



兆豐金控  
Mega Holdings



# CSR Report

Mega Financial Holding Co., Ltd.

# 2017 CSR Report



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In 2017, the earnings of Mega Financial Holding Co., Ltd. after tax reached NT\$25.73 billion. Subsidiaries also reported outstanding performance. After deducting the Federal Reserve System (FED)'s penalty amounting to US\$29 million, the earnings of Mega International Commercial Bank after tax were NT\$21.52 billion. Profit of overseas branches and OBU accounted for 58% of the total earnings which is ahead of other banks in Taiwan. This shows that Mega Financial Holding Co., Ltd. has remained outstanding in international finance.

After entering into a consent order with the New York State Department of Financial Services (NYDFS) in 2016, Mega International Commercial Bank has pursued corrective measures actively and set 2017 as the first year of transformation. All employees were encouraged to qualify for the Certified Anti-Money Laundering Specialist, and 3,535 of them were certified, ranking the company the first in the industry; in addition, the Risk Management Committee was brought under the jurisdiction of Mega Holdings' Board of Directors; the role of Anti-Money Laundering Center was expanded to the Anti-Money Laundering and Financial Crime Compliance Department with 137 personnel. In addition to original anti-money laundering

activities and countering terrorism financing, the Anti-Money Laundering and Financial Crime Compliance Department will also take the lead to be in charge of financial crimes, such as bribery, corruption, tax avoidance, cybercrimes, and frauds, in line with international standards and practices.

To strengthen compliance with international standards in anti-money laundering, we have made efforts to implement the action plan by building systems, engaging advisors and experts, and using various external sources. Compliance is the cornerstone of the sound operation of the financial industry. We will continue to strengthen corporate governance and compliance throughout the Group to regain our stakeholders' trust. We have strengthened our communication with customers, shareholders, employees, the media, and regulators and insist on doing the right thing under various business risks and pressure from all parties..

Based on Principle of Responsible Investment (PRI) and Equator Principles (EP), Mega International Commercial Bank makes decisions to invest and offers loans after ascertaining the financial and non-financial information of counterparties, and provides funds for energy conservation, carbon reduction, and environmental protection. By 2017, green loans totaled NT\$92.6 billion and green investments NT\$4.7 billion. In inclusive financing in 2017, we offered Micro Insurance Personal Accident, small and medium business loans, and key start-up loans; we also developed a variety of financial services, such as digital deposits, mobile payments, mobile bank, and a mobile App to increase the coverage of digital financial services. In response to the needs of the aging society, we offer trusts for the elderly care and reverse mortgage.

The Company provides a variety of job opportunities equally for people with disabilities and indigenous people. In response to the government's call for increased employment and raise in wages, we engaged additional 415 employees under a reorganization plan in 2017; starting from January 2018, we will raise the salary for all employees across the Group.

The Company continues to take measures for energy conservation and carbon

reduction, expand the scope of greenhouse gas inventory, and pass the verification of the British Standards Institution (BSI). Compared to 2016, the Company's energy consumption per capita in 2017 was reduced by 7% reflecting our efforts to replace and maintain energy-saving equipment. In 2017, Mega International Commercial Bank's Jilin Building in Taipei introduced the ISO 14001 environmental management system and passed the certification. Since 2015, the Group has subscribed to 250,000 kilowatt hours (kWh) of green power every year. As of 2017, green power subscription totaled 750,000 kWh.

In the social engagement, we encourage employees to participate in volunteer activities. In addition to the volunteer team under Mega Charity Foundation, Mega International Commercial Bank has officially set up a volunteer system with 729 volunteers and 4,222 hours of service in 2017. To help schools in remote areas develop sports and art activities, Mega International Commercial Bank has sponsored the archery team of Yuli Junior High School in Hualien County, baseball teams of seven elementary schools in Yilan County, and the symphonic band of Masai Elementary School in Yilan County to replace old instruments for three consecutive years. To mitigate the suffering of farmers due to overproduction, Mega International Commercial Bank purchased 100 tons of bananas from farmers and gave them to customers to improve farmers' livelihood to set an example for other businesses to involve in charitable activities and to create a diversity of values for society, making Taiwan a better place to live and work.

During the last year, Mega Financial Holding Co., Ltd. thoroughly revamped itself by remediating deficiencies found by examination of regulators, building an anti-money laundering system, and reconstructing its compliance culture. In 2018, we will further strengthen corporate governance, risk management, and anti-money laundering activities and strive for achieving the UN's Sustainable Development Goals (SDGs) with our business acumen and positive influence in the financial industry.

Chairman of the Board





## About the Report

Mega Financial Holding Co., Ltd. (the Company) has published its corporate sustainability report annually since 2013. The Company discloses its plans and practice of sustainability to all stakeholders based on the principle of integrity, transparency, and sustainable development. The results of the Company's sustainable development in 2017 are disclosed in the report.

### Scope

The report covers the practice and results of corporate governance, customer commitment, environmental protection, employee care, and social engagement the Company undertook in 2017 (from January 1 to December 31). Major events are disclosed as of March 31, 2018. The scope of the report, same as that in 2016, is mainly the operations in Taiwan, including the Company and its subsidiaries, Mega International Commercial Bank Cultural and Educational Foundation, and Mega Charity Foundation. The report does not cover overseas subsidiaries included in the consolidated financial statements.

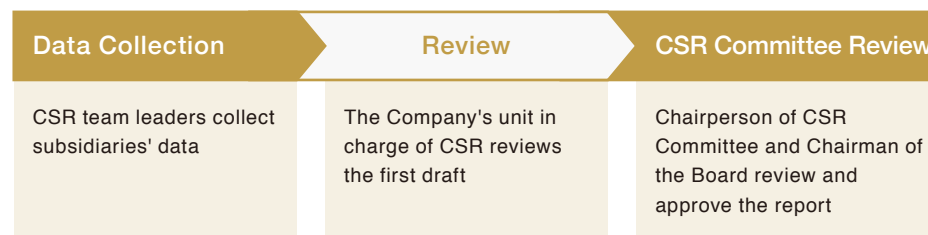
### Reporting Principles and Guidelines

Based on the material issues resulting from stakeholder engagement in 2017, the report is structured in accordance with GRI Standards under the Global Reporting Initiative (GRI), the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies. The financial data in the report are from the financial statements audited by the CPAs (PwC Taiwan). All financial figures are in New Taiwan Dollar (NTD).

### Procedures for Internal Review Management

The first draft of the report is composed based on subsidiaries' data collected by

CSR team leaders and submitted to the Company's unit in charge of CSR for review, and then submitted to the Chairperson of CSR Committee and Chairman of the Board for approval before publication.



Publication of 2017 CSR Report: June 2018.

### Report Certification

In June 2018, the report is certified by the British Standards Institution (BSI) based on GRI Standards (Core Option) and Type 1 of AA1000AS (2008) Assurance. Refer to the Appendix 4 to the report for BSI's Independent Assurance Opinion Statement.

### Feedback

If you have any questions or suggestions about the contents or activities of the report, please feel free to contact us.

### Contact Information

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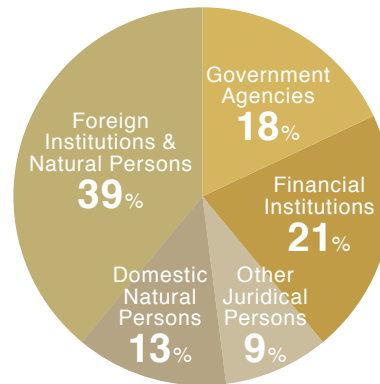
## About Mega Holdings

### Company Profile

Company Name	Mega Financial Holding Co., Ltd.
Date of Incorporation	February 4, 2002
Headquarters Address	14~17F, 20~21F, No.123, Sec.2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City
Capital	NT\$135.99 billion
Total Assets	NT\$3,547.32 billion
Total Number of Employees	8,502 (Full-time employees)
Scope of Business	Investment and management of investee companies; for subsidiaries, the scope of business includes a variety of financial services.

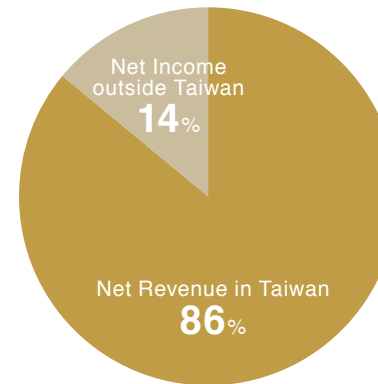
Founded on February 4, 2002, the Company went listed on Taiwan Stock Exchange on the same day. Located in Taipei City, the Company mainly engages in investments and management of investee companies. At present, the Company has 8 directly-held subsidiaries, namely Mega International Commercial Bank Co., Ltd., Mega Bills Finance Co., Ltd., Mega Securities Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega Asset Management Co., Ltd., Mega International Investment Trust Co., Ltd., Mega Venture Capital Co., Ltd., and Mega Life Insurance Agency Co., Ltd. As of December 31, 2017, the Company's share capital was approximately NT\$136 billion, with a market capitalization of NT\$327 billion, ranked No. 4 among 15 listed financial holding companies in Taiwan. The Group had 8,502 employees, showing an increase of 415 employees compared to 2016 mainly due to the appointment of compliance professionals by Mega International Commercial Bank Co., Ltd.

### Ownership and Distribution of Shares



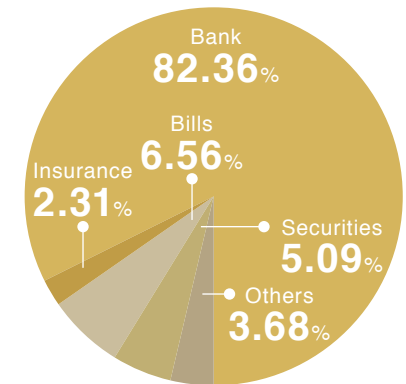
Note: As of August 11, 2017.

### Net Revenue



Source: The Company's 2017 consolidated financial statements.

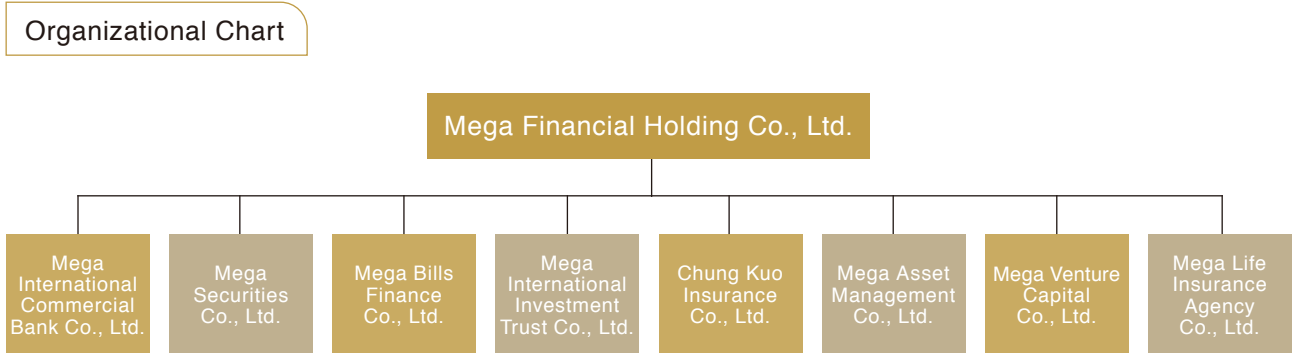
### Net Revenue by Subsidiary Business



Source: The Company's 2017 consolidated financial statements.

## Organization of the Company

The Company's overall profits mainly come from the investments in Mega International Commercial Bank Co., Ltd. and Mega Bills Finance Co., Ltd. Other subsidiaries make a lower contribution to the Group due to their small size, but they are favorable to the Group's service diversification and service channel extension, which enhance the synergy.



## Mega International Commercial Bank Co., Ltd. (MICB; Mega Bank)

Mega International Commercial Bank Co., Ltd. was previously the International Commercial Bank of China, which was incorporated into the Group in 2002, and was later renamed after it merged with Chiao Tung Bank. The scope of business mainly includes commercial banking, corporate finance, international finance, trust, consumer finance, wealth management, investment, and agency businesses. MICB is the only USD clearing bank in Taiwan's foreign currency settlement platform. As

the earliest international bank in Taiwan, MICB is well-known for its foreign exchange business and ranks the first among domestic banks in terms of foreign exchange deposits, guarantees, and asset quality. In 2017, MICB's net profits after-tax were NT\$21.523billion; EPS was NT\$2.52, ranked No. 2 among domestic banks.



In terms of overseas presence, MICB kept focusing on Asian countries, especially the Southeast Asian countries. As of 2017, MICB had 108 domestic units and 38 overseas units located in 19 countries including U.S., Panama, France, Netherlands, the U.K., Australia, Japan, Philippines, Vietnam, Singapore, Malaysia, China, Hong Kong, Cambodia, India, United Arab Emirates, Myanmar, Thailand, and Canada. These 38 overseas units included 22 overseas branches, 5 sub-branches, 4 representative offices (including a marketing office), and 7 subsidiaries and their branches in Thailand and Canada.

For long-term development goals, MICB will strive to become a regional bank in Asia and continuously expand its presence in emerging countries with market potential.

### **Mega Securities Co., Ltd. (MS)**

The scope of business mainly includes underwriting of securities, brokerage and proprietary trading of securities, stock agency, margin trading of securities, issuance of stock warrants, brokerage of overseas securities, futures introducing brokerage, and trust related business. In 2017, MS achieved the market share of 3.06%, ranked No. 9 in the brokerage services.

### **Mega Bills Finance Co., Ltd. (MBF)**

The scope of business mainly includes proprietary trading, brokerage and underwriting of short-term notes and bills and financial bonds, provision of guarantees for short-term notes and bills, and proprietary trading of government bonds and corporate bonds. In 2017, MBF's market share ranked No.1 in the industry in terms of corporate bonds, bills trading, and bills guarantee; its financial performance and asset quality were considered outstanding.

### **Mega International Investment Trust Co., Ltd. (MITC)**

The scope of business mainly includes securities investment trust and discretionary investments. By 2017, the scale of assets managed by MITC reached NT\$88.77 billion, ranked No. 11 among 39 investment trust companies in Taiwan.

### **Chung Kuo Insurance Co., Ltd. (CKI)**

The scope of business mainly includes property insurance and regulator-approved accident insurance and health insurance.

### **Mega Asset Management Co., Ltd. (MAM)**

The scope of business mainly includes purchases and selling of financial institutions' loan assets, and obligations consolidation and advanced payments for urban renewal and renovation of old buildings according to government regulations.

### **Mega Venture Capital Co., Ltd. (MVC)**

The scope of business mainly includes venture capital investment, as well as providing operational, managerial and consulting services. At present, business is operated and managed by Mega Management and Consulting Corporation.

### **Mega Life Insurance Agency Co., Ltd. (MLIA)**

Mega Life Insurance Agency Co., Ltd. offers quality life insurance products to individuals and businesses and helps them select suitable insurance plans that achieve comprehensive risk management. In 2015, the government allowed banks to provide insurance agency services. Whether MLIA will merge with MICB is still under discussion.





## Results of CSR and Performance of Sustainable Development

### 2017 Governance Performance

- ★ Percentage of female directors in the Company: 27%.
- ★ Mega International Commercial Bank, Co., Ltd. (MICB) has set up the Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Department to be in charge of anti-money laundering and countering terrorism financing.
- ★ MICB has set up the AML & FCC Committee under the Compliance Committee to ensure the implementation of measures for anti-money laundering and countering terrorism financing.
- ★ A total of 8,417 employees and 73 directors and supervisors of the Company and its subsidiaries participated in training courses on anti-money laundering.
- ★ In 2017, 10 frauds totaling NT\$1,100,000 and US\$51,890 were intercepted successfully.
- ★ Around 99% of employees of the Company and its subsidiaries completed the training courses on customers' data security and personal information.
- ★ MICB has assisted the government in making loans to Five-Plus-Two key start-up industries. By 2017, the outstanding loans amounted to NT\$380.7 billion, ranked No. 3 in the financial industry.
- ★ The balance of loans made to businesses pertaining to renewable energy technology was NT\$92.6 billion in 2017.
- ★ As one of the pioneer funds relevant to green finance, Mega Green Diamond Fund reached NT\$0.1 billion fund size at the end of 2017.

### 2017 Environmental Performance

- ★ The Company had purchased 750,000 kWh of green power at the amount of around NT\$ 800,000 from 2015 to 2017.
- ★ As of the end of 2017, 5 office buildings and 10 branches have obtained the certificate of ISO 14064-1 greenhouse gas inventory.
- ★ MICB Chi-Lin Building introduced the ISO 14001 environmental management system and passed the certification.

### 2017 Social Performance

- ★ In 2017, MICB set up a total of 317 accessible ATMs.
- ★ For flight delays covered in comprehensive travel insurance, Chung Kuo Insurance Co., Ltd. (CKI) notified qualified policyholders of the claims via the blockchain and smart contract technologies.
- ★ To improve employees' ability in anti-money laundering and risks identification, NT\$0.2 billion was invested by MICB to encourage employees to attend the Certified Anti-Money Laundering Specialists (CAMS) test. As of the end of 2017, 3,535 employees have obtained the qualification of CAMS.
- ★ The Company introduced the Employee Assistance Program (EAP) and organized lectures on psychological consultation to help promote the normal physical and mental development of employees.
- ★ To ensure safe and healthy working environments and habits, doctors have been invited monthly to conduct health tests, provide consultations, and promote health on-site since July 2017.
- ★ The Maternal Health Protection Plan was approved, where high-risk groups were provided with health guidance and follow-up, adaptive job arrangements, and health education through health assessment and consultation, to create a safe and friendly workplace.
- ★ The Company organized large concerts for schools in North, Central, and South Taiwan to strengthen the interaction with local communities and customers and improve local art development.
- ★ The Company has long sponsored selected baseball teams, archery teams, and weightlifting teams of remote elementary or junior high schools in Yilan, Hualien, and Tainan for training expenses.
- ★ The Company donated NT\$800,000 to Harmony Home Foundation Taiwan to help stateless babies grow up healthily.
- ★ Sponsored the disadvantaged music group from Nantou Chin-Ai String Orchestra to participate in the the Summa Cum Laude Youth Music Festival in Vienna. Chin-Ai String Orchestra won the first place in the string ensemble, assisting the disadvantaged music group to attend the international music event.



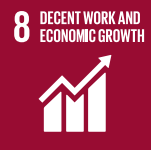

## 2017 Awards



Date	Issuer	Name of Award	Award-winning Unit
2017/11	British Standards Institution (BSI)	★ Corporate Sustainability Practice Award	Mega Financial Holding Co., Ltd.
2017/12	International Finance Magazine	★ Best Innovative Bank in Taiwan	Mega International Commercial Bank Co., Ltd.
2017/12	Global Banking & Finance Review	★ Best Commercial Bank in Taiwan	Mega International Commercial Bank Co., Ltd.
2017/04	Global Brands Publications Ltd.	★ Best Banking Brand Taiwan 2017	Mega International Commercial Bank Co., Ltd.
2017/05	RMI Educational Foundation	★ Excellence Award in the Best Insurance Companies for Finance Graduates	Chung Kuo Insurance Co., Ltd.
2017/05	Insurance Development Fund Committee under the Financial Supervisory Commission	★ People's Choice Award in Micro Movie Awards Festivals	Chung Kuo Insurance Co., Ltd.
2017/08	RMI Educational Foundation	★ Faith, Hope & Love Awards of Insurance ★ Best Professional Insurance Company Award (individual) ★ Merits in Best Communication Service Award, Best Channel Strategy Award, and Best Integrated Communication Award (corporate)	Chung Kuo Insurance Co., Ltd.

## Responding to the UN's Sustainable Development Goals (SDGs)

In 2015, the UN adopted 17 Sustainable Development Goals (SDGs) in Sustainable Development Agenda 2030, covering governance, economic, and social goals, in the hope of moving toward a fairer world. After reviewing the connections between Mega Holdings' practice of sustainable development in 2017 and SDGs, the Company has outlined 6 goals to which it has a long-term commitment, namely SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 8 (Decent Work and

Economic Growth), SDG 10 (Reduced Inequalities), SDG 13 (Climate Action), and SDG 16 (Peace and Justice). The Company's practice of these 6 goals in 2017 is described below. The Company will continue to focus on SDGs and create more value using its core competencies.

SDGs	Corporate Practice	2017 Achievements	Corresponding Section
	<p>Care for the future development of the disadvantaged students by:</p> <ol style="list-style-type: none"> <li>1. Offering students part-time work, allowing them to prepare for future careers early during school</li> <li>2. Funding students in remote areas to participate in sports training and art contests, promoting their future diverse development</li> <li>3. Sponsoring financial seminars and forums to popularize financial education.</li> </ol>	<ul style="list-style-type: none"> <li>• From 2012 to 2017, the Company had offered 254 students part-time work and was awarded a certificate of appreciation by the Ministry of Education.</li> <li>• Funded baseball teams, archery teams, and weightlifting teams of remote schools in Yilan, Hualien, and Tainan at the amount of NT\$5.3 million.</li> <li>• Sponsored 7 financial promotion seminars and forums and accumulated 540 volunteer hours across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Inclusion</li> <li>• Community Engagement</li> </ul>
	<p>Treat employees fairly in terms of gender and competency based on the diversity policy.</p>	<ul style="list-style-type: none"> <li>• The ratio of female directors in the Company: 27%.</li> <li>• The ratio of female employees across the Group: 57%.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Governance</li> <li>• Corporate Governance</li> </ul>
	<p>Employees are the foundation of business development. The Company is committed to providing a healthy and safe working environment, safeguarding the rights and interests of employees, and ensuring the opportunity for whole-person development.</p>	<ul style="list-style-type: none"> <li>• Since 2011, the Company has been selected in TWSE RA Taiwan Employment Creation 99 Index.</li> <li>• Since 2014, the Company has been selected in TWSE Taiwan High Compensation 100 Index.</li> <li>• In 2017, the Company approved the Maternal Health Protection Plan, where high-risk groups were provided with health guidance and follow-up, adaptive job arrangements, and health education through health assessment and consultation by on-site doctors to create a safe and friendly workplace.</li> <li>• The Employee Assistance Programs (EAP) was introduced to promote employees' health.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Inclusion</li> <li>• Employee Care</li> </ul>
	<p>Promote microinsurance products to safeguard the basic human rights of the disadvantaged groups.</p>	<ul style="list-style-type: none"> <li>• In 2017, there were 2,272 micro insurance policyholders, resulting in a total of 9,825 policyholders cumulatively.</li> <li>• From 2015 to 2017, the Company had been eligible for the incentives measures under the Directions for Insurance Companies to Engage in Microinsurance Business with the approval of the Insurance Bureau, Financial Supervisory Commission.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Inclusion</li> <li>• Customer Service</li> </ul>

SDGs	Corporate Practice	2017 Achievements	Corresponding Section
	<p>Promote green financial services and facilitate the independent operation of the financial market to support green energy industry by funding renewable energy businesses; assist stakeholders in reducing the impact of climate change by the provision of appropriate financial products.</p>	<ul style="list-style-type: none"> <li>• MICB invested NT\$4.7 billion in businesses pertaining to renewable energy.</li> <li>• Mega Green Diamond Fund was issued based on the concept fund of green finance. As of the end of 2017, the fund size reached NT\$0.1 billion.</li> <li>• The balance of loans made to businesses pertaining to renewable energy technology was NT\$92.6 billion in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Governance</li> <li>• Green Finance</li> </ul>
	<p>Comply with regulations pertaining to anti-money laundering and strengthen the implementation of measures for anti-money laundering and risk control.</p>	<ul style="list-style-type: none"> <li>• MICB has set up the Anti-Money Laundering and Financial Crime Compliance Department to be in charge of anti-money laundering and countering terrorism financing.</li> <li>• MICB has set up the AML &amp; FCC Committee under the Compliance Committee to ensure the implementation of measures for anti-money laundering and countering terrorism financing</li> <li>• A total of 8,494 employees and 73 directors and supervisors of the Company and its subsidiaries participated in training courses on anti-money laundering.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Governance</li> <li>• Corporate Governance</li> </ul>



# Sustainability Vision and Business Strategies

## Fundamentals of Sustainable Development

### Sustainability Vision

The Company has actively fulfilled its corporate social responsibility to be in line with international trends. As a corporate citizen, the Company has strived to contribute to domestic economy and improve the quality of life of employees, communities, and society, so as to increase its competitive advantage based on corporate responsibility.

### Mission

- 1 Implement corporate governance
- 2 Develop sustainable environment
- 3 Maintain integrated community
- 4 Enhance the disclosure of information on corporate social responsibility

### Commitment

The Company fulfills its corporate social responsibility and pays attention to the rights and interests of stakeholders. While pursuing sustainable development and profit, the Company values topics pertaining to the environment, society, and corporate governance and incorporates them into its management approaches and operating activities.

### Guidelines for Corporate Social Responsibility

To fulfill its corporate social responsibility, the Company formulated the Guidelines for Corporate Social Responsibility and the Corporate Social Responsibility Policy in 2014. With the business philosophies of ethical management, stable growth, and sustainable development, the Company is always committed to the corporate social responsibility to achieve the sustainable development goals.

Through Corporate Social Responsibility Committee, the Company reviews and improves its practice of corporate social responsibility based on the development of corporate social responsibility at home and abroad and international sustainability trends and follows up the effectiveness of corporate social responsibility.



## Corporate Social Responsibility Policy

Key Topic	Policy
Customer service	Become the best financial service provider to increase the customers' satisfaction by offering financial products that meet their needs and improving the quality of financial services.
Employee Care	Comply with labor regulations and respect the internationally recognized principle of labor's basic human rights, protect legal rights and interests of employees, and offer a good working environment.
Shareholders' Equity	Strengthen corporate governance, improve operational performance, and increase shareholder value.
Environmental Protection	Promote green finance in response to the environmental topics of global concern and in line with the Company's business philosophy of sustainable development.
Community Engagement	Maintain a good relationship with communities where the Company operates.
Social Welfare	Organize charitable activities based on the spirit of "Giving back to society" through integrated resources across subsidiaries, Mega International Commercial Bank Cultural and Educational Foundation and Mega Charity Foundation.
Ethical Management	Create a corporate culture of ethical management and promote the sound development of the Company based on the business philosophies of integrity, transparency, and responsibility.

\* Guidelines for Corporate Social Responsibility of the Company:  
<http://www.megaholdings.com.tw/upload/26/2017120511345648326.pdf>

\* Corporate Social Responsibility Policy of the Company:  
<http://www.megaholdings.com.tw/upload/26/2017120511460351033.doc>

## Business Strategies

In 2017, Mega has aggressively conducted internal reorganization with goals such as, strengthening corporate governance, enhancing board operating efficiency, promoting talent development and crossed-subsidiaries exchange, and implementing compliance and internal audit. Thus Mega can unleash its competitive advantages, expand its business foundation and tap into FinTech new era.

## Operating Environment

Impacts of external competition, regulations, and overall operation environment on the Company:

1. Faced with the competition from technology service providers that are setting foot in the financial industry, the banking sector has been proactively updating their software and hardware equipment, training their people and engaged in the transformation of financial services and enhancement of FinTech services. The Legislative Yuan passed the third reading of the Regulation Governing FinTech Development and Experiments (Regulatory Sandbox) on December 29, 2017, which will help create a mechanism for FinTech experiments and accelerate cooperation between the financial service industry and the non-financial service industry, further improving the competitiveness of FinTech and the financial industry.
2. In 2017, the Financial Supervisory Commission has amended the Rules Governing Offshore Banking Branches, the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, the Regulations Governing Anti-Money Laundering of Financial Institutions, and the Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions, and Electronic Stored Value Card Issuers to improve financial institutions' compliance with anti-money laundering and combat against financing of terrorism and regulate compliance personnel's qualifications, professional training, and functions. These regulations demand that OBU review customers' identities and conduct Know Your Customer (KYC) and risk rating. Such legislation will significantly raise the cost of the staff training, system building, and reorganization of financial institutions in the short run; in the long run, it will benefit the overseas operations and international competitiveness of the overall financial industry in Taiwan.

