for.

- Education and training: To effectively prevent money laundering and terrorist financing, CTBC Holding actively promotes anti-money laundering education and training. Senior management personnel are required to receive yearly education and training on the topics and all employees must complete regular anti-money laundering courses. In addition, we conduct customized training according to various employees' job functions and actively encourage our employees to participate in anti-money laundering-related training as well as apply for anti-money laundering-related qualifications. These efforts are aimed at ensuring that all members of CTBC Holding, from Board directors to entry-level employees, possess the professional capabilities and culture necessary to prevent money laundering and combat terrorist financing. Chairman Wen-Long Yen, together with more than 300 supervisors from CTBC Holding and its subsidiaries, attended the Anti-Money Laundering and Combating the Financing of Terrorism training course in 2018.

Dimensions of anti-money laundering and terrorist financing



Anti-money laundering education and training

Subsidiary	Year		2018	2017	2016
CTBC Bank (including trainee and dispatched personnel)	New employees	Classes	16	15	-
		Trainees	1,468	860	-
		Total hours	1,468	860	-
	General employees	Classes	153	154	40
		Trainees	28,022	26,432	2,307
		Total hours	81,053	79,591	5,505
Taiwan Life (including trainee and dispatched personnel)	General employees	Classes	26	39	6
		Trainees	8,322	10,420	9,399
		Total hours	16,461.5	19,599.5	18,805

Significant penalties imposed on CTBC Holding and its subsidiaries by the competent authorities and corrective actions taken in 2018

Issue for improvement	Corrective actions
The People's Bank of China imposed an administrative fine of RMB 225,111.64 on CTBC Bank Shanghai Branch because the balance in its deposit reserve account was below the statutory requirement between Feb. 26, 2018, and March 4, 2018. <Administrative Sanction Decision of People's Bank of China Shanghai Branch Letter No. Shang-Hai-Yin-Fa-3, dated June 6, 2018>	<ol style="list-style-type: none"> 1. CTBC Bank Shanghai Branch deposited RMB 100,000,000 into the reserve account on the same day the deficiency was detected (March 5, 2018), increasing the balance to meet the statutory requirement. 2. CTBC Bank Shanghai Branch revised and published the Deposit Reserve Operation Manual of CTBC Bank Branch in Mainland China on June 13, 2018, incorporating relevant control mechanisms and specifying the duties and responsibilities of each department. 3. The relevant departments studied this case and had completed education and training for the new deposit reserve operation manual as of the end of June 2018.
Taiwan Life business transactions were found to have violated Insurance Act provisions. In accordance with Article 171-1 of the Insurance Act, the Financial Supervisory Commission (FSC) imposed a fine of NT\$2.4 million and ordered nine corrective actions in accordance with the provisions of Paragraph 1 of Article 149 of the Insurance Act. <Letter No. Jin-Guan-Bao-Shou-10704548952, dated Nov. 29, 2018>	<ol style="list-style-type: none"> 1. The relevant internal regulations were reviewed, supplemented, or amended, with the operating procedures and the duties and responsibilities of the units specified for the purpose of control and management; and records were kept to ensure the legality, correctness, and appropriateness of the relevant proposals. 2. Adjustments were made to the internal system settings according to the financial examination opinions in order to improve overall operations and strengthen personnel training. 3. Articles of the original contracts with business partners were revised to clarify the rights and obligations of parties.
TLG Insurance's information security management practices were found to have deficiencies and to have violated relevant laws and regulations such as the Personal Information Protection Act and the Insurance Act. The FSC imposed a fine of NT\$1.8 million in accordance with Paragraph 4 of Article 171-1 of the Insurance Act. <Letter No. Jin-Guan-Bao-Chan-10704526902, dated Dec. 19, 2018, attached to letter No. Jin-Guan-Bao-Chan-10704526901>	<ol style="list-style-type: none"> 1. TLG Insurance has invested over NT\$70 million to upgrade its information security protection mechanism and equipment and is continually improving and implementing relevant information security regulations in information security human resources, structures, and systems, including setting up dedicated units and personnel, re-establishing basic system protection mechanisms, and achieving information security management system and personal data management system certification. 2. The second and third lines of defense of TLG Insurance will strengthen the implementation of its information security project reviews. In the event of non-compliance with the laws and regulations, TLG Insurance shall report employee misconduct to the Board of Directors of TLG Insurance.

Note: This table discloses cases involving penalties of NT\$1 million or more.

Risk management

We are keenly aware of the importance of effective risk management, particularly as political and economic changes influence and shape global financial trends. In addition to complying with the relevant regulations of competent authorities, CTBC Holding also formulated risk management strategies and adopted appropriate risk management procedures as well as qualitative and quantitative assessments in order to achieve an optimal balance between risks and opportunities. This not only protects the rights and interests of our customers but also helps us achieve our goal of sustainable and stable operations.

Risk management policy

The Risk Governance Policy is our highest guiding principle for risk management processes, such as those relating to organizational structure, rights and responsibilities, and the implementation of risk identification, measurement, monitoring, reporting, and information disclosure. Each subsidiary, in accordance with the policy governance guidelines, formulates its own risk management policies and measures in accordance with its business characteristics, risk attributes, and management needs.

Risks exist in different forms among various transaction methods, product types, and daily operations. According to the relevant business characteristics and risk attributes, the common major risks are classified as credit risk, financial market risk, liquidity risk, operational risk, and country risk. Risk management policies constitute the highest guiding principle for all major risks, with content covering management objectives, organizational structure, and mechanisms such as accountability and risk management procedures. These policies are implemented to effectively identify, measure, and control various risks and implement the risk control mechanisms.

Risk management framework

The Company's risk management framework is primarily based on its Risk Governance Policy, with the synchronous support of an internal control system and internal auditing system. At the same time, we closely monitor emerging risks and systematically manage risks by shaping the risk culture within the Company.



Risk management organization

To supervise the implementation of risk management, CTBC Holding has assembled a risk management organization comprising the Board of Directors, General Auditor, Management Advisory Panel, Risk Management Committee, Credit Committee, and Risk Management Department; we also effectively manage risks through a rigorous control and reward mechanism.

As the group's highest guiding authority in risk management affairs, the Board of Directors is responsible for approving, reviewing, and supervising risk strategies and policies. The Risk Management Committee adheres to the Risk Governance Policy approved by the Board of Directors, establishes independent risk management functions, and ensures that the operation and development of CTBC Holding and its subsidiaries are consistent with the policy goals of the Board of Directors. The Management Advisory Panel is responsible for the decision-making, guidance, and management of material matters relating to the overall risk of CTBC Holding. The Risk Management Committee holds meetings such as the Credit, Market and Investment Risks Meeting, Operational Risks Meeting, and Investment Meeting. The General Auditor is responsible for the planning and implementation of all audit operations and reports directly to the Board of Directors. The Credit Risk Review Committee is responsible for supervising, managing, and reviewing major credit risk cases of CTBC Holding and its subsidiaries. The Risk Management Department is responsible for formulating and implementing various risk management policies of CTBC Holding and presenting the consolidated risk management information of the entire group.

Internal control and auditing

Internal control system

In order to manage its internal control and operating procedures, the Company requires all management units to review whether their internal procedures are consistent with external laws and regulations, thereby avoiding operational risks and illegal practices. The Company also requires all units to conduct self-inspection to assess their management's supervision and control over areas such as risk culture, risk identification, control activities and the segregation of duties, information and communication, supervisory activities, and corrective measures.

Internal control system's three lines of defense

	Units and roles		Functions and responsibilities
First line	Business unit Supporting unit	Ensure compliance with risk management regulations and implement daily risk control	<ul style="list-style-type: none"> Identify/assess/control/mitigate operational risks Report the risk exposure status to the second line of defense Establish/implement internal control and risk management procedures Propose improvement plans when a procedure/control is insufficient
Second line	Risk management unit Compliance unit Other dedicated units	Establish management systems and monitor the implementation of the first line of defense	<ul style="list-style-type: none"> Develop a comprehensive policy and establish a management system Assist/monitor the first line of defense regarding the management of risk and the implementation of self-evaluation Regularly report risk management results to senior management
Third line	Audit unit	Independently confirm and evaluate the operation of the internal control system	<ul style="list-style-type: none"> Evaluate the effectiveness of the internal control and risk management system of the first and second lines of defense and provide recommendations for improvement Report to the Board of Directors and senior management

Internal audit system

CTBC Holding has established a General Auditor System in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industry and set up an internal audit unit directly subordinate to the Board of Directors. The unit conducts its audit activities objectively and impartially and provides recommendations to ensure the proper implementation of the internal control system in order to assist the Board of Directors and executive management in inspecting and evaluating the effectiveness of the internal control system. The internal audit unit conducts a full-scope audit on the Company every year and limited-scope audits on the finance, risk management, and regulatory compliance of the Company and its subsidiaries at least semiannually.

Emerging risk identification

Changes in the overall environment may result in emerging risks that are different from those of the past or otherwise unexpected. The Company has developed an emerging risk identification process to prepare itself for potential challenges that it may face. The emerging risk identification process is used to identify emerging risks, assess the impact of these risks, and develop risk mitigation measures and management mechanisms. The emerging risk identification results are then submitted to the Board of Directors.

Emerging risk identification process



Emerging risk identification results for 2019

Risk area	Description	Effect on business operations	Mitigation measures/response strategies
Emerging technologies and information security	<ul style="list-style-type: none"> Leakage of public cloud data due to the improper application of emerging technologies and techniques Distributed denial of service (DDoS) attacks that paralyze network connectivity and advanced persistent threats that infiltrate the internal network environment for an extended period Hackers obtain permissions for and access databases containing personal information 	Personal information leakage, fraudulent transactions, and business interruption, resulting in significant financial losses, legal proceedings and compensation payouts, administrative penalties imposed by competent authorities, and damage to the Company's reputation	<p>Major subsidiaries strengthen their control mechanisms as follows:</p> <ol style="list-style-type: none"> Strengthen risk assessments and the review of information security technology before the adoption of emerging technologies and techniques. Conduct regular education and training on information security and personal information protection to enhance information security awareness. Participate in the sharing mechanism of the Financial Information Sharing and Analysis Center and establish a joint defense system of domestic information and security centers. Conduct information security simulation and defense drills to enhance the response to information security events. Build a network firewall, application firewall, intrusion detection system, spam filtering system, malicious program filtering sandbox, computer virus protection system, and other security protection mechanisms for continuous monitoring and analysis of online behavior and network traffic. Perform website and app security testing to enhance the security of external application systems, regularly perform vulnerability scanning and comprehensive information security penetration assessment, and shorten the system vulnerability exposure time. Improve the retention of access trajectory and enhance the capability of information security event analysis and investigation.
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 to obtain illegal funds, commit criminal activity, and engage in other illicit or improper transactions	Potential legal penalties, resulting in operating and reputational damage and in turn reducing investors' willingness to invest	<ol style="list-style-type: none"> Formulate AML/CFT policies and procedures in accordance with the relevant laws and regulations and comply with the relevant policies and procedures. Regularly evaluate and analyze institutional ML/TF risks and adjust the AML/CFT mechanisms and plans to mitigate risk. Established the AML/CFT Committee for the convening of regular meetings to discuss ML/TF issues and set up a designated unit for supervision and implementation, with regular reports to the Board of Directors. Continue to optimize the functionality and efficiency of AML systems and strengthen the implementation of education and training.
Supervisory and legislative changes	Unexpected risks and challenges arising from trends in international supervision and upgrading the depth and breadth of supervision	Potential legal penalties, resulting in operating and reputational damage and in turn reducing investors' willingness to invest	<ol style="list-style-type: none"> Catalog and analyze international regulatory trends and announcements, press releases, and penalties by the competent authorities in order to fully understand regulatory and legislative trends. Participate in trade associations and communicate with the competent authorities as necessary in order to keep abreast of changes in the intensity of supervision. Keep abreast of new laws and regulations and follow up on the response measures and implementation status of relevant units and subsidiaries in order to ensure that the Company's business activities are compliant. Establish a control system to use information technology to improve the efficiency of control measures and the management of legal changes.

Shaping employees' risk management awareness

Education and training

CTBC Holding attaches great importance to the risk awareness of its employees. Through education and training, risk management and control are implemented in daily risk decision-making and the results of risk management and control are included in employees' performance appraisals.

The Company encourages its employees to proactively identify potential risks. Once any risk is discovered, it will be reported and escalated level by level to the head of operations through management tools such as risk and control assessments and key risk indicators according to our risk identification, assessment, measurement, monitoring, and other procedures; such risks will also be reported to senior management and the Board of Directors on a regular basis. The risk unit also compiles all types of related events and summarizes them into instructional materials for sharing with various units through internal meetings in order to warn employees to be vigilant against the occurrence of such events.

Risk education and training

Category		2018	2017	2016	Note	
Courses conducted by Koo College	New employees	Trainees	1,155	1,106	1,588	New employee general online course: overview of banking risk management and overview of operational risk management
		Trainees who completed training	1,113	1,095	1,487	
		Coverage rate (%)	96.36	99.01	93.64	
		Total hours	1,113	996.5	955	
	Newly appointed managers	Trainees	144	146	161	1. New junior manager course: risk management 2. New mid-level manager course: risk management
		Trainees who completed training	143	144	154	
		Coverage rate (%)	99.30	98.63	95.65	
		Total hours	214.5	216	231	
Course for various units (including trainee and dispatched personnel)	General employees	Classes	64	82	51	-
		Trainees	14,131	8,671	469	
		Total hours	32,781	26,889	2,578	

Note: Coverage rate = number of trainees who completed training/total number of trainees.

Awards and encouragement

To motivate CTBC Bank employees to foster a healthy risk culture, the existing Operational Risk Management Contribution Awards were expanded and renamed as the Internal Control Management Contribution Awards in 2018. All the Bank's business, logistics, legal compliance, and risk management units are included in the range of awards. The total funding budgeted for the awards and the number of awards bestowed both increased from 2017. The awards were presented by the CTBC Bank president, demonstrating the importance placed on risk management by the senior management and thus helped enhance awareness of risk management across the Bank.



Award plan **Internal Control Management Contribution Awards**

- Operations/execution unit: Fully implement the first line of defense of the internal control management mechanism and successfully prevent risk events to reduce the impact on the Bank and its customers.
- Product/process planning unit: Establish a complete and comprehensive internal control and management mechanism, and effectively prevent operational risks faced by the Bank by taking efficiency and quality control into account.

Competing systems Retail banking/institutional banking capital market/risk management/information technology/information security/human resources/legal/compliance

Awards presented Excellence awards: 3 recipients
Merit awards: 21 recipients

Total awards NT\$170,000

Award plan **Operational Risk Management Contribution Awards**

- Identify potential external threats or internal control vulnerabilities in advance, and monitor and respond to them.
- Establish and improve the risk control mechanism to prevent the identified risks or avoid the continual expansion of risks, in order to reduce the impact on the Bank.
- Leverage employees' risk management skills and effectively enhance their risk control abilities.

Competing systems Retail banking/institutional banking/capital market/risk management/information technology

Awards presented Contribution awards: 3 recipients
Outstanding awards: 3 recipients

Total awards NT\$85,000



Risk Consensus General Meeting

We hold an annual Risk Consensus General Meeting to achieve and maintain a consensus of increasing business interaction and creating risk value among the risk units of CTBC Holding and its subsidiaries. The meeting agenda includes an analysis of the group's business strategy and the overall political and economic environment. In addition, we invite external experts to share insight on relevant trends and issues to help improve employees' risk management efficiency in day-to-day business.

Year	2018	2017	2016
Agenda	<ul style="list-style-type: none"> Holding company business strategy Banking business strategy Insurance business strategy Economic situation analysis and risk warning Risk regulation internationalization project 	<ul style="list-style-type: none"> Holding company business strategy and cross-risk project Banking business strategy Insurance business strategy Economic situation analysis and risk warning CTBC Holding digital development strategy 	<ul style="list-style-type: none"> Holding Company business strategy and cross-risk project Banking business strategy Insurance business strategy Economic situation analysis and risk warning A speech: In a Digital Age, Innovative Business Models and Risk Management Challenges in Financial Industry

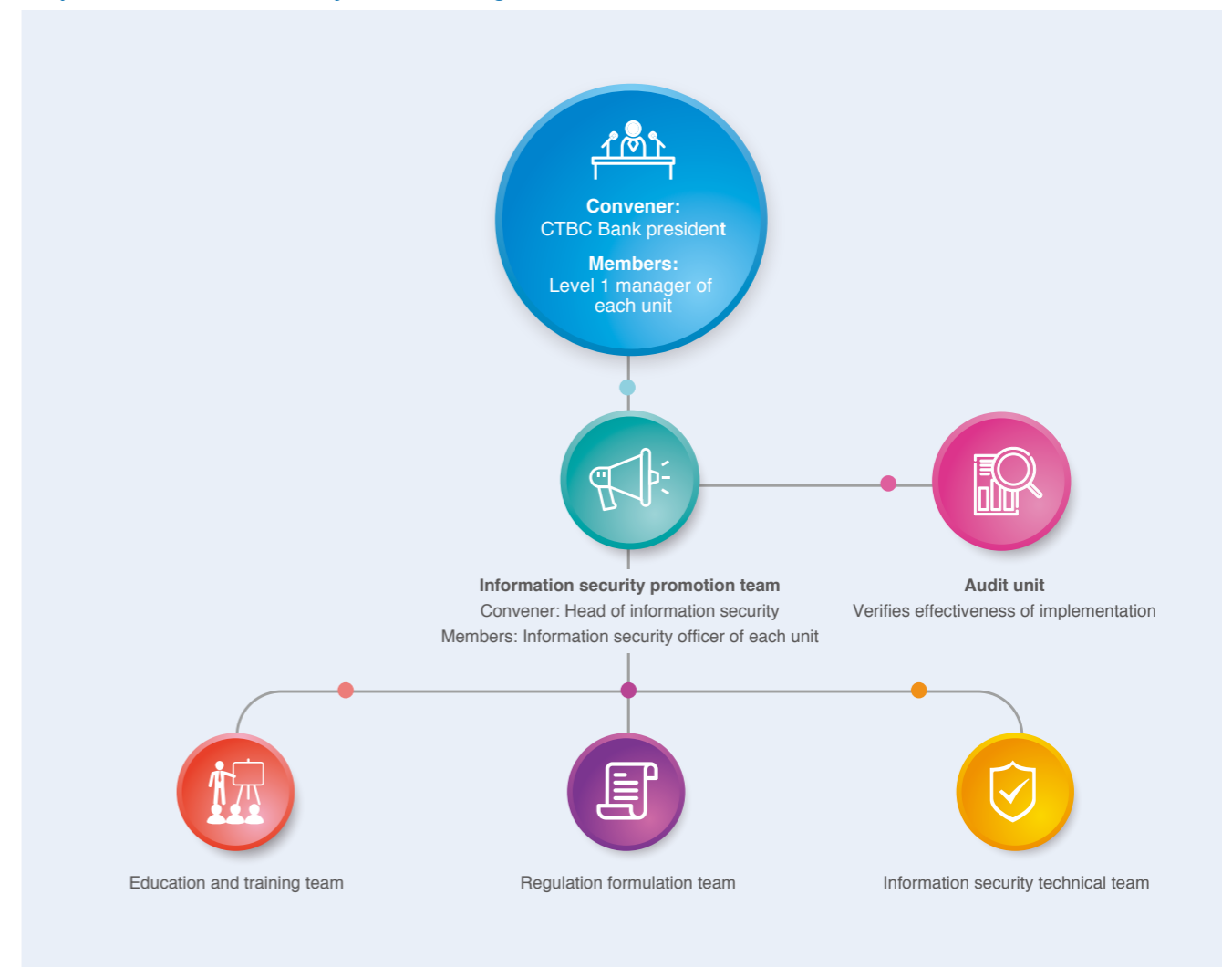
Information security

With the constant evolution of digital financial services and in the face of increasing cybersecurity threats, the Company is emphasizing the critical need for prevention, preparation, and response measures. To this end, we have adopted five main strategies, namely information security management, information security prevention, monitoring and response measures, information gathering and joint defense, and personal information protection, together constituting a comprehensive set of controls. To ensure information security and grant customers peace of mind, CTBC Holding has taken steps to ensure comprehensive control of various aspects of cybersecurity, including establishing organizations and systems, enhancing software and hardware capabilities, implementing education and awareness, executing effective management, and aligning with international standards.

Organization and system establishment

CTBC Bank has formulated an Information Security Policy and set up a Corporate Information Security Committee to serve as the highest authority for its information security operations management. In 2017, the Global Information Security Department, a dedicated unit directly under the management of the Bank's president, was established to develop and improve the organization of the Information Security Department. The Corporate Information Security Committee, with the president as its convener and the head of information security as its executive secretary, oversees the effectiveness of information security management initiatives and emerging information security issues and solutions on a quarterly basis. It passes along important issues to the Board of Directors; the status of information security management operations is also reported to the Board of Directors on an annual basis.

Corporate Information Security Committee organizational chart



Monitoring and response

To ensure proper information security control, the Company has set up a Security Operations Center and assigned dedicated personnel to conduct 24-hour monitoring of changes in the Company's internal information security environment in order to actively identify information security issues and adopt response measures in real time. The Company also continues to train security professionals in the prevention of information security events and the enhancement of detection and response capabilities.

To monitor the implementation status of information security protection practices in a more timely and proactive manner, the Company has established a Security Operation Center Dashboard. It monitors over 22 indicators of four major dimensions, namely virus protection, intrusion prevention, information leak risk, and regulatory compliance, with reference to domestic and foreign information security risk indicators and the Company's operational status. The Security Operation Center Dashboard collects operational data in real time through system automation, produces dashboard display data, and sends daily warning notifications to the relevant unit supervisor in the event of target indicators not being met, in order to further improve the timeliness of risk monitoring and response.

Information gathering and joint defense

To prevent and manage the occurrence of personal data breaches or security-related events, CTBC Bank established Personal Information Security Guidelines and Personal Data Protection and Information Security Management Guidelines and Taiwan Life established the Emergency Response Plan for Personal Data Breaches.

If an employee discovers or receives any report regarding a suspected information security event, including one involving personal data, the employee is required to immediately notify the relevant units and assess the severity of the suspected event. If necessary, the event response officer will set up an Emergency Response Center within 60 minutes, notify a senior manager, and record the details of the event. The Emergency Response Center officer position shall be assumed by a department head or above of the responsible unit, and task force members of the Corporate Information Security Committee shall be responsible for event management, communication and coordination, investigation and evaluation, and public relations and media management. The responsible unit will submit a detailed event report one week after the resolution of the event and conduct a root-cause analysis to reduce the likelihood of such an event reoccurring in the future.

Information security and personal information education

In addition to information security and personal information training being organized for CTBC Holding's existing employees every year, new employees are also required to complete information security and personal information training activities and assessments. In 2018, 100% of all employees completed the training. Employees who failed to complete the training as scheduled due to the nature of their work and shift schedules, such as those on impromptu assignments, parental leave, and maternity leave, were given multiple opportunities for supplementary training. We also published

Information security and personal information training completion rates

Subsidiary	Year		
	2018	2017	2016
CTBC Bank	100%	100%	99.65%
Taiwan Life	Information security: 100% Personal information: 100%	Information security: 100% Personal information: 100%	Information security: 99.8% Personal information: 100%
CTBC Securities	100%	100%	100%
CTBC Investments	100%	100%	100%
Taiwan Lottery	100%	100%	100%

monthly top-level management e-newsletters on information security to broaden employees' knowledge and awareness of information security and personal data protection, in the process cultivating a corporate culture that emphasizes information security.

Personal information protection and information security defense

Protecting customers' personal information is of paramount importance to CTBC Holding, particularly when it comes to safeguarding the Company's reputation and maintaining sustainable operations. To ensure the protection of customer data, the Company's information system displays only the minimum amount of information required for any service. We are also taking steps to reinforce our information security infrastructure, including through the use of data classification levels, workstation web restrictions and controls, PC data leak prevention software, DDoS attack defense measures, account privilege management, and advanced persistent threat monitoring and detection. The Company also makes reference to various foreign and domestic information security risk indicators, including ones relating to virus protection, intrusion prevention, information leak risks, and regulatory compliance, regarding all of which we conduct comprehensive monitoring and issue daily warning notifications to unit supervisors in the event of the target indicators not being met. Taking subsidiary CTBC Bank for example, regarding its overall information security protection strategy, from the improvement of its network boundary protection in 2016 to the enhancement of its mechanism for detecting and alerting information security events in 2017 and 2018, we aim to resolve any information security threat in the shortest time possible. In addition, CTBC Bank has also conducted information security event drills with scenarios including personal information leakage, system transaction abnormalities, and cyberattacks, aiming to increase employees' proficiency in the correct operational procedures by conducting repeat drills.

Personal information protection and information security defense drills in 2018

Emergency drill scenario	Unit(s) involved	Status	Observations and improvements	Major issues	Corrective actions for major issues
Leakage of customers' personal data in ATM transaction statements	Global Information Security Department, Electronic Business Operation Department, Information Technology Management Department I, Public Relations Department, Customer Service Department, and Information Security Team representatives	Success	Three items	None	None
Cyberattack-caused SWIFT abnormalities	Global Information Security Department, Operation Management Department, Corporate Finance Information Department, Financial Settlement Operations Department, Corporate Finance Customer Service Department, and Information Security Team representatives	Success	Three items	None	None
DDoS attack	Global Information Security Department	Success	Two items	None	None

Information security management system certification

CTBC Holding's main subsidiaries and operating businesses have all obtained relevant international certification. Subsidiaries Taiwan Life and TLG Insurance both obtained ISO 27001 Information Security Management System certification in 2017. This family of standards has a wide scope of certification. To establish comprehensive information security management, we implement network management, headquarters information server management, and outsourcing server management as well as the development, operation, and maintenance of insurance policy application systems; furthermore, the working environment is optimized by conducting risk control and management according to the various standards of ISO 27001 and formulating standards for both hardware and software operations. Internally, it is based on proper authorization, reasonable management and control, and the implementation of audit-strengthening management; externally, it is based on enhancing the protection of policyholders' personal information and strengthening early warning and flexible response systems in order to achieve a framework of both internal and external information security protection.

TLG Insurance has also received ISO 27001 certification as part of the optimization of its information system management and e-commerce systems and processes. In addition, it has worked with Chunghwa Telecom consultants to develop long-term, large-scale improvements. Going forward, TLG Insurance will further improve the professionalism and efficiency of its services so as to minimize the known and unknown risks of information security and create a secure information environment that protects the rights and interests of its customers.



Personal information protection and information security management systems

	Personal information management system	Certification scope	Information security management system	Certification scope
CTBC Bank	BS 10012: 2017 PIMS	<ul style="list-style-type: none"> Branch counter account opening services Credit card application services 	ISO/IEC 27001 (ISMS)	Certification conducted for nine core services, including internet banking, collection and payment services, online services, and email services
Taiwan Life	BS 10012: 2017 PIMS	Information systems used by the Contract Department, Claims Department, Insurance Policy Service Department, Customer Service Department, Business Support Department, Direct Marketing Department, Bank Insurance Department I, Bank Insurance Department II, Corporate Insurance Department, Brokerage Agency Department, International Insurance Business Branch, Customer Marketing Department, Digital Finance Department, all subsidiaries, and the aforementioned departments of all subsidiaries	ISO/IEC 27001 (ISMS)	All system development, operations and maintenance, network management, data centers, and information support activities of the Information Services Office as well as all operations of the dedicated information security unit
TLG Insurance	BS 10012: 2017 PIMS	Products Office (Personal Insurance Products Department), E-commerce Department, and Information Services Department	ISO/IEC 27001 (ISMS)	The official website, network insurance (including B2B, B2B2C, and B2C), and other external service systems provided by the Digital Finance Department and Information Services Department as well as the development, safeguarding and maintenance operations, server room management (including IDC room), network infrastructure, and other supporting activities of the internal core system
CTBC Securities	-	-	ISO/IEC 27001 (ISMS)	Certification obtained on Nov. 20, 2017, and a certification scope covering the electronic transaction environment (the validation ranges from client front-end operations to back-end server data storage)

Conclusion

CTBC Holding not only actively pursues business development opportunities but also aspires for growth on a steady basis by implementing and improving its corporate governance and paying attention to risk management and information security protection in order to safeguard the rights and interests of its stakeholders. In the future, we will strive to expand further across Asia and globally, develop a complete international platform, provide customers with industry-leading financial products and services, and become a financial institution of which our employees, shareholders, and customers can be proud.

7

RESPONSIBILITY

Ensuring environmental sustainability



As the environmental hazards caused by climate change grow more severe and frequent, increasing attention is being paid globally to the need for genuinely sustainable business practices. Although the financial sector is considered a smokeless industry with little to no direct impact on the environment, it plays a critical role in driving low-carbon economies worldwide. The second facet of CTBC Holding's TRUST approach is "R", referring to "Responsibility". We acknowledge the responsibilities that we have as a corporate citizen—an acknowledgment that has inspired and informed our "Green Policy, Green Future" commitment. Our efforts in this area start with reducing our own energy use and carbon footprint by developing new green products and strategies and engaging in sustainability-centered initiatives with our customers and employees alike.

In looking at the environmental repercussions of climate change, we observe not only transition and physical risks but also the myriad opportunities for market innovation. We constantly remind ourselves that one of our goals is to leverage our leading position in the financial industry to exert a positive influence on the economic model of sustainability.

Internally, we have focused our environmental efforts first on energy conservation and carbon reduction, resource management, and green building. CTBC Holding's Corporate Sustainability Committee has established an Environmental Sustainability Group. It is charged with monitoring related risk factors and opportunities and reducing the potential effects of operational activities and services on the environment through processes such as the identification, tracking, evaluation, and mitigation of environmental risks.

Carbon disclosure leadership

Energy conservation, carbon reduction, and environmental sustainability are core concepts for which the Company continually advocates and has obtained a Leadership A- rating from CDP for three consecutive years.

Risks and opportunities

We are committed to identifying the potential difficulties and opportunities that climate change-related risks pose to the Company's operations, and we propose strategies accordingly.

Sustainable finance

CTBC Bank's Investment Risk Management Policy was revised at the end of 2018 to specify that investment units should give due consideration to the Bank's CSR responsibilities and practices when making investments, further helping foster a corporate culture of sustainable operations.

Externally, as we move forward, we will follow the recommendations for Climate-related Financial Disclosures released by the Task Force on Climate-related Financial Disclosures (TCFD) of the G20 Financial Stability Board. We will also continue to communicate with stakeholders and actively implement solutions such as green loans, investment, and insurance to strengthen the Company's climate resilience. Furthermore, the scope of our green services and green procurement efforts will be expanded in order to provide services and commodities that help mitigate climate change, with the aim of becoming Taiwan's most eco-friendly financial institution and using our corporate influence to create a sustainable, low-carbon environment.

Energy conservation and carbon reduction

Energy conservation, carbon reduction, and environmental sustainability are core concepts for which the Company continually advocates. CTBC Holding was one of Taiwan's first signatories to the CDP climate change project. It has responded to CDP questionnaires consistently since 2012, and has obtained an A- rating in the leadership evaluation of the Climate Change Questionnaire for three consecutive years since 2016.

Our environmental sustainability policies



All subsidiaries have received greenhouse gas inventory certification

In 2012, our banking subsidiary received ISO 50001 Energy Management Systems certification, becoming the first financial institution in Taiwan to do so. CTBC Bank branches have themselves earned ISO 50001 autonomous management in the years since. In 2015, CTBC Holding officially launched its energy conservation-focused environmental sustainability management and improvement measures, with the Bank's Yongji Building IT center and its Shuangho branch both receiving ISO 14001 Environmental Management Systems and ISO 14064-1 Greenhouse Gas Inventory certification. In 2018, CTBC Holding expanded its ISO 14064-1, ISO 14001, and ISO 50001 certification to include 175 CTBC Bank branches nationwide. In addition, subsidiaries of CTBC Holding, including all CTBC Bank branches across Taiwan and Hong Kong; Taiwan Life's branches in northern, central, and southern Taiwan and its representative offices in Beijing and Vietnam; CTBC Securities; CTBC Investments; CTBC Venture Capital; Taiwan Lottery; CTBC Asset Management; and CTBC Security, have all passed ISO 14064-1 certification, marking a key milestone for the Company's climate change management.

Driving performance through energy management



Energy integration and carbon emission reductions

CTBC Holding has been continually promoting energy integration projects and targets based on three-year plans. The 6% reduction in power use targeted in the first phase, 2015-2017, has been successfully achieved. For the second period, 2018-2020, we have set a target to reduce total electricity consumption by 2% per year for a total of 6%, translating into a cut of 1.72 million kilowatt-hours and more than 952 tons of greenhouse gas (GHG) emissions over the three years. The Company's use of fuel includes gasoline for official vehicles, natural gas for cooking in its kitchens, and diesel for the periodic testing of a small number of emergency generators. Due to the characteristics of the industry, the largest contributor to our energy consumption is electricity use. Our continuous adoption of our green building and high-efficiency equipment, replacement of outdated equipment, and other energy-saving measures helped reduce the per square meter electricity consumption in 2018 by 38% from the previous year.

