



兆豐金融控股股份有限公司
Mega Financial Holding Co., Ltd.



2019 CSR Report



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From the Chairman of the Board

Mega Holdings' net profit after tax totaled NT\$28.955 billion with an EPS of NT\$2.13 in 2019 while Mega Bank's net profit after tax was NT\$24.645 billion with an EPS of NT\$2.89. The results were the highest in the most recent four years. Mega Bills' net profit after tax was NT\$2.625 billion which ranked first among the three major bill financing companies. Mega Securities' net profit after tax reached NT\$1.090 billion and other subsidiaries have attained stable profitability.

Mega Holdings continued to optimize the Group's anti-money laundering sharing platform and related AML regulations and systems in 2019. The Company invested more than NT\$1 billion in AML personnel and computer systems to set up and strengthen related compliance operations and fulfill AML/CFT requirements. Mega Bank has actively taken measures for anti-money laundering and countering terrorism financing. As of December 2019, 3,420 employees have obtained the Certified Anti-Money Laundering Specialists (CAMS) certification. Employees who have obtained the certification account for approximately 49% of all Mega Bank's employees, the highest proportion achieved by a domestic bank. Mega Holdings continues to strengthen information security and personal information protection and we value the privacy protection for all customers. Mega Bank and Chung Kuo Insurance continue to purchase information security insurance and continue to obtain certification for the ISO 27001 Information Security Management System.

In addition to executing legal compliance improvement plans, we strive to improve in all business sectors. In 2019, Mega Bank maintained advantages in traditional businesses such as corporate finance and foreign exchange and achieved growth in both revenue and profitability. The Group also focused on consumer banking operations to appeal to a younger customer base. Mega Bank, Mega Securities, and Chung Kuo Insurance continued to use the official website, social media, and fan groups to develop digital marketing and mobile apps. Mega Bank's online card application rate reached 53% and brought new young customers to the Bank. Mega

Bank continued to develop FinTech and set up exclusive STMs (smart teller machines) which significantly reduces account opening time. It also created the first online exchange settlement services to provide people with 24-hour online foreign exchange services for 18 foreign currencies. In 2019, Mega Bank applied for 185 patents on digital finance, 137 patents of which have been approved and 42 were awarded invention patents. It has consistently maintained its lead in the domestic finance industry in the number of approved finance patents and patent applications.

To respond to the trend in risks exposure, the Group placed the management of emerging risks (including climate change risks) into the "Risk Management Policy and Guidance Principles" of Mega Holdings and subsidiaries. The Group discloses the identification and management of climate change risks and opportunities based on the TCFD framework and officially signed the TCFD in April 2020 to actively respond to the risks and opportunities of companies brought forth by climate change. The Company supports major government policies including nuclear-free homeland, energy transition, and emission reduction. It aims to help renewable energy businesses obtain funding required for operations and help businesses, investors, and consumers pay more attention to renewable energy and sustainability. In July 2019, Mega Bank and Mega Bills included information on whether borrowers have fulfilled responsibilities for environmental protection, their involvement in activities or incidents against the interests of the public, and actions or incidents in violation of human rights into the credit review operating system. Mega Bank cooperates with the government's policy for developing renewable energy technologies. It obtained the approval of the FSC for the issuance of green bonds totaling NT\$1 billion in December 2019 and issued the bonds in March 2020.

The Company continues to take measures for energy conservation and carbon emissions reduction and it supports the development of renewable energy. We obtained 146 renewable energy certificates, equivalent to approximately 146,000



kWh of renewable electricity in 2019 and reduced greenhouse gas emissions by approximately 80,000 kg. The Group expanded the scope of ISO 14064-1 greenhouse gas inventory to 139 locations in northern and central Taiwan. The Group's total greenhouse gas emissions in 2019 was reduced by 1.66% from 2018 which met the target for reducing annual carbon emissions by 1%. Mega Bank implements green environmental protection policies and won the Taipei City Energy Conservation Leadership Award in the Group A for Commerce Industry, Private Enterprise and Organization Green Procurement Award, Energy Saving Benchmark Award of the Ministry of Economic Affairs, and received the Outstanding Green Procurement and Green Consumption Organization Award from the Environmental Protection Administration, Executive Yuan in 2019.

In terms of financial inclusion, Mega Holdings seeks to provide friendly financial services to all sectors and groups of the society. As of the end of 2019, Mega Bank has set up a total of 340 accessible ATMs and Chung Kuo Insurance has provided micro insurance to 109,771 people. Mega Bank provides retirement trust services to the elderly or people with disabilities and is entrusted to manage approximately 769 million in retirement trust assets. It also added bilingual branches and the initiative will be expanded to 10 branches in 2020.

In the future, Mega Holdings will continue to implement 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

This is the 7th report to be issued since the publication of the 2013 Report in 2014, disclosing corporate sustainability development of Mega Financial Holding Co., Ltd. (the Company). 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 2019 are disclosed in the report. The Reports for each year are placed on the CSR section on Mega Holdings' website for online browsing or download.

Scope and Boundaries

The report covers the practices and results of corporate governance, customer commitment, environmental protection, employee care, and social engagement Mega Holdings undertook in 2019 (from January 1 to December 31). Major events are disclosed as of April 30, 2020. The scope of the report, same as that in 2018, is mainly the operations in Taiwan, including Mega Holdings, eight 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., Mega International Commercial Bank Cultural and Educational Foundation, and Mega Charity Foundation (hereinafter referred to as Mega Holdings). The report does not cover overseas subsidiaries included in the consolidated financial statements.

The scope of the "ISO 14064-1 Greenhouse Gas Inventory" in environmental performance includes the head offices of Mega Holdings and eight 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 well as business locations in northern and central Taiwan, totaling 139 locations. The relevant data are calculated based on international standards.

Restatements of information, if any, will be explained in related chapters.

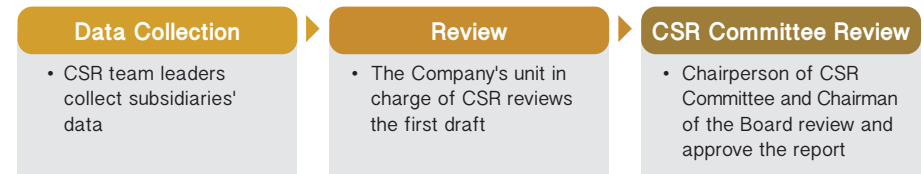
Reporting Principles and Guidelines

Based on the material issues resulting from stakeholder engagement in 2019, the report is structured in accordance with GRI Standards under the Global Reporting Initiative (GRI), the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX 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 of the Company 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 2019 CSR Report: June 2020.

External Assurance of the Report

In June 2020, the report is certified by the British Standards Institution (BSI) based on GRI Standards (Core Option), AA 1000 AS: 2008, and Type 1 in moderate assurance level of certification in the appendix in 2018. The independent assurance opinion statement from BSI is included in the Appendix 3 of the report.

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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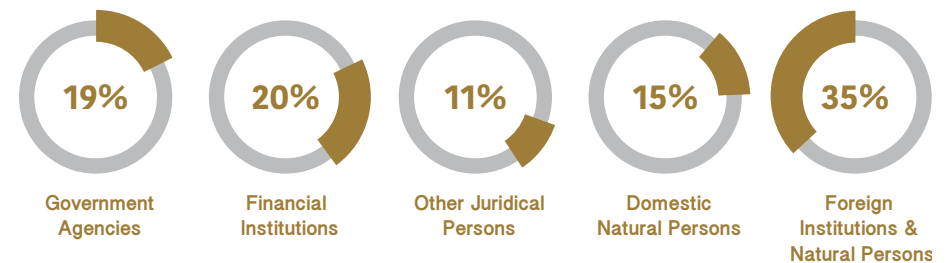
About Mega Holdings

Founded on February 4, 2002, the Company was listed on Taiwan Stock Exchange Corporation 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. (MICB), Mega Bills Finance Co., Ltd. (MBF), Mega Securities Co., Ltd. (MS), Chung Kuo Insurance Co., Ltd. (CKI), Mega Asset Management Co., Ltd. (MAM), Mega International Investment Trust Co., Ltd. (MITC), Mega Venture Capital Co., Ltd. (MVC), and Mega Life Insurance Agency Co., Ltd. (MLIA). As of December 31, 2019, the Company's share capital was approximately NT\$136 billion, with a market capitalization of NT\$416.1 billion, it ranked No. 4 among 15 listed financial holding companies in Taiwan and continued to maintain its advantages in business operations. The Company's revenue and profits continue to grow in recent years and it actively follows development opportunities in the government's "New Southbound Policy" to grasp business opportunities in the economic expansion in Asia Pacific. The Company also develops wealth management services to create new operation growth models for 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, Jhongsiao E. Rd., Jhongjheng Dist., Taipei City
Capital	NT\$135.998 billion
Total Assets	NT\$3,683.548 billion
Total Number of Employees	9,416 in total including subsidiaries (full-time employees)
Scope of Business	Investment and management of investee companies; for subsidiaries, the scope of business includes a variety of financial services

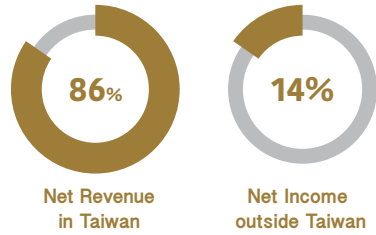
Ownership and Distribution of Shares



Note: As of April 20, 2020.

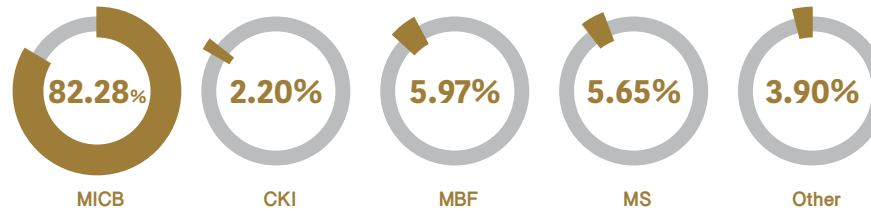


Net Revenue



Source: The Company's 2019 consolidated financial statements.

Net Revenue by Subsidiary Business



Source: The Company's 2019 consolidated financial statements.



Organization of the Company

The Company's overall profits mainly come from the investments in Mega International Commercial Bank Co., Ltd. (MICB) and Mega Bills Finance Co., Ltd. (MBF). Mega Holdings offers comprehensive financial services including banking, securities, bills, investment trust, and property insurance. We provide a comprehensive range of financial products and services. The subsidiaries work together to continue to expand the scale of their operations in the future. We also use cross selling and other methods to help subsidiaries expand their businesses, create engines for powering profitability, and maximize the synergy of the Group.

Organizational Chart



Mega International Commercial Bank Co., Ltd.

Mega International Commercial Bank Co., Ltd. (MICB) 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 in 2006. 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 2019, MICB's net profit after tax were NT\$24.645 billion which ranked No. 2 among domestic banks. Its EPS was NT\$2.89 and it was also ahead of most competitors.

In terms of overseas presence, MICB kept focusing on Asian countries, especially the Southeast Asian countries. As of 2019, MICB had 108 domestic units and 36 overseas units located in 18 countries including U.S., Panama, France, Netherlands, the U.K., Australia, Japan, Philippines,

Vietnam, Singapore, Malaysia, China, Hong Kong, Cambodia, India, Myanmar, Thailand, and Canada. They included 23 overseas branches, 5 sub-branches, 3 representative offices (including a marketing office), and 5 subsidiaries and their branches in Thailand.

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.



Service network in Taiwan and overseas

<https://www.file.megabank.com.tw/about/about04.asp>

• MICB Overseas Units





• Other Subsidiaries

Company Name	Service Description	Business Overview
Mega Securities Co., Ltd.	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 2019, MS achieved the market share of 3.23%, ranked No. 9 in the brokerage services. Its average market share in margin trading was 5.53%, ranked No. 6 in the industry.
Mega Bills Finance Co., Ltd.	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.	MBF's market share ranked No. 1 in the industry in terms of corporate bonds, bills trading, bills guarantee, and underwriting; its financial performance and asset quality were considered outstanding. MBF delivered an EPS of NT\$2.0 in 2019 which ranked first among the top three bills finance companies.
Mega International Investment Trust Co., Ltd.	The scope of business mainly includes securities investment trust and discretionary investments.	As of the end of 2019, the scale of public fund assets managed by MITC reached NT\$92.398 billion, ranked No. 16 among 39 investment trust companies in Taiwan.
Chung Kuo Insurance Co., Ltd.	The scope of business mainly includes property insurance and regulator-approved accident insurance and health insurance.	In 2019, CKI ranked second in terms of market share in aviation insurance and vessel insurance. Its overall premium revenues ranked 11th among 15 property insurance companies.
Mega Asset Management Co., Ltd.	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.	MAM's main business originally included the purchase of bad debts. It cooperates with government policies and provides obligations consolidation and advanced payments for urban renewal and renovation of old buildings. It has outperformed competitors in the asset management industry.
Mega Venture Capital Co., Ltd.	The Company focuses on directly providing funding to investees and providing operational, managerial and consulting services to investees.	In 2019, 12 new investments and NT\$214 million in investment amount were added. As of the end of the year, total investment amount reached NT\$686 million.
Mega Life Insurance Agency Co., Ltd.	MLIA operates personal insurance agency services.	MLIA follows the government's policy for allowing banks to operate insurance agency (insurance brokerage) services and will merged with MICB on May 12, 2020.



Results of CSR and Performance of Sustainable Development



2019 Governance Performance

- Mega Holdings was selected as a constituent of **TWSE Taiwan Employment Creation 99 Index, TWSE Taiwan High Compensation 100 Index, Taiwan Corporate Governance 100 Index**, and **FTSE4Good TIP Taiwan ESG Index**.
- Mega Holdings was ranked among the top **5%** of TWSE-listed companies in the 6th Corporate Governance Evaluation organized by Taiwan Stock Exchange Corporation in 2019.
- The ratio of full-time female employees of the Group was **58%** and the ratio of female managers was **50%**. We added **20 female managers** from the previous year to **implement gender equality**.
- Mega Holdings and subsidiaries (except for MVC and MLIA) **have appointed a Corporate Governance Officer** since 2019 to strengthen support for Directors.
- Mega Holdings strengthened the Group's AML and CFT mechanisms and all subsidiary companies established the Anti-Money Laundering Committee and assigned dedicated units or personnel. MICB established the **"Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Department"** with 212 personnel. Domestic and foreign units appointed 149 AML/CFT supervisors.
- The supervisors and personnel of the compliance units of Mega Holdings and subsidiaries registered a total of **1,532** enrollments in training courses based on the statutory number of hours in 2019 and the training completion rate was **100%**.
- MICB completed the 2019 Training on Anti-money Laundering. Each employee participated in an average of **14.92** hours of courses and the training completion rate was **100%**.
- Mega Holdings established the Information Security Policy in March 2019. MICB and CKI continues to purchase information security insurance and continues to obtain certification for the **ISO 27001 Information Security Management System**. Mega Holdings, MICB, MS, MBF, and CKI completed vulnerability scanning, penetration tests, and social engineering exercises.



2019 Social Performance

- In 2019, MICB **set up a total of 9 accessible ATMs** and completed the establishment of **340** such ATMs as of the end of 2019.
- MICB promotes **reverse mortgage** and **retirement trusts**. In July 2019, MICB was awarded an Outstanding Bank Award for providing property trust services for the elderly and people with disabilities by the Financial Supervisory Commission.
- MICB has assisted the government in making loans to **Five-Plus-Two key start-up industries**. By 2019, the outstanding loans amounted to NT\$395.1 billion, ranked No. 5 in the domestic financial industry.
- MICB has long assisted small and medium businesses in obtaining working capital. MICB received **Class A Award for performance in small and medium enterprises loans, Class A Award for providing loans to key start-up industries, and Special Award for the smart machinery industries** from the Financial Supervisory Commission in April 2019.
- MICB has worked with Ministry of Finance to **promote the Government Concessional Loan for Youth Housing**. As of the end of 2019, MICB has made concessional loans totaling NT\$88.6 billion to **19,752** households.
- In 2019, MICB applied for **185** patents on digital finance, **137** patents of which have been approved and **42** were awarded invention patents. It has consistently maintained its lead in the domestic finance industry in the number of approved finance patents and patent applications.
- MS won second place in the securities firms category in the first evaluation on the **"Principles for Fair Treatment of Customers in the Financial Services Industry"** by the Financial Supervisory Commission for providing customers with high-quality wealth management services and increasing customer satisfaction.
- For flight delays covered in comprehensive travel insurance, CKI uses InsurTech to notify qualified policyholders of the claims via the blockchain and smart contract technologies. It was awarded **the 8th Taiwan Insurance Excellence Award organized** by the Taiwan Insurance Institute in 2019.
- CKI provided coverage to 109,771 micro-insurance policyholders in 2019 which was an increase of 106,604 policyholders from 2018. CKI won the Performance Excellence Award in **the 2019 Microinsurance Competition organized** by the Insurance Bureau of the Financial Supervisory Commission.
- The Group recruited large numbers of employees. In 2019, **1,123** new employees were hired in domestic and overseas regions and the percentage of new employees was **11.93%**. The Group increased the net number of employees by **460**.
- The average salary of full-time non-managerial employees was NT\$**1,435** thousand in 2019 and overall employee compensation was higher than most competitors.
- The Group organized the second Mega Bank Esports Tournament, the second **"Mega Cup Dream Come True Youth Baseball Championship"**, and the **"Nationwide Mega Cup Archery Elite Contest"** to continue to support sports in Taiwan.
- Mega International Commercial Bank Cultural and Educational Foundation received the Sports Contribution Award from the Sports Administration of the Ministry of Education for its **achievements in promoting sports**.
- MICB also supported domestic agricultural and economic initiatives by purchasing pineapples and guavas produced in Taiwan. It received the 2019 **"Assistance for Agricultural Food Product Marketing Corporate Award"** from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan.



2019 Environmental Performance

- The Group officially **signed the TCFD** statement of support in April 2020 to actively respond to the risks and opportunities of companies brought forth by climate change.
- In 2019, the balance of loans made to businesses pertaining to renewable energy technology was NT\$**84.9 billion** and investments in green bonds amounted to approximately NT\$**8.8 billion**.
- MICB obtained the approval of the FSC for the issuance of **green bonds totaling NT\$1 billion** in December 2019 and issued the bonds in March 2020.
- To implement sustainable development, the Company made its first purchase of **146** renewable energy certificates, equivalent to approximately **146,000** kWh of renewable electricity, to help promote the development of renewable energy.
- In 2019, a total of 139 locations including the head office and branch institutions in northern and central Taiwan have obtained the **ISO 14064-1 greenhouse gas inventory certification**. The Group's total greenhouse gas emissions in 2019 was reduced by **1.66%** from 2018 which met the target for reducing annual carbon emissions by **1%**.
- MICB Chi-Lin Building continued to pass **ISO 14001 Environmental Management System certification**.
- MICB received the "**Taipei City Energy Conservation Leadership Award in the Group A for Commerce Industry**" and the **Private Enterprise and Organization Green Procurement Award** from the Department

of Environmental Protection, Taipei City Government for the second consecutive year. Energy Saving Benchmark Award of the Ministry of Economic Affairs, and the "**2019 Outstanding Green Procurement and Green Consumption Organization Award**" from the Environmental Protection Administration, Executive Yuan.

- MICB and MITC organized the "**Save the Ocean Beach Clearing Activity**" and "**Employee Mountain Cleaning Day**" and recruited 137 employees and family members as volunteers to protect the earth together.
- The Group voluntarily supported the "**Earth Hour**" campaign organized by the Society of Wilderness and switched off lit signs in all business locations in the evening on March 30, 2019 to promote an energy-saving lifestyle for sustainable development.





2019 Awards

2019.12

Award-winning Unit	Name of Award	Issuer
Mega International Commercial Bank Co., Ltd.	Best Credit Card Taiwan 2019 Mega Bank Gogoro Co-branded card	International Business Magazine
Mega International Commercial Bank Co., Ltd.	Agricultural Food Product Marketing Corporate Award	Agriculture and Food Agency, Council of Agriculture, Executive Yuan
Mega Securities Co., Ltd.	MS won third place in the 2019 Recommendation and Assistance of Listing on the OTC and Emerging Stock Market Performance Award	Taipei Exchange
Chung Kuo Insurance Co., Ltd.	Performance Excellence Award in the 2019 Micro Insurance Competition	Insurance Bureau, Financial Supervisory Commission

2019.11

Mega Financial Holding Co., Ltd.	Gold Award in the "Corporate Sustainability Report Award" in the 2019 Taiwan Corporate Sustainability Awards	Taiwan Institute for Sustainable Energy (TAISE)
Mega Financial Holding Co., Ltd.	CSR Sustainability Excellence Award	British Standards Institution
Mega International Commercial Bank Co., Ltd.	Taipei City Private Enterprise and Organization Green Procurement Award	Department of Environmental Protection, Taipei City Government
Mega Securities Co., Ltd.	MS won first place in the "Growth and Improvement Award" in the 2019 Securities Firms' Emerging Stock Recommendation and Market-Making Contest Awards	Taipei Exchange
Chung Kuo Insurance Co., Ltd.	CKI was ranked third in the "Policy Enterprise Award" in the 2019 residential earthquake insurance claim mechanism exercise	Taiwan Residential Earthquake Insurance Fund



	Award-winning Unit	Name of Award	Issuer
2019.10	Mega International Commercial Bank Co., Ltd.	MOEA Energy Saving Benchmark Award - Silver Award	Bureau of Energy, Ministry of Economic Affairs
	Mega International Commercial Bank Co., Ltd.	Outstanding Green Procurement and Green Consumption Organization	Environmental Protection Administration, Executive Yuan
2019.09	Mega Securities Co., Ltd.	Ranked second in the "Futures Trading Assistant Transaction Volume Growth Diamond Award" in the 5th Futures Diamond Awards	Taiwan Futures Exchange
	Mega International Commercial Bank Cultural and Educational Foundation	Sports Contribution Award - Sponsorship Gold	Sports Administration, Ministry of Education
2019.08	Mega International Commercial Bank Co., Ltd.	2019 Taipei City Energy Conservation Leadership Award in the Group A for Commerce Industry	Department of Environmental Protection, Taipei City Government
	Chung Kuo Insurance Co., Ltd.	8th Taiwan Insurance Excellence Award Silver Award in the "Policy Holder Service Projects Excellence Award" Silver Award in the "Product Innovation Projects Excellence Award" "Benchmark Insurance Company for Salary Increases"	Taiwan Insurance Institute
	Chung Kuo Insurance Co., Ltd.	2019 Faith, Hope & Love Awards of Insurance Merit in "Best Channel Strategy Award" Merit in "Best Communication Service Award" Merit in "Best Professional Insurance Consultant Award"	RMI Educational Foundation
2019.07	Mega International Commercial Bank Co., Ltd.	Outstanding Bank Award for Providing Property Trust Services for the Elderly and people with Disabilities	Financial Supervisory Commission
	Mega International Commercial Bank Co., Ltd.	Banking Category of the "2019 Wealth Management Bank and Securities Evaluation" Second place for the Best Product Award Third place for the Customer Satisfaction Award	Business Today



	Award-winning Unit	Name of Award	Issuer
2019.07	Mega Securities Co., Ltd.	Second place for the Best Risk Management Award in the Securities Category of the "2019 Wealth Management Bank and Securities Evaluation"	Business Today
	Mega Securities Co., Ltd.	MS won second place in the securities firms category in the evaluation on the Principles for Fair Treatment of Customers in 2018	Financial Supervisory Commission
	Mega Securities Co., Ltd.	Excellent Central Government Bonds Market Maker for the 1st half of 2019	Taipei Exchange
2019.05	Mega International Commercial Bank Co., Ltd.	Excellence Award for Total Credit Guaranteed Special Award for Financing for New Southbound Nations Excellence Award for Branch Credit Guaranteed	Overseas Credit Guarantee Fund
		Outstanding Bank in the New Southbound Policy Target Country Credit Program Outstanding Bank for Small and Medium Enterprises Loans Class A Award for providing loans to key start-up industries and Smart Machinery Industry Special Award	Financial Supervisory Commission
2019.04	Mega International Commercial Bank Co., Ltd.	Outstanding Bank in the New Southbound Policy Target Country Credit Program Outstanding Bank for Small and Medium Enterprises Loans Class A Award for providing loans to key start-up industries and Smart Machinery Industry Special Award	Financial Supervisory Commission
2019.03	Mega Financial Holding Co., Ltd. Chung Kuo Insurance Co., Ltd.	Excellence Award in the "Best Financial Holding and Insurance Companies for Finance and Insurance Graduates" in the 2019 Insurance Talent Awards	RMI Educational Foundation
2019.01	Mega Securities Co., Ltd.	Excellent Central Government Bonds Market Maker for the 2nd half of 2018	Taipei Exchange



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



No Poverty

- In caring for the socially disadvantaged, the Group and its two foundations donated a total of NT\$28.25 million in 2019 and provided subsidies for the operations of disadvantaged groups and 51 cases of emergency medical relief and funerary assistance.
- Mega Volunteers Team provided care to the elderly in senior citizens' homes and invested 380 volunteer hours in elderly care activities.
- The Group provided students from disadvantaged families with work opportunities and cultivate their professional skills.



Zero Hunger

- The Group provided financial support to disadvantaged families and children and provided 109 youths from disadvantaged families and elderly people living in remote areas with lunches.
- MICB supported domestic agricultural and economic initiatives by purchasing agricultural produce in Taiwan.



Good Health and Well-being

- The Group and its two foundations invested NT\$142 million in social welfare in 2019. Volunteer service activities benefited people in 20,330 cases.
- The Group sponsored anti-drug campaigns and provided medical subsidies for poverty.



Quality Education

- The Group invested a total of NT\$5.78 million in promoting financial education in 2019.
- The Group invested NT\$96.27 million into promoting sports activities and cultivating athletes in 2019. It received the "Sports Contribution Award" from the Sports Administration of the Ministry of Education.
- The Group sponsored education and training facilities for children and people with disabilities.



Gender Equality

- The ratio of full-time female employees of the Group was 58% and the ratio of female managers was 50%. It added 20 female managers from the previous year to implement gender equality.



Affordable and Clean Energy

- To implement sustainable development, the Company made its first purchase of 146 renewable energy certificates in 2019 to help promote the development of renewable energy.
- The balance of loans made to businesses pertaining to renewable energy technology was NT\$84.894 billion and investments in green bonds amounted to approximately NT\$8.8 billion.



Decent Work and Economic Growth

- Mega Holdings has maintained stable profit and earnings growth. The consolidated net profit after tax totaled NT\$28.955 billion in 2019 which was an increase of NT\$861 million from 2018.
- The average salary of full-time non-managerial employees was NT\$1,435 thousand in 2019 and overall employee compensation was higher than most competitors.
- In 2019, 1,123 new employees were hired and the Group increased the net number of employees by 460.
- The Group develops and optimizes digital financial services, increases business opportunities from the digital population, and provides innovative financial services.



Industry, Innovation, and Infrastructure

- In 2019, MICB applied for 185 patents on digital finance, 137 patents of which have been approved and 42 were awarded invention patents. It has consistently maintained its lead in the domestic finance industry in the number of approved finance patents and patent applications. The types of patents mainly included FinTech applications, information security, mobile platforms, and big data.
- Mega Holdings applied for 3 patents on risk management in 2019 and all 3 patents were approved. One invention patent application is still being reviewed.



Reducing Inequality

- CKI provided coverage to 109,771 micro-insurance policyholders with outstanding results in 2019. CKI won the Micro Insurance Performance Excellence Award in the 2019 Microinsurance Competition organized by the Insurance Bureau of the FSC.
- The Group has set up a total of 340 accessible ATMs and 10 ATMs designed for the visually impaired.



Sustainable Cities and Communities

- MICB processed 34 reverse mortgages and approved NT\$238 million in loans in 2019 with NT\$9,501 thousand in balance of loans.
- The retirement trust for elderly people processed by MICB in 2019 increased the cumulative number of trust beneficiaries to 773 individuals and increased the balance of trust principal to NT\$769 million. MICB was selected as an Outstanding Bank in the Asset Trust Evaluation of Trust Businesses for the Senior and the Disabled by the FSC.
- A cumulative total of 19,752 Government Concessional Loan for Youth Housing cases was processed and with NT\$88.633 billion in loans allocated. The balance of loans was NT\$41.809 billion.
- CKI launched the "Persimmon Insurance" to reduce the economic losses caused by typhoons or torrential rain and provide persimmon farmers with more protection. The insurance amount was NT\$21 million in 2019.



Responsible Consumption and Production

- The balance of loans made to businesses pertaining to renewable energy technology was NT\$84.894 billion and investments in green bonds amounted to approximately NT\$8.8 billion.
- We accumulated 57,960 accounts in digital NTD and foreign currency deposit accounts and we have saved 1,101,240 pieces of paper from July 2017 to the end of 2019.
- A total of 2,433,677 electronic statements for credit cards were successfully mailed in 2019. The electronic statements saved approximately 7,301,031 sheets of paper.



Climate Action

- The Company included the management of emerging risks (including climate change risks) in the risk management policy and guidance principles of the companies of the Group.
- The Group continues to expand the scope of the ISO 14064-1 Greenhouse Gas Inventory. As of 2019, certification was completed for 139 locations and we plan to complete certification for all locations of Mega Holdings Group before 2021. The Group's total greenhouse gas emissions in 2019 was reduced by 1.66% from 2018.