## Business Goals

By staying profitable and ahead of the market, the Company aims to become the leading financial group in Asia.

### Short-term Strategies

1. Develop customer loyalty and create synergy across the Group
2. Focus on operation and maximize shareholder value
3. Reinforce the culture of risk management and implement risk management
4. Improve data security management and capacity for digital processing
5. Strengthen corporate governance and implement corporate social responsibility
6. Enhance institutional investor relations and increase information transparency

### Mid- and Long-term Strategies

1. Envision the world with a focus on the Asia Pacific region
2. Expand the competitive advantage of corporate banking and foreign exchange business
3. Reinforce consumer banking and wealth management business
4. Revolutionize the distribution network, configure, and integrate digital platforms
5. Strengthen the integration of business among subsidiaries to enhance synergy of the Group
6. Develop international talents and special professionals locally
7. Increase capital with effective capital allocation to increase capital efficiency
8. Enhance global operation and risk management practices and systems

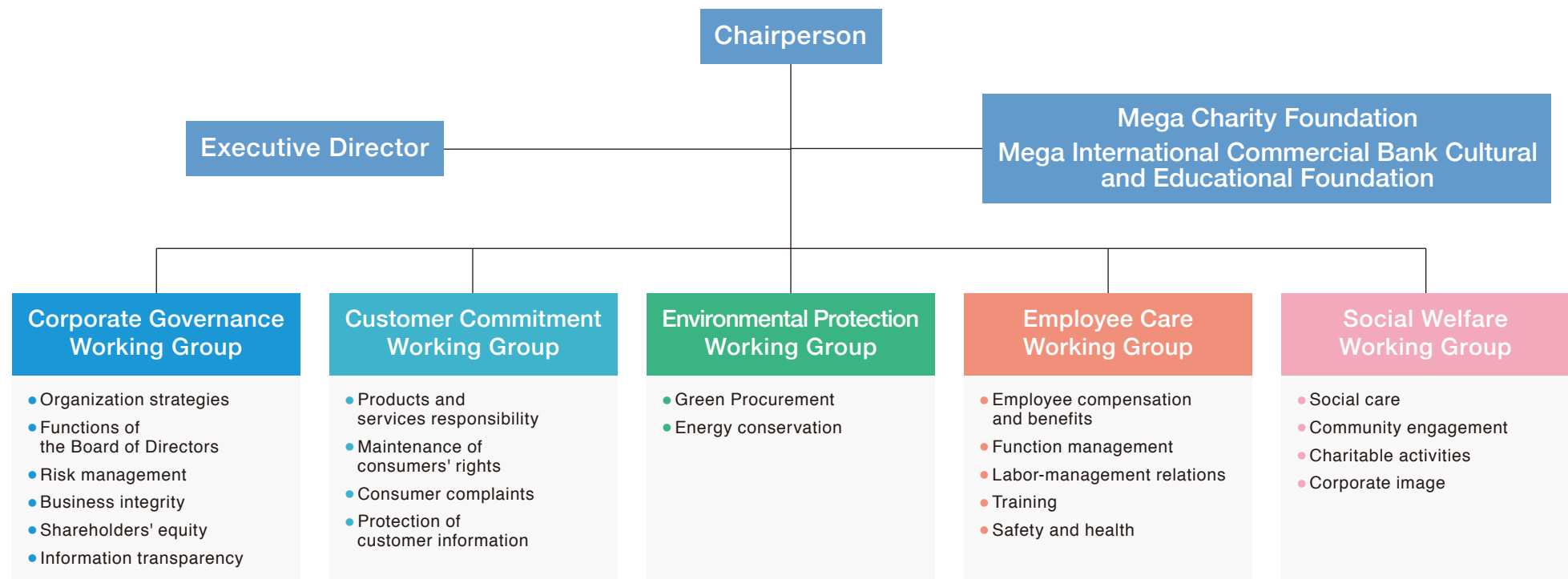
## 2018 Action Plan

In order to develop new customers and respond to FinTech development, the Company plans to offer credit cards designed for young customers, expand cross-border receipts under custody, and promote digital deposit accounts in 2018. The Company will also strengthen the development of trust related business for the elderly care in response to aging society.

## Organization and Operation of the Corporate Social Responsibility Committee

At the end of 2013, the Company set up the Corporate Social Responsibility Committee, where the President of the Company acts as the chairperson, the Senior Executive Vice President of the Company acts as the executive secretary, and executive vice presidents or presidents of subsidiaries act as the members. The Corporate Social Responsibility Committee is divided into five Working Groups, namely Corporate Governance Working Group, Customer Commitment Working Group, Environmental Protection Working Group, Employee Care Working Group, and Social Welfare Working Group. The members of the Working Groups are composed of employees of the Company and its subsidiaries, Mega Bank Cultural and Educational Foundation, and Mega Charity Foundation.

## Organizational Chart of the Corporate Social Responsibility Committee



At the beginning of each year, each Working Group shall submit the specific implementation plans covering economic, environmental and social aspects to the Corporate convened twice a year with full attendance. Please refer to Appendix 2 for the results of implementation in 2017.

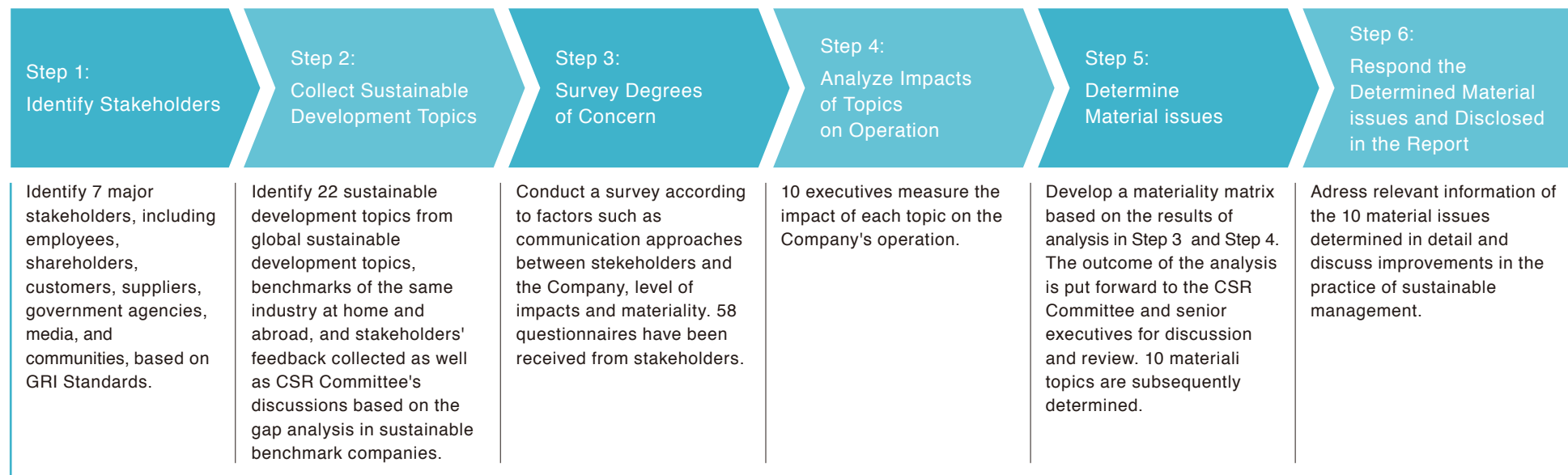


# Stakeholder Engagement

The Company pursues sustainable development and maintains transparent and open communication channels with stakeholders to understand their needs and thoughts and respond immediately. The Company continues to collect topics which stakeholders are concerned about through a variety of channels and disclose their concerned topics on the official website.

## Procedures for Stakeholder Engagement




Through materiality analysis, the Company identifies key sustainability issues to understand stakeholders' concern to these topics and review the effectiveness of corporate sustainability implemented across the Group. A standardized materiality analysis is constructed in accordance with GRI Standards and AA 1000SES (Stakeholder Engagement Standard). Six steps are described in the figure below:







## Establish Communication with Stakeholders

To make the disclosure of the report up to stakeholders' expectations, the Company responds to the concerned topics collected from the stakeholders through daily communication channels in the report.

## Concerned Topics and Communication with Stakeholders

Stakeholder	Concerned Topic	Communication Channel (Frequency)
 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> <li>• Data security and personal information protection</li> <li>• Corporate governance</li> <li>• Anti-corruption</li> <li>• Regulatory Compliance</li> <li>• Business performance</li> <li>• Risk management</li> <li>• Ethical management</li> <li>• Responsible investment</li> <li>• Labor rights</li> </ul>	<ul style="list-style-type: none"> <li>• Disclose operational performance (monthly)</li> <li>• Convene the shareholders' meeting (annually)</li> <li>• Disclose information on the Market Observation Post System (regularly and non-regularly)</li> <li>• Attend investor conferences and investor relations meetings at home and abroad (non-regularly)</li> <li>• Set up the company website in Chinese and in English and disclose annual reports, financial statements and stock information in "Investors"</li> <li>• Appoint a spokesperson</li> </ul>
 <p>Employees</p>	<ul style="list-style-type: none"> <li>• Data security and personal information protection</li> <li>• Anti-corruption</li> <li>• Regulatory compliance</li> <li>• Business performance</li> <li>• Risk management</li> <li>• Salary and employees' management</li> <li>• Ethical management</li> </ul>	<ul style="list-style-type: none"> <li>• The Union Discussion Forum has been set up in MICB's intranet for employees to express their opinions</li> <li>• Set up and announce a grievance system for employees</li> <li>• Hold staff meetings (non-regularly)</li> <li>• Hold seminars on employees' safety and health regularly</li> <li>• E-mail</li> <li>• Social media</li> <li>• Labor-management meeting</li> </ul>
 <p>Customers</p>	<ul style="list-style-type: none"> <li>• Data security and personal information protection</li> <li>• Corporate governance</li> <li>• Regulatory compliance</li> <li>• Ethical management</li> </ul>	<ul style="list-style-type: none"> <li>• Each subsidiary has set up a customer service and complaint hotline</li> <li>• Organize seminars on investment and wealth management</li> <li>• Announce contact information for complaints and feedback on the company website</li> <li>• Conduct surveys on customer satisfaction</li> <li>• Provide newsletters and investment research reports</li> </ul>

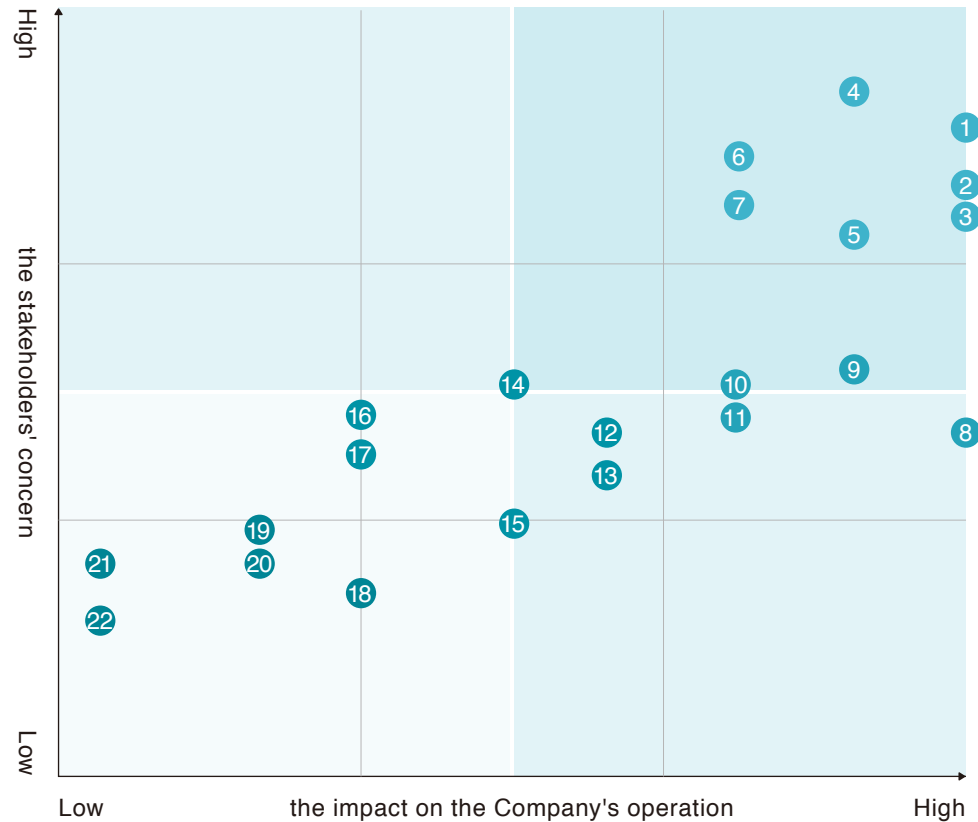


Stakeholder	Concerned Topic	Communication Channel (Frequency)
 <p>Government agencies</p>	<ul style="list-style-type: none"> <li>· Data security and personal information protection</li> <li>· Corporate governance</li> <li>· Anti-corruption</li> <li>· Regulatory compliance</li> </ul> <ul style="list-style-type: none"> <li>· Ethical management</li> <li>· Risk management</li> <li>· Business integrity</li> <li>· Green finance</li> </ul>	<ul style="list-style-type: none"> <li>· Attend regulators' policy publication events and public hearings</li> <li>· Provide information for regulators' examinations</li> <li>· Communicate with regulators by visit, official letter or phone</li> <li>· File information on regulators' websites (regularly)</li> </ul>
 <p>Communities</p>	<ul style="list-style-type: none"> <li>· Data security and personal information protection</li> <li>· Financial inclusion</li> </ul> <ul style="list-style-type: none"> <li>· Social investment</li> <li>· Labor rights</li> </ul>	<ul style="list-style-type: none"> <li>· Sponsor charitable activities and sports, academic or art activities (non-regularly)</li> <li>· Donate money or materials to not-for-profit organizations or institutions</li> <li>· Organize volunteer activities</li> <li>· Work with social welfare organizations to organize social welfare activities</li> <li>· Hold meetings (non-regularly)</li> </ul>
 <p>Suppliers</p>	<ul style="list-style-type: none"> <li>· Data security and personal information protection</li> <li>· Anti-corruption</li> <li>· Regulatory compliance</li> </ul> <ul style="list-style-type: none"> <li>· Ethical management</li> <li>· Responsible investment</li> </ul>	<ul style="list-style-type: none"> <li>· Organize price negotiations meetings</li> <li>· Reach agreements in contracts</li> <li>· Organize ad-hoc meetings</li> </ul>
 <p>Media</p>	<ul style="list-style-type: none"> <li>· Data security and personal information protection</li> <li>· Corporate governance</li> <li>· Regulatory compliance</li> <li>· Business performance</li> </ul> <ul style="list-style-type: none"> <li>· Risk management</li> <li>· Products and services and customer rights</li> <li>· Financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>· Organize press releases/conferences (non-regularly)</li> <li>· Provide information for media</li> <li>· Disclose information on the Market Observation Post System (regularly and non-regularly)</li> </ul>

## Identifying Material Issues

The report includes the analysis of material issues. The horizontal axis represents the impact on the Company's operation, and the vertical axis represents the stakeholders' concern. The result is shown below and 10 material issues were identified among which the stakeholders' concerns on customer privacy and anti-corruption have grown significantly compared with those in 2016. Mega Holdings has stepped up the response in the chapter of Sustainable Governance.

- 1 Data Security and Personal Information Protection
- 2 Corporate Governance
- 3 Anti-corruption
- 4 Regulatory Compliance
- 5 Business Performance
- 6 Risk Management
- 7 Ethical Management
- 8 Salary and Employees' Management
- 9 Digital Finance
- 10 Products and Services and Customer Rights
- 11 Healthy and Safe Workplace
- 12 Labor Rights
- 13 Career Development and Learning
- 14 Responsible Investment
- 15 Energy and Resource Efficiency
- 16 Financial Inclusion
- 17 Green Finance
- 18 Employee Diversity
- 19 Social Investment
- 20 Green Procurement
- 21 Financial Education
- 22 Climate Change



The Company's material issues in 2017, as well as GRI standards, boundaries, and corresponding sections, are described in the table below. In addition to responding to the material issues, the Company also reflects its mission:

Material issue	Significance to the Company	GRI material issue	Corresponding Section	Boundary				
				Inside the Organization		Outside the Organization		
				The Company	Employees	Customers	Investors	Government Agencies
<b>1</b> Data security and Personal Information Protection	Customers only trust a safe financial information environment. Data security and personal information protection are what the Company values and tightens its control over.	Customer Privacy	<b>2.1.2</b> Maintenance of Customer Rights	●	●	●	●	●
<b>2</b> Corporate Governance	Corporate governance is closely related to a company's brand image, long-term development, and operating results; therefore, the Company adopts the diversity policy and evaluates the performance of the Board of Directors to strengthen the functions and performance of the Board of Directors, protect shareholders' interest, and improve information transparency.	N / A	<b>1.1</b> Corporate Governance	●	●	●	●	●
<b>3</b> Anti-corruption	An anti-corruption system aims to reduce regulatory risks. Corrective measures for anti-money laundering and countering terrorism financing, may further create a culture of compliance.	Anti-corruption	<b>1.3.2</b> Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	●	●	●	●	●
<b>4</b> Regulatory Compliance	Regulatory compliance is a priority for the Company. In addition to formulating compliance-related regulations, the Company and its subsidiaries have set up a whistle-blower system for major violations.	Socioeconomic Compliance	<b>1.3.5</b> Legal Compliance	●	●	●	●	●
<b>5</b> Business Performance	Growth and profitability are the basics of business operations. Long-term and stable business performance can be achieved only through improved operating efficiency.	Business Performance	<b>1.2.1</b> Economic Performance	●	●	●	●	●

Material issue	Significance to the Company	GRI material issue	Corresponding Section	Boundary				
				Inside the Organization		Outside the Organization		
				The Company	Employees	Customers	Investors	Government Agencies
<b>6</b> Risk Management	In a rapidly changing financial environment with new technologies and the increasing complexity of products and services, internal control and risk management systems are required to detect risks and comply with regulators' requirements.	N / A	1.3.1 Risk Management	●	●	●	●	●
<b>7</b> Ethical Management	Upholding the business philosophies of integrity, transparency, and responsibility, the Company formulates policies based on the ethical principle and establishes good corporate governance and risk control mechanisms, so as to create an operating environment for sustainable development.	N / A	1.1.2 Ethical Management	●	●	●	●	●
<b>8</b> Salary and Employees' Management	For individuals, salary is not only a reward for work but also an affirmation of ability or talent. For companies, salary is a cost and an investment in the Company's growth.	Employee Diversity and Equal Opportunity	2.2.3 Salary and Benefits	●	●			
<b>9</b> Digital Finance	Compared to other industries, the financial industry features many types of quality and long-lasting data, which brings a better opportunity for digital development. To control and use data properly, the value of data should be extracted to serve as the basis for business management, product development, and marketing.	N / A	2.1.1 Digital Financial Services	●	●	●		
<b>10</b> Products and Services and Customer Rights	The Company pays much attention to customer service. The Company conducts a comprehensive survey on customer satisfaction every year and proposes an improvement plan to continuously improve its customer service.	N / A	2.1.2 Maintenance of Customer Rights	●	●	●		



# 1 Sustainable Governance

Sustainable governance is a corporate social responsibility which the Company has strived to improve in recent years; it is also the greatest concern of the stakeholders. With increasingly strict financial regulations and the rapid development of digital financial products, Mega Holdings faces a variety of emerging issues and challenges. The Board of Directors continues to improve corporate governance, supervision and risk management in line with the strategies for sustainable development, so as to secure profitability and forge into the lead as an Asia-based financial conglomerate.

## 1.1 Corporate Governance

As the highest governing body of the Company, the Board of Directors leads the Audit Committee, the Remuneration Committee, the Risk Management Committee, and the Corporate Social Responsibility Committee. In 2017, the attendance of each committee exceeded 94%. The Risk Management Committee was elevated to be under the jurisdiction of the Board of Directors to manage risks. Mega Holdings has strived to achieve the diversity of members on the Board of Directors. The female members accounted for 27% of total members on the Board of Directors.

### 1.1.1 Governance Structure

As the highest decision-making body of the Company, the shareholders' meeting resolves on the distribution of dividends, amendments to Articles of Incorporation and internal regulations, and the election and dismissal of directors. As the highest governing body of the Company, the Board of Directors performs its duties according to the Articles of Incorporation and resolutions passed in the shareholders' meeting. To improve the management and supervision of the Board of Directors, the Audit

Committee, the Remuneration Committee, the Risk Management Committee, and the Corporate Social Responsibility Committee have been established under the jurisdiction of the Board of Directors to help deliberate proposals and ensure the quality of decision-making.

#### Corporate Governance Structure



\* For the duties of the Corporate Social Responsibility Committee, refer to P.14-15



## Board of Directors

12 meetings were convened in 2017 with the average attendance of 94%

The Board of Directors has 15 seats, including 3 independent directors, with a term of office of 3 years. Directors may be eligible for reelection. The election of directors is through a nomination system. In 2017, a total of 12 meetings were convened with the average attendance of 94% (excluding attendance by proxy), and each meeting is attended at least one independent director in person.

### Director Seats



### Shareholding of Government Agencies

Government Agency	Shareholding Ratio	Voting Right Ratio
Ministry of Finance	<b>8.40%</b>	<b>9.37%</b>
National Development Fund, Executive Yuan	<b>6.11%</b>	<b>6.81%</b>

Note: Voting Right Ratio = Number of Shares Held / (Number of Ordinary Shares Issued - Number of Shares Retained in China)

Major deficiencies identified by regulators at home and abroad and in internal / external audit reports and their corresponding improvements, and major issues concerning operation and business were reported to the Board of Directors for timely responses.

In 2017, the Company did comply with the provision that directors shall explain and recuse themselves from discussions and votes of the proposals involving the conflict of interests with themselves or their representative corporations in the board meeting, and shall not exercise voting rights on behalf of other directors. For detailed information on the Board of Directors, refer to the Company's 2017 Annual Report at <http://www.megaholdings.com.tw/tc/Yearreport.aspx>.

## Audit Committee

6 meetings were convened in 2017 with the average attendance of 100%

In 2012, the Company established the Audit Committee as a replacement for supervisors. The Audit Committee is composed of all independent directors (3 seats). In 2017, Tsun-Siou Li, then independent director, served as the convener of the Audit Committee, and the other two independent directors served as the members. The Audit Committee is responsible for resolving the following: internal control system, compliance, appointment (dismissal) or remuneration of CPAs, transactions of material assets or derivatives transaction, offering or issuance of equity-type securities, annual and semiannual financial statements, and appointment or dismissal of financial, accounting, or internal audit officers.

## Remuneration Committee

4 meetings were convened in 2017 with the average attendance of 100%

In 2011, the Company established the Remuneration Committee, which is composed of three independent directors appointed by the Board of Directors, with the same term of office as the Board of Directors. In 2017, Chi-Hung Lin, the independent director, served as the convener of the Remuneration Committee. The Remuneration Committee meets at least twice every year to formulate and regularly review the policies, systems, standards, and the structure of performance evaluation and remuneration of the Company's directors and managerial officers and regularly evaluate and set the remuneration of the Company's directors and managerial officers, including salaries, pensions, bonuses and employee bonuses as well as allowances for house or car rentals or fuels. The remunerations paid to the president and the senior executive vice presidents of the Company are proposed based on the Company's Articles of Incorporation, business performance, and

bonus regulations, in addition to consideration of future risks and standards of the industry. The proposal was submitted to the Remuneration Committee and the Board of Directors for resolution.

### Risk Management Committee

*6 meetings were convened in 2017 with the average attendance of 94.44%*

In January 2017, the Risk Management Committee was elevated to be under the jurisdiction of the Board of Directors. The chairman of the Company (“the Chairman”) served as the chair, and executives from each department and the chairman of each subsidiary served as the members; the Chief Auditor and the risk control manager from each subsidiary attended meetings as nonvoting delegates. The Risk Management Committee meets every two months to supervise the operational risks of the Company and its subsidiaries. The main issues discussed in 2017 included the prevention of hacker attacks, the improvement in the procedures for reporting customer complaints, and the prevention of fraudulent conduct of securities operators. The Risk Management Committee also reviewed anomalies in risk management of the Company and its subsidiaries and followed up on the improvement, reviewed the results of stress tests, and determined the objectives, changes in systems, rules, and regulations, and proposals pertaining to risk management. All meeting minutes were reported to the Board of Directors.

### 1.1.2 Ethical Management

To establish a good corporate governance system and a culture of integrity, the Company has formulated the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Codes of Ethical Conduct, the Staff Code of Practice and the Regulations Governing Rewards and Penalties. The Corporate Social Responsibility Committee under the Board of Directors is designated to take charge of ethical management, regularly organize training courses on the Company's business philosophies of integrity, transparency, and accountability and the bans on unethical conduct, including malpractice, bribery, occupation and

#### President and Top Management Equity Percentage

President	0
Other Top Management	1.245

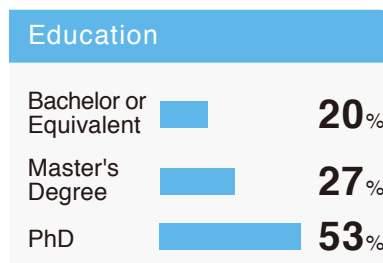
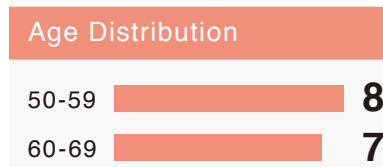
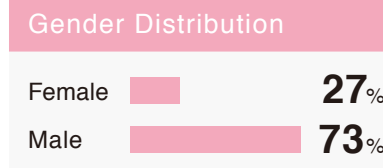
Note: Calculated at a multiple of the base annual salary.

misappropriation of public funds, insider trading, and disclosure of trade secrets and customer information, and regularly report the state of business integrity to the Board of Directors.

### 1.1.3 Operation of Board of Directors

#### The Diversity of Board of Directors

The Company's Corporate Governance Best Practice Principles specify the policy of diversity that the composition of the Board of Directors shall be determined based on the Company's business operations, operating dynamics and development. The standards for diversity include (1) basic requirements (such as gender and age) and (2) professional knowledge and skills (such as professional background, professional skills, and industry experience). As of 2017, the Board of Directors has 4 female members (out of 15); 8 directors are aged 50~59 and 7 directors are aged 60~69. The directors are from the financial industry, government agencies, and the academia. Only one director is concurrently held by the managerial officer. The professional background of the directors covers law, accounting, banking, finance, economics, and marketing; the professional skills include risk management, compliance, anti-money laundering, finance, economic analysis, business management, internal control, and industry knowledge.



The Company does not specify the attendance at Board meetings but convenes board meetings according to the Rules of Procedure for Board of Directors Meetings. The directors are elected through a nomination system according to the Articles of Incorporation and the Regulations Governing the Election of Directors. Directors are elected every three years with a term of office of 2 years on average.

For the Company's Corporate Governance Best Practice Principles, visit <http://www.megaholdings.com.tw/upload/26/2017120511415661923.pdf>.