Energy consumption and intensity

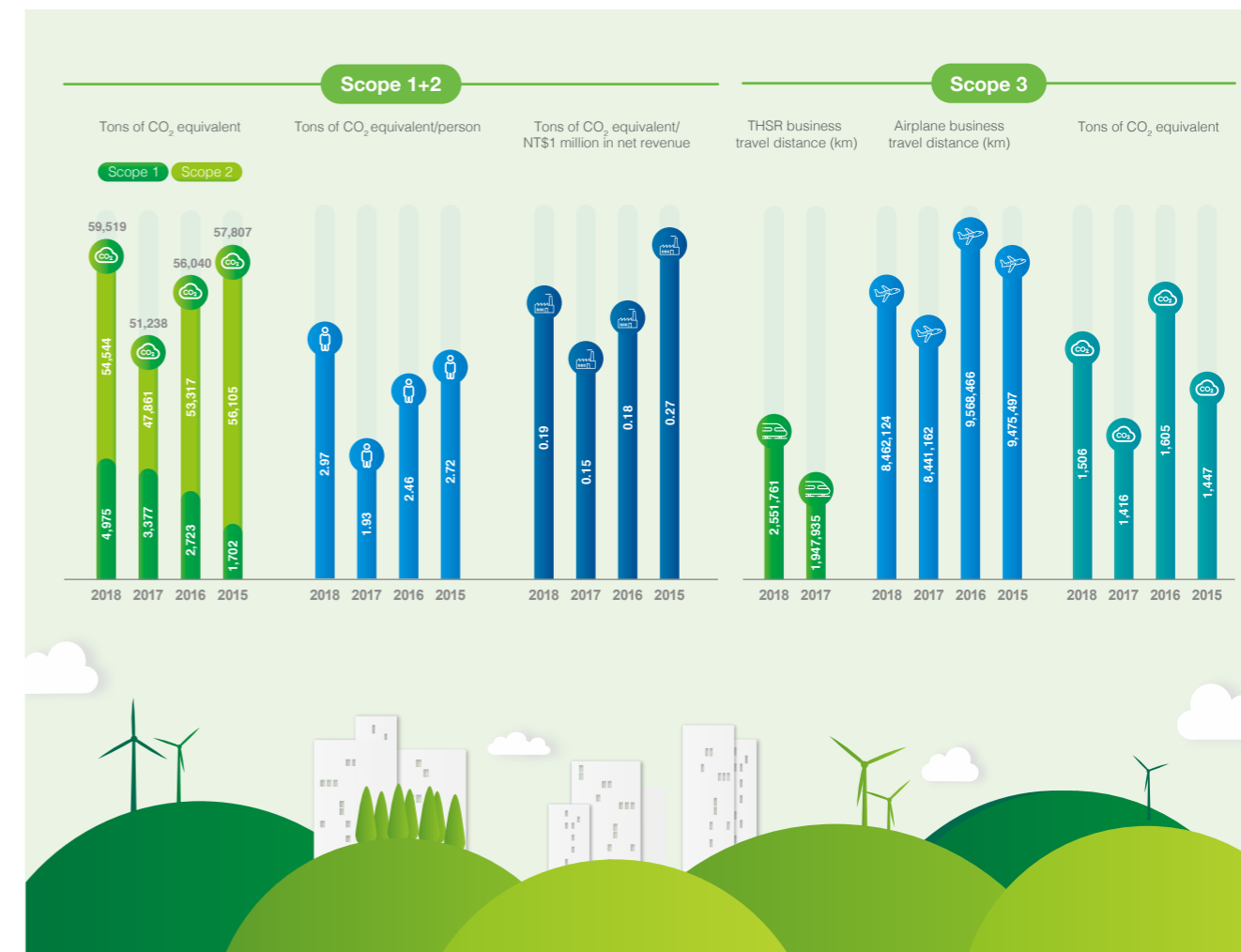
Energy type and consumption intensity	Unit	2018	2017	2016	2015
Gasoline	Liter	631,972	491,337	265,348	269,374
Diesel	Liter	4,364	9,562	4,846	-
Natural gas	Cubic meter	35,982	38,866	33,569	26,196
Liquefied petroleum gas	Liter	291	436	-	-
Electricity	kWh	98,205,269	89,722,825	100,788,048	106,258,948
Total energy consumed	Million joule	3.74x10 ⁶	3.44x10 ⁶	3.63x10 ⁶	3.83x10 ⁶
Electricity use intensity	kWh/person	4,908	3,378	4,417	5,004
	kWh/m ²	174	281	265	285
	kWh/NT\$1 million in net revenue	312	257	315	493

Note: Energy use was first determined using data verified based on ISO 14064-1; total global electricity consumption is then calculated based on per capita electricity consumption.

CTBC Holding's GHG emissions for Scopes 1 and 2 in 2018 totaled 59,519 metric tons of CO₂ equivalent. Of this, 54,544 was from Scope 2 energy use. Energy consumption is the main source of GHG emissions for CTBC Holding; the Company's number of employees and business volume increased significantly starting in 2015, resulting in a considerable increase in total GHG emissions during this time. However, with our improvements in energy efficiency, the Company's total GHG emissions started shrinking from 2016, indicating that the effort invested in enhancing our energy efficiency is yielding real-world results.



GHG emissions amounts and intensity



Note 1: Scope 1 and 2 emissions firstly use data verified based on Taiwan's ISO 14064-1, and total global emissions are then calculated based on per capita emissions.

Note 2: Scope 2 emissions are for electricity use; the factors are 0.528 (2015), 0.529 (2016), and 0.554 (2017 and 2018) kg of CO₂ equivalent/kWh.

Note 3: Scope 3 encompasses business-related air travel emissions; its calculations utilize statistics published on the ICAO website (<https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>).

As part of its efforts to promote the development of renewable energy and facilitate Taiwan's transformation into a low-carbon economy, CTBC Holding in June 2017 became the first financial institution to receive renewable energy certification from the Ministry of Economic Affairs. It received a total of 73 such certificates in 2018 alone for a total of 124. Because electricity is the main source of the Company's energy and GHG emissions, CTBC Financial Park is equipped with two sets of solar power generation equipment, which yielded a total of 77,000 kWh of electricity for use around the park in 2018. In addition, various energy-saving schemes have been implemented, including more efficient management for a large amount of equipment and facilities such as elevators, lighting, and air-conditioning; seasonally adjusting when signage lighting is on at 152 CTBC Bank branches; using time switches; adopting LED lighting for the CTBC Financial Park and newly renovated offices; installing electronic ballasts; adopting a system that automatically switches elevators to an emergency power supply when a disruption occurs; turning on one fewer unit when performing ice storage testing for the air-conditioning system's brine chiller; and taking stock of the lights in the park, removing unnecessary ones, adjusting their circuits, and replacing spotlights with LED lights. CTBC Bank also actively participates in external energy-saving activities such as Earth Hour, during which we join citizens, communities, and businesses worldwide in switching off non-essential lighting to raise awareness of environmental protection. In 2018, the energy-saving plan formulated for CTBC Financial Park and other premises reduced Company-wide energy consumption by 1.76 million kWh, representing approximately 975 metric tons of GHG emissions.



CTBC Financial Park



Other bank branches



Other subsidiaries



Electricity use reduction (kWh)



GHG emissions reduction (tons)

2018

- | | |
|---|---|
| <ul style="list-style-type: none"> • Surveyed lights, removed unnecessary lighting, and adjusted the circuits • Replaced spotlights with LED lights | <ul style="list-style-type: none"> • Turned on one fewer unit when performing ice storage testing of the air-conditioning unit's brine chiller • Regularly promoted electricity and water conservation, such as by encouraging employees to turn off lights when natural lighting is sufficient or when no staff are present, and adjusting the water levels of bathroom facilities |
|---|---|

- Upgraded the Chengde Building air-conditioning unit
- Turned off branches' air-conditioners 1-1.5 hours earlier
- Replaced 438 LED lights in total in the ATM areas of 52 branches
- Replaced 179 LED lights for the Linkou Training Center

- Taiwan Life promoted paperless operations and, regarding electronic documentation, it received 3,456 electronic documents for the entire year and sent out 2,846 electronic documents, while electronic operations relating to policyholders' payment notices and receipts increased to 946,664 from 267,201 documents in 2017, an increase of 254%.
- All Taiwan Life locations gradually replaced their lights with T8 lighting and improved their air-conditioning systems

1,759,210

975

2017

- | | |
|--|--|
| <ul style="list-style-type: none"> • Adjusted the on and off times of office air-conditioning • Operated the air-conditioning system by using chilled water from ice melted from the ice storage system during peak periods • Increased the output temperature of chilled water from the water chiller unit by 1°C and increased the office temperature by 1°C • Reduced the ventilation power for the public areas of each floor • Implemented induction air-conditioning for conference rooms • Adjusted the frequency and air volume of the variable frequency drives of air-conditioning units • Introduced LED lights, automatic lighting devices, and remote controls so lights can be turned off individually in all areas • Turned off every other light in public areas and adjusted lights' on and off times for different areas | <ul style="list-style-type: none"> • Started turning off lights when natural light is sufficient and during overtime work • Set up independently controlled circuits for window and corridor lighting • Limited lighting in the basement parking lot, turning off every other light and turning off lights throughout unused areas • Implemented flexible on and off timing for outdoor landscape lighting by using a brightness detector • Adjusted the on and off times of circulating pumps for outdoor landscape fountains • Adjusted the on and off times of exhaust equipment in the basement parking lot • Introduced a power-saving mode for water dispensers at night and on non-work days • Set up charging stations for electric vehicles |
|--|--|

- Reduced the air-conditioning power consumption of 12 branches

- Reduced the amount of downlights (xenon lamps)
- Replaced the fins of cooling towers
- Switched to inverter air conditioners for elevator engine rooms
- Switched to LED lights for the elevator lobbies on floors 1-12

4,250,336

2,248

2016

- | | |
|---|---|
| <ul style="list-style-type: none"> • Reduced the quantity of downlights for core areas of the floors • Reduced the quantity of lights in the basement parking lot • Adjusted the time control settings for intake and exhaust fans | <ul style="list-style-type: none"> • Adjusted the timing for the melted ice recycling system • Adjusted the power of the main unit and the auxiliary facilities • Adjusted the on and off timing of the air-conditioning units |
|---|---|

- Turned off the air-conditioning units in three branches 1-1.5 hours early
- Adjusted the operating mode of air conditioners in engine rooms to reduce energy consumption

- Installed high-efficiency LED lights
- Turned off lights for one hour during the day
- Increased the air-conditioner temperature by 1°C

3,021,201

1,595

Note 1: Other bank premises are operating branches outside CTBC Financial Park.

Note 2: Other subsidiaries are Taiwan Life, CTBC Securities, CTBC Venture Capital, CTBC Asset Management, CTBC Investments, CTBC Security, and Taiwan Lottery.

Note 3: The power emission factors are 0.528 (2015), 0.529 (2016), and 0.554 (2017 and 2018) kg of CO₂ equivalent/kWh.



Resource management

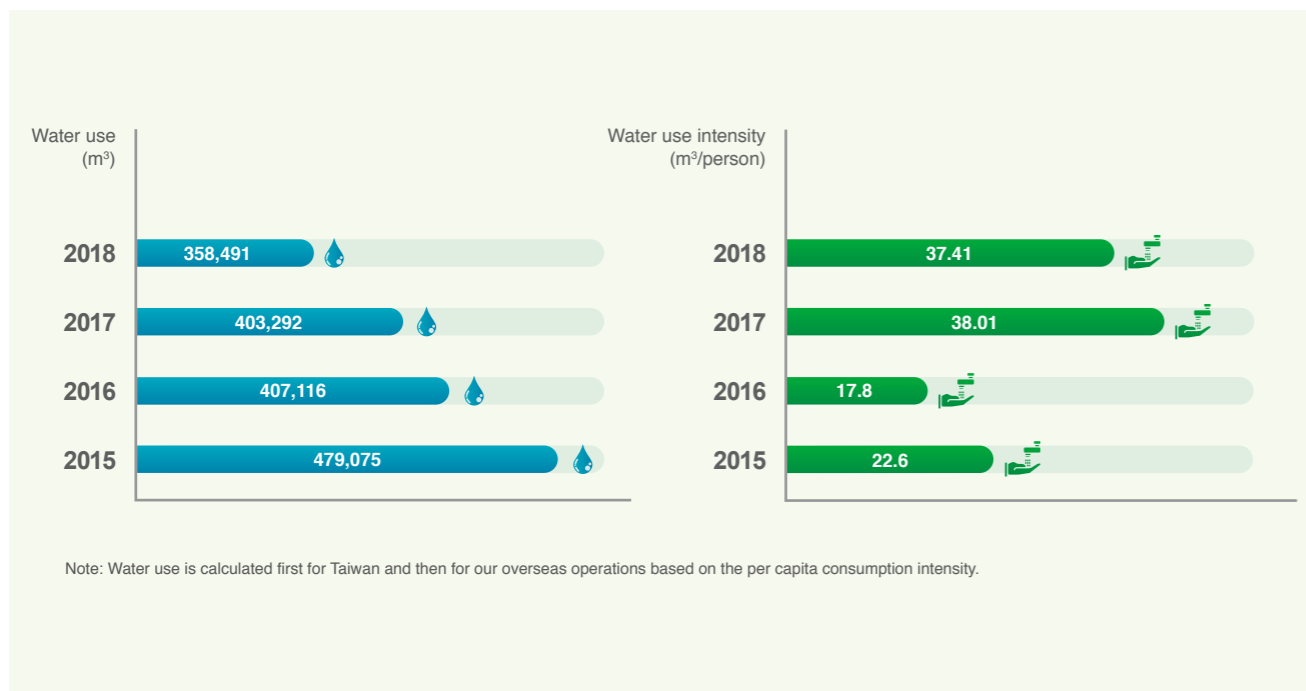
Water conservation

CTBC Holding promotes sustainable resource management, including a zero-waste approach to consumption, secondary materials, and waste management, based on a circular economy approach. We have been awarded the Enterprise Environmental Protection Award of the Republic of China by the Environmental Protection Administration (EPA) for three consecutive years.

In terms of water resources, 100% of the water used by CTBC Holding in its operations comes from water providers. We do not use groundwater or water from other natural sources or other organizations. Water in our office buildings and business sites is provided for the use of employees and customers only, causing no significant negative impact on water sources. Our wastewater is discharged and treated via sewers.

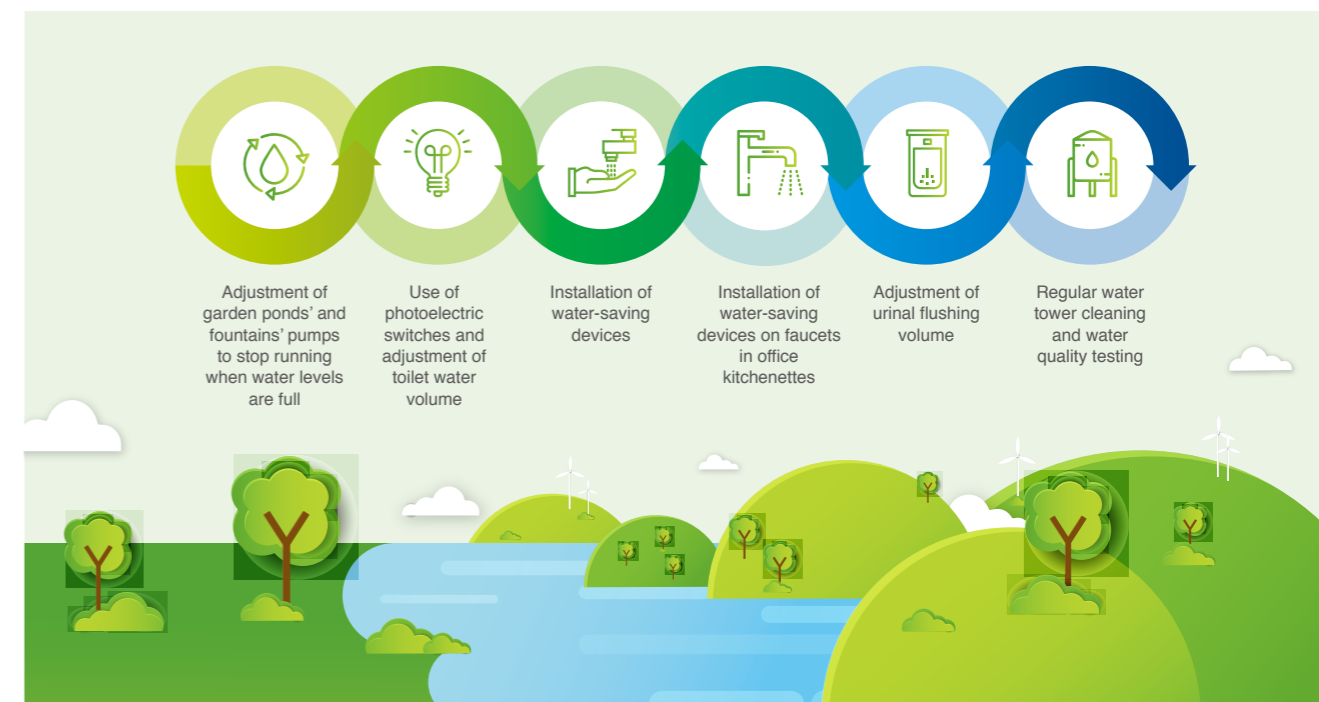
Our 2018 water conservation target of reducing total consumption by 2% was determined based on the previous year's goal, the water consumption decreased by 2%, while the intensity of water consumption decreased by 1.6%. This indicated a clear improvement in water efficiency, with total water consumption of approximately 360,000 m³.

Water use and intensity



The Company's water resource management is best reflected by that at CTBC Financial Park. From the buildings' water facilities to the grounds' fountains, sprinklers, and rainwater-harvesting equipment, all infrastructure utilizes water-recycling systems and water-saving equipment. The underground rainwater storage, which has a capacity of 2,625 tons, can be used not only to cope with water shortages caused by extreme weather but also serves as a retention pond in the event of heavy rain. The rainwater system is based on the principle of separating rainwater and sewage. Therefore, rain and waste water are not discharged together, and grease traps are in place for miscellaneous kitchen drainage. In addition, in line with Taipei City Government's waste disposal system, a special waste concentration area and centralized facilities for food waste have been set up in basement levels, and an external party is regularly contracted to clear and dispose of the waste. A system for classifying and recycling resources and waste is also in place to improve our sewage and waste handling. To reduce the use of water while also ensuring its quality and safety, we have installed water-saving devices, use photoelectric switches to adjust water volume levels, regularly clean our buildings' water towers, and conduct water quality testing.

Water resource management practices



Waste reduction

Regarding waste reduction, CTBC Holding has supported Taipei City Government's environmental protection policy by committing to food waste classification and reduction, with these efforts having already yielded positive results. Earlier, in 2016 as the Taipei government took its first steps toward banning disposable and melamine-containing tableware, we replaced melamine tableware with porcelain cutlery at all employee canteens in CTBC Financial Park, reducing environmental damage and waste and eliminating potential melamine-related health risks for employees. The canteens have also replaced buffet-style dining with set meals; by allowing employees to select meals that better suit them individually, we have reduced food waste by approximately 60%. Furthermore, since 2016, reusable food waste has been filtered, fermented, and dried in a process that takes over 48 hours in order to produce organic fertilizer, which is then used for landscaping around the park.

The Company also encourages colleagues to bring their own tableware, implement paperless solutions such as electronic signing processes and video conferences, reuse paper, use recycled and environmentally friendly paper, and use toilet paper from FSC- or PEFC-certified sources. The 2018 target, which was based on the usage data of 2017, was to reduce waste production by 2%. This was more than achieved, with an actual reduction of 2.9% recorded.

All CTBC Holding waste is produced from service operations and can be classified as general waste, recyclable resources, and food waste. The waste generated by CTBC Financial Park and the Yongji Building in 2018 totaled approximately 915 metric tons. Other premises had implemented self-management practices before 2015 and in 2016 started calculating the amount of waste generated. At CTBC Financial Park, individual waste containers are not placed at office desks and employees are requested to sort their waste into various recycling and trash containers at their office kitchenettes in order to reduce the amount of general trash ultimately stored in the waste-sorting room by the property management company. Recycling services are contacted to clear the recyclables whereas the general waste is transported by waste disposal companies to incinerators. Our expenditure on waste disposal in 2018 was approximately NT\$3.07 million. Recyclable resources in CTBC Financial Park are classified into papers, plastics, metals, and computer equipment. The recycling rate in 2018 was approximately 24%. The most recycled items were paper products, of which approximately 251 metric tons was recycled, followed by plastic and metal products, of which approximately 20 and 12 metric tons was recycled, respectively. A total of 2,428 pieces of computer equipment were recycled in 2018.

Resource recycling

Recyclable	Area	2018	2017	2016	2015
Paper (kg)	CTBC Financial Park	188,690	169,408	178,509	119,111
	Other bank branches	62,970	142,271	119,179	8,715
	Total	251,660	311,679	297,688	127,826
Plastic (kg)	CTBC Financial Park	16,145	12,998	11,757	8,090
	Other bank branches	3,947	11,521	12,241	394
	Total	20,092	24,519	23,998	8,484
Metal (kg)	CTBC Financial Park	10,320	10,123	6,024	4,248
	Other bank branches	1,817	4,164	3,492	292
	Total	12,137	14,287	9,516	4,540
Computer equipment (units)	CTBC Financial Park	771	1,588	1,870	1,018
	Other bank branches	1,657	1,565	2,781	1,657
	Total	2,428	3,153	4,651	2,675
Resource recycling rate (%)		23.68	26.38	25.20	22.60

Note 1: Other bank branches are those bank locations operating outside of CTBC Financial Park.

Note 2: The resource recovery rate is calculated by weight; it does not include computer equipment, which is calculated based on individual pieces. Resource recycling rate = (papers + plastics + metals) × 100 / (waste + papers + plastics + metals).

Green building

CTBC Holding is committed to using green building design to mitigate climate change. Our headquarters, CTBC Financial Park, has been awarded a Diamond-grade Green Building Label under Taiwan's EEWB building certification system, and, going forward, new buildings are being planned such that they too will receive this certification. CTBC Financial Park is one of the leading examples of energy conservation and carbon reduction among all office buildings in Taiwan. It has been reviewed and verified by the Taiwan Architecture and Building Center as meeting the eight green building assessment indicators of greenery, onsite water retention, daily energy conservation, CO₂ reduction, waste reduction, indoor environment, water resources, and sewage and waste improvement. In central Taiwan, Taiwan Life's CTBC Taichung Financial Building has a total area of 785.68 ping (2,597.29 m²), and various environmentally friendly, energy-efficient designs were introduced at the beginning of the construction planning. The building met the six assessment indicators for green buildings in Taiwan, namely greenery application scope, onsite water retention, daily energy conservation, waste reduction, water resources, and sewage and waste improvement, and was awarded a Silver-grade Green Building Candidate Certificate. It is expected to be awarded a Silver-grade Green Building Label in 2020. In addition, Taiwan Life's Cultural and Creative Industries Hall in Kaohsiung Main Public Library was awarded a Silver-grade Green Building Candidate Certificate in September 2017. Taiwan Life is also continuing to plan the exercise of its land rights for lot 15 of the Economic and Trade Section of Taipei City's Nangang District. In the spirit of environmental sustainability, Gold-grade certification will be sought for both the plan and the completed building, which we intend to become a new landmark in eastern Taipei. It is expected to be completed in 2022 and to be awarded a Gold-grade Green Building Label the following year. Our goal for its construction is to create a comfortable, people-oriented office building and sustainable urban space that also reduces its own impact on the environment.

Green building characteristics

Location	Label grade and current status	Unique characteristics
CTBC Financial Park	Received Diamond-grade EEWB Green Building Label	<ul style="list-style-type: none"> The park has a total area of 9,284 ping (30,637.2 m²), the most of any financial industry office building with its certification in Taiwan. The average building coverage rate is approximately 51%, substantially below the statutory average of 65%, and the site has an open space rate of 49%. The public space on the first floor and green spaces total approximately 6,800 ping (22,440 m²)—the most open space of any civil development project in Taipei. The public parking lot adjacent to the park has been transformed into a 3,641-ping (12,015.3-m²) ecological park, the Sanchong World Trade Park. It features flora planted based on different seasons and distribution areas, such as the tropics and subtropics, presenting a microcosm of Taiwan's forestry. In addition, 131 fern species have been planted in partnership with National Taiwan University, creating the city's first outdoor fern park. The site holds Christmas light events and hosted the first outdoor skating rink in Taiwan, marking a new milestone for Taiwan in the combination of culture, art, and green park spaces.
Taiwan Life's CTBC Taichung Financial Building	Received Silver-grade EEWB Green Building Candidate Certificate	<ul style="list-style-type: none"> The building has a total area of 785.68 ping (2,597.29 m²), with environmentally friendly energy-saving green building designs introduced at the beginning of its planning and construction. It has been awarded a Green Building Candidate Certificate and is expected to receive a Green Building Label in 2020 in recognition of its contribution to energy conservation and waste reduction and provision of a healthy and environmentally friendly environment. It has a building coverage rate of 49.21% and an open space rate of 50.79%. To create a high-quality urban environment and extend the landscape of the park and the streets to beautify the overall environment, sidewalks covering an area of 582 m² were created to provide an overall interactive urban, green open space for building users and public activities. Full LED lighting is planned to be adopted for the building in order to achieve effective energy conservation. Changes in lighting design can also be used to vary the environment's ambience.
Lot 555, 2 nd subsection, Shihjia section, Qianzhen District, Kaohsiung	Received Silver-grade EEWB Green Building Candidate Certificate	<ul style="list-style-type: none"> To increase greenery, in addition to the open design of the first floor, landscape configurations are implemented for rest spaces around the site, with various plant varieties planted. There are also hanging gardens on the seventh and 24th floors, providing additional green areas. Daily energy-saving equipment is used, such as roof insulation, low-emissivity window glass, a VRV variable-flow air-conditioning system, and high reflection lamps. Blast furnace cement, high performance concrete, and designs with reduced RC and SRC concrete are used to reduce carbon emissions. Dual-flush toilets and a rainwater storage system are installed to facilitate water conservation and reuse.
Lot 15, Economic and Trade Park, Nangang District, Taipei	Targeting Gold-grade EEWB Green Building Label	<ul style="list-style-type: none"> The building will have a total area of 12,564 ping (41,536.7 m²). The total floor area of the commercial office building is expected to be up to 122,521 ping (40,502.81 m²), and it is set to become the flagship building of the Taipei East District Portal Plan, which is currently being promoted by Taipei City Government. It has a planned building coverage rate of approximately 50.8%, substantially below the statutory rate of 80%, and the open space rate is 49.2%. The entire site will be retracted by more than 10 meters along roads to leave an urban green belt, with over 20 meters left for areas facing Jingmao 2nd Road to allow the construction, which will comprise a large multi-purpose urban activity plaza, and a large-scale sculpture-centric arts plaza. The total area of the plazas and green areas is 6,182 ping (20,436.4 m²), making it one of the largest open-space civil development projects in Taipei. All the site's plazas and green areas will have native trees that conform to Taipei's ecology. They will form a forest ring around the site, creating a pleasant and unique urban space ideal for walking. Specially shaped pine trees will be planted to serve as points of focus in key areas around the space. Large art sculptures are planned to be set up next to the economic and trade plaza to combine technology and commerce, culture and art, and green park spaces in order to create a unique business, entertainment, and literary atmosphere, marking a new milestone for commercial development in Taiwan.

Taipei's only outdoor fern park

The Sanchong World Trade Park adopted by CTBC Holding was originally a public parking lot. It is now part of the approximately 8,500 ping (28,000 m²) of public open space at our Nangang headquarters. Working with professors from National Taiwan University, we have planted 131 species of ferns and native plants in the southwest corner of the park, creating the only outdoor fern park in Taipei.

Because of natural isolation mechanisms, Taiwan is blessed with an environment that has created and preserved countless species, ferns in particular. Nangang's environment and climate are similar to those present during the Jurassic period, making it highly suitable for fern life. Varieties present in the park include *Salvinia natans*, *Marsilea minuta*, *Diplazium esculentum*, *Woodwardia orientalis*, *Phegopteris decursivopinnata*, and *Selaginella tamariscina*.

Through the fern park, we hope to raise the public's awareness of Taiwan's flora and encourage them to cherish it.



Task Force on Climate-related Financial Disclosures

After the TCFD was established in 2017 by the Financial Stability Board, CTBC Holding started to voluntarily adhere to TCFD-developed disclosures in detailing the impact of climate change on the Company's financial situation as well as its future response strategies.

Governance

CTBC Holding's president serves as the chairman of the Corporate Sustainability Committee, which is supervised by independent directors; please refer to page 37 for the organizational structure. The committee is tasked with ensuring the Company's compliance with international sustainable development trends in its operations and the meeting of its sustainable ESG risk management obligations. In addition, the Social Responsibility Unit, established under the General Administration Department, is responsible for the strategic planning and implementation of all tasks related to sustainability issues, including climate change. Furthermore, an Environmental Sustainability Task Force has been established by the Corporate Sustainability Committee to monitor climate change-related risk factors and opportunities.

Strategy

Energy price pressure, GHG reduction targets, and equipment manufacturing improvements, coupled with changes in customer behavior and greater customer demand for digital products, mean that low-carbon methods and scenario analysis are necessities in our development of next-generation financial products.

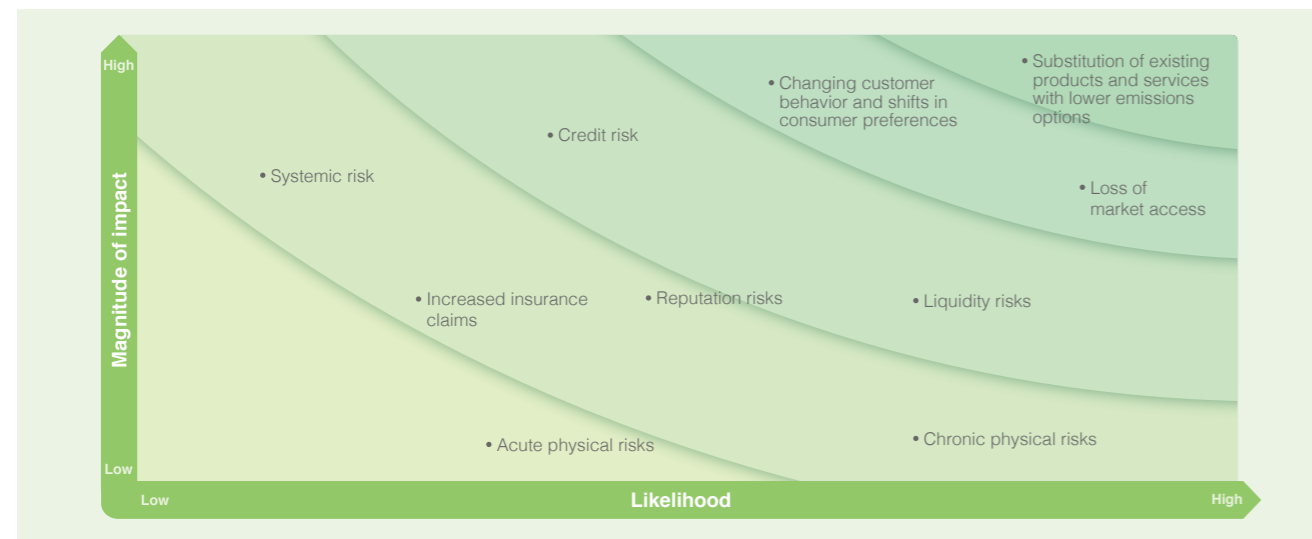
In terms of natural disasters, greater investment will be required in preventative as well as remedial measures for assets.

Insurance companies may experience an increase in the number and amounts of claims, or claim disputes may be triggered, affecting the Company's profitability. Although environmental regulations and policies are being tightened, giving rise to credit and market risks that could impact profitability, new energy technologies developed under the guidance of carbon reduction and emission reduction policies will bring potential investment opportunities.

In the face of carbon emissions regulations formulated by domestic and foreign governments, the Company has implemented compulsory inventory check, declaration, and verification processes. To minimize physical risks that could result in our IT systems failing to continue their service provision, operating expenditure will be increased for the use of hydroelectric energy or to improve the safety of facilities. Furthermore, we will develop a comprehensive omni-channel operating strategy and upgrade our mobile and internet banking services to better meet customer preferences and maintain our competitiveness.

In addition, CTBC Bank supports green energy and environmental protection-related credit business strategies and products, as specified in its Corporate Core Credit Risk Management Policy. Duty of care is taken with particular regard to enterprises with high levels of energy consumption, resource consumption, pollution, labor rights disputes, and corporate governance problems, in order to prevent credit risks arising from operations.

Climate change risks matrix



Types of major climate change-related risks

Risk type	Investments and loans	Project finance	Asset management	Insurance
Finance (market, liquidity, credit, and system risks)	In the event that an investee encounters climate change-related risk that results in reduced revenue and profits and a lower share price, the performance of the investor and thus CTBC Holding's profits may be negatively affected.	If large-scale financing is given to climate-sensitive industries, mass breaches of contract will cause severe fluctuations in the interest rate, the exchange rate, and other market risk factors for the global market.	If CTBC Holding is involved in climate change-sensitive industries or if debts, funds, or other products are in an industry that may be highly affected by climate change, changes in the enterprise's revenue may be exacerbated, uncertainty may be created in debt repayment and profitability, and the performance of our investment may be negatively affected.	Climate risks are a constant and irreversible factor with respect to real estate investment. For example, extreme rainfall, exacerbation of the urban heat island effect, and other factors will impact real estate investments. If the Company's leases cannot be continued due to interruption to its real estate tenancy business, or if the real estate held by the Company is damaged by a natural disaster, negative effects, such as increased operating costs, may result.
Transition	If investments in climate change-sensitive industries face regulatory pressures and are unable to perform product upgrading and industrial transformation in due course, profitability and investment value may decrease and these investees may be included on the negative lists of consumers and investors.	If the customer is in an industry that is highly dependent on fossil fuels, is highly pollutive, has high carbon emissions, or is greatly impacted by climate change, operating profits may be affected by factors such as changes in energy regulations and increases in carbon prices, possibly causing insolvency.	The investment market evolves quickly, with numerous new products for investors to choose from. However, a downward market revision will affect the decision-making of investors, to which the Company must have products ready in response.	If the Company fails to actively research the development and pricing of products that may be affected by climate change risks, it may lose related markets, negatively affecting its revenue.
Physical	Real estate guarantee products are an important source of creditor protection; natural disasters causing depreciation or liquidity issues for collateral will erode the capital of the Bank.	Before we approve project financing, the customer is required to purchase insurance for its production equipment. This enables it to claim compensation for equipment damaged by natural disasters, thereby minimizing our Bank's potential losses. When the compensation is insufficient to cover all the losses, the Bank judges whether the equipment damage will likely have a significant impact on the overall operations of the creditor, according to the degree of equipment damage, and whether this will pose related risks.	Natural disasters may cause the closure of the local stock exchange, causing loss of business.	Natural disasters may cause an increase in claims by policyholders, negatively affecting the Company's revenue.

Risk management

We use a five-step process to identify and handle risks that may affect our business operations. Specifically, we identify, analyze, and prioritize risks, devise responses to them, and then submit these responses for approval by the Company's senior management and president.

In addition, the assessment and review of corporate financing credit business will include the environmental risks borne by customers and, where credit risks are controllable, it will support credit business strategies and products related to green energy and environmental protection. In terms of property insurance business, reinsurance brokerage companies are invited every year to conduct diverse assessments based on natural disaster models; furthermore, underwriting operations are carried out in accordance with underwriting guidelines for typhoon-, flood-, and other natural disaster-related products sold by the Company in order to prevent the risk of accumulating overly high amounts of insurance coverage for a single area. Relevant reinsurance is also arranged to diversify risk.

In January 2019, we became an official Equator Principles Financial Institution. We are also continuing to comply with the U.N.'s Principles for Responsible Investment and Principles for Sustainable Insurance.