Life Below Water

- MICB organized a team of volunteers consisting of 68 members in November 2019 to clear the beach at Xialiao Beach in Wanli, New Taipei City. The team cleared 451 kilograms of waste on the day of the event.



Life on Land

- MITC organized the Employee Mountain Cleaning Day event in the Jiuliao Creek Trail in Yilan in November 2019 and recruited 69 employees and family members as volunteers. They fulfilled their civic obligations for protecting the earth, environmental protection, and saving greenery for the next generations.
- The Group continues to promote waste reduction, sorting, and recycling. Subsidiary companies have gradually replaced their old lighting equipment and air conditioning equipment in the offices.



Peace, Justice, and Strong Institutions

- Mega Holdings established the Group's information sharing platform. Subsidiaries established dedicated AML units to implement related AML/CFT regulations and actively promote training on anti-money laundering.
- Mega Holdings and subsidiaries have established the "Principles for Ethical Management", "Procedures for Ethical Management and Guidelines for Conduct", and the whistleblowing system for comprehensive implementation.



Partnerships for the Goals

- In July 2019, MICB and MBF included information on whether borrowers have fulfilled responsibilities for environmental protection, their involvement in activities or incidents against the interests of the public, and actions or incidents in violation of human rights into the credit review operating system as preparation for signing the Equator Principles Financial Institutions (EPFI).





Sustainability Vision and Policies

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.

Sustainability 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.

Corporate Social Responsibility 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' interest

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.

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.



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



<https://www.megaholdings.com.tw/upload/26/2017120511345648326.pdf>

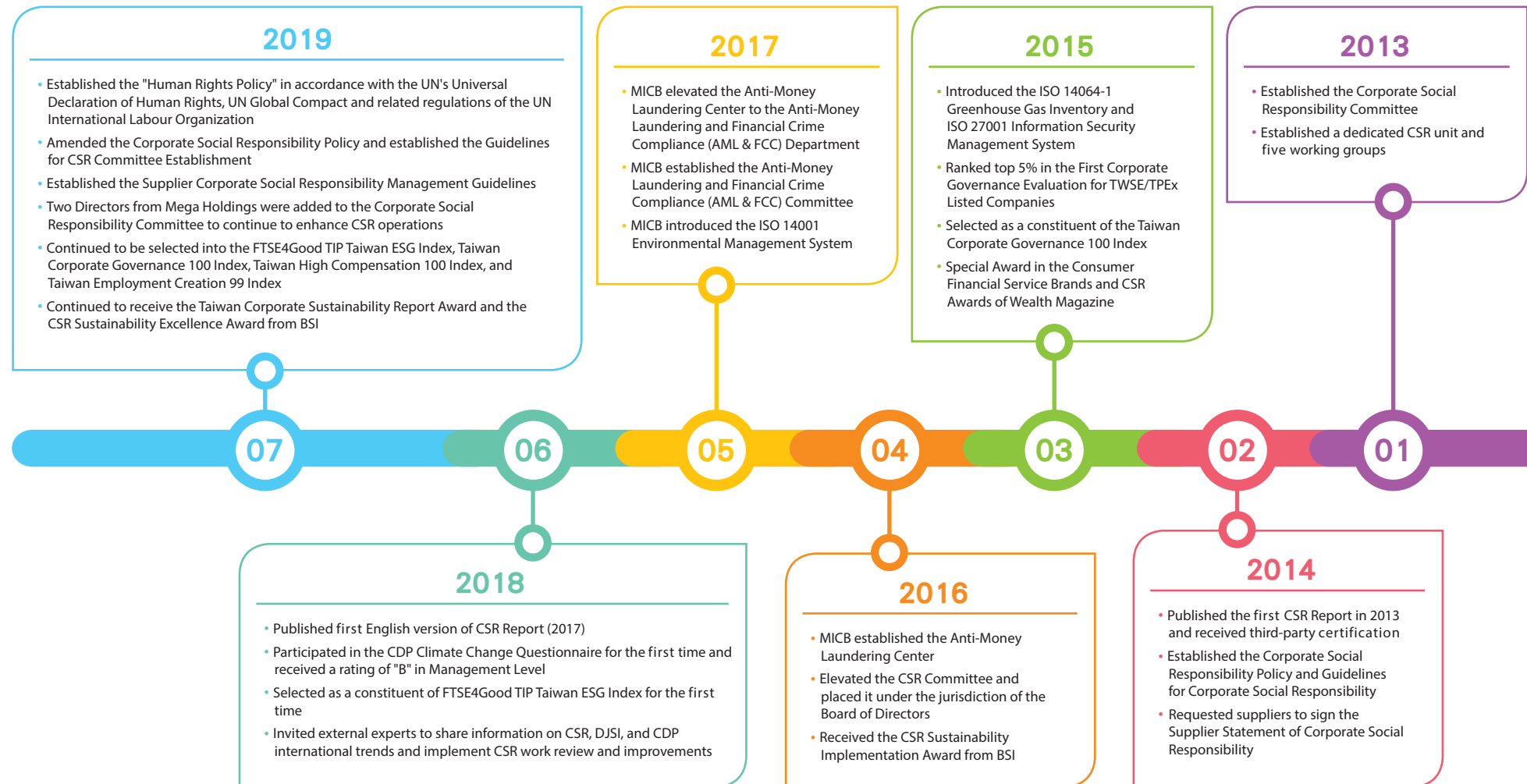
Corporate Social Responsibility Policy of the Company



<https://www.megaholdings.com.tw/upload/26/2017120511345648326.pdf>



Sustainable Management History



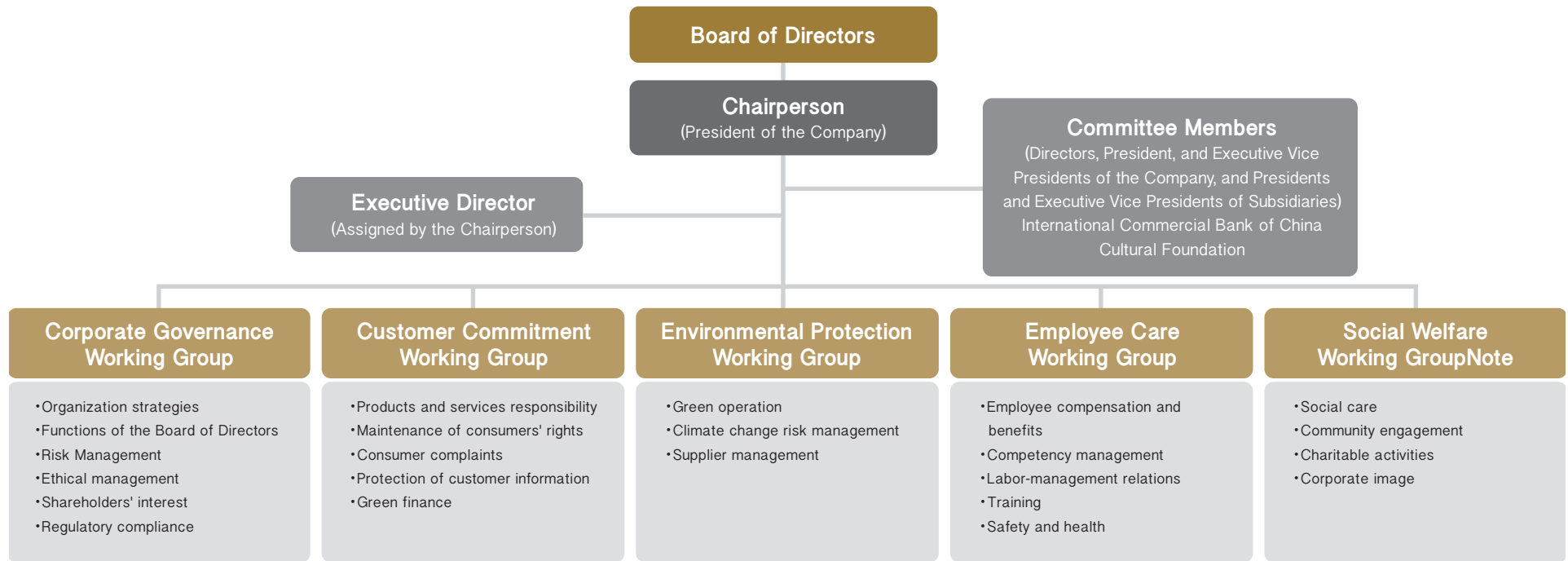


Organization and Operation of the Corporate Social Responsibility Committee

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 of the Company or presidents or executive vice 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. Two Directors from Mega Holdings were added in 2019 to continue to enhance CSR operations.

Organizational Chart of the Corporate Social Responsibility Committee



Note: The Social Welfare Working Group includes the Mega Charity Foundation and the Mega International Commercial Bank Cultural and Educational Foundation



At the beginning of each year, each Working Group shall submit the specific implementation plans covering economic, environmental and social aspects to the CSR Committee and Board of Directors. They shall also regularly report implementation performance regarding these three aspects to the said Committee and Board at the end of each year. Five meetings of the CSR Committee were convened in 2019. The Company tracks and reviews the achievement status of CSR implementation plans and targets. Please refer to page 30 for the results of implementation of sustainable development and short, medium, and long-term goals in 2019.

Mega Holdings continued to organize social responsibility training programs each year and appointed external professionals to serve as instructors. We also regularly send personnel to participate in related external training programs and seminars. The training programs provided in 2019 included "Stakeholder Engagement and Materiality Analysis", "Climate Change Risks and Opportunities in the Finance Industry", "Explanation of the New Version of the ISO 14064-1 Greenhouse Gas Inventory", and "Explanation of the TCFD Framework and Analysis of Risks/Opportunities". A total of 300 people from the Group participated in the five training programs which lasted 3-8 hours in each session.





Stakeholder Engagement

The Company pursues sustainable development and maintains transparent and open communication channels with stakeholders. We use various communication channels to and the "CSR section" on the Company's website to collect information on issues of concern to stakeholders, understand their needs and thoughts, and respond immediately.

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). We use six steps to implement the engagement process on issues of concern to stakeholders as shown 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. The status of communication with various stakeholders is reported to the Board of Directors each year.











Topics of Concern and Communication Channels with Stakeholders

Stakeholders	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <p>Shareholders and investors</p>	<ul style="list-style-type: none"> ▶ Risk management ▶ Information security and personal information protection ▶ Ethical management ▶ Anti-money laundering ▶ Regulatory compliance ▶ Business performance ▶ Corporate image 	<ul style="list-style-type: none"> • Business performance report (monthly and quarterly) • Convene the shareholders' meeting, publication of annual report and CSR report (annually) • Disclose information on the Market Observation Post System (regularly and non-regularly) • Organize domestic investor conference (non-regularly) • Attend investor conferences and investor relations meetings at home and abroad (non-regularly) • Set up the company website in Chinese and in English and disclose annual reports, financial statements and stock information in the Investors section (permanent) • Contact information for investors and stakeholders announced on the corporate website (permanent) • Stakeholder survey in the corporate website's CSR section (permanent) • Contact for investor relations: Executive Vice President and Spokesperson Ms. Jui-Yun Lin: (02) 2357-8888 ext. 116 	<ul style="list-style-type: none"> • Mega Holdings has maintained stable earnings growth. The consolidated net profit after tax totaled NT\$28.955 billion in 2019 which was a 3.07% increase from 2018. • 154 material information announcements and 14 announcements in Chinese and English • The Company organized 2 independent online investor conferences and participated in 3 investor conferences organized by foreign securities companies. We organized 268 meetings and telephone conferences with investors at home and abroad.
 <p>Employees</p>	<ul style="list-style-type: none"> ▶ Employee salary and benefits ▶ Business performance ▶ Information security and personal information protection ▶ Labor-management relations ▶ Career development and learning ▶ Safe and healthy workplace ▶ Anti-money laundering ▶ Human rights protection and management 	<ul style="list-style-type: none"> • The Union Discussion Forum has been set up in MICB's intranet for employees to express their opinions (permanent) • Established employee complaint hotline, fax, e-mail (permanent) • Morning/evening business unit meetings (non-regularly) • Complaint mailbox (permanent) • Sexual harassment complaint hotline, fax, e-mail (permanent) • Staff meetings (non-regularly) • Seminars on employees' safety and health (regularly) • Labor-management meeting (regularly) • Meetings of the Employee Welfare Committee, Labor Safety and Health Committee, Supervisory Committee of Employee Retirement Reserve (regularly) • Employee Message Board: hr@megaholdings.com.tw 	<ul style="list-style-type: none"> • Implementation of workplace health promotion plans to provide employees with assistance and care • Provision of competitive compensation scheme/Included in the "Taiwan Employment Creation 99 Index" and "Taiwan High Compensation 100 Index" consecutively • Organize regular labor-management meetings with the union to foster harmonious relations between employees and the employer



Stakeholders	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <p>Individual customers/ corporate customers</p>	<ul style="list-style-type: none"> ▶ Information security and personal information protection ▶ Regulatory compliance ▶ Ethical management ▶ Risk management ▶ Protection of customer rights and interests ▶ Digital financial product innovations 	<ul style="list-style-type: none"> • Each subsidiary has set up a customer service and complaint hotline (permanent) • Organize seminars on investment and wealth management (non-regularly) • Announce contact information for complaints and feedback on the company website (permanent) • Surveys of customer satisfaction (non-regularly) • Provide newsletters and investment research reports (non-regularly) • Contact person for customers: web@megaholdings.com.tw 	<ul style="list-style-type: none"> • MICB's customer satisfaction scored 92.4; CKI's customer satisfaction scored 92.0 • MS improved customer service quality and won second place in the securities firms category in the evaluation on the Principles for Fair Treatment of Customers conducted by the FSC • MICB promotes retirement trusts for the elderly and people with disabilities and won the Outstanding Bank Award for Providing Property Trust Services for the Elderly and people with Disabilities conducted by the FSC • CKI protects the basic human rights of the disadvantaged groups and won the Micro Insurance Performance Excellence Award in the Micro Insurance Competition organized by the Insurance Bureau of the FSC. • MICB, MS, and MITC organized ad hoc wealth management and investment seminars which attracted the participation of thousands of customers.
 <p>Government and regulators</p>	<ul style="list-style-type: none"> ▶ Regulatory compliance ▶ Risk management ▶ Ethical management ▶ Information security and personal information protection ▶ Protection of customer rights and interests ▶ Financial Inclusion 	<ul style="list-style-type: none"> • Attend regulators' policy publication events and public hearings (non-regularly) • Provide information for regulators' examinations (non-regularly) • Communicate with regulators by visit, official letter or phone (non-regularly) • File information on regulators' websites (regularly) • Compliance with the relevant laws and policies of the competent authorities and cooperate with their supervision and inspections (non-regularly) • Contact person for the government and regulators: jcc@megaholdings.com.tw 	<ul style="list-style-type: none"> • Continued to be selected as a constituent of TWSE Taiwan Corporate Governance 100 Index, Taiwan Employment Creation 99 Index, TWSE Taiwan High Compensation 100 Index, and FTSE4Good TIP Taiwan ESG Index. • Mega Holdings and subsidiaries have appointed Compliance Officers and Corporate Governance Officers.
 <p>Union</p>	<ul style="list-style-type: none"> ▶ Labor-management relations ▶ Employee salary and benefits ▶ Human rights protection and management ▶ Safe and healthy workplace ▶ Regulatory compliance 	<ul style="list-style-type: none"> • Labor-management meeting (regularly) • Meetings of the Employee Welfare Committee, Labor Safety and Health Committee, Supervisory Committee of Employee Retirement Reserve (regularly) • Union contact person: hugo@megaholdings.com.tw 	<ul style="list-style-type: none"> • Organize regular labor-management meetings with the union to foster harmonious relations between employees and the employer • Implementation of workplace health promotion plans and psychological consultation for employees to provide employees with assistance and care • Mega Holdings and MICB organized employee share ownership trusts



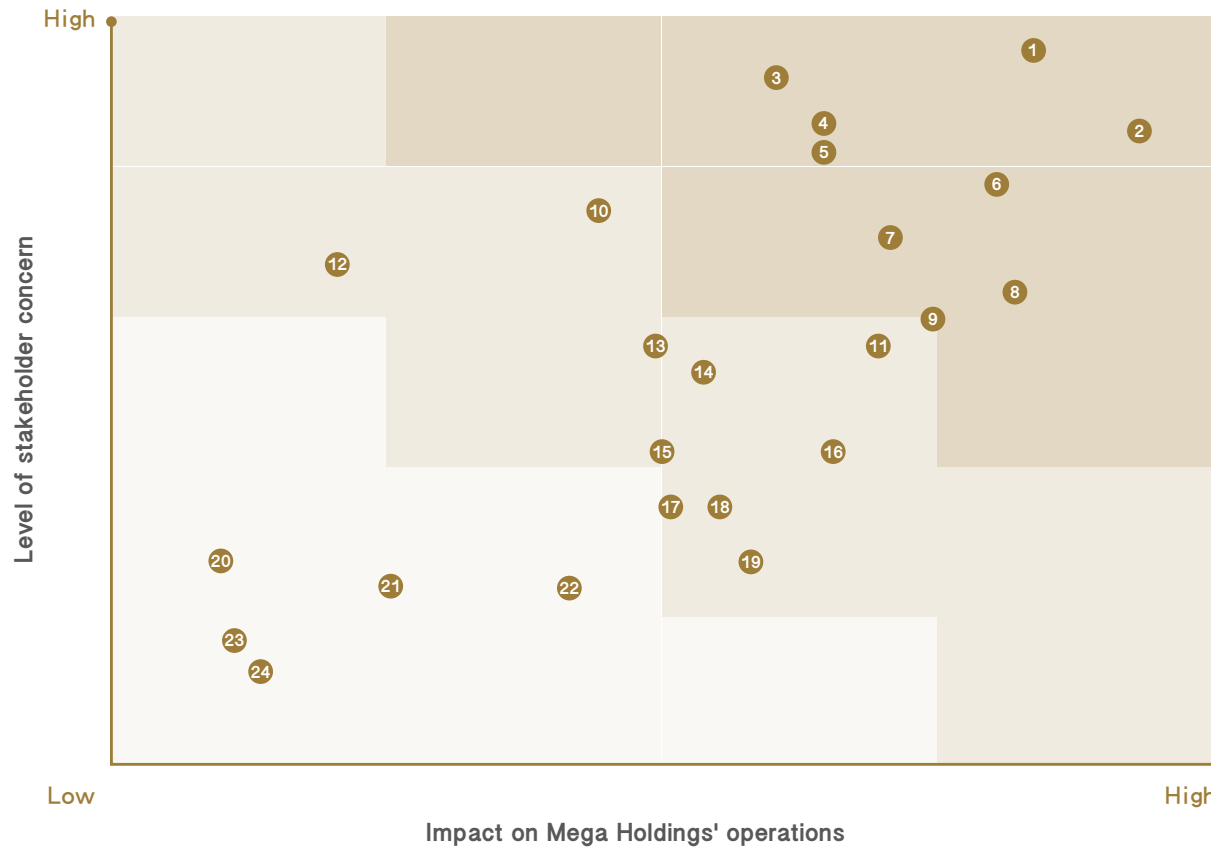
Stakeholders	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <p>Communities/ non-profit organizations</p>	<ul style="list-style-type: none"> ▶ Ethical management ▶ Social investment and social welfare ▶ Social Influence ▶ Corporate image 	<ul style="list-style-type: none"> • Sponsor charitable activities and sports, academic or art activities (non-regularly) • Donate money or materials to not-for-profit organizations or institutions (non-regularly) • Organize volunteer activities • Work with social welfare organizations to organize social welfare activities (non-regularly) • CDP climate change questionnaire (regularly) • Participation in CSR-related non-government organizations (non-regularly) • Contact person: mg000138@megaholdings.com.tw 	<ul style="list-style-type: none"> • Organized a road running event for nearly 10,000 people and collected 269,988 invoices in donations to four social welfare organizations • Volunteer service activities benefited people in 20,330 cases. • Mega International Commercial Bank Cultural and Educational Foundation received the Sports Contribution Award from the Sports Administration of the Ministry of Education for its long-term support for grassroots sports development in Taiwan.
 <p>Suppliers</p>	<ul style="list-style-type: none"> ▶ Information security and personal information protection ▶ Ethical management ▶ Digital financial product innovations ▶ Protection of customer rights and interests 	<ul style="list-style-type: none"> • Organize price negotiations meetings (permanent) • Reach agreements in contracts (permanent) • Organize ad-hoc meetings (permanent) • Contact person for suppliers: web@megaholdings.com.tw 	<ul style="list-style-type: none"> • Contract amount signed with suppliers who are signatories of the "Supplier Statement of Corporate Social Responsibility" totaled \$2.48 billion which accounted for 95.65% of total purchases • Mega Holdings established the Supplier Corporate Social Responsibility Management Guidelines to jointly increase the effectiveness of their corporate social responsibility. • MICB's total green procurement exceeded NT\$87.61 million in 2019 and it received the Taipei City Outstanding Green Procurement Award again.
 <p>Media</p>	<ul style="list-style-type: none"> ▶ Business performance ▶ Corporate Governance ▶ Information security and personal information protection ▶ Digital financial product innovations ▶ Regulatory compliance ▶ Risk management 	<ul style="list-style-type: none"> • Establish a spokesperson and PR personnel for liaising purposes (permanent) • Organize press releases/conferences (non-regularly) • Provide information for media (regularly) • Disclose information on the Market Observation Post System (regularly and non-regularly) • Contact for investor relations: Executive Vice President and Spokesperson Ms. Jui-Yun Lin: (02) 2357-8888 ext. 116 	<ul style="list-style-type: none"> • Mega Bank Gogoro Co-branded card was selected as the Best Credit Card Taiwan in 2019 by the International Business Magazine • MICB won second place for the Best Product Award and third place for the Customer Satisfaction Award in the Evaluation of Wealth Management Bank in the Business Today magazine. MS won second place for the Risk Management Award in the Securities Category of the Wealth Management Bank and Securities Evaluation • 42 press releases were published on Mega Holdings' official website • Actively interacted with the media to improve the corporate image



Identifying Material Issues

Mega Holdings included an analysis of material issues in the 2019 CSR Report. The horizontal axis represents the impact on the Company's operation, and the vertical axis represents the stakeholders' concern. Issues with high impact and high levels of concern were listed as material issues and the Company reported the management approaches and implementation results for the ten material topics. The identified material issues are shown in the figure below. We added employee salary and benefits as one of the ten material issues in 2019 and removed the issue of

labor-management relations and communication in 2018 from the ten material issues in 2019. The Company did not list issues with lower levels of concern to stakeholders and low impact on Group operations such as green procurement, employee diversity, climate change management, and green operations but included the explanations of the results as well as the short, medium, and long-term goals for the sustainability issues of medium to high levels of concern and impact.







- 1 Regulatory compliance
- 2 Information security and personal information protection
- 3 Business performance
- 4 Corporate governance
- 5 Anti-money laundering
- 6 Risk management
- 7 Digital financial product innovations
- 8 Ethical management
- 9 Protection of customer rights and interests
- 10 Employee salary and benefits
- 11 Corporate image
- 12 Career development and learning
- 13 Safe and healthy workplace
- 14 Labor-management relations and communication
- 15 Human rights protection and management
- 16 Social influence
- 17 Sustainability and green products
- 18 Social investment and social welfare
- 19 Financial inclusion
- 20 Climate change management
- 21 Green operation
- 22 Financial education
- 23 Employee diversity
- 24 Green procurement



The Company's material issues in 2019, as well as GRI standards, boundaries, and corresponding sections, are described in the table below. The Company responded to the value chain impact boundaries for material issues this year and explained Mega Holdings' significance and missions as well as corresponding SDGs.

● Direct impact ○ Indirect impact ▲ Business relations

Sustainability Issue	Impact on the Company	GRI Material Topic	Corresponding Chapter	Corresponding UN Sustainable Development Goals (SDGs) Detailed Targets	SDGs	Value Chain Impact Boundaries and Level of Involvement				
						Procurement	Sales	Marketing	Transactions	Customer Services
1 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.	GRI 419: Compliance with social and economic laws	1.4 Regulatory Compliance	16.6 Develop effective, accountable and transparent institutions at all levels. 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.			●	●	●	●
2 Information security and personal information protection	Customers only trust a safe financial information environment. Information security and personal information protection are what the Company values and tightens its control over.	GRI 418: Customer privacy	2.2 Information Security	12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. 16.6 Develop effective, accountable and transparent institutions at all levels.	 	▲	●	●	●	●
3. 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.	GRI 201: Business performance	1.2.1 Economic Performance	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services.		○	●	●	●	●



● Direct impact ○ Indirect impact ▲ Business relations

Sustainability Issue	Impact on the Company	GRI Material Topic	Corresponding Chapter	Corresponding UN Sustainable Development Goals (SDGs) Detailed Targets	SDGs	Value Chain Impact Boundaries and Level of Involvement				
						Procurement	Sales	Marketing	Transactions	Customer Services
4 Corporate governance	Corporate governance is closely related to a company's brand image, long-term development, and operating results; therefore, Mega Holdings 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' rights and interests, and improve information transparency.	Non-GRI material topic	1.1 Corporate Governance	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making. 12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	 	●	●	●	●	●
5 Anti-money laundering	Corrective measures for anti-money laundering and countering terrorism financing, may further create a top-down culture of AML/CFT compliance.	GRI 419: Compliance with social and economic laws	1.5 Anti-money Laundering and Counter Terrorism Financing	16.4 Significantly reduce illicit financial and arms flows, and combat all forms of organized crime.		▲	●	●	●	●
6 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.	Non-GRI material topic	1.3 Risk Identification and Control	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.		▲	●		●	



● Direct impact ○ Indirect impact ▲ Business relations

Sustainability Issue	Impact on the Company	GRI Material Topic	Corresponding Chapter	Corresponding UN Sustainable Development Goals (SDGs) Detailed Targets	SDGs	Value Chain Impact Boundaries and Level of Involvement					
						Procurement	Sales	Marketing	Transactions	Customer Services	
7 Digital financial product innovations	The arrival of the digital finance era increases business opportunities from the digital population and impacts the operations of traditional financial products. The Company aims to actively seize the opportunity of digital finance transformation to develop and optimize innovative digital services, improve operating procedures, and increase efficiency.	Non-GRI material topic	3.3 FinTech Innovation and Development	<p>1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights and access to new technology and financial services (including microfinance).</p> <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.</p> <p>8.10 Expand access to banking, insurance and financial services for all.</p> <p>9.b. Support domestic technology development, research and innovation including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.</p>	  		▲	●	●	●	●
8 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 management mechanisms to create an operating environment for sustainable development.	GRI 205: Anti-corruption	1.1.3 Ethical Management	<p>16.5 Substantially reduce corruption and bribery in all their forms.</p> <p>16.6 Develop effective, accountable and transparent institutions at all levels.</p> <p>16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.</p>			●	●	●	●	●



● Direct impact ○ Indirect impact ▲ Business relations

Sustainability Issue	Impact on the Company	GRI Material Topic	Corresponding Chapter	Corresponding UN Sustainable Development Goals (SDGs) Detailed Targets	SDGs	Value Chain Impact Boundaries and Level of Involvement				
						Procurement	Sales	Marketing	Transactions	Customer Services
9 Employee salary and benefits	Employees are the foundation of business development. We create a healthy workplace of equality, growth, and safety to provide employees with comprehensive care.	GRI 401: Employer-employee relationship	2.3.3 Salary and Benefits	4.4 Substantially increase the number of youth and adults who have relevant skills for employment, decent jobs and entrepreneurship 8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	 		●	●	●	●
10 Protection of customer rights and interests	The Company pays much attention to customers' rights including information security and personal information protection, customer services, and product risk labeling. The Company conducts comprehensive plans each year and proposes an improvement plan to continuously improve its customer service.	GRI 417: Marketing and labeling	2.1.1 Maintenance of Customer Rights	12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. 16.6 Develop effective, accountable and transparent institutions at all levels.	 		●	●	●	●



Sustainable Development Goals

Results and short/medium/long-term goals of sustainability practices of Mega Financial Holding Co., Ltd. in 2019

Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Governance	Corporate governance	<ul style="list-style-type: none"> Assist and ensure that Directors continue to follow international trends in corporate governance and advance with the times. Appoint a Corporate Governance Officer to strengthen support for Directors. Improve or strengthen the deficiencies in board functions or recommendations provided by external professional institutions based on the results of the Board Performance Evaluation. Comply with the regulations of the "Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing" and provided the master file of the Group and the country-by-country reports. Thoroughly implement legal compliance for taxation and improved taxation information transparency in response to the global trends on tax governance. 	<ul style="list-style-type: none"> In 2019, 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 137 hours which met requirements for 12 hours of training for new directors and 6 hours for reappointed directors. Mega Holdings and subsidiaries (except for MVC and MLIA) have respectively appointed a Corporate Governance Officer since 2019 to strengthen support for Directors. Mega Holdings completed the Board Performance Evaluation in accordance with the Regulations for Evaluating the Performance of the Board of Directors and reported the results to the Board of Directors in January 2020. Complied with the "Base Erosion and Profit Shifting" (BEPS) of the Organisation for Economic Co-operation and Development (OECD) and Taiwan's "Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing" for filing the master file of the Group, country-by-country reports, and transfer pricing reports for 2018. The Group has completed reporting procedures and paid taxes in May 2019 and disclosed the implementation status of tax payment and administrative relief in the Consolidated Financial Statements and Independent Auditors' Report. 	<ul style="list-style-type: none"> Corporate governance personnel are required to attend at least 6 hours of corporate governance courses each year in order to provide directors and independent directors with related information and assistance necessary for the exercise of their duties. Assist and ensure that Directors continue to follow international trends in corporate governance and understand the latest changes in domestic legislation. Continue to implement improvements for the deficiencies in board functions or recommendations provided by external professional institutions based on the results of the Board Performance Evaluation. MICB plans to obtain approval from the competent authority for the adoption of a "risk-based internal audit system" before the end of 2020 to increase audit efficiency. Fully monitor the business status of subsidiaries and domestic and overseas business units to provide necessary assistance and fulfill supervisory duties. MICB, CKI, MS, and MITC shall attend the shareholders meetings of at least 75% of their investees that are listed on the TWSE or TPEX. 	<ul style="list-style-type: none"> Continue to organize or schedule professional corporate governance courses to improve the diverse core competencies of board members. Internalize the performance evaluation factors of professional institutions and continue to strengthen the board performance evaluation system. Elevate or maintain the professional qualifications and diversity of the Directors. Provide various taxation information and disclosure in accordance with international trends and related taxation regulations. The Company plans to add independent directors in the election of directors in 2021. CKI will complete the integration of its IFRS 17 policy, system, and accounting before the end of 2023 to ensure official compliance in 2025 and improve the quality of information disclosure.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Governance	Ethical management	<ul style="list-style-type: none"> Implement the Code of Conduct and improve employees' ethical and moral standards. Strengthen the whistleblowing systems of companies of the Group and regularly report the implementation status of ethical management to the Board of Directors. Continue to organize training for ethical management and promote honesty, integrity, and moral values. 	<ul style="list-style-type: none"> Amend the whistleblowing system and specify that anonymous reports may still be accepted if they are provided with specific contents or evidence that warrant investigations. All Directors and personnel ranked Executive Vice President and above of Mega Holdings have signed the compliance statements for the Ethical Corporate Management Policy. The ethical corporate management status in 2019 was reported to the Board of Directors of each company and ethical corporate management training programs were completed with a completion rate of 99.59%. 	<ul style="list-style-type: none"> Regularly report the implementation status of ethical management to the Board of Directors. Create an honest and transparent corporate culture and promote the healthy operations of the Company. Reach 99.6% in the completion rate for ethical management training programs of all employees. 	<ul style="list-style-type: none"> Continue to organize training for ethical management and improve the corporate culture for ethical management.
	Risk management	<ul style="list-style-type: none"> Implement management of emerging risks. Enhance risk management training. Comply with the latest regulations of the International Financial Reporting Standards and regulators and continue to improve impairment assessment methodology for credit risks and market risks. Continue to apply for risk management patents and improve risk management performance. 	<ul style="list-style-type: none"> To respond to the trend in risks exposure, the Board of Directors passed the proposal for including the management of emerging risks (including climate change risks) into the "Risk Management Policy and Guidance Principles" of Mega Holdings and subsidiaries in the meeting in June 2019. Mega Holdings organized training and exercises on climate change risks in September 2019 to increase the awareness of climate change risks of companies of the Group. MICB established the manuals for parametric estimating of impairment loss on credit positions, bond investments and transactions, to regulate the adoption of the expected credit loss model for impairment loss on financial assets in accounting procedures. Mega Holdings applied for 3 patents on risk management and the 3 patents for a risk management technology application system were approved. Another invention application is still being reviewed. 	<ul style="list-style-type: none"> Enhance the awareness of Mega Holdings and subsidiaries and increase their abilities to identify and evaluate the physical and transformational risks of climate change on customers. Mega Holdings shall maintain the double leverage ratio (DLR) $\leq 118\%$. MICB shall enhance capital and liquidity supervision and maintain the following: Capital adequacy ratio $\geq 13\%$ Tier 1 capital leverage ratio $\geq 11\%$ Shareholders' equity capital ratio $\geq 10.25\%$; liquidity coverage ratio (LCR) $\geq 105\%$. CKI shall enhance reinsurance business management and set up quota management for countries of various credit ratings. Continue to enhance the functions of credit risk, market risk, operational risk, and asset-liability management systems, and enhance the risk management information analysis of subsidiaries and the Group as a whole to strengthen the Group's risk management operations. Improve internal controls and the asset quality early warning system and management system. 	<ul style="list-style-type: none"> Continue to strengthen risk identification, evaluation, and response measures for climate change. Participate in investment and loans for green industries to protect the earth and fulfill corporate social responsibilities. Enhance related risk management procedures for climate change (e.g. due diligence) and include them into the decision-making process. Mega Holdings shall continue to maintain a high double leverage ratio (DLR) $\leq 118\%$. MICB shall enhance capital and liquidity supervision based on the following targets: Capital adequacy ratio $\geq 14.5\%$ Tier 1 capital leverage ratio $\geq 12.5\%$ Shareholders' equity capital ratio $\geq 11\%$ Continue to review various risk management mechanisms to ensure the integrity of systems and operations. Improve the risk management awareness and culture of the Group and implement mechanisms for three lines of defense in risk management. Continue to evaluate the effectiveness of risk management operations. Continue to optimize risk management procedures and systems and file applications for risk management patents.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Governance	Regulatory compliance	<ul style="list-style-type: none"> Communicate and update related laws and regulations in a timely manner to ensure operating activities meet requirements in laws and regulations. Improve employees' knowledge and competence of compliance. 	<ul style="list-style-type: none"> Mega Holdings convenes quarterly communication meetings for compliance officers of the Group to discuss the implementation status of the compliance system in each company, audit opinions in internal and external audit, compliance training, and related matters. A total of 4 Group Compliance Committee Meetings were held in 2019. The supervisors and personnel of the compliance units of Mega Holdings and subsidiaries registered a total of 1,532 enrollments in training courses based on the statutory number of hours and the training completion rate was 100%. 	<ul style="list-style-type: none"> Ensure that Mega Holdings and subsidiaries communicate and update related laws and regulations in a timely manner so that operating activities meet requirements in laws and regulations. Improve knowledge and competence of compliance of the Group's employees. Convene regular meetings for compliance officers of the Group and supervise the establishment and implementation of related compliance regulations by compliance officers of each subsidiary. Establish a system for the management of changes in regulations. 	<ul style="list-style-type: none"> Continue to implement legal compliance training of the Group to strengthen compliance risk management.
	Anti-money laundering	<ul style="list-style-type: none"> Optimize consistent AML regulations for the Group. Organize regular AML meetings of the Group to follow up on the improvement status of subsidiaries in AML operations. Strengthen the functions of the Group's information sharing platform. Implement regular AML training and AML compliance tests. 	<ul style="list-style-type: none"> Mega Holdings continued to optimize the functions of the Group's anti-money laundering sharing platform and implement consistent AML regulations in the Group. MICB continued to optimize related AML regulations and systems. MICB and other subsidiaries (except for MVC) completed the AML training and compliance tests in 2019. 	<ul style="list-style-type: none"> Organize regular AML meetings of the Group to follow up on the improvement status of subsidiaries in AML operations. Implement the functions of the AML information sharing platform and maintain the consistency of blacklist scanning databases. MICB shall regularly share AML training information with subsidiaries to enhance the AML compliance awareness of employees of the Group. 	<ul style="list-style-type: none"> Continue to follow international AML supervision trends and supervise subsidiaries in their improvement of employees professional AML skills to improve the Group's AML system.
	Information security and personal information protection	<ul style="list-style-type: none"> Establish information security policy for the Group and establish comprehensive management scope and management mechanisms. MICB shall continue to purchase insurance for information security/network security incidents and MS shall introduce ISO 27001 Information Security certification to strengthen information security and personal information protection. Strengthen information security and personal information protection. Conduct vulnerability scanning, penetration tests, and social engineering exercises at unspecified intervals. Strengthen personal information protection and control measures and training programs. The training completion rate shall be 100%. 	<ul style="list-style-type: none"> Mega Holdings established the Information Security Policy in March 2019. MICB and CKI renewed information security insurance policies. MICB and CKI continued to obtain certification for the ISO 27001 Information Security Management System. Mega Holdings conducted social engineering exercises on subsidiaries. Mega Holdings, MICB, MS, MBF, and CKI completed vulnerability scanning, penetration tests, and social engineering exercises. Mega Holdings and subsidiaries completed regular information security training with a completion rate of 100% 	<ul style="list-style-type: none"> MICB organized information security incident reporting and response drills and established a 24/7 information security monitoring center to strengthen crisis management capacity. MICB and CKI will continue to purchase the e-commerce services and information security liability insurance. Strengthen information security and personal information protection. Conduct vulnerability scanning, penetration tests, and social engineering exercises at unspecified intervals. Strengthen data and personal information protection and control measures and training programs. The training completion rate was 100%. MICB and CKI shall continue to maintain the certification for the ISO 27001 Information Security Management System. MS shall obtain certification for the ISO 27001 Information Security Management System. 	<ul style="list-style-type: none"> Include information security risk management into the internal corporate culture to focus on Mega Holdings' goals for sustainable operations and protecting the best interests of customers. MICB shall complete network security risk assessments for all overseas branches and develop an information security risk map for the entire Bank. MICB shall establish an information security incident monitoring and response center to cultivate technical talents for analyzing malicious attacks. Maintain 100% information security training completion rate and enhance employees' awareness of information security and personal data protection. Meet Level B cyber security requirements for non-government agencies or above specified in the Regulations on Classification of Cyber Security Responsibility Levels.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Environment	Digital financial product innovations	<ul style="list-style-type: none"> In response to the development of FinTech, the Company encourages employees to develop digital finance patents and improve the overall competitiveness. 	<ul style="list-style-type: none"> In 2019, MICB applied for 185 patents on digital finance, 137 patents of which have been approved and 42 were awarded invention patents. It has consistently maintained its lead in the domestic finance industry in the number of approved finance patents and patent applications. MICB's online card application rate reached 53% and it is currently executing experience optimization projects. MICB, MS, and CKI continued to use the official website, social media, and fan groups to develop digital marketing. CKI continued to promote online insurance products and UBI products on the official website, apps, FB page, and LINE. 	<ul style="list-style-type: none"> Increase the number of Taiwan Pay stores and continue to develop QR code payment services for various property insurance and other mobile payment products. Establish a data application platform system and plan analysis results query services for diverse applications to strengthen overall digital marketing and management capabilities. Develop a mobile insurance platform for property insurance to implement real-time underwriting and insurance approval procedures and develop an electronic insurance policy system. Respond to market trends with system algorithms to achieve dynamic asset allocation. Promote online robot investment and wealth management services based on customers' investment risk attributes and preferences. The first-stage electronic delivery system for transaction forms of bills on the secondary market is scheduled to be completed in mid-2020. Business exercises shall be implemented for bills companies for participants (financial institutions). 	<ul style="list-style-type: none"> Build the big data system, and gradually integrate related business application systems to improve the capacity for data analysis and management. Assist all business units in planning and developing digitalization functions and use uninterrupted Internet services to communicate with existing customers and develop new customers. Continue to expand the mobile insurance purchase platform to provide external business personnel and insurance agency channels. Plan the introduction of mobile insurance claim services to enhance mobile services for insurance purchases and claims for customers. Continue promotions and encourage customers to select electronic statements/ insurance forms to enhance the Company's green finance image, reduce the volume of paper used, simplify manual operations, and save mailing fees. In response to the development of FinTech, the Company encourages employees to develop digital finance patents and improve the overall competitiveness. Expand the recipients of electronic delivery services of transaction forms of bills on the secondary market to all investors (regular customers).
	Sustainability and green products	<ul style="list-style-type: none"> Help renewable energy operators obtain funding required for business operations and cultivate finance talents that understand the renewable energy sector to strengthen the Group's green loans and investments. Continue to work with municipal governments and provide funding required for the development of renewable energy. Continue to implement responsible investment and revise financing and credit review principles. 	<ul style="list-style-type: none"> The balance of loans made to businesses pertaining to renewable energy technology was NT\$84.894 billion; Green bond investment amount reached NT\$8.8 billion MICB obtained the approval of the FSC for the issuance of green bonds in December 2019 and issued the bonds in March 2020. The loans outstanding to key start-up industries totaled NT\$395.1 billion, which was an increase of NT\$10.9 billion from the previous year. In July 2019, MICB and MBF included information on whether borrowers have fulfilled responsibilities for environmental protection, their involvement in activities or incidents against the interests of the public, and actions or incidents in violation of human rights into the credit review operating system. 	<ul style="list-style-type: none"> Issue green bonds totaling NT\$1 billion to provide the necessary funding for supporting green loans. Continue to implement responsible investment and revise MICB's "Stewardship Principles". Help renewable energy operators obtain funding required for business operations and cultivate finance talents that understand the renewable energy sector to strengthen the Group's green loans and investments. Continue to work with municipal governments and provide funding required for the development of renewable energy and offshore wind farms. Increase the balance of loans for key start-up industries by NT\$8 billion in 2020. 	<ul style="list-style-type: none"> Establish medium to long-term objectives for encouraging industries, investors, and consumers to focus more on the sustainable development of the environment and facilitate the transformation into a green economy, green investments, green consumption and life. Continue to support the government's promotion of renewable energy and strengthen the promotion of green finance to fulfill corporate social responsibilities.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Environment	Climate change management			<ul style="list-style-type: none"> Collect data on various business locations and greenhouse gas emissions with the CDP climate change questionnaire (including TCFD climate-related financial disclosures). Strengthen social media functions to respond to damages caused by disasters and improve customer services. 	<ul style="list-style-type: none"> Establish medium to long-term objectives for encouraging industries, investors, and consumers to focus more on the sustainable development of the environment and facilitate the transformation into a green economy, green investments, green consumption and life.
	Green operation	<ul style="list-style-type: none"> Complete ISO 14064-1 Greenhouse Gas Inventory for the Group's business locations in northern and central Taiwan. Mega Chi-Lin Building passed the third-year verification for the ISO 14001 environmental management system. Continue to promote the waste classification and energy conservation policies. Respond to the "Earth Hour" energy conservation initiative on March 20. 	<ul style="list-style-type: none"> Completed the ISO 14064-1 Greenhouse Gas Inventory for 2019. Certification was completed for 139 locations in northern and central Taiwan which passed third-party verification. Mega Chi-Lin Building passed the third-year verification for the ISO 14001 environmental management system in 2019. The Group continues to promote waste reduction, sorting, and recycling. Subsidiary companies have gradually replaced their old lighting equipment and air conditioning equipment in the offices. The use of resources and greenhouse gas emissions in 2019 were as follows: <ol style="list-style-type: none"> The use of "vehicle fuel" increased by 0.68% from 2018. The use of "purchased electrical power" decreased by 1.39% from 2018. The use of "water" increased by 2.35% from 2018. The "total greenhouse gas emissions" was reduced by 1.66% from 2018. All business locations of the Group supported the "Earth Hour" event on March 20, 2019. 	<ul style="list-style-type: none"> Complete Greenhouse Gas Inventory Statement for business locations in northern and central Taiwan before the end of April 2020; begin inventory of all business locations in Taiwan (locations in northern, central, and southern Taiwan) in the second half of 2020 and adopt the new ISO 14064-1: 2018 standards. Mega Chi-Lin Building continued organize the ISO 14001 Environmental Management System verification (each certification is valid for three years and this one will be valid from 2020 to 2022). All business locations of the Group shall replace lighting equipment with LED lighting equipment before the end of 2020 (except for T5 lighting equipment). The Group shall participate in the "Earth Hour" campaign and close the signs, window lights, and decorative lights of business locations in the evening on March 28, 2020. Complete the update for all MICB's old elevators and air conditioning chillers in 2020. Promote electronic insurance policies for personal insurance to reduce the use of paper. 	<ul style="list-style-type: none"> Complete the ISO 14064-1 Greenhouse Gas Inventory for all domestic and overseas branches and obtain assurance statements from external verification institutions. The Group shall reduce fuel oil, externally purchased electrical power, water, and greenhouse gas emissions by 5% in 2022 (2017 is set as the baseline year). Review the Group's energy consumption and greenhouse gas emissions each year. Adopt the ISO14001 Certification of Environmental Management System certification for all subsidiary companies of the Group.
	Green procurement		<ul style="list-style-type: none"> Mega Holdings, MICB, MBF, MS, and CKI established related regulations for supplier management in 2019. 	<ul style="list-style-type: none"> Continue to implement supplier management. MICB continues to support the "Private Enterprise and Organization Green Procurement Projects" promoted by the Department of Environmental Protection and completes reporting procedures. 	<ul style="list-style-type: none"> Include CSR self-assessment of suppliers, review, and visits into the system to strengthen supplier management and implement green procurement.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Society	Protection of customer rights and interests	<ul style="list-style-type: none"> Implement the "Principles for Fair Treatment of Customers in the Financial Services Industry" to protect customer rights and interests. Comply with the "EU General Data Protection Regulation" (GDPR) and establish related standards or operating guidelines for implementation. 	<ul style="list-style-type: none"> MICB complied with the Fair Customer Treatment Principles in accordance with the regulations of the Financial Supervisory Commission. MICB established the "MICB Fair Customer Treatment Policy" and "Fair Customer Treatment Principles Strategy and Consumer Protection Act" which have been included in routine training programs. The Fair Customer Treatment Working Group was established in 2019 to strengthen procedures for related customer complaints. MS was awarded second place in the securities firms category in the 2018 evaluation on the Principles for Fair Treatment of Customers by the FSC in August 2019. MICB values every customer's privacy. All related internal personal information protection regulations are established in accordance with the latest domestic and overseas laws and regulations (including GDPR) to ensure compliance with global standards. 	<ul style="list-style-type: none"> Implement the "Principles for Fair Treatment of Customers in the Financial Services Industry" and "EU General Data Protection Regulation" (GDPR) to protect customer rights and interests. Organize sales and marketing training programs for various products, the Financial Consumer Protection Act, Personal Information Protection Act, Principles for Fair Treatment of Customers, and KYC operations. Attain a training completion rate of 100%. Implement various wealth management specialist control measures specified in the "Internal Control Principles for the Prevention of Misappropriation of Client Funds by Wealth Management Specialists" to protect customer interests. 	<ul style="list-style-type: none"> Continue to implement the "Principles for Fair Treatment of Customers in the Financial Services Industry" and "EU General Data Protection Regulation" (GDPR) to enhance service quality and actively protect customer rights and interests. Continue to organize sales and marketing training programs for various products, the Financial Consumer Protection Act, Personal Information Protection Act, Principles for Fair Treatment of Customers, and KYC operations. Attain a training completion rate of 100%. Conduct customer satisfaction surveys through telephone surveys, e-mail surveys, webpage or outside survey firm to review items they are dissatisfied as the basis for improvements.
	Financial inclusion	<ul style="list-style-type: none"> Amend the contents of the reverse mortgage plans to meet customer needs. Set a target for implementing 1 case in each branch in 2019. Set a goal for increasing the scale of assets of retirement trusts by NT\$100 million and increase the number of beneficiaries by 200 people. Set a goal for increasing Government Concessional Loan for Youth Housing by NT\$4 billion in 2019. 	<ul style="list-style-type: none"> MICB processed 34 reverse mortgages in 2019 which was an increase of 23 cases from 2018 with NT\$9,501 thousand in balance of loans. The retirement trust for elderly people processed by MICB in 2019 increased the cumulative number of trust beneficiaries to 773 individuals, up 304 individuals from the previous year, and increased the balance of trust principal to NT\$769 million, up NT\$207 million from 2018. MICB was granted an Outstanding Bank Award for providing property trust services for the elderly and people with disabilities by the FSC. A cumulative total of 19,752 Government Concessional Loan for Youth Housing cases was processed, which was an increase of 1,055 cases from 2018, with NT\$88.633 billion in loans allocated, an increase of NT\$5.3 billion from the previous year. The balance of loans was NT\$41.809 billion. 	<ul style="list-style-type: none"> Set a goal for increasing the number of beneficiaries by 300 and increasing the scale of assets of retirement trusts by NT\$100 million in 2020. Set a goal for increasing Government Concessional Loan for Youth Housing by NT\$3 billion in 2020. Set a goal for expanding the number of insured under micro insurance coverage with a target premiums income of NT\$500,000. Continue to promote crop insurance products for agricultural produce such as persimmons and peaches and actively promote the programs to increase the insurance purchase rates of produce growers. Set a goal for attaining 8% growth in the number of accounts in loans to small and medium enterprises (including micro enterprises) and increase the balance of loans by NT\$8 billion in 2020. Set a goal for increasing urban renewal loans by NT\$1.5 billion in 2020. 	<ul style="list-style-type: none"> Continue to actively participate in asset management seminars organized by the Trust Association and public welfare groups to strengthen the development of retirement trusts. Actively seek cross-industry collaborations to increase the care functions of retirement trusts. Continue to follow government policies and strengthen the Government Concessional Loan for Youth Housing to help young first-time home buyers buy homes and reduce their burdens of housing expenditures. Continue to develop crop insurance for other crops and encourage employees to actively expand micro insurance businesses. Enhance loans for small and medium enterprises and assist small and medium enterprises obtain working capital. In addition to providing financing support, Mega Holdings shall use resources of subsidiaries to provide assistance in different stages of urban renewal and reconstruction of dangerous and old buildings and continue to support the government's urban renewal policies.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Society	Labor-management relations and communication	<ul style="list-style-type: none"> Hold labor-management meetings periodically to foster harmonious labor-management relations and strengthen labor-management communication channels. 	<ul style="list-style-type: none"> Mega Holdings and subsidiaries hold regular labor management meetings. 	<ul style="list-style-type: none"> Hold labor-management meetings periodically to foster harmonious labor-management relations and strengthen labor-management communication channels. Plan the employee engagement survey and learn about employees' engagement and their recommendations for the Company's development. 	<ul style="list-style-type: none"> Continue to maintain harmonious labor-management relations and strengthen labor-management communication channels. Introduce employee engagement surveys and set goals for recovery rate of surveys and overall engagement targets.
	Employee salary and benefits	<ul style="list-style-type: none"> Respond to the government's childbirth incentives and issue childbirth subsidies. Strengthen care for employees and provide necessary assistance. Organize charity and employee activities, family day, and other events for employees. 	<ul style="list-style-type: none"> Childbirth subsidies totaling NT\$13.75 million were provided to 186 employees in 2019. Mega Holdings, MICB, MBF, CKI, and MITC organized employee activities, family day, and club activities in 2019 to strengthen care for employees and provide necessary assistance. 	<ul style="list-style-type: none"> Strengthen care for employees and provide necessary assistance. Maintain the Group's average turnover rate below 5.1%. Continue to be included in the Taiwan Employment Creation 99 Index and Taiwan High Compensation 100 Index 	<ul style="list-style-type: none"> The basic salaries of new employees, at home and abroad, across the Group are higher than the minimum wages of countries where they operate. The basic salary of women to men on each level is 1:1. In addition to remuneration and bonuses, the Group shall provide employee benefits and work environment superior to legal requirements and provide employees with comprehensive care. Continue to be included in the Taiwan Employment Creation 99 Index and Taiwan High Compensation 100 Index
	Career development and learning	<ul style="list-style-type: none"> Continue employee education and training with a goal of 48 hours in average training hours per employee. Encourage employees to take tests for finance-related professional certification or qualifications and continue to provide related subsidies. 	<ul style="list-style-type: none"> Each employee of the Group received 58.79 hours of training in 2019. Total training investments exceeded NT\$100 million. Encourage employees to take tests for finance-related professional certification or qualifications and continue to provide related subsidies. A total of NT\$3.455 million was provided in 2019. 	<ul style="list-style-type: none"> Continue employee education and training with a goal of 48 hours in average training hours for each employee of the Group. Encourage employees to take tests for finance-related professional certification or qualifications and continue to provide related subsidies. 	<ul style="list-style-type: none"> Cultivate international finance talents, enhance employees' professional competencies, and optimize their competitiveness for career advancement. Continue employee education and training with a goal of 50 hours in average training hours per employee.
	Human rights protection and management	<ul style="list-style-type: none"> 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. Recruit employees based on gender equality principles. Alleviate all forms of discrimination against women and organize gender equality training courses. 	<ul style="list-style-type: none"> MICB recorded 11,706 enrollments in training on the Human Rights Policy in 2019 (including sexual harassment prevention) with a total of 50,877 training hours. The Group received no reports of complaints regarding human rights or discrimination or sexual harassment in 2019. MICB included gender equality courses in eight rounds training for new employees in 2019. Each course is one hour long and 610 employees attended the courses. 	<ul style="list-style-type: none"> Plan related training programs for human rights protection, promote compliance to the Act of Gender Equality in Employment, and continue to organize gender equality training and sexual harassment prevention. Recruit employees based on gender equality principles and alleviate all forms of discrimination in employment. 	<ul style="list-style-type: none"> Organize human rights protection and gender equality training courses and attain 100% employee training rate.



Aspect	Material Sustainability Issue	2019 Goals	2019 Achievement Status	2020 Goals	Medium/Long-Term Goals (2021~2025)
Society	Safe and healthy workplace	<ul style="list-style-type: none"> Organize activities to promote employee health and provide a safe workplace. 	<ul style="list-style-type: none"> Provide employees with psychological consultation services, organize health seminars and exercise and weight loss activities, regularly disinfect the workplace environment and maintain fire safety equipment, organize fire drills every six months. 	<ul style="list-style-type: none"> Continue to provide employees with subsidies for health examinations. Continue to provide employees with psychological consultation services. Organize regular health seminars and related health promotion activities. Increase employees' awareness of information related to occupational safety. Maintain and inspect fire safety equipment in accordance with laws (e.g., fire extinguishers and lighting in stairwells) and maintain the cleanliness of the office environment. 	<ul style="list-style-type: none"> Introduce the "ISO 45001 Safety and Health Management System". Continue to focus on emerging occupational safety and health issues and construct a happy workplace. Continue to provide employees with subsidies for health examinations. Continue to provide employees with psychological consultation services. Organize regular health seminars and related health promotion activities. Regularly increase employees' awareness of information related to occupational safety. Maintain and inspect fire safety equipment in accordance with laws and maintain the cleanliness of the office environment.
	Social investment and social welfare	<ul style="list-style-type: none"> Continue to execute sports talents programs including training for baseball teams, archery teams, and weightlifting teams in schools in remote areas as well as esports to focus on the development of specialty sports of Taiwan. Continue to provide financial support for tuition and expenses to disadvantaged families and children. Assist the elderly of disadvantaged families with life necessities and work with social welfare institutions to continue to care for their mental health or retirement plans. Continue to organize various art and cultural promotion activities to foster local art and culture development. Combine the professional competencies of the Group and assist in the promotion of financial education. Integrate industrial, governmental, and academic resources in training camps organized by colleges, company visits, or financial knowledge events hosted by competent authorities to promote financial education. 	<ul style="list-style-type: none"> The Company provided long-term sponsorship for training fees for schoolchildren in remote areas for baseball, archery and weightlifting. Organized baseball games, archery contests, and esports to promote the development of Taiwanese sports. The Company received the 2019 Sports Contribution Award - Sponsorship Gold from the Sports Administration, Ministry of Education. In caring for the socially disadvantaged the Group and its two foundations donated a total of NT\$28.25 million in 2019 and provided subsidies for school lunches for children living in remote areas, funding for the operations of disadvantaged groups, and individual cases of emergency medical relief and funerary assistance. The Company organized large-scale concerts in northern, central, and southern Taiwan and sponsored Puzangalan Children's Choir in overseas competitions and various domestic arts and culture activities. The Company invested NT\$11.73 million in 2019 to sponsor the development of art and culture. MICB organized the "College, High School, and Elementary School Visits and Promotion of Financial Knowledge Activities" and organized 3 sessions of wealth management summer camps in northern, central, and southern Taiwan to help promote financial knowledge education. 	<ul style="list-style-type: none"> Continue to sponsor large-scale sports events and sports experience camps and sponsor grassroots sports funding and professional baseball teams. Continue to provide financial support to disadvantaged families and children and provide subsidies for families in poverty and sponsorship for the operations of social welfare organizations for the disabled. Organize concerts and sponsor art and cultural performances in Taiwan to promote art and culture and support local art and culture development. Continue to organize company visits and related affairs as well as various finance and wealth management seminars to promote financial knowledge education. 	<ul style="list-style-type: none"> Support the development of domestic sports and provide sponsorship for cultivating sports talents and large-scale contests. Provide care for disadvantaged groups, subsidies for general and medical care expenses for impoverished children, families, and elderly people, and sponsorship for the operations of social welfare organizations for the disabled. Support local art and culture activities. Organize and sponsor concerts, domestic arts, concerts, and theater performances. Combine the professional competencies of the Group and organize various finance and wealth management education camps and seminars to assist in the promotion of financial education.