## The Diversity of Board of Directors in 2017

Title	Name	Core Competence								GICS [Note 2]
		Gender	Business Management	Leadership and Decision-making	Financial Knowledge	International Industry Economics	Financial Accounting	Taxation	Law [Note 1]	
Chairman	Chao-Shun Chang	Male	✓	✓	✓	✓	✓	✓		Financials
President	Li-Yen Yang [Note 3]	Male	✓	✓	✓	✓	✓		✓	Financials
Independent Director	Tsun-Siou Li	Male	✓	✓	✓	✓	✓			Financials
Independent Director	Keh-Nan Sun	Male	✓		✓	✓	✓	✓		Financials
Independent Director	Chi-Hung Lin	Male			✓	✓			✓	Financials
Director	Chia-Chi Hsiao	Male	✓	✓	✓	✓	✓	✓		Financials
Director	Cheng-Te Liang	Male	✓	✓	✓		✓	✓		Financials
Director	Chun-Lan Yen	Female	✓	✓	✓	✓	✓	✓	✓	Financials
Director	Chun-Jung Chiu	Male	✓	✓	✓	✓	✓	✓	✓	Financials
Director	Jui-Chi Chou	Male	✓	✓	✓					Financials
Director	Tzong-Yau Lin	Male	✓	✓	✓	✓		✓		Financials
Director	Ye-Chin Chiou	Female	✓	✓	✓	✓	✓			Financials
Director	Wen-Ling Hung	Female						✓	✓	—
Director	Shiow-Huey Yeh [Note 3]	Female	✓	✓	✓	✓	✓	✓		Financials
Director	Chiu-Fa Tsai	Male	✓	✓	✓					Financials

Note 1: Including compliance and anti-money laundering.

Note 2: Global Industry Classification Standard (GICS), the 1st class.

Note 3: The President, Li-Yen Yang, retired on February 7, 2018; the director, Shiow-Huey Yeh, resigned on April 29, 2018.

In 2017, the directors continued to attend training courses in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE listed and TPEX listed companies. The total number of training hours was 165, and the average number of training hours per person was 11. The training courses covered corporate governance, risk management, internal control, labor relations, and regulations pertaining to the prevention of commercial bribery.

## Directors' Training Hours in 2017



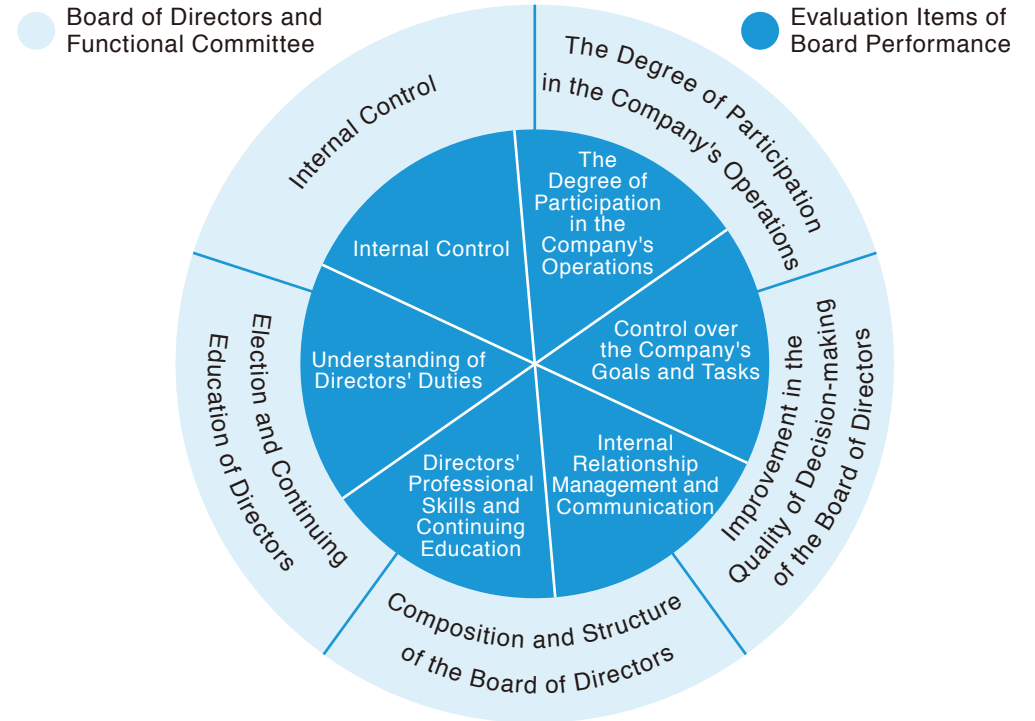
### Performance Evaluation of Board of Directors

To strengthen the function of the Board of Directors, the Company established the Guidelines on the Performance Evaluation of the Board (<http://www.megaholdings.com.tw/TC/regulation.aspx>) in 2015 and had the Guidelines published on its website (<http://www.megaholdings.com.tw/TC/boardDirectors.aspx>) and the Market Observation Post System. Starting from 2015, the Board of Directors, each functional committee, and all directors conducted the self-evaluation every year; the Company also engages an external independent institution or expert team to evaluate the performance of the Board of Directors and each functional committee at least every three years. The results of evaluation and recommendations for improvement are reported to the Board of Directors by the end of each March. To strengthen the function of the board of directors of each subsidiary, the directors and supervisors of all subsidiaries were included in the performance evaluation in 2017.

### Protecting Shareholders' Rights and Interests

Starting in 2011, the shareholders' meeting voted on proposals case by case. Since 2013, the directors have been elected through a nomination system. Since 2015, shareholders may attend the shareholders' meeting by an electronic means. In the 2017 shareholders' meeting, attendance of the electronic means exceeded 72%. To strengthen corporate governance, Mega Holdings set up the whistle-blowing systems for employees and stakeholders, including the handling procedures, in 2016 and published the related hotlines and e-mail addresses on its website.

Key Evaluation Items of Board Performance



### Information Disclosure

Mega Holdings discloses information on business and finance and other non-financial information on a regular basis and participates in investor forums and road shows organized by securities companies at home and abroad from time to time. In 2017, the Company organized 262 meetings and telephone conferences with investors at home and abroad and attended 2 investor conferences organized by foreign securities companies. Information on business and finance presented in the investor conferences has been disclosed on the Market Observation Post System and the Company's website.

## 1.2 Business Overview

Faced with the increasing competition and rapid changes in regulations and financial services, the Company has responded actively through staff training, software and hardware upgrade, and amendments to internal regulations, so as to secure profitability and forge into the lead as an Asia-based financial group.

### 1.2.1 Economic Performance

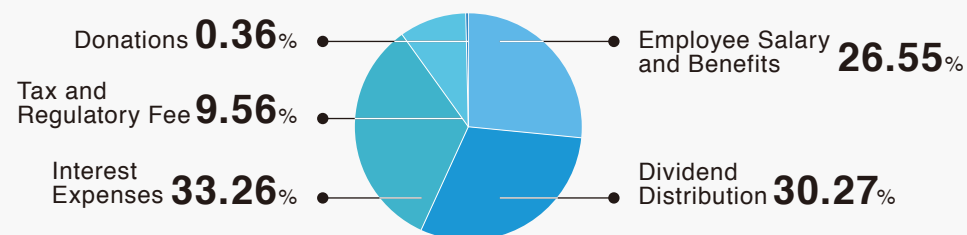
The Company has maintained stable profit and earnings since its incorporation. Compared to 2016, profit after tax increased 14.64% in 2017. Overall, the Company had a robust and outstanding performance in 2017.

The Company attaches great importance to employees' salary and benefits and continues to contribute to academic institutions, charities, and social welfare organizations based on the spirit of "Giving back to society". At the same time, the Company fulfills its obligation as a corporate citizen by paying

Item	2015	2016	2017
Total Assets (in NT\$ millions)	3,398,518	3,319,791	3,547,321
Total Equity (in NT\$ millions)	293,455	292,027	298,096
Share Capital (in NT\$ millions)	135,998	135,998	135,998
Net Revenue (in NT\$ millions)	60,228	55,064	59,660
Profit after tax (in NT\$ millions)	29,273	22,443	25,729
Average Employee Revenue (in NT\$ thousands)	7,155	6,546	6,728
Average Employee Profit (in NT\$ thousands)	3,477	2,668	2,902
Earnings per Share (NT\$)	2.35	1.65	1.89
Book Value per Share (NT\$)	21.57	21.47	21.92
Return on Assets (%)	0.88	0.67	0.75
Return on Equity (%)	10.56	7.67	8.72
MICB Non-performing Loan Ratio (%)	0.09	0.11	0.13
MICB Coverage Ratio (%)	1,466.36	1,442.65	1,248.92

taxes according to national laws. According to the dividend policy specified in its Articles of Incorporation, the Company distributes dividends from 30%~100% of the distributable earnings, of which cash dividends are not less than 50%.

#### Distribution of Economic Value



#### Tax Payments over the Past Two Years

Item	2016	2017
Profit before tax	27,917,213	29,280,727
Tax Payable	4,017,078	3,356,676
Income Tax Paid	4,527,024	3,284,750

Unit: NT\$ thousands

#### Membership of Association

The Company has actively participated in activities and committees of trade associations to share information and opinions on economic and financial situations and its practice in business and corporate social responsibilities.

Association	Position
Taiwan Securities Association	Chairperson
The Bankers Association of the Republic of China	Managing Director
The Non-Life Insurance Association of the Republic of China	Managing Director
R.O.C. Bills Finance Association	Chairperson
The Securities Investment Trust and Consulting Association	Director
Nuclear Energy Insurance Pool of the Republic of China	Chairperson
Risk Management Society of Taiwan	Chairperson
Trust Association of R.O.C.	Supervisor

## 1.2.2 Green Finance

The Company aims to fulfill environmental protection and sustainable development while maintaining the economic growth. To achieve this goal, green finance plays an important role in linking the financial industry, environmental protection, and economic growth. The Company has paid close attention to climate change and industry trends and aims to offer appropriate financial instruments that help stakeholders reduce the impact of climate change and find new business opportunities, so as to mitigate global warming and achieve the sustainable development.

### Green Investments

1. Mega International Commercial Bank Co., Ltd. (MICB) invested NT\$2.4 billion in financing green businesses pertaining to natural gas and solar batteries. Among them, Sun Ba Power Corporation is currently conducting the environmental impact assessment of its natural gas plant (Phase II). MICB will pay close attention to the future opportunity to invest in the said plant.
2. Mega Securities Co., Ltd. (MS) has actively participated in the underwriting of green bonds. In 2017, MS helped with the underwriting of four green bonds, with the market share of 40% (4/10 cases) and 5% (1.14 billion/23.6 billion) in terms of the number of cases and the amount, respectively.
3. At the end of 2017, Mega Bills Finance Co., Ltd. (MBF) held NT\$2 billion of green bonds issued by CPC Corporation; MS held NT\$0.3 billion of green bonds issued by Crédit Agricole Corporate and Investment Bank.
4. During 2016 and 2017, MS helped three renewable energy businesses raise funds in Taiwan's capital market. MS will pay close attention to the development of related industries and help businesses enter Taiwan's capital market.
5. Based on the concept of green finance, Mega Green Diamond Fund was established on March 17, 2010. As of the end of 2017, the scale of the said fund was NT\$0.1 billion and mainly invested in the following industries: (1) basic raw materials and precious metals industry; (2) agriculture; (3) energy industry; (4) new energy industry; (5) environmental pollution control; and (6) water resources.

Based on major government policies, including nuclear-free homeland, energy transition, and emission reduction, the short-term goal of the Company is to fund renewable energy businesses so as to facilitate the independent operation of the financial market in the nearest future; the long-term goal is to increase the awareness of renewable energy among industries, investors, and consumers by taking environmentally-friendly measures with subsidiaries.

The achievements of the Company's green investments and green loans in 2017 are as follows:

### Green Loans

1. In response to the government's support of renewable energy industries, MICB actively made loans to 213 key start-up sectors, including renewable energy technology. Regardless of the scale, eligible businesses may have loans at preferential interest rates. At the end of 2017, the balance of loans was NT\$380.7 billion, showing an increase of NT\$49.1 billion or 14.79%; the balance of loans to businesses pertaining to renewable energy technology was NT\$82.7 billion, accounting for 6.68% of total domestic loan balance, showing a net increase of NT\$8.1 billion compared to NT\$74.6 billion at the end of 2016; The number of cases grew to 1,927, showing an increase of 249 cases compared to 1,927 cases in 2016.
2. As of the end of 2017, MBF made loans of NT\$19.1 billion to 101 businesses pertaining to renewable energy technology, and the balance was NT\$9.9 billion.



## 1.3 Risk Identification and Control

The Company attaches great importance to risk controls. In 2017, the Risk Management Committee was elevated to be under the jurisdiction of the Board of Directors to review the risk management of each subsidiary, and identified five major risk factors and proposed related countermeasures. The Company has actively taken measures for anti-money laundering and countering terrorism financing. In 2017, 3,535 employees obtained the certificate of anti-money laundering specialists. The Company has formulated guidelines pertaining to employees' conduct, supplier management, and business management and continued to improve compliance by appointing compliance officers in business centers. We assigned one compliance officer in each operation site who is responsible for ensuring that the operation is in line with local laws and regulations.

### 1.3.1 Risk Management

#### Risk Management Policy

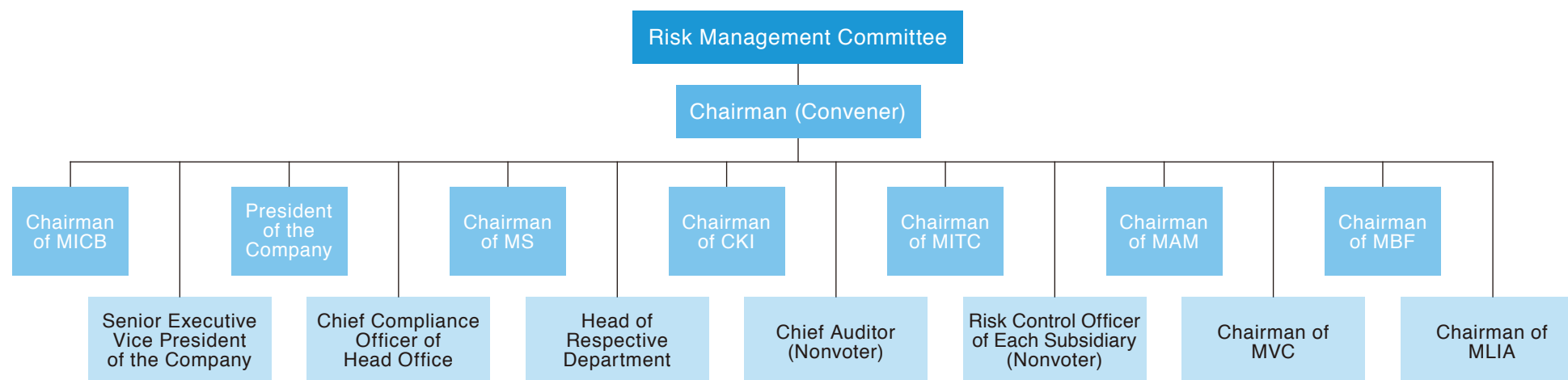
The Group Policy and Guidelines on Risk Management adopted by the Board of Directors and other regulations governing risk management clearly stipulate the unified guidelines on risk management and major operations. Each subsidiary has been requested to incorporate these guidelines and regulations into its policies,

goals, and regulations of risk management, so as to build a sound risk management system. To supervise the operation of the Company's and each subsidiary's risk management system, the Risk Management Committee has been established under the Board of Directors. The organization of the Risk Management Committee is shown in the figure below.

Each subsidiary reviews its policies and goals of risk management every year, and reports them to Mega Holdings for review, along with important internal regulations; in addition, each subsidiary reports the state of implementation to both its risk management committee and the Company's Risk Management Committee on a regular basis. The Risk Management Department is responsible for monitoring risk indicators within the Group, following up anomalies, and reporting the state of improvement to the top management on a regular basis. The Auditing Office performs periodical and irregular audits in business and management units to ensure the normal operation of three lines of defense for internal control.



Through the aforesaid system, the Board of Directors and top management of the Company can take control of overall risks within the Group and ensure that these risks are managed in an appropriate manner.


Organization of the Company's Risk Management Committee







The major risks of the external environment and responsive measure for Mega Holdings

Risk Factor	Description	Opportunity / Responsive measure
 <p>FinTech</p>	<p>With the introduction of FinTech and digitized business operations, in the matter of risk management, the following aspects require improvement,</p> <ol style="list-style-type: none"> <li>1. Cybersecurity management</li> <li>2. Personal information management</li> <li>3. The ability of digital forensics (preservation and examination of digital evidence in case of information security events)</li> <li>4. Emergency responses and attack/defense practices</li> <li>5. Threatened information management</li> <li>6. Threats from innovative services of FinTech</li> </ol>	<p>The Company is taking the following responsive measures:</p> <ol style="list-style-type: none"> <li>1. Strengthen safeguards of the data security platform, reduce the risk of malicious attacks (Distributed Denial of Service (DDoS)), and take the opportunity to offer our clients the e-commerce and information security liability insurance.</li> <li>2. Assess personal information risks on a regular basis, manage by risk classification, and improve training to increase employees' awareness of managing personal information risks.</li> <li>3. Enhance the management and collection of information security issues to facilitate the identification, collection, and retrieval of digital evidence.</li> <li>4. Formulate and execute emergency response plans.</li> <li>5. Perform the Cybersecurity Assessment using a risk-based approach.</li> <li>6. Develop FinTech services, such as digital deposit account (Mega Lite), mobile payment (Taiwan Pay), and big data marketing, with a view to changing customers' transaction behavior.</li> </ol>
 <p>Laws and Compliance</p>	<ol style="list-style-type: none"> <li>1. To prevent the recurrence of the financial crisis from happening again, supervisory authorities around the world have set up stricter requirements for compliance, as a result, financial institutions are exposed to a higher risk of being punished.</li> <li>2. As banking is one of the high-risk businesses that are prone to be used for money laundering, anti-money laundering is subject to higher supervisory requirements, leading to an increase in related costs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Each subsidiary has set up an ad hoc unit to be in charge of compliance and work closely with its legal consultant to ensure that related laws and regulations are conveyed to business units and enforced in an effective way.</li> <li>2. To prevent money laundering and financing of terrorism, the Company made the Group Plan for Anti-money Laundering and Countering Terrorism Financing in January 2017. According to the said plan, each subsidiary is to work together to set up Know Your Customer (KYC) procedures, methods for risk identification and assessment, and rules of risk classification, so as to determine the strength of Customer Due Diligence (CDD); corresponding monitoring and management measures are also taken.</li> <li>3. MICB has established the Anti-Money Laundering and Financial Crime Compliance Department, which is responsible for setting up a monitoring system, regularly organizing training courses, and strictly performing the monitoring, reporting, and management of suspicious money laundering accounts.</li> </ol>

Risk Factor	Description	Opportunity / Responsive measure
 <p>Climate Change and Environmental Protection</p>	<ol style="list-style-type: none"> <li>1. Global climate abnormalities and increasing frequency and intensity of droughts, floods, storms, and earthquakes have caused increased threats to loss of personal lives and property and damage to infrastructure</li> <li>2. Large-scale shutdowns due to climate change and environmental events cause damage to some businesses' profit, loss of customers' property, and indirect impacts on credits of financial institutions and insurance claims.</li> <li>3. Water pollution.</li> <li>4. Air (including carbon) pollution.</li> </ol>	<ol style="list-style-type: none"> <li>4. MICB adopted a risk-based approach to the review and identification of high-risk individuals, corporations or groups as well as terrorists or terrorist groups that are recognized or followed up by foreign governments or international anti-money laundering organizations in accordance with the Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks promulgated by the Financial Supervisory Commission, and formulated related regulations.</li> <li>1. CKI offered extended earthquake insurance and the riders of subsidence, sliding or landslide insurance (applicable for commercial fire insurance) in response to the impact of climate change and environment on businesses, and compensated for policyholders in the shortest time or provided allowances for temporary accommodation and partial insurance on housing damage to help victims rebuild their homes as soon as possible.</li> <li>2. Considering impacts caused by shutdowns, CKI offered business interruption insurance to reduce losses suffered by businesses.</li> <li>3. MICB made loans based on the Equator Principles and evaluated whether borrowers had fulfilled their corporate social responsibilities to ensure that loans did not cause damage to society and the environment. For loans that had been approved, MICB performed post-loan management to reduce credit risks.</li> <li>4. MICB continued to support renewable energy industries by making loans to and investing in industries pertaining to renewable energy, energy technology or circular economy (such as the issue of Mega Green Diamond Fund).</li> <li>5. Subsidiaries have taken action, such as online insurance (CKI), electronic trading via online banking APP, and electronic trading (MS), to significantly reduce potential carbon emissions. Paper documents in meetings are replaced with tablets to improve work efficiency and reduce paper consumption.</li> <li>6. MICB has passed the certification of ISO 14001:2015 Environmental Management System in 2018 to continuously improve energy efficiency and environmental performance.</li> </ol>

Risk Factor	Description	Opportunity / Countermeasure
 <p>Asset Bubbles</p>	<p>With the easing of monetary policy and the fiscal stimulus package, the prices of stocks, bonds, and real estate remain high. In the short term, there is a risk of asset price collapse at any time. Financial institutions face an increased risk for their own assets along with increased financial risks for customers and counterparties, which may affect the business and profitability of the Group.</p>	<ol style="list-style-type: none"> <li>7. Introduced the ISO 14064-1 Greenhouse Gas Inventory to five main office buildings (Mega Holdings Building, Jilin Building, Hengyang Building, MS Building, and CKI Building) and passed the verification of the British Standards Institution (BSI) in 2015, making the Company one of the financial holding companies that passed the verification of ISO 14064-1. The Company understands its carbon emissions and carbon footprints generated during the operation through the greenhouse gas inventory to improve information accuracy and transparency and reduce the risk of GHG emissions.</li> <li>1. Help customer hedge their positions, each subsidiary organizes seminars with expert speakers or has account managers visit customers directly with an aim of establishing right concepts of investment and hedging and reducing the impact of asset bubbles.</li> <li>2. Offer a diversity of products based on the needs of customers with different risk tolerances.</li> <li>3. Monitor the quality of assets and the liquidity of positions strictly and adjust asset allocation carefully.</li> <li>4. Proactively manage proprietary holding.</li> </ol>
 <p>International Trade War</p>	<p>International trade war and non-trade sanctions caused tariff barriers and shrinking trade worldwide. The export-oriented economies will bear greater economic risks.</p>	<ol style="list-style-type: none"> <li>1. Act in response to the government's policies.</li> <li>2. Attend to the international trend, adjust asset allocation properly and manage the proprietary holding proactively.</li> </ol>

### Internal Control System

The Company has established the internal audit unit and appointed a chief auditor under the Board of Directors. The internal audit unit is responsible for supervising each unit's self-inspection and performing the general audit of the Company's business at least once a year as well as the special audit of the Company's and each subsidiary's finance, risk management and compliance at least once every six months based on the annual audit plan adopted by the Board of Directors; the internal audit unit shall follow up the state of improvement in deficiencies identified

in internal and external audits and report the results of audits to the Audit Committee and the Board of Directors on a regular basis.

Material deficiencies, violations or risk exposures identified, along with the improvement plans, shall be reported to the Board of Directors as soon as possible; corrective measures shall be taken as well to ensure that the internal control system is well developed and implemented.

### Three Lines of Defense for Internal Control

	First Line of Defense	Second Line of Defense	Third Line of Defense
Unit in Charge	Each unit	Risk management unit, compliance unit, and other dedicated units	Internal audit unit
Role and Function	Identify and manage risks, and develop and implement internal controls	Set up the risk management policy, monitor the risk-bearing capacity and risk exposure, and report the risk status of controls to the Board of Directors	Perform audits, help the Board of Directors audit and evaluate the effectiveness of risk management and the internal control system, and provide recommendations for improvement in a timely manner

### Promotion and Implementation of Three Lines of Defense

Whether the three lines of defense are implemented has a great impact on the implementation of the internal control system; therefore, the Company has strengthened the implementation of the three lines of defense.

1. The first line of defense: Each business unit is responsible for identifying, assessing, and controlling business-related risks. In the current situation, the scope of each business's self-inspection includes business, compliance, and the internal control system.
2. The second line of defense: Units in charge of risk management, compliance, planning, finance, administration, and information are responsible for working with business units to ensure that the risks of business units have been properly identified and managed.
3. The third line of defense: The internal audit unit is responsible for:
  - (1) Evaluating the effectiveness of the first line of defense and the second line of defense.
  - (2) Assisting the Board of Directors and the management in examining and reviewing the deficiencies in the internal control system and the operating performance and provide recommendations for improvement in a timely manner to ensure that the internal control system is well implemented and improved.

### 1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing

In views of the increasingly strict financial supervisory requirements worldwide and various compliance systems of MICB's 38 overseas units across 19 countries, MICB has set 11 goals in the 2018 Plan for Anti-money Laundering and Countering Terrorism Financing to strengthen compliance and anti-money laundering policies and systems in line with the international standards and mutual evaluations between countries in 2018; the Company particularly values the compliance with Article 9 (Prohibition against Providing or Accepting Bribery) and Article 10 (Prohibition against Providing Illegal Political Donations) of the Ethical Corporate Management Best Practice Principles and Article 6 (Prohibition against Providing or Accepting Improper Benefits) of the Procedures for Ethical Management and Guidelines for Conduct. The Company and its subsidiaries have established the sound preventive policies and procedures, including customer due diligence, anti-terrorism financing list screening, identification of politically exposed persons (PEPs), and regular reviews and follow-ups; in particular, high-risk customers shall be reviewed by the executives.

## Eleven Goals of 2018 Plan for AML/CFT

- 1 Supervise each unit's improvement in deficiencies in compliance with anti-money laundering and countering terrorism financing (AML/CFT).
- 2 Supervise the review of the competence of each unit's supervisor in charge of AML/CFT.
- 3 Identify the risk of compliance with AML/CFT and classify risks to highlight key self-assessment items.
- 4 Strengthen the publication and training on AML/CFT to fulfill the corporate culture of compliance.
- 5 Strengthen each overseas unit's compliance with AML/CFT and the review of competence of each overseas unit's supervisor in charge of AML/CFT.
- 6 Perform the annual evaluation to verify each unit's performance of compliance with AML/CFT.
- 7 Perform AML compliance testing for overseas units with AML/CFT to verify its performance of compliance with AML/CFT.
- 8 Strengthen the function of the Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Committee to ensure the effective implementation of anti-money laundering and countering terrorism financing.
- 9 Promote global policies and standards.
- 10 Supervise each unit to update operating procedures timely in response to the changes in laws and regulations of AML/CFT to ensure compliance.
- 11 The APG Working Group acts in response to APG (Asia/Pacific Group on Money Laundering) evaluations.