Management of climate change-related risks

Management orientation	Investments and loans	Project finance	Asset management	Insurance
Operations	Before finalizing an investment in a climate change-sensitive industry, we place particular emphasis on evaluating the environmental, social, and governance aspects of the potential investee company. Through seminars, symposiums, and interviews with upstream and downstream companies and business teams, we strive to understand the industrial and operational impacts of climate change on the potential investee. Investment units consider all such impacts and make an investment decision accordingly.	Environmental protection-related field visits are actively conducted and environmental impact assessment reports are reviewed for domestic industries and large-scale developments that are highly sensitive to environmental risks, thereby ensuring effort in and commitment to projects' environmental friendliness. Regarding our overall operations, long-term climate change risks are reduced by adopting to the Equator Principles, to which we are an EPFI.	At present, when undertaking underwriting, listing, and other business, in addition to reviewing future business conditions, field surveys are also conducted, such as by visiting plants to inspect their actual operating conditions, in order to ensure the Company's fulfillment of due diligence. In the future, investment will be focused on the R&D of climate-related financial products in accordance with industry characteristics and customer demand.	In response to the business opportunities posed by climate change, CTBC Holding has started assessing operations related to climate-related risks, analyzing the degree of impact of climate change on existing customers, carrying out R&D on new forms of insurance that are related to climate change, and improving the method to reduce damages incurred by policyholders from climate change disasters in existing product portfolios. With regard to seeking new opportunities, the recent developments of companies in the same industry and of market demand will be referenced and products such as new forms of weather insurance, agriculture and fisheries insurance, electric vehicle insurance, and more favorable terms for green projects will be launched, thereby increasing the Company's revenue and market share.
Financial	If an investee is an enterprise that may be highly impacted by climate change, consideration will be given for early disposition of the invested segment before the occurrence of such an impact in order to reduce the indirect financial impact on the Company. As investment in climate change-sensitive industries may cause the Company's revenue to decrease or asset value to depreciate, suggestions and support will be provided to the relevant investees in the establishment of climate change response units to promptly assess the R&D of new technologies and thereby reduce or prevent any impact on the Company at the revenue/asset end. In addition, suggestions will be made to investees regarding R&D investments in emerging technologies and low carbon product roadmaps will be announced promptly.	Following the Company's signing on to the Equator Principles, the credit process and organizational structure will be adjusted and manpower costs, external appraisal expenses, annual fees, business travel expenses, case-tracking expenses, and employee training expenses will increase. Approximately eight credit cases per year are applicable to the EPs and it is estimated that expenditure on the abovementioned costs will increase by an average of NT\$8 million every year.	We are responding proactively to climate change—both its harmful effects and opportunities—in a manner that will benefit the development of the green energy industry, including by actively assisting in the listing of companies in the field.	Attention is focused on the development of large-baseload renewable energies such as biomass and geothermal energy. Renewable energy certificate market transactions are expected to occur in the future and the establishment of smart meters and microgrids is also being pushed forward because of the problem of intermittent supply that can come with green energy plants, with these efforts helping increase revenue.
Strategy	CTBC Holding will reduce investments in industries that may be adversely affected by climate change and will increase investment in industries that are positively affected by climate change.	The Company will clearly explain the purpose of the Equator Principles to its customers to help them understand the importance of ESG and of implementing responsible lending.	Because of the particular characteristics of the industry, most customers currently select investment from a strictly profit-oriented position. Upon evaluation, we believe that customers will not be affected by climate change in the short term but that we should nonetheless plan to launch specific financial products in order to expand the sources of profit in the future.	A consulting company will be invited to perform diversified assessments based on the natural disaster model. In order to diversify self-retained loss risks regarding typhoons, floods, and other natural disaster-related products, a reinsurance guarantee has been purchased every year for 100-year typhoon and floods. The relevant typhoon- and flood-related insurance products will be underwritten in accordance with the underwriting guidelines in order to prevent the risk of accumulating overly high amounts of insurance coverage for a single area, and relevant reinsurance will also be arranged to diversify risk.

Indicators and goals

In terms of investments, loans, and insurance, CTBC Holding's subsidiaries have launched their own climate change-related products and services. For example, CTBC Bank has a balance of NT\$133.1 billion in green loans in the green technology, circular economy, and green buildings fields, and has issued NT\$1 billion in green bonds—the first batch of such bonds issued in Taiwan's bond market—for investment in renewable energy, energy technology and efficiency, and resource recycling and reuse. Furthermore, CTBC Securities provides guidance to green energy-related industries, including the automotive battery and circular economy fields, to assist companies in their initial listing on the over-the-counter market.

The premium income of TLG Insurance from climate change-related insurance products accounted for 3.64% of the total premium income in 2018. Regarding maximum losses in construction insurance, fire insurance, and natural disasters, the amount calculated based on a 100-year regression period was approximately NT\$223 million, while the Company lost approximately NT\$50 million in deductibles.

Power consumption is the main source of GHG emissions by CTBC Holding. Because of this fact, coupled with the possible continuous increase in our staff and business volume, we will face greater emission reduction pressure. As such, we may be required to allocate large sums of investment to improve our equipment, construct renewable energy facilities, and obtain green energy certificates. The Scope 3 emissions derived from investments and loans would also likely be exposed to high-carbon asset risk. At present, the internal management of the Company formulates its yearly targets.

- Power: Our next three-year target, with 2017 as its baseline year, is for total electricity consumption to be reduced by 2% a year and 6% over the three years for a total reduction of 1.72 million kWh.
- Water: The water-saving target for 2018 is a 2% reduction in total water consumption, using 2017 as the baseline year.
- Waste: The 2018 waste reduction target is a 2% reduction in total waste generation from the baseline year.

Green procurement

CTBC Holding's green procurement exceeded NT\$250 million in 2018. That same year, we received the Private Enterprise Green Procurement — Commendation for Excellent Performance from Taipei City Government's Department of Environmental Protection for the 10th consecutive year, and it also obtained the Private Enterprise Green Procurement — Commendation for Excellent Performance from the national EPA for the ninth consecutive year. Our procurement practices give priority to environmentally friendly products and technologies that conform to environmental protection labels, energy labels, water conservation labels, green building material labels, and certification from other government units or public associations, as well as products with environmental protection labels from Europe, the United States, Japan, and South Korea; green products as recognized by public associations; and products with an Energy Star or FSC label. CTBC Holding also requires that products with energy conservation or environmental protection certification be used for the ceilings, partition panels, paints, carpets, lights, and furniture in various green building construction and renovation projects. We do this not just to satisfy environmental standards but to ease the burden on our environment.

Green procurement items and amounts

Unit: NT\$

Item scope	2018	2017	2016	2015	Environmental impact
Scope 1	119,727,012	179,614,653	174,276,384	173,634,835	1. The use of recycled materials can reduce the consumption of non-renewable natural resources. 2. Items with recyclable and reusable characteristics can reduce the production of waste. 3. Purchasing products with eco-friendly certification can reduce the negative impact on the environment during production and use. 4. Products with environmental protection and energy-saving certification can reduce the use of fossil fuels and GHG emissions.
Scope 3	135,894,819	25,554,211	32,198,701	97,885,240	
Total	255,621,831	205,168,864	206,475,085	271,520,075	

Note 1: Scope 1 comprises products with ecolabels issued domestically or overseas.

Note 2: Scope 3 comprises products with domestic energy-efficiency marks, water-saving marks, green building material marks, and carbon footprint labels as well as sustainable products certified as such by the Financial Supervisory Commission, Programme for the Endorsement of Forest Certification, or other foreign organization.

Green finance and services

Paperless green services

Going paperless is an important element of introducing green services. CTBC Holding promotes the digitalization of financial services, card-free ATM access, and the reduced use of plastic cards and paper in order to ease the burden on the Earth in tandem with its customers. In 2007, CTBC Bank became the first player in the industry to provide ATM users with a paperless statement service. Since 2016, it has organized a series of marketing activities for automated channel trading to encourage customers to utilize internet and mobile banking, including the use of its internet ATM service for interbank transfers, payments, foreign exchanges, gold deposits and purchases, and fund purchases. In 2018, 68% of all foreign exchange transactions were made online, whereas 60% and 68% of all fund-related transactions and interbank transfers, respectively, were made online. Furthermore, the number of customers who conducted an online interbank transfer increased by nearly 34% from the previous year, which effectively reduced paper and energy consumption. As of the end of 2018, approximately 1.7 million accounts were receiving credit card billing electronically, reducing paper consumption by nearly 56.2 million sheets a year and translating into a 513-ton cut in CO₂ emissions.

Rates of CTBC Bank customers who have performed online transactions

Transaction	2018	2017	2016	2015
Foreign exchange (%)	68	71	69	65
Mutual funds (%)	60	58	58	58
Interbank transfer (%)	68	61	59	54

Carbon reduction benefits of CTBC Bank credit card electronic billing

Item	2018	2017	2016	2015
Accounts with electronic credit card billing	1.7 million	1.44 million	1.18 million	1.01 million
Sheets of paper saved	56.2 million	47.59 million	38.98 million	33.4 million
Reduction in carbon emissions (Tons of CO ₂ equivalent)	513	434	356	305

Note 1: With an average monthly e-billing rate of 92% recorded.

Note 2: One sheet of A4 paper produces 7 g of CO₂ and one bill consists of about three sheets of A4 paper (data source: <https://cfp.epa.gov.tw/EN>).

Note 3: Issuing one hard-copy bill produces 6.35 g of CO₂ (data source: <https://www.twmf.org.tw/Common/ShowImage.ashx?fid=dfcfe18-16dd-417d-a8cd-53bc4acc898>).

The digitalization of financial services is a critical step in achieving paperless operations. CTBC Bank has developed a separate platform to provide barcode payment and electronic invoicing functions. The platform also integrates a variety of barcode payments solutions, enabling merchants to support several barcode-based digital wallets at a low cost, increasing the willingness of merchants to come on board. Electronic invoice records can also be stored in credit card accounts, which not only shortens the payment process but also reduces paper use. The Bank has also invested in third-party payment, which integrates virtual and physical store services and expands Taiwan's e-commerce market, helping reduce carbon emissions resulting from the transaction process.

In addition, the "Mobile Advisor" tool created by CTBC Bank combines financial services with technology to enable finance specialists to access information required for completing financial planning through the app anytime, anywhere. With the app, they no longer need to print and carry reams of documents with them when making calls outside the office; they can also use it to immediately view customers' product mixes and offer customized financial advice. The app can also be used to complete banking service applications and includes an online insurance and investment products function for customers through the app, further reducing paper use.

In 2014, Taiwan Life became one of the country's first insurers to receive approval to launch online insurance services. It continually optimizes its online platform's interface and processes and increases the variety of product categories offered on it, with these efforts winning the favor of customers. In 2018, Taiwan Life's online revenue from annual premiums passed NT\$350 million and its annual growth rate exceeded 150%, ranking it second in the online life insurance market.

To actively manage the insurance needs of the digital population and use mobile technology to enhance the efficiency of its employees, Taiwan Life has provided business personnel with various mobile tools since receiving approval for mobile insurance in 2014. As of 2018, the usage rate for Taiwan Life's Mobile Insurance App was close to 100% among employees, greatly reducing the paper use required for policies and related documents as well as shortening acceptance and delivery times.

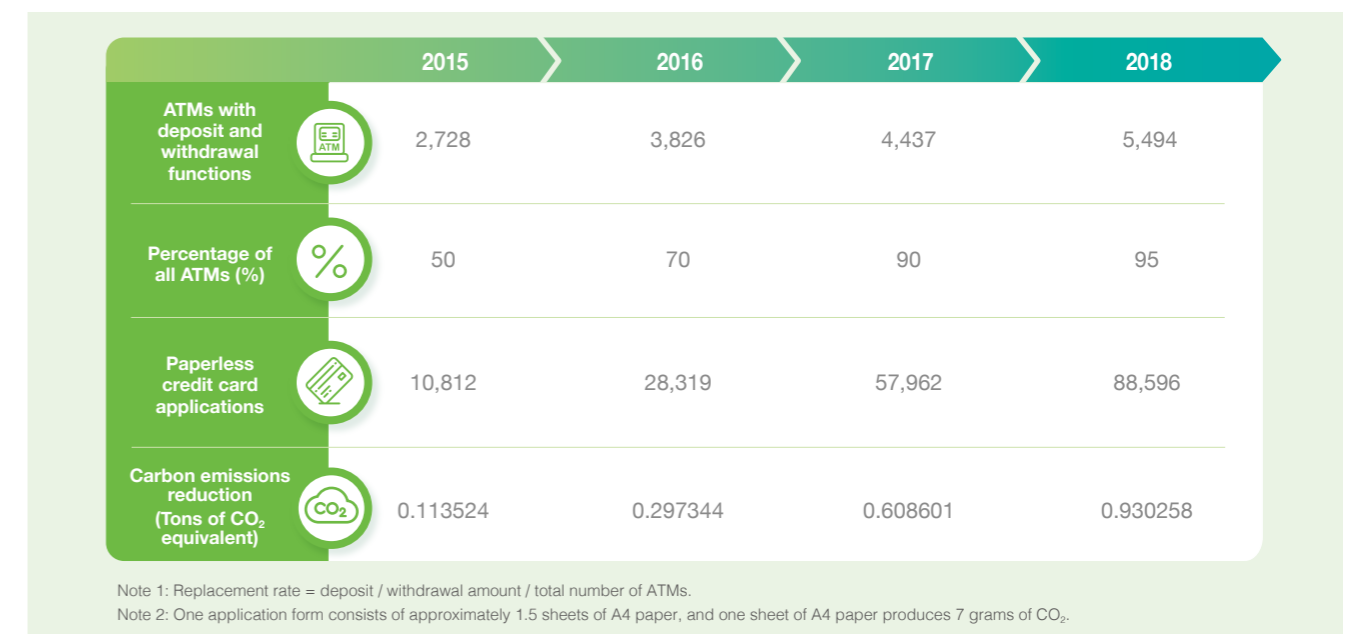
Since January 2017, CTBC Securities has carried out paperless operations for both internal administrative operations and external customer services. Savings have so far amounted to NT\$1.24 million, which is the equivalent of nearly 3.22 million sheets of A4 paper printed single-sided in black and white. At the end of December 2018, the proportion of electronic transactions over traditional paper ones was 71.1%, up from 63.8% in 2016 and 67.11% in 2017.

Promoting green living through smart finance

In addition to its efforts in operating and developing various mobile payment tools and providing customers with safe and convenient payment methods, CTBC Bank also seeks to meet the daily financial needs of customers and establish green consumption behavior among them. It is working to accomplish this by offering a smart financial environment that facilitates energy saving and carbon emission reductions.

- In 2014, CTBC Bank launched the President Chain Store ATM Replacement Plan to replace old machines with new Recycle ATM deposit/withdrawal machines at 7-ELEVEN stores and other locations nationwide. This combines the Bank's front-end cash circulation of customer deposits and withdrawals with the back-end cash circulation between the Bank and the security company, reducing the cash delivery travel of the security company by approximately 20,000 trips a year and thus cutting delivery vehicles' carbon dioxide emissions.
- Mobile app: CTBC Bank relaunched its Home Bank app in May 2018. The redesign provides new transfer functions such as by voice, fingerprint, and facial recognition, as well as more convenient exchange, payment, investment, and wealth management services. In just over a month of the relaunch, the number of the Bank's mobile banking customers had increased by 100,000; the number currently stands at approximately 2.5 million. The average number of logins per person has increased from 3.5 times to 9.5 times per month, and mobile payment usage has grown by approximately 60% due to the inclusion of nine major payment functions. The increase in mobile banking can lead to a reduction in carbon emissions from transportation that may otherwise be necessary to travel to a bank branch.
- The CTBC Credit Card App provides services such as online card applications for existing accounts, digital mobile reward points redemption, and mobile payment inquiries, effectively reducing carbon emissions from paper consumption, data entry, and boot-ups for inquiries. It saved a total of 88,596 sheets of paper in 2018, with carbon emissions being reduced by an average of 930.3 kg every year.

ATM service replacement rate and paperless credit card applications benefits



Online card applications and mobile statements

As part of its efforts to go paperless, CTBC Bank has digitalized its credit card applications and billing operations. In addition to having launched a mobile website and a complete mobile app channel and site specifically for online card applications, the Bank also accepts applications made through mobile devices via LINE and partner websites. Through the four steps of selection, verification, filling in, and processing, users can complete card applications online by inputting valid credit card information from another bank, completing identity verification via the cloud, providing the necessary personal information, and uploading their identification card and proof of financial ability.

We led the industry in the introduction of an instant verification mechanism for card applications. Our cardholders can enjoy an immediate card verification service when applying for a credit card through the Bank's internet services or the CTBC Credit Card App. Furthermore, an identity verification function for credit cards' auxiliary holders is provided for non-CTBC cardholders. As long as valid credit card information is provided online, verification for card applications can be performed. New patent rights have also been granted to related innovative technologies, laying the groundwork for us to

achieve additional milestones in digital finance services.

As well as offering hard-copy and electronic statements, CTBC Bank has introduced mobile statements. Cardholders can receive the statements via SMS as well as use their mobile devices to make inquiries and apply to settle statements in installments without having to worry about late payments in the case of not being able to find their hard-copy statements. This further promotes paperless practices, directly reducing paper consumption.

Microfinance

We have always been committed to being a caring enterprise. “Caring” is a core brand value and one we act on by delivering tangible care and support to those who most need it. One way in which we do this is by offering microfinance products and services as a means of helping underprivileged families. Through the five major avenues of loans, insurance, credit cards, trusts, and compassionate service, we aim to harness the financial sector’s influence to eradicate poverty and create a truly sustainable future.

Our CTBC Poverty Alleviation Program gives economically disadvantaged families and children the opportunity to support themselves without needing to rely on social welfare, specifically by guiding them to become successful entrepreneurs. Furthermore, subsidiary Taiwan Life provides microinsurance for people from low-income and marginalized groups; requiring minimal premiums, these policies protect disadvantaged and marginalized members of society in the case of a family death or disability.

Microfinance products

SME loans	For CTBC Bank’s loans to SMEs, emphasis is placed on establishing local branches and using them and their advantages to manage SME customers through specialized units. In recent years, to improve these services and better meet the diverse needs of our borrowers, we have provided an ever more comprehensive range of financial services such as financial planning, cash management, enterprise salary allocation, and financial consulting, with a focus on integrating the needs of businesses and business owners in accordance with their business life cycles. As a result of this approach and the Bank’s overall action plan, the compound annual growth rate of SME loans in the past three years was approximately 13%. We are committed to developing this customer base further in the future and cementing our position as the best partner to SMEs.
Microloans	<ul style="list-style-type: none"> The CTBC Charity Foundation has provided entrepreneurship counseling and related loans through the CTBC Poverty Alleviation Program since 2011. This education and microfinancing empowers underprivileged families to improve their economic circumstances, escape poverty, and no longer rely on social welfare. CTBC Bank’s Philippine subsidiary began working with the local microfinance organizations from 2012. Loans to microfinance organization are used to indirectly provide financing resources to micro and small businesses with total assets under 15 million Philippine pesos, medium-sized enterprises with total assets between 15 million and 100 million Philippine pesos, and individuals at the bottom of the social ladder. This financing is used for supporting micro, small, and medium enterprises’ working capital as well as individuals’ various financial needs such as tuition payments, everyday family living expenses, emergency post-disaster repairs, and medical expenses. We have so far partnered with three microfinance organizations and had granted credit transactions exceeding 2.1 billion Philippine pesos in total as of March 31, 2019. Similarly, the Vietnam branch of CTBC Bank began working with microfinance institutions in 2015 to indirectly provide people without bank accounts with financing to purchase motorcycles and durable consumer goods as well as with cash loans. The loans are helping to reduce poverty and gradually eliminate underground lending. We have granted credit to three of the country’s largest microfinance institutions for a total credit line of US\$38 million, with US\$12.2 million outstanding as of March 31, 2019. In 2018, our Japanese subsidiary, The Tokyo Star Bank, provided a US\$4 million credit line to support microfinancing in Cambodia aimed at helping low-income groups who have low creditworthiness and often no access to local banking services such as loans, deposits, insurance, and remittance. Looking to help small businesses meet their lending needs, CTBC Bank’s U.S. presence launched the Dream Builder Microbusiness Microloan program. It provides microloans for businesses with less than US\$1 million in annual revenue. CTBC Bank USA is also a Small Business Administration (SBA) Preferred Lender, which enables it to approve loans on behalf of the SBA and expedite the loan approval process to the benefit of the borrower. These SBA loans offered through CTBC Bank give small business owners a lifeline when conventional financing may not be an option. Our Bank’s presence in India began working with microfinance organizations there in 2016. Loans to microfinance organizations are used to indirectly provide financing resources to microenterprises and disadvantaged individuals across northern and southern India. The microloans are used to make such payments as for small mortgages, auto loans, tuition, everyday family expenses, emergency post-disaster repairs, and medical expenses. CTBC Bank India has so far partnered with three microfinance organizations and, as of March 31, 2019, had offered credit totaling 750 million Indian rupees.
Microinsurance	Taiwan Life, in support of a government push, offers microinsurance products for individual, collective, and group insurance. In addition to directly targeting these products to disadvantaged groups, donations are also made to the insurance premiums of these groups in order to further expand the scale and scope of coverage.
Charity credit cards	<ul style="list-style-type: none"> We issue charitable donation credit cards in conjunction with external charity organizations. For every purchase made with a card, CTBC Bank donates a percentage of the amount to public interest groups that work with underprivileged people. There were around 270,000 charity credit cards from four organizations (Tzu Chi, TFCF, Xue Xue, and Paper Windmill) in circulation at the end of 2018, and these generated approximately NT\$28 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. A special credit card aimed at helping colleges and universities has also been launched. For every purchase made with the card, CTBC Bank donates a percentage of the amount to schools for talent development, off-campus internships, and other development programs.
Trust services for elderly and disabled persons	To ensure that the assets of people with physical and mental disabilities are protected, and to avoid asset misappropriation or fraud, we maintain a service that facilitates the establishment of trusts with dedicated funds for various purposes. Specifically, these can be used to ensure the payment of the future care and medical expenses of people with disabilities.
Charitable trust	We assist clients in planning and establishing public trusts. This helps trustors to operate and participate in public charitable activities and give related donations through the trust system, thereby giving back to the community by assisting disadvantaged groups and obtaining maximum benefits from limited resources.
Customer assistance in debt management	In addition to providing repayment schemes based on the circumstances of customers during the debt management process, we provide assistance for disadvantaged debtors. Specifically, we promote products and services being sold by debt management customers so as to increase their income, refer them to social assistance organizations, and provide donations and assistance to support their children.

Charity credit cards and college affinity card

Charity credit card	Rebate	Purpose
Tzu Chi Lotus Card	2.75%–5% of transaction amount	To assist the Tzu Chi Foundation with providing emergency assistance in the field.
TFCF Card	5% of transaction amount	To provide donations to the Taiwan Fund for Children and Families to help disadvantaged children.
Xue Xue Card	3%–5% of transaction amount (domestic) 8%–10% of transaction amount (overseas)	To promote arts appreciation among underprivileged people and assist children from disadvantaged families in remote areas to cultivate all five senses.
Paper Windmill Card	5% of transaction amount	To provide donations to the Paper Windmill Foundation to help them promote grassroots art and cultural education.
College Affinity Card	2% of transaction amount	To contribute to school funding and support internships for enrolled students.

Performance of microfinance products

	Year	2018	2017	2016	2015
Microloans	CTBC Poverty Alleviation Program verified loans (cases)	45	45	61	56
	Cumulative CTBC Poverty Alleviation Program verified loans (cases)	256	211	166	105
	CTBC Poverty Alleviation Program verified loans (NT\$10 thousand)	2,300	2,250	3,008.6	2,668.2
	Cumulative CTBC Poverty Alleviation Program verified loans (NT\$10 thousand)	12,029.8	9,729.8	7,479.8	4,471.2
Insurance	Types of microinsurance policy	6	6	6	6
	Underwritten microinsurance policies	219	260	289	3,922
	People with a microinsurance policy	25,903	25,491	20,391	8,533
	Microinsurance premiums (NT\$)	3,781,963	2,609,056	2,631,119	853,977
Credit cards	Charity credit card donations (NT\$ million)	28	30	27	25
	Donations from College Affinity cards (NT\$10 thousand)	25	30	30	30
Trusts	Total amount of assets from trusts for the disadvantaged (NT\$100 million)	1.68	1.77	1.62	1.46
	Total amount of assets from public trusts (NT\$100 million)	141.95	141.47	139.91	139.63

Note: Microinsurance will be concluded for one year.

Microfinance services

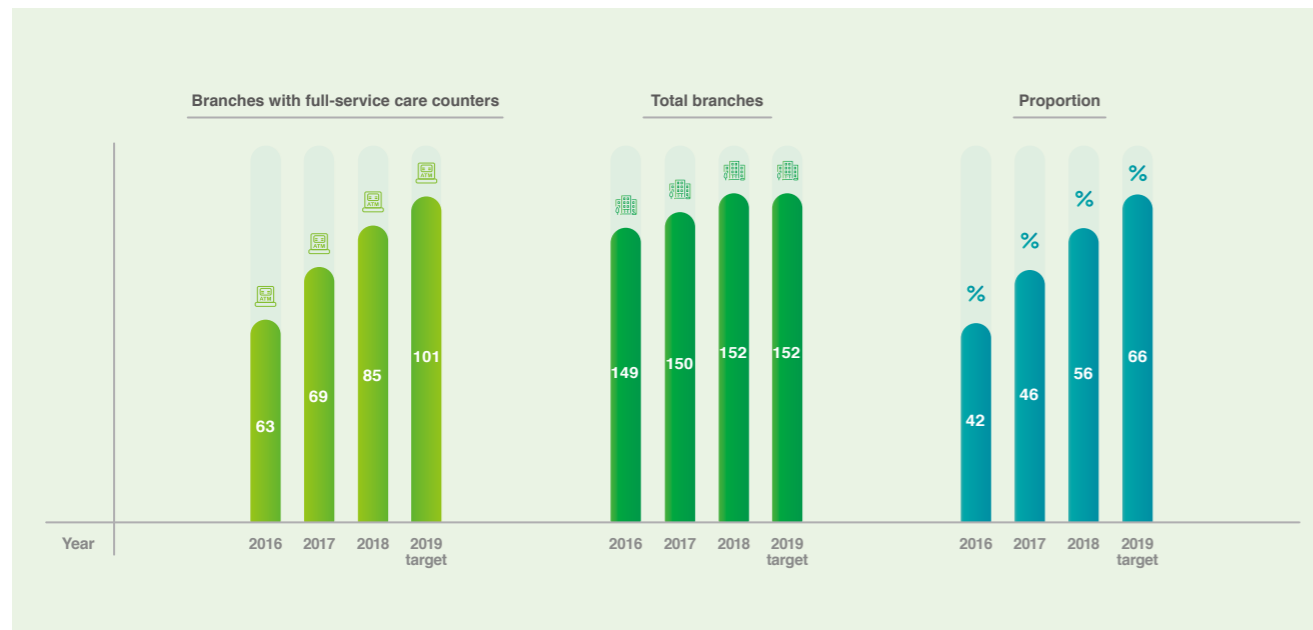
Physical disabilities	<ul style="list-style-type: none"> Accessible ATMs: To ensure access for people with physical and mental disabilities, barrier-free ATMs and environments have been actively set up at each CTBC Bank branch in accordance with the barrier-free facilities design code of the Construction and Planning Agency of the Minister of the Interior. This also helps safeguard the financial autonomy of people with disabilities, with wheelchair-accessible ATMs and ATM service machines for the visually impaired provided. Barrier-free internet banking: CTBC Bank launched a new version of its barrier-free internet banking service in January 2018. Visually impaired users were specially invited to participate in the service’s redesign. Through interviews and the testing process, we gained insight into the biggest financial challenges of the visually impaired, and ultimately obtained Grade-A certification for our barrier-free service websites. The relaunched barrier-free internet banking service features three key features. The first is its consistent experience; the responsive web page design gives visually impaired users the same experience across desktop computers and mobile devices, so they do not need to learn to navigate the site more than once. The second is its focus on convenience and speed, with shortcut menus and links located such that users rarely if ever need to listen to an entire a page. The third is its friendly approach, which reads out gentle guidance and reminders during actions such as logging in or making an exchange rate inquiry, giving users both assistance and ease of mind. The site can be accessed using NonVisual Desktop Access reading software or a built-in mobile phone reading system.
Remote areas	CTBC Bank ATMs provide more than 80 services—the most of any machines in Taiwan. As well as performing traditional banking services, the machines can be used to make various payments, such as phone bills, insurance payments, and charitable donations. In addition, an interbank deposit function was launched in October 2015. Diverse ATM services and the application and transaction services accessible online are a game-changer for people in remote areas, for whom traveling to a bank branch may be difficult.
Older people	In response to Taiwan’s rapidly aging society, CTBC Bank has set up “care counters” at 85 branches since 2015 to provide older customers with services while seated, including a free form-filling service and the ability to conduct transactions verbally.
Migrant workers	CTBC Bank launched U Remit, an ATM foreign currency remittance service to help migrant workers send their earnings from Taiwan to their home countries. By providing a safe alternative to the commonly relied upon underground exchanges, U Remit protects the security and interests of remitters.
Smart text customer service	We provide text-based services to people for whom verbal communication is inconvenient, such as those with hearing impairments. These, in conjunction with automated smart service mechanisms, provide this group of customers fast and convenient financial support.

Performance of microfinance services



Note: Data available according to the actual number of available machines (deducting the number of idle machines) in 2017.

Full-service care counters



Helping through debt management

One way we manifest our “We are family” brand spirit and mission of protecting and building wealth is by assisting indebted customers from disadvantaged groups. We actively seek out disadvantaged debtors, provide assistance by helping to promote the sale of debt management customers’ products or services to increase their income, refer them to social assistance organizations, provide donations and assistance to support their children, raise funds for material resources that they lack in life, and hold internal Company group-buying activities to sell their products. These efforts help our debt management customers gain peace of mind and encourage them to continue their work toward financial stability.



Responsible investment

On Jan. 23, 2019, CTBC Bank became an official Equator Principles Financial Institution. In addition, the Bank is continuing to abide by the United Nations’ Principles for Responsible Investment and Principles for Sustainable Insurance as well as the Taiwan Stock Exchange’s Stewardship Principles for Institutional Investors, and is supporting the government’s “5 plus 2” industrial innovation plan. As it works toward strengthening its status as a financial institution characterized by sustainable investment and insurance, the Bank is also working alongside CTBC Holding's other subsidiaries to promote responsible commodities and investment.

For all loan-related business, CTBC Bank complies with the relevant rules of the Institutional Finance Core Credit Risk Management Policy. During the application process and mid-term management phase, investigating personnel exercise due diligence regarding enterprises with high levels of energy consumption, resource consumption, and pollution; labor rights disputes; corporate governance issues; and for which a major notification was issued for a legal violation, in order to guard against credit risks. Furthermore, to effectively implement responsible lending by facilitating the risk assessment of ESG-related cases, CTBC Bank maintains a code of conduct and has in place clear regulations on business activities related to letters of credit, requiring that careful consideration be given to whether the borrower is doing its best regarding environmental protection, good faith enterprise management, and social responsibility.

For project financing, regardless of the amount involved, CTBC Bank requires borrowers to comply with the minimum

requirements of the relevant laws and regulations regarding issues such as environmental protection, pollution prevention, and waste disposal, and to obtain approval from the competent authorities, including but not limited to environmental assessments. For subsequent project financing cases, in addition to requiring borrowers to maintain the relevant undertakings in their contracts, they must also satisfy new letter of credit requirements as implemented by CTBC Bank in August 2017 in order to ensure responsible investment and avoid potentially controversial cases.

In the insurance arena, Taiwan Life verifies whether corporate borrowers have performed enterprise management in good faith and are fulfilling their social responsibility. It also investigates complaints against them and requests that the results be fully disclosed in the credit approval letter, enabling the competent authorities at all levels to make appropriate financing decisions. The current loan refusal policies may be adjusted for the financing of enterprises that fail to meet ESG criteria, with appropriate financing provided to enterprises that are willing to undertake improvements and assume the corresponding responsibilities. Doing so encourages these enterprises to prioritize ESG issues and grow in line with ESG objectives, enabling us to effectively implement the spirit of the Equator Principles. Taiwan Life's Investment Policy was also revised to specify that investment units should give due consideration to the CSR responsibilities and practices when making investments, further helping foster a corporate culture of sustainable operations.

Regarding asset management, Taiwan Life and CTBC Investments adhere to Principle 5 of the Stewardship Principles for Institutional Investors and have established a clear voting policy and disclosed the details thereof. In CTBC Investments, a total of 15 motions were raised and passed by 849 votes; in Taiwan Life, a total of 15 motions were raised and passed by 966 votes.

The subsidiaries 2018 Due Diligence Performance Reports can be downloaded from their websites. In addition, another subsidiary, CTBC Securities, provides guidance to green energy-related industries, including the automotive battery and circular economy industries.



Responsible investment- and loan-related policies



Taiwan Life green investment

Period	Company	Sector	Investment amount (NT\$ hundred million)	Estimated annual power generation (10,000 kWh)	Carbon reduction (metric ton)	Carbon reduction effect as a number of Da'an Forest Parks (Note 1)
2014 to present	Star River Energy Company.	Solar power generation	1.776	5,843	30,850	117
2015 to present	Star Energy Co.	Natural gas power generation	1.71	151,000	604,000	2,309
2017 to present	Star Shine Energy Co.	Solar power generation	9	25,327	133,980	512
2017 to present	Whole Sun Power Energy Co.	Solar power generation	3.27	11,740	62,105	237
2018 to present	Dingteng Co.	Sewage treatment	3.18	-	-	-

Note 1: Da'an Forest Park, located in Taipei City, covers an area of 25.894 hectares; the calculation of the equivalent carbon reduction effect is based on an annual carbon uptake of 10.1 tons per hectare, as stated in the 2015 National Greenhouse Gas Emission Inventory (data source: http://unfccc.saveoursky.org.tw/2015nir/uploads/06_content.pdf).

Note 2: The estimated annual power generation is calculated according to the relevant parameters of the investment proposals.

In 2017, CTBC Bank issued Taiwan's first certified and priced green bond, which was warmly received by investors. In 2018, the Bank was appointed as the first financial consultant in Taiwan's offshore wind sector for the cooperation between, the Copenhagen Infrastructure Partners and local banks, Then, in early 2019, it announced that it had become an Equator Principles signatory—the 94th financial institution in the world to do so. Since Taiwan Life first took action in response to government calls for support of green energy development, in 2014, and the "5 plus 2" industrial plan, in 2017, it has made investments totaling NT\$1.89 billion. These investments include three solar energy-related projects, one natural gas power generation project, one waste treatment company, and one sewage treatment plant, with an estimated annual reduction in carbon emissions of 830,000 tons. In 2019, we expect to invest in either one or two additional solar energy-related projects and one wind power-related project, and our total investment is expected to range between NT\$1 billion and NT\$2 billion.