CHAPTER

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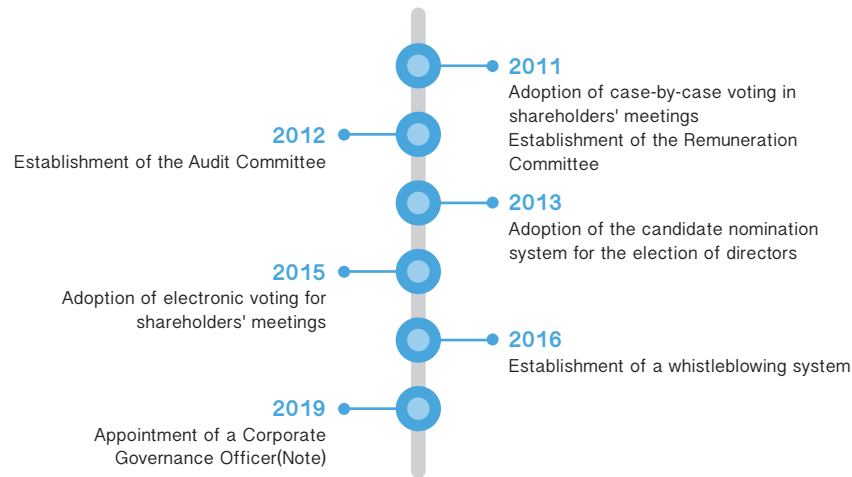
Sustainable Governance

A sound corporate governance is the foundation for sustainable development of companies. Mega Holdings continues to implement and improve corporate governance by focusing on compliance, risk management, and information security. We incorporate FinTech applications to create a secure and excellent business environment. We also make use of the professionalism, diversity, and independence of directors to create an open and transparent governance system and provide the management team with comprehensive recommendations for decisions, secure profitability, and competitive and advantage, with the aim of becoming an Asia regional financial group.



1.1 Corporate Governance

Mega Holdings has adopted the following corporate governance practices in the past years to improve the effectiveness of corporate governance:

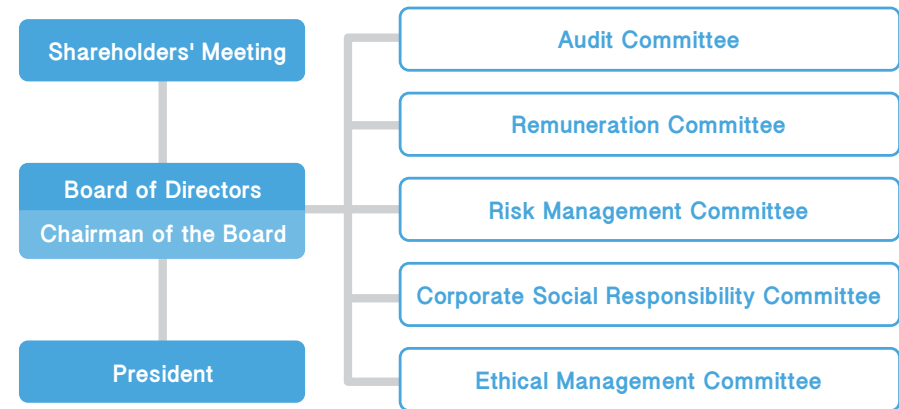


Note : Mega Holdings and its subsidiaries, excluding MVC and MLIA, appointed a Corporate Governance Officer in 2019 in accordance with the regulations of the competent authority and assigned suitable personnel to process related corporate governance affairs to strengthen the corporate governance structure.

1.1.1 Governance Structure

Mega Holdings has established a sound corporate governance structure. The shareholders' meeting is responsible for the distribution of dividends, amendments to Articles of Incorporation and internal regulations, and the election of directors, etc. The Board of Directors is established under the shareholders' meeting and it is 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 and it is responsible for passing the Company's business plans, annual financial reports and semi-annual financial reports, assessment on the effectiveness of the internal control system, appointment (dismissal) of the CPA, and the appointment and dismissal of managerial officers. The Audit Committee, the Remuneration Committee, the Risk Management Committee, the Corporate Social Responsibility Committee, and the Ethical Management 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



1.1.2 Operations of the Board of Directors

The Articles of Incorporation of Mega Holdings specified that the election of directors shall be conducted based on a candidate nomination system starting from 2013. Directors are elected in the shareholders' meeting from a list of candidates and they are eligible for reelections. The number of independent directors shall not be less than three persons and shall not be less than one fifth of the seats of directors.

Mega Holdings holds elections of directors every three years in accordance with the Articles of Incorporation, "Regulations Governing the Election of Directors", and the candidate nomination system. The qualifications of all director and independent director candidates must be reviewed by the Board of Directors in accordance with the Company Act and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies to ensure the transparency of the procedures for the nomination and election of directors. The Board of Directors shall verify the professional qualifications and independence of the candidates before they may pass the candidates in a resolution before submitting the list of candidates to the shareholders' meeting for election.

Diversity and Independence of the Board Directors

The composition of the members of the Board of Directors of Mega Holdings is based on requirements for the Company's operations, business models, and development. Among the 11 directors and 3 independent directors in office as of the end of 2019, only 2 directors are managerial officers of Mega Holdings. The professional background of the directors covers law, accounting, banking, finance, and economics; the professional skills include risk management, compliance, anti-money laundering, finance, economic analysis, business management, internal control, and industry knowledge. Each board member has the necessary knowledge, skill, and experience to perform their duties. In addition, at least one director with professional knowledge of the operations of subsidiaries is appointed. 3 out of the 14 directors specified above are female. The directors' average age is 57.42 years old. The structure and diversity of the directors are provided in the table below.

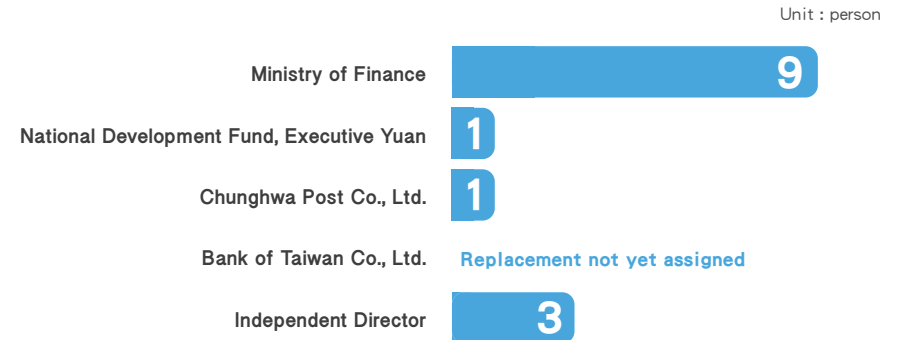
Mega Holdings values the independence of directors. The Chairman and President are not the same individual or have relations such as spouses or relatives within the first degree of kinship. Directors also do not have relations within the second degree of kinship. Independent directors retain independence qualifications required by the competent authority and they do not serve as directors or independent directors in more than two other companies. In addition, the Company's Corporate Governance Best Practice Principles specify that independent directors may not serve more than three consecutive terms to ensure that independence is not reduced by extended association. The average term of the current independent directors is 2.32 years.



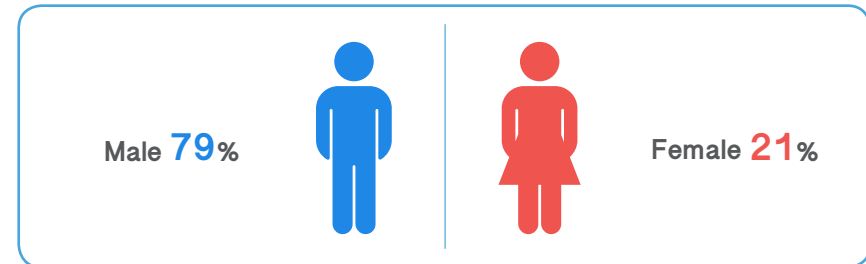
Please refer to the Company's Annual Report for information on the directors.

<https://www.megaholdings.com.tw/tc/Yearreport.aspx>

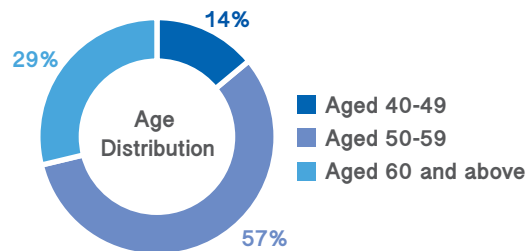
Structure of the Board of Directors



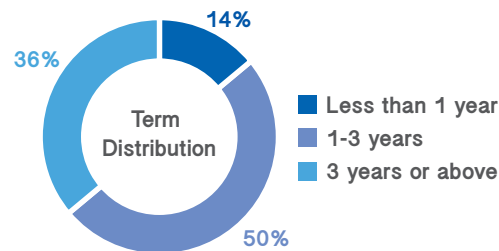
Gender Distribution



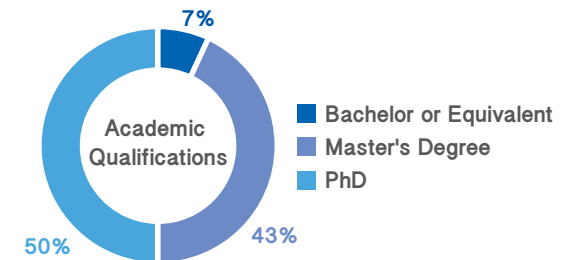
Age Distribution



Term Distribution



Academic Qualifications





• Diversity

Title	Name	Core Competence									GICS
		Nationality	Gender	Business Management	Leadership and Decision-making	Financial Knowledge	International Industry Economics	Financial Accounting	Taxation	Law (Note 1)	(Note 2)
Chairman	Chao-Shun Chang	Republic of China	Male	✓	✓	✓	✓	✓	✓		Finance
President	Kuang-Hua Hu	Republic of China	Male	✓	✓	✓	✓	✓			Finance
Independent Director	Jiun-Wei Lu	Republic of China	Male	✓	✓	✓	✓		✓		Finance
Independent Director	Ying-Ko Lin	Republic of China	Male			✓	✓	✓			Finance
Independent Director	Chang-Ching Lin	Republic of China	Male	✓	✓	✓	✓		✓		Finance
Director	Chun-Lan Yen	Republic of China	Female	✓	✓	✓	✓	✓	✓	✓	Finance
Director	Hong-Mo Wu	Republic of China	Male	✓	✓	✓	✓				-
Director	Cheng-Mount Cheng	Republic of China	Male	✓	✓	✓	✓				Finance
Director	Yong-Yi Tsai	Republic of China	Male	✓	✓	✓	✓	✓	✓		Finance
Director	Tzong-Yau Lin	Republic of China	Male	✓	✓	✓	✓		✓		Finance
Director	Wen-Ling Hung	Republic of China	Female						✓	✓	-
Director	Cheng-Te Liang	Republic of China	Male	✓	✓	✓		✓	✓		Finance
Director	Pei-Chun Chen	Republic of China	Female	✓	✓	✓	✓			✓	Finance
Director	Chi-Hsu Lin	Republic of China	Male	✓	✓	✓	✓	✓			Finance
Total number of people				12	12	13	12	7	8	3	

Note 1: Including compliance and anti-money laundering.

Note 2: Global Industry Classification Standard (GICS)



Operations of the Board of Directors and Avoidance of Conflicts of Interest

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.

A total of 12 meetings of the Board of Directors was held in 2019 and board members averaged an attendance in person rate of 99.40%. At least one independent director attended in person the Company's board meetings and the attendance of independent directors in board meetings is detailed in the table below.

Attendance by independent directors in board meetings

Board of Directors Term and Session	Name of Independent Director	Attendance Status				Attendance in Person Rate
		Required Attendances	Attendances in Person	Attendances by Proxy	Absences	
7th Term	Jiun-Wei Lu	12	12	0	0	100%
	Ying-Ko Lin	12	12	0	0	100%
	Chang-Ching Lin	12	12	0	0	100%

Mega Holdings has established clear regulations on the avoidance of conflicts of interests for directors who shall uphold a high level of discipline. 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.

Operations of the Board of Directors and functional committees in 2019

	Attendance in Person Rate
Board of Directors ^{Note}	99.4%
Audit Committee	96.3 %
Remuneration Committee	100 %
Risk Management Committee	87.5%
Corporate Social Responsibility Committee	97.1%

Note: Among the 15 directors, 1 resigned in September 2019.

Continuing Education of Directors

Mega Holdings provides diverse continuing education courses in external institutions for board members in accordance with international corporate governance development trends and the latest compliance and AML regulations to strengthen their skills needed for the execution of their duties and advance with the times.

In 2019, 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 for all directors was 137, and the average number of training hours per person was 9.79. The total number of training hours for the 2 new directors was 12 and the number of training hours for the 12 re-appointed directors was 8.83. The overall training hours exceeded the requirement of 12 hours for new directors and 6 hours for re-appointed directors in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". The training courses covered corporate governance, anti-money laundering, risk management, internal control, business decision making, and legal risks. The continuing education of directors in 2019 have been disclosed on the Market Observation Post System and the Company's website.

Board Performance Evaluation

To implement corporate governance and strengthen the functions of the Board of Directors, the Company established the Guidelines on the Performance Evaluation of the Board in 2015 and had the Guidelines published on its website 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 for 2019 were reported to the Board of Directors in November 2019. The implementation status and explanation of the evaluation methods were disclosed in the Company's Annual Report. The Company appointed an external evaluation institution to execute the performance evaluation of the Board of Directors in 2018. The Company disclosed the names and professional qualifications of the external evaluation institution, experts, and scholars and explained whether it has business relations with the Company, and its independence status in the Annual Report.

To strengthen the integrity of the performance evaluation and implement related information disclosure requirements for the Corporate Governance Evaluation of the Taiwan Stock Exchange Corporation, Mega Holdings amended the title and certain articles of the Board of Directors Performance Evaluation Guidelines in July 2019 to improve the information transparency of the evaluation guidelines and results.



Please refer to the Company's website for the results of the Company's board performance evaluation in 2019.

<https://www.megaholdings.com.tw/tc/boardDirectors.aspx>



• Functional Committees under the Board of Directors

	Members	Authority	Frequency of Meetings
Audit Committee	All 3 independent directors	Review of the 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	At least one meeting each quarter (9 meetings in 2019)
Remuneration Committee	All 3 independent directors	Establish and regularly review directors and managerial officers' performance, assess remuneration policy/system, standards and structure, and regularly assess and establish the remuneration for directors and managerial officers	At least two meetings each year (5 meetings in 2019)
Risk Management Committee	The Chairman of Mega Holdings serves as the chairperson of the Risk Management Committee, 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	Review the Risk Management Policy, targets, and changes in related systems, regulations, and guidelines or related risk management proposals, and supervise the establishment of risk management mechanisms of Mega Holdings and subsidiaries	One meeting every two months (6 meetings in 2019)
Corporate Social Responsibility Committee	The President of Mega Holdings serves as the chairperson of the Committee; the Executive Vice President of Mega Holdings serves as the Executive Director; Executive Vice Presidents or Presidents of subsidiaries serve as committee members	Review the annual CSR plans and various implementation plans and follow up and review the implementation status of annual plans	Irregular (5 meetings in 2019)
Ethical Management Committee ^{Note}	All 3 independent directors	Review the Ethical Corporate Management Policy and supervise the training for the Ethics Policy; assist with incorporating ethical and moral values into the corporate business strategy, as well as implement preventive measures for ensuring ethical corporate management in accordance with the law; review the whistleblowing system and ensure the effectiveness of its execution, etc.	At least one meeting each year

Note: The Ethical Management Committee was established by the Board of Directors in March 2020.



1.1.3 Ethical Management

To establish a sound corporate governance system and a culture of ethical management, Mega Holdings and subsidiaries have established the "Principles for Ethical Management", "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical Conduct" and regularly reports the compliance status of ethical management to the Board of Directors. Starting in 2019, directors and senior executives ranked Vice President and above have been required to submit statements of compliance for the Ethical Corporate Management Policy. Through regular educational training and campaign activities in coordination with internal control and internal audit measures, all employees are educated on the company's ethical corporate management policy, prevention plans, operating procedures, and consequences of unethical conducts to incorporate ethical management as a part of the corporate culture.

The Group has organized internal and external training on ethical management (including UNCAC, whistleblower protection, ethical corporate management, employee confidentiality, misappropriation of client funds by wealth management specialists, and other training programs) with 9,617 enrollments and a completion rate of 99.59% in 2019. Only certain employees were unable to attend training programs due to their shift schedule or duties. We shall continue to follow up on the training completion rate including universal training methods such as online learning to attain the target completion rate of 100%.

Information Disclosure

Procedures for Handling Material Inside Information

The Company's Board of Directors established the Procedures for Handling Material Inside Information to regulate the procedures for publishing material inside information, prevent inappropriate leaks of information, and ensure the consistency and accuracy of information disseminated by Mega Holdings to the outside world. The Company established confidentiality firewall procedures for individuals and items and established the principles for the disclosure of material inside information as well as the spokesperson system. All employees shall comply with the Procedures in operations.

Disclosure of Financial Information

As a principle, Mega Holdings discloses information on business and finance and other non-financial information on a regular basis and participates in investor forums and investor conferences organized by securities companies at home and abroad from time to time. In 2019, the Company organized 268 meetings and telephone conferences with investors at home and abroad and attended 3 investor conferences organized by foreign securities companies. We also organized 2 independent online investor conference. Information on business and finance presented in the investor conferences has been disclosed on the Market Observation Post System and the Company's website.

Disclosure of Non-Financial Information

Mega Holdings prepares its Corporate Social Responsibility Report each year to disclose its economic, social, and environmental performance. The Reports are verified by a third party and published on the Company's website and the Market Observation Post System to actively disclose non-financial information.

Stakeholders Section

Mega Holdings has established a "Stakeholder Communication" section under "CSR" on the Company website to disclose the contacts and contact methods for investors, customers, suppliers, employees, and CSR issues for stakeholders to express their opinions and for the Company to collect information on issues of concern to stakeholders. The Company promptly responds to stakeholders' opinions and includes them as references for the implementation of CSR plans.

Whistleblowing System

To establish an ethical and transparent corporate culture and promote sound operations, Mega Holdings has established a whistleblowing system and specified the whistleblowing hotline, whistleblowing mailbox, and protective measures for whistleblowers. Independent units are assigned to exercise rights and take charge of processing reports. Employees and external personnel may use the whistleblowing channels to report illegal, immoral, or unethical conduct.



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 reported employees in cases concerning unethical conduct in 2018-2019 (detailed in the table below) were punished depending on the circumstances according to related regulations governing rewards and penalties. The Company also enhanced related training programs.

Item	2018	2019
Number of reported cases	5	13
Number of cases established after investigation	3	3
Number of cases of inappropriate conduct found in investigations	3	1

In 2019, whistleblowing cases for which investigations were conducted included 3 cases including 1 case of inappropriate conduct. They are described below:

Case Summary	Company Name	Processing Status	Improvement Measures
Irregular transactions between the branch manager and customers	Mega International Commercial Bank Co., Ltd.	<ol style="list-style-type: none"> 1. According to investigations, the individual (branch manager) reported for misconduct did have financial dealings with the customer and was in violation of Article 6 of the Employee Code of Conduct which states that employees must avoid monetary transactions with customers. The case was transferred to the personnel review committee and the branch manager received two major demerits. 2. The Credit Control Department and Wealth Management Department have reviewed policies on the requirement for the uses of funds to meet actual loan conditions, prohibition on private arrangements for sharing rewards, distribution of existing business rewards for wealth management services, and improvement of the existing wealth management system. 	<ol style="list-style-type: none"> 1. Strengthened the tracking and monitoring of cash flow of loans. 2. Added measures for reviewing the operations of branches to reduce loan interest rates for wealth management customers and subsidize customers in wealth management services. 3. Added measures for the control of financial management promotional fees. 4. Added management statements for each branch on the fee income of individual employees as a percentage of fee income of the branch. 5. Revised the criteria for the transfer of full-time wealth management specialists and professional wealth management specialists to regular employees.

1.2 Business Overview

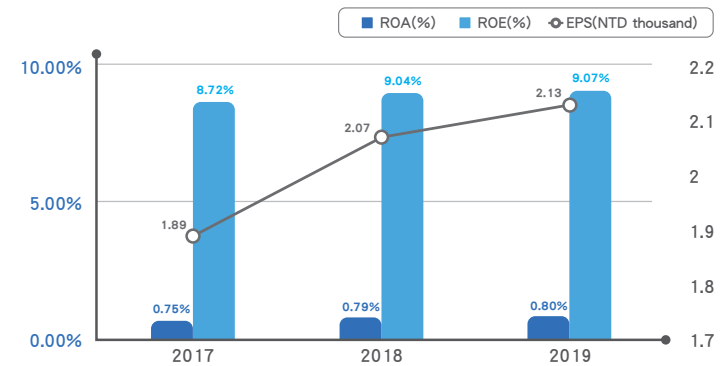
Faced with the increasing competition and rapid changes in regulations and financial services, the Company has responded actively through staff training, software and hardware upgrade, and development of digital banking products. To meet AML/CFT requirements, MICB reorganized the structure, established a dedicated AML unit, expanded legal compliance and AML manpower, established an AML information system, and appointed professional consultants to assist in the introduction of the system. Therefore, employee welfare expenses and other general and administrative expenses increased significantly. However, the Company still maintained stable profits and market leading advantages.

1.2.1 Economic performance

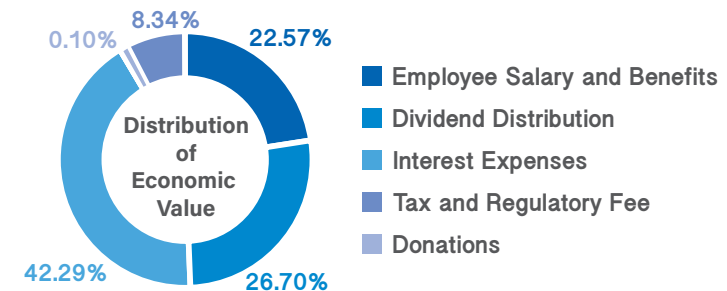
The Company has maintained stable earnings growth since its incorporation. Compared to 2018, consolidated net profit after tax increased 3.07% in 2019, from NT\$28.093 billion to NT\$28.955 billion, and EPS after tax was NT\$2.13. Overall, the Company had a robust and outstanding performance in 2019. The net profit after tax of the core subsidiary MICB in 2019 amounted to NT\$24.645 billion, an increase of 1.96% from the previous year.

	2017	2018	2019
Total Assets (in NT\$ millions)	3,547,321	3,542,059	3,683,548
Total Equity (in NT\$ millions)	298,096	314,255	324,061
Share Capital (in NT\$ millions)	135,998	135,998	135,998
Net Revenue (in NT\$ millions)	59,660	61,609	65,275
Net Profit After Tax (in NT\$ millions)	25,729	28,093	28,955
Average Employee Revenue (in NT\$ thousands)	6,728	6,620	6,676
Average Employee Profit (in NT\$ thousands)	2,902	3,019	2,962
Earnings per Share (NT\$)	1.89	2.07	2.13
Book value per share (NT\$)	21.92	23.11	23.83
Return on assets (%)	0.75	0.79	0.80
Cash Dividends per Share (NT\$)	1.5	1.7	1.7 ^{Note}
Stock dividends per share (NT\$)	0	0	0 ^{Note}
Return on Equity (%)	8.72	9.04	9.07
MICB Non-performing Loan Ratio (%)	0.13	0.15	0.14
MICB Coverage Ratio (%)	1,248.92	1,121.78	1,120.08
MICB Capital Adequacy Ratio (%)	14.30	13.86	13.92

Note : Distribution based the resolution of the meeting of the Board of Directors. To be ratified in the general shareholders meeting in 2020.



• Distribution of Economic Value



Tax Governance

Mega Holdings established the following tax governance policy to fulfill legal compliance for taxation and corporate social responsibilities:

- I . 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.
- II . Assess risks and draw up countermeasures for changes in the tax regulations of countries where operating activities take place and the international taxation guidelines.
- III .Disclose tax information publicly on a regular basis to improve information transparency.
- IV .Communicate with the tax authorities where operating activities take place in an open and honest manner to maintain good relations.
- V .Improve professional tax competencies and continue talent development.

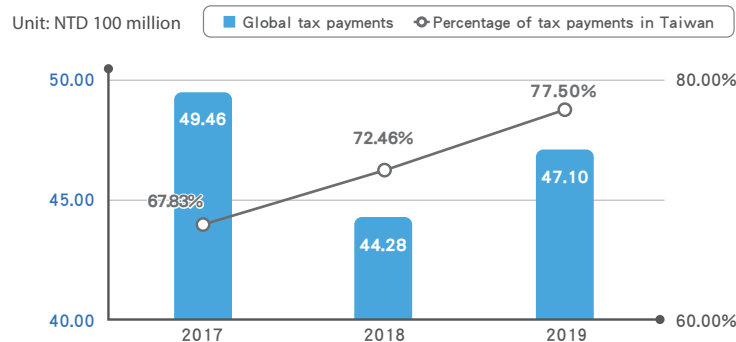


Mega Holdings fulfills its obligation as a corporate citizen by paying taxes according to national laws. Income taxes paid by Mega Holdings in 2019 and 2018 amounted to NT\$4.710 billion and NT\$4.428 billion, respectively. The percentages of income tax payment in Taiwan were 77.5% and 72.46%. The percentages of the Company's tax payments in 2019 and 2018 were as follows:

Country	2018	2019
Taiwan	72.46%	77.50%
Hong Kong	5.73%	5.39%
Australia ^{Note}	4.35%	-
United States	3.68%	5.00%
Japan	2.93%	2.94%
China	2.74%	1.72%
Cambodia	1.92%	1.33%
Thailand	1.71%	1.51%
Singapore ^{Note}	1.27%	-
Vietnam	1.16%	1.18%
Other	2.05%	3.43%

Note : The percentages of tax payments in Australia and Singapore were incorporated into Other in 2019.

Tax payments in the past three years



Taxation information in the most recent two years

Unit: NTD thousand

Item	2018	2019	Average
Net profit before tax	31,079,960	33,654,274	32,367,117
Income tax expenses ^{Note 1}	2,986,515	4,699,474	3,842,995
Effective tax rate	9.61%	13.96%	11.87%
Income tax paid ^{Note 2}	1,594,241	2,503,981	2,049,111
Cash tax rate	5.13%	7.44%	6.33%

Note 1 : The income tax expenses were higher in 2019 than the previous year due to the recognition of income tax refund benefits of Mega Holdings and MICB in 2018, and the Group's recognition of deferred income tax assets due to the adjustment of the income tax rate in 2018.

Note 2 : The income tax paid was higher in 2019 than the previous year due to the collection of income tax refunds of Mega Holdings and MICB in 2018.

1.2.2 Participation in Organizations (Associations)

Mega Holdings has actively participated in activities and committees of trade associations in the banking, securities, bills, property insurance, and investment trust businesses to promote the development of the domestic finance industry. The Chairmen of Mega Holdings and MICB also serve as the Managing Directors of the Bankers Association of the Republic of China and the Bankers Association of Taipei. The Chairman of MS also serves as the Director of Taiwan Securities Association and the convener of its International Affairs Committee. The Company has actively participated in projects or committees of trade associations to share information and its practical experience in business and corporate social responsibilities. We also propose recommendations for government policies through the trade associations to promote the healthy development of the overall finance industry. As of the end of 2019, Mega Holdings has participated in 41 related organizations and senior executives of Mega Holdings serve as the chairman, managing director, director, or supervisor of 13 associations.

Association	Position
The Bankers Association of the Republic of China	Managing Director
The Bankers Association of Taipei	Managing Director
The Non-Life Insurance Association of the Republic of China	Managing Director
The Securities Investment Trust and Consulting Association	Director
Trust Association of R.O.C.	Director
Taiwan Securities Association	Director
Chinese National Futures Association	Director
R.O.C. Bills Finance Association	Chairperson
Nuclear Energy Insurance Pool of the Republic of China	Chairperson
Risk Management Society of Taiwan	Chairperson
Chunghua Finance Research and Development Association	Director
Insurance Society of the Republic of China	Managing Director
Chinese Insurance Service Association	Director

1.3 Risk Identification and Control

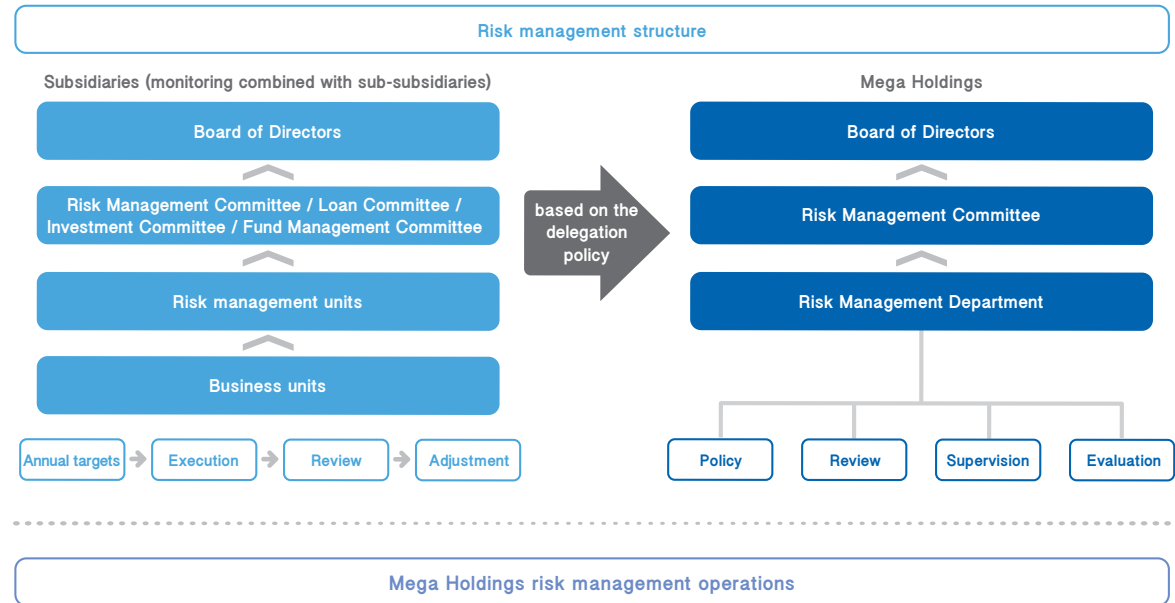
1.3.1 Risk Management Policy

Mega Holdings prioritizes the establishment and implementation of the system in risk management and emphasizes that everyone should be held accountable for risk management. To ensure the sound operations of subsidiaries of the Group, quality and security of assets, and compliance of related regulations, Mega Holdings established unified guidelines on risk management and major operations in the Risk Management Policy and Guidelines adopted by the Board of Directors and other regulations governing risk management to require the establishment of effective mechanisms for the identification, measurement, monitoring and control, reporting, and responses to risks, and the establishment of risk management targets and regular follow-up of the implementation status. The Group also specified management principles for credit risks, market risks, operational risks, legal and compliance risks, human resources management risks, and information security management risks. Other emerging risks were included into the "Risk Management Policy and Guidelines" in June 2019 and related risks that may have impacts on the Company's businesses and finances such as climate change risks were gradually incorporated into existing risk management procedures. Each subsidiary has incorporated these guidelines and regulations into its policies and goals of risk management and related regulations in internal controls to build a complete risk management system.