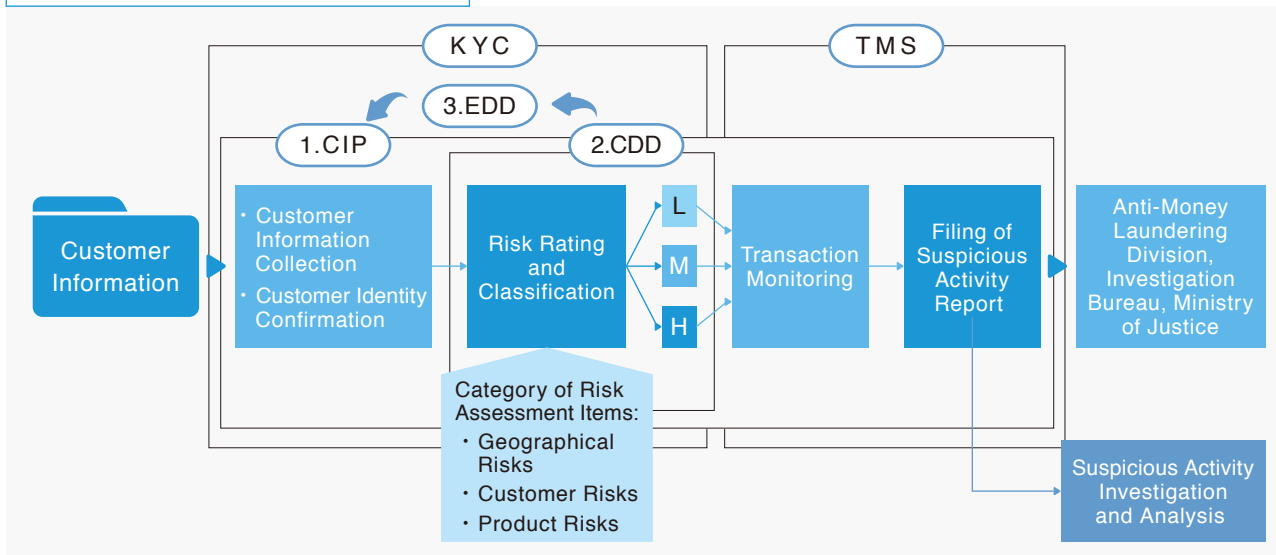
## Highlights of Each Subsidiary's AML/CFT Policy

Highlight	Mega Life Insurance Agency Co., Ltd.	Chung Kuo Insurance Co., Ltd.	Mega International Investment Trust Co., Ltd.	Mega Securities Co., Ltd.	Mega International Commercial Bank Co., Ltd.
A Customer Due Diligence	✓	✓	✓	✓	✓
B Non-face-to-face (Written Review) Due Diligence			✓	✓	✓
C Anti-terrorism financing list screening		✓	✓	✓	✓
D Identification of Politically Exposed Persons and Regular Reviews and Follow-ups	✓		✓	✓	✓
E Review of High-risk Customers (Industries/Products/Countries) by Executives	✓	✓	✓	✓	✓

MICB restructured the Anti-Money Laundering Center, which was established in 2016, into the Anti-Money Laundering and Financial Crime Compliance Departments on June 2, 2017. As of 2017, a total of 137 employees were appointed to be in charge of AML/CFT within MICB. The AML & FCC Department continued to organize training courses for all clerks. The AML & FCC Committee under the Compliance Committee was established in August 2017, to ensure that measures for AML/CFT were taken in line with the financial supervisory requirements at home and abroad and international standards.

According to the advice given by the Financial Action Working Group on Money Laundering (FATF), MICB has established the global anti-money laundering system framework, identified customers based on information collected, and monitored transactions through risk rating and classification. In case of any suspicious circumstances, MICB will report to the regulator while initiating the investigation and analysis. In addition, MICB has engaged an independent third party to help assess and verify money laundering risks. In 2017, there was no suspicious case that should be reported to the Investigation Bureau, Ministry of Justice.

### Anti-money Laundering Flowchart



To ensure the effective implementation of measures for anti-money laundering and countering terrorism financing and the second line of defense, the following measures were taken:

(1) Performed compliance tests:

MICB identified and monitored the implementation of each overseas unit's compliance system and the effectiveness of its compliance risk management plan by performing compliance testing to control each overseas unit's compliance risk.

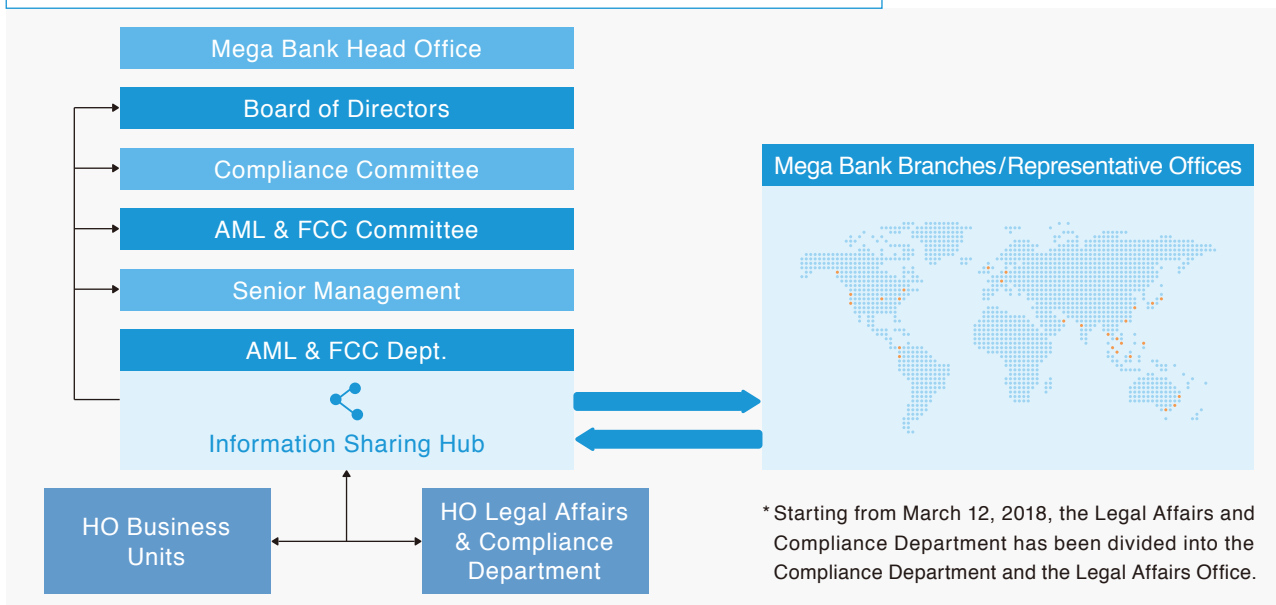
(2) Established the information sharing and report mechanism:

MICB established the management information system to supervise and control the implementation of each business unit's AML/CFT plan, so as to improve corporate governance.

(3) Amended internal systems and regulations pertaining to anti-money laundering and countering terrorism financing:

MICB amended ① policies, ② notices, ③ staffing regulations, ④ internal control systems, ⑤ standard operating procedures, ⑥ procedures for self-assessment, and ⑦ procedures for business self-management to meet the supervisory requirements.

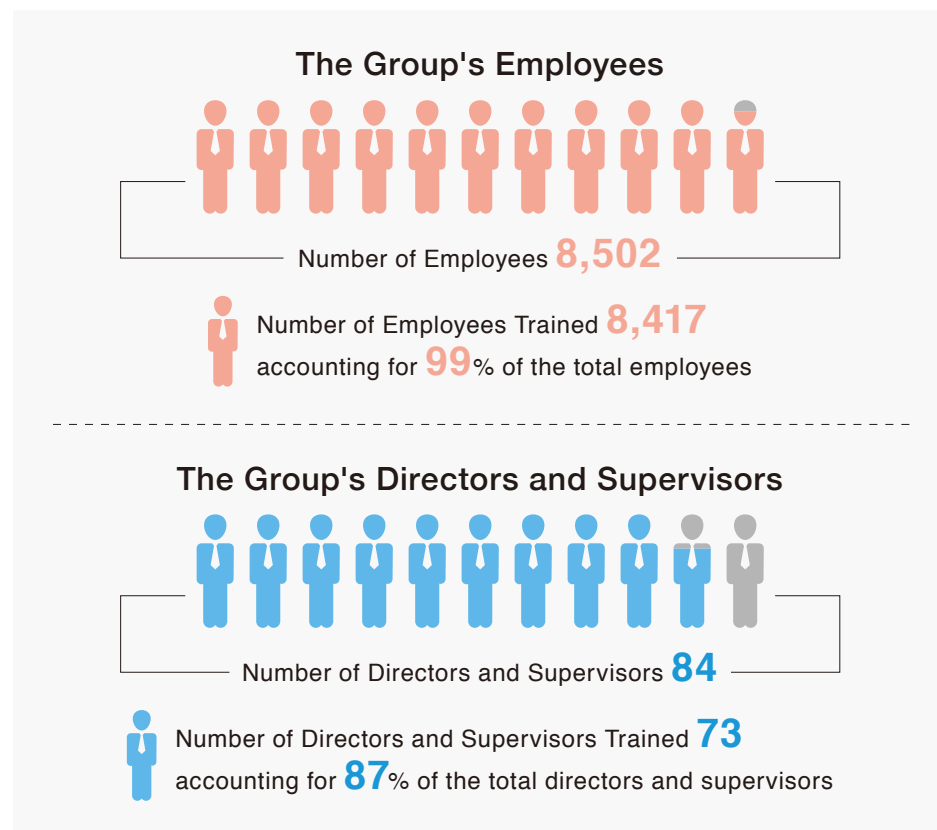
### The Company's Global Anti-money Laundering System Framework



## Results of Training on Anti-money Laundering

The total number of employees trained was 8,494, accounting for 99% of the total employees.

Training on Anti-money Laundering for the Group's Employees and Directors and Supervisors in 2017



To encourage employees to become Certified Anti-Money Laundering Specialists (CAMS) and join the Association of Certified Anti-Money Laundering Specialists (ACAMS), MICB subsidized the examination fee in full and offered incentives to certified clerks. As of the end of 2017, 3,752 employees applied for the examination, among whom 3,535 employees passed the examination and became the certified anti-money laundering specialists.

Based on the information provided by the National Police Agency, Ministry of the Interior, MICB provides every month cases, where fraudulent withdrawals (remittances) in disguise of those asked by public agencies were blocked, for domestic branches for their references. To protect the customers from illegal frauds, the branches are requested to take preventive measures such as showing more concerns and asking customers questions about their irregular withdrawal amount or behaviors. In 2017, 10 frauds totaling NT\$1,100,000 and US\$51,890 were held back successfully.

### 1.3.3 Code of Conduct

The Company has established the Code of Conduct, which stipulates that employees shall comply with the highest self-requirements for their positions and conduct, and will be subject to corresponding punishment or improvement in case of violations of internal regulations. The Company has also established the whistle-blowing system for illegal or unethical conduct and announced the whistle-blowing hotline and the e-mail address through which employees and stakeholders are allowed to report the illegal or unethical conduct to the management or independent directors. In 2016 and 2017, the reported cases concerning unethical conduct are summarized below. Depending on the circumstances, the reported employees were punished according to the Regulations Governing Rewards and Penalties; in addition, the Company enhanced training on risk control.

Item	2016	2017
Number of Reported Cases	5	5
Number of Cases Established after Investigation	0	3



Case Summary	Company Name	Disposal	Improvement Measure
<p>Tampered with the record of attendance in violation of Article 4 of the Company's Duty Regulations</p>	<p>Mega Financial Holding Co., Ltd.</p>	<p>The employee who broke the rules were given a major demerit.</p>	<p>The deficiency of internal control was due to the old system which failed to adjust time automatically and required manual adjustment, leading to tampering with attendance time incidents. To prevent similar cases from happening again, we have installed "Vein Identification Card System" connected directly to HR system to avoid intermediate data conversion and controlled by the Administration Department.</p>
<p>Thai employees of Mega International Commercial Bank Public Co., Ltd. embezzled money by inflating expenses and debiting exchange accounts</p>	<p>Mega International Commercial Bank Public Co., Ltd. (Thailand)</p>	<p>Employees who break the rules were dismissed, suspended, warned and given a demerit respectively.</p>	<p>Please refer to 1.3.5 Legal compliance (P.38)</p>
<p>Warrant traders sold warrants to the specific parties at a price lower than that offered in the market, which caused damage to the company</p>	<p>Mega Securities Co., Ltd.</p>	<ol style="list-style-type: none"> <li>1.The employee who broke the rules was dismissed.</li> <li>2. The above-mentioned employee's direct supervisors and relevant directors were given an admonition and a demerit respectively.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen warrant transaction verification: adding "Manual Ordering Intraday Notification" and "Report Review Mechanism".</li> <li>2. Strengthen management of personal wireless communication equipment in the trading room: centralized storage of wireless communication equipment during the trading period.</li> <li>3. Strengthen the management of access control of the trading room: installing electronic lock equipment, controlling the entry and exit of personnel, and recording the entry and exit time.</li> <li>4. Expedite the processing of the warrant complaints: meeting relevant departments in time to get professional suggestions from different aspects and speed up the processing.</li> <li>5. Strengthen internal control system: incorporating the above improvement measures into the SOP so that the department staff can follow.</li> </ol>

### Training on Risk Management

Company Name	Total Number of Employees Trained	Number of Training Courses
Mega Financial Holding Co., Ltd.	8	8
Mega International Commercial Bank Co., Ltd.	1,726	75
Mega Bills Finance Co., Ltd.	2,615	46
Mega Securities Co., Ltd.	3,009	577
Chung Kuo Insurance Co., Ltd.	13,376	823
Mega International Investment Trust Co., Ltd.	205	90
Mega Asset Management Co., Ltd.	90	35
Mega Life Insurance Agency Co., Ltd.	217	188
Mega Venture Capital Co., Ltd.	50	13

### Internal Grievance Mechanism

The Company has also established the whistle-blowing system for illegal or unethical conduct and announced the whistle-blowing hotline (02-2395-6128) and the e-mail address (hr@megaholdings.com.tw) through which internal and external personnel are encouraged to report illegal or unethical conduct with signatures affixed.

### 1.3.4 Supplier Management

As a financial service provider, the Company partnered with 1,481 suppliers in 2017. The type of suppliers included service and equipment providers. In 2014, the Company stipulated the Supplier Statement of Corporate Social Responsibility based on Article 27 of the Company's the Corporate Social Responsibility Best Practice Principles. Since July 2014, subsidiaries have requested contractors transacting at

the amount higher than NT\$1 million to sign and comply with the Supplier Statement of Corporate Social Responsibility.

According to the Supplier Statement of Corporate Social Responsibility, suppliers shall comply with related labor regulations, basic human rights of labor, and non-discrimination employment, establish and implement occupational safety and health regulations and procedures, ban on the use of child labor, adopt energy-saving equipment, improve environmental management, and meet the minimum statutory requirements for waste management to fulfill their corporate social responsibilities.

In 2017, 196 Supplier Statements of Corporate Social Responsibility signed by subsidiaries' contractors with a total contract amount of NT\$1,137 million.

Unit	Total Purchase Amount (A)	Contract Amount under the Supplier Statement of Corporate Social Responsibility (B)	Percentage (B/A)
Total	2,737,701	1,137,412	42%

Unit : NT\$ thousand

### 1.3.5 Legal Compliance

The Company regards compliance as the core of its internal control system. To fulfill compliance, the Company has established the compliance system and appointed an executive equivalent to the senior executive vice president as the chief compliance officer (CCO) for the head office to conduct the compliance-related tasks in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The chief compliance officer shall report to the Board of Directors and the Audit Committee semiannually; in addition, the Company has established the Legal Affairs and Compliance Department under the President to be in charge of the following:

- Planning and managing the compliance system
- Conveyance, consultation, and coordination of laws and regulations

- Keeping operating and management rules updated in line with related laws and regulations
- Supervising each unit to perform compliance self-assessments on a regular basis
- Evaluating the compliance self-assessments operations of respective units
- Formulation and modification of the Group's plan for anti-money laundering and countering terrorism financing
- Providing compliance training to employees on a regular basis

The Company has appointed chief compliance officers in domestic business centers to help the Legal Affairs and Compliance Department promote legal compliance. To monitor the implementation of each overseas unit's compliance system and anti-money laundering and countering terrorism financing, some overseas units are selected to undergo a compliance test every year, so as to strengthen the second line of defense for internal control.

#### Compliance Training in 2017

##### The Group's Employees



Number of Employees **8,502**  
 Number of Employees Trained **8,484**  
 accounting for **99%** of the total employees

##### The Group's Directors and Supervisors



Number of Directors and Supervisors **84**  
 Number of Directors and Supervisors Trained **74**  
 accounting for **88%** of the total directors and supervisors

## Punishment Imposed by the Competent Authority

To fulfill the internal control and internal audit systems, subsidiaries are required to report any regulator's punishment to the Company within a given time limit and propose the cause, corrective measures, and the expected deadline for improvement which will be reviewed by the internal audit unit and the compliance unit and then report to the Board of Directors. The internal audit unit is responsible for following up the corrective measures until improvement is made completely. In 2017, there was no punishment arising from the violation of the Labor Standards Act, litigation pertaining to anti-competitive behavior and anti-trust and monopoly practices, legal action with closed cases, or corruption reported. The regulators' punishments and corrective measures taken by the Company in 2017 are described below:

### Mega International Commercial Bank Co., Ltd.

1

In May 2016, the Financial Supervisory Commission examined MICB Central Branch, which processed the OBU accounts opened by 22 overseas corporations founded by Mauritius First Island Trust Company Ltd., which was an overseas securities customer introduced by MS for OSU business; however, some of the accounts opened were used for international trade payments, which was inconsistent with the original purpose of the accounts opened; in addition, the customer was unable to provide related trading contracts for verification, showing the insufficiency in the review and monitoring of the accounts. This caused a doubt about the sound operation of MICB.

Time: 3/16/2017

Type of Punishment: Corrected by the Financial Supervisory Commission

Corrective Measure:

MICB has designed a program to perform KYC for fund customers by reviewing the rationality of the data filled out by customers.

2

On May 12, 2017, the Central Bank of the Republic of the Philippines (BSP) notified Manila Branch of insufficient reserve funds from April 21 to April 27 and a corresponding fine.

Time: 7/6/2017

Type of Punishment: Fined by BSP (PHP 35,997.4)

Corrective Measure:

- (1) The operating department shall send intended SWIFT messages to the accounting department by 4 p.m., and shall also notify the accounting department of any large-amount remittance after 4 p.m.
- (2) The accounting department shall ask the operating department by phone about any unsent SWIFT messages. Each unit shall assign a window to keep in touch with the accounting department.

3

On August 1, 2017, Mega International Commercial Bank Public Co., Ltd. (Thailand) was informed by PwC that three Thai clerks were found in the semiannual audit to be suspected of misappropriating public funds amounting to THB 29,168,470.

Time: 8/1/2017

Type of Punishment:

The case was found by PwC, so the government of Thailand did not impose any punishment. In February 2018, the Financial Supervisory Commission performed the general business inspection of MICB and gave a correction after finding the malpractice of Mega International Commercial Bank Public Co., Ltd. (Thailand) and Manila Branch caused a doubt about the sound operation of MICB.

Corrective Measure:

- (1) Strengthened access control by having at least one Taiwanese supervisor stay behind on weekdays and having Taiwanese personnel close the door every day after work; overtime on holidays shall be approved by Taiwanese supervisors with a sign-in/sign-out system.

- (2) Strengthened the management of accounting items' balances; scheduled fund transfers shall be approved by Level A supervisors.

- (3) Enhanced the clerks' awareness of password management and had clerks sign the affidavit and attach it to their personnel files; improper password management is subject to punishment.

- (4) Examined the history of all clerks' deposits. At present, no other clerks were involved.

- (5) Engaged lawyers to evaluate whether to file civil and criminal actions against the involved clerks.

4

On August 4, 2017, the Financial Supervisory Commission issued an official letter to correct Yong He Branch's deficiencies in deposits and remittances and agency business.

Time: 8/4/2017

Type of Punishment: Corrected by the Financial Supervisory Commission

Corrective Measure:

The Anti-Money Laundering and Financial Crime Compliance Department added several reports to identify transactions involving money laundering and financing of terrorism. Clerks shall print the reports every day to verify and record suspicious transactions in accordance with the regulations pertaining to anti-money laundering. All deficiencies have been improved.

5

The Panama Branch received the first and the second resolution letters from the Superintendency of Banks of Panama (SBP) on March 24, 2017, and May 13, 2017, respectively; on August 25, 2017, the Panama Branch received the third resolution letter (2017.8.23 SBP-0154-2017). The resolution letters addressed that the branch in Panama did not have a risk profile descriptions or indicators to effectively identify risks in place, which made it impossible to perceive potential risks and measure them in real time. It did not precisely conduct risk self-assessments or take effective measures to control risk. The effectiveness of the functions of risk management unit needs to be reinforced. Quality of information submitted to the Banking Regulatory Commission did not meet requirements.

Time: 9/21/2017

Type of Punishment: Fined by SBP (US\$1.25 million)

Corrective Measure:

- (1) The branch has revised various operating manuals such as internal control and operational risk manuals to clearly describe risk profiles and operational risk indicators. The operating manuals will be reviewed and updated every year.
- (2) The branch will strengthen risk management system, implement operational risk self-assessment, reinforce the identification of various operational risk indicators, periodically follow up and control, and report to the risk and compliance committee for oversight.
- (3) The branch will strengthen KYC operations and customer data filing. Customer due diligence (CDD) and regular data updates and enhanced due diligence (EDD) will be performed as well.
- (4) The investigation into blacklist warnings and transaction monitoring will be reinforced.
- (5) The branch will comprehensively review and correct archived data, and amend the program so that related statements are generated by the system to enhance the quality of information submitted to the competent authority.

6

The Financial Supervisory Commission audited the loans made by MICB to Ching Fu Group and reported the findings below:

- (1) Lack of corporate governance pertaining to loan business: When making loans to Ching Fu Group and its affiliates, MICB did not perform credit investigation, including analyzing its funding gaps, ability to execute the contract and solvency properly. MICB still granted the Ching Fu Group a higher loan amount regardless of its poor credit rating.
- (2) Lack of general internal control systems and regulations for project finance: MICB did not set up the general rules for project finance as funding the patrol and rescue boats of the Coast Guard Administration or arrange appropriate staff, resources and risk management measures.

- (3) Lack of full implementation of internal controls over credit investigation, loan drawdown, and post-loan management: MICB overly relied on the borrower and did not analyze Ching Fu's funding gaps, ability to execute the contract, and solvency or the authenticity of transactions or capital flows properly; in addition, MICB did not perform post-loan management or follow up the conditions of loan approval.
- (4) Insufficient implementation of policies and procedures for identifying, evaluating and managing money laundering risks: MICB did not report to the Ministry of Justice the large-amount remittances from banks in Macao, Singapore, and Japan to OBU accounts controlled by the Ching Fu Group and accounts of Ching Fu, which were later transferred shortly to other affiliated accounts indirectly.

Time: 12/29/2017

Type of Punishment:

Fined by the Financial Supervisory Commission (NT\$4 million)

Corrective Measure:

- (1) Set up a mechanism to control loan appropriation.
- (2) Strengthened training and loan management.
- (3) Implemented the anti-money laundering system to monitor suspicious transactions.

7

In 2016, the Federal Reserve Bank (FRB) under the Federal Reserve System (the FED) performed the financial examination for MICB's branches in the U.S. There were deficiencies in risk management and compliance with anti-money laundering laws at New York Branch (examination base date: 6/30/2016), Silicon Valley Branch (examination base date: 9/30/2016), and Chicago Branch (examination base date: 12/31/2016). The FED issued the examination report in 2016 and listed the deficiencies that were incompliant with the anti-money laundering laws for New York Branch, Chicago Branch, and Silicon Valley Branch. To show that the authority took a fair and open attitude toward all financial institutions, on the three branches the FED and the Illinois Department of Financial and Professional Regulation imposed a penalty.

Time: 1/17/2018

Type of Punishment:

Fined by the FED and the Illinois Department of Financial and Professional Regulation (US\$29 million)

Corrective Measure:

- (1) The board of the bank was completely re-organized. Newly appointed directors and supervisors include CPA, lawyers, finance and economics scholars and anti-money laundering professionals. In addition, a special committee subordinate to the board has been established to strengthen the board supervisory functions.
- (2) The anti-money laundering and legal compliance operations of the bank have been comprehensively reviewed and organizational reforms have been carried out. The management organization of the head office has been adjusted and a dedicated management unit has been added. Manpower for legal compliance and anti-money laundering has been increased. Full-time legal compliance officers are appointed in overseas branches and the qualifications of the bank's legal compliance personnel have been enhanced. Employees' legal compliance awareness shall be heightened.
- (3) The bank has developed anti-money laundering policies and relevant management systems applicable to domestic and overseas units. Professional consultants are engaged to assist in the risk assessment of money laundering and terrorism financing and the adoption of improvement measures. The bank successively implements the Global Anti-Money Laundering and Counter-Terrorism Financing Policies and Standards and internal regulations governing the management of overseas branches in pursuit of a sound legal compliance and anti-money laundering system. The ultimate goal is to bring the bank in sync with international anti-money laundering standards and ensure conformity to the requirements of the US financial examination authority.
- (4) The bank has enhanced the anti-money laundering monitoring system, established a KYC database, strengthened the functions of anti-money analysis, screening, and monitoring and implementation.

- (5) Improvement plans have been proposed in accordance with the review opinions of compliance consultants designated by NYDFS. These plans encompass internal organizational adjustment, strengthening of the rules, regulations, procedures, and anti-money laundering system, etc. Relevant items are implemented according to the planned schedule.

### Chung Kuo Insurance Co., Ltd.

The Office of the Banking and Insurance Commissioner of Guam performed a market conduct examination for the Guam representative office of Chung Kuo Insurance Company from July 17 to July 25, 2017, and determined that the Guam representative office was unable to show any proof of the approved premium rates on automobile and home fire insurance, violating the provisions on 22GCA Section 18501 (a), (b), and (c).

Time: 12/19/2017

Type of Punishment:

Fined by the Office of the Banking and Insurance Commissioner of Guam (US\$5,000)

Corrective Measure:

- (1) In case of changes in premium rates, the Planning and Actuarial Department of the headquarters shall help the Guam representative office clarify or adjust the rates.
- (2) The Planning and Actuarial Department shall provide the final premium rates for the Foreign Department and the Guam representative office, and the Guam representative office shall submit them to the Office of the Banking and Insurance Commissioner of Guam.
- (3) After obtaining the written consent of the Office of the Banking and Insurance Commissioner of Guam, the Guam representative office shall retain the written consent properly and send a copy to both the Foreign Department and the Planning and Actuarial Department.



## Mega Securities Co., Ltd.

1

The Capital Market Business Department of MS served as the co-manager of securities the WPG Holdings' first domestic unsecured convertible corporate bonds issued in July 2014. The salesperson negligently sent the payment details of two customers eligible for placing to Far Eastern International Bank by e-mail, which was deemed by the Financial Supervisory Commission (FSC) that MS worked with Far Eastern International Bank for placing of the bonds, which was in violation of Paragraph 1, Article 28 of the Regulations Governing Securities Firms. According to Subparagraph 1, Article 66 of the Securities and Exchange Act, the Financial Supervisory Commission gave a warning to MS and requested it to punish the head of the department and the salesperson at its own discretion and report the punishment to FSC accordingly.

Time: 1/19/2017

Type of Punishment: Warned by the Financial Supervisory Commission

Corrective Measure:

- (1) Set up a measure to check before placing and strengthened the placing monitoring to ensure the fairness and reasonableness of placing.
- (2) Added compliance self-assessment items on underwriting operation and had the computer system automatically send the notices for underwriting operation every month.

2

The Financial Examination Bureau of the Financial Supervisory Commission performed the general examination for MS from March 9 to March 30, 2017, and found the deficiencies below:

- (1) Filed out-trade for mistakes not attributable to the company.
- (2) Had the following deficiencies with respect to anti-money laundering and combating financing of terrorism: ① MS did not test the effectiveness of the plan for anti-money laundering and combating financing of

terrorism; ② some assessment items were not included in the List of Risk Assessment of Money Laundering and Financing of Terrorism; ③ MS did not perform the risk assessment before launching a new product; ④ the field "nationality" was not created in the information system; ⑤ there was a flaw in the customer default system filter; ⑥ suspicious activity reports were not processed as confidential documents; ⑦ MS failed to verify the identity of REPO customers.