As well as investing in the Star River Energy, Star Shine Energy, and Whole Sun Green Power Energy solar power projects, Taiwan Life has continued to actively participate in various green energy investment opportunities. Looking ahead, it will prioritize supporting the government's green energy policy while maintaining steady profitability and protecting the rights and interests of its stakeholders. Furthermore, the subsidiary will expand its investment scope and invest in a sewage treatment plant for the dual purposes of developing a circular economy and improving the health and quality of life of Taiwan citizens.

As part of its forward-looking approach, Taiwan Life participated in a signing event by the Copenhagen Infrastructure Partners with the intent for investment cooperation, and it looks forward to its joint participation in the investment and financing of offshore wind power in Taiwan in the future.

Types of sustainable insurance

Insurance product type	Policy types	Social/environmental value	Policies	Policy premium (NT\$ 10 thousand)
Microinsurance policies	6	Insurance products with basic coverage are provided for specific risks to disadvantaged or marginalized members of society. These products are characterized by low amounts of insurance, low premiums, and simple, easy-to-understand language. They are considered commercial insurance. It is hoped that promoting microinsurance can encourage disadvantaged people to independently assess their insurance needs and transfer risk accordingly.		
Low-premium old-age	3	Low-premium old-age insurance policies are characterized by a higher age of insureds and premiums that are lower than those of other commercially available whole life insurance policies. It is hoped that providing commercial insurance for this population, some difficulties associated with aging can be avoided. The products are designed with a low insurance threshold and relatively low premiums, in accordance with the needs of older people. Taiwan Life is also the first insurer to offer, over the internet, low-premium old-age policies with the option of adding a low-premium injury rider.		
Sub-health insurance	4	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 has introduced policies specially tailored for individuals with type 2 diabetes, hepatitis B, and different cancers. This effort, which is among the first of its kind in Taiwan, is one way we are fulfilling our social responsibility to expand the scope of insureds.		
Insurance policies for people with physical and mental disabilities	1	To help ensure that those with mental and physical disabilities are properly cared for, Taiwan Life introduced Taiwan Life Love Without Barriers Whole-Life Hospitalization Health Insurance, the country's first whole-life medical insurance policy that can be purchased by people with specific mild or moderate physical and mental disabilities. The contents of the product cover hospitalization, surgery, and death. It also has a simplified insurance application process, which exempts those with supporting documents from undergoing physical examinations and allows those with specific mild or moderate physical or mental disabilities to receive lifelong medical insurance.	2018: 8,122 2017: 6,235	2018: 12,652 2017: 9,449
'Spillover' insurance policies	2	Taiwan Life actively advocates the idea that "prevention is better than cure", including by emphasizing preventive medicine and health management. Reduced premiums are used as an incentive to encourage insureds to exercise, eat healthy, and, if they have the habit, quit smoking in order to lower morbidity rates, reduce insurance claims, and indirectly ease the burden on social medical resources, thereby achieving the goals of Taiwan Life, its insureds, and the government.		
Insurance Conversion Policy	2	As Taiwan's aging problem grows more severe, life planning for older people is increasingly important. To ensure more comprehensive insurance coverage and better meet policyholders' needs, Taiwan Life has introduced a functional contract conversion (policy activation) service. Specific whole-life insurance products can be converted into medical insurance or annuity. This can save on additional premium expenditure and make good use of the life insurance, particularly, after conversion, to pay for future medical and living expenses to enable customers to enjoy a high quality of life in retirement.		
Compulsory automobile liability insurance	1	This product is based on a government policy that provides basic protection for victims of traffic accidents and assists them in having their basic living needs met.	2018: 270,367 2017: 296,355	2018: 28,278 2017: 30,469
Basic residential earthquake insurance	2	These products are offered in support of a government push for insurance to protect customers from earthquake-caused property losses.	2018: 131,142 2017: 130,927	2018: 16,737 2017: 16,648
Typhoon and flood insurance (fire insurance)	2		2018: 220 2017: 230	2018: 1,747 2017: 1,860
Typhoon and flood insurance (car insurance)	1		2018: 179 2017: 218	2018: 83 2017: 125
Typhoon and flood insurance (miscellaneous insurance)	3	Created in response to the increasing property losses caused by natural perils, this insurance risk dispersion mechanism is used to provide property protection to policyholders.	2018: 884 2017: 1,017	2018: 5,330 2017: 9,638
Typhoon and flood insurance (construction insurance)	6		2018: 1,343 2017: 1,437	2018: 759 2017: 660
Microinsurance policies (property insurance)	2	Insurance products with basic coverage are provided for specific risks to disadvantaged or marginalized members of society. These products are characterized by low amounts of insurance, low premiums, and simple, easy-to-understand language. They are considered commercial insurance. It is hoped that promoting microinsurance can encourage disadvantaged people to independently assess their insurance needs and transfer risk accordingly.	2018: 522	2018: 10

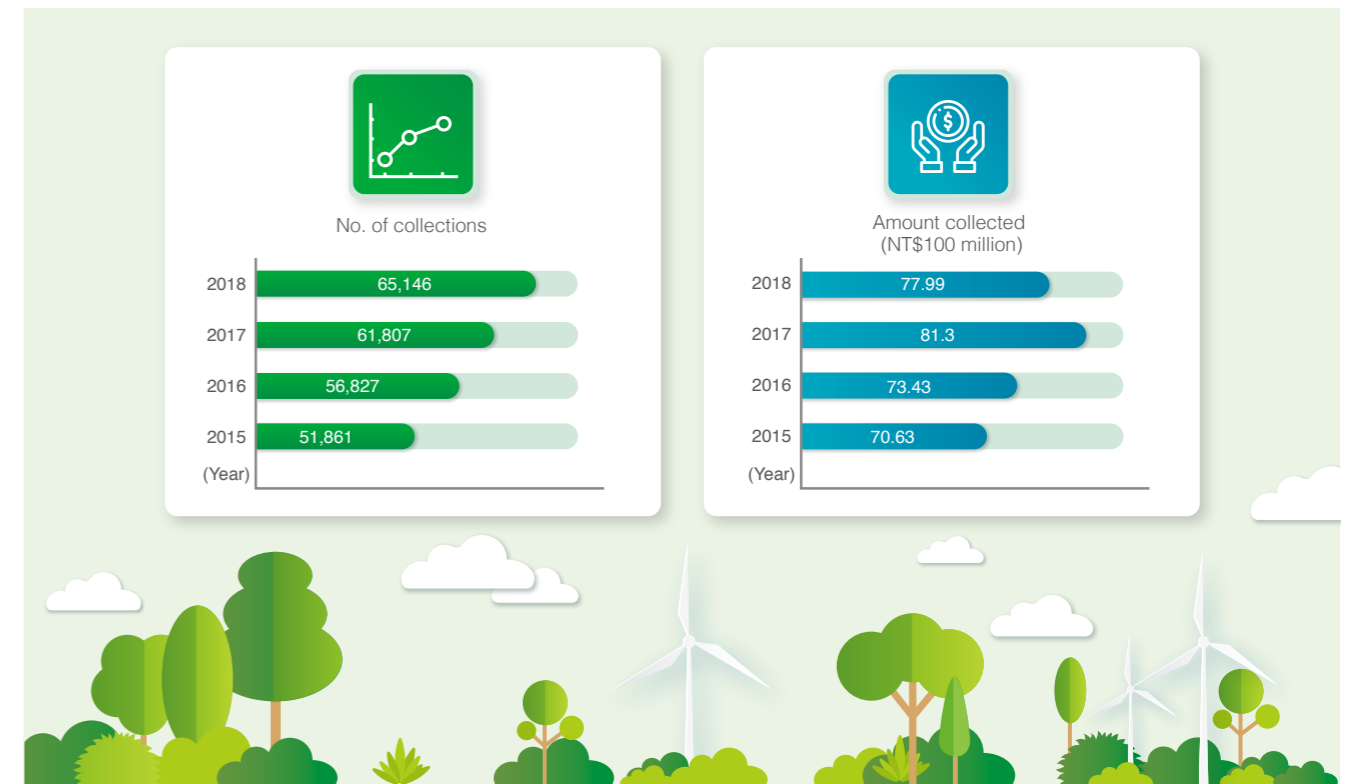
Environmentally friendly banking services

Trustee of Environmental Protection Green Points accounts

By integrating the resources of the EPA, government ministries, and the public, we reward people who purchase green products and take other environmentally friendly actions. CTBC Bank assists in safeguarding property in related trusts and allocates grants to specific agencies as directed by the EPA.

Payments to the Resource Recovery Management Fund

CTBC Bank has provided resource recovery fee collection and grant disbursement services to the EPA for more than 10 years. Since 2018, it has provided an advanced mobile payment service.



Fee collection for remediation of soil and groundwater pollution

In response to the EPA's multi-channel collection of fees issued for soil and groundwater pollution, CTBC Bank has customized its multi-channel collection services and integrated related systems, officially providing collection services for external parties since April 2017. It collected 12,143 payments totaling NT\$1.18 billion in 2018.

Green bond underwriting

We assist issuers in the issuing of green bonds and sustainable bonds, and use the funds raised to invest in clean transportation, renewable energy, environmental pollution control and prevention, and GHG emission reduction.

Conclusion

Due to such global risks as climate change, energy shortages, and ecological destruction, sustainable development has become a common goal for enterprises worldwide. CTBC Holding's efforts have yielded outstanding results in energy conservation, carbon footprint reduction, resource management, green construction, and green procurement. We have also taken up the crucial task of providing socially responsible products and making similarly responsible investments, often in support of government initiatives targeted at helping disadvantaged groups. Our ESG efforts are guided by and in compliance with the Equator Principles, the Principles for Responsible Investment, and the Principles for Sustainable Insurance, which we have integrated into our own internal practices as well as promoted externally. Driven by our sense of corporate responsibility, we are committed to effecting positive social change and contributing to the sustainable development of the global economy.

8 UNDERSTANDING

Caring for our employees



The third piece of the puzzle in CTBC Holding's continuity management strategy is "U". It stands for "understanding", specifically of how to best care for our employees. We believe that only by understanding each other can we create excellence together.

For the past 50 years, CTBC Holding has taken care of its employees like family members. We understand their diverse needs, based on which we strive to establish a safe and healthy workplace. CTBC Holding allows employees to make the most of their talents and abilities and to maintain a healthy work-life balance, thereby delivering happiness to customers in an environment of mutual assistance, love, and trust.

The concept of family is the starting point of our "We are family" brand spirit. And we are always eager to welcome diverse new talent into our ever-growing family. CTBC Holding listens to its employees through various communication channels as it aims to build a workplace culture of harmony, equality, and openness and provide employees with competitive remuneration, appropriate training, and career development plans. Those are just some of the tangible ways in which we make sure our employees feel our respect.

CTBC Holding's staff members are our most valuable asset and a key advantage in our pursuit of excellence. We practice employee care, which we consider a critical foundation for the development of human capital and an environment where everyone works together toward the goals of customer service and sustainable growth.

Talent retention and recruitment

Expanding recruitment channels to keep up with the times

CTBC Holding knows that a highly capable workforce is a necessity for a successful company; as such, it spares no effort in finding talent and investing in it. In addition to actively recruiting elite performers from outside our group, we operate the Management Associate Program to

Recruitment and talent retention

As Taiwan's financial industry leader, CTBC Holding is able to retain talent by offering not only competitive remuneration but also a variety of profit-sharing programs. The employee stock appreciation rights have a three-year extension period to further attract and retain outstanding financial talent and encourage employees to reach new heights in business performance and sustainable development.

Gender equality

As of the end of 2018, the ratio of women to men employed across the entire Company was 164:100. Women accounted for 54.7% of all managers, and nearly 60% of the employees selected as model employees every year are women, indicating the opportunities for career growth provided to all employees regardless of gender.

Competitive remuneration and benefits

In 2018, the number of non-management employees working at CTBC Holding totaled 14,487, an increase of 2.45% from the previous year. A total of NT\$23,237,148,000 was spent on welfare for employees in non-management positions. The average employee benefit expenses were NT\$1,604,000. The above figures do not include the commission-based sales representatives of Taiwan Life.

systematically cultivate new talent and develop a pool of skilled employees at every level. Hundreds of elite financial staff and dozens of young management associates have already come through the program, and we're looking forward to more talent with international and diverse backgrounds joining us and working to pursue their dreams and foster innovation.

In 2018, in response to ongoing international competition, talent outflow, and fintech development, CTBC Holding's senior executives took the lead in conducting recruitment sessions at universities and colleges as part of our strategic plan of "being strong domestically and pursuing cross-sector and cross-border opportunities". We are also opening applications for the Management Associate Program at overseas branches, including those in the United States and Japan, by providing descriptions of job openings and career development pathways. As it opens the door to fresh graduates, CTBC Holding is specifically targeting talent specializing in digital marketing, Big Data, smart development, and risk management. Furthermore, to secure our next wave of cross-border staff, we are recruiting people who demonstrate high adaptability, mobility, and ambition from different fields domestically and abroad, including multinational financial professionals who are fluent in English, Japanese, or a Southeast Asian language and are interested in building a career overseas.

Since being acquired by CTBC Holding in 2016, Taiwan Life has been expanding its business territory through successful efforts in three areas: access, goods, and services. It has launched a series of industry-first products, improved its claims service, established a video chat-based inspection report system, improved its customer service procedures, and obtained a number of Taiwan patents, all enabling its business personnel to better leverage digital tools to serve policyholders. Taiwan Life has also received recognition for its product innovation, claims settlement, and digital financial services. It not only has entered the top five insurers in scale of assets but has also become an important profit driver for CTBC Holding. Following the rapid development of its and the group's business, Taiwan Life's 2018 Management Associate Program sought to recruit emerging talent in three particular fields: investment transactions, operation planning, and insurtech.

CTBC Holding recruited approximately 5,000 people in 2018, including management associates, financial specialists, app programmers, actuarial analysts, and insurance sales personnel. In response to the fintech wave, the focus of recruitment going forward will be expanded to include more Big Data specialists, AI engineers, data scientists, business analysts, and online marketing personnel.

In response to the rapid development of its and the group's business, Taiwan Life's 2018 Management Associate Program sought to recruit emerging talent in three particular fields: investment transactions, operation planning, and insurtech. As part of our efforts to retain outstanding talent, we have introduced employee rewards such as stock appreciation rights, subscription rights for new share issues, and stock ownership trusts. For high-performing and high-potential talent, CTBC Holding provides greater job responsibilities and relatively better remuneration through an open and transparent promotion mechanism, which stimulates the organization's overall positive development. We also plan career development maps for different positions and provide professional training courses, overseas trips, job rotations, project assignments, and other opportunities to assist employees in their long-term career growth. (Please refer to the appendix 11.1-11.3 for further information on the distribution of new employees, the distribution of employee turnover, and regulations on the notice period required for resignation.)

Ensuring diversity and equal opportunity employment

CTBC Holding is proactive in improving how its employees are recruited, trained, and promoted. To facilitate the growth of our employees and ultimately enhance our competitiveness, we formulate career development frameworks and training blueprints for positions and executives at all levels, continually improve the training programs provided for talent, help employees deepen their professional skills and knowledge, and strengthen the leadership and cross-border capabilities of executives.

Regarding human rights protection, we strictly abide by the local laws and regulations of our operating locations across the globe as well as the relevant norms of international human rights so as to protect the legal rights and interests of our employees and create a diverse, open, equal, and harassment-free work environment. In addition to providing a safe, healthy, and comfortable work environment and recreational facilities that allow employees to work happily, we are also committed to eliminating various workplace health and safety risks. It's a commitment we take seriously, especially as our

number of employees and new employment rate have been growing steadily for the past two years.

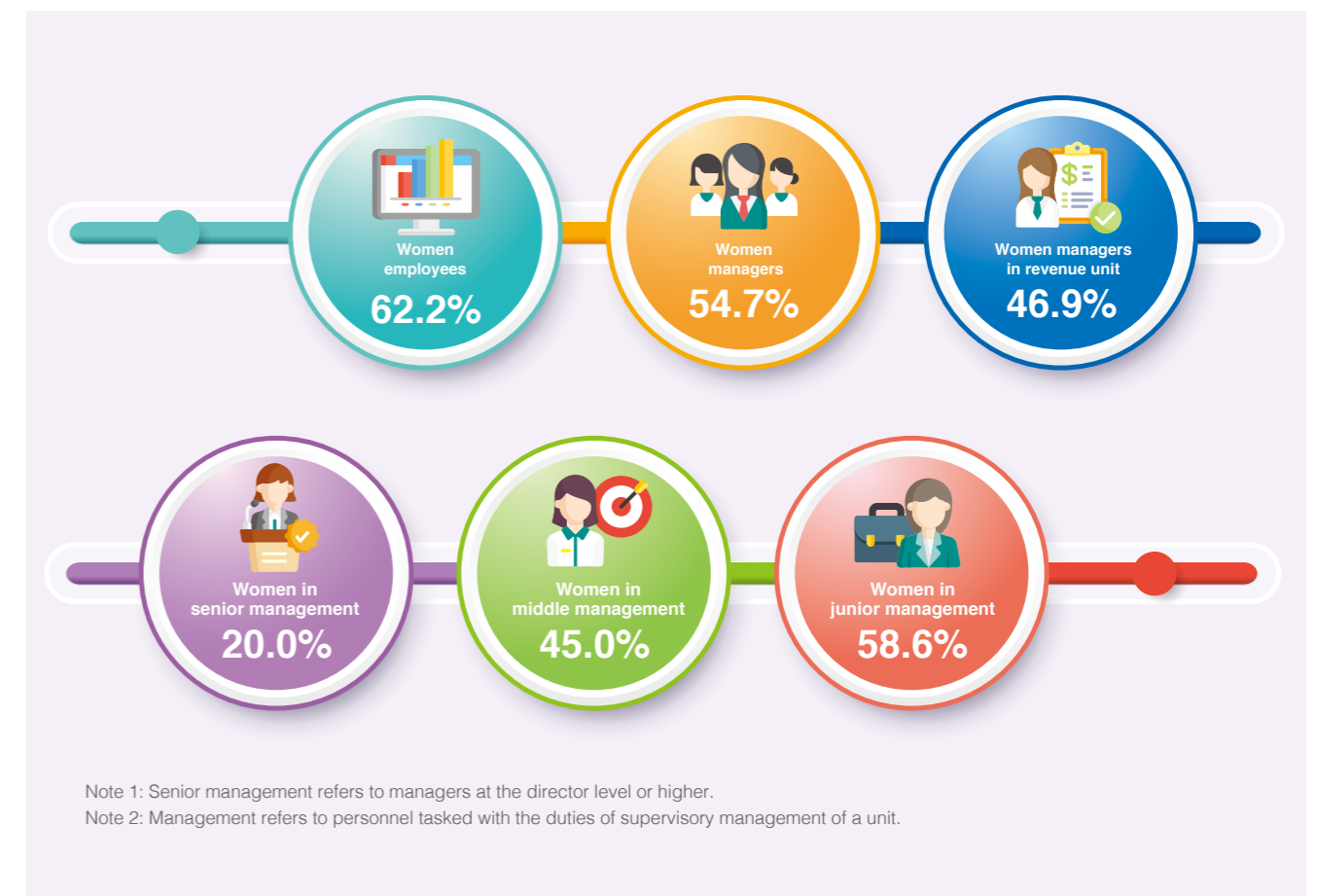
In 2018, CTBC Holding had 13,253 full-time employees, 722 non-full-time employees, and 7,932 commission-based sales representatives in Taiwan, totaling 21,907 employees. To achieve our "Taiwan Champion, Asia Leader" goal, we have been actively investing in the development and cultivation of overseas talent in recent years. At present, the main business locations of CTBC Holding are Taiwan, North America, Northeast Asia, Greater China, Southeast Asia, and Australia.

Local employees are prioritized for management positions in these locations, with Taiwan having a local employment rate of 99.9%, of which 0.62% is senior management, and with overseas locations having a rate of 88.3%. This annual report mainly covers CTBC Holding and subsidiaries CTBC Bank (including its overseas branches and branch offices), CTBC Securities, CTBC Venture Capital, CTBC Asset Management, Taiwan Life, CTBC Investments, and Taiwan Lottery; overseas subsidiaries and CTBC Security are excluded.

(Please refer to the appendix 11.5-11.6 for further information on the distribution of employment type and employee age.)

Women in management

As of the end of 2018, the ratio of women to men employed across the entire company was 164:100. Women accounted for 54.7% of all managers, and nearly 60% of the employees selected as model employees every year were women, indicating the opportunities for career growth provided to all employees regardless of gender.



Workforce diversity

CTBC Holding has always been dedicated to supporting the employment rights of people with physical and mental disabilities as well as indigenous people by providing job opportunities through various channels. We frequently assess the work performance of our employees with disabilities and adjust their roles to ensure they are in positions and conditions that exceed statutory requirements. In addition, CTBC Holding is recruiting transnational talent in Taiwan and abroad in order to expand its competitive advantages and deepen the diversity of its workforce.



Competitive remuneration and benefits

As Taiwan's financial industry leader, CTBC Holding is able to retain talent by offering not only competitive remuneration but also a variety of profit-sharing programs such as stock appreciation rights, subscription rights for new share issues, and stock ownership trusts. The employee stock appreciation rights benefit has a three-year extension period to further attract and retain outstanding financial talent and encourage employees to reach new heights in business performance and sustainable development.

In accordance with our performance management system, which links the Company's overall strategic goals to employees' individual work goals, each employee sets their individual performance goals at the beginning of the year. At the end of the year, managers evaluate the performance of employees based on their goal achievements and feedback from other managers and peers. To account for differences in the performance appraisal results of individual employees, each performance ranking is conducted with specific consideration given to the employee's unit or position, thereby enhancing the fairness and impartiality of the appraisal. Rewards, training programs, and career development opportunities are offered based on the performance of each employee. Those who demonstrate both excellence and potential are actively promoted and cultivated for higher positions and more generous remuneration through an open and transparent promotion scheme, in turn stimulating the overall positive development of the organization.

Salary framework

- Base salary:** An employee's base salary is determined according to their experience, abilities, and position. The base salary is higher than the minimum wage stipulated under the Labor Standards Act and does not vary by gender, age, nationality, or race.
- Guaranteed bonus:** Employees are paid a guaranteed bonus of up to two months' salary depending on their attendance.
- Annual performance bonus:** Annual performance bonus is determined according to the Company's business performance and the individual performance of employees.

Salary adjustment mechanism

- Market remuneration standards:** We undertake market remuneration surveys annually and adjust employees' salaries according to market standards and economic trends.
- Performance standards:** Employees' salaries are adjusted according to the Company's business performance and the individual performance of employees.
- Promotion standards:** When employees are given a higher job title, their salaries are also raised as a form of encouragement.

In 2018, there was no significant difference in the annual remuneration of women and men employed by CTBC Holding in Taiwan, neither at the management level nor the non-management level. The average annual salary adjustment was 3% and the highest personal salary increase was 17.1%, which included a pay raise after a promotion.

The total number of full-time non-management employees in 2018 was 11,853. These employees received salaries totaling NT\$16.34 billion, for an average salary of NT\$1.37 million. The calculation of these figures excluded the commission-based sales representatives of Taiwan Life. The two-year salary growth comparison cannot be provided as employee salaries in 2017 have not been disclosed.

Year	2018	2017	2016
Average salary adjustment (%)	3.0	2.8	2.9

Men's compensation as a percentage of women's compensation

Men's compensation as a percentage of women's compensation			2018	2017	2016
Management positions	All management	Salary (%)	99	101	101
		Remuneration (%)	98	99	96
	Junior management	Salary (%)	106	106	107
		Remuneration (%)	102	104	105
	Middle management	Salary (%)	102	100	107
		Remuneration (%)	106	102	111
	Senior management	Salary (%)	94	101	100
		Remuneration (%)	107	98	101
Non-management positions	Salary (%)	101	102	101	
	Remuneration (%)	95	95	93	

Note: Salary: base salary; remuneration: payments other than base salary; senior management: managers at the division level or higher; middle management: managers at the department level or higher, excluding senior management; junior management: managers with supervisory management duties below the department level.

Long-term and diversified incentives

Content of implementation	Scope	Details of implementation in 2018
<p>Employee subscription rights for new share issues</p> <p>When issuing new shares, CTBC Holding shall retain some of the shares for employees prior subscription.</p>	Employees of CTBC Holding and its subsidiaries in Taiwan	<ul style="list-style-type: none"> In the issuance of preferred shares B, 33,333,000 were retained, with employees given priority to subscribe. The annual dividend rate is around 3.75%.
<p>Savings trusts</p> <p>Employee may set aside a certain amount every month, and the Company will allocate a subsidy for the purchase of CTBC Holding shares that will be placed in a trust.</p>	Employees of CTBC Holding and its subsidiaries in Taiwan	<ul style="list-style-type: none"> Total annual assets: NT\$3.33 billion Average ROI (long-term holding): 102%
<p>Employee stock trusts</p> <p>Employees may allocate a certain amount of additional funds to purchase CTBC Holding shares. The Company will distribute a bonus of 20% over three years to encourage long-term investment.</p>	Employees of CTBC Holding and its subsidiaries in Taiwan	<ul style="list-style-type: none"> Total annual assets: NT\$3.37 billion Average ROI (long-term holding): 60%
<p>Environmental sustainability rewards</p> <p>When electricity- and water-saving projects reach their targets every year, the Company will allocate additional incentive funds as a bonus for various energy saving and carbon reduction activities.</p>	Employees of CTBC Holding and CTBC Bank	<ul style="list-style-type: none"> This was a new incentive for 2018. In the future, if the amount of electricity and water saved is higher than 1% of the total consumption, the Company will allocate additional incentives. The amount of incentives will increase with every increase in conservation.

Diversified welfare systems

To ensure employees feel like a part of our CTBC Holding family, we established the Employee Welfare Committee, which provides general care as well as a variety of additional benefit options. In 2003, CTBC Holding became the first industry player to offer a flexible benefits system for full-time employees. The system works by awarding points every year to employees, who can exchange them for products and services of their choice, including food, clothing, accommodation, transportation, education, and entertainment.

Furthermore, in consideration of employee health, the Company provides health checkup benefits that are superior to the statutory requirements. We provide one a year for employees aged 40 or older and one every two years for those under 40

years old. In 2018, the number of non-management employees working at CTBC Holding was 14,487, an increase of 2.45% from the previous year. A total of NT\$23,237,148,000 was spent on welfare for employees in non-management positions. Employee benefit expenses averaged NT\$1,604,000, less of 0.31% from the previous year. The above figures do not include the commission-based sales representatives of Taiwan Life.

Three major employee welfare programs

The core welfare system that CTBC Holding has in place provides employees not only with labor and health insurance, as legally required, but also various subsidies, such as for marriage, family funerals, childbirth, medical treatment, and children's education, as well as cash gifts for birthdays, bonuses for major holidays, emergency relief and consolation funds, comprehensive group insurance, group annuity insurance, and others. We also offer employees preferential interest rates of less than 1% for home loans, with limits varying depending on rank.



Employee leisure activities

CTBC Holding attaches great importance to ensuring its employees can spend their free time in a satisfying manner. In addition to having organized numerous leisure activities over the years, we support employees in organizing their own club activities. The Company had 28 clubs in 2018, including for golf, English speaking, music, flower arrangement, aerobics, and adventure cycling. Over the years, our clubs have organized 1,790 events participated in by 29,569 attendees. The annual subsidy for the clubs was NT\$12,195,966. Large-scale outdoor events such as the CTBC Holding Golf Tournament, Banking Cup Basketball Tournament, Banking Cup Badminton Tournament, and Banking Cup Ping Pong Tournament have also been organized. With the Company's support and their own team efforts, employees are enjoying more opportunities to get outdoors and develop a healthy body and mind.

	2018	2017	2016
Number of clubs	28	28	28
Events organized	1,790	1,378	1,150
Event participants	29,569	22,188	19,530
Club subsidies (NT\$)	12,195,000	10,200,000	9,710,000

Employee reward and recognition system

The Company has been holding a model employee competition every year since 2005, the winners of which are publicly recognized. We also run a senior employee recognition program to honor those who have been with us for the long run. Employees who have served at the Company for more than five years are awarded certificates. Those here for 5–10 years are given a one-time “golden holiday” of five paid days off, while those here for 15, 20, 25, and 30 years receive “diamond holiday” allowances of NT\$20,000, NT\$25,000, NT\$30,000, and NT\$35,000, respectively.

Employee retirement care

We make a monthly pension contribution based on each employee's salary to a special corporate pension account opened with the Bank of Taiwan in accordance with the Labor Standards Act. The Company also contributes 6% of employees' salaries to their individual pension accounts with the Bureau of Labor Insurance on a monthly basis in accordance with the Labor Pension Act. For employees who voluntarily contribute additional funds to their pensions, we deduct a proportion of their monthly salary, as decided by each employee, and deposit it in their individual Bureau of Labor Insurance accounts. As a gesture of appreciation for the contribution made by retiring employees of CTBC Bank, their service units hold retirement parties and prepare retirement gifts for them. The Company also stays in touch with and organizes social activities for retired employees every year.

Employee rights and interests

Human rights policy and risk assessment

CTBC Holding's commitment to employee care is based on human rights and gender equality. In addition to including international human rights provisions in our employee Code of Conduct, we have incorporated human rights-related issues into the training for new employees as of 2016 in order to raise awareness of these matters among employees. In 2018, the total number of trainees was 12,636, with a training completion rate of 93.9%. The overall rate of training of all employees was 57.6%, while the total number of training hours totaled 12,636. As part of our support of the International Bill of Human Rights, we established the CTBC Holding Human Rights Policy as well as human rights risk assessment and management procedures in 2018. In the future, the Company will regularly assess risks of human rights infringements, map out improvement measures based on the assessment results, and work toward the goal of zero human rights risks in the workplace. In 2018, there were no reported cases in CTBC Holding of discrimination, child labor, or forced or compulsory labor or any incident infringing on employee interests. Moreover, the Company has established policies, such as its Workplace Rules and Sexual Harassment Prevention Measures, Complaints, and Disciplinary Approach, in accordance with the relevant laws and regulations in order to protect the rights and interests of employees and maintain a harassment-free work environment. The Company regularly appoints labor-management representatives to hold meetings on the rights, interests, and welfare of its employees. The relevant regulations and employee handbook are available on its internal website for reference by employees at any time.



To protect the labor rights of its employees, CTBC Bank established the Workplace Unlawful Infringement Prevention Plan in 2017, which standardizes hazard identification and risk assessment to enable all branches to control and manage risks at all levels. In 2018, CTBC Bank further established the Workplace Maternal Health Protection Plan, Overwork-Related Hazards Prevention Plan, and Ergonomic-Related Hazards Prevention Plan. In the same year, we fully incorporated ISO 45001 Occupational Health and Safety Management Systems standards to ensure employees' physical and mental health and safety in the workplace and protect their rights and interests.

Labor-management relations

To maintain good labor-management relations and build a harmonious communication platform that gives both sides equal footing, CTBC Holding arranges labor-management meetings on a regular basis. During each session, all employees formally vote and elect labor representatives to work with the representatives appointed by the management. None of the labor representatives may hold management positions. Furthermore, for any gender that constitutes half or more of all employees, at least one-third of all representatives must be of that same gender. All motions related to labor conditions must be approved during labor-management meetings, set forth in the work rules, and announced to all employees.

Employee welfare matters must be regularly reported at the labor-management meetings. In 2018, CTBC Holding and its subsidiaries engaged in 17 labor-management dispute mediation cases, all of which have been appropriately resolved and closed.

Two years after the Taiwan Life labor union was founded in 2013, it signed its first collective agreement with the insurer, which also marked the first such agreement signed by our group. The agreement assures the rights and interests of employees and includes health and safety-related issues. The coverage rate for the agreement is 11.6%.



Taiwan Life labor union membership is open to Taiwan Life employees only; all office employees, excluding those at the district manager level and above, can join. Dispatched employees must be in a business development specialist position or higher to join. The collective agreement covered 8.3% of all eligible employees as of Dec. 31, 2018.

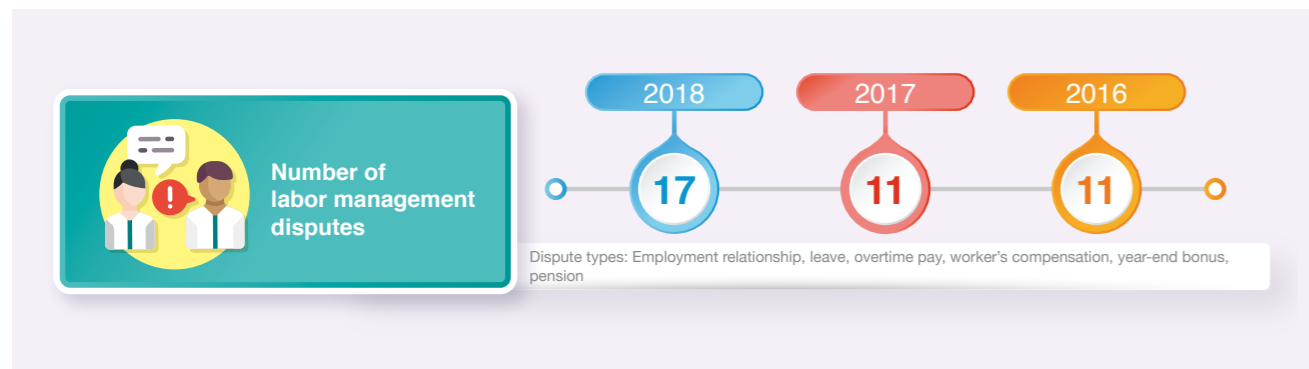
Employee opinion survey

CTBC Holding conducts employee opinion surveys once every two years. By tracking the results of these surveys, we hope to gain a better understanding of the feelings and thoughts of our different generations of employees and gauge the gap between peer recognition and external benchmarks. This insight helps us implement corresponding policies and amendments to the management system in order to provide employees with a better workplace, boost employee loyalty, and facilitate the favorable long-term performance of the organization.

A total of 12,095 employees completed the online survey in its most recent iteration in 2017. The overall participation rate was approximately 87%, and action plans were established according to the survey results. In the “team”, “reward and welfare”, “care for talent”, and “innovation” areas, employees indicated that they believed CTBC Holding had surpassed global benchmarks.

Although no CTBC Holding employee survey was conducted in 2018, our banking subsidiary participated in the selection process for the HR Asia Awards’ Best Companies to Work for in Asia Award. According to the results of the questionnaire conducted with CTBC Bank’s employees by the award organizers, the emotional involvement and work motivation (4.01 points out of 5) and recognition (4.19) of employees were significantly better than the industry averages (3.66 and 3.64, respectively), ultimately earning CTBC Bank a Best Companies to Work for in Asia Award.