1.3.2 Risk Management Organization and Operations

The Board of Directors is the highest-ranking decision-making unit for risk management of the Company and subsidiaries. It is responsible for the approval of the risk management policy, guidelines, organizational structure, risk preferences, internal control system, and relevant material cases. It oversees the Risk Management Committee which is responsible for supervising the establishment of risk management mechanisms and ensuring the execution of the risk management policy. Mega Holdings and important subsidiaries have established risk management units as the staff organizations of the Risk Management Committee. They are responsible for the actual review of risk management operations, risk monitoring, and risk management evaluation and reports.

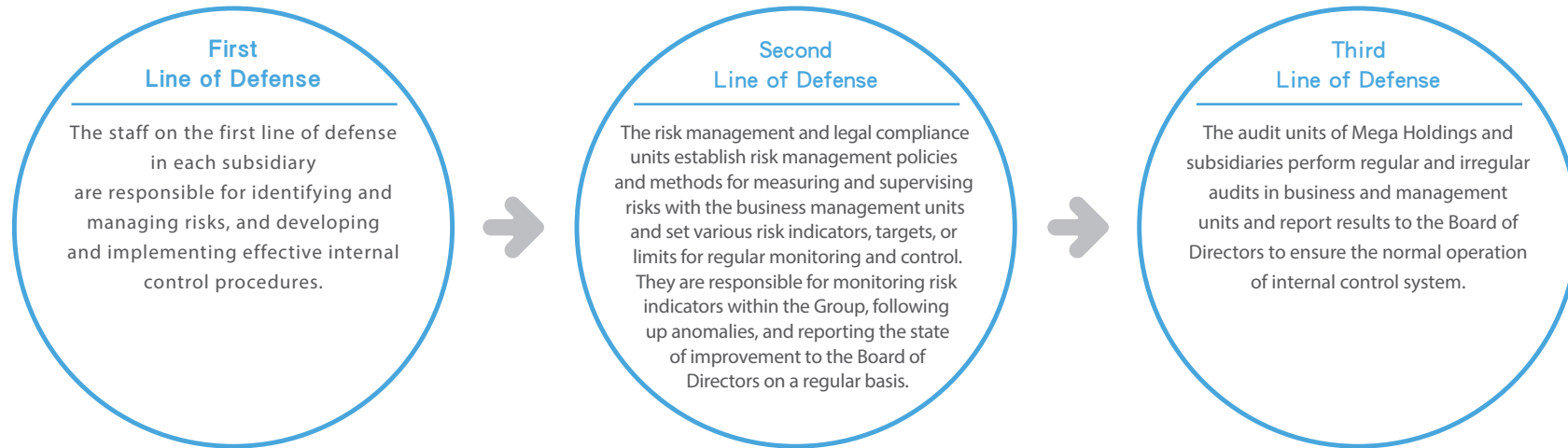
Risk management organizational structure and operations



- Establish guidelines
- Review regulations of subsidiaries and their annual risk management targets
- Establish total risk limits for the Group
- Regularly compile risk information
- Monitor and analyze alerts
- Reporting and emergency notifications
- Internal control system
- Regulatory compliance
- Conduct audits and inspections
- Risk management evaluation



• Three Lines of Defense in Risk Management



Firewall Policy

Mega Holdings and subsidiaries have established the Firewall Policy to protect customer privacy and transaction security. The main protective measures are as follows: Management of the information security service system, confidentiality management of customer information privacy, cross selling and resource exchange restrictions, and prohibition on cross holding of shares.

Contingency Response

Mega Holdings has established the "Major Contingency Operating Procedure Guidelines" and "Major Credit Risk Incident Immediate Report Procedures" to quickly learn about major contingencies, evaluate the impact of the incident, formulate response measures, and effectively process major contingencies in the Group as well as critical breaches of contract or credit risk event exposed by the media or other sources of information.

In response to changes in the economic and finance environment and to protect the interests of customers and transaction counterparties, the Group has established the "Recovery Plan", "Bank Subsidiary US Branches Resolution Plan", and related response measures and management guidelines to establish appropriate corporate governance and internal procedures. The procedures provide instructions on the operations of the Crisis Response Team, business

continuation coordination, emergency funding plans, information reporting and management, follow-up reviews, and other principles and methodology for processing issues in the event of a management crisis in Mega Holdings or a subsidiary that affects the sound operations of the Group. The procedures aim to resolve crises quickly and effectively in an orderly and rational fashion, instill confidence in the general public, restore normal operations, or quickly and effectively dispose of assets and implement debt repayment when overseas business units end operations.

The impact of the COVID-19 epidemic on Mega Holdings may include risks of the interruption of operations, defaults of loan customers, and investment risks.

Mega Holdings has adopted the following measures to reduce the risks of interruption of operations:

- Established the Epidemic Response Working Group
The Working Group supervises and executes related protective measures and is responsible for supporting staff members, receiving reports from all units, and adopting response measures. To reduce the risks of cluster infections, Mega Holdings requires all employees to wear masks and take temperatures, enhances office disinfection, and implement personnel entry/exit control. We also activated the "uninterrupted operation plan".



- Established the "COVID-19 Epidemic Response SOP and Backup Plan Manual"
Mega Holdings established different response measures in three phases based on the severity of the epidemic in Taiwan and promptly activated remote work measures for core units (e.g., Data Processing & Information Department, Treasury Department, Trust Department, Operation Center, Card Department, and Anti-Money Laundering & Financial Crime Compliance Department) responsible for funding transactions, 24-hour customer services, concentrated operations, transaction monitoring, and list scanning.
- Implementation of the joint backup mechanisms
The joint backup mechanisms (including the first and second backup and server room remote backup) are activated in the event the region of a branch is placed under lockdown. The operations of the branch can be continued in a nearby branch.
- Remote work for employees
Mega Holdings and subsidiaries adopted remote backup work and video conferences, and implemented VPN remote monitoring exercises and office work for transactions and important operations. We also review and amend the contents of the business continuity plan. Overseas branches (subsidiaries) also activated related response measures such as working from home based on local conditions of the epidemic and the requirements of the competent authority. Each business unit also consulted related support units to process business operations on behalf of other units in the event of an emergency.
- Maintain instant communication of information on the epidemic
In the event of cluster infections in Taiwan, confirmed cases of COVID-19 in a branch, or lockdown of an office area for any reason, emergency isolation measures shall be activated and the competent authority shall be notified immediately.

Default risks of loan customers

In response to the spread of the COVID-19 epidemic, many countries have adopted lockdown measures to prevent the spread of the disease. Companies face difficulties in large-scale suspension of operations and reduced shifts, which resulted in a sharp decline of demand. These developments have impacted the profitability of banks, reduced the solvency of bank customers, and increased the default risks of loan customers. Mega Holdings has adopted the following response measures:

- Survey of operations of Taiwanese business borrowers
MICB focuses first on important overseas Taiwanese customers to explore response measures and learn about the views of upstream and downstream industries as well as those of competitors for combined analysis to determine risks. MICB formulates interview records and analysis conclusions.
- Closely monitor credit risks in Mainland China
MICB monitors the proportion of credit risks in high-risk industries in Mainland China each month and implements flexible adjustments for high-risk industries, if necessary. It established the concentration limit ratios and early warning ratios for all high-risk industries. MICB carefully reviews high-risk industries and those with unknown outlook, requires borrowers, and implements post-loan management to reduce credit risks.

- Provide borrowers with relief and reduce the pressure of repayment
Fulfill corporate social responsibility and cooperate with government policies to extend repayment or interest payment schedule to help borrowers reduce the pressure of repayment.

Investment risks

The COVID-19 epidemic has caused severe fluctuations in the global financial market. The market risks and liquidity risks of risk assets have increased significantly and affected the stability of profitability of Mega Holdings. Related response measures are described below:

- Enhanced management for the investments and fund deposits in China
The targets consist mainly of government bonds, five major commercial banks, or companies with guarantees provided by central or national enterprises. More rigorous standards are adopted for credit limit allocation and flexible adjustments are implemented based on the latest conditions.
- Equity products
For medium to long-term positions, we take the opportunity to enter the market and purchase high-quality medium to large-scale equities with superior cash dividend yield, stable dividends, good circulation, and relatively stable stock prices based on overall market conditions and the changes in the industries of individual stocks. For positions held for short-swing trading, we take the opportunity to reduce weak positions and gain strong positions and focus on structural adjustments.
- Interest rate products
As the decline of RP costs for the NTD is limited, we focus on corporate bond positions with higher yields and take this opportunity to dispose of existing bond positions. With regard to foreign currency bonds, as short-term rates of the USD remain low, the proceeds of bonds are expected to grow. We therefore added financial bonds and corporate bonds with greater interest spread and take this opportunity to dispose of existing bond positions.
- Enhance investment risk management
In response to changes in industries that have suffered greater impact of the epidemic (e.g., gambling, aviation, tourism, catering, and energy) and news announcements, the Company reviews the changes of stock prices of investees on the TWSE, TPEX, and emerging stocks at all times to replace weak positions with stronger positions. If conditions continue to worsen, we will conduct scenario analyses and stress tests based on actual conditions.



1.3.3 Management of Emerging Risks

The uncertainties caused by FinTech innovations and climate change on the finance industry have become increasingly prominent and they have become emerging risks in the operations of the finance industry. To ensure the quality of financial services and the security of customers' assets, Mega Holdings included emerging risks in the Risk Management Policy and listed the maintenance of system security, prevention of technology crimes, and network invasion as important items in regular risk management. In response to the impact of climate change on bank buildings, personnel, and corporate customer production activities, Mega Holdings adopted preventive measures on risks that may affect its own




operations and actively support important projects or programs of enterprises or social organizations that improve the environment. The Company continues to provide opportunities for business collaboration and collect and monitor risk reports published by important institutions across the world as well as messages from personal and corporate customers to determine the latest development trends for emerging risks and adopt effective tiered management. Subsidiaries are required to report material risk issues (including emerging risks) to the Board of Directors of Mega Holdings and the Risk Management Committee.

- Emerging risk identification procedures







• Impact of emerging risks on the Group and response measures

Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 <p>Emerging technologies and information security risks</p>	<ol style="list-style-type: none"> Information security incidents caused by hacker attacks. Increase of possibility of data leakage due to inappropriate use of emerging technologies. Innovative services provided with emerging FinTech. Data fraud or theft. 	<ol style="list-style-type: none"> If an attack on the Company affects the Company's operations, it would also cause negative impact on customers' interests and the Company's reputation. Information leaks will cause negative impact on customers' interests and the Company's operations and reputation. Advancements in information technology may result in the replacement of wealth management and consumer loan businesses by the FinTech industry. They may result in leaks of data (including personal data) or impacts on the Company's information security, and may lead to a crisis in credibility. 	<ol style="list-style-type: none"> Reducing the risks of hacker attacks: <ol style="list-style-type: none"> Strengthen safeguards of the information security platform to reduce the risk of malicious attacks (Distributed Denial of Service (DDoS)). The Company shall conduct regular risk assessments, implement information security drills, and enhance training to improve employees' risk management awareness for information security. To strengthen the information security network and reduce the impact on the Group, the Company shall enhance information security certifications of subsidiaries. As an example, MICB, including Mega International Commercial Bank Public Co., Ltd. (Thailand), and CKI have obtained ISO 27001 Information Security Management System certification. Enhance information security training and increase employees' risk awareness. Enhance program testing and information security structure before launching new products to reduce the possibility of leaks. MICB launched the online smart customer services and developed the "Smart Teller Machine" (STM) and mobile app foreign exchange business to provide customers with more rapid financial services. Continue to analyze employees' online behavior and monitor network traffic to report and block violations and prevent data theft in a timely manner.
 <p>Laws and Compliance</p>	<ol style="list-style-type: none"> 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. 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. 	<p>Violation of supervision requirements may result in financial losses, restrictions on business development, suspension or dismissal of personnel, or revocation of the business license, which would affect the Company's reputation and operations.</p>	<ol style="list-style-type: none"> Each subsidiary has set up an ad hoc unit to be in charge of compliance or both legal affairs and compliance to take charge of compliance matters. They regularly organize compliance training, announce new information on laws, and follow up on response measures and execution with related units to ensure that related laws and regulations are conveyed to business units and enforced effectively. 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. 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. 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. Analyze penalties imposed by competent authorities on financial institutions to learn about supervision trends.
 <p>Economic risks</p>	<p>Growth in major economies has slowed and asset bubbles have exacerbated.</p>	<p>The asset bubbles in major economies may exacerbate fluctuations in the financial market, cause severe fluctuations in the profitability of the Group, and affect the stability of profitability.</p>	<ol style="list-style-type: none"> The Company shall implement tiered management of country risks based on sovereign bond credit ratings and regularly monitor risk exposure. The Company establishes early warning indicators for risks and risk limits, implements regular monitoring, and reports to the Board of Directors.



Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 <p>International trade war</p>	<p>Trade protectionism and unilateralism will affect growth in global trade and indirectly impact economic development.</p>	<p>They may decrease customers' revenue and indirectly affect the Group's profitability.</p>	<ol style="list-style-type: none"> Attend to the international trend, adjust asset allocation properly and manage the proprietary holding proactively. Continue to pay close attention to the economies and industries that suffered greater impact of the trade war and adjust related limits where necessary.
 <p>Climate change</p>	<ol style="list-style-type: none"> Rise in temperature. Increased frequency and intensity of extreme weather, torrential rain, and typhoons. Extending loans to industries with material pollution issues may indirectly cause pollution in the environment and climate change. 	<ol style="list-style-type: none"> The rise in temperature and tightened supply of electricity may cause power blackouts and affect the Company's operations. Assets in low-lying areas may be threatened by torrential rain and flooding. Financial losses and loss of reputation to customers and Mega Holdings caused by disasters. 	<ol style="list-style-type: none"> Measures to be taken in response to the rise in temperature: <ol style="list-style-type: none"> MICB established an environmental management system for Mega Chi-Lin Building and introduced the ISO 14001 Environmental Management System. MICB prioritizes the procurement of and green building materials for refurbishment and decoration of branch buildings to reduce the impact on the environment. MICB evaluates and adjusts the most optimal contracted capacity for the power supply system and adjusts the activation time of the chiller of air-conditioning system based on the temperature of different seasons. Choose high-efficiency lighting equipment (e.g., LED and high-efficiency energy-saving lamps) to reduce the impact of climate change on operations. Include the factors that impact the society and the natural environment when approving loans as the basis for the approval of cases. Actively support green industries. As of the end of 2019, Mega Holdings Group had extended loans of NT\$84.9 billion to businesses pertaining to renewable energy technology, a 1% increase from 2018. The Board of Directors and Risk Management Committee have adopted paperless operations to promote energy conservation and carbon reduction. Measures to be taken in response to extreme weather: <ol style="list-style-type: none"> Include extreme weather as an important factor to be considered when choosing the sites of business locations and bank buildings. Establish operating guidelines for responding to major disasters as guidance for business locations to respond to natural disasters. Provide natural disaster damage insurance and natural disaster recovery loans. Measures to be taken to improve pollution in the environment: <ol style="list-style-type: none"> Pay close attention to environmental protection issues and rigorously evaluate financing requirements for industries with high levels of pollution. Provide financing for the replacement of old production equipment to reduce pollution and increase the efficiency of resource usage. Refer to the Principles for Responsible Investment (PRI) and Principles of Sustainable Insurance (PSI) and include environmental (including climate change), social, and corporate governance issues into the regular decision-making process for investment and insurance underwriting. MICB and a new energy vehicle manufacturer entered a partnership for the issuance of a co-branded card with the aim of reducing pollution from the emissions of motorcycles and providing full support for the energy conservation and carbon reduction policy.

1.3.4 Internal Audit

Mega Holdings has established a chief auditor system and established an internal audit unit under the Board of Directors in accordance with the "Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". They assist the Board of Directors and the management in audits and evaluations on the effectiveness of the internal control system. The internal audit unit formulates the annual audit plan based on the subsidiaries' level of overall risks, nature of their business operations, and the implementation status of their internal control system. It conducts a general audit of Mega Holdings' businesses once a year and a special audit of Mega Holdings' and each subsidiary's finance, risk management and compliance once every six months. The internal audit unit follows up the state of improvement in deficiencies and submits business report to the Audit Committee and the Board of Directors semiannually.



1.4 Regulatory 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 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.

Group Compliance Committee Meeting

Mega Holdings has convened communication meetings for compliance officers of the Group since 2017 to strengthen the compliance of subsidiaries. The Company discusses the implementation status of the compliance system in each company, audit opinions in internal and external audit, compliance training, and related matters. A total of 4 Group Compliance Committee Meetings were held in 2019.

Compliance Committee

As a principle, MICB's Compliance Committee convenes monthly and a total of 9 meetings were held in 2019. The main issues included quarterly business reports conducted by the AML officer in the United States, related compliance and AML regulations including the Global Practice Standards (GPS), report on compliance and the results for compliance test of the Money Laundering Control, key points in annual financial inspections, and repeated deficiencies found in audits.

Dedicated Compliance Unit

To strengthen compliance performance, MICB divided the Legal Affairs & Compliance Department into the Compliance Department and the Legal Affairs Office in 2018 for the Compliance Department to take charge of compliance matters. Mega Holdings also changed the Legal Affairs & Compliance Department to the Compliance Department in July 2019 to take charge of the integration of AML/CFT operations of the Group and the following compliance affairs:

- 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

Compliance Training

The Group provided comprehensive compliance training for employees, directors, and supervisors in 2019 and the training completion rate was 100% in all categories.

• Compliance Training for employees of Mega Holdings and subsidiaries in 2019

Item	Total
Required course enrollments for employees	1,532
Completed course enrollments for employees	1,532
Completion rate	100%

Punishment Imposed by the Competent Authority

In 2019, there was no litigation pertaining to anti-competitive behavior, anti-trust or monopoly practices at Mega Holdings. To enhance the internal control and internal audit systems, subsidiaries are required to report any regulator's pending punishment to the Company immediately and report the information in the next meeting of the Board of Directors of Mega Holdings and the subsidiary. They must also propose the cause, corrective measures, and the expected deadline for improvement. The internal audit unit is responsible for following up the corrective measures until improvements are completed. The regulators' punishments and corrective measures taken by the Company in 2019 are described below:

Reason for Penalties	Improvement Measures
In the case of the embezzlement of customer deposits by a wealth management specialist in MICB Fengyuan Branch, the FSC imposed a penalty of NT\$6 million for violation of the Article 129, Subparagraph 7 of the Banking Act and issued a correction in accordance with Article 61-1, Paragraph 1 of the same Act to order the dismissal of the wealth management specialist.	MICB has conducted a full review of the discrepancies and added the following management and control mechanisms: <ol style="list-style-type: none"> 1. Establish monitoring and control mechanisms for employees who process deposits and transfers on behalf of others over the counter. 2. Add SMS services for notifying depositors of inward/outward remittances in over-the-counter transactions. 3. Install telephone recording equipment for all domestic business units (to be used as the basis for sampling inspections on whether the branch's notification procedures are processed in accordance with regulations). 4. Strengthen the control and management of the collection of documents by wealth management personnel outside the Bank. 5. Strengthen the review of transactions with accounts related to wealth management specialists and specify the nature of transactions in the summary column of passbooks. Enhance sampling confirmation operations for specific customer groups to prevent similar incidents from recurring.



1.5 Anti-money Laundering and Counter Terrorism Financing

To strengthen the Group's compliance with AML/CFT mechanisms, train subsidiaries to effectively identify and evaluate various ML/TF risks, implement AML policies and management systems, and meet requirements of international AML regulations, the subsidiaries referenced the 40 Recommendations of the Financial Action Task Force (FATF) and domestic laws and regulations to set up comprehensive organization structures, policies, and procedures to effectively control and manage identified ML threats and vulnerabilities.

Mega Holdings requires subsidiaries to conduct the following consistent and specific measures for AML/CFT operations:

1. Establish the Anti-Money Laundering Committee and dedicated unit, or assign dedicated personnel

Subsidiaries establish the Anti-Money Laundering Committee, dedicated unit, or dedicated personnel based on the scale of business operations or set up sections or teams under related units and assign appropriate levels of manpower to take charge of related AML operations. Mega Holdings regularly organizes AML meetings for the Group and supervises the subsidiaries' implementation of AML operations.

• Personnel allocation of MICB's Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Department

	Number of Dedicated Employees
Anti-Money Laundering and Financial Crime Compliance Department	212
AML/CFT Supervisor of domestic and foreign units	149

2. Establish AML/CFT policies, strategies, and standards

Pursuant to the "Money Laundering Control Act", "Counter-Terrorism Financing Act", "Regulations Governing Anti-Money Laundering of Financial Institutions", and other regulations, Mega Holdings established the "Mega Financial Group Anti-Money Laundering and Countering Financing of Terrorism Policy", "Mega Financial Group Anti-Money Laundering and Countering Financing of Terrorism Information Sharing Procedures", and "Mega Financial Group Overall Anti-Money Laundering and Countering Financing of Terrorism Plan". The policies, strategies, and standards are applicable to Mega Holdings and subsidiaries specified in Article 5 of the Money Laundering Control Act including MICB, MBF, MS, CKI, MITC, and MLIA as well as overseas subsidiary companies or branches.

3. Establish an information sharing platform for the Group

To provide the Group with consistent standards for ML risks of customers, Mega Holdings has established an information sharing platform based on the Group's information sharing categories, operating procedures, information security and confidentiality regulations. The platform provides information such as CDD data on existing customers (including beneficial owner), suspicious money laundering patterns, adverse news in the media, and national risk ratings. The Company shall continue to optimize the functions of the information sharing platform and the quality of information in 2020.

4. Establish Group AML and sanctions risk appetite

The Group's AML and sanction risk indicators include qualitative and quantitative indicators and subsidiaries are required to establish suitable risk appetites and indicators.

MICB continued to improve the following AML measures in 2019 to effectively implement AML/CFT operations and intensify the culture of compliance:

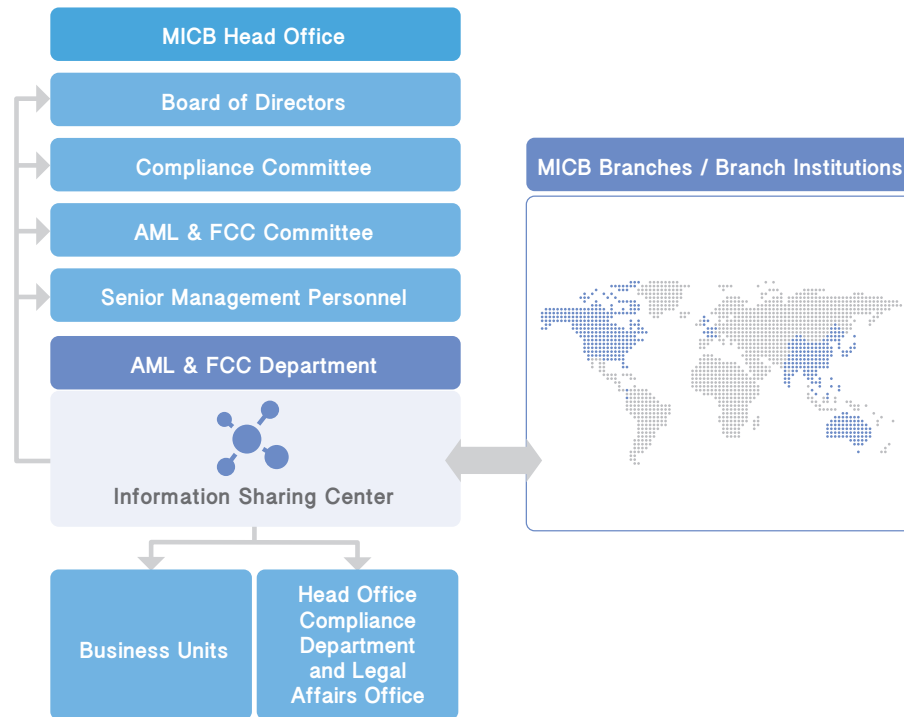
1. Amended related regulations pertaining to anti-money laundering

MICB's "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism", "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism for Operating Concurrent Electronic Payment Businesses", "Directions Governing Know Your Customer Procedures for Anti-Money Laundering and Countering the Financing of Terrorism for Domestic Branches", and "Anti-Money Laundering and Countering the Financing of Terrorism Plan" were amended in accordance with the amended "Money Laundering Control Act", "Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing" of the Bankers Association, official letters from the FSC, and internal and external audit opinions.

2. Optimize the AML system

MICB has established anti-money laundering systems such as the KYC system, suspicious transaction monitoring system, domestic USD clearance scanning system, and electronic document scanning system in accordance with anti-money laundering standards. It also verified and evaluated various systems and continued to optimize the system in the verification process.

• The Company's Global Anti-Money Laundering System Framework



3. Organize regular training on anti-money laundering

MICB actively invited the competent authority and professionals in the industry to give speeches in 2019 for directors, supervisors, senior executives, and regular employees to learn about related laws, regulations and global AML/CFT trends. In terms of internal requirements, MICB organized AML/CFT training for all employees and arranged 5 hours of digital learning programs. It also arranged different classroom courses for different professional skills and business requirements. Employees receive an average of 14.92 hours of training with a training completion rate of 100%.

• AML training for MICB employees in 2019

Item	Total
Employee Course Enrollments	79,877
Total Number of Employees	6,934
Total Training Hours	103,422.12
Average Training Hours per Person	14.92

Mega Bank encouraged employees to obtain domestic and foreign professional licenses and become corporate members of the Association of Certified Anti-Money Laundering Specialists (ACAMS) to improve their professional skills and capacity for AML operations. As of the end of December 2019, 3,420 employees have obtained the Certified Anti-Money Laundering Specialists (CAMS) certification which account for approximately 49% of all employees of Mega Bank while 400 employees have obtained the "domestic AML/CFT professional certificate".

AML and Anti-Fraud Achievements

MICB continues to review reports of suspicious transactions and remains committed to improving the quality of reports, helping the government fight crime, fulfilling corporate social responsibilities, and improving the AML system. MICB forwards case studies of caring services for blocking frauds over the counter at financial Institutions to help employees in domestic business units provide care to customers over the counter, successfully prevent fraud, and reduce losses of customers. The information is also placed in the Q&A part of the "AML section" on the employees' website. AML supervisors are required to increase employees' awareness, incorporate the information in training programs, and report the implementation status to manage the implementation results.

Unit: NTD thousand

Year	Number of Cases of Fraud Blocked for Customers	Amount
2017	9	6,010,000
2018	10	6,212,474
2019	12	4,714,260



Case study [Overseas Remittance - Romance Scam]

MICB Gangshan Branch processed a case for Ms. Chang who intended to wire funds to Hong Kong over the counter on July 22, 2019. Ms. Chang stated that she had met a male friend online and became contacts on LINE. The man stated that he was interested in a relationship and often chatted with her online. He also used heartwarming, thoughtful, and caring words to interact with Ms. Chang. As he needed funding, Ms. Chang went to Gangshan Branch with the aim of wiring funds via international wire transfer to the account provided by the man. When Ms. Chang visited the bank to perform the wire transfer, the bank clerk provided thoughtful care and asked Ms. Chang about the usage of the funds. As Ms. Chang may have been defrauded, the clerk notified the police to provide assistance onsite. After the police arrived, they explained to Ms. Chang and provided information on related scam methodology. Ms. Chang then became aware that she may have been defrauded and canceled the wire transfer. After the incident, Ms. Chang was very grateful for the assistance of the bank clerk and the police. The chief of the police bureau issued a certificate of appreciation to the bank clerk to express their gratitude for successfully preventing fraud.

MICB Received Praise from the Executive Yuan for Outstanding Performance in the APG Evaluations

MICB participated in the "Asia/Pacific Group on Money Laundering Third Round Mutual Evaluation" in 2018 with outstanding performance. Taiwan received the highest level "regular follow-up" rating in the final evaluation results of the APG and greatly improved its international image. The Executive Yuan organized the "Anti-Money Laundering Evaluation Publication and Recognition Ceremony" on October 3, 2019 to recognize units with contributions to the achievement. The Chairman Chao-Shun Chang and the team received the award on behalf of MICB.