In summary, the Financial Examination Bureau determined that MS violated Paragraph 2, Article 2 of the Regulations Governing Securities Firms and gave a correction accordingly.

Time: 8/17/2017

Type of Punishment: Corrected by the Financial Supervisory Commission

Corrective Measure:

- (1) MS has emphasized that filing out-trade for mistakes not attributable to the securities firms was not allowed and that failure to comply with this regulation will be punished according to the Regulations Governing Rewards and Penalties.
- (2) Completed the audit report on the effectiveness of the plan.
- (3) Modified the List of Risk Assessment of Money Laundering and Financing of Terrorism.
- (4) Conducted the risk assessment before product launches.
- (5) Added the field "nationality" to the information system.
- (6) Modified the filter condition customer default system.
- (7) Filed suspicious activity reports in a confidential manner.
- (8) Requested existing customers to supplement the power of attorney and marked those who have not provided the power of attorney will be prohibited from the transaction.



## Mega International Investment Trust Co., Ltd.

Some funds were invested in individual stocks and sub-funds. Deficiencies in the investment analysis report included wrong buying/selling sides, wrong targets, or missing signatures of supervisors or authors of reports; customers who were suspicious of money laundering were not screened or inspected in accordance with the internal regulations or the internal control system; the rationality of the data filled out by customers was not further reviewed in the course of KYC; no internal control system was set up for the information system and online operation, and some important hosts did not undergo weakness scanning and system updates; no corrective measure was proposed for review of the monthly performance and turnover rate of fund investments.

Time: 1/24/2017

Type of Punishment: Corrected by the Financial Supervisory Commission

Corrective Measure:

- (1) Requested authors to double check the correctness and completeness of the analysis reports before submitting them; enhanced the review of the analysis reports.
- (2) Modified the system logic for screening customers suspicious of being involved in money laundering to meet the requirements.
- (3) Modified the program to further review the rationality of the data filled out by customers in the course of KYC.
- (4) Introduced the internal control system to the information system and online operation, set up the Regulations Governing System Development and Program Modification, and completed weakness scanning and system updates.
- (5) Reviewed fund investments every month and reported to the Board of Directors on a quarterly basis; proposed corrective measures for those requiring to be reviewed.



## 2 Social Inclusion

The Company aims to create a sustainable society together with stakeholders which include customers, employees and the community, through its own financial expertise and stable profitability. With a focus on consumer experience, the Company offers a variety of services to customers, listens to customers' opinions, and maintains their personal information and privacy. Employees are the Company's important assets. In the face of oncoming digital finance, the Company organizes professional training to help employees become Certified Anti-Money Laundering Specialists (CAMS), and has received outstanding results. The Company pays long-term attention to the socially disadvantaged groups. In terms of community engagement, the Company continues to promote financial education, care for the disadvantaged, develop sports talent, and create a local art culture, which are the four main programs of the Company's public welfare activities.

### 2.1 Customer Service

Customers' feedback is what drives the Company best to continuously improve the quality of service. In addition to understanding customers' needs, the Company believes that only by providing a variety of convenient financial services based on the concept of financial inclusion, the true spirit of sustainable development can be achieved. Meanwhile, the Company endeavors to maintain customer rights by organizing routine staff training and tests on personal information and data security and formulating related regulations.

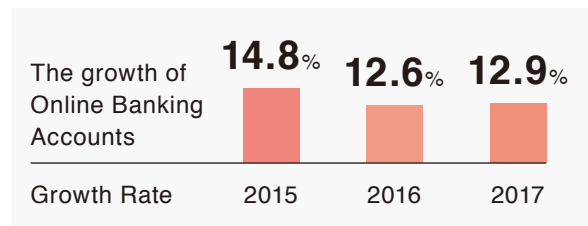
#### 2.1.1 Digital Financial Services

##### Online Financial Services

The Company's online banking is designed based on a customer-oriented approach. Through data collection and analysis of network traffic and remote user perception, which the menu, name and the structure of online banking are fully

adjusted to optimize user experience. The purpose is to improve the overall quality of customer service. The online banking is expected to be completed in the second half of 2018. At present, there have been 780,000 online banking accounts with a total transaction amount of NT\$ 21.4 billion per month.

#### Growth Rate of Online Banking Accounts



### Improving Employees' Capacity for Digital Finance

To improve employees' capacity for digital finance, Mega International Commercial Bank Co., Ltd. (MICB) organizes online and on-site training by function. In 2017, a total of 382 training hours were achieved.

	Trainee	Training Content	Total Training Hours
Online Training	All bank personnel	Digital finance, online ATM, digital deposit, and Big Data analysis	89 hours
On-site Training	E-finance personnel from business units Personnel from Digital Banking Department	Cross-border e-commerce, online payment platform, digital finance and risk management, and FinTech	293 hours

## Digital Deposit Account

Since the revision in July 2017, there have been more than 10,000 digital deposit accounts. After opening accounts online, customers may enjoy services for deposits, wealth management, foreign exchange, and transaction fee concessions, which saves time and paper consumption (please refer to 3.1 Green Operation for more details). Meanwhile, we have launched the digital deposit account for foreign currencies on February 7, 2018.

## Global E-banking

The system enables small and medium businesses to transact and upload transaction certificates by dynamic password token or electronic certificate, which saves time and paper consumption. As of the end of 2017, there have been 65,000 accounts. Compared to 2016, the number of transactions in 2017 increased by 540,000, and the usage rate increased to 65% per year.

## Fund App

Mega International Investment Trust Co., Ltd. (MITC) allows customers to search for fund information and transact via App. As of 2017, there have been 6,090 e-transaction accounts. The number of transactions via App was NT\$1.079 billion in 2017, increased by 91.72% compared to 2016.

## Wealth Management via Social Media Platform



Mega Securities Co., Ltd. officially launched the first AI on LINE, a wealth management service called "Mega Wealth Management Secretary" in September 2017. Investors can have a conversation with the Mega Wealth Management Secretary verbally or in writing

in addition to other personalized functions, such as account binding, account opening, information subscription, and search for self-selected stock prices and news. In the future, the Company will develop AI for personal wealth management and investment to help customers manage their portfolios at any time.

## Innovative Service of Credit Card

MICB has gradually digitized credit card services. Starting from 2015, credit card applicants can provide additional documents via App to save time. As of 2017, 1.25 million electronic credit card bills have been sent, accounting for 18.38% of the total cardholders. In 2018, MICB will continue to promote online credit card activation and payment via QR Code, launch 24-hour text message customer service, and enable payment by mobile credit card to facilitate online shopping and remote transfers increase to consumers' satisfaction and convenience.

## Financial Payments

To meet market demand and facilitate foreign currency receipts and payments, the Company has offered a convenient and safe foreign currency collection services for investment trust funds, securities, and insurance companies since the third quarter of 2017; in addition, 24-hour all year round online foreign exchange settlement is offered ahead of the industry to any purchasers (not only the Company's clients) at preferential exchange rates. As of the end of 2017, the amount of transactions has exceeded NT\$80 million.

## Customer Service Robots

MICB sets up customer service robots to help with deposits, withdrawals, and preparations for account opening as well as trial and search for foreign exchange rates, which streamlines tellers' operation in entering data and saves customers' about 10 minutes on average to wait in a line. Instant voice responses are also available to stay close with customers.



## Online Insurance and Automatic Claims

Starting from 2016, customers may purchase property insurance online, anywhere and at any time. In 2017, the number of insurance purchased was about 5,800.



## Notice of Claims for Flight Delays

For flight delays covered in travel insurance, the Company uses InsurTech to integrate flight information and notifies qualified policyholders of the claims after confirming the flight delays and claim conditions with the blockchain and smart contract technologies. To receive compensation according to the policy, the policyholders only have to provide documents required for the claims.

This saves customers about 0.5~1 hour to contact the insurance company and fill out the application form; it also saves claim agents about 1 hour to input and verifies documents. This significantly improves efficiency and customer service.

## Digital Finance Patents

In response to the development of FinTech, the Company encourages employees to develop digital finance patents, so as to improve the overall competitiveness. In 2017, the Company applied for 96 patents on digital finance, 46 patents of which have been approved, and 50 patents are still under review. The types of patents include mobile platforms, security controls, and biometric identification.

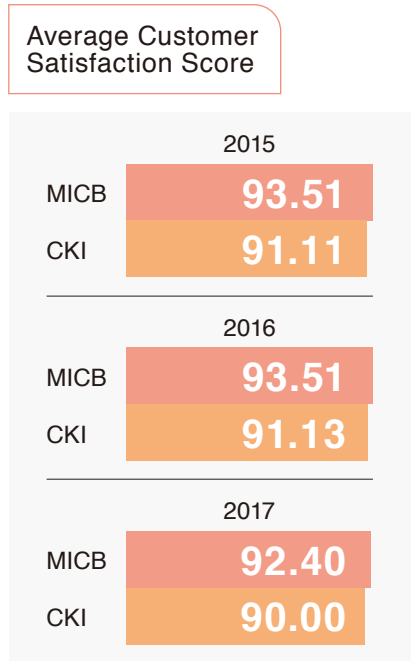
## 2.1.2 Maintenance of Customer Rights

### Surveys of Customer Satisfaction

MICB and Chung Kuo Insurance Co., Ltd. (CKI) conduct a survey of customer satisfaction every year and improve based on the result of the survey. The result is included in the performance evaluation of each business unit to enhance the quality of service. In 2017, MICB received 92.4 points in the customer satisfaction, lower than 93.51 points in 2016 due to the inexperience of a large number of new clerks in operation and SOPs. MICB made the following improvement plans:

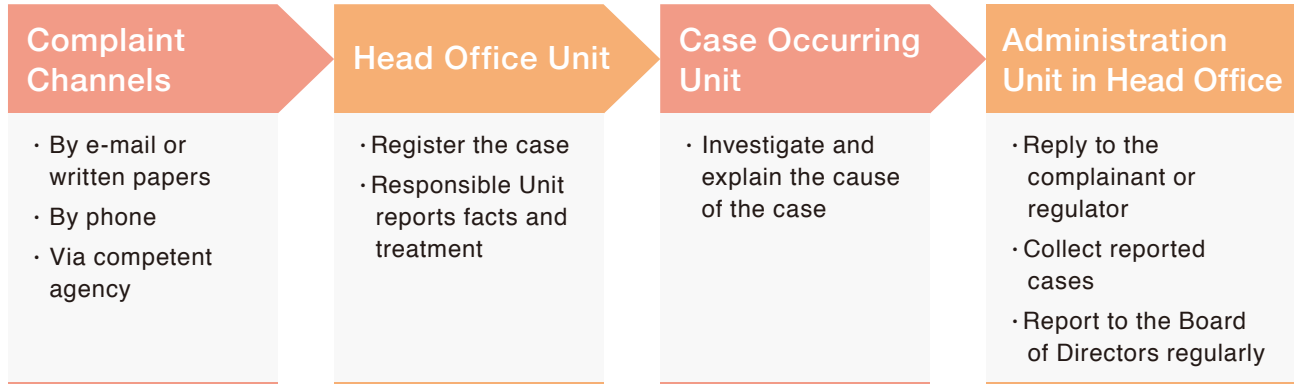
- (1) Appoint a supervisor to be in charge of monitoring and managing service etiquette over the counter or in calls.
- (2) Equip clerks with an armband so that customers can easily identify them once help is needed.
- (3) Organize training courses on service etiquette through the e-learning system.

In 2017, CKI received 90 points in the customer satisfaction, lower than 91.13 points in 2016 because some customers had different perceptions of claims. CKI will continuously train claim agents on the items and procedures for claims to increase customer satisfaction.



## Customer Complaint Mechanism

The Company provides customers with a smooth complaint mechanism, where they may file complaints in writing, by e-mail or by phone. MICB has set up the customer service center that provides 24-hour customer service. Customers may contact the customer service center by phone or website email. In 2017, the customer service center received about 6,600 calls on average every month. The types of complaints were mainly on deposits, credit cards, and poor service attitude. MICB has reviewed customer complaints and proposed corrective measures to the Board of Directors on a regular basis.



## Privacy and Personal Information Protection

MICB values every customer's privacy. MICB prepares the evaluation report on personal information protection every six months and reports the result of the evaluation to the Board of Directors. According to the Information Security Policy and the Directions for the Management Information Security, MICB has set up systems with continuous improvement mechanism and installed Firewall and anti-virus software on important nodes; MICB also organizes drills in important emergency procedures on a regular basis.

MICB passed the certification of ISO 27001 Information Security Management System in July 2015 and is reviewed by the certification agency every year on a regular basis to continuously reinforce the safeguards of Information security systems.

MICB attends external information security conferences, such as meetings held by the Information Security Working Group under the Bankers Association, and becomes a member of the Financial Information Sharing and Analysis Center (FISAC) to reduce risks by information sharing; MICB also actively attends seminars organized by Taiwan Academy of Banking and Finance and other information security professional institutions.



## MICB Information Security Measures

1. The Supervision Senior Executive Vice President overseeing the Data Processing & Information Department serves as the Chief Information Security Officer (CISO) to be in charge of chairing countermeasure meetings and monitoring the overall implementation of data security.
2. Based on the purpose that employees shall hold information which they keep and use confidential, as specified in the Information Security Policy, the Company requests employees (including part-time employees and contractors) to sign a Non-disclosure agreement, which is then kept and held confidential by the Human Resources Department.
3. Information Security Countermeasure Council meetings are convened twice every year (in June and in December separately) and chaired by the CISO to resolve proposals, budgets and implementation audited by the Auditing Department.
4. In case of information security events, they shall be reported to the unit in charge and to the duty counter of the Data Processing & Information Department by phone; the person on duty shall understand the problems, identify events, and take emergency measures.

### Information Security Tests and Training

The Company conducts e-mail Social Engineering tests and promotes employee awareness of information security from time to time. The results of the tests will be referred to in the employees' annual performance evaluation with an aim to improve employees' security awareness and personal information protection across the Group.

In 2017, the Company and its subsidiaries sampled 2,912 e-mail addresses of their employees for the information security test, and the pass rate was 88.78%. Compared to 2016, the rate of deception decreased by 3.51 percentage points, showing the increasing security awareness. A list of employees failing the test was sent to their supervisor for reference in the annual performance evaluation.

Result of E-mail Social Engineering Test

Item	2016	2017
Total Number of Employees Tested	3,136	2,912
Number of E-mails Tested per Person	10	10
Rate of Deception	14.73%	11.22%

The Bank continues to train employees to identify unknown e-mails monthly by e-mail, training, and publication to reduce risks of information security caused by malicious links or attachments; the Company also organizes training courses on customers' data security and personal information on a regular basis. In 2017, a total of 99% of employees received the training.

In 2017, a complaint about customer privacy was filed due to the fax system failure that sent three customer data to a third party mistakenly. The Company took the following emergency measures immediately after being informed: pausing fax service, checking the number of errors and the impact, and reporting the type of personal information influenced to the authority on the same day. MICB has modified the program, added an alert for the disruption of fax data processing, and masked the faxed content involving personal information to prevent abnormalities from recurring. In 2017, there was no violation of data security or cybersecurity.

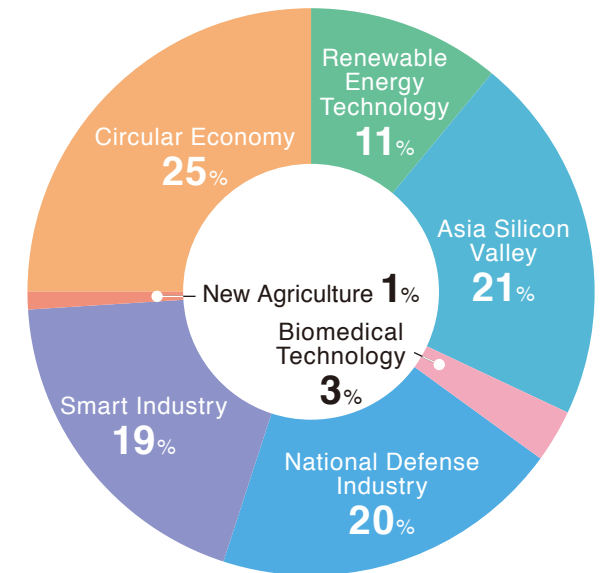
Data Security Training Course

Data Security Training Course	The Training Rate in 2017
Drill in Social Engineering	<b>99%</b>
Penetration Testing	
Drill in Anti-DDoS Attack Program	
Drill in Personal Data Security Event Response Procedures	
Drill in ATM Monitoring and Event Response Procedures	
Computer System Data Security Assessment	

### 2.1.3 Responsible Investment

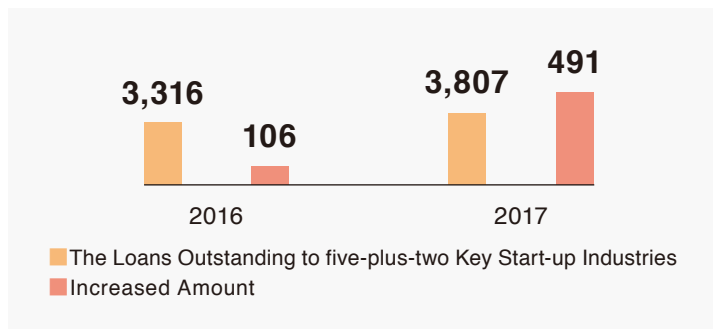
#### Five-plus-two Key Start-up Industries

The Company has long supported national development projects and policies. The purpose of five-plus-two Key Start-up Industries, including Asia Silicon Valley, Smart Machinery, Renewable Energy Technology, Biomedical Technology, National Defense Industry, New Agriculture, and Circular Economy, is to accelerate industrial upgrade and transformation. MICB formulated the Directions for Making Loans to Key Start-up Industries in 2016 in hopes of driving investment, integrating funds, technology, and talent, and creating job opportunities and boosting economy locally. By 2017, the balance of loans reached NT\$380.7 billion, ranked No.3 in the financial industry.



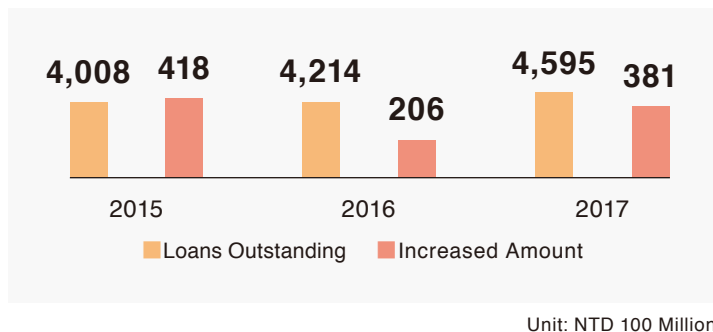


Growth of Loans Outstanding to five-plus-two Key Start-up Industries



Small and Medium Business Loan

The Company has long assisted small and medium businesses in obtaining working capital. The Plan for Small and Medium Business Loans was developed to help domestic small and medium businesses operate stably. In 2017, the loans outstanding reached NT\$459.5 billion, and the number of borrowers was about 8,800.



Government Concessional Loan for Youth Housing

The Company has worked with Ministry of Finance to promote the Government Concessional Loan for Youth Housing. From 2015 to 2017, the Company has made concessional loans to 17,466 households.

Year	Accumulated Number of Borrowers	Accumulated Drawdown Amount	The Loans Outstanding at the end of year	Growth Amount
2015	13,774	572	378	13
2016	15,868	687	430	52
2017	17,466	772	452	22

Unit: NTD 100 Million

Cultural and Creative Industry Loan

Cultural creativity is an important indicator of national soft power and economic development. To upgrade and restructure the cultural and creative industry, the Company has set up the financing and credit guarantee system that offers preferential loans to cultural and creative businesses according to the Law for the Development of the Cultural and Creative Industries. Since 2014, the Company has actively assisted businesses in integrating culture and creativity with branding. By 2017, the loan drawdown reached NT\$29.9 billion.

Year	Loans Outstanding
2015	329
2016	311
2017	299

Unit: NTD 100 Million

2.1.4 Financial Inclusion

Accessible Services

MICB provides a variety of convenient financial services for people with disabilities through a designated contact window and sets up a service bell and a guide at the entrance for any necessary assistance. As of 2017, a total of 317 Accessible ATMs have been set up. A total of 8 ATMs designed for the visually impaired are also set



up in airports and hospitals. MS's Image Website and Wealth Management Website have been awarded Conformance Level A+ Accessible Web Accessibility Service by the National Communication Commission, improving accessibility for the visually impaired and the hearing impaired.





## Microinsurance

CKI aims to maintain the basic human rights of the disadvantaged. Since 2010, CKI has worked with social welfare organizations, district administration offices, and associations of indigenous peoples to offer microinsurance ahead of the industry. Adding 2,272 policyholders in 2017, the total number of policyholders reached 9,825, showing an outstanding result. From 2015 to 2017, CKI has been eligible for the incentives measures under the Directions for Insurance Companies to Engage in Microinsurance Business with the approval of the Insurance Bureau, Financial Supervisory Commission.

In 2017, there were 5 claims for microinsurance, totaling NT\$1,212,000. CKI will continuously pay attention to the customers after claim settlements and help maintain the human rights of the disadvantaged.

Year	Micro Accident Insurance	
	Number of the Insured	Insurance Premium
2015	2,114	340
2016	2,254	363
2017	2,272	366

Unit: NTD thousand

## Care Trust for the Disadvantaged Group

MICB provides care trust services with the elderly or people with disabilities. In addition to continuous promotion, concessionary measures are set up to increase customers' willingness. By the end of 2017, the care trust assets under MICB's management amounted to NT\$375 million, and the number of beneficiaries reached 220. In the future, MICB will continue to develop instruments for social welfare and provide a variety of property trust services for the elderly and people with disabilities. In July 2017, MICB was awarded by the Financial Supervisory Commission an outstanding bank for providing property trust services for the elderly and people with disabilities in 2016.



## 2.2 Employee Care

Employees are the foundation of business development. The Company develops comprehensive plans for employee recruitment, development, retention, benefits, and pensions. In 2017, more than NT\$70 million was invested in employee training and development. The Company aims to create a sound workplace by the following measures:

1. Providing complete compensation and benefits.
2. Creating an equal working environment and protecting the legitimate rights and interests of employees.
3. Valuing the human rights of employees, facilitating communication, and taking measures to prevent sexual harassment.
4. Caring for employees' career development and providing a range of training programs.
5. Paying attention to employees' health, organizing regular health seminars, and providing free health examinations.
6. Maintaining a harmonious labor-management relationship and forming a partnership that leads to mutual existence, prosperity, and success.

In response to the oncoming era of digital finance and increasingly strict international regulations governing anti-money laundering, the Company recruits a diversity of professionals and helps employees improve their expertise and self-development through professional training, industry-academia cooperation, and talent development plans, making them the driving force behind the Company's sustainable development.

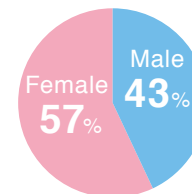
## 2.2.1 Human Resources

### Gender Composition

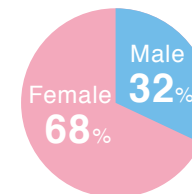
Since 2011, the Company has been selected as a component of the TWSE RA Taiwan Employment Creation 99 Index (EMP99)

In 2017, the Company had 8,502 full-time employees and 373 temporary employees; adding 551 full-time employees in subsidiaries which are not included in the report, the total number of employees was 9,426. Since 2011, the Company has been selected as a component of the TWSE RA Taiwan Employment Creation 99 Index (EMP99), showing that the number of employees of the Company ranks highly among the listed companies.

Distribution by Gender (Full-Time Employees)



Distribution by Gender (Temporary Employees)



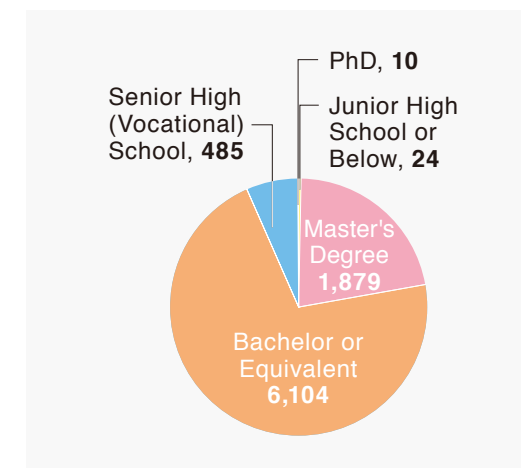
Workforce Structure (Full-Time Employees)

Total Number of Full-Time Employees	Aged 29 or Less		Aged 30~49		Aged 50 or More		Management	Non Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
8,502	494	917	1,942	2,929	1,190	1,030	2,732	5,770	7,811	691

The Ratio of Female Employees Holding Management Positions (%) [Note]

Company Name	Management	Junior Management (Section Chief)	Middle Management (AVP/VP/SVP)	Senior Management (Senior Executive Vice President or Above)	Profit-generating Department
Mega Holdings	44.00%	35.70%	50.00%	66.67%	0%
Mega Bank	48.29%	54.31%	44.17%	50.00%	39.80%

Note: The table only discloses the Company and MICB.



## New Employees and Employee Turnover

For business development, each subsidiary recruits and selects new employees every year. New employees will be given training for 1~2 week(s) before working at respective operation units; competent employees are selected on an ad hoc basis in response to the business needs of overseas units and then assigned to overseas units or universities for a series of professional training.

### The Workforce Structure of New Employees

Note: Percentage of New Employees in 2017 = Number of New Employees / Number of Employees by the end of 2017.

Total Number of New Employees	Aged 29 or Less		Aged 30~49		Aged 50 or More		Taiwan	Overseas
	Male	Female	Male	Female	Male	Female		
1,121	299	445	189	160	14	14	951	170
The ratio	26.7%	39.7%	16.9%	14.3%	1.2%	1.2%	84.8%	15.2%
Percentage of New Employees [Note]	13.19%							

### Employee Turnover [Note 1]

Note: 1. Employee turnover includes employees who resign voluntarily or are laid off or die in service; it does not include employees who retire or are on leave without pay.

2. Turnover Rate = Number of Employee Turnover / Number of Employees by the end of the year.

Total Number of Employee Turnover	Aged 29 or Less		Aged 30~49		Aged 50 or More		Taiwan	Overseas
	Male	Female	Male	Female	Male	Female		
132	25	52	22	20	11	2	92	40
The ratio	18.9%	39.4%	16.7%	15.2%	8.3%	1.5%	69.7%	30.3%
Turnover Rate [Note 2]	1.55%							

## Multi-ethnic Employees

To fulfill its corporate social responsibility, the Company provides equal job opportunities for people with disabilities and indigenous people; the Company also designs jobs based on the characteristics of people with disabilities to allow them to use their talents to contribute to the society and improve the quality of life. By the end of 2017, the Company hired 70 people with disabilities, 6 indigenous peoples, and 577 foreign employees.