Labor-management disputes



Human rights risk assessment and management measures

Item	Issue	Target	Indicator and definition	2018 risk value	2018 human rights risk assessment result	Mitigation measures
1	Diversity and equality in the workplace	Physically or mentally disabled employees	Employment rate of physically or mentally disabled employees = number of insured units with insufficient physically or mentally disabled employees for the current year / total number of insured units	0%	All relevant insured units meet the quota of physically or mentally disabled employees; the risk was determined to be low.	1. All insured units shall employ a sufficient number of physically or mentally disabled employees in accordance with the standards of the law. 2. Construct a barrier-free workplace environment that is disabled-friendly.
2	Prohibition of child labor employment	New employees	Zero child labor	0%	No minor under the age of 16 was employed; the risk was determined to be extremely low.	1. Recruitment phase: Applicants should indicate the correct date of birth on their resumes and sign to guarantee the correctness of the information. 2. Reporting phase: Employees must submit their identification documents on the day they are to commence employment.
3	Prohibition of employment discrimination	New and existing employees	Incidence of employment discrimination cases = number of cases of employment discrimination as determined by the competent authority in the current year / total number of employees	0%	No employment discrimination cases; the risk was determined to be extremely low.	1. The employee handbook specifies that discrimination against job seekers or employees on the basis of race, class, language, ideology, religion, party affiliation, ancestry, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical or mental disabilities, or previous trade union membership is strictly prohibited. The employee Code of Conduct pledges to establish a diverse work environment free from discrimination and harassment. 2. The Employee Appointment Administration Measures specify that all appointment practices should be based on the principles of fairness, justice, and openness in order to avoid any form of employment discrimination.
4	Prohibition of sexual harassment	All employees	Incidence of sexual harassment complaints = number of persons involved in sexual harassment complaints accepted by the Company internally in the current year / total number of employees	0.0003%	Investigation found no confirmed cases; the risk was determined to be low.	1. Formulate a Sexual Harassment Prevention Measures, Complaints and Disciplinary Approach policy in accordance with the statutory provisions. 2. Establish a dedicated unit for sexual harassment complaints, a dedicated line for complaints, and a dedicated email address for handling relevant cases, in accordance with the law. 3. Organize related educational courses on a regular basis.
5	Good labor-management relations	All employees	Labor-management dispute involvement rate = number of persons involved in labor-management disputes as accepted by the competent authority in the current year / total number of employees	0.16%	The rate was lower than the 2017 national labor-management dispute rate of 0.485% as determined by the Directorate General of Budget, Accounting and Statistics; the risk was determined to be low.	1. Establish various personnel management systems to ensure the rights and interests of employees in accordance with relevant labor laws and regulations. 2. Conduct regular labor-management meetings and employee opinion surveys to understand employee needs and address their issues of concern. 3. Set up an employee care mechanism, accept employees' complaints through multiple channels, handle complaints impartially and properly in a confidential manner, and eliminate potential labor-management disputes.
6	Employee health management	All employees	Risk management indicator for physical and mental health = number of questionnaires with high risk results as determined by doctors / number of survey questionnaires with suspected physical and mental health risks	0%	No high-risk cases	Execute employee physical and mental health management policies such as the Workplace Maternal Health Protection Plan, Overwork-Related Hazards Prevention Plan, and Ergonomic-Related Hazards Prevention Plan through the analysis of employee health checkup data, and follow the appropriate advice and management guidelines of doctors.
		All employees	Disease risk management indicator= 1. number of high-risk disease cases / number of cases upon effective data analysis 2. number of work cases to be adjusted as recommended by doctors / number of high-risk disease cases	1. 0.00069% 2. 2.0%	1. Three employees were in a high-risk condition after the performance of health tracking by the nurses 2. No health risks were caused by job duties	Assist the disease risk management of those with a 10-year risk of cerebral and cardiovascular stroke, as identified by doctors based on annual checkup results. Specifically, formulate employee health management strategies and carry out assessment and adjustment in a timely manner through occupational health and safety medication specialists and nurses.
7	Workplace safety management (Note)	All employees	Workplace safety risk management indicator = number of high-risk items of workplace safety / total number of risk assessment items	2.96%	The analysis data in 2018 were calculated based on the classification of risks and hazard identification of the place of duty in CTBC Bank.	Quantify the different potential hazard levels and controls through workplace risk assessments.

Note: Regarding Item 7, the workplace safety risk management indicator, Taiwan Life did not carry out the systematic assessment and analysis in 2018, hence the relevant data could not be provided. The assessment and analysis procedures of the workplace safety risk management indicator will be established during the application for ISO 45001 certification in 2019, and the correct data of 2019 will be provided in 2020.

Employee feedback processing

	2018	2017	2016
Employee feedback submissions collected through internal website	68	76	152
Main issues	<ul style="list-style-type: none"> Food quality Environmental hygiene Performance appraisals Office software and hardware issues 	<ul style="list-style-type: none"> Food quality Internal communication Salary and performance Office software and hardware issues 	<ul style="list-style-type: none"> Food quality Internal communication Salary and performance Workplace advice
Improvement measures	<ul style="list-style-type: none"> Food quality: Implemented food safety controls, daily sampling of boxed lunches, and a feedback response mechanism as well as arranged monthly meetings with lunch suppliers, inspections of lunch suppliers' kitchens, and the maintenance of cleaning records for these kitchens in order to ensure food safety and quality. Environmental hygiene: Placed greater emphasis on key hygiene areas. Performance appraisal: Communicated with relevant parties to resolve the stated concerns of the employees. Office software and hardware issues: Communicated with the employees who submitted the related feedback and responded to their suggestions on a case-by-case basis. 		

Employee Hotline

We have set up a dedicated communication channel to receive and investigate employee complaints. Employees may make submissions in writing (by post or email), by phone, or in person (by speaking to a HR manager). All complaints are handled in a confidential manner to protect the rights and interests of employees. (Please refer to the appendix 11.4 for employee communication channels.)

Attendance and absenteeism and childcare/childbirth subsidies

As part of its efforts to provide a safe and friendly work environment for its employees, CTBC Holding has support mechanisms in place for women and families, such as menstrual leave, parental leave, paternity leave, family care leave, and childcare subsidies. In 2018, a total of 168 employees from various units were on unpaid parental leave, and the return-to-work rate was 69.64%. The number of employees who applied for a childcare subsidy reached 1,117, while the subsidies paid out totaled NT\$16,123,354. To encourage employees to have more children and play a part in boosting Taiwan's low birth rate, we also offer a maternity allowance of up to NT\$4,000 per child. The crude birth rate of CTBC Holding employees in 2018 was 30.73‰, far above the national rate of 7.56‰, highlighting the success of the Company's welfare and benefit measures.

Unpaid parental leave

	Men	Women	Total
Employees eligible for unpaid parental leave in 2018	445	830	1,275
Employees who applied for unpaid parental leave in 2018	19	166	185
Employees able to return to work from unpaid parental leave in 2018 (A)	11	157	168
Employees who returned to work from unpaid parental leave in 2018 (B)	7	110	117
Return-to-work rate in 2018 (B/A) (%)	63.63	70.06	69.64
Employees who returned to work from unpaid parental leave in 2017 (C)	19	131	150
Employees who returned to work after unpaid parental leave in 2017 and completed one year of service in 2018 (D)	11	103	114
Retention rate in 2017 (D/C) (%)	57.89	78.62	76.00

Workplace health and safety

	Occupational health and safety committee	Percentage of labor representatives	Meeting frequency	Job duties
	1 chairman 4 occupational health and safety personnel 5 nurses 7 labor representatives	More than one-third	Quarterly	<ul style="list-style-type: none"> Advise on health and safety policies Monitor the health and safety management plan Review health and safety education and training programs Track work environment monitoring results Promote occupational disease prevention and health management

Occupational health and safety training

General training

CTBC Bank conducts training on occupational health and safety education every year to improve employees' health and safety awareness. In 2018, the coverage rate of all active employees who had participated in the training was 97.9%, representing 10,425 employees. In addition, 1,172 new employees received on-board training.

Certification training

CTBC Bank regularly arranges for professional certification training for employees in every region where it maintains a presence. Recipients of this training include occupational health and safety personnel, first-aid personnel, and fire prevention managers; the training is aimed at instilling health and safety concepts in the work habits of employees at every level.

On-site training for contractors

When it comes to occupational safety, CTBC Bank leads by example: it works with its vendors and other partners to jointly address occupational health and safety issues. For example, contracted construction companies are required to accept the Bank's standards for work hazard notifications and random inspections. Vendors are also encouraged to implement independent management and contracting management.

	2018	2017	2016
Employees who received initial and refresher training on occupational health and safety management	309	522	317
Refresher training completion rate (%)	100	100	100
Initial training completion rate (%)	100	100	100

	2018	2017	2016
Employees who participated in health and safety education (persons)	12,425	12,072	9,730
Coverage rate (%)	97.9	96	94
New employees who received health and safety education and training	1,172	-	-
Coverage rate (%)	98.7	-	-

Disabling injuries

If an employee is injured at work, the Company will grant the employee occupational injury leave in accordance with the relevant regulations and the situation and assist them in applying for a labor insurance subsidy so as to provide the employee with the necessary assistance in the shortest possible time and minimize the impact of the injury. In 2018, a total of 18 people applied for occupational injury leave, and the number of days of occupational injury leave was 502.5. Of these 18 people, 13 cited a fall or slip, 3 cited bruising, and 2 cited a pinch or crush injury. There were no deaths resulting from the performance of duties, and related indicators have been on a downward trend. In addition, the Company did not receive any notification of disabling injury cases from any contractor in 2018.

Year	2018			2017			2016			2015		
Total working hours	26,813,696			26,485,077			26,324,000			22,417,408		
Total work days	3,351,632			3,313,908			3,290,500			2,802,176		
Gender	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees with disabling injuries	3	15	18	2	10	12	1	12	13	2	10	12
Work days lost due to disabling injuries	208	294.5	502.5	184	102.5	286.5	149	115.5	264.5	14.5	193.5	208.0
Disabling frequency rate	0.11	0.55	0.67	0.08	0.38	0.45	0.04	0.46	0.49	0.089	0.446	0.535
Disabling severity rate	7.75	10.98	18.7	6.95	3.87	10.82	5.66	4.39	10.05	0.647	8.632	9.279
Rate of absenteeism due to disabling injuries (%)	12.41	17.57	29.98	11.10	6.19	17.29	9.06	7.02	16.08	1.035	13.811	14.846

Note 1: Total working hours = total number of employees × working hours per day × actual number of work days per year; total work days = total number of employees × actual number of work days in the year.

Note 2: Number of employees with disabling injuries: Number of employees who were temporarily unable to return to work after sustaining an occupational injury in the workplace.

Note 3: Number of lost work days due to disabling injuries: Number of work days lost because employees were temporarily unable to return to work after sustaining an occupational injury in the workplace.

Note 4: Disabling frequency rate = total employees with disabling injuries × 1,000,000/total working hours.

Note 5: Disabling severity rate = total lost work days due to disabling injuries × 1,000,000/total working hours.

Note 6: Absenteeism rate due to disabling injuries = total lost work days due to disabling injuries / total work days × 200,000.

Note 7: Taiwan Life was acquired by CTBC Holding in 2016; therefore, it is not included in the 2015 data.

Absenteeism

Year	2018			2017			2016			2015		
Gender	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of days absent	4,302.00	11,992	16,294.00	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
Absenteeism rate (%)	0.12	0.35	0.48	0.10	0.30	0.40	0.11	0.36	0.47	0.08	0.27	0.35

Note 1: Total number of work days = total number of employees × actual number of work days in a year; total number of work days in 2018: 3,351,632; total number of work days in 2017: 3,313,908; total number of work days in 2016: 3,290,500; total number of work days in 2015: 2,802,176 days.

Note 2: Number of days absent = occupational injury leave + menstrual leave + sick leave.

Note 3: Absenteeism rate (%) = total number of days absent / total number of work days × 100%.

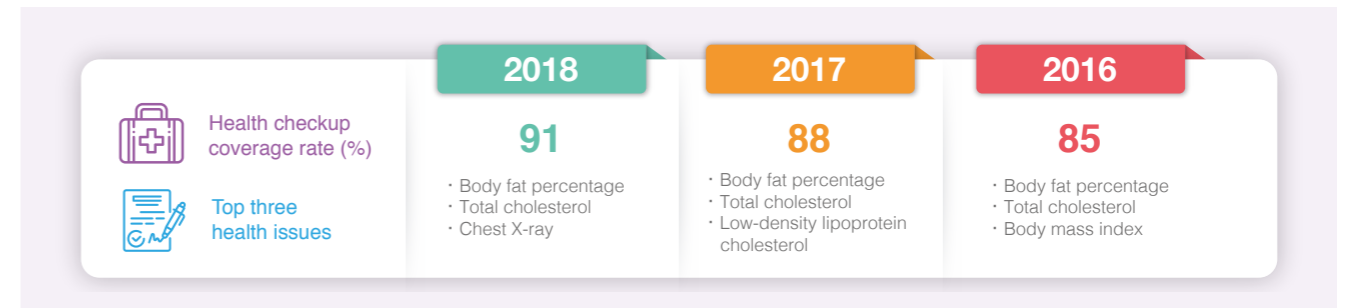
Note 4: Taiwan Life was acquired by CTBC Holding in 2016; therefore, it was not included in the 2015 data.

Health promotion in the workplace

To cultivate a healthy workplace, the Company has a dedicated team of health care personnel who analyze the health status of employees and the effectiveness of their health management and epidemiology based on their annual health examinations. We also organize annual health management plans and health promotion activities by leveraging the resources of the Company, the government, and vendors, such as annual health checkups, on-site doctor services, health seminars, blood donations, and physical fitness activities. Furthermore, we provide case-by-case health care management such as support and follow-up services for employees with potential health risks. Using the plan-do-check-action occupational health management operation process, the Company is able to detect health-related risks in advance and provide medical treatment early or employee lifestyle adjustments, reducing injury leave and turnover rate.



Employee health checkup findings



In 2018, 134 health-related activities were held, including on-site doctor services, occupational health seminars, and health promotion events, with a total of 2,176 people taking part in the health promotion activities alone. On-site doctor health services were provided eight to nine times per month by each of the Bank's branches. Doctors and health care personnel of the Bank carried out health care management and established tracking, care, and effectiveness evaluation mechanisms on a case-by-case basis in accordance with the health protection plan developed by the Bank for ergonomics-related musculoskeletal injuries, maternal health protection, and overwork-related disease prevention. We achieved favorable disease prevention and control and implemented effective management and analysis of our employees' annual health examination results. The chest X-ray examination results were examined and determined by adjunct doctors for classification and follow-up management. The Bank also instituted health care reminders for high-risk employees, enhanced employees' awareness of their own health management, and implemented healthy workplace plans. We also received Workplace Health Promotion Badge certification from the Health Promotion Administration in 2018 for the third consecutive year. The activities held in 2018 had high satisfaction scores averaging 4.68 points or more out of 5. The Company's Nangang headquarters, CTBC Financial Park, has received government recognition such as Nursing Room Excellence Certification and Healthy Workplace Certification since 2015. To promote their health and productivity, the Company encourages its employees to cultivate a habit of exercising regularly. It has also been recognized for these efforts, having been rewarded Taiwan iSport Corporate Certification in 2016 for implementing health promotion measures and creating a quality work environment.

	2018	2017	2016
On-site doctor visits	104	52	32
On-site employee consultations	759	549	393
Satisfaction rating for on-site doctor visits (out of 5)	4.5	4.94	4.88
Occupational health seminars	4	14	4
Occupational health seminar attendees	224	609	283
Satisfaction rating for occupational health seminars (out of 5)	4.5	4.68	4.69
Health promotion activities	28	17	10
Health promotion activity participants	1,183	542	419
Satisfaction rating for health promotion activities (out of 5)	4.8	4.85	4.82

Employee health care measures

Nutrition	<ul style="list-style-type: none"> Calorie counting and balanced diets were promoted to give employees greater control over their physical health.
Flexible work hours	<ul style="list-style-type: none"> Flexible working hours were introduced, with employees given 30 minutes of leeway in when they choose to start and end their workday. This reduces the peak-hour foot and vehicle traffic as well as allows employees to manage their attendance.
Childcare	<ul style="list-style-type: none"> A flexible welfare system was implemented in the form of a points-based system that allows employees to exchange their points for various goods and services, including child care subsidies. CTBC Holding has also signed contracts with education providers to arrange for discounts at select kindergartens.
Stress management	<ul style="list-style-type: none"> To serve the public good and maintain employees' physical and mental health, CTBC Holding has an ongoing partnership with the Taipei City Association for the Promotion of Quality of Life for Visually Impaired People. Together, we have established a massage and relaxation center that employs 16 visually impaired professional masseurs. The center gives our staff an easy means of releasing stress during breaks, relieving their physical and mental fatigue and in turn improving their work efficiency. Happiness seminars with diverse themes are regularly organized. Celebrities and relationship experts are also invited to discuss happiness-related topics in various fields.
Work environment	<ul style="list-style-type: none"> CTBC branches conduct environmental disinfection for pests every three months, and office buildings undergo a separate disinfection process for bacteria as well as pests every month. The indoor temperature is set to 26 degrees Celsius. The offices on each floor are equipped with CO₂ sensors, and the humidity is controlled by the air-conditioning system to ensure a comfortable work environment. An unlawful infringement evaluation system is used to examine the physical and mental impact of the work environment on the employees.
Gym	<ul style="list-style-type: none"> CTBC Financial Park has a comfortable and modern fitness center equipped with various equipment and facilities.
Non-work related stress	<ul style="list-style-type: none"> We have partnered with the Taiwan Institute of Psychotherapy to provide each employee with eight sessions of free counseling every year, giving them an effective means of resolving any psychological, emotional, and workplace relationship issues.
Ergonomic-related injuries	<ul style="list-style-type: none"> CTBC Holding has developed and implemented an Ergonomic-Related Hazards Prevention Plan to reduce musculoskeletal injuries caused by repetitive workplace tasks. The occupational health and safety personnel and medical specialists assess employees and screen high-risk individuals by assessing the work environment and conducting a questionnaire on their awareness of musculoskeletal symptoms. Sessions with the occupational medical physicians are then held to provide health guidance and assess employees' fitness to work. In addition, nurses conduct follow-up care and case management, providing health information and activities; In 2018, under the health management and guidance of our health care personnel, seven employees achieved notable health improvements and had their injuries managed so as not to affect their work.
Maternal health protection	<ul style="list-style-type: none"> To help our child-bearing employees maintain a healthy work-life balance, we have implemented maternal health protection guidelines for the evaluation, care, and tracking of the physical and mental health of pregnant and postpartum employees, effectively reducing operational risks and making the workplace more caring and comfortable.
Workload	<ul style="list-style-type: none"> For high-risk groups, the Overwork-Related Hazards Prevention Plan has been formulated and individual health management evaluated by the medical team to reduce the risk of workload-related conditions.

Career management and training

CTBC Holding has gathered talented professionals from different fields through multiple recruitment channels and has established a strength-based talent development and cultivation system in accordance with the strategic direction of the Company. To meet the development needs of employees at all levels, a dual-track development system for both experts and managers has been established and career development road maps have been created for different positions. Furthermore, the Company provides professional training courses, management development training, international courses, overseas training, soft skills training, financial certification training, and opportunities such as overseas visits, job rotations, and project assignments to assist employees in their long-term career development.

A total of 2,623 classroom courses were held in 2018, with a total of 49,461 participants. Meanwhile, 980 online courses were held, with a total of 200,548 participants. The employee training hours amounted to 687,194, for average training hours per participating employee of 39.1. The total training cost was NT\$70,730,000.

Education and training

CTBC Holding sets a training and development direction every year and launches various training programs accordingly. The main objectives of the institutional banking sales training program and the life insurance agent training program are to enhance the professional competencies of sales personnel and thus drive performance growth.

We utilize the Kirkpatrick Model to review the learning outcomes of our training programs, but we are committed to more deeply evaluating the programs' effectiveness. We are doing so by referring to Jack Phillips' ROI training methodology, namely the Level 5 ROI evaluation. The ROI of our training programs is calculated by using the relevant quantitative data of training effectiveness to verify the programs' economic benefits.

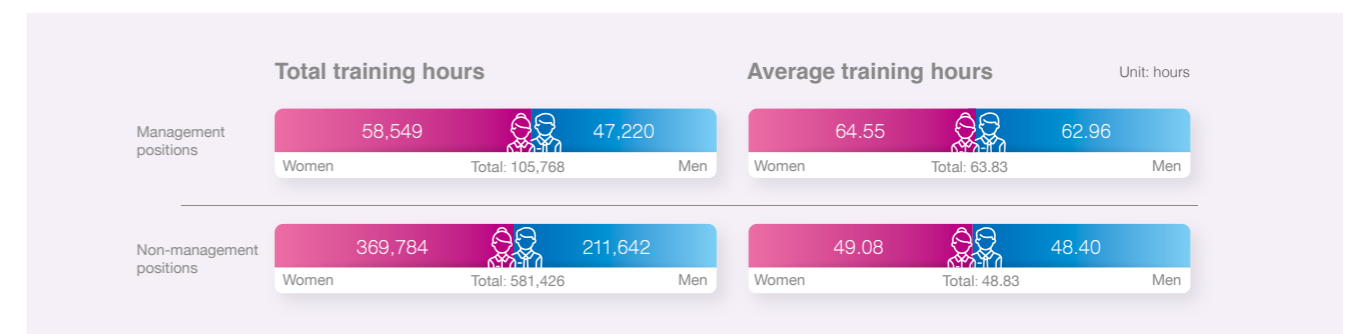
	2018	2017	2016
Classroom training sessions	2,623	2,164	1,968
Classroom training participants	49,461	33,710	32,945
Online training sessions	980	735	674
Online training participants	200,548	161,744	89,127
Total employee training hours	687,194	535,718	448,598
Average training hours per person	39.1	37	33
Total employee training expenses (NT\$ thousand)	7,073	6,143	6,244
Average training expense per person (NT\$)	4,024	4,197	4,554
New employees trained	7,628	4,303	3,619
New employee training hours	62,010	47,200	64,012

Note 1: Including the participation of subsidiaries, excluding Taiwan Life, in Bank-organized training courses (expenses/number of employees/hours).

Note 2: Excluding expenses for training courses organized by CTBC Holding and three of its subsidiaries, namely Taiwan Lottery, CTBC Investments, and CTBC Securities.

Note 3: Excluding CTBC Bank on-the-job training.

Note 4: Taiwan Life is not included in the data for 2017 and earlier.



Evaluation based on the Kirkpatrick Model.



Key employee development programs

Program	Training purpose	Training content	Operational efficiency	Target
Institutional banking ARM/RM training	Enhancing product expertise, credit investigation capabilities, and sales skills to help the Company expand its business and increase its revenue.	<ol style="list-style-type: none"> ARM orientation period: Comprising 56 hours of courses over eight days, comprising credit training, financial analysis, industry analysis, credit investigation report writing, and field visits. ARM employment period: ARMs must complete the six compulsory courses before applying for credit personnel qualification review. After completing the work qualification and certification eligibility tests, as well as relevant required courses, ARMs can apply for an RM qualification assessment. After taking on the role of an RM, an employee's training content includes courses on financial products, professional sales skills, and credit risk case studies. 	Increased number of clients and product sales.	506 RMs and ARMs
Life insurance agent training	Elevating the professional competencies of life insurance agents.	A set of standardized and systematic professional education and training programs has been implemented, covering training content such as product information, certification and examination, customer needs, and policy consultations. A system that encompasses basic, interim, and certification training has also been established.	Increased new policyholders and first-year premiums.	7,932 insurance agents
Autonomous learning	Providing convenient learning resources and platforms to enable employees to strengthen their professional and management capabilities at any time and place, and to build a foundation for diverse career development.	<ol style="list-style-type: none"> Learning resources: <ol style="list-style-type: none"> Personal development classroom programs: These programs cover six areas, namely communication, service, planning, presentation, creativity, and personal development. There are 24 classroom courses and 12 online courses in total. The Leader Campus of Commonwealth Magazine: We have partnered with Commonwealth Magazine to introduce over 990 courses from its Leader Campus program in addition to after-course learning resources. Happiness seminars have been organized to help employees recharge after work, with 10 of them held. Language learning: We have partnered with <i>Live ABC</i>, American Magazine Center, and Colanekojp to provide employees with interactive learning platforms on which to improve their English and Japanese proficiency. Learning platforms: <ol style="list-style-type: none"> CTBC e-Academy: Employees are able to search and register for courses, browse a depository of articles, and engage in e-learning. Online library: Employees are able to borrow books online, find book and periodical resources, and make database queries. 	At the end of 2018, the number of people who visited the CTBC e-Academy website was 13,586, and 6,150 people had downloaded the app.	All employees

Human capital ROI

When it comes to human capital ROI in a labor-intensive service industry, CTBC Holding hopes to improve the capabilities of its employees through education and training, thereby realizing the joint development of employees and the Company's business goals and strategies. Human capital ROI has been introduced over recent years to calculate the return from each dollar of investment in human capital. It is one of the most important indicators used in evaluating the medium to long-term performance of the Company.

Year	2018	2017	2016	2015	2014
Human capital ROI	8.31	9.06	9.07	6.47	6.70

Note: Human capital ROI = return - (operating expenses - (salary expenses + welfare expenses)) / (salary expenses + welfare expenses)

Conclusion

CTBC Holding has always believed that understanding is at the heart of caring for its employees. By treating employees like family, we can genuinely care for them, listen to their concerns, and anticipate their needs. We believe that we can realize the classical Chinese vision of Great Unity—a world in which retirees are supported, adults make the best use of their abilities, children are nurtured, and disadvantaged groups are cared for. CTBC Holding also strongly believes that talent is the key asset that keeps an enterprise competitive. It's a belief that will drive us to continue investing more resources to improve our employees' competencies, ensure that the right people are in the right positions, expand our recruitment, and optimize our talent retention system in order to attract elite professionals who will grow and flourish in tandem with the Company. We are confident that our happy, positive, and comfortable workplace will power our Company, employees, and community as a whole toward a brighter future.

9

SATISFACTION

A full range of products and services



Meeting our customers' needs is a core mission of CTBC Holding—it is a key force driving us to continually improve. The fourth element in our TRUST approach is “S” for “satisfaction”, which we achieve by listening to the needs of our customers at home and abroad and leveraging our existing strengths and digital banking technologies to launch high-quality innovative products. With our comprehensive range of products and services, we hope to create Taiwan’s most secure and satisfying financial experience.

We deliver on our promise of caring, professional, and trustworthy service by delivering banking that is secure, thoughtful, and personalized. Through the digitalization of various financial services, which allows them to be free from time and space constraints, we are actively strengthening information security controls as well as enhancing our employees' professionalism and awareness of new threats in order to ensure the comprehensive protection of customer data. We adhere to strict professionalism in the provision of our financial services to actively promote financial management education, convey sound financial management concepts, and practice our “We are family” brand spirit as we create wealth and a better future together with our customers.

Service quality

As part of our commitment to giving customers an easier, more enjoyable banking experience, we are actively introducing innovative services, including integrated mobile apps, payment management platforms, and 24-hour ATM services in order to create a customer-centric digital finance roadmap comprising three main elements: innovative integrated digital financial management, an innovative payment ecosystem, and a community finance ecosystem.



Innovative payment ecosystem
We were the first bank in Taiwan to introduce shopping-discount rewards points for credit card spending. In 2018, we expanded the number of locations at which the LINE Points can be collected by LINE Pay cardholders.



Community finance ecosystem
CTBC Bank has placed ATMs in approximately 5,100 24-hour 7-Eleven convenience stores nationwide, providing foreign currency exchange, policy loan services.



Digital finance
We established a data R&D center and the FinTech Investment Center. Our industry-pioneering cooperation with music-streaming giant KKFARM, owner of KKBOX, bore fruit with the completion of Taiwan's first-ever commercial transfer.

The roadmap's destination is a service environment in which customers' everyday financial needs can be satisfied anywhere, anytime, namely through mobile devices, the internet, and convenience stores.

Innovative integrated digital financial management

To ensure competitiveness in the rapidly developing arena of financial technology (fintech) and to satisfy customers' diverse digital financial management needs, we have developed numerous patented technologies and system platforms as well as adopted innovative services to integrate these platforms. Through our combination of Big Data analytics, cloud databases, and videoconferencing, our customers are able to enjoy the most convenient and secure services from home, whether related to financial management or insurance.

Digital 4 U service suite

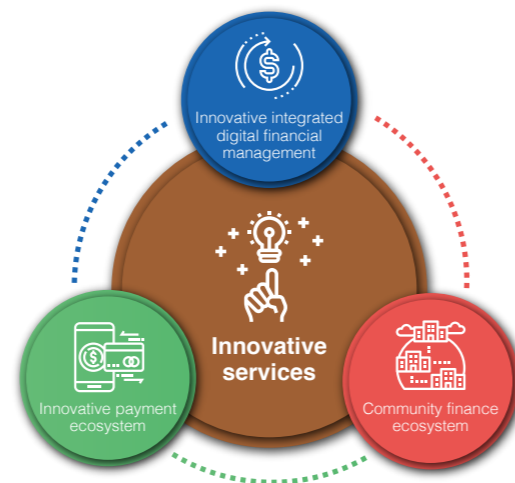
CTBC Bank has launched Digital 4 U, a set of innovative digital financial management services ranging from investment and expense tracking to loans and insurance. Designed to help customers master their cash handling, the suite puts the following tools at their fingertips:

1. **ROBOGO:** CTBC Bank has become the first bank in Taiwan to introduce an auto-rebalance investment strategy. Created by investment and financial engineering specialists working with a software development team, ROBOGO utilizes Big Data analytics to rapidly and dynamically adjust asset allocations according to current market conditions in order to maintain optimal performance.
2. **Smart Balance:** This account balancing platform helps customers automatically record their income and expenses.
3. **Loans:** Our smart loan services cater to customers with housing and credit loans through the iMortgage and Online Loan tools, respectively.
 - **iMortgage:** This tool features two innovative patented technologies, namely the Housing Auto-valuation System and the System of Assessing Valuation of Building and Granted Amount of Loan. The Housing Auto-valuation System provides customers with quick, accurate home valuations by analyzing data such as the characteristics of a home, its surrounding environment, related public information released by the government, and the details of previous property appraisals by CTBC Bank, which numbered approximately 600,000 as of the end of 2018. The System for Assessing Building Valuations and Granted Loan Amounts uses automated property valuations to perform credit reviews through an intelligent strategy engine and offers a loan amount determined with reference to customers' credit profiles in order to provide them with a faster, more accurate, and more convenient home mortgage application process.

In the second quarter of 2017, we instituted pre-approved loan amounts for selected existing mortgage customers, for whom the associated NT\$6,500 fee is waived if their final approved amount does not meet the pre-approved amount. In the third quarter of 2018, we extended this pre-approved loan amount service to selected new customers, for whom the calculation of loan amounts can be performed online and the registration fee can also be waived if the final approved amount does not meet the pre-approved amount. In 2018, the amount of new bookings for products under this scheme increased 43% from the previous year, and the overall number of new bookings increased by 18%. It is expected that with the launch of improved services, there will be another round of exponential growth in 2019.

These two patented systems earned us the Best Mortgage Offering in Asia award from Retail Banker International in 2018 and, locally, the Best Product Innovation award at the 2018 Future Commerce Awards organized by *Business Next* magazine.

 - **Online Loan:** This industry-leading platform makes our digital services available to all customers 24 hours a day, 7 days a week. Its Big Data-driven credit review technology is able to review and approve a loan application in just



30 minutes, and it can disburse the funds within an hour. It also provides customers with multiple inquiry channels, including online customer support, a toll-free inquiry hotline, and specialist-led guided online application services. In 2018, the number of online loan applications increased by 88% from the previous year. The proportion of online applications also increased significantly to nearly 80%, meeting customers' loan needs whenever and wherever they arise.

4. **E-Insurance:** This tool elevates the speed and convenience of the insurance application process by expanding our online application services to give users access to a greater range of insurance products via CTBC Bank's website.

Industry-leading online card application services

As part of its efforts to stay at the forefront of the financial sector's digitalization, CTBC Bank has established a review score module, based on Big Data-powered risk analysis, and launched the first-of-its-kind Instant Card Application Review Mechanism, which enables credit card applicants to view preliminary application review results online, significantly reducing waiting time. We have set a new benchmark in the digital finance customer experience with these technologies, for which utility patents have been obtained.

In addition, CTBC Bank provides the Credit Card-Assisted Cardholder Identity Verification service to help customers of other banks apply for a CTBC Bank credit card. All they need to do is select the card they wish to apply for via our internet banking portal or the CTBC Card Offers app, enter the relevant information of their valid credit cards issued by other banks, complete the cloud-based identity verification, provide personal information such as contact details and occupation, and upload their identification documents and proof of financial means. These simple steps provide customers with easy access to CTBC Bank credit card applications.

Taiwan Life customer experience transformation project

Following the 2017 launch of the EdgeE digital lab, which is tasked with developing innovative digital mobile tools to enhance the service efficiency of sales representatives, Taiwan Life implemented its one-stop digitization customer experience transformation program One Digital Dragon in 2018. An interdepartmental project team was established to listen to and collate customers' opinions through a series of qualitative interviews and quantitative market research as well as to focus on various service scenarios based on customers' key concerns. The team's proposals include a minimum viable product program to ensure customers receive an ideal service experience from the very beginning of their interaction with the company, whether it is a product inquiry, purchase decision, policy service, or claims experience from end to end. The project is planned to be gradually implemented over the next three years, thereby establishing a blueprint for an industry-leading service experience and setting a new milestone for our digital insurance services.

Videoconferencing insurance service

In 2017, Taiwan Life launched a new videoconferencing service for insurance underwriting and claims. The service allows policyholders to book appointments for video interviews with investigators, with the process able to be completed in just five minutes. Videoconferencing bypasses the time-consuming intricacies typically associated with contacting customers and conducting on-site consultations, shortening the service time and increasing customer satisfaction.

When a policyholder opts to use the videoconferencing service, they, along with their financial adviser or sales representative, just have to install Taiwan Mobile's M+ videoconferencing software on any webcam-enabled device and choose a date and time for the video interview with a Taiwan Life investigator. The average monthly usage increased by 85% from 2017 to 2018. The video service came into use on Sept. 15, 2017. The service was used 182 times between then and December 2017, for an average of 52 times per month; throughout all of 2018, it was used 1,157 times, for an average of 96 times per month. Compared with its usage in 2017, the service was used 975 more times in 2018, translating into a monthly average increase of 85%.