CHAPTER

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 the protection of customers' personal information and privacy. Mega Holdings regard employees as important assets. In the face of oncoming digital finance, the Company organizes professional training and transformation programs 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 through the four main programs of public welfare activities, namely that it continues to promote financial education, care for the disadvantaged, promote sports, and create a local art culture.



2.1 Customer Service

The Company believes that by providing a variety of convenient financial services and protecting customer interests based on the concept of financial inclusion, the true spirit of sustainable development can be achieved.

2.1.1 Maintenance of Customer Rights

Implementation of Principles for Fair Treatment of Customers

MICB upholds professional financial services and ethical services and abides by the Fair Customer Treatment Principles in accordance with the regulations of the Financial Supervisory Commission. Besides expressly specifying in various contracts, MICB also established the "MICB Fair Customer Treatment Principles" and "Fair Customer Treatment Principles Strategy and Consumer Protection Act" which have been included in routine training programs. MICB seeks to let employees understand the importance of thinking from the customer's perspective while implementing related indicators. To implement continuous improvements and enhance service mechanisms, MICB established the "Fair Customer Treatment Working Group" in 2019, which is composed of various business management units. To enhance processing of important customer complaints, the Work Group reviews the existing system based on issues in individual cases to reduce the amount of customer issues. MICB also established the "Fair Customer Treatment Section" on the official website to provide customers with related rights to make inquiries for protection of financial consumers, and increase of financial consumers' confidence in Mega Holdings.



MS won second place in the securities firms category in the evaluation on Fair Customers Treatment

MS was awarded second place in the securities firms category in the first evaluation on fair customers treatment announced by the FSC in July 2019. MS focuses on the core values of trustworthy services for providing customers with high-quality wealth management services and increasing customer satisfaction.

MICB conducts marketing and labeling of financial products and services in accordance with the Financial Holding Company Act, the Banking Act, Financial Consumer Protection Act, and related regulations of respective competent authorities, and implements a rigorous internal control system. All product information is fully disclosed on the Bank's website, application forms, bills, brochures, electronic brochures, and advertisement materials. The Bank also abides by general ethical and integrity principles to maintain a fair transaction market and create value for customers based on the protection for financial consumers.

Surveys of Customer Satisfaction

MICB and CKI conduct a survey of customer satisfaction every year including "bank clerk telephone etiquette test" and "business unit service and etiquette contest" and initiate improvements based on the result of the survey. The result is included in the management performance evaluation of each business unit to keep on enhancing the quality of service. In 2019, MICB received 92.4 points in the customer satisfaction, lower than the 93.7 points in 2018 mainly because MICB had more new bank clerks who were not yet familiar with operations and caused a slight decline in customer satisfaction. MICB will continue the following improvement plans to maintain service quality and improve customer satisfaction degree:

- (1) Appoint a supervisor to take 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 when they need assistance.
- (3) Organize training courses on service etiquette of employees through the e-learning system.

In 2019, CKI's customer satisfaction scored 92, which was higher than the score of 89.1 in 2018. CKI will continuously train claims personnel on the items and procedures for claims to increase customer satisfaction.

Average Customer Satisfaction Score

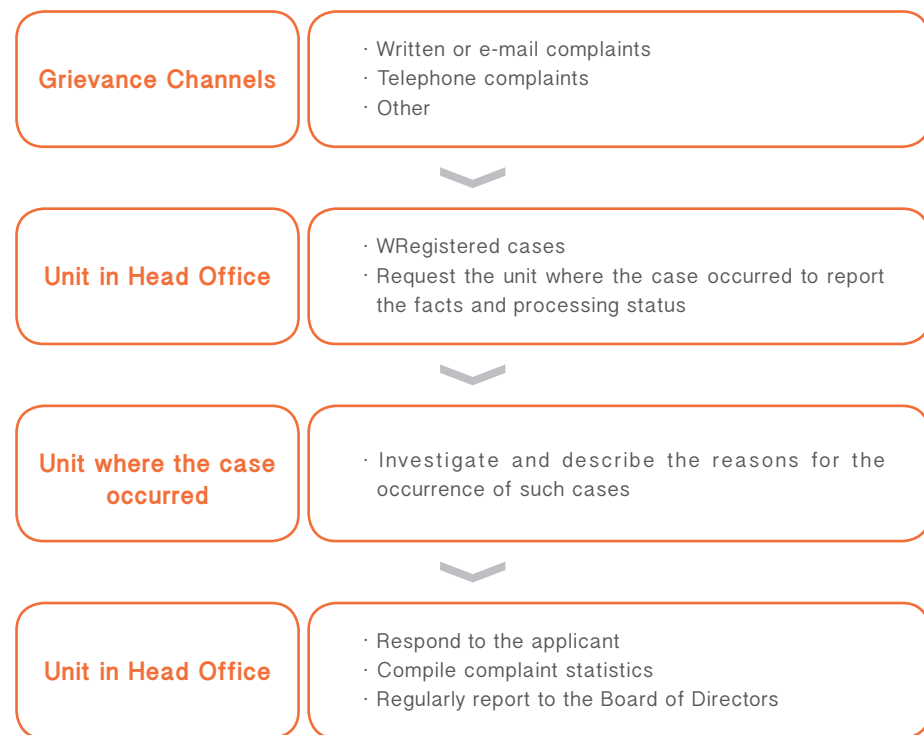
Year	2017	2018	2019
Mega International Commercial Bank Co., Ltd.	92.4	93.7	92.4
Chung Kuo Insurance Co., Ltd.	90.0	89.1	92.0

MITC organized the first customer satisfaction survey in 2019 and the score was 4.19 points (5 points in total) which was higher than the target score of 3.5 points. MITC has implemented improvements based on the results of the survey to enhance the quality of services and increase customer satisfaction.



Customer Complaint Mechanisms

Mega Holdings provides customers with a variety of complaint channels to obtain their feedback. Consumers may file complaints in writing, by e-mail or by phone to Mega Holdings. MICB has set up the 24-hour customer service center. Customers may contact the customer service center by phone or website email. In 2019, the customer service center received about an average of 80,613 calls including customer service requests and complaints every month. MICB assigns dedicated personnel to process and respond to the customer complaints. The main complaints involved credit card, deposits and transfers, and service attitude. MICB regularly analyzes customer complaints and compiles reasons for customer complaints for internal reviews. It also proposes corrective measures and report to the Board of Directors on a regular basis.



2.1.2 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 2019, a total of 340 Accessible ATMs have been set up, an additional 9 ATMs compared to 2018. A total of 10 ATMs designed for the visually impaired are also set up in airports and hospitals.

MICB and MS's MICB Website, MS Image Website and MS 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.



Promote micro-insurance

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. CKI added 109,771 policyholders in 2019, showing outstanding results. From 2015 to 2019, CKI has been eligible for the incentives under the Directions for Insurance Companies to Engage in Microinsurance Business with the approval of the Insurance Bureau, Financial Supervisory Commission. It also received the Micro Insurance Performance Excellence Award in the 2019 Micro Insurance Competition in 2018.

In 2019, there were 7 claims for microinsurance, totaling NT\$1.15 million. CKI will continuously pay attention to the customers after claim settlements and help maintain the human rights of the disadvantaged.



Number of the Insured in Microinsurance

Year	Number of the Insured in Accident Micro-insurance
2017	2,272 people
2018	3,167 people
2019	109,771 people



Retirement Trusts

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 2019, the care trust assets under MICB's management amounted to NT\$769 million, and the number of beneficiaries increased significantly by 36% from the end of 2018 to 773 people. 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 2019, MICB was awarded an Outstanding Bank Award for providing property trust services for the elderly and people with disabilities by the Financial Supervisory Commission.



Expansion of Bilingual Branches

MICB supports the government's promotion of the "Blueprint for Developing Taiwan into a Bilingual Nation by 2030" and plans to expand the number of bilingual branches to 10 in 2020. The Lanya Branch in Tianmu was selected as the pilot branch for the bilingual initiative. Lanya Branch has added English signs to all billboards, signs, and forms in the business venue and is gradually optimizing frequently-used documents such as forms and contracts. Ad placements on walls and digital application interfaces of apps have become bilingual. In addition, it has set up a foreign currency ATM for users to withdraw cash in USD, JPY, and EUR at any time to create a friendlier "bilingual environment" and diverse "bilingual consultation" services.

Standards for MICB's implementation of bilingual branches

Bilingual branch environment	· Signs of facilities, advertisements, and ticket system
Bilingual documents and forms	· Frequently-used over-the-counter applications
Bilingual web services	· Online banking, apps, and ATM
Bilingual Information disclosure	· Official website, annual report, financial report, and CSR report
Bilingual personnel allocation	· Employees with a TOEIC score of more than 650 account for 20% or more of branch personnel · English services provided at front-desk counters (deposits/transfers and service counter) · At least 2 other business lines can provide services in English



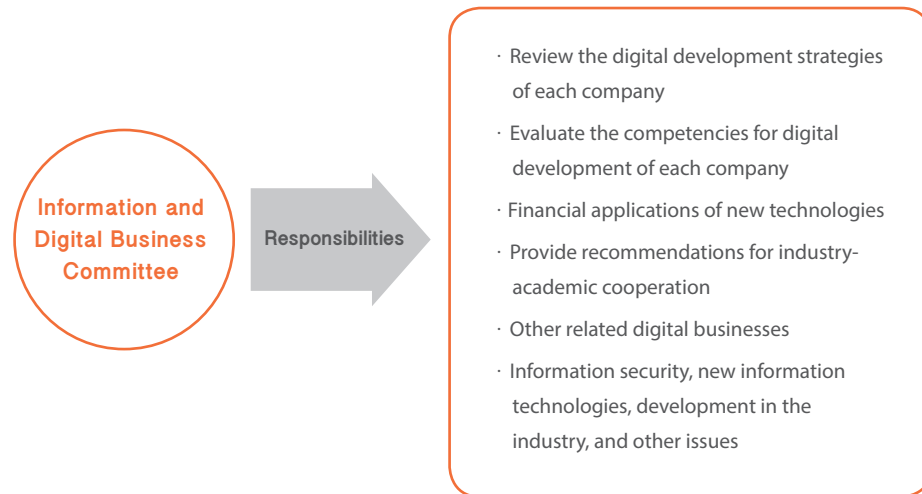
On December 17, 2019, FSC Chairman Wellington Koo, Deputy Minister of the National Development Council Cheng-Mount Cheng, and Deputy Minister of the Ministry of Finance Ching-Hua Lee visited Lanya Branch.



2.2 Information Security

2.2.1 Information Security Management Framework

Mega Holdings established the "Information and Digital Business Committee" of the Group in accordance with the Information Security Policy. The President of Mega Holdings serves as the convener and the Executive Vice President of the Electronic Data Processing Department serves as the deputy convener. The Executive Vice President of each subsidiary responsible for information and digital banking serve as committee members. Meetings are convened at least once each year and may be convened at any time based on business requirements. The Committee discusses and reviews the information security of all subsidiaries, new types of information technologies, digital development, and information security incidents. The Electronic Data Processing Department is responsible for executing or coordinating related resolutions of the Committee. Material issues or resolutions are ported to the Board of Directors and the Risk Management Committee.



MICB established a dedicated information security unit in June 2018 in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" of the FSC. The unit is responsible for the establishment and maintenance of the Bank's Information Security Policy and the establishment of overall information security protection mechanisms and contingency plans. The head of the Information Security Department

serves as the Chief Information Security Officer (CISO) to take charge of planning, monitoring, and executing information security management operations. MICB established an inter-departmental "Information Security Response Meeting" to enhance information security and network security management, establish a secure and trustworthy operation environment, ensure data, system, equipment, and network security, and protect customer interests. Meetings are convened in June and December each year to facilitate discussions on business, transactions, information exchanges, and other information security issues to protect information security.

Information Security Policy

The Company has established the Information Security Policy as the basis for information security measures implemented by the Company and subsidiaries. It clarifies the roles and responsibilities of employees in the planning, implementation, and continuous improvement of information security tasks. The Policy is reviewed at least once every year or reevaluated in the event of material changes to meet requirements in related regulations and the latest developments in technologies, organization, and operations.





2.2.2 Information Security and Network Risk Management

The Company continues to review and confirm the adequacy of related regulations and measures to respond to the network threats and changes in the risks brought forth by technological developments. We establish comprehensive network and computer security protection systems, implement protection and monitoring mechanisms for important networks, conduct regular vulnerability scans and improvements, execute penetration tests, and organize social engineering exercises and information communication security training to ensure the adequacy and effectiveness of information security and network risk management. MICB, MS, and CKI have completed related information security regulations and enhanced system protection. They also joined the joint defense system for financial information security to improve information security responses and protection of the organization.

To achieve the standardization and internationalization of the information security system, MICB introduced the Information Security Management System and obtained ISO 27001 Information Security Management System certification in 2015. It also passed the triennial re-certifications in 2018. To review the defense capabilities and risk conditions of the Bank's information security environment, MICB appoints professional information security companies to conduct penetration tests and various information security tests each year to respond to the information risks derived from online threats and applications of emerging technologies. MICB also purchased the "e-commerce and information security liability insurance" to ensure the sustainable development and reputation of the Bank.

MS continues to strengthen information security and conducts daily comparison detection on the webpage transaction system to prevent company websites from alteration. It also added the Web Application Firewall (WAF) in December 2019 to enhance defense against hacking.

CKI introduced the information security management system in response to the information security risks derived from online insurance services to fully improve information security protection. CKI obtained the certification of ISO 27001 Information Security Management System in May 2017 and passed the ISO 27001 annual certification from third-party SGS in May 2019 to continuously reinforce the protection of information security systems. CKI also purchased an information security insurance policy.

Email Social Engineering Exercises and Information Security Training Programs

Mega Holdings 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 information security and personal information on a regular basis. To verify employees' awareness of social engineering email attacks, the Company conducts e-mail social engineering tests on employees every six months. In the second half of 2019, MICB conducted e-mail social engineering tests on 6,923 employee accounts (including overseas

branches and the Card Department), and the pass rate was 98.51%. Compared to 2018, the rate of deception decreased by 2.49%, showing an obvious increase in employees' security awareness. For employees who failed to pass the test, MICB has strengthened their training on social engineering awareness to improve their information security awareness.

MICB provided employees with at least three hours of training on information security awareness to improve their information security know-how and build overall information security awareness and culture. MICB did not have any information security events, violate any regulations on customer information protection, and was not fined for violations of information security in 2019.

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

• Results of E-Mail Social Engineering Tests of MICB Employees

Item	2017	2018	2019
Total Number of Employees Tested	6,365	6,591	6,923
Number of E-mails Tested per Person	7	7	7
Rate of Deception	4.15%	3.98%	1.49%

• MICB Information Security Training Courses

Information Security Training Course	Training Completion Rate in 2019
Information security awareness training for the first half of 2019	100%
Social engineering training for the first half of 2019	
Information security awareness training for the second half of 2019	
Social engineering training for the second half of 2019	
2019 information security protection training	



2.2.3 Information Security Measures

MICB has set up firewalls, anti-virus systems, intrusion defenses, and information security incident monitoring systems to prevent attacks on information and network systems. The systems help the Bank quickly gain control of conditions in the event of information security incidents and implement reporting procedures and emergency responses with the aim of restoring information and network system functions in the shortest time possible. MICB established the "Information Security Incident Management and Reporting Guidelines" to ensure the regular operations of all businesses.

MICB uses regular "computer systems information security assessments" conducted by independent third parties, SWIFT CSCF self-assessment", and "electronic payment project reviews" to examine the integrity and appropriateness of existing control measures for the overall computer system, and uncover potential information security threats and vulnerabilities in time. These assessments are used to implement technical and management control measures and improve the protection capabilities of network and information system security.

In addition, to ensure the adequate protection of the Company's information assets, the Company fully communicates with external units on related safety requirements and regulations in advance for access risks for systems that must be maintained or developed by external entities (e.g., suppliers and consultants). The Company also defines scopes of responsibilities with external entities and ensures that personnel of external entities accessing the system fully understand and are willing to comply with the requirements. The service contracts or confidentiality agreements signed by the external entities also require them to abide by confidentiality and network security regulations.

• Regular Disaster Recovery Exercises Conducted by MICB

Participating Systems	Scope of Exercises	Date of Exercises	Frequency of Exercises	Results of Exercises
IBM operation server	Backup server switching	June 2 to June 10, 2019	Once a year	The results were normal.
	Domestic deposit, loan, remittance, and foreign remittance and exchange business systems	May 25, 2019 November 2, 2019	Twice a year	The results were normal.
	Inter-bank financial information system backup circuit	April 16, 2019	Once a year	The results were normal.
	IBM mainframe - disk switching	September 8, 2019	Once a year	The results were normal.
AS/400 server	Domestic fund and trust business systems	May 25, 2019	Once a year	The results were normal.
	Overseas branches, Global E-banking, and SWIFT system	April 13, 2019 October 19, 2019	Twice a year	The results were normal.
RS/6000 server	DW system, human resource system, JCIC inquiry system, bills credit check system, web browser authorization system, and pre-electronic data interchange (EDI) system	May 25, 2019	Once a year	The results were normal.
	Online banking and supply chain financing systems	May 25, 2019	Once a year	The results were normal.

2.2.4 Protecting Customers' Personal Information

MICB values every customer's privacy. All related internal personal information protection regulations are established in accordance with the latest domestic and overseas laws and regulations to ensure compliance with global standards. The President of the Bank also oversees the completion of the annual personal information self-assessment report which is used as the basis for improvements. MICB also appoints CPAs to conduct personal data protection project reviews and incorporates the review results into the internal control report to be submitted to the Board of Directors. It has established a comprehensive compliance system for protecting personal information. MICB has set up information security management systems with continuous improvement mechanism and installed Firewall and anti-virus software on important nodes in accordance with the Information Security Policy and the Directions for the Management Information Security. MICB also organizes drills in important emergency procedures on a regular basis. MICB also conducts vulnerability scans and penetration tests from time to time to adopt test methods similar to hacking and evaluate the Bank's overall information security defenses from diverse perspectives in order to make up for the deficiencies in the penetration tests. The Bank also uses the tests to improve employees' response to new forms of attacks in order to reduce the impact of information security incidents on the Bank. The test results can be used as the basis for enhancing information security development plans.



2.3 Employee Care

Employees are the foundation of business development. Mega Holdings is committed to maintaining a harmonious labor-management relationship and forming a partnership that leads to mutual existence, prosperity, and success. To build a happy enterprise, the Company develops comprehensive plans for employee recruitment, development, retention, benefits, and pensions. In 2019, more than NT\$100 million was invested in employee training. The Company aims to create a sound workplace by the following measures:

- Providing complete compensation and benefits.
- Creating an equal working environment and protecting the legitimate rights and interests of employees.
- Valuing the human rights of employees, facilitating communication, and taking measures to prevent sexual harassment.
- Caring for employees' career development and providing a complete range of training programs.
- Paying attention to employees' health, organizing regular health seminars, and providing free health examinations.
- 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 helps employees improve their expertise and self-development through tests, professional training, industry-academia cooperation, and talent development plans, making them the driving force behind the Company's sustainable development.

2.3.1 Human Resources

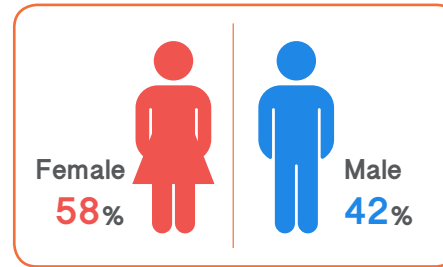
Gender Composition

In 2019, the Company had 9,416 full-time employees and 368 temporary employees; adding 519 full-time employees in subsidiaries which are not included in the CSR report, the total number of employees was 10,303. 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.

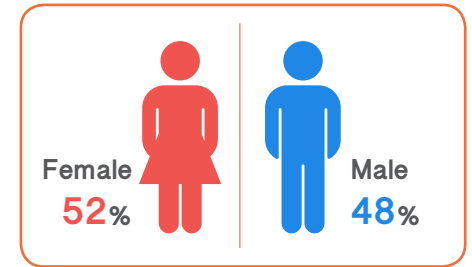
The Group has 3,922 male employees and 5,494 female employees with a male to female ratio of 42:58. Managers account for 29% of employees and female managers account for 50%. We added 20 female managers compared to the previous year to achieve gender equality. The Group has 178 male and 190 female temporary employees and the male to female ratio was 48:52.

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

• Distribution by Gender (Full-Time Employees)



• Distribution by Gender (Temporary Employees)



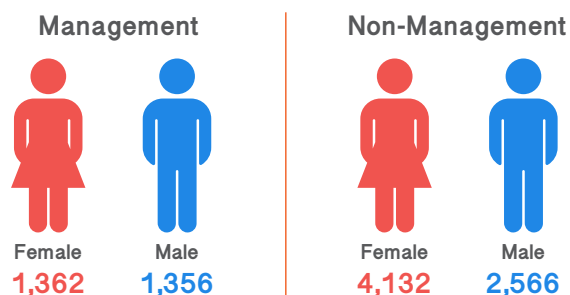


• Workforce Structure of Full-Time Employees

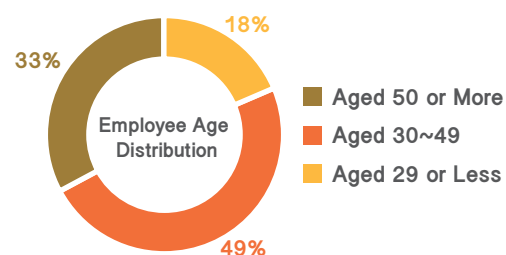
Total Number of Full-Time Employees	Aged 29 or Less		Aged 30-49		Aged 50 or More		Management ^{note}	Non-Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
9,416	584	1,164	2,105	2,476	1,233	1,854	2,718	6,698	8,568	848

Note: Management personnel refer to employees holding the position of section manager (or equivalent) or higher

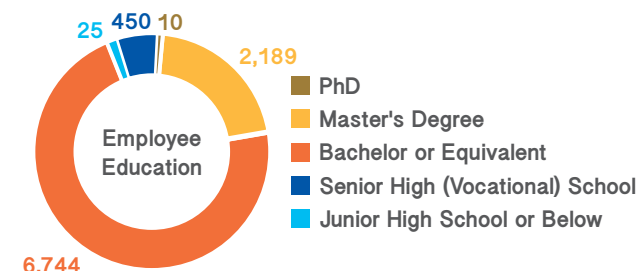
• Title and Gender



• Employee Age Distribution



• Employee Education



• Ratio of Female Employees and Managers

Item	2017	2018	2019
Number of Female Employees (%)	4,876 (57)	5,184 (58)	5,494 (58)
Number of Female Managers (%)	1,272 (46)	1,342 (48)	1,362 (50)
Number of Female Senior Managers (EVP or Above) (%)	12 (32)	14 (36)	18 (39)
Number of Female Mid-level Managers (Unit Head) (%)	94 (28)	101 (29)	111 (32)
Number of Female Entry-level Managers (Managers other than Unit Heads or EVPs) (%)	1,166 (49)	1,227 (51)	1,233 (53)
Number of Female Business Unit Managers (Business Unit Heads) (%)	49 (21)	50 (22)	54 (24)



New Employees and Employee Turnover

In response to the government's call for increased employment, we continued to hire large amounts of employees in 2019 and we increased the net number of employees by 460 mainly due to the additional hiring of compliance and anti-money laundering professionals by MICB in response to enhanced legal compliance and anti-money laundering requirements.

For business development, MICB recruits and selects new employees every year. New employees are 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 subsequently assigned to overseas units or universities for a series of professional training.

• Total Number of New Employees

Total Number of Full-Time Employees	Aged 29 or Less		Aged 30-49		Aged 50 or More		Taiwan	Overseas
	Male	Female	Male	Female	Male	Female		
1,123	155	252	302	384	15	15	978	145
The ratio	13.8%	22.4%	26.9%	34.2%	1.3%	1.4%	87.1%	12.9%
Percentage of New Employees ^{note}	11.93%							

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

• Employee Turnover

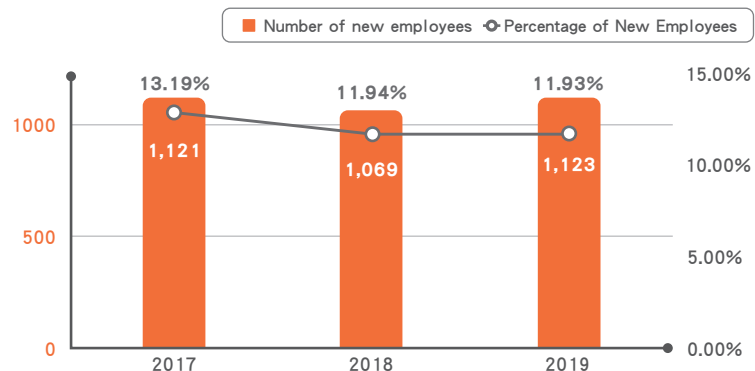
Total Number of Full-Time Employees	Aged 29 or Less		Aged 30-49		Aged 50 or More		Taiwan	Overseas
	Male	Female	Male	Female	Male	Female		
457	83	94	153	82	32	13	361	96
The ratio	18.2%	20.6%	33.5%	17.9%	7.0%	2.8%	79.0%	21.0%
Turnover rate ^{note}	4.85%							

Note: 1.Number of employee turnover: 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.

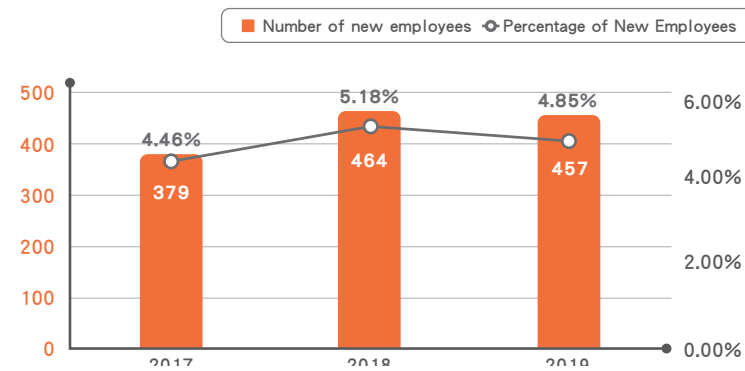
2.Turnover Rate = Number of Employee Turnover / Number of Employees by the end of the year.



• Number and percentage of new employees in the last three years



• Number of employee turnover and turnover rate in the last three years



Multi-ethnic Employees

The Company adopted a diverse hiring policy and does not discriminate based on nationality, race, gender, or age, etc. 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 contribute their talents to the society and improve the quality of life. As of the end of 2019, the Company has 9,416 full-time employees including 62 people with disabilities, 9 indigenous peoples, and 531 foreign employees.

• Multi-ethnic Employees

Item	Aged 29 or Less		Aged 30-49		Aged 50 or More		Management Note	Non-Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
People with Disabilities	1	2	11	6	29	13	3	59	61	1
Indigenous Peoples	1	1	1	6	0	0	0	9	9	0
Foreigners	45	168	80	145	30	63	51	480	0	531
Total	47	171	92	157	59	76	54	548	70	532

Note: Management personnel refer to employees holding the position of section manager (or equivalent) or higher



2.3.2 Talent Development and Cultivation

Training

Mega Holdings has strived to organize staff training courses, including professional financial training programs, foreign language courses, and special overseas study programs. The Company also subsidizes employees to obtain professional licenses and take foreign language proficiency tests. MICB has set up an e-learning portal for employees to obtain a diverse range of competencies. Each employee of the Group received 58.79 hours of training in 2019, an increase of 10 hours or 23% per person from the previous year. The Company will take opportunities to work with professional institutions and assist in adaptive testing, competence analysis, learning map, and training with the support of experts to help employees learn quickly and improve their competency. Our expenditures on training and development from 2017 to 2019 are as follows:



▲ Figure: The Company's E-learning Portal

Item	2017	2018	2019
Training expenses (NTD thousand)	140,211	152,172	100,959
Percentage of net income (%)	0.24	0.25	0.15

• In 2019, the Group provided employees with the following training courses:

External Training: Employees attended approximately 785 training courses organized by external institutions

Internal Training: Approximately 193 sessions were arranged

E-learning: A total of 562 training courses were created

Professional Training	Competence Development
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.	Foreign language courses Subsidies for foreign language proficiency tests Studying foreign languages in local language schools for overseas units Seminars on the corporate social responsibility

MICB's E-learning Portal is provided for employees to learn at the office or from home by themselves and develop diverse competencies. The current free learning courses include professional courses, language studies, laws and regulations, and health seminars. Employees can take the courses online at any time to continue to enhance their professional skills and advantages. Approximately 200,000 enrollments were registered for online training in 2019. In addition, MICB has planned related programs for enhancing bilingual training starting from 2020 to meet the target for establishing bilingual branches across Taiwan by 2028. It has continuously organized foreign language courses for English, Japanese, French, Spanish, Thai, and Vietnamese and encourages employees to take part in foreign language tests. It also selects employees to study foreign languages in language schools in foreign countries.

MICB conducts a satisfaction questionnaire survey after each training course to understand students' feedbacks for the course contents and the lecturers' teaching skills. It organized 20 sessions of preliminary foreign exchange business courses in 2019 and recovered 1,612 questionnaires. In the preliminary risk management course, more than half of the employees found the lectures to be informative and helpful to their own work.