### Multi-ethnic Employees

Item	Aged 29 or Less		Aged 30~49		Aged 50 or More		Management	Non Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
People with Disabilities	0	0	17	8	31	14	6	64	70	0
Indigenous Peoples	0	1	0	5	0	0	0	6	6	0
Foreigners	61	198	68	144	35	71	40	537	0	577
Total	61	199	85	157	66	85	46	607	76	577

## 2.2.2 Talent Development and Cultivation

### Training

In response to the development of digital finance, the Company implements the plan for competence training and career transformation, which will be adjusted in a timely manner subject to the development of digital finance, the regulators' policies and the amendments to related laws and regulations. On average, each employee of the Group received 48 hours of training in 2017. We target 100% utilization of annual talent training and development budget. In addition to continue strengthening the internal training programs, we invite experts and scholars to lecture; employees are also assigned to attend training courses organized by external institutions. The Company also works with professional institutions or selects strategic partners to assist in adaptive testing, competence analysis, learning map, and training with the support of experts, so as to help employees learn quickly and improve their competency.



The Company's E-learning Portal

#### Training and Development Expenditure from 2015 to 2017

2013	2014	2015	2016	2017
46,818	54,196	52,344	71,487	140,211

Unit: NTD thousand

MICB has strived to organize staff training courses, including professional training and foreign language courses, to enhance their employability, competence management after retirement, and lifelong learning plans; MICB also subsidizes employees to obtain professional licenses, take foreign language proficiency tests, and sets up an e-learning portal for advanced studies. In 2017, the Group provided employees with the following training courses:

#### Staff Training Courses

External Training: Employees attended 650 training courses organized by external institutions in 2017.

Internal Training: A total of 195 training courses were arranged in 2017.

E-learning: A total of 288 training courses were created in 2017.

Professional Training	Competence Development
<p>Subsidies for license courses and examinations based on business needs, such as Certified Financial Planner (CFP), Associate Financial Planner (AFP), Certified Financial Service Auditor (CFSA), and Certified Anti-Money Laundering Specialist (CAMS), etc.</p>	<ul style="list-style-type: none"> <li>Foreign language courses</li> <li>Subsidies for foreign language proficiency test and for selected employees studying foreign languages in language schools</li> <li>Seminars on the corporate social responsibility</li> </ul>

We conduct a satisfaction questionnaire survey after each training course to understand students' feedbacks for the course contents and the lecturers' teaching skills. There were 1,696 questionnaires retrieved in 2017. Taking 15 series courses such as accounts receivable as an example, the satisfaction score was around 90.4 points.



### MICB Encourages Employees to Obtain CAMS License

In response to the increasingly strict international regulations on anti-money laundering, the Company takes the lead to encourage employees to take the examination on certified anti-money laundering specialists (CAMS) through the following incentives:

- Subsidize the examination fee in full (US\$1,700/person)
- Award NT\$15,000~NT\$18,000 to each employee who passes the certification examination.
- Add points to the internal promotion evaluation
- Provide internal and external training courses and e-learning courses after employees pass the certification examination.

As of 2017, a total of 3,535 employees have obtained CAMS licenses (including 150 employees who obtain an English certificate), accounting for 60% of MICB's total employees.

List of Subsidies for Professional Licenses over the Past Three Years

Year	Management				Non-Management			
	Male		Female		Male		Female	
	Number of Employees	Total Amount	Number of Employees	Total Amount	Number of Employees	Total Amount	Number of Employees	Total Amount
2015	132	201	199	247	232	373	514	420
2016	187	184	215	233	348	439	619	521
2017	738	28,339	937	35,166	821	24,210	1,583	48,365

Note: Owing to the introduction of CAMS subsidy in 2017, the amount of subsidy significantly increased.

unit: NTD thousand

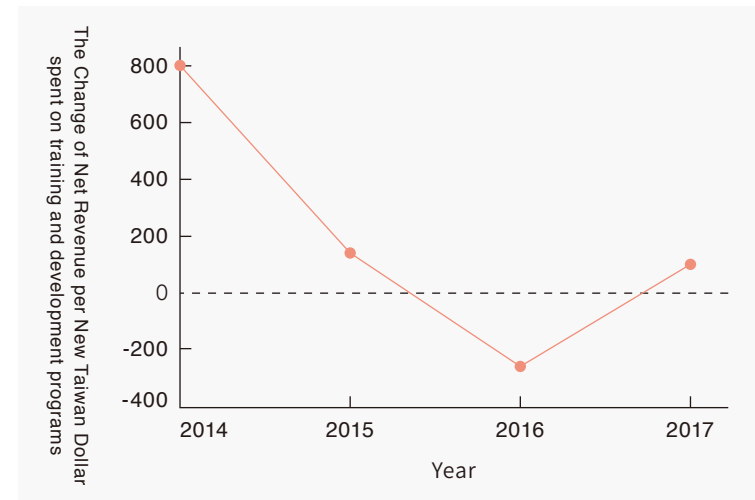
The relationship of the annual employee training expenses and annual net revenue changes is shown in the figure below, indicating that the expenditure increased year by year from 2014 to 2017. Except for the reduction in revenue due to a penalty event in 2016, the result demonstrated the effectiveness of staff training from the revenue change.

Knowing that employees are fundamental for business development and sustainable growth, the Company attaches great importance to the environment and resources that are fit for employees. Taking MICB for example, each unit recommends outstanding intermediate-level employees who have the intention and potential; qualified ones will be given internal training courses and subsequent plans for external professional training (see the table below) to become reserve supervisors, cadres, or expatriates.

MICB Talent Cultivation Program

Project Name	Training Emphasis / Core Competence Training	2017 Results
Unit Supervisor Training Course	<ul style="list-style-type: none"> <li>Business management philosophies</li> <li>Branch businesses</li> </ul>	<ul style="list-style-type: none"> <li>51 trainees, 32.5 hours</li> <li>NT\$50,000 spent</li> </ul>
Cadre Training Course	<ul style="list-style-type: none"> <li>Team leadership and motivation</li> <li>Risk management</li> <li>Decision-making and execution</li> <li>Time and stress management</li> </ul>	<ul style="list-style-type: none"> <li>87 trainees, 31 hours</li> <li>NT\$150,000 spent</li> </ul>
Seminar on Overseas Branch Businesses	<ul style="list-style-type: none"> <li>International (business) etiquette and communication skills</li> </ul>	<ul style="list-style-type: none"> <li>61 trainees, 31 hours</li> <li>NT\$100,000 spent</li> </ul>

2014~2017 the expenditure of talent training and revenue changes



## Performance Evaluation

The Company conducts the performance evaluation at the end of each year to review achievements and discover the potential of employees. Following the rigorous operating procedures, supervisors at all levels evaluate the performance of employees working for a year consecutively in a fair and just manner. Except for employees on probation and reinstated employees, 100% of the employees underwent the performance evaluation in 2017.

Job rotation is to develop talents for bank business, enhance personnel's interest in their work and stimulate their working potential. With the aim of meeting the goal of putting the right person in the right position, job rotation for bank employees is implemented in two ways listed below:

1. Internal job rotation: It refers to the transfer of jobs within a unit, and is divided into the adjustment of the business task and job content. Each head of the unit shall always pay attention to the job rotation training to ensure that each employee can fully understand each work area in the unit. In case there is a lack of manpower in the unit, employees in the department could offer support and assistance to one another. Meanwhile, the rotation also enables the employees to perform their duties well when transferred to other work areas.
2. Job rotation between units: It refers to the transfer of jobs between one unit and another, including job rotation (or temporary transfer) between domestic and overseas units. Job rotation between units is implemented every year from time to time in accordance with the Five Principles of Job Transfers.

### 2.2.3 Salary and Benefits

#### Parental Leave

Employees who are qualified under the Act of Gender Equality in Employment may apply for unpaid parental leaves. For employees applying for unpaid parental leaves, the Company retains 100% of their positions.

##### Overview of Unpaid Parental Leave

Gender	Number of Employees Eligible to Unpaid Parental Leave in 2017	Number of Employees Taking Unpaid Parental Leave in 2017	Number of Employees who Should Be Reinstated in 2017 (A)	Number of Employees who Were Reinstated in 2017 (B)	Reinstatement Rate in 2017 (B/A)	Number of Employees who Were Reinstated in 2016 (C)	Number of Employees Working for 1 Year or More after Reinstatement in 2016 (D)	Retention Rate (D/C)
Male	84	4	7	3	43%	1	1	100%
Female	192	55	62	36	58%	43	41	95%
Total	276	59	69	39	57%	44	42	95%

Note: In 2017, there were 73 males and 150 females applying for childbirth subsidies.

## Compensation and Benefits

The Company pays new employees different basic salaries depending on their position levels regardless of gender, age, race, religion, political standpoint, marital status, membership; the basic salaries of new employees, at home and abroad, across the Group are higher than the minimum wages of countries where they operate; subsequently, employees' compensation will vary year by year based on the performance bonuses and the increase of salary. The basic salary of women to men is 1:1. The remuneration ratios for men and women at all ranks are shown in the table below. In addition to the monthly salary and the year-end bonus, each employee's annual income includes the performance bonus and employee compensation paid according to the annual performance. Employees with outstanding performance are eligible for raises. The overall compensation of the Company's employees is better than most of the industry. The Company target 100% utilization of annual employee benefits budget. Since 2014, the Company has been selected in TWSE Taiwan High Compensation 100 Index. As of the end of 2017, the Company has 5,770 employees holding non-management positions (non-section chief or above), accounting for 68% of the total full-time employees (8,502). The annual benefits exceeded NT\$1.15 million on average, a decrease of NT\$10,000 compared to 2016.

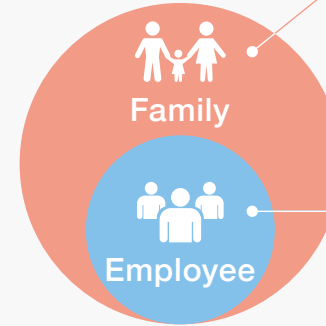
The Ratio of Male and Female's Basic Salary for All Ranks

Rank	Male	Female
Top Management Level (Above Executive Vice President)	1.14	1
Management Level (Section Chief to Executive Vice President)	1.07	1
Non-management Level	1.07	1
Management Level (Including Other Allowances)	1.06	1

## Employee Benefits

In addition to the aforesaid salaries, year-end bonuses, performance bonuses, and employee compensation, the Company provides a good working environment and employee benefits. The employee benefits of each subsidiary are summarized as follows:

### MICB's Employee Benefits



- Childbirth and education subsidies
- Preferential premiums for spouses and children
- Family day

- Three Chinese festival bonus and birthday allowance
- Health examination
- Subsidies for weddings and funerals, illness, travel, and clubs
- Senior employee rewards
- Insurance for existing and retired employees
- Others: contracted stores, preferential loans, preferential deposits and employee stock ownership trust

The Company also provides employees with a sound retirement plan according to the Company's Retirement Regulations, the Labor Standards Act, and the Labor Pension Act below

1. The Company's Retirement Regulations: Except for appointed managerial officers and those who are applied for Labor Pension Act, employees' pensions shall be appropriated monthly at a rate determined based on the net pension cost of the year within 15% of the total salary to the reserve account under the supervision of the Supervisory Committee of Labor' Retirement Reserve.
2. The pension system of Labor Standards Act: Employees' pension reserves are appropriated monthly at an actuarial rate. The Supervisory Committee of Labor' Retirement Reserve is set up according to the law to supervise the appropriation and application of the pension reserve.
3. The pension system of Labor Pension Act: The Company shall appropriate 6% of an employee's monthly salary to the employee's pension account opened with the Bureau of Labor Insurance.



## Employee Health and Safety

The Company values employees' health and safety, and takes the following measures to ensure the cleanness, health, and safety of the working environment:

1. Security personnel or guards are set up at office buildings to screen the flow of people and deal with emergencies.
2. Clean and disinfect the working environment on a regular basis.
3. Conduct safety tests on drinking water, fire facilities, air conditioning, lighting, and elevators.
4. Implement a non-smoking working environment.
5. Set up clean breastfeeding rooms.
6. Ensure the normal operation of surveillance systems.
7. Engage professional inspectors to inspect the CO2 concentration in the working environment.
8. The security company organizes the training courses for security personnel every year according to the contract. The training courses cover safeguards, emergency

treatment, and human rights. In 2017, all security personnel received the training course on human rights.

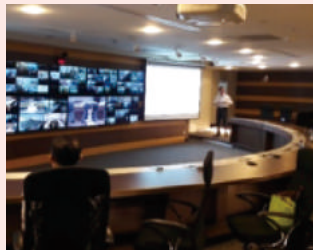
MICB has set up a unit in charge of occupational safety and health and the Occupational Safety and Health Committee, which consists of 6 members from the management and 3 members from the union (accounting for 33% of the total members). The Occupational Safety and Health Committee convene a meeting every three months to resolve and supervise the plans for employees' health and safety.

Through the workplace health promotion plans, the Company aims to become a financial institution that promotes health and implements occupational safety and health, so as to protect employees from occupational diseases, reduce medical insurance expense, enhance cohesion, facilitate labor relations, reduce employee absence and turnover, and increase work motivation and quality as well as improve the corporate image. The health promotion plans are described as follows:

### Health Promotion Activities

Category	Activity	Content
Employee Health	Health Talk	<ul style="list-style-type: none"> <li>· The Company invites physicians to lecture every quarter and uploads the lectures to the e-learning platform to increase employees' awareness of health.</li> <li>· In 2017, the Company organized five seminars on chronic diseases and mental health.</li> </ul>
	Health Examination	Regular free health examinations are provided to employees, which allows employees to understand and follow up their health conditions for early prevention and detection.
	Healthy Diet	The Company strictly controls the selection, processing, and cooking of group meals, cookware, and cutlery, pays close attention to the environment and health management, designs weekly menus containing more vegetables and less oil, sugar, and salt, and keeps food samples for 48 hours according to the regulation.
	Sports Clubs	The Company encourages employees to form sports clubs, such as hiking, ball sports, yoga, Tai Chi, and aerobic exercise to develop a habit of exercise.
	Non-smoking Workplace	The Company actively creates a non-smoking workplace to protect the safety and health of employees.

Category	Activity	Content
Employee Health	Breastfeeding Rooms	The Company encourages breastfeeding by setting up breastfeeding rooms at each subsidiary and appoints employees to manage and maintain the facilities. At present, there are 25 breastfeeding rooms across the Group. In 2017, about 9,088 employees used the breastfeeding rooms.
	Employee Assistance Program (EAP)	Starting from July 2017, the Company has engaged a psychologist from Taiwan Adventist Hospital to provide consultations for employees in an anonymous way for protecting the personnel's privacy. The psychologist also organized a seminar via MICB's multimedia video system to teach employees the concept of mental health.
	Nurses	MICB and MS have engaged nurses to provide the following services: 1. Health examinations. 2. Health Promotion. 3. Clinical appointments and emergency treatment. 4. On-site visits. 5. Ergonomic issues, overwork, and maternal protection.
	Stationed Physicians	MICB has set up a medical room, where a stationed physician serves for 2 hours from Monday to Friday (4 hours every other Friday); in addition, the physician visits each branch for 3 hours every month. The stationed physician provides the following services: health consultation, simple injury or disease treatment, emergency treatment, and employee protection plan. On average, about 100 employees consult the physician every month.
Occupational Safety	Automated External Defibrillators (AED)	A total of 53 AEDs have been set up in each office building and operations in northern, central, and southern Taiwan. Training courses on AEDs are also organized.
	Fire Drills and Training	MICB invites the Songjiang Station under Taipei City Fire Department to lecture in the semiannual training course. Through hands-on practice, employees learn to respond to fires; the lecturer also checks the results of the training and self-defense fire grouping.



Health Talk



Sports Clubs



Hiking Clubs



Breastfeeding Rooms



Employee Assistance Program



Fire Drills and Training

## Employee Health Examinations from 2015 to 2017

Year	Total Number of Employees	Aged 39 or Less		Aged 40~49		Aged 50 or More		Taiwan	Overseas
		Male	Female	Male	Female	Male	Female		
2015	3,857	304	628	658	492	1,043	732	3,744	113
2016	4,663	374	847	586	755	1,163	938	4,570	93
2017	3,645	288	521	559	515	1,012	750	3,531	114

## Occupational Disease and Injury Treatment

For employees who are injured due to the performance of duties or accidents during commutes, the Company helps to apply for benefits for outpatient services, hospitalization, illness, and disabilities caused by occupational diseases depending on the severity of injuries and gives official or sick leaves. After incidents, the Company expresses the consolation at the first time to care for the victims with sincerity.

## Overview of Occupational Diseases in 2017

	Injuries	Deaths	Working Days Lost	Lost Day Rate (LDR)	Occupational Injury Rate (IR)	Absence Rate (AR)
Male	21	0	160.125	9.49	1.24	0.00788%
Female	28	0	217.625	12.90	1.66	0.01609%
Total	49	0	377.750	22.39	2.90	0.2397%

## Reason

Three employees were injured in performance of duties or at the workplace and the rest was injured in traffic accidents for business purpose or on the way to or from work.

## Follow-up Treatment

Supervisors in charge of occupational safety and health or related supervisors shall remind employees of safety attention at work or during commutes in due course.

Note: 1. In 2017, 49 employees suffered from occupational injuries; there was no occupational injury in MS, Mega International Investment Trust Co., Ltd. (MITC), Mega Asset Management Co., Ltd. (MAM), Mega Life Insurance Agency Co., Ltd., and overseas operations.

2. Lost Day Rate (LDR) = Total Lost Days x 1,000,000 / Total Working Hours

3. Injury Rate (IR) = Occupational Injuries x 1,000,000 / Total Working Hours

4. Absence Rate (AR) = Absent Days / Total Working Days x 100%(including sick leaves, menstrual leaves, and occupational sick leaves)



## Maternal Protection Plan

In 2017, the Company adopted the Maternal Protection Plan to maintain the health and dignity of female employees and create a safe and friendly workplace. For female employees who require maternal protection during pregnancy or less than 1 year after childbirth, nurses will evaluate their health based on the health evaluation form, provide appropriate guidance, and refer to the stationed physician as needed; the following preventive measures are taken for maternal protection:

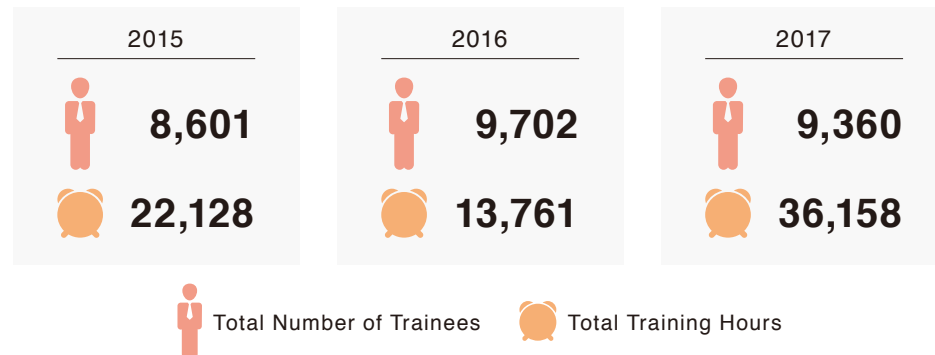
- A. Provide health guidance and regular follow-ups for high-risk groups or those with abnormal results of health examinations.
- B. Refer to mental health institutions or specialists.
- C. Integrate related departments and give advice on adaptive job arrangements as needed.
- D. Set up maternal health guidance for reference.
- E. Medical consultation is available in the medical room.

## Respect for Human Rights

Mega Holdings complies with labor regulations, respects the internationally recognized principle of labor's basic human rights, and protects legal rights and interests of employees; the Company also adopts a non-discrimination policy in the employment policy; that is, employees are not discriminated against gender, race, marriage, religion, and other factors; there is no forced or compulsory labor, infringement upon the rights of indigenous peoples, or infringement upon the interests of employees within the Group; no child labor under 16 is employed by the Company. In addition, the Company respects the rights granted to employees by law and never restrains or prevents employees from forming a union or clubs. In 2017, the training course on the Company's human rights policy was organized on the e-learning platform, which significantly improved the completeness of the training. In 2017, there was no complaint about human rights or discrimination reported.

We also regulate “Sexual Harassment Prevention Measures, Appeals, and Disciplines” and post the information (helpline and E-mail address) publicly in the office area to let employees understand more about the office sexual harassment and hotspots for the incidents. On the other hand, we set up an anti-overtime working mechanism in the attendance system which controls and sends warning according to laws and regulations to prevent employees from working overtime and forced labor.

MICB Training Courses on Human Rights Policy from 2015 to 2017






## Collective Agreement

To facilitate labor relations, business development, and rights and benefits of employees, MICB enters into the collective agreement with the union. The collective agreement specifies labor conditions, such as remuneration, working hours, leaves, employment, transfers and dismissal, retirement and pensions, and health and safety; issues concerning health and safety account for 8%. Some subsidiaries do not have a union, but the rights and interests of their employees are protected by related labor regulations. To secure the employees' right to work, the Company shall inform the employees in advance of any unit establishment, relocation or downsize and merge. If the change of business nature results in no suitable jobs for the employee, or the employee is incompetent in taking up the job, the Company shall, according to the Labor Standards Act, inform the employee of the termination of the employment contract at least 10~30 days prior to such termination. The Group has five labor unions in total, the Mega Bank Union has 5,112 members, accounting for 85% of the total number of its employees, and the Company's union has 44 members, accounting for 86% of the total number of its employees.

In 2017, MICB's union consisted of 5,112 members, accounting for 85% of the total employees of MICB and 60% of the total employees of the Group.

## Employee Grievance Mechanisms

The Company has set up employee grievance mechanisms to help solve problems and increase cohesion. Employees may provide recommendations for working conditions, environment, health and safety, salary and benefits, human rights, and equality through these mechanisms. The Company takes action actively from the standpoint of employees. Each subsidiary has announced the regulations governing the handling of sexual harassment incidents and the grievance mechanisms according to the law. In 2017, there was no sexual harassment case reported.

-  Employee Message Board
-  Employee Complaints Mailbox
-  Direct Contact with Supervisors

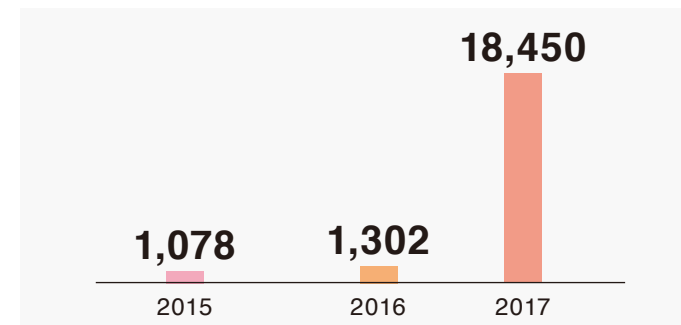
## 2.3 Community Engagement

### Overview of Social Welfare

Company has strived to fulfill its corporate social responsibility. Each subsidiary actively participates in social welfare activities; the Company also integrates resources and power of Mega Charity Foundation and Mega International Commercial Bank Cultural and Educational Foundation to promote educational, sports, art activities and care for the disadvantaged. On average, the charity-related expenses of Mega Charity Foundation and Mega International Commercial Bank Cultural and Educational Foundation accounted for 54% of their total income in 2017, and a total of 18,450 employees participated in volunteer activities. Through a series of charitable activities, the Company hopes to spread love to every corner of society.

Type of Activity	Resources Invested (unit: NTD thousands)	Main Content	Benefits
Promoting Financial Education	6,175	<ul style="list-style-type: none"> <li>• Sponsored Economic Daily News, Shih Chien University Scholarship, and economic and trade talks to promote financial knowledge to the public.</li> <li>• Sponsored Puzangalan Children's Choir and Masai Elementary School of Yilan County in overseas competitions to promote art education in remote areas.</li> <li>• Worked with Ten Drum Art Percussion Group to hold "Mega Gives You Hope", sponsoring children in remote areas to experience the cultural creative park and music performance.</li> <li>• Sponsored the performance of Paperwindmill Theatre.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsored 7 financial promotion seminars and forums and accumulated 540 volunteer hours across the Group.</li> <li>• Sponsored overseas competitions to build children's self-confidence and promoted the Taiwanese local culture across the world.</li> <li>• Paperwindmills Theatre promoted anti-drug awareness in 11 junior high schools in Yilan and Taoyuan.</li> </ul>
Caring for the Socially Disadvantaged	202,879	<ul style="list-style-type: none"> <li>• Launched microinsurance to fulfill the financial inclusion.</li> <li>• Sponsored the Single Parent Educational Foundation, the Harmony Home Foundation, Taiwan, and the Down Syndrome Foundation to help underprivileged and stateless children grow healthily.</li> <li>• Provided medical or funeral allowances for the economically disadvantaged.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsored 17 charitable and volunteering activities.</li> <li>• Invested 690 volunteer hours in elderly care activities.</li> </ul>

2015-2017 Number of Participating Volunteers [Note]



Note: the number of people increased significantly in 2017 due to the addition of three large-scale concerts and public welfare hiking

Type of Activity	Resources Invested (unit: NTD thousands)	Main Content	Benefits
Arts and Culture	13,235	<ul style="list-style-type: none"> <li>Organized large concerts in northern, central, and southern Taiwan to strengthen the local art development.</li> <li>Sponsoring The 3rd Tua-Tiu-Tiann International Festival of Arts in 2017 and Ming Hwa Yuan Arts &amp; Cultural Group for the performance of the Taiwanese opera, supporting Local Cultural Development.</li> <li>Sponsored the disadvantaged music group from Nantou Chin-Ai String Orchestra to participate in the The Summa Cum Laude Youth Music Festival in Vienna.</li> </ul>	<ul style="list-style-type: none"> <li>The large concert in Taichung invited 200 elementary school music teachers and 200 students and professors from National Chung Hsing University.</li> <li>Chin-Ai String Orchestra won the first place in the string ensemble, assisting the disadvantaged music group to attend the international music event.</li> <li>Invested 1,015 volunteer hours in large concerts organized in northern, central, and southern Taiwan.</li> </ul>
Developing Sports Talents and Promoting Sports Activities	10,246	<ul style="list-style-type: none"> <li>Sponsored baseball teams, archery teams, and weightlifting teams of remote elementary schools in Yilan, Hualien, and Tainan for 3 years or more.</li> <li>Sponsored the Santaizi ATP Challenger Tour organized by Keelung County Government, Hualien County Government, and Yilan County Government.</li> </ul>	<ul style="list-style-type: none"> <li>Sponsored 4 large sports events to promote domestic sports development and increase public participation in sport.</li> <li>Funded select baseball teams, archery teams, and weightlifting teams to develop future sports talents.</li> </ul>
Total Expense	232,535		

\*Including economic and trade development and disaster relief.

In addition to the above events and sponsorship, our employees make use of paid work time to assume as a financial lecturer and hold financial and economic forum activities. Its expenditure along with other management and administrative fees spent are listed in the following table.

Item	Cost (NTD)
Paid Volunteer LaborNote [Note]	236,522
Management and Administrative Fee	198,181

Note: There was a total of 556 hours of paid volunteer labor force in 2017. Based on the average basic wage of entry-level employees by NT\$425/hr, the total labor cost was about NT\$236,522 in 2017.



### 2.3.1 Promoting Financial Education

#### Offering Job Opportunities to Economically Disadvantaged Students

In response to the Plan for Caring for the Economically Disadvantaged promoted by the Youth Development Administration, Ministry of Education, the Company has offered 254 students part-time jobs from 2012 to 2017 to develop their competitiveness for future careers. The Company was awarded the certificate of appreciation by Ministry of Education on May 26, 2017, due to the outstanding results of the plan.



#### Organizing a Cultural Creative Event, "Mega Gives You Hope" with Ten Drum

In August 2017, the Company invited 1,094 participants from 32 people from remote areas or disadvantaged groups to participate in the cultural creative event and experience drumming in the Ten Drum Rende Sugar Creative & Creativity Park in Tainan. All costs of the event, including transportation, meals, and insurance, were funded by the Company to give the disadvantaged children an opportunities to learn and experience drumming and art culture.