Innovative payment ecosystem

Since 1997, CTBC Bank has launched myriad innovative payment services, from our rewards points app and iPayment platform to the introduction of the three major NFC mobile payment systems in our payment plans and CTBC Easy Pay. Furthermore, we were the first bank in Taiwan to introduce digital payment services at convenience stores, providing customers with a more convenient payment experience.

Innovative CTBC Bank payment services

What we did	How we did it	Why it's notable
Rewards points	In 1997, we became the first bank in the country to introduce shopping-discount rewards points for credit card spending.	Pioneered payment rewards points in Taiwan
LINE Pay co-branded card	In late 2016, we partnered with LINE Pay to launch a co-branded card that features LINE Points rewards.	Taiwan's first co-branded community credit card
All three major NFC payment systems	We linked CTBC Bank credit and debit cards to all three major NFC mobile payment systems.	One of the first banks to introduce these NFC services
CTBC Easy Pay (account link)	Since 2018, we have offered services linking CTBC Bank current accounts and allowing these accounts to be automatically topped up via transfers from a linked account.	Enabled the linking of electronic receipts and electronic payment providers
iPayment platform	Since its establishment in 2003, this platform has helped customers pay tuition and miscellaneous fees. It is not limited to CTBC Bank customers, with payments able to be made through the iPayment app, website, voice messages, and the official CTBC LINE account anytime, anywhere. Furthermore, iPayment can memorize card and bill details for fast payment, make payment history inquiries, set reminders, and facilitate other payment-related services, including for utility bills and taxes, making for a one-stop service platform that meets many of our customers' payment and taxation needs.	Offers the most diverse payment channels and functions, and is in partnership with the largest number of schools and banks of any such platform

Market-leading NFC payment systems

CTBC Bank has long been an industry leader in the development of digital services. It was the first bank in the Taiwan market to collaborate with all three major contactless payment providers, namely Apple Pay, Google Pay, and Samsung Pay, to offer NFC-based credit and debit card services. Providing cardholders with contactless mobile payment and transaction services helps foster a habit of cashless transactions among customers. Moving forward, we will continue cultivating long-term customer loyalty through attractive marketing activities and the interactive experience provided by our innovative services such as NFC mobile payments.

Paperless digital shopping

In an effort to create a complete and unimpeded payment environment for customers, we are constantly expanding the scope of our service offerings. These efforts have included introducing latest-generation credit card terminals with electronic signature pads that accept credit and debit cards issued by all banks in Taiwan (including UnionPay cards but excluding American Express cards). The system also supports mobile payment platforms including Apple Pay, Google Pay, Samsung Pay, Hami Pay, Taiwan Mobile Payment, Garmin Pay, and Fitbit Pay. Users can enjoy the convenience of contactless mobile transactions without the need to provide their signature. Furthermore, if a customer's credit card supports the collection of receipt numbers, they will be automatically notified in the event that one of their numbers is

selected as part of the Taiwan government's uniform invoice lottery.

An end-to-end digital consumer experience

Since we partnered with LINE Pay in late 2016, our consumers have been able to use the instant messaging app's service to apply for credit cards, use mobile payment services, check accumulated points, and redeem these points for exclusive LINE stickers. In 2017 and 2018, we expanded the number of locations at which LINE Points can be collected and exchanged, allowing LINE Pay cardholders to make purchases in various fields of consumption, including department stores, transportation, telecommunications, and online shopping. From card application to shopping to rewards point redemption, each step can be completed quickly via the LINE app, creating a positive cycle of points accumulation through a complete, end-to-end digital service experience.

Expansion of electronic payment services

CTBC Bank acquired a license for online transaction and payment services from the Financial Supervisory Commission in 2012, a license for electronic payment services and the provision of related services in 2015, and a license to engage in electronic payments, value-added, and online-to-offline services in 2017. Electronic payments offer numerous advantages, particularly with regard to security features, which help overcome various pain points associated with transaction models such as C2C and P2P approaches. In addition to maintaining our current strategic alliance with Yahoo, CTBC Bank will collaborate with other platforms in order to boost our membership count moving forward. We will also further utilize the features of electronic payment systems to strengthen our own products and services, and will develop membership- and scenario-based financial services.

E-voucher services

For its e-voucher platform, CTBC Bank adopts a one-stop service model to provide consumers and merchants with mutually beneficial online-to-offline services that create a win-win situation for both. In recent years, we have substantially increased the number of our e-voucher platform partners and sales channel operators through the introduction of a wide range of e-voucher products such as the Taipei Fun Pass card, a Nantou County tourism package, and numerous food and beverage and tourism vouchers. All merchants, regardless of their size, are able to issue exclusive vouchers to consumers, allowing them to enjoy not only the services provided by the merchants but also consumer rights protection and a pleasant payment experience.

Free home delivery for medication and claims application forms

To further improve the services offered to marginalized policyholders, Taiwan Life teamed up with iHealth in July 2017 to launch a new nationwide home delivery service for medicines, which also includes the delivery of claims application forms. The service is provided by certified pharmacists to Taiwan Life policyholders as well as their friends and relatives in order to help meet the health care needs of those with a chronic illness. Taiwan Life also became the country's first insurer to launch a service that delivers claims application forms directly to the homes of policyholders. These delivery services helped 34 people in 2017 and 130 in 2018. Recipients cited numerous reasons for recommending the services, including that it avoids the possibility of them forgetting to collect their medication, it eliminates transportation hassles and costs, and it enables them to receive comprehensive consultation services from the participating pharmacists.

Community finance ecosystem

Noting the growing application of mobile devices and social media platforms in other fields, CTBC Bank set up an official LINE account in September 2015 and integrated personalized services through LINE Business Connect. In 2018, we launched a number of new services through LINE, such as various types of automatic reminders and online self-service counters.

Connecting with customers through AI

As we continue developing our various automated service mechanisms, CTBC Bank is optimizing its voice recognition technology and service response accuracy. We are also planning to expand the service scenarios of "Little C", our AI-powered customer service portal. Its new iteration will provide more individualized services, including for various account inquiries, quota requirements, and special promotional activity eligibility. CTBC Bank also plans to utilize Big Data insights to actively initiate conversations where appropriate, identify potential opportunities, and provide products and services that suit customers in order to create a completely new service experience.

Creating a more interactive customer experience



Innovative ATMs

CTBC Bank has placed ATMs in approximately 5,100 24-hour 7-Eleven convenience stores nationwide, including in remote locations such as mountainous areas and outlying islands. We currently boast the highest concentration of ATMs in the country. In 2018, 7-Eleven stores on Penghu were installed with ATMs for the first time, with machines deployed in 20 of the convenience stores across the island. In addition, finger-vein recognition was introduced in Penghu, marking the first biometric cash-withdrawal technology on any outlying island.

In addition, more than 5,500 CTBC Bank ATMs have multilingual support for Chinese, English, Japanese, Korean, Thai, and Vietnamese. In 2017, the first foreign currency exchange machine service was introduced at a 7-Eleven, specifically at the Hanzhong store in Taipei's Ximending shopping district; in the summer of 2018, the service was introduced at Keelung visitor centers to provide customers with two-way cash exchange between the New Taiwan dollar and the U.S., Japanese, and Chinese denominations. The ability to withdraw U.S. dollars from ATMs at 152 CTBC Bank branches nationwide had been added by the end of 2017, and a select number of branches already allow yen and renminbi cash withdrawals, giving CTBC Bank the greatest scale and scope of foreign currency ATMs in the country.

CTBC Banks ATMs

Year	2015	2016	2017	2018	2019 target
No. of ATMs	5,502	5,487	5,614	5,789	5,969

In 2018, CTBC Bank launched the first smart X-ATM—a next-generation machine combining traditional ATM functions with finger-vein and facial recognition, multi-language support, coin deposits, and foreign currency withdrawals. It has now

entered the 7-Eleven smart convenience store, X-STORE 2 in Taipei's Xinyi District.

24-hour ATM policy loan service

Taiwan Life has launched a policy loan and bill payment service that is available 24/7 at more than 5,100 CTBC Bank ATMs at 7-Eleven stores nationwide (excluding outlying islands). Policy loan customers can use an ATM card issued by any bank to directly withdraw policy loans in cash from the ATMs; in 2018, this service was utilized over 8,000 times.

Creating a digital financial service experience

With the continuing maturation of the digital financial environment and our active development of a more convenient financial environment, the number of self-service and self-automated channel transactions facilitated by CTBC Bank increased to approximately 45 million in 2018. In the future, we will endeavor to continue our leadership in digital finance innovation in order to provide customers with a safer and more convenient financial environment.

Year	2015	2016	2017	2018
Self-service and self-automated channel transaction volume (Unit: NTS million)	19	26	34	45

Tailored services for high net worth customers

In 2018, Taiwan's high net worth customer base grew to 317,000 people, more than 70% of whom are business owners, directors, or supervisors of listed or OTC companies, or professional investors. These high net worth customers have more diverse and complex financial management needs, such as investment portfolio management, family wealth inheritance, retirement financial planning, and corporate equity distribution, with 57% of them having overseas asset allocation. To fulfill these needs, CTBC Bank officially launched a new segment service model, Private Privilege, in April 2018. It provides comprehensive financial services catering for everything from individual needs and family succession to entrepreneurial financing, helping them to achieve the optimal balance of return on investment, risk control, and sustainable wealth.

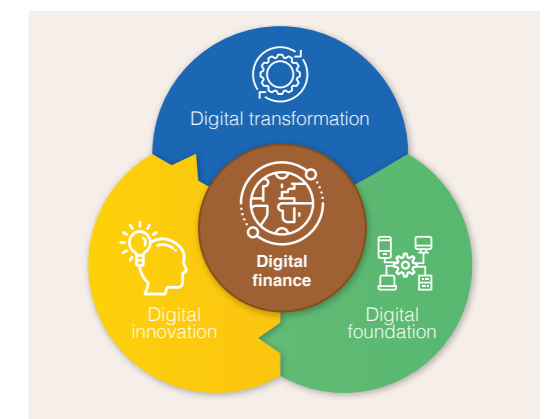
Digital finance

For *Global Views* magazine's 2018 First Digital Financial Services Best Bank Awards, nine major aspects of related services were examined, including online money transfers and currency exchange, digital accounts, and mobile payments. Among the 38 banks surveyed, CTBC Bank ranked first in seven of the categories.

We have always attached great importance to providing a smooth customer experience—it's why we're striving to integrate convenient digital financial services into the daily lives of the public. Whether through virtual or physical channels, CTBC Bank is tailoring the design and processes of its products and services to satisfy the individual needs of customers. Our aim is to provide timely, convenient, and efficient financial services while developing a more secure and convenient banking environment by embracing this new era of digital banking.

Three-pronged strategy

CTBC Holding has adopted a three-pronged strategy comprising digital transformation, digital innovation, and a digital foundation. Powered by the dual engines of banking and insurance, we will continue to launch online and offline digitalization projects and actively engage in digital innovation to provide omni-channel financial services that deliver a consistent financial service experience to customers. Furthermore, by leveraging trends in digital development, we have in recent years sought to bring on board new digital talent that possesses different academic qualifications and professional backgrounds as well as a more diverse range of competencies, in contrast to our previous focus on cultivating those with a financial background. In 2017, we completed our talent deployment in the four major domains of customer experience, agile development, data R&D, and financial technology (fintech) investment.



Digital transformation

1. Continually optimizing customer experience on digital channels

- We are constantly improving our mobile app and online platform user experiences, including by integrating biometric and voice recognition functions. In 2018, our flagship retail banking app was relaunched as Home Bank, which leads the industry in the implementation of voice response-based money transfers.
- Online account opening, subscription, trading, and other service functions for financial products have been fully integrated into our banking, securities, and insurance businesses.

2. Upgrading the digital operations of bank branches nationwide

- We are providing cardless ATM access via finger-vein recognition for deposits, withdraws, and transfers as well as cardless QR code-based cash withdrawals. Customers can also use their mobile devices to make appointments for in-branch services and access free Wi-Fi in the branches.
- We are gradually introducing video teller machines to enable our customer service representatives to remotely assist customers to open new accounts, obtain debit cards, and set up online banking services.
- To create a consistent omni-channel experience, we are integrating all customer interaction channels and utilizing Big Data analysis to deliver a simple, customized, interactive, and consistent financial service experience.
- Through the use of advanced fintech tools, robotic process automation has been extensively incorporated into CTBC Holding's various subsidiaries. This automation boosts customer satisfaction by helping cut costs, improve service, and enhance operating efficiency.

Digital innovation

1. Driving financial industry AI with CTBC Brain

- CTBC Bank is proactively exploring applications for Big Data analytics. In January 2018, it established a data R&D center as part of the CTBC Brain R&D project, aimed at recruiting high-caliber data talent from various industries, actively promoting Big Data applications, and developing AI-based fintech. It is hoped that CTBC Brain will ultimately create a new business model and develop new sources of profit. In May 2018, we joined hands with the Industrial Technology Research Institute to launch the country's first AI Smart Review Service. For its AI implementation scenario, the project adopted personal loans, which have the process requiring the most manpower and fastest processing and are most frequently utilized in banking system operations. We then leveraged the AI technology of the Industrial Technology Research Institute. After nearly a year of R&D and proof of concept verification, we are now looking at incorporating additional AI technology and anthropomorphic rules in the future in order to further strengthen the traditional document review procedure, which is expected to shorten the loan approval process from three days to several minutes.
- The Industrial Technology Research Institute also co-hosted the CTBC Artificial Intelligence Star Project with us to foster an AI laboratory culture and assemble a team of AI R&D talent and data scientists in order to strengthen our digital competitiveness over the next decade.

2. Developing disruptive innovation

We are continuing to seek out cross-industry alliances, including e-commerce companies, social media platforms, and digital wallet operators, in order to create diverse, innovative, and scenario-based financial services. For example, CTBC Bank's Japanese subsidiary, The Tokyo Star Bank, has joined a Japan-based Ripple project, working with more than 57 banks in that country to promote the use of blockchain technology to enable cross-border remittances to be completed in seconds rather than multiple days as previously necessary.

3. Establishing API platform services

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

4. Making new digital investments

- Advanced technology applications and research: We have joined R3, the financial industry's biggest blockchain alliance, and teamed up with international fintech incubators. In addition to obtaining technical support, such close

cooperation with international alliances helps us establish stronger connections within the global financial industry for jointly developing and testing new projects.

- Establishment of the FinTech Investment Center: Our active execution of strategic investment analysis and assessments in the fintech sector in 2018 enabled us to stay abreast of the latest technological trends and apply relevant technologies in our digitalization efforts as well as gain financial benefits from related tech investments.
- FinTechSpace: In 2018, we took the initiative to join FinTechSpace, a Taipei-based fintech incubator established by the Taiwan Financial Services Roundtable under the guidance of the Financial Supervisory Commission. As part of our FinTechSpace presence, we participated in the Digital Sandbox and Enterprise Lab projects and provided the API for a number of innovative payment services. Our early adoption of credit card rewards points has seen us award more points than any other domestic bank. We were the first and are still the only domestic bank to perform blockchain-based fund distribution for commercial transfers, and we support three innovative API-enabled payment solutions through the eACH instant remittance mechanism.

An A-to-E digital foundation

A: Artificial intelligence

We are conducting joint industry-academia research projects and leveraging the technology ecosystem to develop various smart financial applications.

- Regarding customer applications, we are using AI technology to provide more convenient, easier-to-use services such as customer service chatbots.
- In terms of internal applications, we are also utilizing AI technology to boost our operational efficiency, such as through automatic claims processing and call quality monitoring.

B: Blockchain

- We established the CTBC Holding Blockchain Lab in 2016; it has since expanded to 80 people, making it the largest team of its kind in the domestic banking sector.
- We cooperate with more than 90 financial institutions, including HSBC Hong Kong and U.S. Bancorp, to jointly develop unified technical specifications and perform effectiveness testing for trade financing and cross-border remittance services.
- In 2017, we partnered with domestic leaders in music, ticket sales, and crowdfunding to develop innovative blockchain applications.
- Our industry-pioneering cooperation with music-streaming giant KKFARM, owner of KKBOX, bore fruit with the completion of Taiwan's first-ever commercial transfer in 2018.

C: Cloud technology

- We established a cloud system that allows greater system scalability in order to realize cross-cloud deployment and expansion as necessary.
- We developed of a cross-cloud hybrid architecture that provides an economically viable means of optimizing business operations and enhancing innovative capacity.

D: Big Data

- By establishing a customer relationship management data platform and data-mining techniques, we can now identify and assess potential data application scenarios. This facilitates the creation of unique business value in the financial sector as well as the growth of advanced analytical applications.

E: User experience

We led the industry with the establishment of our Usability Lab, which is charged with helping to continually improve our terminal interface design and overall service quality based on actual user observations and interviews.

- We adopt a user-centric design process that takes customer needs into consideration, with the aim of boosting online sales, service quality, and customer satisfaction while also developing innovative applications and services.
- We ensure an agile design process in order to improve the effectiveness of our design and development practices.

Enhancing corporate banking services

CTBC Bank's corporate financial services team provides customers with a wide range of professional financial services,

including loans, trade financing, cash management, trust and agency services, and international trade financing, as well as investment and financial planning for the offshore private banking needs of high net worth customers. We also provide customized financing and wealth management services based on our customers' funding and financial planning demands, including various funding options as well as services and advice for their hedging strategies and investment needs.

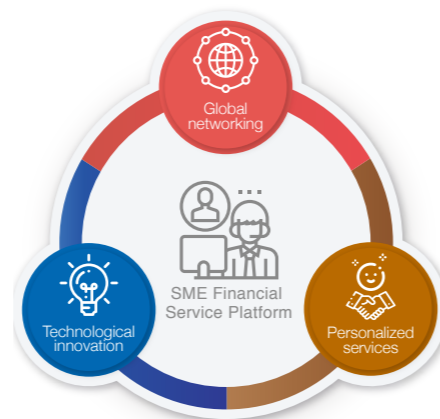
Leveling up our corporate banking team

In addition to implementing a corporate customer service hotline, our corporate financial services team provides free and fast 24-hour inquiry and complaint channels. The corporate financial services team established personalized customer service teams in Taiwan and Hong Kong in 2011 and 2014, respectively. The teams went on to establish a single-window service model, significantly reducing the amount of time customers spend on transactions and troubleshooting and successfully improving the satisfaction of our corporate customers.

In 2014, our Corporate Banking Department launched a project to monitor the achievement rate of end-to-end service level agreements (SLAs) by tracking cases from when they are received to their completion. Since the launch of the project, our SLA achievement rate for various services has steadily increased every year, exceeding 99% in 2018. Furthermore, regarding operation service projects where SLA targets are not met, we periodically tabulate and analyze relevant data to determine the causes and formulate corresponding improvement measures as well as later follow up on the implementation of these measures—another demonstration of the Bank's commitment to financial service quality. We are also planning to expand SLA rate tracking into our overseas offices in order to provide better, more consistent services to customers worldwide.

Continued support for SMEs

CTBC Bank has continued to cultivate SME customers in recent years. To this end, it has built the SME Financial Service Platform. Based on the integration of the three major axes of technological innovation, personalized services, and global networking, the platform offers secure and efficient financial services to SME customers. Specifically, through these strategic axes, the Bank has comprehensively enhanced the efficiency of its loan service process (i.e., loan application → loan approval → loan disbursement) for SME customers, such as using Big Data to develop quick financing projects, accepting faxed copies of documents in remittances in lieu of the original documents, providing Code Fax banking services for letter-of-credit transactions, offering instant alerts by email, SMS, or MMAS for transactions including inward and outward remittances and trade financing, as well as the eTrust international online banking platform on which real-time inquiries and transactions can be made depending on the authorization levels of customers. Looking ahead, we will continue to refine our three major strategic axes by developing a technology-based mobile loan platform that can provide SME customers with more efficient services.



SME service milestones



Working with an international banking consortium to develop blockchain applications

To provide a smoother trade processing experience for corporate customers, CTBC Bank, Yang Ming Marine Transport Corp., and Chi Mei Corp. jointly completed the first domestic blockchain-based international trade concept verification in April 2018, and successfully accelerated the shipping and trade financing process through the use of blockchain technology.

In addition, CTBC Bank and its domestic partners took the lead in completing the conceptual verification of blockchain-based trade financing in June 2018, and further teamed up with an international banking consortium consisting of seven international banks, namely HSBC, ING, Standard Chartered, BNP Paribas, National Westminster Bank (NatWest), Skandinaviska Enskilda Banken, and Bangkok Bank, to develop the Voltron trade financing solution based on the R3 blockchain alliance's Corda Platform. CTBC Bank is aiming to improve the efficiency of letter-of-credit transactions through blockchain and is expected to conduct customer testing in the first quarter of 2019. Notably, we are the only Taiwanese bank participating in the development of Voltron.

The Voltron platform will facilitate the creation, exchange, approval, and issuance of letters of credit. The participants of each transaction will be able to, in complete privacy, share information with trading partners to improve the overall efficiency of trade financing. Corporate customers may connect with their partner banks and trading partners through a single, open channel on the Voltron platform for the conducting of a streamlined letter of credit-related process in which letters of credit and prompt documents may be issued directly and the previous process of paper document delivery is digitalized, thus improving work efficiency. For companies from different countries engaging in offshore maritime trade, the letter of credit-related process may be conducted through the blockchain-based trade financing platform, which enables the operation time to be shortened by two to four days. Voltron is also connected to several trade document technology vendors. Legally binding trade documents from external networks can be sent, processed, and verified through the platform, thus increasing the numbers of applicable transaction types and product applications.

Listening to our customers

Informed by insights on consumer demands, CTBC Holding engages in external cooperation and internal R&D as well as utilizes Big Data analysis, customer behavior prediction, and market surveys to determine potential market demands and continually promote a diverse range of innovative products and services in order to satisfy customers' needs.

Designing a simple, smooth service experience

As part of our "Omni-Channel Consistent Experience" commitment, CTBC Bank Customer Service Center efforts in 2018 included the following:

- We launched IP call services in app form and for browsers, enabling customers to save money on calls.
- We launched a file interaction mechanism to reduce the waiting time and costs customers otherwise face when sending documents via fax or post, improving our own efficiency in the process.
- We developed online self-service counters and used them, in combination with a back-end process, to offer a digital form pre-processing service, reducing waiting times.
- Regarding our corporate banking services, we developed and launched iCall, an innovative customer service system that enables the automatic verification of customers' identity during incoming calls and consolidates all customers' available banking information. When a call is received from a customer, our representative can promptly access all consolidated information on the customer, including their banking and service records, thereby facilitating the delivery of relevant responses to customer questions with superior speed and accuracy.

Taiwan Life has set up a toll-free customer service hotline (0800-099-850). Administered by the Customer Service Department, the hotline is supplemented by other free service channels, namely via the internet, fax, email, and an interactive voice response system. Customer feedback and suggestions are also recorded. In the future, we will further develop our digital financial services in a manner that utilizes digital financial technology to deliver services that are more convenient, secure, and innovative.

Convenient queries through the Home Bank app

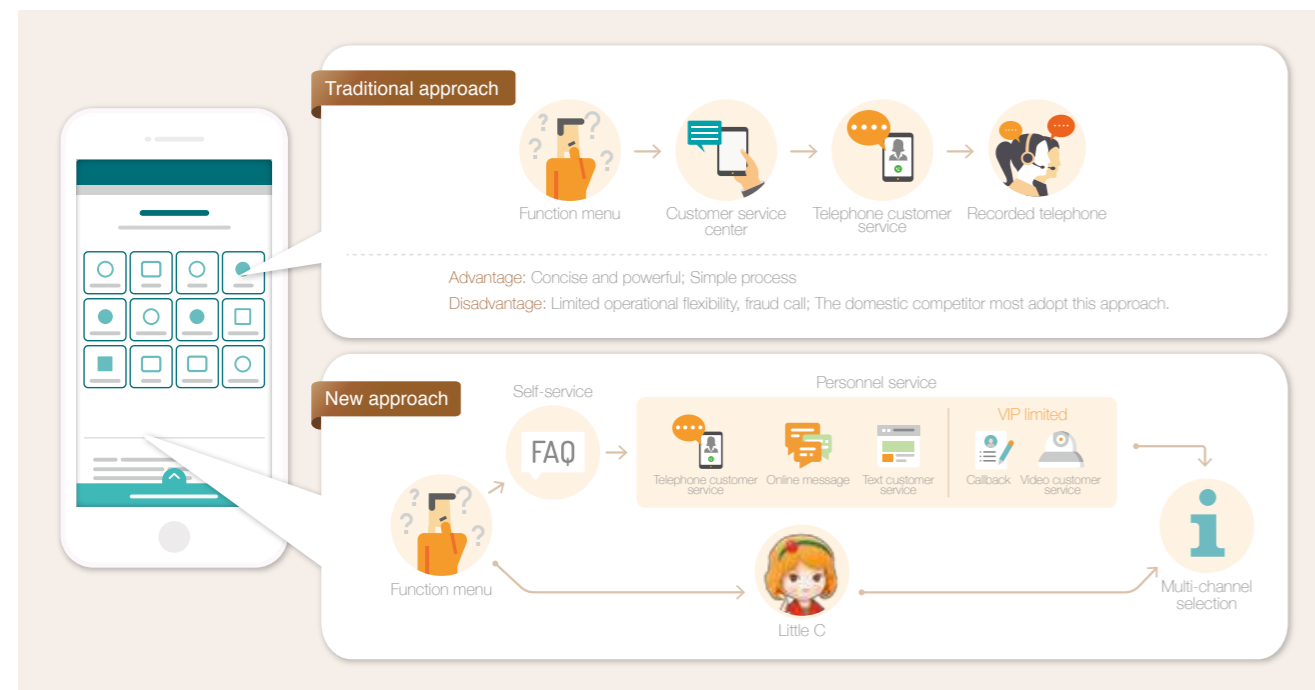
In 2018, through the integration of various online service mechanisms, CTBC Bank's Customer Service Center launched a single customer service window, the Online Customer Service Center, which can be quickly accessed via the Home Bank

app for the convenient querying of account information. The advantages of this new mechanism include the following:

- The existing industry standard has involved the provision of only a voice-operated model, which has limited operational flexibility. This new mechanism provides customers with a quick self-service query function, saving considerable time for users. It also helps protect customers' privacy, ensuring that their personal information will remain confidential.
- It enables customers to clarify information on their own, significantly cutting the waiting time they otherwise face when waiting for dedicated service personnel to find and sift through the relevant information.
- If a customer is unable to carry out a query, our smart customer service assistance will be offered alongside multiple customer contact channels to allow the user to receive assistance in the manner with which they are most comfortable.

Furthermore, CTBC Bank has applied Big Data analysis to determine customers' background, consumption patterns, behaviors, and preferences; developed a set of systematic event-based services; and established an effective bi-directional communication and interaction channel based on customers' individual circumstances. The Customer Service Center applies its experience in customer interaction, as well as structured and unstructured data obtained from Big Data analysis, with the aim of rendering optimal customer-oriented products and services and protecting the rights and interests of customers.

Online customer service center



Letting customers' voices be heard—literally

In 2007, we became the first bank in Taiwan to create a voice of the customer (VOC) platform. This was followed up with the establishment of a Customer Care Committee in 2011. Since then, the Company has continued to review various service quality indicators, including internal VOC, external customer complaints, and various customer care programs:

- In 2018, we received more than 340,000 instances of customer voice feedback. Aside from helping us better understand customer needs, this customer voice feedback enables us to make tangible improvements to our operations.
- In 2018, a total of 22 critical issues of concern to customers were reported and discussed by the Customer Care Committee or in meetings of division heads.
- A VOC alert mechanism was established. It systematically reports feedback to relevant business units so they can make improvements to safeguard the rights and interests of customers. A total of 1,897 alerts were received in 2018; the majority of issues identified in them were efficiently resolved in a manner that customers found to be satisfactory.

To ensure that customers' voices are heard, Taiwan Life also established a comprehensive system that accepts customer complaints through a wide range of channels as well as subsequently handles the content of the complaints. Taiwan Life has also established a customer complaint hotline staffed by a dedicated unit, and follow-up services for customer complaints are handled by dedicated personnel. Our system, operating procedures, and early warning mechanism for financial disputes and complaints enable us to handle these issues in a prudent manner and to continually implement follow-up improvement measures. According to the Financial Ombudsman Institution, the Taiwan Life customer complaint processing system had the ninth highest composite score in 2017, improving to the third highest throughout 2018. Going forward, customers will remain our primary focus as we continue to value customer experience and work to provide the best services possible.

Customer satisfaction survey

To better understand the degree to which our customers are satisfied with the various products and services we provide, the Company conducts customer satisfaction surveys for all major service items and the results are adopted as a reference for improvement.

Retail banking services: In 2018, a customer satisfaction survey consisting of nearly 30 customer satisfaction surveys were items was conducted with retail banking customers. It covered a wide range of issues including bank branches, financial advisers, customer service, and automated channels as well as the satisfaction rates for various application procedures. In addition, we surveyed the satisfaction rate and needs of customers with respect to different customer segments, corporate accounts, payroll accounts, family financial planning, real estate, additional services, reward points, and other special services. This year, to reach more customers and get their feedback more quickly, we are rolling out a new survey method, which utilizes our official LINE account. We are also continuing to solicit feedback through email, QR codes, and SMS. Approximately 350,000 responses were received in 2018, with an average satisfaction rate of 85%. Although this was slightly below the 2017 target of 86%, a high satisfaction rate was still maintained. Furthermore, CTBC Bank was the first player in Taiwan's financial industry to incorporate the Net Promoter Score (NPS) into its operations. The indicator, devised by Bain & Company, is widely used in international business, including by Apple, Johnson & Johnson, and American Express. In contrast to a general satisfaction rate, an NPS takes into consideration our credibility and trust in customers' eyes and thus enables us to more accurately assess their experience, in turn facilitating the continual refinement of our customer service. The NPS evaluation has customers or other stakeholders respond to the question "How likely is it that you would recommend [brand] to a friend or colleague?" on a 0–10 scale. Those who respond with a 9 or 10 are deemed Promoters and those who respond with a 0–6 are deemed Detractors. The Detractors are deducted from the Promoters to yield the NPS. In 2018, CTBC Bank's NPS value was 6, keeping pace with large retail banks in Europe, North America, and Australia.

- Surveys were conducted in 2018 to gain insight into the experiences and expectations of corporate financial clients on operation services provided by the Bank, in turn helping us determine the direction and goals of the Bank's improvement efforts and providing higher quality and more convenient operation services for corporate financial clients. The surveys were conducted for the six areas of correctness, efficiency, flexibility, professionalism, convenience, and service quality, and 17 satisfaction surveys were developed based on various customer groups. The scope of the surveys covered various service channels and offerings, including corporate financial services, customer service, foreign exchange business, cash management business, trade services, accounts receivable acquisition and financing, financial settlements, corporate trust and custody, stock transfer agency, and automated information notification service (i.e., MMAS).
- Taiwan Life: Our insurance arm's 2018 satisfaction survey comprised six main areas: business personnel services, bill payment services, counter services, policy change services, the customer service hotline, and claims services. The survey was conducted by phone throughout the year, with the results announced every month. In addition to helping the Company better understand the needs and expectations of policyholders, the surveys also enable us to receive recommendations on the future directions of improvement with respect to Taiwan Life's business promotions and policyholder services; relevant units are requested to continually identify means of refining our customer service in order to secure Taiwan Life's position as the most highly recommended insurance brand among customers.

Customer complaint early-warning mechanism and related resolution rates of retail banking

	2015	2016	2017	2018	2019 target
Alerts issued	584	596	1,412	1,897	-
7-day resolution rate for customers (%)	99.5	98.1	97.9	98.2	90
Problem resolution rate (%)	95.2	93.3	95.2	94.1	90

Customer satisfaction rates

Category		2015	2016	2017	2018
Retail banking	Satisfaction rate (%)	88	88	85	85
	Questionnaires retrieved	220,000	220,000	260,000	350,000
Corporate banking	Satisfaction rate (%)	98.94	99.3	99.3	99.49
	Questionnaires retrieved	1,651	1,863	1,856	1,560
Taiwan Life	Satisfaction rate (%)	-	-	70	97
	Questionnaires retrieved	-	-	1,000	3,292

Product and operating risks

Retail banking risk management

2011



Established the Compliance and Risk Management Center

In addition to overseeing internal policies related to financial consumer protection issues, the Compliance and Risk Management Center protects customers' interests by monitoring customer responses as well as the Bank's risk management practices.

2016



Established the Retail Banking Internal Control Center

Operated under our Retail Banking Division, the Retail Banking Internal Control Center managed matters pertinent to the risk management of customer-invested products and monitors the legal compliance of sales personnel in transaction procedures. It aimed to reduce risks and disputes associated with wealth management products and it assume the responsibility of protecting both customers and sales personnel.

2018



Upgraded the Retail Banking Internal Control Center to a department

In addition to continuing to perform its original duties, the department will handles various new tasks, including those relating to personal information, information security, and operating risks. This enables us to more comprehensively address and plan for retail banking risk services and thus exercise the due care of a good administrator. These efforts underscore the high priority we place on protecting customers' rights and interests.

Promoting financial and risk management education

To enhance financial literacy and foster sound financial concepts in the general public, CTBC Bank held over 200 forums and seminars in 2018. We also used newspaper, magazine, and online articles to teach the foundations of wealth building. A series of reports and events were continually produced and organized to enhance the dissemination of financial planning-related information based on the diverse needs of customers, including those of different generations.

In particular, to help children acquire a solid foundation of financial knowledge, we launched Meeting Your Future Self, a financial management website designed specifically for parents and children, and organized the Kids Financial Management Camp to teach children basic financial concepts such as how to budget pocket money and how credit cards work. Meanwhile, we partnered with several major media outlets to organize retirement forums and disseminate information on topics ranging from healthy living to financial management in order to help people on the verge of retiring to better envision and plan for their golden years.

We also organized the Family Inheritance Seminar to educate our wealth management customers on the latest relevant laws and regulatory requirements as well as critical planning concepts regarding passing on their wealth. In addition, we held a Market Trend Prospect Conference featuring talks by experts on how to interpret the latest financial developments, with extensive discussion on emerging global financial trends and investment strategies.

Taiwan Life also emphasizes the need to give thought to health-related issues, which, after life insurance and retirement planning, are arguably the most crucial factor in maintaining and passing on family wealth. As such, Taiwan Life is committed to ensuring that policyholders adopt appropriate health care concepts and quality solutions. In June 2018, Taiwan Life held four sessions of its Protect Your Home with Insurance healthy living lecture series to instill proper health and cancer concepts in attendees and help them to make comprehensive medical insurance planning for themselves and their families, thereby ensuring adequate risk management of family wealth. In all, approximately 1,354 members of the public attended the lectures.