Mega Holdings continues to strengthen AML/CFT operations and build a solid foundation for legal compliance. The Company actively encourages employees to obtain the Certified Anti-Money Laundering Specialists (CAMS) certification since 2017. As of the end of 2019, nearly 50% of all MICB employees have obtained the certification. The Company has invested approximately NT\$250 million in related subsidies and bonuses for the CAMS certification.

• List of Subsidies for Professional Licenses over the Past Three Years

Year	Management				Non-Management			
	Male		Female		Male		Female	
	Number of Employees	Total Amount (NTD thousand)	Number of Employees	Total Amount (NTD thousand)	Number of Employees	Total Amount (NTD thousand)	Number of Employees	Total Amount (NTD thousand)
2017 ^{note}	738	28,339	937	35,166	821	24,210	1,583	48,365
2018	206	2,078	307	3,307	589	1,914	1,079	4,719
2019	242	481	327	544	823	754	1,493	1,676

Note : The CAMS subsidies were introduced in 2017, and the amount of subsidies from 2017 to 2018 was therefore higher.
Please refer to the Company's Annual Report for information on professional licenses held by employees of the Group.

MICB attaches great importance to the environment and resources that are fit for employees. Each unit regularly recommends outstanding intermediate-level employees who have the intention and potential; qualified employees 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	2019 Results
Unit Supervisor Training Course	<ul style="list-style-type: none"> · Business management philosophies · Branch businesses 	<ul style="list-style-type: none"> · 36 trainees, each received 33 hours of training · NT\$207,445 spent
Cadre Training Course	<ul style="list-style-type: none"> · Team leadership and motivation · Risk management · Decision-making and execution 	<ul style="list-style-type: none"> · 88 trainees, each received 33 hours of training · NT\$193,457 spent
Seminar on Overseas Branch Businesses	<ul style="list-style-type: none"> · Time and stress management · International (business) etiquette and communication skills 	<ul style="list-style-type: none"> · 31 trainees, each received 33 hours of training · NT\$125,375 spent



Comprehensive Training System

Unit Supervisor Training Program

Each year, unit supervisors recommend bank clerks with outstanding work performance and potential for development from each unit for courses on compliance, AML, risk management, digital banking, credit extension, wealth management, and branch operations and management. The Company invites experts and scholars in the finance industry to lecture on topics such as marketing, leadership, big data applications, and innovation. Over the last five years, we trained a total of 224 employees of which 38 have been assigned to serve as unit supervisors. The number of assigned personnel accounts for approximately 17% of the trained employees.

Cadre Training Program

MICB began organizing the "Cadre Training Course" in 2014 to provide training to outstanding intermediate-level employees under 45 who have the intention and potential with courses on deposit and remittances, wealth management, AML, and other related bank businesses. MICB also invited renowned external lecturers to lecture on practical courses such as "Communication Skills", "Team Growth", and "Service Experience" in 2019. The Program is now in its ninth year and it has accumulated a total of 550 employees who now serve in important positions at the Head Office and domestic and overseas business units. Most employees receive again recommendations for participating in the "Unit Supervisor Training Program" to complete the comprehensive training required for future unit supervisors.

Overseas Trainee Program

MICB actively develops talents for overseas assignments. In addition to recruiting talents for overseas assignments and assigning them first to domestic business units for rotations and training, MICB also sends domestic employees for internship or work in overseas branches to train them for future work abroad. As of the end of 2019, MICB has recruited more than 200 trainees for overseas assignments and sent domestic employees on internships in overseas branches to observe business operation skills. These programs enrich their work experience and provide overseas branches with manpower and trainee personnel which contribute to increasing profits for the Bank's overseas units.

Digital Banking Talent Transformation Program

MICB expands digital finance training programs to enhance employees' digital banking expertise. In 2019, MICB organized independent training courses and training provided by external institutions for a total of 164 participants totaling 4,241 hours while the digital learning system provided training with approximately 200,000 enrollments. As of the end of 2019, 494 employees obtained the "FinTech Knowledge" certificate. CKI introduced the E-learning Portal in 2014 to help employees take online courses at any time.

Securities Salesperson Transformation Program

MS's "Securities Salesperson Transformation Program" in 2019 was primarily provided as an internal training program. The main training program included the introduction of products (e.g., Exchange Traded Note (ETN)), sales skills, and cross selling which improved salespersons' diverse sales skills. A total of 94 people took part in the training in 2019 and training hours amounted to 988 hours.

Performance Evaluation

Mega Holdings organizes performance evaluations for employees at the end of each year to attain performance targets of the organization and uncover the potential of employees. Following the rigorous operating procedures, supervisors at all levels evaluate the performance of employees in a fair and just manner. Except for employees on probation and reinstated in the current year, all of the employees undergo the performance evaluation.

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 employees is implemented in three ways listed below:

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.

Job rotation between units

It refers to the transfer of jobs between units, 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 as specified by the laws and regulations.

Talent exchanges within the Group

Mega Holdings has established Group Talent Exchange Regulations to promote the exchange of talents between companies of the Group and enhance training of professional talents in response to the need of cross-industry operations.



2.3.3 Salary and Benefits

Childbirth Subsidies and Benefits

MICB responded to the government's population policy that encourages people of marriageable age to get married and give birth to children. MICB added NT\$20,000 for employee marriage subsidies and NT\$80,000 for each childbirth at the end of December 2017. The subsidies were expanded to provide an additional NT\$80,000 for each additional child in multiple births and the number of employee marriages and childbirths increased significantly in 2019. The Group's marriage and childbirth incentives are as follows:

• Marriage subsidies and childbirth incentives in the last three years

Item	2017		2018		2019	
	Number of Employees	Amount (NTD)	Number of Employees	Amount (NTD)	Number of Employees	Amount (NTD)
Marriage subsidies ^{note}	19	228,000	135	2,572,000	152	2,904,000
Childbirth incentives ^{note}	29	104,400	150	10,948,400	186	13,752,000

Note: The amount of subsidies and incentives differs in each company.

Parental Leave

Unpaid, parental leave is implemented to attain balance between work and family. Employees who are qualified under the Act of Gender Equality in Employment may apply for unpaid parental leave. For employees applying for unpaid parental leave, Mega Holdings protects employees' right to work. In 2019, 248 employees (84 male and 164 female employees) were eligible for parental leave. A total of 80 employees (9 male and 71 female employees) took unpaid parental leave. The number of employees who took parental leave and number of reinstatements in 2019 both increased from the previous year. Mega Holdings provides employees with legal protection to help them take care of their families without worries.

• Overview of Unpaid Parental Leave

Gender	Number of Employees Taking Unpaid Parental Leave in 2019	Number of Employees Expected to be Reinstated from Unpaid Parental Leave in 2019 (a)	Number of Employees who were Reinstated in 2019 (b)	Reinstatement Rate in 2019 (b/a)	Number of Employees who were Reinstated in 2018 (c)	Number of Employees Working for 1 Year or More after Reinstatement in 2018 (d)	Retention Rate (d/c)
Male	9	10	7	70%	3	3	100%
Female	71	62	54	87%	56	49	88%
Total	80	72	61	85%	59	52	88%



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, or 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.

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

Rank	Male	Female
Top Management Level (Above Executive Vice President)	1	1
Management Level (Section Chief to Senior Vice President)	1	1
Non-management Level	1.1	1

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 as a constituent of the TWSE Taiwan High Compensation 100 Index. As of the end of 2019, Mega Holdings, MICB, CKI, and MS have a total of 7,575 full-time employees holding non-managerial positions. The average annual salary of full-time employees holding non-managerial positions was NT\$1,435 thousand and the median annual salary of full-time employees holding non-managerial positions was NT\$1,138 thousand. Both figures were lower than 2018 mainly due to an increase in the number of new entry-level employees of MICB.

Item	2017	2018	2019	Difference from Previous Year
Number of full-time non-managerial employees	6,612	7,008	7,575	567
Average annual salary of full-time non-managerial employees(NTD thousand)	1,418	1,441	1,435	-6
Median annual salary of full-time non-managerial employees(NTD thousand)	-	1,151	1,138	-13

Note 1 : The scope for 2017 to 2018 includes Mega Holdings, MICB, CKI, and MS. MBF was added in 2019.
 Note 2 : The statistics in 2018 and 2019 were audited by the CPA and the statistics in 2017 were compiled independently.

Employee Benefits

In addition to the aforesaid salaries, year-end bonuses, performance bonuses, and employee compensation, the Company provides employee with good benefits and comprehensive care. The employee benefits of MICB are summarized as follows:

• Figure: MICB's Employee Benefits



To reward employees for their hard work and build a sense of solidarity for employees, MICB organized the year-end parties for employees in northern, central, and southern Taiwan separately for the first time in 2019. Nearly six thousand employees participated in the event and MICB provided more than 1,200 lucky draw awards as well as five cars as grand prizes. MICB organized hosts and group performances during the year-end party and invited employees to form groups for performances on stage. The top four groups were provided with prizes totaling NT\$80,000, NT\$50,000, NT\$30,000, and NT\$10,000 to encourage employee participation. Employees also attend the parties in costumes to fully demonstrate the unity and youth of employees of Mega Holdings.



Mega Holdings 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 eligible under the Labor Pension Act, employees' pensions shall be appropriated monthly at a rate 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 Employee Retirement Reserve.

2.The pension system of Labor Standards Act:

Employees' pension reserves are appropriated monthly at an actuarial rate. The Supervisory Committee of Employee Retirement Reserve set up according is responsible for the law to supervision of the appropriation and application of the pension reserve.

3.The pension system of Labor Pension Act:

The Company shall contribute monthly an amount based on 6% of the employees' monthly salary to the employees' individual pension account with the Bureau of Labor Insurance.

To increase employee solidarity and talent retention, and take care of employees in their retirement, Mega Holdings and MICB began organizing employee stock ownership trusts in January 2020. A certain amount from employees' monthly salaries is appropriated into the trust account. The Company sets aside NT\$1,000 for each employee participating in the employee stock ownership trust. The fund is delivered into the entrusted bank to manage and invest in shares of Mega Holdings and included in the equity of trust properties. The measures create an employee welfare system that incorporates employee benefits, savings, and investment and wealth management concepts.



2.3.4 Occupational Safety and Health

The Group values employees' health and safety, and takes the following measures to ensure the cleanliness, 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 workplace.
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 2019, all security personnel received the training course on human rights.
9. MICB organizes security corps in accordance with requirements of the National Fire Agency, Ministry of the Interior to take charge of information delivery, alarms, protection, rescue, fire safety, self-defense, and assistance in disaster relief.





• Chain of Command for the Security Corps



In addition to providing related occupational safety and health training programs in accordance with laws, the following training programs were also provided:

• Occupational safety and health training in the last three years

Item	2017		2018		2019	
	Enrollments	Total hours	Enrollments	Total hours	Enrollments	Total hours
Training for supervisor in charge of occupational safety and health	220	1,352	75	1,015	56	1,415
Fire prevention personnel retraining	138	929	113	1,031	23	195
First aid personnel training	58	369	27	366	33	393

MICB has set up a unit in charge of labor 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 convenes a meeting every three months to resolve and supervise the plans for employees' health and safety.

MICB promotes workplace health promotion programs and implements occupational safety and health to protect employees from occupational diseases, reduce medical insurance expense, enhance cohesion, and increase work efficiency and quality as well as improve the corporate image. Mega Holdings' health promotion programs are as follows:








• Health Promotion Activities

Category	Activity	Content
Employee Health	Health Talk	<ul style="list-style-type: none"> • MICB invites physicians to lecture every quarter and uploads the lectures to the e-learning platform to increase employees' health awareness. • In 2019, MICB, MS, and CKI organized multiple health seminars to increase employees' awareness of acute diseases, chronic diseases, mental health, and eyesight protection. • MICB and MS organized weight control classes to help employees lose weight and stay healthy. 
	Health examination	Regular health examinations superior to requirements in the Labor Standards Act are provided to employees, which allows employees to understand and follow up their health conditions for early prevention and detection.
	Psychological consultation	Mega Holdings pays close attention to employees' mental health and continuously provide channels for stress relief, communication, and problem-solving. Mega Holdings appointed a professional psychological consultation institution in 2019 to provide psychological consultation services for employees of Mega Holdings and subsidiaries. Employees can use the 0800 hotline, email consultation, and one-on-one consultation to seek psychological consultation services. At total of 21 employees used the consulting services in 2019. The issues of the consultation mostly included interpersonal relations and stress in the workplace.
	Healthy diet	MICB 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	Mega Holdings encourages employees to form sports clubs, such as hiking, ball sports, yoga, Tai Chi, and aerobic exercise to develop a habit of exercise.
	Smoke-free workplace	Mega Holdings actively creates a non-smoking workplace to protect the safety and health of employees.



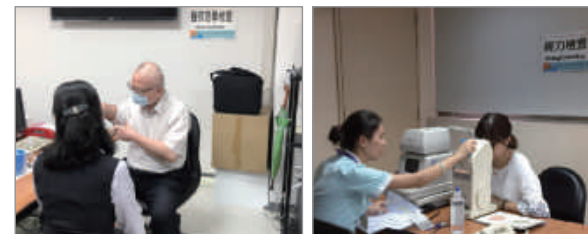


Category	Activity	Content	
Employee Health	Breastfeeding rooms	Mega Holdings encourages breastfeeding by setting up breastfeeding rooms at each subsidiary and appoints employees to manage and maintain the facilities. At present, there are 25 breastfeeding rooms across the Group and they were used approximately 7 thousand times in 2019.	
	Nurses	MICB and MS have engaged nurses to provide the following services: 1. Health examination. 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 per day from Monday to Friday (extended to 4 hours every other Friday); in addition, the physician visits each branch for 3 hours every month. Services provided by the stationed physician: health consultation, simple injury or disease treatment, emergency treatment, and implementation of employee protection plan. On average, about 100 employees consult the physician every month.	
Occupational safety	Automated External Defibrillators (AED)	A total of 51 AEDs has 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 fire departments of each jurisdiction 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 Examination

MICB provides employees with regular health examinations superior to regulatory requirements. Employees aged 50 and above are given annual health examinations; employees aged 40-49 are given biennial health examinations; employees aged 39 and below are given health examinations once every three years. They are also provided with official leave to receive examinations in contracted hospitals or clinics. MICB provides employees' family members, retired employees, family members of retired employees with the same health examination fees and items as current employees. A total of 3,975 individuals of the Group participated in the health examinations in 2019 and total subsidies amounted to approximately NT\$40 million.



• Employee Health Examinations in the last three years

Year	Total Number of Full-Time Employees	Aged 39 or Less		Aged 40-49		Aged 50 or More		Taiwan	Overseas
		Male	Female	Male	Female	Male	Female		
2017	3,645	288	521	559	515	1,012	750	3,531	114
2018	4,897	511	861	558	805	1,191	971	4,796	101
2019	3,975	403	816	465	491	1,032	768	3,841	134

Occupational Disease and Injury Treatment

For employees who are injured due to the performance of duties or accidents during commutes, the Group helps to apply for benefits for occupational outpatient services, hospitalization, injury, sickness, and disabilities depending on the severity of injuries and gives occupational 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 2019

	Injuries	Deaths	Working Days Lost	Lost Day Rate (LDR)	Occupational Injury Rate (IR)	Absence Rate (AR)
Male	27	0	280.125	14.93	1.44	0.0120
Female	38	0	417.875	22.28	2.03	0.0178
Total	65	0	698	37.21	3.47	0.0298
Reason	<ul style="list-style-type: none"> • 14 employees were injured in performance of duties or at the workplace and the other 51 were injured in traffic accidents for business purpose or on the way to or from work. • The 14 employees injured in performance of duties mostly due to falling while waiting for official vehicles or receiving/delivering documents. 					
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 2019, 65 employees suffered from occupational injuries; there was no occupational injury in Mega Holdings, MITC, MAM, MLIA, 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)



Execution Status of Related MICB Programs for Occupational Safety and Health Act

1. Human-Factor Hazards Prevention Plan

MICB established human-factor hazards prevention plans and incorporated onsite visits to branches in accordance with the Occupational Safety and Health Act. In 2019, it collected survey data from 18 branches to compile statistics and conduct analyses based on the pain levels experienced by each part of the body. It implemented tracking management for those with the highest ratings and identified a high-risk group of 36 people susceptible to work-related risks. The nurses and stationed physicians evaluated the work environment and provided related human-factor engineering improvement guidance and health education information. Improvement measures included using lumbar cushions on office chairs, recommendations for increasing the height of computer screens and placing phones on the side of the non-dominant hand. Nurses continue to follow up on high-risk employees and found that simple engineering improvements were indeed helpful in alleviating discomfort caused by ergonomic hazards. Certain employees actively sought medical attention based on suggestions and made improvements on damage caused by ergonomic hazards to their health.

2. Abnormal Workload-triggered Diseases Prevention Plan

MICB continues to implement the "disease prevention program caused by irregular work load" to prevent diseases caused by shift rotations, night shifts, and long work hours for high-risk employees. MICB organized a survey on abnormal workload-triggered diseases in the employee training in 2019. The survey recovery rate was 100%. After analyzing the 5,103 surveys, MICB made arrangements for high-risk employees to consult stationed physicians and nurses based on the hazard ratings and recommendations in interviews. The physician and nurse learned about whether the employees are assigned to suitable tasks and provided related health guidelines and work fitness arrangements. They also directed employees to related medical care resources at appropriate times to prevent overwork and stress management, and then reduce the risks of triggering diseases.

3. Prevention Plan of Illegal Infringement at Work

MICB established the "Prevention Plan of Illegal Infringement at Work" in 2015 to prevent illegal infringement at work, protect the physical and mental health of laborers, and establish a friendly workplace culture. It also published a written statement prohibiting workplace violence and adopted a zero-tolerance principle for illegal infringement in the workplace. MICB also edited education materials and included in the employees' annual training courses and health seminars. MICB distributed a total of 5,790 questionnaires in accordance with the Prevention Plan of Illegal Infringement at Work at the end of 2019. The recovery rate was 100%. MICB plans to compile analyses and statistics on the risks of hazardous factors, implement prevention measures, and revise the evaluations in 2020.

4. Maternal Health Protection Plan

MICB established the "Maternal Health Protection Plan" in 2016 to protect the physical and mental health of maternal employees, dignity of laborers, and implement the regulations regarding maternal health protection in the Occupational Safety and Health Act. The Human Resources System was also tasked with management and follow-up tasks. There were 189 maternal employees in 2019; 72 were included into the telephone interview care and follow-up plan and filled out the maternity labor health assessment table; 85 were provided with care via letters. Stationed physicians were requested to provide risk assessments for related work hazards and provide maternal employees with related health guidance and information on childbirth incentives. They also performed regular follow-up management of cases to protect the interests of maternal employees.

2.3.5 Human Rights Protection and Communication with Employees

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. We established the "Human Rights Policy" in accordance with the UN's Universal Declaration of Human Rights, UN Global Compact and related regulations of the UN International Labour Organization in September 2018 and disclosed it on the company website.

Mega Holdings also established the "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 workplace sexual harassment prevention and response. There were no sexual harassment complaints in 2019. In addition, MICB sets 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.

The Group organizes human rights policy training each year. Human rights courses included the Personal Data Protection Act, ethical management training, employee confidentiality training, theory and practice of the Fair Customer Treatment Principle in the Financial Industry, general employee safety and health training, and Act of Gender Equality in Employment. Mega Holdings did not receive any human rights or discrimination complaints in 2019.



• Training courses on Human Rights Policy in the last three years


Item	2017	2018	2019
Total Number of Enrollments	9,360	14,886	18,172
Total Training Hours	36,158	67,166	65,872

Gender Equality

To protect gender equality in employment, fulfill the spirit of the Constitution for eliminating gender discrimination, and promote actual equality of gender in the work place, Mega Holdings Group provides female employees with maternity leave when they give birth and set up breastfeeding rooms in accordance with the "Act of Gender Equality in Employment". In addition, employees may apply for unpaid parental leave before their children turn three and the Group retains 100% of their positions when they are on parental leave. To promote gender equality, MICB included gender equality courses in eight rounds training for new employees in 2019. Each course is one hour long and 610 employees attended the courses.

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 5,723 members, accounting for 85% of the total number of its employees, and Mega Holdings' union has 47 members, accounting for 82% of the total number of the employees of Mega Holdings.



In 2019, MICB's union consisted of **5,723 members**, accounting for **85%** of the total employees of MICB.

MICB organized regular labor-management meetings with the union in 2019 to exchange opinions on various issues and communicate. MICB also used other communication platforms (e.g. ad hoc discussions with the directors and supervisors of the union) to strengthen the stability of labor-management relations.

Employee Grievance Mechanisms

Mega Holdings 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 equality through these mechanisms. The Company takes action actively from the standpoint of employees.



Employee Message Board



Employee Complaints Mailbox



Direct Contact with Supervisors



2.4 Community Engagement

Overview of Social Welfare

The 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. The business expenses of the two Foundations accounted for 71% of their total income, and volunteer activities benefited 20,330 beneficiaries in 2019. Through a series of charitable activities, the Company hopes to spread love to every corner of society.

Results of Public Welfare Activities in 2019

Type of Activity	Resources Invested (NTD thousand)	Main Content	Benefits
Promoting Financial Education	5,780	<ul style="list-style-type: none"> Organized 3 sessions of wealth management summer camps in northern, central, and southern Taiwan Established an action plan team to support the government's "Welcoming Returning Taiwanese Businesses Action Plan" and organized 7 sessions of tax trends and VIP wealth management seminars in northern, central, and southern Taiwan to provide consulting services to Taiwanese businesses for remittance of funds from overseas. Launched the "Mega Holdings' Thoughtful Retirement Health Examination" for wealth management specialists to use simple questionnaires to help customers review their retirement preparation, produce an exclusive retirement health examination report for reference by customers, and attract approximately two thousand customers to complete retirement health examinations. Sponsored the "31st Accounting Elite Cup Debate Contest" organized by the Accounting Research and Development Foundation and the "2019 Seminar" of the Institute of Internal Auditors - Taiwan. Donated funding for academic research National Cheng Kung University and National Chung Hsing University Sponsored seminars and summit forums organized by the Foundation of Pacific Basin Financial Research and Development and Chung-Hua Institution for Economic Research Sponsored the "2019 Winning with the New Southbound Policy Summit Forum" organized by Economic Daily News and the "Grand Future of Taiwan" Summit Forum organized by Business Today Magazine. Sponsored the Central News Agency in the campus event "I am a Foreign Correspondent" Organized visits of schools and organizations to assist in the promotion of financial education 	<ul style="list-style-type: none"> Promoted finance and wealth management knowledge to help schoolchildren develop correct wealth management concepts Facilitated exchanges between the industry, government, and academia, improved the Company's corporate image, and fulfilled corporate social responsibilities Satisfied customer demands for investment and wealth management and helped them prepare for retirement Provided a learning and exchange platform for global finance perspectives and management knowledge A total of 380 visitors from 8 schools and groups including the NTU College of Management Camp, Department of Business Administration of Cheng Kung University, and Jilin Elementary School visited MICB in 2019; we promoted exchanges between the industry and academia and helped students plan their future careers

Volunteer Services Hours in 2017-2019

Year	Hours	No. of Volunteers	No. of Beneficiaries
2017	3,606	730	18,450
2018	3,885	617	24,050
2019	2,312	482	20,330



Type of Activity	Resources Invested (NTD thousand)	Main Content	Benefits
Caring for the Socially Disadvantaged	28,248	<ul style="list-style-type: none"> • Launched microinsurance to fulfill the financial inclusion • Sponsored the Raising Pediatric Hospital Medical Service Fund, school lunches for Longxing Elementary School students in Liugui District, Kaohsiung City, school lunches for impoverished students of Pingtung Industrial Vocational High School, Taipei City Kuanyin-Line Psychological and Social Service Association, children of the Taiwan Fund for Children and Families, Down Syndrome Foundation, and Yu An Retarded Children's Home in Miaoli to help underprivileged grow healthily. • Sponsored long-term care institutions in remote regions by providing funds for taking care of senior citizens suffering from dementia and nutritious products for the elderly's homes • The Group provided medical or funeral allowances for the economically disadvantaged • Sponsored the Chinese Taipei Baseball and Softball Association of the Deaf's "2019 Sixth Export Cup Baseball Game" • Sponsored funding for equipment of the Shih Fang Social Welfare Foundation and funding for anti-drug initiatives of the Christian Elim Care Association, Taiwan Drug Free World Association, and Agape House Christian Counseling Center • Organized the "Year-End Care with Mega Bank" activities • Supported domestic agricultural and economic initiatives by purchasing Taiwanese agricultural produce such as pineapples and guavas • Supported the "One-Day Taiwan Produce Market" held by AgriHarvest • Sponsored the "Mega Bank Heartwarming Action - Mid-Autumn Festival Gift Box" event organized by the "GIVE543" gifting platform. • Sponsored the "Love Project - Take Action for Children" event organized by ANUE. COM, Inc. • Sponsored the Tainan City Private Maerjia Home of the Single Parent Educational Foundation in organizing the "Use Love to Grow the Future" annual service plans for caring for disadvantaged children • Sponsored the funding for competing in overseas contests of the archery team of Donggao Elementary School of Yilan County. MICB organized 30 volunteers to help visit Donggao Elementary School and help produce canned flying fish chili for charitable sales in order to help schoolchildren living in remote areas. 	<ul style="list-style-type: none"> • CKI provided coverage to 109,771 micro-insurance policyholders in 2019 and won the Performance Excellence Award in the Microinsurance Competition organized by the Insurance Bureau of the FSC • Provided school lunches to 94 students to reduce the burden on their families, help underprivileged children study with more ease, and reduce school dropout rates • Cared for children in disadvantaged families that suffer from severe illnesses, helped them obtain adequate care, and increased the chances of full recovery • Invested 380 volunteer hours in elderly care activities • Provided funding for catering and care services for the elderly living and auxiliary appliances for the disabled in remote areas to improve the quality of care and prevent disabilities • Helped farmers alleviate overproduction issues by purchasing 1,060 boxes of pineapples (10.6 tons) and 834 boxes of guavas (10 tons). • Promoted the sharing of usable resources and collected idle and usable items from employees to be gifted to charity organizations that need them • Helped young students establish correct anti-drug awareness, prevent addiction by mistake, reduce the harm on their health and family, and then reduce crime rates



Type of Activity	Resources Invested (NTD thousand)	Main Content	Benefits
Arts and Culture	11,735	<ul style="list-style-type: none"> • Sponsored Puzangalan Children's Choir in competitions in Germany to help children living in remote areas fulfill their dreams and promote art education • Sponsored the "2019 Annual Event of the Ministry of Culture Representative Office in the United Kingdom - Indigenous Peoples' Children Choir Tour in the United Kingdom" held by the Kaohsiung City Nibuen Culture and Education Care Association • Organized large concerts in northern, central, and southern Taiwan and invited customers to attend the concerts; MICB employees served as volunteers to promote art development • Sponsored the fifth "Tua-Tiu-Tiann International Festival of Arts" in 2019, performances of the Chen Ya Lan Taiwanese Opera Troupe, "Astounding Music and Dance - 2019 Taiwan Indigenous Peoples Dance Festival", and "True Taste of Happiness - 2019 Hsu Hsi-Lung Violin Recital" to support domestic arts and culture industries. • Sponsored the "Republic of China 2019 National Day Light Sculpture Show" and the "shen ti gan" forest special exhibition event • Sponsored the charity concert organized by the Taipei Kuanyin Line Psychological and Social Service Association • Sponsored the "2019 Listening to Literature" event organized by the Happy big fish Culture and Art Foundation • Sponsored the funding for campus tours of the "Anti-drug Performance of Paper Windmill Theatre" organized by the Paper Windmill Foundation in 2019 • Organized the "Year of the Golden Pig Mega Spring Couplet Calligraphy Event" and invited famous calligraphers to inscribe couplets for the people 	<ul style="list-style-type: none"> • Provided support for schoolchildren in remote areas for making their dreams come true and art and culture education for five consecutive years; sponsored overseas competitions to build children's self-confidence and promoted the Taiwanese local culture across the world; Puzangalan Children's Choir won gold awards in the children, folk song, and gospel music categories in the "International Johannes Brahms Choir Festival & Competition" in Germany in 2019, winning the first prize in gold in the children' category • Supported local art and cultural activities and traditional theater culture • Helped teenagers stay away from drugs through theater and cultivate the concept of saying no to drugs; continued to sponsor 10 performances in 2019 to provide anti-drug education in junior high schools in Taoyuan, Yilan, and Pingtung • Promoted art arts and culture and added joy to people's holiday festivities • Invested a total of 200 volunteer hours in concerts in northern, central, and southern Taiwan
Promoting Sports Activities	96,273	<ul style="list-style-type: none"> • Co-organized with the Ministry of Finance the Unified Invoice Cup Road Running for 8 consecutive years with more than 10,000 participants in the event held in Kaohsiung City in 2019 • Sponsored the 10,000-people charity marathon event organized by the Taiwan Disability-Free Association • Sponsored baseball teams, archery teams, and weightlifting teams of remote elementary and junior high schools in Yilan, Hualien, and Tainan for 3 years or more • Sponsored the Santaizi ATP Challenger Tour organized by Keelung County Government and Hualien County Government • Sponsored cycling events including the "48H Innova Cup Endurance Race of Taiwan" and "Merida Cup & Bike Festival 2019" • Sponsored the "2019 Swinging Skirts LPGA Classic" championship, "Yeangder Tournament Players Championship 2019", and "2019 KENDA Tire TLPGA Open" 	<ul style="list-style-type: none"> • The Group received the "Sports Contribution Award" from the Sports Administration of the Ministry of Education for the second time in 2019 • Nearly 10,000 runners registered for the Unified Invoice Cup Road Running event in Kaohsiung and donated a total of 269,988 invoices to four social welfare associations • Funded select baseball teams, archery teams, and weightlifting teams to develop future sports talents. • Sponsored cycling events and promoted sports to support Taiwan's bicycle industry



Type of Activity	Resources Invested (NTD thousand)	Main Content	Benefits
Promoting Sports Activities		<ul style="list-style-type: none"> • Purchased 800 tickets of the "CPBL 30th Exhibition" and invited youth baseball team members in elementary schools of remote areas to visit the exhibition • Sponsored the "Tainan City Anding Junior High School Basic Tennis Training" and "Youth Golf Training Program" • Sponsored the Chinese Taipei Football Association in organizing the "Futsal Championship" and the funding of the Chinese Taipei Skating Union for training skaters • Sponsored the Chinese Yoga Association in organizing the "2019 International Yoga Day" • Organized the "Mega Holdings Summer Camp - Sharpshooter" activity to help students in junior high school and elementary school learn about archery and develop future sports talents • Organized the "Mega Cup Dream Come True Youth Baseball Championship", and the "Nationwide Mega Cup Archery Elite Contest" to provide young athletes with a platform for competition and exchanges • MICB fully supports the national sport of baseball and began sponsoring the CPBL Uni-President Lions for 4 consecutive years in 2018 to jointly promote the development of sports in Taiwan. • Organized the second Mega Bank Esports Tournament. • Sponsored the tennis tables for Zhongxiao Elementary School in Zhongzheng District, Taipei City to help schoolchildren fulfill their dreams 	<ul style="list-style-type: none"> • Sponsored golf, tennis, and football events to promote domestic sports development and increase public participation in sports • Organized the second Mega Bank Esports Tournament, "Mega Cup Dream Come True Youth Baseball Championship", and the "Nationwide Mega Cup Archery Elite Contest" with 883 participants in total to continue to support sports and industries in Taiwan
Total Expenses (NTD thousand)	142,036		

The labor costs, insurance, transportation, and other administrative and management fees for volunteer services provided by volunteers of the Group are listed in the table below:

Unit: NTD

Year	Labor costs of Volunteers	Administration Fee
2017	1,532,550	198,181
2018	1,651,125	46,386
2019	982,600	44,544

Note 1: The Company invested a total of 2,312 hours of paid volunteer labor force in 2019. Based on the average basic wage of entry-level employees by NT\$425/hr, the total labor cost was approximately NT\$982,600 in 2019.