#### Sponsoring the Anti-drug Performance of Paperwindmill Theatre

To promote the anti-drug awareness, the Company sponsored the Paperwindmill Theatre's performance in 11 junior high schools in Yilan and Taoyuan at the amount of NT\$1.6 million. The Paperwindmill Theatre performed in a fun way to talk teenagers into staying away from drugs and awake the social emphasis on drug prevention.

### 2.3.2 Caring for the Socially Disadvantaged

#### Caring for Stateless Babies



♥ Donated NTD800,000 of Medical Expenses

The Company has long cared for the disadvantaged. On December 5, 2017, the Company donated NT\$800,000 to the Harmony Home Foundation, Taiwan to pay medical expenses for the babies of foreign mothers who are stateless and do not have residency rights. At present, the Harmony Home Foundation, Taiwan takes in 160 stateless babies. One of the babies suffers from the congenital heart disease. To take care of this baby, the Harmony Home Foundation, Taiwan has to pay a considerable sum of medical expenses as it is not covered by the National Health Insurance. Upholding the spirit of humanitarianism, the Company funded the Harmony Home Foundation, Taiwan to help this baby grow healthily.



## Donating a Shuttle Bus to Meilun Special Needs Center

The shuttle bus of the Meilun Special Needs Center in Hualien City was ancient and of safety concern. After learning about this, the Company assigned a personnel from Hua Lien Branch of MICB to visit the Meilun Special Needs Center. The personnel found out that day-care students, students of school age, and community services fully depended on an ancient, 9-seater shuttle bus that had been used for 18 years and broke down frequently. To solve this problem, the Company donated a new 9-seater shuttle bus in the hope of carrying students safely every day.

### An Employee's Comment on Visits to the Meilun Special Needs Center

I visited the Meilun Special Needs Center on September 8 (Friday). On the next day, I visited the Meilun Sanatorium again. The Meilun Sanatorium operated under economic constraints and limited resources without any support from consortium or religious groups. I could feel the efforts made by the staff of the Meilun Sanatorium who created a quality, well-regulated living environment for the members. The Meilun Sanatorium has served the disadvantaged families in East Taiwan for 20 years or more. I was deeply impressed by the purpose of the Meilun Sanatorium. As one of the locals in Hualien, I hope that Mega Charity Foundation could provide necessary funds for the Meilun Sanatorium to solve its urgent need; at the same time, this also manifests the Company's support of charities and social welfare.

(Written by the manager of Hua Lien Branch, MICB)

### ♥ Donated NTD1.3 Million of a Shuttle Bus Media Effect of NTD372,516 [Note]



Note: The event attracted 8 press releases from the internet, print media, radios and TV stations. The media effect was calculated based on space and broadcast time.

### Caring for Little Sisters of the Poor, Taiwan

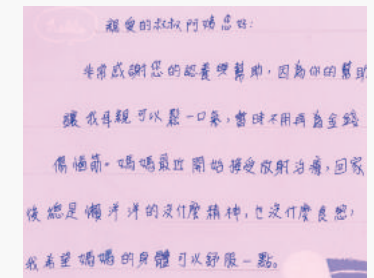
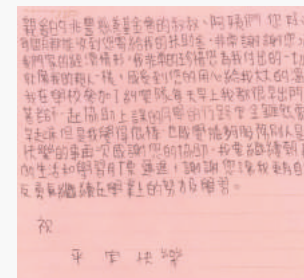
Since 2011, the Company has cared for the Little Sisters of the Poor, Taiwan. To provide the elderly good quality of life, the Company has donated restructuring funds and purchased computers, bathing facilities, and floor washing machines; in addition, volunteers have accompanied the elderly to sing old songs on a monthly basis for six consecutive years. On the volunteer service day on September 2, 2017, Yung-Yi Tsai, President of the Mega Charity Foundation, Taiwan also joined in the singing and donated NT\$240,000. Po-Ai Ying, President accepted the donation on behalf of the Little Sisters of the Poor, Taiwan.



### ♥ Annually Donated NTD240,000 And 480 Volunteer Hours

### Supporting the Disadvantaged Children's Growth

The Company adopts children at family support centers throughout the country, adhering to the spirit of "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime." expecting disadvantaged children to learn and grow up in a care-free life and eliminating the gap between urban and rural areas. The following two graphs share feedbacks from pupils about their school and family lives.



### 2.3.3 Developing Sports Talents and Promoting Sports Activities

#### Sponsoring Training of Remote Students on Taiwanese Featured Sports

The Company selected sports in which oriental people have an advantage and our cultural characteristics can be manifested and have long sponsored selected baseball teams, archery teams, and weightlifting teams of remote schools in Yilan, Hualien, and Tainan to build students' self-confidence and a sports atmosphere.

Regarding baseball, we not only recruited the national baseball player, Shi-qiang Zhao, and the sports columnist, Guo-zhou Huang, as directors of Mega International Commercial Bank Cultural and Educational Foundation but also actively sponsor sports activities and talents training. Moreover, we cooperated with the Committee of Baseball in Yilan County, cultivating 7 primary school baseball teams such as in Jhu Lin Elementary School, San Shing Elementary School, Ma Sai Elementary School, Datong Elementary School, Han Si Elementary School, Ching Gou Elementary School, and Nei Cheng Elementary School. From 2017-2019, we sponsor 3 million dollars annually in cultivating these future rising stars.

As far as archery, the Company has been long supporter of Hualian County Yuli Junior High School Archery Team, who won first place in both individual and group categories during 2016 Hualian County Magistrate Cup Archery Tournament. We expect to, three years in total from 2017 to 2019, sponsor 2 million dollars of training funds every year in the hope of laying a solid foundation of our archery, strengthening the national archery capability, and nurturing more international archery talents for Taiwan.

#### Sponsoring Domestic Sports Events and Creating a Sports Atmosphere

In 2017, the Company sponsored the Keelung City the 7th Rainy Keelung Cup- Weekend Basketball League, the Santaizi ATP Challenger Tour, 2017 Hualien Probation Basketball, and the 2017 National Sports Day in hopes of promoting sports exchange through sports events at home and abroad and creating a healthy and positive atmosphere for sports.

#### Inviting Customers and Suppliers to Participate in Road Running to Enhance the Hope of National Sports

The Company and National Taxation Bureau of Ministry of Finance jointly ran "Ministry of Finance Uniform Invoice Cup Road Running". As of the end of 2017, it has been running for six years. The 2017 Road Running was held on October 22, 2017, at the Siraya Square, Southern Taiwan Science Park, Tainan City. The main purpose of the activity is to advocate national sports atmosphere and respond to the government to promote getting unified invoices after consumption. The Company invited customers and suppliers to take part in the activity and donated the raised 328,998 invoices to the disadvantaged groups.



### 2.3.4 Promoting Local Artistic Performances and Creating Local Artistic Atmosphere

#### Organizing Large Concerts in Northern, Central, and Southern Taiwan to Develop Local Art Cultures

The Company sponsors a series of art appreciation activities every year to support the development of the local art industry and fulfill the social responsibility. In 2017, the Company organized large concerts in Taipei, Taichung, and Kaohsiung; in addition to MICB's customers, the Company also invited 200 elementary school music teachers and 200 professors and students from National Chung Hsing University to participate in the concert organized in Taichung. Our employees served as volunteers for the concerts. Apart from the Evergreen Symphony Orchestra, Mandarin and Taiwanese singers and vocalists were invited to perform and well received. This has manifested the Company's faith in the full participation in community development as well as the spirit of giving back to society.

#### Sponsoring the 3rd Tua-Tiu-Tiann International Festival of Arts in 2017 to Support Local Cultural Development

The Company sponsored 2017 Tua-Tiu-Tiann International Festival of Arts organized by Chiang Wei-Shui's Cultural Foundation, Bookstore 1920s and Che Zhi Theatre. Featuring a diversity of art programs that combine modern and traditional art to explore the Taiwanese characteristic culture, including 1920s parade, serial seminars, workshops, outdoor markets, and the connection with local resources, the event was expected to inspire thinking through new-generation art integrated with cultural heritage at Tua-Tiu-Tiann.

#### Sponsoring the Disadvantaged Music Group from Nantou, Chin-Ai String Orchestra to Participate The Summa Cum Laude Youth Music Festival in Vienna

Founded by a young couple who are both teachers, Chin-Ai String Orchestra hopes to break away the traditional mode of defining children using academic results; instead, Chin-Ai String Orchestra values a strong atmosphere where children learn as a team. In 2017, the Company sponsored Chin-Ai String Orchestra to participate in the Summa Cum Laude Youth Music Festival in Vienna, and the team won first place in string ensemble. This could improve self-confidence of children from remote area, cultivated future artists and promoted local art worldwide.



### 3 Green Environment

To continuously promote low-carbon and sustainable operation and fulfill its corporate social responsibility, the Company has taken measures for energy conservation and carbon reduction to reduce the impact of the operation on the environment. In June 2017, Mega International Commercial Bank on Jilin Road (Jilin Building) took the lead to introduce the ISO 14001 environmental management system and passed the certification in January 2018. In addition to the environmental management framework, the Company has set environmental policies and goals to achieve energy conservation and carbon reduction, as well as offering green financial services to fulfill environmental sustainability.

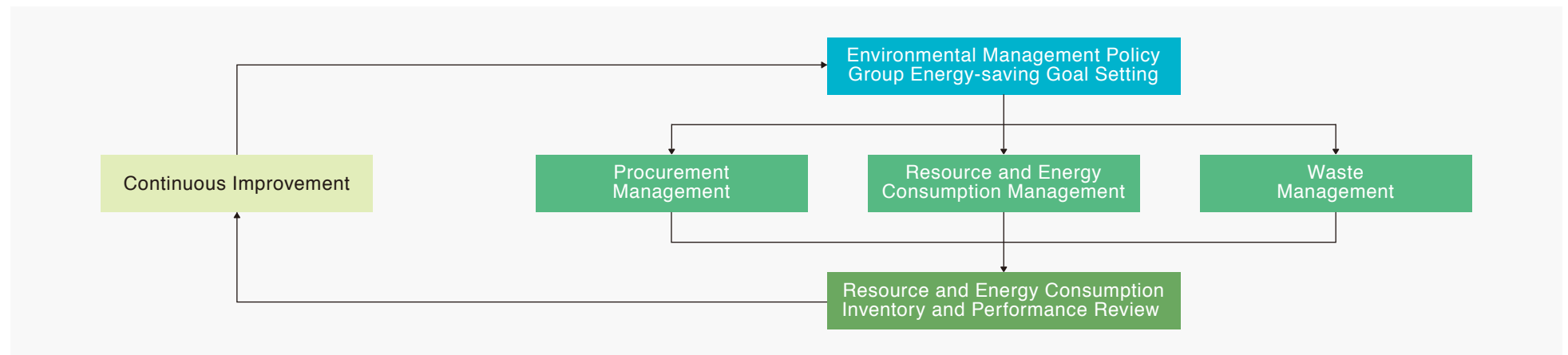
#### 3.1 Green Operation

Aiming to become a green financial service provider, we promote digital financial services to achieve energy conservation and carbon reduction together with consumers. By taking measures for energy conservation and carbon reduction, the Company promotes the awareness of environmental protection among employees, customers, families, and communities to create an environmentally friendly society by action, encouraging the public to share the responsibility for environment protection, and finally achieving the balance between businesses and nature with individual and corporate influence.

Upholding sustainable development as the core of our environmental management policies, we have set energy-saving goals in response to climate change and environmental protection to reduce the adverse impact of operation on the environment through environmental management systems; the Company also examines the consumption of resources and energy and reviews the achievement of goals on a regular basis to improve its environmental management policies and measures.

The Company's environmental management policies include:

- Promote green procurement and green working environment.
- Cooperate with suppliers to reduce the environmental impact.
- Implement energy conservation and carbon reduction to reduce energy consumption and improve energy efficiency.
- Support the purchase of green power.
- Supplier management.



## Green Services

**Digital deposit accounts**

Eight sheets of A4 paper are used per contract or application for the account opening. Taking 9,700 accounts opened in 2017 for example, 77,600 sheets of paper were saved.

**Electronic bills**

In 2017, MS and Mega International Investment Trust Co., Ltd. (MITC) adopted electronic bills and statements, saving 14,875,720 sheets of paper.

**Electronic commercial papers**

In response to the issuance of commercial papers through registration, MBF has no longer issued commercial papers in a physical form since September 2017. It is estimated to save 30,000 commercial papers per year.

**Small and medium business transaction by dynamic password token or electronic certificate**

The transactions of small and medium businesses accounted for 65% of the total transactions. In 2017, the number of transactions was 7.2 million; given 3.2 sheets of A4 paper used per transaction on average, 23 million sheets of paper were saved.

**3.1.1 Energy and Greenhouse Gas Management**

The Company falls into the service industry and does not engage in any manufacturing activities. The energy consumption is mainly from electricity used in the offices; the gasoline consumption is mainly from company cars; the consumption of natural gas is mainly from employees' cafeterias.

## Energy Consumption from 2015 to 2017



Rank	2015	2016	2017
Gasoline(Liter)	522,857	474,529	442,416
Purchased Electricity(kWh)	36,110,514	34,927,418	34,383,949
Natural Gas(Cubic Meter)	30,631	30,577	28,799
Energy Consumption per Capita (GJ/Person)	17.01	16.40	15.24

Energy-saving activity on the Mid-Autumn Festival: In response to the energy-saving activity held by CityFM, the Company has switched off all signboard lights across the Group during 8~9 p.m. on the Mid-Autumn Festival since 2008, showing the Group's commitment in promoting an energy-saving life for sustainable development.





## Measures and Performance of Energy Conservation and Carbon Reduction

Item	2017 Performance	Action Plan
 Gasoline Saving	442,416 liters of gasoline were consumed in 2017, showing a decrease of 6.77% compared to 2016.	The gasoline consumption was mainly from company cars. The action plan is as follows: <ul style="list-style-type: none"> <li>• Video conferences were launched to replace business trips. For necessary business trips, mass transportation was encouraged to avoid the use of gasoline.</li> <li>• Eco-labeled cars, hybrid cars, and electric motorcycles were rented as company cars to increase fuel efficiency. As of the end of 2017, 23 hybrid cars were rented.</li> </ul>
 Energy Saving	<p>In 2017, energy-saving lights amounting to NT\$3,218,370 were purchased to save about 216,813 kWh per year.</p> <p>In 2017, energy-saving air conditioning facilities amounting to NT\$208 million were purchased.</p> <p>In 2017, the Company saved electricity by 1.56% compared to 2016.</p>	<ul style="list-style-type: none"> <li>• Energy-saving air conditioning facilities and lights were purchased.</li> <li>• The use of air conditioning facilities, elevators, lights, computers, and printers was controlled to reduce electricity consumption.</li> <li>• The electricity consumption was controlled according to the power conservation plan implemented by Taiwan Power Company.</li> <li>• Training courses on energy conservation and slogans were implemented to save electricity of air conditioning, elevators, computers, and water dispensers.</li> <li>• In response to environmental protection, cold, steamed, or light meals were added to employees' cafeterias to reduce the gas consumption.</li> <li>• Computers and water dispensers were turned on/off at a fixed time to reduce the electricity consumption.</li> </ul>

## Purchase of Green Power

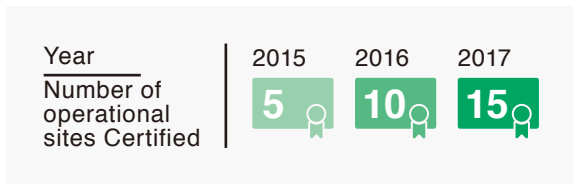
In response to the government policy on renewable energy, the Company purchased 250,000 kWh of green power each year from 2015 to 2017, totaling 750,000 kWh at the amount of about NT\$800,000 calculated based on NT\$1.06/kWh.

## Greenhouse Gas Management

In 2015, the Company introduced the ISO 14064-1 greenhouse gas inventory to five main buildings for demonstration; later, the Company expanded the scope of the inventory and passed the verification of the British Standards Institution (BSI). By 2021, the Company expects to conduct the greenhouse gas inventory in 194 premises nationwide by north, central, and south regions successively.

Due to the characteristics of the industry, the Company mainly consumes electricity in its operation. In 2017, the overall greenhouse gas emissions were reduced by 1.69%

Number of ISO 14064-1 Greenhouse Gas Inventory Certification from 2015 to 2017



LED Lights



Energy-saving slogans



Hand dryer



Non disposable tableware

## Greenhouse Gas Emissions from 2015 to 2017

Unit: Ton CO<sub>2</sub>e

Item	2015	2016	2017
Direct Use of Energy (Scope 1)	1,289.00	1,175.04	1,096.10
Indirect Use of Energy (Scope 2)	19,066.35	18,441.68	18,189.11
Total Carbon Emissions	20,355.35	19,616.72	19,285.21
Emissions per Capita	2.34	2.26	2.11

## 3.1.2 Water Resources Management

Due to the characteristics of the industry, the Company does not engage in any manufacturing activities. The water consumption is mainly from office and business activities, so there are only small changes. The water consumption from 2015 to 2017 is as follows:

## Total Water Consumption from 2015 to 2017

Unit: 1,000 Liter

Item	2015	2016	2017
Water Consumption	189,733	186,084	183,381
Water Consumption per Capita	21.80	21.47	20.09

Note: 1. Water sources were from municipal water supplies without the use of groundwater or otherwise. Used wastewater was discharged into sewers.

2. Water was mainly supplied to employees and air conditioning.

## Water Saving Measures

After cleaning the water tower, the office building on Hengyang Road (Hengyang Building) reused water to clean the air conditioning cooling tower (Phase 1), so as to avoid excessive water consumption during the cleaning. In 2017, water consumption was 183,381,000 L, showing a decrease of 1.45% (2,703,000 L) compared to 2016.

## 3.1.3 Waste Management

As a financial service provider, there is no toxic waste produced during the operation. To implement resource and waste recycling and classification, the Company promotes the awareness among employees, building management companies, and cleaning companies, and organizes training courses from time to time, so as to achieve waste classification and reduction for environmental protection, resources recycling and reuse, energy conservation and carbon reduction.



The waste reduction plan was implemented in 2017. MICB and MBF implemented the waste reduction by removing personal trash cans.



Office waste is divided into general waste and recyclable waste. The table below shows general waste (garbage) and recyclable waste (used batteries, paper, plastic, hardware, and bottles) of the Company's five main office buildings (Mega Financial Building, Mega Chi-Lin Building, Mega Insurance Building, Mega Securities Building, and Mega Heng-Yang Building). The Company has commissioned cleaning companies to dispose of general waste by incineration.

Item	2015	2016	2017
Paper	30,233	47,143	48,556
Iron / Iron Cans	470	1,017	1,083
Bottles / Plastic	889	1,283	1,351
Used Batteries	52	75	70
Waste Fluorescent Tubes	460	733	708



Data coverage:

Unit: Kg

2015: Mega Financial Building, Mega Heng-Yang Building, and Mega Securities Building.

2016: Mega Financial Building, Mega Chi-Lin Building, Mega Securities Building, Mega Insurance Building, and Mega Heng-Yang Building.

2017: Mega Financial Building, Mega Chi-Lin Building, Mega Securities Building, Mega Insurance Building, and Mega Heng-Yang Building.



## Reducing use of Photocopy Paper

Due to the nature of the business, the financial service industry requires a large amount of paper for transaction certificates and internal controls. To reduce the paper consumption, the Company has implemented the paper management plan that requests each unit to manage the annual consumption and purchase of paper, so as to further reduce paper and implement paperless procedures.

In 2017, 47,108 packs of paper were consumed, showing an increase of 10.21% compared to 2016 (42,744 packs). The reasons for the increase were the increased business volume of the Group, the improved compliance at home and abroad, the improved internal management and audits, the adjustment in human resources, and new recruits.



<Appendix 1>

## Comparison Table for GRI Standards - Material Topics and Management Approaches

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
Information Security and Personal Information Protection	<p>Information security and personal information protection is the key concerned topic of the Company and its subsidiaries. The Company has strived to improve information security and personal information protection and win the trust of shareholders and customers.</p>	<ol style="list-style-type: none"> <li>1. The Company has formulated the internal regulations pertaining to information security and increased budgets and staffing for information security.</li> <li>2. MICB has appointed an information security officer and set up a unit in charge of information security, while increasing staffing and investments in information security equipment. Three subsidiaries of the Company have been certified with information security management, ISO 27001.</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintain the usability of major IT systems, making the availability of services up to the standards.</li> <li>2. Maintain the stable operation of application systems, making the availability of services up to the standards.</li> <li>3. Examine the Group's network system accounts and system accounts with special authority.</li> <li>4. Complete information security testing.</li> <li>5. MICB plans to set up an Information Security Department in 2018 so as to improve the governance of information security management.</li> </ol> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>	<ol style="list-style-type: none"> <li>1. The framework of information security is based on the PDCA cycle (Plan-Do-Check-Act) that maintains effective operation and continuous improvement and ensures each measure to protect information.</li> <li>2. The achievement rate of each annual goal or target on the left was 100%.</li> <li>3. The Group's budget for information security accounted for 7.2% of the total IT budget. A total of 9 full-time employees were appointed to take charge of information security.</li> </ol>	1
Corporate Governance	<p>Corporate governance is the foundation for sustainable development. The Company has strived to strengthen corporate governance and the performance of the Board of Directors, improve operational performance and shareholder value, and enhance communication with shareholders and information transparency.</p>	<ol style="list-style-type: none"> <li>1. The Company has established the Corporate Governance Best Practice Principles, the Rules of Procedure for Board of Director Meetings, the Rules Governing the Scope of Powers of Independent Directors, and the whistle-blowing system. We've commissioned the Administration Department to be responsible for the planning of corporate governance and related administrative affairs.</li> </ol>	<ol style="list-style-type: none"> <li>1. In response to the latest Corporate Governance Roadmap (2018-2020) issued by the regulator, Mega Holdings, MICB, MBF, CKI, and MS will appoint dedicated employees to be in charge of corporate governance starting from 2019.</li> <li>2. MITC and MS will enter into the Stewardship Principles for Institutional Investors voluntarily starting from 2018.</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company evaluates the performance of the Board of Directors every year and has the performance of the Board of Directors evaluated externally at least every three years (the first external evaluation is scheduled in 2018).</li> <li>2. The result of the evaluation of the performance of the Board of Directors will be the reference for the future election of directors.</li> </ol>	2

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
		2.The Company has set up the Audit Committee, the Remuneration Committee, the Risk Management Committee, and the Corporate Social Responsibility Committee.	Resource: Corporate Governance Working Group is primarily responsible.		
Anti-corruption	<p>1. The Board of Directors is ultimately responsible for ensuring that internal controls on anti-money laundering and countering terrorism financing (AML/CFT) are established and maintained appropriately. By monitoring the internal controls, the Board of Directors shapes and implements the top-down corporate culture of compliance with AML/CFT.</p> <p>2. The Company aims to set up the money laundering management system framework based on 40 recommendations proposed by the Financial Action Task Force on Money Laundering (FATF) in 2012.</p>	<p>1. MICB strictly requests clerks to comply with Article 38 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission and the Directions Governing AML/CFT of Banks.</p> <p>2. MICB plans to set up the 2018 Compliance Plan for AML/CFT.</p> <p>3. On June 2, 2017, the Anti-Money Laundering Center was restructured to the Anti-Money Laundering and Financial Crime Compliance (AML &amp; FCC ) Department, which is responsible for helping and supervising each unit to implement AML/CFT and ensure the compliance with related regulations at home and abroad.</p>	<p>1. Establish and implement 11 goals of the 2018 Compliance Plan for AML/CFT.</p> <p>2. Amend the policy on AML/CFT for domestic units based on the result of MICB's Institutional Risk Assessment (IRA) and the aforesaid plan.</p> <p>3. Established the information sharing and report mechanism, which facilitates the supervision of the implementation of AML/CFT in each business unit.</p> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>	<p>1. Clerks will be awarded on their specific contribution to AML/CFT.</p> <p>2. The implementation of the anti-money laundering plan in each domestic or overseas branch is examined every year, and defects found are reported to the AML &amp; FCC Department, which will request the unit with defects to draw up an improvement plan within one month.</p> <p>3. The AML &amp; FCC Department regularly performs AML/CFT testing on domestic and overseas branches, so as to confirm and monitor the implementation and the effectiveness of their compliance systems.</p>	3

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
Regulatory Compliance	<p>The compliance system is a priority for the Company. In addition to formulating compliance related standards, the Company has set up a crossed-subidiaries reporting system on material compliance related violations, to manage subsidiaries' compliance related issues in a timely manner.</p>	<ol style="list-style-type: none"> <li>1. The Company has established the Guidelines for Compliance System and the Implementation Rules of Compliance System and appointed a Chief Compliance Officer (CCO) to be in charge of compliance. The Legal Affairs and Compliance Department is the compliance unit, which is responsible for the planning, management, and implementation of the compliance system.</li> <li>2. The CCO reports the implementation of the Company's and its subsidiaries' compliance system to the Board of Directors and the Audit Committee every six months.</li> </ol>	<p>Ensure that the Company and its subsidiaries:</p> <ol style="list-style-type: none"> <li>1. Convey laws and regulations.</li> <li>2. Update related laws and regulations in a timely manner to make operating activities in line with laws and regulations.</li> <li>3. Improve employees' knowledge and competence of compliance.</li> <li>4. Chief Compliance Officers of each unit introduce, set up, and implement related internal regulations.</li> </ol> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>	<p>According to the Regulations Governing the Evaluation of Implementation of Compliance System in Subsidiaries, the Company evaluates the implementation of each subsidiary's compliance system every December, and identifies and looks into material defects or flaws, and proposes potential influence and recommendations; then, the Company will mail the result of the evaluation to each subsidiary, which is required to report the result to its Board of Directors as a basis for future performance evaluation.</p>	4
Business Performance	<p>Growth and profitability are the basics of business operation. Mega Holdings believes that only by improving the overall operational efficiency, can the Company create long-term, stable business performance. Upholding the business philosophies of integrity and stability, the Company set up the tax governance policy in 2017 based on the international trend of tax governance.</p>	<p>The Board of Directors is the highest decision-maker of the Company's tax management policy. The Treasury Department is the Company's tax management unit, which is responsible for reporting tax management progress to the Board of Directors every year</p>	<ol style="list-style-type: none"> <li>1. File taxes and pay taxes as a responsible taxpayer in compliance with the tax regulations of countries where operating activities take place and the international taxation guidelines.</li> <li>2. Assess risks and draw up countermeasures for changes in the tax regulations of countries where operating activities take place and the international taxation guidelines.</li> <li>3. Disclose tax information publicly on a regular basis to improve information transparency.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue to improve the business model and profitability.</li> <li>2. Expand advantages of corporate finance and foreign exchange operation.</li> <li>3. Strengthen consumer finance and wealth management.</li> <li>4. Adjust service channels and integrate digital platforms.</li> <li>5. Strengthen business integration between subsidiaries to improve the overall synergy across the Group.</li> <li>6. Expand the size and the allocation of capital to improve the effectiveness of funds utilization.</li> </ol>	5