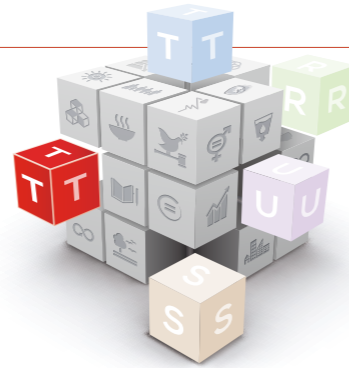
Conclusion

In 2007, CTBC Bank took the initiative to set up a Customer Care Committee, representing the first customer care department of any domestic financial enterprise and underlining how we channel our "We are family" brand spirit into real-world action. We treat our customers like family members—we care about their thoughts and feelings, approach all our work with a satisfaction-centered mind-set, and strive to use technology to offer the most considerate and secure financial environment. Going forward, we will continue pursuing growth while maintaining stable operations, seizing new opportunities in emerging markets, building a comprehensive international platform, and improving our products and services—all as part of our commitment to building a financial brand of which our employees, shareholders, customers, and community can be proud.

10

TOGETHER

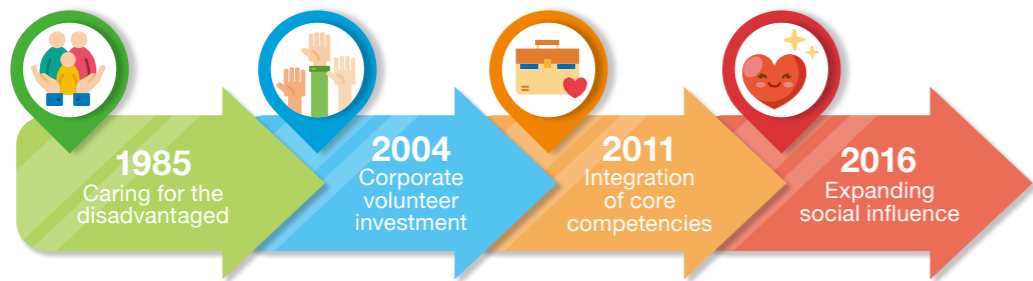
Uniting for social change



The last piece of the puzzle for our sustainability management strategy is another “T”, this one representing “together”. It reflects our commitment to growing in tandem with our community. Over the years, CTBC Holding has created a number of virtuous cycles through its five mainstay focuses of charity, anti-drug abuse, sports, education, and arts and culture. It has done so by investing in social welfare and fostering social participation. With this last piece of the puzzle, the TRUST approach is complete and able to deliver real change. With “We are family” as its core business philosophy, CTBC Holding harnesses social participation and feedback in its pursuit of growth that is profitable and sustainable—for both itself and the community. From creating Taiwan’s very first corporate charity fundraising campaign, Light Up a Life, to encouraging employees to volunteer, our social efforts over the decades have sought to inspire community engagement and ever more virtuous cycles. It’s our sincere hope, and belief, that every dollar and hour we spend on these efforts will yield positive, outsized returns.

Social investment

Virtuous cycles of sustainable social welfare



Charity fundraising

The nationwide Light Up a Life fundraiser was launched in 1985. Over the 34 years since, the campaign has raised nearly NT\$2 billion in donations, which it has used to help more than 450,000 disadvantaged children; NT\$100 million has been raised annually over the past 12 years.



Anti-drug education

Taiwan’s first corporate-sponsored organization dedicated to fighting drug abuse, the CTBC Anti-Drug Educational Foundation has already reached more than 360,000 people. In 2018, it received recognition in the form of four CSR awards at home and abroad.



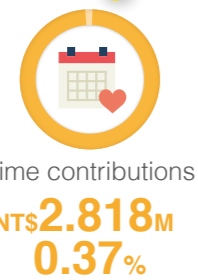
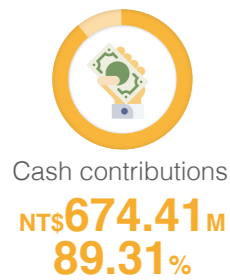
Social return on investment

In 2018, we incorporated social return on investment (SROI) into our sports promotion strategy. Through an analysis of quantitative data, it was found that every NT\$1 we have put toward the CTBC Brothers professional baseball team has yielded an SROI of NT\$17.59.

Management model of our five core focuses

Contributions

(Amount and proportion)



Events

(Amount and proportion)



Identification of the five major social needs

With reference to the U.N.'s 17 SDGs and their 169 associated targets, CTBC Holding's business drivers are compliant with the five major indicators of no poverty (SDG1), zero hunger (SDG2), good health and well-being (SDG3), quality education (SDG4), and decent work and economic growth (SDG8).

1 NO POVERTY	Helping poor and disadvantaged groups to have equal rights and access to economic resources and financial services.
2 ZERO HUNGER	Ensuring that poor and disadvantaged groups have access to sufficient amounts of safe and nutritious food all year round.
3 GOOD HEALTH AND WELL-BEING	Strengthening the prevention and treatment of substance abuse, including narcotics.
4 QUALITY EDUCATION	Ensuring that disadvantaged groups have access to education and training and that all students acquire the necessary knowledge and skills.
8 DECENT WORK AND ECONOMIC GROWTH	Promoting development-oriented initiatives that support the creation of decent jobs and access to financial services by micro-, small-, and medium-sized enterprises.

Our five areas of welfare focus

Charity	<ul style="list-style-type: none"> Light Up a Life fundraising campaign Taiwan Dream Project International assistance Co-branded charity card CTBC Poverty Alleviation Program
Anti-drug abuse	<ul style="list-style-type: none"> Touring anti-drug abuse exhibition Awareness-raising on campuses and in remote areas Competency-oriented anti-drug education Anti-drug documentaries Awareness-raising among families and in military camps International exchanges
Sports	<ul style="list-style-type: none"> CTBC youth baseball project (little league and junior league) Black Panther Pennant (national high school baseball competition) CTBC Brothers professional baseball team Golf tournaments
Education	<ul style="list-style-type: none"> CTBC Business School Scholarships and grants for disadvantaged students who display outstanding academic performance Overseas interschool collaborations CTBC International Academy
Arts and culture	<ul style="list-style-type: none"> CTBC Arts Festival The Master Class Series Indie bands and alternative platforms Love & Arts for Dreams Initiatives Promotion of the visual arts

Outcomes

Commercial benefits	2,278 corporate volunteers	Social benefits	NT\$143M of Light Up a Life donations
	1,409 days of Good Deed Leave		499 children cared for under the Taiwan Dream Project
	NT\$120M in CTBC Poverty Alleviation Program loans		366k people reached through anti-drug education
	NT\$1.3B in CTBC Brothers baseball team media exposure		95 disadvantaged students admitted to CTBC Business School
	100% enrollment rate for CTBC Business School		1,583 cases of entrepreneurial counseling provided through the CTBC Poverty Alleviation Program
NT\$28M in donations through charity credit cards	50,769 students helped through overseas assistance		NT\$20M in Hualien earthquake relief donations
	363 schools in Campus Arts and Culture Union		684 children supported under the Love & Arts for Dreams Initiatives

Impact

Company revenue	Brand awareness	Stakeholders
SROI of NT\$ 17.59 for each NT\$1 spent on the CTBC Brothers baseball team	Quality of life	Knowledge and skills

Good Deed Leave: Encouraging volunteerism with an industry first

Social participation runs deep in CTBC Holding. We want our employees to know through experience that it really is better to give than to receive. In 2004, we became the first company in Taiwan's financial industry to introduce a leave program to encourage volunteering among employees. The Good Deed Leave scheme entitles volunteers to one day of paid leave for every six hours of service, with each employee able to apply for up to 10 days of leave every year—the highest in the industry. As of 2018, a total of 27,973 days of paid charity leave had been given.

Through efforts like Good Deed Leave, volunteering has become one of the most important elements of CTBC Holding's corporate culture. As of 2018, we had 2,278 employees participating in volunteer services, representing one in 10 employees. Over the Company's history, employees have put in more than 150,000 hours of volunteer work. Our current volunteers are divided into three teams focused on counseling, financial management, and English storytelling. The systematic, grassroots support provided by the teams has become a powerful force in the alleviation of poverty among disadvantaged children and families around Taiwan.

International investment: expanding our social influence

CTBC Holding has long utilized its core competencies to invest in social welfare. In line with the United Nations' SDGs and in order to enhance the enterprise's sustainability, CTBC Holding has introduced optimized management tools for its charity, sports, anti-drug abuse, education, and arts and cultural projects. This has included adopting the London Benchmarking Group model, to evaluate the benefits of various charity activities for society, as well as examining its social efforts' inputs, outputs, and impacts. In 2017, evaluations of SROI were introduced to determine the monetary value of our social, economic, and environmental programs, thereby facilitating the most effective distribution of our charitable resources.

Charity, anti-drug abuse, sports, education, and arts and culture

Through our social welfare investments, we have constructed a safety net for disadvantaged groups nationwide, providing comprehensive protection through multifaceted support. Our five key areas of public welfare focus, namely charity, anti-drug abuse, sports, education, and arts and culture, can be likened to the five structural supports holding up this safety net.

Our charitable efforts in action:

• Light Up a Life

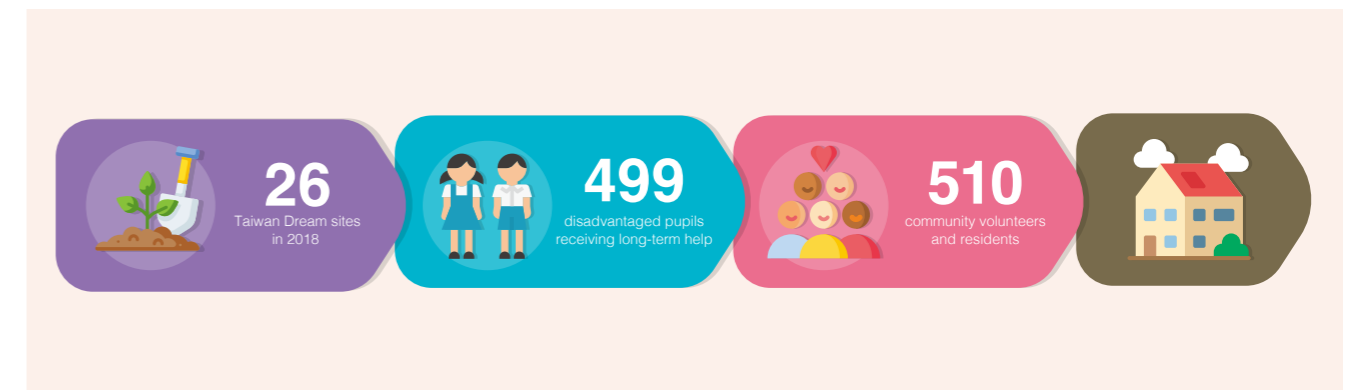
Launched in 1985, the Light Up a Life fundraising campaign was the starting point for our engagement in social welfare. The event was the first corporate charity fundraiser in Taiwan, making it now the country's longest-running campaign of its kind. In 2004, we established the CTBC Charity Foundation in the hope of further reshaping the future for disadvantaged children. By leveraging our own financial service resources and channels, including branch offices, online banking, ATMs, and reward points, we promote charitable giving and related information to the public. Over the past 30 years, our efforts have helped more than 450,000 disadvantaged children and families in remote areas across the country.

For the 33rd year of Light Up a Life in 2018, a total of NT\$143 million was raised during the three-month campaign. It went to the 312 rural elementary schools under the Child Welfare League Foundation's Rural Elementary School Student Care and Counseling Project, the 26 community development associations of the Taiwan Dream Project, and the 36 tours of remote areas undertaken by the Paper Windmill Educational Foundation, helping improve the educational and family life of nearly 50,000 children. CTBC Holding has also launched a comprehensive assistance program for disadvantaged children, and the charity foundation received recognition at the 2018 National Excellent Corporate Volunteer Team Awards presented by the Ministry of Health and Welfare. We undertake these efforts not only to brighten up these children's days but because we believe in alleviating poverty through education.

• Taiwan Dream Project

As we first engaged with disadvantaged children through grassroots programs, we realized just how severely a family's unfavorable economic circumstances can affect a child's physical and mental development and learning achievements. We also saw how common it was for children whose parents were not in the home to find themselves in trouble after school hours. These observations motivated us to, through the CTBC Charity Foundation, launch the Taiwan Dream Project in 2015. At its heart is a simple concept: "the community's children are our children". The project combines enthusiastic local

volunteers with public and private sector support, including from CTBC Holding's after-school, financial education, and English storytelling volunteer teams. This approach, by leveraging on-the-ground assistance, enables us to turn communities into safe spaces where children's dreams can be nurtured. As of 2018, a total of 26 Taiwan Dream sites had been set up, having cared for 499 children with the assistance of 510 community volunteers. According to a longitudinal tracking study, of children who have participated in the Taiwan Dream Project for two consecutive years, 85.6% felt they would be able to realize their dreams in the future, 94.7% felt happy, and 96.1% felt they had improved their skills through the courses provided. In addition, tests utilizing a schoolchild mood scale found that children who had participated for two years had a depression score 2.43 points lower than those who had just joined the project. These encouraging results highlight the Taiwan Dream Project's ability to overcome problems caused by the resource and family problems too often found in rural areas. In 2018, the project received first prize in the public welfare promotion category of the Global Views Monthly 2018 Corporate Social Responsibility Awards, the Outstanding Award for Wofoo Asian Award For Advancing Family Well-Being presented by the Consortium of Institutes on Family in the Asian Region, and the Social Inclusion Award at the Taiwan Corporate Sustainability Awards.



• CTBC Poverty Alleviation Program

Many parents in economically disadvantaged families have a modest dream: to give their loved ones a better life and future through their own efforts, namely by starting a small business. Inspired by the microfinancing concept of Nobel Peace Prize winner Dr. Muhammad Yunus's Grameen Bank, the CTBC Charity Foundation introduced the CTBC Poverty Alleviation Program in 2011. Established by referencing the real-world needs of disadvantaged families in Taiwan, the localized micro-entrepreneurial loan program integrates our resources in banking, life insurance, SME credit guarantee funds, and consultant teams. This enables us to provide comprehensive loan cash flow, credit guarantees, entrepreneur insurance, entrepreneurship counseling services, and more to help disadvantaged families escape poverty and become truly self-reliant. Since the launch of this project, counseling has been provided for more than 1,583 entrepreneurial cases, empowering 291 families to start their own businesses with the support of more than NT\$120 million in loans as of Jan. 1, 2018, on a cumulative basis. Of these families, 239 remain in business. To further encourage the emergence of entrepreneurial underdogs, we have held a "Stars of the CTBC Poverty Alleviation Program" press conference once every two years since 2016 to publicly honor those who have achieved a track record of good business and loan repayment.

Helping loan recipients to change their own destinies is delivering the exact kind of happiness that we hoped for when we founded the CTBC Poverty Alleviation Program. Going forward, we are committed to using our business drivers to continue helping disadvantaged and marginalized groups get back on their feet and move up the socioeconomic ladder. We also hope that the program can, together with the Taiwan Dream Project, foster greater community support for families doing it tough.



• **CTBC Youth Baseball Project**

CTBC Holding has long engaged in child-centric charitable and public welfare efforts. In doing so, we discovered that many children in rural areas were keen baseball players despite having very limited facilities and equipment. That's how the CTBC Youth Baseball Project was born. Launched by the CTBC Charity Foundation in 2014, the program supports little league and junior league baseball teams nationwide, allowing children to play and enjoy the game with ease and peace of mind.



In finding schools to support, the CTBC Youth Baseball Project assesses them based on their efforts in not only grassroots baseball but also after-school mentoring. Teams that are selected then receive financial planning education, academic tutoring, baseball gear, coach salaries, competition planning, and off-site training. Our hosting of the CTBC Youth Baseball Championship also provides young players with a stage on which to test their mettle against one another. Our key intention with the project is for the teamwork and disciplinary requirements of baseball to help participants complete their schooling. As part of our baseball-driven efforts, CTBC Park was opened in Yanpu Township, in southern Taiwan's Pingtung County, in 2015. It is the first professional facility in Taiwan to provide off-site training for little league baseball teams; it provides teams from rural and remote areas with a richer practical experience and empowers their players to persevere in their school and personal lives. More recently, in 2018, PILOT (positive interpersonal and life orientation training) was introduced to help players deal with peer pressure, anxiety, and anger, giving them the tools to cultivate confidence and to persevere in the face of hardship.

The CTBC Youth Baseball Project currently sponsors 23 teams comprising 723 players. Participants have flourished, with some even playing in the 2018 X BFA U12 Baseball Championship, PONY Palomino League World Series, and WBSC IV U-15 Baseball World Cup. *Home Run Taiwan*, a 2016 short documentary on the little league team of Fengtian Elementary School in Eastern Taiwan's Taitung County, was recognized at the 2018 Taipei Golden Eagle Micro-movie Festival. Also in 2018, we released *Homerun, 2gether*, another short documentary showing the moving solidarity among members of the Sanxing Elementary School little league squad in Northern Taiwan's Yilan County. We aim to provide a steady base of support to help children pursue their dreams and commit to their education, in the process also nurturing baseball talent for the good of the sport's future in Taiwan.



• **Caring for China's Next Generation on Campus**

In terms of overseas aid, the CTBC Charity Foundation embraces the philosophy that poverty can be overcome through education. As such, in China in 2013, it launched the Caring for China's Next Generation on Campus program. By the end of 2018, 44 educational sites had been set up, with the project scope extending westward to Xinjiang, northward to Heilongjiang and southward to Hainan Island, with more than 50,000 underprivileged students gaining access to learning resources as a result, improving both their education and living conditions.

• **Disaster relief donations**

Hualien earthquake

Ten minutes to midnight on Feb. 6, 2018, a strong earthquake measuring 6.0 on the Richter scale struck the coast of eastern Taiwan's Hualien County, causing some buildings to collapse and injuring hundreds. CTBC Holding called on its subsidiaries to help and soon after, CTBC Bank, Taiwan Life, and Taiwan Lottery made a joint donation of NT\$20 million to the Ministry of Health and Welfare to assist in disaster relief and help resettle quake victims. In addition, a series of programs was provided for customers and policyholders affected by the disaster, including an emergency loan service.

Japan earthquake and flooding
On June 18, 2018, a quake measuring 6.1 on the Richter scale occurred in Japan's Osaka Prefecture. CTBC Bank and its local subsidiary, The Tokyo Star Bank, donated 5 million yen (NT\$1.35 million) to disaster relief. The following month, heavy rain triggered severe flooding in western Japan. CTBC Bank and The Tokyo Star Bank contributed 10 million yen to help recovery efforts.

• **Other social welfare initiatives**

Taiwan Life is one of CTBC Holding's two key drivers of profitability, along with CTBC Bank. While CTBC Holding has long been dedicated to caring for disadvantaged children nationwide, Taiwan Life has focused its public welfare efforts on long-term care, older people, and medical services.

In line with CTBC Holding's "We are family" brand spirit, Taiwan Life promotes the idea among seniors that they can help the next generation by taking good care of themselves. In doing so, it works in tandem with the government's long-term care policies to encourage aging in place and active aging. Taiwan Life is working toward greater alignment with international trends and standards in quality of life for older people and to encourage more youth participation, such as in creating innovation care solutions and engaging in intergenerational learning.

Aging in place

Long-term care talent cultivation plan, in partnership with the Hondao Senior Citizen Welfare Foundation

- Established a long-term care training center that replaces the traditional lecture-based approach with practical training facilities realistically simulating home environments of six different economic conditions.
- Introduced a course and overseas training program specifically tailored to in-home caregivers.
- Worked with a Taichung City Government training program and a Japan-Taiwan medical exchange nonprofit to help the first group of "foot reflexologists" in Taiwan travel to Japan to learn about foot care for seniors from health experts.
- Purchased the first 1,000 copies of *Moving Forward with Caregiving Tips*, a book newly published by the Hondao Foundation to promote careers in long-term care on school campuses and in the community.
- Supported the training of 1,463 professional care workers in 2018 alone.

Care and service plan for helping elderly living alone to obtain medical care, in partnership with the Hondao Senior Citizen Welfare Foundation

- Assist older people who lack a family support system and require urgent medical care or post-discharge care.
- Provide home medication deliveries and related services to policyholders free of charge.
- Co-produced a documentary, *The Hard Road to Medical Care*, which details Taiwan's current long-term care difficulties, with a focus on the hardships of seniors living alone in Chiayi County's rural Dalin Township.
- Helped 606 people through the program between 2017 and December 2018, with a total audience of 9,400 having seen *The Hard Road to Medical Care*.

In-home bathing service, in partnership with the Bjorgass Foundation

- Promoted the in-home bathing service plan in 12 townships in Pingtung County, helping 685 frail or disabled people in rural areas between July 2017 and December 2018.
- Helped produce the documentary *Give a Bath, Improve a Life* shows the Bjorgass Foundation's entire work process, from driving the equipment-packed mobile bathing vehicle across the mountains to the bathing itself, and giving audiences (currently totaling nearly 3,800 people) a deeper understanding of the current situation and needs of rural long-term care.

1919 Food Bank wintertime rice delivery service, in partnership with the Chinese Christian Relief Association

- Not only donated 6,000 kilograms of white rice to the association's food bank but Taiwan Life's volunteers traveled to the food bank's warehouse in New Taipei to help pack the rice for distribution to underprivileged families.



Active aging

Stanford Design Challenge Asia, in partnership with the Silver Linings Global Social Enterprise

- Carried out exchanges with international senior living innovation design teams and industry experts in collaboration with the Stanford Center on Longevity in order to address aging-related problems from a fresh perspective that enhances older people's quality of life and elevates Taiwan's innovative capacity and care standards to an international level.
- In 2018, 20 schools participated in the regional leg of an innovation competition, with a total of 51 works entered. To encourage participation, a sponsorship was granted to the winning team of the Asian competition for a trip to the United States, and the Taiwan Life Special Prize was launched. Furthermore, any team that participated in the regional group, moved on to the global competition stage in the United States, and was ultimately nominated there received a special cash grant to fund continued R&D innovation.
- In the 2018 Asian regional competition, two teams were selected for the 2019 Stanford Center on Longevity Design Challenge: one from Yuan Ze University and the other from Shih Chien University.

Young and old joint-learning, in partnership with the Old Five Old Foundation

- Promoted intergenerational learning to actively foster a more senior-friendly society. Through courses on co-learning and co-working, the value of older people is rebuilt and younger people are able to cultivate empathy through exchanges and learn respect toward older people, thus reducing the understanding gap between generations.
- Held 32 such sessions with 1,546 participants in 2018.

Cross-generational activities

- A survey by Taiwan Life and National Chengchi University found that "physical health" was people's top aging-related concern, with family relations the driving force motivating them to stay in good health. With this in mind, Taiwan Life has organized the Three-Generation Walk for Health for seven consecutive years. The event is a 3-kilometer walk for the whole family that features games and activities along the way that suit the physical fitness of every generation, encouraging people to get outdoors as a family and to support their older members to keep in shape.
- Nearly 4,000 people participated in the 2018 Grandchildren, Parents and Grandparents Hand-in-Hand Active Health Walk. The event brought together all generations of family members, helping to fulfill the walk's aim of giving greater attention to the psychological and physical health of older people as well as the development of independent health management through learning about care knowledge and participating in community activities.
- In the "Going Home to Eat" series on the Three Generations of Strength GO Facebook page, celebrities shared how having a meal together under one roof strengthened the emotional bonds between family members.

Healthy Taiwan, Let Change Happen, in partnership with Common Health magazine

- In 2018, two public welfare lectures, "Love with Companionship" and "Accompanying You Till the End" were held for family caregivers in Taipei and Taichung, respectively. "Love with Companionship" explored the deeply personal thoughts of family caregivers. Well-known writer and family caregiver Man-Chuan Chang and psychiatrist Dr. Claire Teng were invited to share their experience and expertise to help people mentally prepare for the fact they may need to become caregivers themselves. "Accompanying You Till the End" encouraged proper self-care by family caregivers, with Dr. Po-Jen Liu, a Ph.D. holder in nutrition, and Shu-Mei Peng, a muscle fitness expert, invited to share tips on how to look after yourself while also looking after a family member.



Liver disease prevention

Liver screenings and insurance coverage in remote areas, in partnership with the Liver Disease Prevention & Treatment Research Foundation

- Cooperated with the Liver Disease Prevention & Treatment Research Foundation to promote hepatitis screenings and liver disease prevention and treatment annually since 2015.

World's first hepatitis B impaired risk insurance policy

- To ensure that patients with liver disease can still receive insurance coverage, Taiwan Life designed the world's first insurance policy for patients with pre-existing hepatitis B. Launched in 2018, the policy provides hepatitis B patients with one-time and fractional payments for the large expenses arising from disease management, nursing, and critical care needs, in turn easing the burden on both patients and their families.



Children's art charity

Painting Dreams for the Future children's art competition

- As an extension of its approach of "Thinking for the Future of the Next Generation", Taiwan Life organized the Painting Dreams for the Future competition. It not only encouraged children to get creative and paint their hopes and dreams, but for every piece of painting paper recycled, Taiwan Life contributed NTS\$3 toward the purchase of children's books for rural elementary schools to help children there cultivate a habit of—and passion for—reading. The event attracted nearly 30,000 participants and a total of 220 books were donated to rural elementary schools through the Child Welfare League Foundation.

Dream Policy Plan charity event

- Taiwan Life is committed to becoming an all-round insurer that offers comprehensive protection through innovation, professionalism, and care, and that fosters mutual understanding and solidarity to build an inclusive society for the good of the generations to come. As part of these efforts, it launched the Dream Policy Plan initiative in collaboration with the CTBC Charity Foundation's Taiwan Dream Project. Two communities were selected for the project, which saw popular YouTubers Ray and Crown Du invited to the Dahu Community in Changhua County as "dreams tutors" to teach English drama classes, while the band 831 was invited to the Fucheng Community of New Taipei City to teach ukulele. Through the guidance and sharing of these instructors, the children gained the courage to embrace their dreams and learned that, through education, they could really achieve these dreams.



Anti-drug education campaign

Drug users in Taiwan have become younger in recent years, which has also increased the intrusion of drugs into schools. To address this, we have integrated resources from academia and institutions at home and from abroad to establish the CTBC Anti-Drug Educational Foundation in 2015. As Taiwan's first corporate-sponsored group specializing in anti-drug education, it has taken exhibitions and campus events all over Taiwan and its outlying islands over the past three years. In 2018, it set a new precedent by joining hands with the Ministry of National Defense to bolster its educational efforts. The foundation's message has already reached more than 360,000 people, and anti-drug textbooks compiled by the group have been used in 63 elementary and junior high schools in eight counties and cities nationwide. Students' satisfaction with the anti-drug textbooks was found to be 95%, with 94% saying the anti-drug education they provided gave them completely new insights into drug abuse.

To further publicize the harm that drugs can cause, the foundation and filmmaker Kevin H.J. Lee created *Sisyphus.exe*, a first-of-its-kind documentary that presents illicit drug use in a realistic manner, leaving a deep impression on viewers. In addition, it worked with YouTuber Aga Tsai to create two anti-drug videos that use humor to encourage elementary and junior high school students to say no to drugs. By the end of 2018, the videos had accumulated more than 1.34 million total views.

Furthermore, to prevent the formation of drug abuse cycles, the CTBC Anti-Drug Educational Foundation has worked with the Ministry of Justice to launch a program to improve the facilities and the conditions in which incarcerated mothers raise their children. It also provides early childhood courses on drug

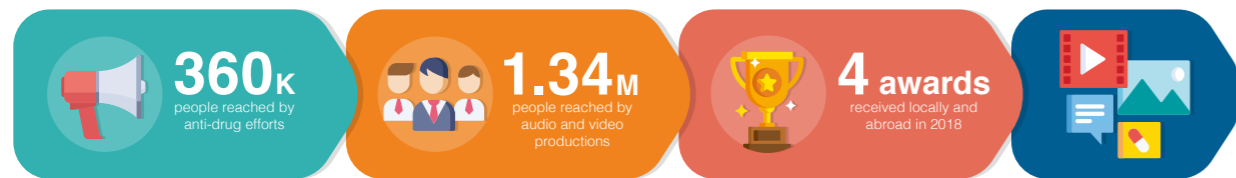


prevention. In 2018, again with the Ministry of Justice, the foundation invited experts and scholars from the United States, Germany, Japan, and Taiwan to share their experiences in seeking new solutions to fighting drug abuse. For its efforts, the foundation received four CSR awards at home and abroad in 2018, namely the Social Education Contribution Award from the Ministry of Education, the Corporate Social Responsibility & Social Enterprise Award from *Global Views Monthly*, an Asia Responsible Entrepreneurship Award from Enterprise Asia, and a Taiwan Corporate Sustainability Award from the Taiwan Institute for Sustainable Energy.

Anti-drug education history and structure

- 2015**
 - Established the CTBC Anti-Drug Educational Foundation.
 - Visited the headquarters of the Drug Enforcement Administration (DEA), in Washington, and the Hall of Opium and the Mae Fah Luang Foundation, in Thailand, to observe the anti-drug approaches of foreign countries.
 - Designed "A Loving Homeland: Drug-Free Future" exhibition with reference to the exhibit format of the DEA Museum in the United States.
- 2016**
 - Launched a special anti-drug education exhibition, "Drug Awareness: The Truth You Never Knew About Drugs".
- 2017**
 - Launched the Competency-Oriented Anti-Drug Education and Positive Interpersonal and Life Orientation Training programs.
 - With the Ministry of Justice's Agency of Corrections, jointly promoted an initiative to improve the conditions in which incarcerated mothers raise their children.
 - Selected by Taiwan's Cabinet as an "exemplary anti-drug organization" in 2017.
- 2018**
 - Partnered with the Ministry of National Defense to promote anti-drug education, reaching more than 30,000 officers and soldiers in the first-of-its-kind event.
 - Held an international experience-sharing seminar with renowned experts and scholars from the United States, Germany, Japan, and Taiwan.
 - Received recognition in the form of four CSR awards at home and abroad in 2018: the Social Education Contribution Award from the Ministry of Education, the Corporate Social Responsibility & Social Enterprise Award from *Global Views Monthly*, an Asia Responsible Entrepreneurship Award from Enterprise Asia, and a Taiwan Corporate Sustainability Award from the Taiwan Institute for Sustainable Energy.

Multi-channel anti-drug educational initiatives



Sports promotion

To support the development of Taiwan's national sport, CTBC Holding became the first enterprise to invest in all five levels of baseball, from little league to the pro game. We want the sport to "take root downward and bear fruit upward". By providing sponsorships and organizing events, we are steering the sport from strength to strength. And our sports efforts don't stop with baseball. We also have a long-running relationship with golf, the women's game in particular, helping to nurture and encourage top talent. This support also includes providing sponsorship as well as organizing events, with our tournaments having gone a long way to bringing international-level standards and status to the sport in Taiwan.

In 2018, we incorporated SROI into our sports promotion strategy. Through an analysis of quantitative data, it was found that every NT\$1 we have put toward the CTBC Brothers professional baseball team has yielded an SROI of NT\$17.59, as verified by Social Value International (SVI). This certification is SVI's first of a pro baseball team and is the highest SROI the organization has found for any sports-related investment.

We are a leading brand when it comes to combining sports with social welfare and encouraging players to participate in charitable activities. Most recently, the CTBC Sports Charity Day was introduced in 2018; for it, golf and baseball stars sponsored by CTBC Holding are invited to lead fundraising efforts with the public and our employees. Last year, we raised NT\$12,187,919, all of which was donated to help disadvantaged children in remote areas and to promote grassroots baseball programs. Meanwhile, as part of the CTBC Ladies Open, pro players team up with VIPs in the annual Swing Your

Love into Action event. The funds raised by the event in 2018 were channeled to the sponsorship of 23 little league and junior league baseball teams of the CTBC Charity Foundation's CTBC Youth Baseball Project. Also last year, we held our inaugural golf teaching day. It saw our sponsored players visit rural elementary schools to introduce the sport to children there, receiving an enthusiastic response from the schools and students' parents alike.

We have also used sports to engage other public welfare areas such as literacy, with programs encouraging people to read more by offering baseball game tickets in exchange. In 2016, we did so through the Home Run Readers series of activities. In 2018, we joined forces with the CTBC Brothers and the National Library of Public Information to connect 30 public libraries in Miaoli, Taichung, Changhua, and Nantou counties with mobile libraries to promote reading. The mobile libraries were stationed outside the Brothers' stadium during games there, with mothers also holding storytelling activities, reaching a total of 162,770 people throughout 2018. Giveaways included 5,483 tickets to Brothers home games, a Brothers home game family experience, and 10 sets of Brothers "One-Day VIP" experience packages. The program earned international acclaim, even being selected for the annual conference poster exhibition of the American Library Association in 2018.

We have been repeatedly recognized for our sports-related CSR efforts. In 2018, CTBC Bank received the Gold Class Sponsorship Award and Long-Term Sponsorship Award at the Sports Activist Awards, while Taiwan Life received the Sponsor Category Gold Award at the ceremony, marking the eighth consecutive year we've been honored at the ceremony. Also in 2018, CTBC Holding received a Sports Enterprise Certification Award. Meanwhile, Taiwan Life's promotional efforts have been recognized and, upon a visit by the organizer, the validity of the Sports Enterprise Certification Award was extended for one year. Within three years, CTBC Holding has been a Taiwan iSports (certificate of corporate wellness) recipient five times.

Sports-related activities in 2018

Baseball

CTBC Brothers baseball team

- We've been the major sponsor of the Brothers—in the Chinese Professional Baseball League, Taiwan's top competition—since 2014. Along the way, we have invested resources to support the growth of the game, with SVI certifying an SROI of NT\$17.59 for every NT\$1 we have contributed.
- Successfully promoted baseball and supported its development, with nearly 80% of fans saying they believed the Company had exerted a positive impact on the Brothers team.
- Led Brothers players to participate in nearly 50 charity activities totaling approximately 180 hours.

Black Panther Pennant high school competition

- Sponsored the Taitung Lanyu Senior High School baseball team to enable it to participate in the competition, expanding its scope from Taiwan's main island to include offshore teams.
- The CTBC Black Panther Pennant Tour has been held for four consecutive years. For the grassroots program, which aims to teach baseball to students in rural areas, members of the CTBC Brothers pro team are invited to impart their skills along with an anti-drug education. It has reached nearly 1,400 young players in the past four years.
- The Black Panther Pennant Tour was expanded to include eastern Taiwan in 2018, allowing the participation of the Lanyu High School baseball team from remote outlying Orchid Island.

CTBC Brothers campus tour

- Toured 25 elementary, middle, and high schools in Taiwan, reaching nearly 700 students.
- Shared professional baseball experience and promoted the sport through the guidance of coaches and players.