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
			<p>4. Communicate with the tax authorities where operating activities take place in an open and honest manner to maintain a good relationship.</p> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>		
Risk Management	<p>The Company requests subsidiaries to prevent, reduce, and respond to predictable business risk in a systematic way and to reinforce capital in response to unpredictable risks. The unified risk management guidelines, which are communicated based on the Risk Management Policy and Guidelines adopted by the Board of Directors and related risk management regulations, are incorporated into each subsidiary's risk management policy. The Company adjusts mechanisms timely and continuously strengthens the establishment and the application of software and hardware and the employees' ability to identify, measure, and monitor risks.</p>	<p>1. The Company has set up the Risk Management Committee to monitor the implementation of its and its subsidiaries' risk management systems. The Auditing Office under the Board of Directors audits business and management units on a regular basis or from time to time to ensure that the three lines of defense for risk management function well.</p> <p>2. The Company reviews any changes in the capital at risk used by each business activity of each subsidiary on a regular basis and sets the concentration limits for major risks as well as the rules for the allocation of limits.</p>	<p>1. In addition to complying with the Company's requirements for consistency, each subsidiary sets quantitative and qualitative goals (indicators) of risk management every year based on the characteristics of its sector to control risks or improve management tools and employees' expertise.</p> <p>2. The Company enhances the immediate reporting system for operational risks events of each subsidiary.</p> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>	<p>1. The figures of risk indicators of the Company and its subsidiaries are compiled and followed up on a regular basis; corrective measures for abnormalities are reported to the management.</p> <p>2. Each subsidiary is requested to conduct the risk self-assessment every year and report the result in the meeting of the Risk Management Committee. The performance of each subsidiary's risk management is evaluated at the end of each year. The result of the evaluation will have an influence on each subsidiary's performance.</p>	6

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
		<p>3. Utilizing KYC (know your customer) and CDD (customer due diligence) methods, the Company formulates SOP based on RBA (risk-based approach), risk identification &amp; assessment and risk management; in addition, the Company ranks risks and takes countermeasures based on three indicators including geographical regions, customers, and products.</p> <p>4. Employees are encouraged to suggest improvements. Those whose suggestions are adopted will be awarded and given bonus points in the annual risk management evaluation.</p>			
Ethical Management	<p>Upholding the business philosophies of integrity, transparency, and accountability, the Company establishes policies based on the principle of good faith and good corporate governance and risk control mechanisms, so as to create an operating environment for sustainable development. To encourage the whistle-blowing of unethical or improper conduct, the Company has set up a reporting channel to receive reported cases and forward them to related units.</p>	<p>1. The ethical management policy is explicitly formulated. The Board of Directors and the management commit to implement ethical management policy. The Company has also established the Procedures for Ethical Management and Guidelines for Conduct to be followed in both internal management and external business activities.</p> <p>2. The Company has established the Rules of Procedure for Board of Director Meetings, which stipulate that the directors shall recuse themselves from proposals involving conflicts of interests in any Board meetings.</p>	<p>1. When the Company has dealings with stakeholders, their transaction terms shall not be better than those of other counterparts.</p> <p>2. Directors shall recuse themselves from proposals involving conflicts of interests in any Board meetings.</p> <p>3. The financial statements are audited or attested by the CPAs through a strict accounting system and a dedicated accounting unit to ensure fairness of financial statements.</p>	<p>1. According to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission, the Company conducts a general audit or a special audit in each domestic business unit or unit in charge of finance, custody of assets, and information at least once every year, and conducts a special audit in other management units at least once every year, and conducts a general audit in each operation center, overseas business unit, or overseas subsidiary at least once every year.</p>	7

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
		<p>3.The Ethical Management Committee and the Corporate Social Responsibility Committee under the Board of Directors are responsible for drawing up the ethical management policy and preventive plans and reporting the implementation status to the Board of Directors every year.</p> <p>4.Rules to be followed by employees are explicitly prescribed in the Code of Conduct. Punishment or disposal is determined based on the established Regulations Governing the Handling of Unethical or Improper Conduct. The Company organizes training courses on ethical management on a regular basis to improve awareness and compliance.</p>	<p>4.Before launching new products or services, the Company identifies or assesses risks and looks into compliance with related laws and regulations to implement ethical management.</p> <p>Resource: Corporate Governance Working Group is primarily responsible.</p>	<p>2.Training courses are organized for directors and supervisors from time to time; the Company also promotes the awareness of ethical management among all employees.</p>	
Salary and Employees' Management	<p>1. Provide a sound compensation and benefits system.</p> <p>2. Create a fair and equal workplace.</p> <p>3. Value employees' human rights and keep smooth communication channels.</p> <p>4. Care for employees' career development.</p> <p>5. Value employees' health.</p> <p>6. Maintain harmonious labor relations.</p>	<p>1. Provide competitive salary package to attract and retain the outstanding talents.</p> <p>2. Offer incentives to employees to develop their potential.</p>	<p>1. Give raises to existing entry-level employees to reduce the turnover rate.</p> <p>2. Increase the salary of new entry-level employees.</p> <p>3. Employ professionals at agreed salaries.</p> <p>4. Starting from 2017, performance bonuses are distributed based on the annual performance of both the unit and the individual.</p> <p>Resource: Employee Care Working Group is primarily responsible.</p>	<p>1. MICB gave raises to existing grassroots employees by NT\$1,600~NT\$4,000.</p> <p>2. In 2017, a total of 26 employees, including 15 employees in the compliance unit and 11 employees in the anti-money laundering unit, were employed at agreed salaries.</p> <p>3. Bonuses of all employees were distributed based on unit and individual performance.</p>	8

Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
Digital Finance	<p>In view of the development of FinTech and digital transformation, the Company aims to seize the opportunity of digital finance transformation and strengthen its capacity of digital financial services with the focus on the following four items :</p> <ol style="list-style-type: none"> <li>1. Strengthen the capacity for digital customer management.</li> <li>2. Enhance the capacity for data analysis.</li> <li>3. Develop digital services.</li> <li>4. Cultivate talent in digital technology.</li> </ol>	<ol style="list-style-type: none"> <li>1. Work with a consultant company to enhance the capacity for data analysis and set periodical work plans.</li> <li>2. Examine the format and the content of existing customer information, build the big data system, and integrate business application systems to improve the capacity for data analysis and management.</li> <li>3. mobile payments, biometric identification, loyalty program marketing, digital deposit accounts, LINE official accounts and stickers, and card free withdrawals).</li> <li>4. Work with the user experience consultant to optimize the interfaces and procedures of personal online banking and mobile banking and redesign the functions on the official website, so as to improve MICB's digital image.</li> </ol>	<p>The goals of MICB's digital development plan include the following:</p> <ol style="list-style-type: none"> <li>1. Upgrade and establishment of infrastructure.</li> <li>2. The Innovation of digital services.</li> <li>3. The digital transformation of branches.</li> <li>4. Big data analysis.</li> <li>5. Development of new services.</li> <li>6. Cross-industry cooperation.</li> </ol> <p>Resource: Customer Commitment Working Group is primarily responsible.</p>	<p>Global E-banking:</p> <ol style="list-style-type: none"> <li>1. Achievement rate of electronic funds transfer (EFT) in NTD: 109%.</li> <li>2. Achievement rate of electronic funds transfer (EFT) in foreign currencies: 121%.</li> </ol> <p>Online Banking:</p> <ol style="list-style-type: none"> <li>1. Achievement rate of account opening: 111%.</li> <li>2. Achievement rate of electronic funds transfer (EFT): 110%.</li> </ol> <p>Mobile Banking:</p> <p>Achievement rate of activation: 125%.</p>	9
Products, Services, and Customer Rights	<p>The Company values customer satisfaction. MICB and CKI conduct a customer satisfaction survey every year and improve according to the result of the survey, aiming to offer the best services to customers.</p>	<ol style="list-style-type: none"> <li>1. A customer satisfaction survey is conducted every year. Improvement is made according to the result of the survey; the result of the survey is incorporated into the evaluation of each business unit's performance to improve the quality of services.</li> </ol>	<ol style="list-style-type: none"> <li>1. MICB appoints a supervisor to be in charge of monitoring and managing service etiquette over the counter or in calls in every branch.</li> <li>2. MICB appoints personnel with an armband to guide customers.</li> </ol>	<ol style="list-style-type: none"> <li>1. In 2017, MICB's customer satisfaction scored 92.4.</li> <li>2. In 2017, CKI's customer satisfaction scored 90.</li> </ol>	10



Material Topic	Management Approach				Priority
	1 Policies and Commitments	2 Actions	3 Goals and Targets	4 Evaluation	
		<p>2. CKI collects customers' feedback when serving customers and keeps records to maintain the quality of services.</p> <p>3. The Company has a convenient employee hotline that allows customers to file complaints in writing, by E-mail, or by phone.</p>	<p>3. MICB organizes training courses on service etiquette through the e-learning system.</p> <p>4. CKI continuously trains claim adjusters for the items and procedures for claims.</p> <p>Resource: Customer Commitment Working Group is primarily responsible.</p>		

<Appendix 2>

## CSR Committee Performance and Implementation Plans

### Corporate Governance Group

#### 2017 Implementation Plan

- Appoint a Chief Compliance Officer (CCO), and establish an anti-money laundering system in MICB to shape a corporate culture of compliance.
- Fully review the operation of overseas subsidiaries and strengthen management mechanisms.
- Upgrade the Risk Management Committee to be under the Board of Directors and establish a sound risk control system to reach a balance between short-term performance and long-term, stable profitability.
- Implement Board of Directors diversification policy, expand reporting scope to the Board, strengthen Board of Directors performance evaluation, and improve the Board functions.

#### 2017 Performance

Achievement



- Set the global anti-money laundering and countering terrorism financing policy and standards, and expanded staffing for anti-money laundering, compliance and management.
- The Risk Management Committee was upgraded to be under the Board of Directors. The Chairman serves as the convener and chair of the Risk Management Committee, and senior executives and the chairperson of each subsidiary serve as the members. The Chief Auditor and the risk control officer of each subsidiary shall attend the meetings as non-voting delegates.
- Expanded the directors and supervisors performance evaluation to the subsidiary level, to strengthen subsidiary directors and supervisors' supervision and management.

#### 2018 Implementation Plan

- Conduct external performance evaluation of the Board of Directors to improve performance and transparency of the Board of Directors.

### Corporate Governance Group

#### 2018 Implementation Plan

- Strengthen the Group's credit, market, and operation risk management systems and enhance risk controls and internal controls to fulfill the Group's risk management policy and goals.
- MS and MITC enter into the Statement of Compliance with the Stewardship Principles for Institutional Investors to increase their own and invested companies' corporate value.
- Financing is based on the Equator Principles; the loan policy adds the focus on the environmental protection, ethical management, and social responsibility of borrowers.
- Implement mechanisms for anti-money laundering and financial crime prevention to build a corporate culture of compliance.

#### Corresponding Chapters

1.1 Corporate Governance, 1.2 Business Overview, 1.3 Risk Management

### Customer Commitment Group

#### 2017 Implementation Plan

- Guided equipment vendors and encouraged corporate clients to purchase automated, pollution control, energy-saving equipment to achieve automation, environmental protection, and energy conservation.
- The balance of loans made to businesses pertaining to renewable energy technology (solar optoelectronics, LED lighting, and energy rotors) was NT\$175.3 billion. The balance of loans made to key start-up industries increased NT\$12 billion compared to September 2016.

## Customer Commitment Group

### 2017 Performance

### Achievement

- To assist the government in making loans to 5+2 key start-up industries, the balance of loans in 2017 reached NT\$380.7 billion.
- The balance of loans made to businesses pertaining to renewable energy technology was NT\$92.6billion; a total of NT\$2.4 billion was invested in natural gas and solar batteries business by MICB.
- Based on the concept of green finance, Mega Green Diamond Fund achieved NT\$0.1 billion in terms of scale as of the end of 2017.
- MS launched a FinTech wealth management service, Mega Wealth Management Secretary, under AI on LINE. Users can access current stock prices, daily trends, and other functions in LINE.
- To protect customer rights, each subsidiary of the Company completed 99% of the training courses on information security and personal information.
- As of 2017, a total of 317 Accessible ATMs have been set up.
- For flight delays covered in travel insurance, the Company notifies policyholders of the claims after confirming the flight delays and claim conditions with the blockchain and smart contracts technologies.



### 2018 Implementation Plan

- In response to aging society, MICB will continue to offer reverse mortgage and care trust for the elderly care.
- Based on mobile payments, MICB will enable transfers and (tax) payments via TaiwanPay to offer comprehensive digital financial services.
- MICB's Card Center will set up a smart customer service system that automatically responds to questions online to improve the quality of customer service.
- CKI continues to offer policyholders convenient services via App and promote information security insurance products to protect customers from information risks

## Customer Commitment Group

### Corresponding Chapters

1.2.2 Green Finance, 2.1 Customer Service

## Environmental Protection Group

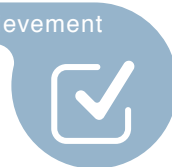
### 2017 Implementation Plan

- Five more branches of organizations under the Group (2 under MICB and 1 under MS, MBF, and CKI each) conducted the greenhouse gas inventory and passed the third-party verification.
- Organizations under the Group introduced the ISO 14001 environmental management system and passed the certification.

### 2017 Performance

### Achievement

- Five office buildings and ten branches obtained the certificate of ISO 14064-1 greenhouse gas inventory; MICB on Jilin Road introduced the ISO 14001 environmental management system and passed the certification.
- The Company set the energy-saving goal at 1% and reduced the adverse impact of the operation on the environment by various environmental management systems.
- The Company has purchased 250,000 kWh of Green Power every year since 2015. As of 2017, a total of 750,000 kWh has been purchased.



### 2018 Implementation Plan

- Continue to conduct the ISO 14064-1 greenhouse gas inventory in more premises. By 2021, the greenhouse gas inventory is expected to be conducted in 194 premises throughout the Group in three phases.

## Environmental Protection Group

### 2018 Implementation Plan

- Replace old air conditioning facilities; implement off-peak floor control on elevators, set up a recycling area for used batteries and CDs; adopt energy-saving or sensor faucets; set the sleep mode for printers upon overtime; promote electronic forms and a paperless workplace; replace old lamps with energy-saving lights; and adjust the lightness of areas to reduce power consumption.
- Make loans to renewable energy businesses with better operation and financial position.

### Corresponding Chapters

3.1 Green Operation

## Employee Care Group

### 2017 Implementation Plan

- Implement the Employee Assistance Programs (EAP), where consultants provide short-term, free consultation for employees, to improve employees' health and reduce their stress.

### 2017 Performance

- Introduced the EAP and organized lectures on psychological consultation to improve employees' health.
- To improve employees' ability to identify money laundering and risks, NT\$0.2 billion was invested to encourage employees to take the international certification examination on Certified Anti-Money Laundering Specialist (CAMS). 3,535 employees are certified as CAMS.
- To ensure that employees have a safe and healthy working environments and habits, doctors have been invited monthly to conduct health tests, provide consultations, and promote health on-site since July 2017.

### Achievement



## Employee Care Group

### 2017 Performance

- Approved the Maternal Health Protection Plan, where high-risk groups were provided with health guidance and follow-up, adaptive job arrangements, and health education through health assessment and consultation, to create a safe and friendly workplace.

### 2018 Implementation Plan

- Create a caring and healthy workplace by organizing weight loss classes and health care seminars with Taiwan Adventist Hospital.
- Encourage employees to attend training courses or take certification examinations with full or partial subsidies to ensure that employees grow with the Company in the ever-changing financial market.
- Increase the amount of the childbirth subsidy in response to the national policy.

### Corresponding Chapters

2.2 Employee Care

## Social Welfare Group

### 2017 Implementation Plan

- The Company plans to integrate resources and power of each subsidiary, Mega Bank Cultural and Educational Foundation, and Mega Charity Foundation to make implementation plans for charitable activities and cultural and educational activities in the hope of improving its corporate image.
- Charitable activities include child and youth welfare, welfare for the elderly, and welfare for people with disabilities; cultural and educational activities include education, sports activities, art activities, and others.

## Social Welfare Group

### 2017 Performance

### Achievement



- Organized large concerts for schools in northern, central, and southern Taiwan to strengthen the interaction with local communities and customers and local art development.
- Sponsored selected baseball teams, archery teams, and weightlifting teams of remote elementary or junior high schools in Yilan, Hualien, and Tainan for 3 years or more.
- Donated NT\$800,000 to Harmony Home Foundation Taiwan to help stateless babies grow healthily.
- Sponsored Chin-ai Music to participate in the Vienna Virtuoso Festival, and Chin-ai Music won first place in string ensemble.

### 2018 Implementation Plan

- Organize three charitable concerts in northern, central, and southern Taiwan, respectively, to promote local art development.
- Promote the sports development in Taiwan by sponsoring schools' baseball, archery and weightlifting teams nationwide.
- Provide life, medical, and educational allowances for the economically disadvantaged elderly and students.
- Recruit volunteers to develop talent in finance and popularize financial education.
- Support the e-Sport industry in Taiwan and organize contests to cultivate national players.

### Corresponding Chapters

#### 2.3 Community Engagement

## &lt;Appendix 3&gt;

## Comparison Table for GRI Standards

GRI Standard	Disclosure	Corresponding Chapter	Page No.	Note
GRI 101: Foundation 2016				
General Disclosure				
GRI 102: GENERAL DISCLOSURE 2016	102-1 Name of the Organization	About Mega Holdings	5	
	102-2 Activities, Brands, Products, and Services	About Mega Holdings	5	
	102-3 Location of Headquarters	About Mega Holdings	5	
	102-4 Location of Operations	About Mega Holdings	5	
	102-5 Ownership and Legal Form	About Mega Holdings	5	
	102-6 Markets Served	About Mega Holdings	5	
	102-7 Scale of the Organization	About Mega Holdings	5	
	102-8 Information on Employees and Other Workers	2.2.1 Human Resources	52	No part-time worker
	102-9 Supply Chain	1.3.4 Supplier Management	38	
	102-10 Significant Changes to the Organization and Its Supply Chain			None
	102-11 Precautionary Principle or Approach	1.3.1 Risk Management	29	
	102-12 External Initiatives	Results of CSR and Performance of Sustainable Development	9-11	
	102-13 Membership of Associations	1.2.1 Economic Performance	27	
	102-14 Statement from Senior Decision-maker	From the Chairman of the Board	2	
	102-16 Values, Principles, Standards, and Norms of Behavior	1.3.3 Code of Conduct	36	
	102-18 Governance Structure	Sustainability Vision and Business Strategies	12	
		1.1.1 Governance Structure	22	
	102-40 List of Stakeholder Groups	Stakeholder Engagement	16	
	102-41 Collective Bargaining Agreements	2.2.3 Salary and Benefits	61	
	102-42 Identifying and Selecting Stakeholders	Stakeholder Engagement	16	
	102-43 Approach to Stakeholder Engagement	Stakeholder Engagement	16	
	102-44 Key Topics and Concerns Raised	Stakeholder Engagement	19	
	102-45 Entities Included in the Consolidated Financial Statements	About Mega Holdings	5	



GRI Standard	Disclosure	Corresponding Chapter	Page No.	Note
GRI 101: Foundation 2016				
General Disclosure				
GRI 102: GENERAL DISCLOSURE 2016	102-46 Defining Report Content and Topic Boundaries	About the Report	4	
	102-47 List of Material Topics	Stakeholder Engagement	20-21	
	102-48 Restatements of Information			None
	102-49 Changes in Reporting	About the Report	4	
	102-50 Reporting Period	About the Report	4	
	102-51 Date of Most Recent Report	About the Report		June 2017
	102-52 Reporting Cycle	About the Report	4	
	102-53 Contact Point for Questions Regarding the Report	About the Report	4	
	102-54 Claims of Reporting in Accordance with the GRI Standards	About the Report	4	
	102-55 GRI Content Index	Appendix 3 Comparison Table for GRI Standards	84-88	
102-56 External Assurance	Appendix 4 BSI Independent Assurance Opinion Statement of GRI Standards	92		
Material Topics				
Information Security and Personal Information Protection				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its Boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	47	
GRI 418 : CUSTOMER'S PRIVACY 2016	418-1 Substantiated complaints concerning breaches of customer's privacy or loss of customer's data	2.1.2 Maintenance of Customer Rights	47	
Corporate Governance				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its Boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	1.3.3 Code of Conduct	38	
Non-GRI Material Topic		1.1 Corporate Governance	22	

GRI Standard	Disclosure	Corresponding Chapter	Page No.	Note
<b>Anti-corruption</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	1.3.3 Code of Conduct	38	
GRI 205 : ANTI CORRUPTION 2016	205-3 Confirmed incidents of corruption and actions taken	1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	33-36	
<b>Regulatory Compliance</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	1.3.3 Code of Conduct	38	
GRI 419 : SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in social and economic areas	1.3.5 Legal Compliance	38-44	
<b>Business Performance</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	Sustainability Vision and Business Strategies	12	
GRI 201 : ECONOMIC PERFORMANCE 2016	201-1 Direct economic value generated and distributed	1.2.1 Economic Performance	27	

GRI Standard	Disclosure	Corresponding Chapter	Page No.	Note
<b>Risk Management</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	1.3.1 Risk Management	30-32	
Non-GRI Material Topic		1.3.1 Risk Management	29	
<b>Ethical Management</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	1.3.3 Code of Conduct	38	
Non-GRI Material Topic		1.1.2 Ethical Management	24	
<b>Salary and Employees' Management</b>				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	2.2.3 Salary and Benefits	56	
GRI 401: EMPLOYMENT 2016	401-2 Benefits provided to full-time employees excluding temps or part-time workers	2.2.3 Salary and Benefits	56	
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	2.2.3 Salary and Benefits	56	

GRI Standard	Disclosure	Corresponding Chapter	Page No.	Note
Digital Finance				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	47	
Non-GRI Material Topic		2.1.1 Digital Financial Services	45	
Products and Services and Customer Rights				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	Stakeholder Engagement	20-21	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	72-79	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	47	
Non-GRI Material Topic		2.1.2 Maintenance of Customer Rights	47	

ISO 26000 Comparison Table

GRI Guideline	Material Topic	Corresponding Chapter	Page
Organizational Governance	Decision-making processes and structures	1.1 Corporate Governance	22-24
Human Rights	Following the Laws and Regulations, and Avoiding Audit Risk due to Human Rights Issues	2.2.3 Salary and Benefits	56-61
	Human Rights Risk Situations	2.2.3 Salary and Benefits	56-61
	Avoidance of Complicity	1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	33-36
	Resolving Grievances	2.2.3 Salary and Benefits	56-61
	Discrimination and Vulnerable Groups	2.2.3 Salary and Benefits	56-61
	Civil and Political Rights	2.2.3 Salary and Benefits	56-61
	Economic, social and Cultural Rights	2.2.3 Salary and Benefits	56-61
	Fundamental Principles and Rights at Work	2.2.3 Salary and Benefits	56-61
Labor Practices	Employment and Employee Relations	2.2.1 Human Resources	52-53
	Working condition and Social Protection	2.2.3 Salary and Benefits	56-61
	Social Dialogue	2.2.3 Salary and Benefits	56-61
	Health and Safety at Work	2.2.3 Salary and Benefits	56-61
	Talent Development and Training	2.2.2 Talent Development and Cultivation	54-56
Environment	Pollution Prevention	3.1 Green Operation	68-71
	Sustainable Resource Use	3.1 Green Operation	68-71
	Climate Change Mitigation and Adaptation	3.1 Green Operation	68-71
	Protection of the Environment, Biodiversity, and Restoration of Natural Habitats	3.1 Green Operation	68-71
Fair Operating Practices	Anti-corruption	1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	33-36
	Responsible Political Involvement	1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	33-36
	Fair Competition	1.3.5 Legal Compliance	38-44
	Promoting Social Responsibility in the Value Chain	1.3.4 Supplier Management	38
	Respect for Intellectual Property Rights	1.3.5 Legal Compliance	38-44

GRI Guideline	Material Topic	Corresponding Chapter	Page
Consumer Issues	Fair Marketing, Information and Contract Practices	2.1.2 Maintenance of Customer Rights	47-49
	Protecting Consumers' Health and Safety	2.1.2 Maintenance of Customer Rights	47-49
	Sustainable Consumption	2.1.3 Responsible Investment	49-50
	Consumer Service, Support, and Complaint and Dispute Resolution	2.1.2 Maintenance of Customer Rights	47-49
	Consumer Data Protection and Privacy	2.1.2 Maintenance of Customer Rights	47-49
	Access to Essential Services	2.1 Customer Service	45-51
	Education and Awareness	2.1 Customer Service	45-51
Community Involvement and Development	Social participation	2.3 Community Engagement	62-67
	Education and Culture	2.3.1 Promoting Financial Education	64
	Employment Creation and Skills Development	2.1.3 Responsible Investment	49-50
	Technology Development and Access	2.1.3 Responsible Investment	49-50
	Wealth and Income Creation	2.1.3 Responsible Investment	49-50
	Health	2.3.2 Caring for the Socially Disadvantaged	64-65
	Social Investment	2.1.4 Financial Inclusion	50-51



Comparison Table for UN Global Compact

GRI Guideline	Material Topic	Corresponding Chapter	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	2.2.3 Salary and Benefits	56-61
	Make sure that they are not complicit in human rights abuses.	2.2.3 Salary and Benefits	56-61
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.2.3 Salary and Benefits	56-61
	The elimination of all forms of forced and compulsory labor.	2.2.3 Salary and Benefits	56-61
	The effective abolition of child labor.	2.2.3 Salary and Benefits	56-61
	The elimination of discrimination in respect of employment and occupation.	2.2.3 Salary and Benefits	56-61
Environment	Businesses should support a precautionary approach to environmental challenges.	3.1 Green Operation	68-71
	Undertake initiatives to promote greater environmental responsibility.	3.1 Green Operation	68-71
	Encourage the development and diffusion of environmentally friendly technologies.	1.2.2 Green Finance	28
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	1.3.2 Anti-corruption and Anti-money Laundering / Countering Terrorism Financing	33-36

Comparison Table for Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Item	Corresponding Chapter
Chapter 1 General Principles	Sustainability Vision and Business Strategies
Chapter 2 Exercising Corporate Governance	1.1 Corporate Governance
Chapter 3 Fostering a Sustainable Environment	3.1 Green Operation
Chapter 4 Preserving Public Welfare	2.3 Community Engagement
Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information	Sustainability Vision and Business Strategies
Chapter 6 Supplementary Provisions	Sustainability Vision and Business Strategies

&lt;Appendix 4&gt;

# BSI's Independent Assurance Opinion Statement of GRI Standards

## INDEPENDENT ASSURANCE OPINION STATEMENT

### Mega Financial Holding Company 2017 Corporate Social Responsibility Report

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

This independent assurance opinion statement has been prepared for Mega Holdings 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 Mega Holdings. 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 Mega Holdings only.

### Scope

The scope of engagement agreed upon with Mega Holdings includes the followings:

1. The assurance scope is consistent with the description of Mega Holdings 2017 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the Mega Holdings' adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process. This statement was prepared in English and translated into Chinese for reference only.

### Opinion Statement

We conclude that the Mega Holdings 2017 Corporate Social Responsibility Report provides a fair view of the Mega Holdings CSR programmes and performances during 2017. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the Mega Holdings and the sample taken. We believe that the 2017 economic, social and environmental performance information are fairly represented. The CSR performance information disclosed in the report demonstrate Mega Holdings' efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Mega Holdings' description of their approach to AA1000 Assurance Standard and their self-declaration of 'in accordance' with the GRI Standards(2016): the Core option were fairly stated.

### Methodology

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

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

### Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI Standards(2016) is set out below:

### Inclusivity

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

### Materiality

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

### Responsiveness

Mega Holdings has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for Mega Holdings is developed and provides the opportunity to further enhance Mega Holdings' responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the Mega Holdings' responsiveness topics.

### GRI Sustainability Reporting Standards (GRI Standards)

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

### Assurance level

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

### Responsibility

This CSR report is the responsibility of the Mega Holdings' CEO 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 industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14004 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu  
Managing Director BSI Taiwan  
2018-06-07



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