Promoting literacy through baseball

- Since 2016, the National Library of Public Information, CTBC Bank, and the CTBC Brothers have worked together in a "horizontal alliance" for the Home Run Readers campaign. In 2018, a total of 30 public libraries in Miaoli, Taichung, Changhua, and Nantou counties were connected with mobile libraries, reaching 162,770 people and giving away 5,483 tickets for Brothers games as part of efforts to encourage reading.

Golf

Golf player and tournament sponsorship

- Sponsored golf players including pros Teresa Lu, Shanshan Feng, Yu-Ling Hsieh, Ssu-Chia Cheng, Yuting Shi, Wanyao Lu (Haruka Morita), and Hsin-Ning Yeh.
- Cultivated emerging talent by assisted outstanding amateurs Yu-Sang Hou, Yu-Chiang Hou, and Ching-Tzu Chen to participate in pro tournaments. Yu-Chiang Hou went on to win the TLPGA Tour and Yu-Sang Hou was the overall winner of the NCAA Division I Women's Golf Championship in the United States.
- Organized the 2018 CTBC Ladies Open, attracting 108 top golfers from around the world and with their results counting toward the world rankings, giving a stage for international golf in Taiwan.
- Further enhanced the stature and visibility of women's golf in Asia by sponsoring the CLPGA's 2018 CTBC Ladies Classic and the 2018 Swinging Skirts LPGA Taiwan Championship.

Charitable work with professional athletes

- The 2018 CTBC Ladies Open continued to double as a charitable fundraising opportunity by giving contributors from the public the chance to tee off with pros. The event raised NT\$10.5 million for the CTBC Charity Foundation's little league and junior league baseball sponsorship program.

Golf training day at elementary schools in remote areas

- We toured with our sponsored golf players Yu-Ling Hsieh, Hsin-Ning Yeh, and Yu-Ting Shi to rural elementary schools to give students there the chance to learn more about the sport, hit a few balls, and potentially plant the seeds of future champions.

Charity and academic performance

As mentioned, CTBC Holding firmly believes that education provides people with opportunities to change their lives. In 2015, the Company made a donation to a college on the brink of closure and transformed it into CTBC Business School. The college, which offers grants and scholarships to disadvantaged students who display outstanding academic performance, has achieved a 100% student enrollment rate since its establishment. It was named among the top 20 growing colleges by *Cheers* magazine for three consecutive years, from 2016 to 2018, and it topped the 2018 list of most promising young colleges as viewed by enterprises. In addition, the Ministry of Education has praised the school as a new model of corporate philanthropy. CTBC Holding is committed to fully utilizing the group's resources in order to achieve a 100% employment rate for graduates and the creation of a sound learning environment that cultivates outstanding international financiers through scholarships and grants, industry-academia cooperation, and overseas study.

- Thirty percent of the enrollment spots are reserved for underprivileged students each year. Furthermore, a Hope Bursary is offered to provide outstanding students from lower socioeconomic backgrounds with the stability necessary to focus on their studies. So far, 95 underprivileged students have been enrolled and NT\$36 million in Hope Bursary funds has been dispersed to 386 students. In addition, an Elite Scholarship has been established to attract outstanding high school students to enroll, with nearly NT\$28 million issued in 2018.
- Regarding industry-academia collaboration, CTBC Forums have been organized, at which senior group executives share their insight and experience on topics such as career progression, trend analysis, and practical operational issues. The school's specialty industry-academia cooperation also includes Taiwan's only campus-sharing platform with national English-language radio station ICRT and access to the Business Breakthrough digital teaching platform of Japanese management expert Kenichi Ohmae.
- Full sponsorship was provided for 45 outstanding students to participate in a monthlong training course at the Rennes School of Business in France and for four students to attend a one-year immersive study program at the Wharton School of the University of Pennsylvania, growing their language and business skills as well as expanding their perspectives and horizons. CTBC Business School has become the base on which CTBC Holding's emerging talent pool is developed. In 2018, 60 fourth-year students at the college were granted an internship at CTBC Holding, and those who perform well will be offered employment in the group after graduation.

We have put down more roots in the educational sphere other than CTBC Business School. In 2017, we founded CTBC International Academy, southern Taiwan's first experimental high school. With the core concept of "One Student, One Schedule", it replaces the traditional classroom with an English-oriented teaching environment featuring a variety of elective courses and practically oriented teaching. Furthermore, the school's curriculum and resources lead into those of CTBC Business School, creating a consistent education channel for tomorrow's international financiers.



Arts and culture promotion results

Founder Koo Sr. believed there was a direct relationship between a country's living standard and its appreciation of art. Indeed, CTBC Holding has long dedicated a great deal of effort to supporting the arts, particularly in making diverse, world-class art exhibitions easily accessible to the public. These efforts have been recognized recently with our 12th win at the Art & Business Awards, and by winning the 2018 Arts Education Contribution Award from the Ministry of Education and the 2017 Social Education Contribution Award from the Ministry of Education. These honors have come on the back of the

long-term efforts of the CTBC Foundation for Arts and Culture, including its Love & Arts for Dreams Initiatives, which won both the Special Excellence Award and Best Story Impact Award of the 2018 CSR Impact Awards for promoting arts and culture education in remote areas. We determined the social return on investment of the Love & Arts for Dreams Initiatives, finding that each NT\$1 invested yielded NT\$4.18 in social value. Furthermore, nearly 80% of the students involved reported having improved their sense of identity and established positive values.

In its early years, the foundation largely focused on running the Novel Hall performance venue. Since 2015, it has worked to expand the reach of arts and culture through the CTBC Arts Festival, Master Class Series, and Love & Arts for Dreams Initiatives, working toward its stated goal of "leaning through the arts, nurturing creativity through culture".

The CTBC Foundation for Arts and Culture has crossed mountains and rivers, from urban to rural areas, penetrating into every corner of Taiwan. During this time, we have found poverty not only in economic terms but also in hope. In addition to inviting rural students to participate in the CTBC Arts Festival Benefit Performance, which enables them to get involved first hand in the arts, the Love & Arts for Dreams Initiatives connect the foundation with instructors from various fields to bring in-depth art education to remote areas for periods of more than six months. These courses empower students to expand their horizons and to develop the self-confidence to dream dreams and then fulfill them, ending with these children standing confidently on stage and displaying the life-changing power of art and education.



CTBC Arts Festival

The CTBC Arts Festival is a traveling arts event that creates a dialogue among cities nationwide. It injects an energy of innovation into Taiwan in partnership with local and overseas performance companies, inspiring artistic and cultural diversity. As part of the festival, Love & Arts Benefit Performance shows are held every year, giving rural students the chance to get closer to arts and culture. The Ministry of Culture has praised the CTBC Arts Festival for its unique blend of local cultural features and international branding.

- In 2018, the Love & Arts Benefit Performance of the CTBC Arts Festival progressed toward Pingtung. The Love & Arts Benefit Performance, in partnership with the Feng Shen Bao Bao Troupe, saw 2,000 tickets sold in a short period, thus bringing Taiwanese opera to a large audience in the southern county.
- In *For Seasons*, Daniel Hope experimented with a classic by recomposing Vivaldi's *For Seasons*.
- In *Tango After Dark* by Argentina's world tango champion Cornejo Dance Company, envoys of 17 countries, including Eswatini, Guatemala, and Paraguay, were invited to watch the performance, building a bridge for the arts and cultural diplomacy.

Love & Arts for Dreams Initiatives

In 2018, internationally renowned choreographer Bulareyaung Pagarlava, from Taiwan's indigenous Paiwan tribe, was invited to visit Donghe Elementary School in Taitung to teach modern dance and inspire students to dream big. The school won recognition at the 2018 Taidong County Student Dance and Creative Drama Contest, and staged a children's version of *Beautiful Beautiful* at the Qaciljay Arts Gathering.

Master Class lectures

For the Master Class Series, we invite experts every year to give the public a glimpse behind the curtain of their fields. In

2018, film director Nien-Jen Wu and Paper Windmill Theatre CEO Yung-Feng Lee were invited to hold "Ojisan vs. American Lad: Lovely World", a discussion of the creative process behind drama.

Contemporary art views series

Architect Kris Yao, art critic Chih-Kuei Cheng, food and travel writer Yi-Lan Yeh, and film critic Tien-Hsiang Wen were invited to give lectures aimed at broadening the public's horizons regarding the arts and cultural appreciation.

Sponsored French landscape exhibition

We see the promotion of arts and culture as an invaluable cultural investment. One such effort was supporting the first ever display in Taiwan of French landscape masterpieces on loan from Moscow's Pushkin State Museum of Fine Arts, enabling the public here to see original pieces from the 17th to the 20th centuries without needing to travel across an ocean.

Indie bands and alternative platforms

- Support the local indie music scene by sponsoring events such as the Ho-Hai-Yan Gongliao Rock Festival, the Taoyuan Iron Rose Music Festival, and National Chengchi University's Golden Melody Awards.
- Established the CTBC Audience Award using an innovative model, with the group's resources integrated to build an alternative platform for independent bands including performances at baseball stadiums, campus activities, and corporate events.
- Supported 19 indie bands and provided a total of 85 performance opportunities.



Support for cultural and creative efforts

CTBC Holding is a leading financial institution when it comes to supporting the government's cultural and creative industrial policies. We strongly support the cultural creativity present in the MIT (Made in Taiwan) push, with CTBC Venture Capital jointly investing in cultural and creative industries with government departments, achieving outstanding performance, and promoting participation by other venture capital firms. The subsidiary performed excellently in the performance appraisal of government fund managers in 2018, ranking first in terms of total number of investments and investment amount over the past seven years.

Cultivating Taiwan's film and television industry

Since 2010, CTBC Holding has assisted in the development of Taiwan's cultural and creative industries through CTBC Venture Capital. In these eight years, the number of evaluation cases has exceeded 500, with the most popular cases being in film, television, and music, such as *The Killer Who Never Kills*, *Step Back To Glory*, and *The Moment. The Great Buddha+*, released in 2017, was a particular success, becoming the most crowned feature at the 54th Golden Horse Awards with five prizes. It also won the Best Film from Mainland and Taiwan gong at the 37th Hong Kong Film Awards, and was nominated for more than 70 film festival awards at home and abroad. In addition, it was Taiwan's submission for the Best Foreign-Language Film at the Oscars. In 2018, the film *Long Day's Journey into Night* was selected as the world premiere for the Un Certain Regard section of the 2018 Cannes Film Festival, and won three awards at the 55th Golden Horse Awards. With its continuing investment in the cultural and creative industries, CTBC Venture Capital hopes to enhance its industrial competitiveness and tap into international markets while also celebrating Taiwan's cultural and creative value.

Facilitating registration for cultural and creative companies

CTBC Venture Capital provides stable, long-term funding for cultural and creative operators, including assistance of Eslite Spectrum Corp., HIM International Music Inc., Pili International Multimedia Co., Ltd., Kuang Hong Arts Management Inc., and B'in LIVE Co., Ltd., in order to promote the commercialization, internationalization, and institutionalization of cultural and creative services. At the same time, CTBC Holding is continuing to strengthen its provision of venture capital,

commercial loans, consumer finance, and trust management services to cultural and creative operators with the aim of channeling funds into cultural and creative industries. By using the group's resources to bolster these operators' marketing efforts, we inject dynamism into MIT cultural and creative industries on a sustained basis. In the future, CTBC Venture Capital will continue to play the role of navigator in cultivating the soft power of the cultural and creative industries through the provision of diversified services and resources.

Welfare lottery

We firmly believe in the public welfare lottery as a force for good. By administering the lottery, we provide a variety of products to the general public through professional sales channels with the aim of encouraging public participation, boosting the government's lottery revenue, and promoting the sound development of the lottery. This in turn benefits all, including the government, individual lottery ticket salespeople, and the disadvantaged groups to whom the lottery's revenue goes to help. Since we took over the management of the charity lottery business in 2007, its total sales have grown from NT\$64.2 billion that year to NT\$110.466 billion in 2018.

During our term as the lottery's administrator, we provide a fixed contribution to the government every year to support its welfare and charity initiatives. Approximately NT\$14.6 billion was provided over the seven years of the lottery's third term, with a contribution of NT\$2.7 billion now provided every year for its fourth term. The government will therefore receive a total of NT\$27 billion over 10 years. This funding translates into tangible help for disadvantaged groups. Specifically, between 2007 and 2018, Taiwan Lottery generated earnings of NT\$311.164 billion for the government's subsidization of social welfare expenditure, the national pension scheme, and the National Health Insurance program for all counties and municipalities countrywide. Approximately 8%–10% of each lottery ticket's sales price goes to the lottery ticket salesperson as a commission. All ticket sellers come from disadvantaged or otherwise marginalized groups, including those with physical or mental disabilities, indigenous peoples, and those from single-parent low-income households. Approximately 43,000 lottery ticket sellers around Taiwan now benefit from the steady income provided by the position.

In addition, the winners of large lottery draws are encouraged to donate a portion of their winnings to charity. The total amount of donations from winners at the end of 2018 was over NT\$4.85 billion. Under the direction of the CTBC Charity Foundation, these contributions are used for, among other things, the education, food, and medical care of disadvantaged groups as well as emergency rescue and disaster relief efforts. Donations have been made to 200 social welfare units and public welfare groups, organizing almost 800 charity events and helping 5.59 million disadvantaged individuals.



Conclusion

For more than 50 years, we have adhered to the philosophy of giving back to the community more than you take from it, and have sought to give back through efforts in social welfare. Although this can require considerable human and financial resources, we know that we owe it to Taiwan and its people. That's why we are committed to harnessing the resources of the group to provide professional services while continually assessing how our core competencies can be best leveraged to expand the social influence of the resources we have at hand.

Going forward, we will continue to strengthen our engagement with our five major social welfare focuses, working toward creating and maintaining virtuous cycles. We will also invest greater resources in the cultural and creative industries to support emerging artists. Finally, we hope to expand the influence of the public welfare lottery in order to help more disadvantaged groups and thus enable the entire community to grow stronger together.

Understanding appendix

11.1 Distribution of new employees

		Full-time employees in Taiwan			Full-time (including dispatched) employees overseas		
Gender	Age range	2018	2017	2016	2018	2017	2016
Men	50 years old or above	13	23	16	10	7	8
	30-49 years old	324	338	339	67	54	74
	Under 30 years old	386	381	386	47	38	27
	All ages	733	742	741	124	99	109
Women	50 years old or above	7	7	4	9	3	5
	30-49 years old	343	387	431	81	67	65
	Under 30 years old	604	577	594	75	64	55
	All ages	954	971	1,029	165	134	125
Total		1,687	1,713	1,770	289	233	234
New employee rate (%)		12.65	15.10	16.40	25.27	23.20	25.90

Note 1: New employee rate = number of new employees / average number of people employed during the period.
 Note 2: This table does not include sales representatives.

11.2 Distribution of employee turnover

		Full-time employees in Taiwan			Full-time (including dispatched) employees overseas		
		2018	2017	2016	2018	2017	2016
Turnover rates							
Overall turnover (%)		10.90	12.4	12.8	23.16	21.0	17.6
Voluntary turnover (%)		10.15	11.7	12.5	23	20.2	15.6
Resigned employees							
Men	50 years old or above	80	70	51	16	13	8
	30-49 years old	332	319	355	68	58	60
	Under 30 years old	228	218	199	23	20	19
	All ages	640	607	605	107	91	87
Women	50 years old or above	58	43	38	7	8	2
	30-49 years old	442	449	489	86	74	45
	Under 30 years old	319	309	295	50	39	25
	All ages	819	801	822	143	121	72
Total		1,459	1,408	1,427	250	212	159

Note 1: Turnover rate = employee turnover number / average number of people employed during the period.
 Note 2: Involuntary turnover includes the reorganization, transfer, severance, and dismissal of personnel.
 Note 3: This table does not include sales representatives.

11.3 Regulations on notice period required for resignation

Notice period	Years of service
10 days' notice	Employees with three months or more but less than one year of service
20 days' notice	Employees with one year or more but less than three years of service
30 days' notice	Employees with three years or more of service

Note: The shortest notice period for a change in assignment that may be given to employees is one week. If the Company goes out of business, is taken over, declares losses, or downsizes, or if an employee decides that they are unable to execute the assigned responsibilities, the notice period for the employee shall be 10-30 days prior to the termination of the labor contract, depending on the seniority of the employee.

11.4 Employee communication channels

Company	Telephone	Email	Address
CTBC Holding	(02) 3327-8804	0885@ctbcholding.com	24F., No. 168, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Bank	(02) 3327-8850	0885@ctbcbank.com	24F., No. 168, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
Taiwan Life	(02) 6607-6669	hr.app@taiwanlife.com	7F., No. 188-1, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Securities	(02) 6639-2220	ctbcsechr@gmail.com	No. 188, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Investments	(02) 2652-6624	0885@ctbcinvestments.com	12F., No. 188, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Capital	(02) 3327-8850	ctbcvc.hr@gmail.com	21F., No. 168, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
Taiwan Lottery	(02) 2786-1013	5134@taiwanlottery.com.tw	15F., No. 188, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Security	(02) 2653-0355	ctsecuco@ms41.hinet.net	5F., No. 188, Jingmao 2nd Rd., Nangang Dist., Taipei 11568
CTBC Asset Management	(02) 3327-8850	-	-

11.5 Distribution of employment type

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
In Taiwan (Note 1)									
Full-time	4,893	8,360	13,253	4,840	8,226	13,066	4,750	8,209	12,959
Temporary	251	471	722	238	450	688	234	439	673
Total	5,144	8,831	13,975	5,078	8,676	13,754	4,984	8,468	13,632
Overseas (Note 2)									
Full-time (including dispatched)	499	636	1,135	442	582	1,024	436	547	983
Contract-based	6	9	15	4	8	12	4	5	9
Temporary	33	21	54	26	21	47	23	19	42
Total	538	666	1,204	472	611	1,083	463	571	1,034
Commission-based sales representatives in Taiwan (Note 3)									
Commission-based	2,313	4,068	6,381	2,539	4,569	7,108	2,598	4,579	7,177
Mixed contract	413	1,138	1,551	452	1,280	1,732	530	1,457	1,987
Total	2,726	5,206	7,932	2,991	5,849	8,840	3,128	6,036	9,164

11.6 Age distribution of employees

	2018						2017						2016					
	Management positions		Non-management positions		Total		Management positions		Non-management positions		Total		Management positions		Non-management positions		Total	
Men	Women	Men	Women	Men			Women	Men	Women	Men			Women	Men	Women	Men		
In Taiwan (Note 1)																		
50 years old or above	294	241	535	539	522	1,061	281	196	477	481	455	936	251	174	425	442	404	846
30-49 years old	444	660	1,104	2,764	5,294	8,058	448	664	1,112	2,784	5,293	8,077	465	696	1,161	2,765	5,363	8,128
Under 30 years old	1	2	3	851	1,641	2,492	1	1	2	845	1,617	2,462	1	5	6	826	1,567	2,393
Total	739	903	1,642	4,154	7,457	11,611	730	861	1,591	4,110	7,365	11,475	717	875	1,592	4,033	7,334	11,367
Overseas (Note 2)																		
50 years old or above	46	22	68	43	36	79	50	20	70	25	30	55	43	19	62	28	24	52
30-49 years old	56	51	107	271	376	647	69	53	122	227	337	564	61	41	102	243	324	567
Under 30 years old	1	0	1	81	152	233	1	0	1	70	142	212	0	0	0	61	139	200
Total	103	73	176	395	564	959	120	73	193	322	509	831	104	60	164	332	487	819
Commission-based sales representatives in Taiwan (Note 3)																		
50 years old or above	203	587	790	412	1,219	1,631	206	586	792	460	1,222	1,682	217	605	822	478	1,126	1,604
30-49 years old	416	726	1,142	998	1,981	2,979	425	832	1,257	1,121	2,275	3,396	425	890	1,315	1,133	2,358	3,491
Under 30 years old	99	93	192	598	600	1,198	112	109	221	667	825	1,492	123	127	250	752	930	1,682
Total	718	1,406	2,124	2,008	3,800	5,808	743	1,527	2,270	2,248	4,322	6,570	765	1,622	2,387	2,363	4,414	6,777

Note 1: The scope of data is CTBC Bank, Taiwan Life, CTBC Capital, CTBC Asset Management, CTBC Securities, CTBC Investments, and Taiwan Lottery.
 Note 2: The overseas branches and branch offices of CTBC Bank do not include overseas subsidiaries.
 Note 3: Commission-based sales representatives of Taiwan Life include commission-based and mixed-contract personnel.

INDEPENDENT ASSURANCE OPINION STATEMENT

CTBC Financial Holding Co., Ltd. 2018 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 the stakeholders of CTBC only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CTBC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CTBC only.

Scope

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

1. The assurance scope is consistent with the description of CTBC Financial Holding Co., Ltd. 2018 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the CTBC's adherence to AA1000 AccountAbility Principles (2018) and the reliability of specified sustainability performance information in this report as conducted in accordance with type 2 of AA1000 Assurance Standard (2008) with 2018 Addendum sustainability assurance engagement. This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the CTBC 2018 Corporate Social Responsibility Report provides a fair view of the CTBC CSR programmes and performances during 2018. 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 2018 economic, social and environmental performance information are correctly represented. The CSR performance information disclosed in the report demonstrate CTBC's efforts recognized by its stakeholders.

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

Methodology

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

- a 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
- interview with 30 staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the extent and maturity of the relevant accounting systems for financial and non-financial reports
- review of the findings of internal audits
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data
- review of the processes for gathering and ensuring the accuracy of data, followed data trails to initial aggregated source and checked sample data to greater depth during site visits
- the consolidated financial data are based on audited financial data, we checked that this data was consistently reproduced
- review of supporting evidence for claims made in the reports

- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018)

Conclusions

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

Inclusivity

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

Materiality

The CTBC publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of CTBC and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the CTBC'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 CTBC's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the CTBC's responsiveness issues.

Impact

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

Performance information

Based on our work described in this statement, specified sustainability performance information such as GRI Standards disclosures disclosed in this report, CTBC and BSI have agreed upon to include in the scope. In our view, the data and information contained within 2018 CTBC CSR Report are reliable based on procedures undertaken 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 GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self- declaration covers the CTBC's social responsibility and sustainability topics.

Assurance level

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

Responsibility

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

For and on behalf of BSI:



Peter Pu
Managing Director BSI Taiwan

2019-04-15

Taiwan Headquarters: 5th Floor, No. 39, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.

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Indicator	Chapter/description	Page
General disclosure		
*102-1	Name of the organization	About CTBC Holding 12
*102-2	Activities, brands, products, and services	About CTBC Holding 12-17
*102-3	Location of headquarters	About CTBC Holding 12
*102-4	Location of operations	About CTBC Holding 14-15
*102-5	Ownership and legal form	About CTBC Holding 12
*102-6	Markets served	About CTBC Holding 14-15
*102-7	Scale of the organization	About CTBC Holding 12
*102-8	Information on employees and other workers	Understanding 94-111 Understanding appendix 144-145
*102-9	Supply chain	About CTBC Holding 20-22
*102-10	Significant changes to the organization and its supply chain	No material change -
*102-11	Precautionary Principle or approach	Transparency 53-66
*102-12	External initiatives	About CTBC Holding 26-27 Responsibility 68-91
*102-13	Membership of associations	About CTBC Holding 26
*102-14	Statement from senior decision-maker	Letter from the Chairman 4-5 Letter from the President 6-7
102-15	Key impacts, risks, and opportunities	About CTBC Holding 14-18
*102-16	Values, principles, standards, and norms of behavior	Transparency 48-53
102-17	Mechanisms for advice and concerns about ethics	Transparency 48-53 Understanding 94-111
*102-18	Governance structure	Transparency 48-67
102-19	Delegating authority	Sustainability 40-44
102-20	Executive-level responsibility for economic, environmental, and social topics	Stakeholders and materiality analysis 28-31
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders and materiality analysis 28-31
102-22	Composition of the highest governance body and its committees	Transparency 48-67
102-23	Chair of the highest governance body	Letter from the Chairman 4-5
102-24	Nominating and selecting the highest governance body	Transparency 50
102-25	Conflicts of interest	Transparency 50-52
102-26	Role of highest governance body in setting purpose, values, and strategy	Transparency 48-52

#: Core option; #: CTBC Holding materiality issue; v: CTBC Holding materiality for which full disclosure is provided.

Indicator	Chapter/description	Page	
102-27	Collective knowledge of highest governance body	Transparency 48-52	
102-30	Effectiveness of risk management processes	Transparency 56-63	
102-32	Highest governance body's role in sustainability reporting impacts	Sustainability 40-44	
102-33	Communicating critical concerns	Stakeholders and materiality analysis 28-39	
102-34	Nature and total number of critical concerns	Please refer to "CTBC Holding 2018 Annual Report" page116-118.  -	
102-35	Remuneration policies	Transparency 53	
102-36	Process for determining remuneration	Transparency 53	
*102-40	List of stakeholder groups	Stakeholders and materiality analysis 28-33	
*102-41	Collective bargaining agreements	Understanding 102	
*102-42	Identifying and selecting stakeholders	Stakeholders and materiality analysis 28-33	
*102-43	Approach to stakeholder engagement	Stakeholders and materiality analysis 28-33	
*102-44	Key topics and concerns raised	Stakeholders and materiality analysis 28-33	
*102-45	Entities included in the consolidated financial statements	About CTBC Holding 16-19	
*102-46	Defining report content and topic Boundaries	Stakeholders and materiality analysis 28-33	
*102-47	List of material topics	Stakeholders and materiality analysis 28-33	
*102-48	Restatements of information	No significant change -	
*102-49	Changes in reporting	No significant change -	
*102-50	Reporting period	Report overview -	
*102-51	Date of most recent report	June 2018 1	
*102-52	Reporting cycle	Report overview 1	
*102-53	Contact point for questions regarding the report	Appendix 154	
*102-54	Claims of reporting in accordance with the GRI Standards	Report overview 1	
*102-55	GRI content index	Appendix-GRI Standards Index 148-151	
*102-56	External assurance	Appendix-independent assurance opinion statement 146-147	
103: Management approach	103-1	Explanation of the material topic and its Boundary	Stakeholders and materiality analysis 28-33
	103-2	The management approach and its components	Stakeholders and materiality analysis 28-39
	103-3	Evaluation of the management approach	Stakeholders and materiality analysis 28-39

Indicator			Chapter/description	Page
Specific topics				
Economic dimension				
201: Economic performance	201-1	Direct economic value generated and distributed	About CTBC Holding	14-15
	201-2	Financial implications and other risks and opportunities due to climate change	Responsibility	79-81
	201-3	Defined benefit plan obligations and other retirement plans	Understanding	94-111
	201-4	Financial assistance received from government	About CTBC Holding	24
#202: Market Presence	v 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Understanding	94-111
	v 202-2	Proportion of senior management hired from the local community	Understanding	97
#203: Indirect Economic Impacts	v 203-1	Infrastructure investments and services supported	Responsibility	68-91
	v 203-2	Significant indirect economic impacts	Together	128-143
204: Procurement Practices	204-1	Proportion of spending on local suppliers	About CTBC Holding	20-22
#205: Anti-corruption	205-1	Operations assessed for risks related to corruption	Transparency	53-57
	v 205-2	Communication and training about anti-corruption policies and procedures	Transparency	53-57
	v 205-3	Confirmed incidents of corruption and actions taken	N/A	-
206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	-
Environmental dimension				
#302: Energy	v 302-1	Energy consumption within the organization	Responsibility	72
	v 302-2	Energy consumption outside of the organization	Responsibility	72
	v 302-3	Energy intensity	Responsibility	72
	v 302-4	Reduction of energy consumption	Responsibility	68-75
	v 302-5	Reductions in energy requirements of products and services	Responsibility	85-86
303: Water	303-1	Water withdrawal by source	Responsibility	76
	303-2	Water sources significantly affected by withdrawal of water	Responsibility	76
	303-3	Water recycled and reused	Responsibility	76
#305: Emissions	v 305-1	Direct (Scope 1) GHG emissions	Responsibility	73
	v 305-2	Energy indirect (Scope 2) GHG emissions	Responsibility	73
	v 305-3	Other indirect (Scope 3) GHG emissions	Responsibility	73
	v 305-4	GHG emissions intensity	Responsibility	73
	v 305-5	Reduction of GHG emissions	Responsibility	72-75
	v 305-6	Emissions of ozone-depleting substances (ODS)	No emissions	-
	v 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	No emissions	-
306: Effluents and Waste	306-1	Water discharge by quality and destination	Responsibility	76
	306-2	Waste by type and disposal method	Responsibility	77-78
	306-3	Significant spills	N/A	-
	306-4	Transport of hazardous waste	N/A	-
	306-5	Water bodies affected by water discharges and/or runoff	No significant impact	-
#307: Environmental Compliance	v 307-1	Non-compliance with environmental laws and regulations	N/A	-

Indicator			Chapter/description	Page
Social dimension				
#401: Employment	v 401-1	New employee hires and employee turnover	Understanding appendix	144-145
	v 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Understanding	94-111
	v 401-3	Parental leave	Understanding	104
#402: Labor/Management Relations	v 402-1	Minimum notice periods regarding operational changes	Understanding appendix	144
	v 403-1	Workers representation in formal joint management-worker health and safety committees	Understanding	104
#403: Occupational Health and Safety	v 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Understanding	105-106
	v 403-3	Workers with high incidence or high risk of diseases related to their occupation	Understanding	94-111
	v 403-4	Health and safety topics covered in formal agreements with trade unions	Understanding (Only a handful of Taiwan Life employees hold union membership.)	102
	v 404-1	Average hours of training per year per employee	Understanding	94-111
#404: Training and Education	v 404-2	Programs for upgrading employee skills and transition assistance programs	Understanding	94-111
	v 404-3	Workers with high incidence or high risk of diseases related to their occupation	Understanding	94-111
	405-1	Diversity of governance bodies and employees	Understanding	94-111
405: Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	Understanding	97
	v 406-1	Incidents of discrimination and corrective actions taken	Understanding	94-111
407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A	-
408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	N/A	-
#409: Forced or Compulsory Labor	v 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A	-
411: Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	N/A	-
#412: Human Rights Assessment	v 412-1	Operations that have been subject to human rights reviews or impact assessments	Understanding	102-103
	412-2	Employee training on human rights policies or procedures	Understanding	102-103
	v 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Understanding	94-111
413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Together	128-143
	413-2	Operations with significant actual and potential negative impacts on local communities	Together	128-143
415: Public Policy	415-1	Political contributions	No political contributions	-
417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	Satisfaction	112-127
	417-2	Incidents of non-compliance concerning product and service information and labeling	N/A	-
	417-3	Incidents of non-compliance concerning marketing communications	N/A	-
#418: Customer Privacy	v 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Transparency	56
#419: Socioeconomic Compliance	v 419-1	Non-compliance with laws and regulations in the social and economic area	Transparency	56

	Core subject/issue	Chapter	Page
Organizational governance	Decision-making processes and structures	Sustainability	40-44
Human rights	Due diligence	Understanding	102-103
	Human rights risk situations	Understanding	102-103
	Avoidance of complicity	Transparency	48-67
	Resolving grievances	Understanding Understanding appendix	104 144
	Discrimination and vulnerable groups	Understanding	102-103
	Civil and political rights	Understanding	102-103
	Economic, social and cultural rights	Understanding	94-111
	Fundamental principles and rights at work	Understanding Understanding appendix	102-104 144
Labor practices	Employment and employment relationships	Understanding	94-111
	Conditions of work and social protection	Understanding	94-111
	Social dialogue	Stakeholders and materiality analysis	28-39
	Health and safety at work	Understanding	104-108
	Human development and training in the workplace	Understanding	109-111
Environment	Prevention of pollution	Responsibility	70-78
	Sustainable resource use	Responsibility	77-78
	Climate change mitigation and adaptation	Responsibility	68-86
	Protection of the environment, biodiversity and restoration of natural habitats	Responsibility	78-79
Fair operating practices	Anti-corruption	Transparency	53
	Responsible political involvement	Transparency	55-57
	Fair competition	Transparency	54-57
	Promoting social responsibility in the value chain	About CTBC Holding	16
	Respect for property rights	Transparency	63-66
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	Satisfaction	112-127
	Protecting consumers' Health and safety	Satisfaction	112-127
	Sustainable consumption	About CTBC Holding Responsibility	24-25 83-93
	Consumer service, support, and complaint and dispute resolution	Satisfaction	122-126
	Consumer data protection and privacy	Transparency	63-67
	Access to essential services	Satisfaction	112-127
	Education and awareness	Satisfaction	126-127
Community involvement and development	Community involvement	Together	128-143
	Education and culture	Together	128-143
	Employment creation and skills development	Understanding	94-101
	Technology development and access	Satisfaction	112-122
	Wealth and income creation	About CTBC Holding	16-19
	Health	Understanding	94-111
	Social investment	Together	128-143

	Financial services sector supplement guideline	Chapter	Page
FS1	Policies with specific environmental and social components applied to business lines	Sustainability	40-44
FS2	Procedures for assessing and screening environmental and social risks in business lines	Responsibility	89-93
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Responsibility	89-93
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Responsibility	89-93
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Responsibility	89-93
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	About CTBC Holding	19
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Responsibility	87-88
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Responsibility	83-87 89-93
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Transparency	56-63
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Responsibility	89-91
FS11	Percentage of assets subject to positive and negative environmental or social screening	Responsibility	89-91
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	Responsibility	89-91
FS13	Access points in low-populated or economically disadvantaged areas by type	Responsibility	86-87
FS14	Initiatives to improve access to financial services for disadvantaged people	Responsibility	86-90
FS15	Policies for the fair design and sale of financial products and services	Satisfaction	112-127
FS16	Initiatives to enhance financial literacy by type of beneficiary	Satisfaction	127

U.N. Global Compact comparison

Category	Principle	Chapter	Page
Human rights	Businesses should support and respect the protection of internationally proclaimed human rights	Understanding	102-103
	Make sure that they are not complicit in human rights abuses	Understanding	102-103
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Understanding	100-103
	The elimination of all forms of forced and compulsory labor	Understanding	100-103
	The effective abolition of child labor	Understanding	102-103
	The elimination of discrimination in respect of employment and occupation	Understanding	102-103
Environment	Businesses should support a precautionary approach to environmental challenges	Responsibility	68-86 89-90
	Undertake initiatives to promote greater environmental responsibility	Responsibility	68-86 89-90
	Encourage the development and diffusion of environmentally friendly technologies	Responsibility	68-86 89-90
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	Transparency	51-56

CTBC Holding Corporate Social Responsibility Report 2018

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Contact Information

Point of Contact CTBC Holding Corporate Sustainability Committee
Address No. 168, Jingmao 2nd Road, Nangang District, Taipei, Taiwan, R.O.C.
Telephone +886-2-3327-7777 ext.6720
E-mail public@ctbcbank.com



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