Note 2: Administration fees included: Insurance, cleaning of the vests, transportation, and mail and cable expenses.





2.4.1 Promoting Financial Education

Consecutive Insurance Talent Awards in Two Categories

Mega Holdings and the subsidiary CKI received the recognition of young graduates once again and received the Excellence Award in the "Best Financial Holding and Insurance Companies for Finance and Insurance Graduates" based on votes from finance and insurance departments and institutes of universities. The award was given based on the number of votes cast by graduates in the "2019 Nationwide Financial Insurance Graduate Career Intention Survey" organized by the RMI Educational Foundation.



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 343 students part-time jobs from 2012 to 2019 to develop their competitiveness for future careers. The Company was awarded the certificate of appreciation by Ministry of Education on October 31, 2019, due to the outstanding results of the plan.

Offering Job Opportunities to Economically Disadvantaged Students

MICB integrated resources of the Group and organized the "Visits by College, Junior High School, and Elementary School Students Corporate Finance Education" program. NTU College of Management Camp, Department of Business Administration of Cheng Kung University, Department of Finance, Chung Yuan University, Department of Finance and Banking of Shih Chien University, and Jilin Elementary School visited the Bank in 2019. Employees used their core competencies and served as ambassadors of the finance industry to help promote financial knowledge and education.




2.4.2 Caring for the Socially Disadvantaged

Donations for the "Mobile Food Stalls" of the Down Syndrome Foundation

To help those suffering from Down syndrome gain independence, we sponsored 10 food stall equipment to help them increase their work skills, return to the workplace, and integrate with society.

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, computers, bathing facilities, and floor washing machines; in addition, volunteers have accompanied the elderly to sing old songs on a monthly basis for eight consecutive years. The donations were provided to the Little Sisters of the Poor of Bali District, New Taipei City in 2019 to provide the elderly with nutrition and life necessities.

Annual Donation of NT\$100,000
380 volunteer hours



Supporting the Disadvantaged Children's Growth

The Company adopts children at family support centers throughout the country based on 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." We hope disadvantaged children can learn and grow up in a care-free life and we aim to eliminate the gap between urban and rural areas. The following two graphs include feedbacks from pupils on their school and family lives.





Supported domestic agricultural and economic initiatives by purchasing agricultural produce in season such as pineapples and guavas

In response to overproduction of agricultural produce, the Company purchased agricultural products as gifts for customers, social welfare organizations, and employees to help farmers. By actual actions to help farmers with a difficult year, we contribute to Taiwan's agricultural development. We received the 2019 "Assistance for Agricultural Food Product Marketing Corporate Award" from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan.



Share Resources and Love the Earth with Heartwarming Gifts

To share resources and not waste supplies, Mega Holdings organized the "Mid-Autumn Festival Gift Box" event before Mid-Autumn Festival and encouraged employees to donate usable items they don't need from their homes. The items are matched through a gifting platform and donated to social welfare organizations that need them to share usable supplies once again. This event helped deliver love and take care of the earth by recycling and reusing idle resources. We accumulated 30 boxes of donated supplies in just 3 days. After they were sorted and classified by "gift managers" consisting of disadvantaged individuals provided with work protection, they were donated to 480 social welfare institutions or organizations in Taiwan through a gifting platform in an open and transparent manner. The supplies were distributed based on needs to share resources with people who truly need them.



Green Volunteers Protect the Earth

MICB and MITC organized the "Save the Ocean Beach Clearing Activity" and "Employee Mountain Cleaning Day" to protect the oceans, clean the mountains and forests, and care for the earth. They recruited 137 employees and family members as volunteers, including many young parents and their children, to remove trash from beaches or forests together. The shared experience with family members helps the next generation learn about environmental protection and help promote the ideals for caring for the earth at an early age.

2.4.3 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 has 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.

In terms of baseball activities, Mega Holdings has provided sponsorship of NT\$3 million in funding each year for three consecutive years since 2017 to help train baseball teams of 11 elementary schools in Yilan. We also organized the second "Mega Cup Yilan Dream Come True Youth Baseball Championship" at the Lo Tung Baseball Stadium in Yilan County in July 2019 for 250 players and coaches from 22 teams to provide young baseball players with a platform to compete.

In terms of archery, the Company has sponsored the Hualien County Yuli Junior High School Archery Team with NT\$2 million in training expenses each year for three consecutive years since 2017 in the hope of building a solid foundation of archery in Taiwan, strengthening the national archery capability, and nurturing more international archery talents for Taiwan. In 2019, we sponsored the reconstruction of the archery range of Yuli Senior High School in Hualien and sponsored the Dongao Elementary School archery team in Yilan. We also organized the "Mega Cup Archery Elite Contest" and invited 121 archers from elementary schools, junior high schools, and senior high schools in Taipei, Taoyuan, Hsinchu, Yilan, Tainan, Kaohsiung, and Hualien to take part in the contest and expand the depth and scope of support for archery as a sport.

In weightlifting, the Company has sponsored the training expenses for the Tainan Danei Weightlifting team since 2014 in the hope of building a solid foundation for the sports and helping players from disadvantaged families obtain great results in competitions and change their lives.





Sponsoring Domestic Sports Events and Creating a Sports Atmosphere

In 2019, the Company sponsored the Keelung City the 9th Rainy Keelung Cup- Weekend Basketball League, the Santaizi ATP Challenger Tour, 2019 Hualien Probation Basketball, 2019 Swinging Skirts LPGA Classic Championship, 2019 KENDA Tire TLPGA Open, and Yeangder Tournament Players Championship 2019 in hopes of promoting sports exchange through sports events at home and abroad and creating a healthy and positive atmosphere for sports.

Organize Charity Running Events and Invited Customers and Suppliers to Participate in Running Events

The Ministry of Finance and Mega Holdings co-organized the 2019 Invoice Cup for Road Running (Kaohsiung). Nearly 10,000 runners took off under the lead of the Deputy Minister of Finance Tzu-Hsin Wu and Mega Holdings Chairman Chao-Shun Chang. Mega Holdings began co-organizing the Unified Invoice Cup for Road Running with 5 National Taxation Bureaus under the jurisdiction of the Ministry of Finance starting from 2012. The event was organized for the eighth time in 2019 and we donated all 269,988 invoices collected to four social welfare organizations.



Promote Sports to Support Taiwan's Bicycle Industry

Mega Holdings sponsored cycling events including the "48H Innova Cup Endurance Race of Taiwan" and "Merida Cup & Bike Festival 2019" to promote sports in Taiwan, support local bicycle industries, promote tourism development, and show the beautiful sights of Taiwan to the world.

Organized the Second Mega Bank Esports Tournament to Increase Taiwan's Visibility to the World

Organized the second Mega Bank Esports Tournament which attracted approximately 512 players in 256 teams. The Company organized the esports contest to encourage young students to participate in esports and cultivate more international-level esports talents for Taiwan. We also seek to connect the esports industry to international standards and enter the global stage of esports so that the world can view our achievements.



Won the "2019 Sports Contribution Award"

Mega Holdings received the Sports Contribution Award - Sponsorship Gold from the Sports Administration of the Ministry of Education for the second time in 2019 for its long-term support for grassroots sports development in Taiwan. The sports events sponsored or supported by Mega Holdings primarily focus on cultivation and training of grassroots athletes. We also work with the government to jointly create a high-quality sports environment to help Taiwanese athletes compete on the global stage. We seek to let the world see Taiwan through outstanding performance in contests and Mega Holdings will continue to play the role of the most important supporter in the development of basic national sports.





2.4.4 Creating Local Art and Culture

Support Children Living in Remote Areas and Let the World Hear Taiwan

Mega Holdings has provided long-term sponsorship to the Puzangalan Children's Choir since 2013 and has sponsored funding to help the Choir compete in overseas contests every year in the past 5 years. The Choir has visited countries including Germany, Japan, Hungary, and Italy. Puzangalan Children's Choir won gold awards in the children, folk song, and gospel music categories in the "International Johannes Brahms Choir Festival & Competition" in Germany in 2019, winning the first prize in gold in the children' category. The heavenly voices of the children have let more people from different countries learn about the beauty of the land and culture in Taiwan.



Organized and Sponsored Concerts to Develop Taste in Music and Art

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 2019, the Company organized large concerts in Taipei, Taichung, and Kaohsiung for MICB's customers. Our employees also served as volunteers for the concerts. The Company also sponsored the charity concerts, violin recitals, and the "Astounding Music and Dance - 2019 Taiwan Indigenous Peoples Dance Festival" to actively promote music and art culture.



Sponsoring the 5th Tua-Tiu-Tiann International Festival of Arts in 2019 to Support Local Cultural Development

The Company sponsored 5th Tua-Tiu-Tiann International Festival of Arts for the third consecutive year in 2019. The Festival was organized by Chiang Wei-Shui's Cultural Foundation, Thinkers' Theatre, Bookstore 1920s and dozens of cultural associations and featured a diversity of art programs that combine modern and traditional art to explore the Taiwanese characteristic culture. The event inspired thinking through new-generation art integrated with cultural heritage at Tua-Tiu-Tiann.



Promoting the Idea of "Say No to Drugs" by Sponsoring the Anti-drug Performance of Paper Windmill Theatre

Mega Holdings actively promotes anti-drug education and has provided long-term support for the anti-drug performances of the Paper Windmill Theatre since 2013. The Company continued to sponsor 10 performances in 2019 to provide anti-drug education in junior high schools in Taoyuan, Yilan, and Pingtung. Since the launch of the anti-drug performances of the Paper Windmill Theatre, performances have been given in 659 schools and more than 65% of junior high school students have viewed them. Mega Holdings will continue to promote anti-drug education on campus to help teenagers stay away from drugs.





CHAPTER

3



Sustainable Finance

The Company aims to fulfill environmental protection and social harmony while maintaining economic growth. We also support the 17 Sustainable Development Goals of the United Nations and play an important role in promoting sustainable finance. The Company has paid close attention to global sustainability issues and industry trends and aims to offer appropriate financial instruments and FinTech innovations to help customers reduce their impact on the environment. We also actively help companies uncover new opportunities in the industry and achieve sustainable development of the society.

To respond to the trend in risks exposure, Mega Holdings included the management of emerging risks (including climate change risks) into the "Risk Management Policy and Guidance Principles" of Mega Holdings and subsidiaries to respond to the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We identified and inventories climate change risks and opportunities and identified and managed these risks to strengthen green finance actions. The Group officially signed the TCFD in April 2020 to actively respond to the risks and opportunities of companies brought forth by climate change.





3.1 Green Finance and Climate Risk Management

3.1.1 Mega Holdings' Governance Framework and Methods Adopted by Subsidiaries

Mega Holdings established the Risk Management Committee under the Board of Directors and designated the Risk Management Department as the unit responsible for risk management. To respond to the trend in risks exposure, the Board of Directors passed the proposal for including climate change risks as emerging risks and included them into the "Risk Management Policy and Guidance Principles" of the Company and subsidiaries in the meeting in June 2019. Subsidiaries are required to report material risk issues (including emerging risks) to the Board of Directors of Mega Holdings and the Risk Management Committee.

The President of Mega Holdings serves as the highest-ranking manager of related climate risks and opportunities of the Group and subsidiaries. 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 Directors, Senior Executive Vice President of the Company acts as the executive secretary, and presidents or executive vice presidents of subsidiaries act as the members. The Corporate Social Responsibility Committee is divided into five Working Groups. At the beginning of each year, each Working Group shall submit the specific implementation plans and results to the CSR Committee and Board of Directors. For the management of climate change risks, a list of follow-up implementation status shall be specified in the CSR implementation plan and reported to the members and Chairperson of the CSR Committee.

	Methods Adopted by Subsidiaries
Directors or the Board of Directors are responsible for supervising related climate risks and opportunities of the subsidiaries	<ul style="list-style-type: none"> ● MICB : MICB is required to review the corporate governance, operation performance, and financial status of borrowers in the review procedures for loan cases. It must also evaluate the future prospect of the industry, market competition, and associated business risks (including fulfillment of duties for environmental protection, corporate social responsibilities, and climate change factors) and disclose the results of the evaluation in the loan report (reported based on the loan approval authorization level granted by the Board of Directors) as important factors for approving or rejecting loan credit investigations. ● MBF : MBF reviews whether the borrower is involved in activities that harm social welfare, infringe upon human rights, or cause environmental pollution in all loan cases in the credit investigation process. It then reports cases based on the loan approval authorization level granted by the Board of Directors. MBF has not yet adopted specific policies or regulations for credit operations regarding climate finance and risk assessments for loans are provided in accordance with related credit extension policies and regulations. Borrowers are required to fill out promissory note balances based on indicators for investments in sensitive industries. According to the "Asset Management Guidelines" reported to the Board of Directors, capital expenditures regarding the repair and maintenance of buildings required due to material loss and recovery of assets caused by natural disasters must be approved by the Board of Directors. ● MITC : The funds currently issued do not contain products regarding climate change and MITC shall consider the feasibility of incorporation in the future. ● CKI : CKI is required to evaluate the maximum potential losses in 100-year periods for evaluating the underwriting risks for typhoon and flood insurance. It shall also conduct at least one review each year and report results to the Board of Directors. ● MS : Other emerging risks were included into the Risk Management Policy and related risks that may have impacts on MS's businesses and finances such as climate change risks were gradually incorporated into existing risk management procedures. MS also continues to evaluate the potential negative impacts of the aforementioned risks on the Company's achievements of overall goals. The Risk Management Committee shall report the implementation status to the Board of Directors in accordance with regulations of the Risk Management Policy for the Directors or the Board of Directors to supervise related climate risk issues.
The role and responsibilities of the President in the assessment and management of related climate risks and opportunities of the subsidiaries	<ul style="list-style-type: none"> ● MICB : When a borrower is subject to the impact of material negative incidents (e.g., natural disasters or climate change incidents that affect its operations), the business unit that has business transactions with the borrower is required to fill out the irregularity report form and response measures and report to the President/Executive Vice President for approval. ● MS : MS has already included related climate issues into sustainability issues and the implementation status is reported by the Planning Office in the management meeting convened by the President each quarter. The President supervises the implementation of related issues by each department. To implement sustainability issues and evaluate and manage the Company's related climate risks and opportunities, the President integrates and supervises the implementation of related businesses and operations of all units such as the continuous underwriting or investment of green financial bonds.



3.1.2 Sustainable Environmental Investment Policy

In 2019, MICB and MBF included information on whether borrowers have fulfilled responsibilities for environmental protection, their involvement in activities or incidents against the interests of the public, and actions or incidents in violation of human rights into the credit review operating system. Business units audit and provided remarks for the disclosure of all applications. Those that involve adverse news or other risk issues must be provided with sufficient explanation for the occurrence and improvement status to be used in the review procedures for assessing the approval, additional restrictions/commitments, reduction in loan amount, or rejection. They shall also be used as the reference or basis for related risk management.

MICB established the "Credit Extension Guidelines" and included the spirit of the Equator Principles and Principles for Responsible Investment (PRI) into the credit review procedures to review all compliance status of related environmental protection regulations of the borrower. The credit extension policy expressly requires "pay attention to customers on whether they have fulfilled environmental protection, ethical management, and corporate social responsibilities as the basis for granting loans" and guide customers to fully implement environmental protection and CSR obligations. MBF implements sustainability investment and held NT\$3 billion of green bonds as of the end of 2019. It also plans to purchase approximately NT\$1.56 billion in green bonds in 2020. In terms of compliance with international standards and principles, MBF complies with the Green Bond Principles (GBP) established by the International Capital Market Association (ICMA) and the Climate Bonds Standard (CBS) established by the Climate Bond Initiative (CBI). MS assists environmental protection and renewable energy industries raise funds, develop the industry, and reduce the damage of the environment in accordance with the

"Standard Operating Procedures for Primary Bond Markets". CKI expressly specify in its "Regulations on Investment Management Procedures and Operations" that if an investee fails to implement anti-money laundering and counter terrorism financing operations and fulfill environmental protection, corporate ethics, and social responsibilities, CKI shall reduce or terminate investments in the investee operations at an appropriate time. In addition to considering the business conditions of the investees, CKI also considers whether they have published CSR reports and whether they have conducted inappropriate activities that affect the society. CKI also learns about the operations business conditions of the investee by collecting information and participating in its investor conferences and shareholders' meeting.

From July to December 2019, MICB had 4 loan cases in which the borrower was still implementing improvement measures due to the failure of the borrower or a subordinate company of the borrower to fully fulfill duties for environmental protection. It also had 2 cases in which the borrowers were involved in activities or incidents that damage the public interest. In 1 case, the borrower was prosecuted for offense against public safety due to building engineering. Although the borrower was ultimately not indicted after investigations, its loan application for NT\$4 million has not been approved. From July to December 2019, MBF had 8 loan cases in which the borrower was still implementing improvement measures due to the failure of the borrower or a subordinate company of the borrower to fully fulfill duties for environmental protection. It also had 8 cases in which the borrowers were involved in activities or incidents that damage the public interest and 4 cases in which the borrowers had committed actions or caused incidents that infringed upon human rights. There had been no cases of rejections of loans.

Item	Bank Loans	Asset Investment	Insurance Underwriting
Related policies or procedures	<ul style="list-style-type: none"> MICB's "Credit Extension Guidelines" MICB's "Directions for Making Loans to Key Start-up Industries" 	MS's "Standard Operating Procedures for Primary Bond Markets"	Regulations on Investment Management Procedures and Operations
Corresponding laws and regulations	<ul style="list-style-type: none"> Green finance action plans Incentive Policy for Loans from Domestic Banks to Key Start-up Industries 	<ul style="list-style-type: none"> Green finance action plans Operational Directions for Green Bonds Securities and Exchange Act Regulations Governing the Offering and Issuance of Securities by Securities Issuers Rules Governing Underwriting and Resale of Securities by Securities Firms Regulations Governing the Acquisition and Disposal of Assets by Public Companies Regulations Governing the Offering and Issuance of Securities by Foreign Issuers Operational Directions for Green Bonds 	Self-Governing Regulations on Asset Management for the Insurance Industry
International principles or standards for compliance	<ul style="list-style-type: none"> Principles for Responsible Investment Equator Principles 	<ul style="list-style-type: none"> Green Bond Principles Climate Bond Standards 	None
Environmental issues evaluated	The borrower's compliance with environmental protection laws and regulations	Renewable energy transformation, greenhouse gas, and impact on the environment	Climate change
Evaluated coverage rate (%)	100%	MBF: 100% MS: 100%	The evaluated coverage rate for agricultural insurance was 100%



• The achievements of the Company's green investments and green loans in 2019 are as follows:

Green Investments	Green Loans
<ul style="list-style-type: none"> As of the end of 2019, MICB had invested a total of NT\$2.312 billion in renewable energy companies such as natural gas power plants and solar batteries business and invested in 19 green corporate bonds (totaling NT\$5 billion). Among them, Sun Ba Power Corporation has submitted the environmental impact assessment of its natural gas power plant (Phase II) to the Environmental Protection Administration and the environmental impact assessment is still underway. MICB will pay close attention to the future opportunity to invest in the said plant. To support the government's development of green industries, promote sustainable development of the domestic environment, and fulfill corporate social responsibility, MICB obtained the approval of the FSC for the issuance of green bonds totaling NT\$1 billion in December 2019 and issued the bonds in March 2020. MS has actively participated in the underwriting of green bonds. In 2019, MS was a co-manager for one green bond with a market share of 14.28% (1/7 cases). The investments in green bonds as of the end of 2019 were as follows: US\$10 million in Crédit Agricole CIB international bonds, NT\$100 million in Evergreen Marine 2018-1 corporate bonds, and NT\$400 million in E. SUN Commercial Bank 2019 first term financial bonds. At the end of 2019, MBF held NT\$2 billion of green bonds issued by CPC Corporation and NT\$1 billion in E.SUN Commercial Bank's financial bonds (green bonds), totaling NT\$3 billion. From 2016 to 2019, MS helped four renewable energy businesses raise funds in Taiwan's capital market. MS organized assistance for clean energy and environmental protection companies in December 2018. MS will pay close attention to the development of related industries and help businesses enter Taiwan's capital market. 	<ul style="list-style-type: none"> 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 2019, the outstanding loan balance for key start-up industries was NT\$395.1 billion, showing an increase of NT\$10.9 billion from 2018. The outstanding loan balance to businesses pertaining to renewable energy technology was NT\$74 billion by the end of 2019, accounting for 4.97% of total domestic outstanding loan balance, and the number of loans totaled 2,176. As of the end of 2019, MBF extended credit of NT\$26.046 billion to 114 businesses pertaining to renewable energy technology, and the balance was NT\$10.903 billion, a net increase of NT\$1.164 billion from the end of 2018.



Mega Holdings strengthens the cultivation of green finance talents through both seminars organized by the Group or participation in external training programs. A total of 59 employees from MICB, CKI, and MBF participated in the renewable energy finance business training courses in 2019 and total hours amounted to 268.1 hours. The courses included the trends and future prospects of the solar photovoltaic power industry, training of solar photovoltaic and offshore wind farm financing business talents, and innovative strategies and applications for green finance.

• Green Finance Talent Development

Year	Number of Employees Trained	Total Training Hours
2018	115	316
2019	59	268.1

3.1.3 Climate Finance Risks and Opportunities

Ernst & Young, Taiwan Stock Exchange Corporation, Taipei Exchange, Taiwan Institute for Sustainable Energy (TAISE), and other entities jointly organized the "TCFD Recommendations Traditional Chinese Version Publication Ceremony" in October 2019. Jui-Yun Lin, Executive Vice President of Mega Holdings, took part in the translation working group throughout the process. Participants actively took part in the publication ceremony and attendees shared their experience in the promotion and operation of TCFD Recommendations. Their participation demonstrated the commitment of Taiwanese enterprises for responding to climate change and creating a sustainable financial and business environment.

The risks and opportunities of climate change on loans, investments, insurance, and other businesses include direct or indirect financial impact caused by extreme weather on entities exposed to risks, changes in regulations, production technologies, or market demand, and the impact of other factors on company operations. In response to the impact of climate change on economic activities and economic demand, MICB has included emerging climate risk factors in all procedures in the credit risks management of corporate or personal loans including the credit investigation, review, maintenance of collaterals, and post-loan management. MICB seeks to fully monitor credit risks, protect operating profits, and seek opportunities for the development of new businesses. The investment risk management of all subsidiaries include the prospects and risks of the economy, market, industry, and individual companies as well as emerging risks such as climate change in the formulation of the investment strategy, selection of investment targets, management of the investment portfolio, implementation of stop loss and profit mechanisms, and maintenance of liquidity in order to seek appropriate opportunities for investment and profitability.



Climate Change Risks

Transformation

Policies, regulations, technologies, market, and goodwill

- Systemic risks in industries susceptible to environmental impacts (e.g., renewable energy)
- Changes in policies and regulatory requirements
- Transformation of low-carbon technologies
- Changes in customer behavior or market demand
- Changes in natural resources
- Negative reputation

Customers suffer increased capital costs and expenses or reduced revenue as a result of the aforementioned transformation risks. Such conditions may cause or increase financial risks in the investment, financing, or insurance portfolios of Mega Holdings. Mega Holdings' support or investments in industries or activities with negative impact on the climate may also cause the Group to be unable to attract partner banks for syndicated loans or investors or lead to negative reputation and damage the brand.

Physical

Immediate and long-term

- Tropical cyclone
- Rise in sea levels
- Extreme temperature, rainfall, and droughts
- Changes in average temperature and rainfall

The aforementioned physical risks of customers may impact suppliers, plants, equipment, or human resources and cause negative impact on production capacity and growth. Such impact may reduce operating income or increase debts, or cause assets to lose value or become outdated. When the frequency increases or persists for a long period of time, it would decrease the market value of Mega Holdings' customers and increase the probability of default or insurance claim amount.

	Bank Loans	Asset Investment	Insurance Underwriting
Financial risks caused by climate change risks	Market risks Credit risks Systemic risks Policy and regulatory risks	Liquidity risk Market risks Credit risks Policy and regulatory risks	Insurance risks Credit risks
Management Method of Mega Holdings	Business units must implement know your customer (KYC) procedures and monitor the borrower's business model and changes in the industry to identify and evaluate the impact of climate change on the borrower's operations. The appearance of any material unfavorable factors must be immediately reported and response management measures must be implemented.	<ul style="list-style-type: none"> • MS: MS sets quotas for securities investment of the same industry based on risk ratings and implements regular reviews. File warnings for industries with higher concentration as reference for decisions of the management, review or adjust the investment quotas of the industry, or adjust positions to reduce risk exposure in the industry. • MITC: Regular monitors and discloses the investment ratio for related exposures of the investment portfolio of the fund and evaluates risks and response measures. • MAM: In advance payment service operations, MAM must review the usage category of the land and natural restrictions of the area and strictly determine the price of the target in accordance with internal regulations. It must regularly review whether there is objective evidence of significant impairment in advance payment service cases and make a suitable provision to reasonably express their values. 	<p>In addition to enhancing insurance underwriting, the cumulative limits established for each risk unit and each peril incident must be established in accordance with regulations of the competent authority and internal regulations while considering the capacity for retention risks. The risks that exceed the limit must be transferred through reinsurance to ensure solvency.</p> <p>CKI purchased Per Risk XOL and CAT XOL Treaty for individual and cumulative risks among related climate change risks to cover risks from the net retention line and ensure the stability of the Company's insurance underwriting performance.</p> <p>CKI established the maximum indemnity amount and maximum retention limit in catastrophe excess of loss reinsurance contracts based on the risk assessment results in accordance with past experience in risks and losses of catastrophes and its financial capacity.</p> <p>CKI selects qualified reinsurers and reinsurance brokers in accordance with the regulations of the competent authority. It also regularly monitors the credit ratings of reinsurers in accordance with internal and external regulations. If credit ratings of reinsurers of ceded portions are downgraded, they shall be processed in accordance with regulations and procedures.</p>



Climate Change Opportunities

Resource efficiency, sources of energy, products and services, market, and resilience

- Low-carbon products and services
- Demand for green funding
- Policy incentives
- Asset diversity
- New market opportunities

The demand for sustainable products on the market may grow due to changes in general consumer behavior or government incentives, thereby increasing the financial performance of investees. Investees may attempt to explore new business opportunities in products and services related to climate resilience due to market trends and they may seek sources of capital for green financial products. These developments may increase Mega Holdings' investments and financing for companies with positive effects on the environment and funding requirements.

	Bank Loans	Asset Investment	Insurance Underwriting
Financial instruments related to climate change	Renewable energy technology financing Financing projects for urban renewal and the reconstruction of dangerous and old buildings	E. SUN Commercial Bank 2019-2nd term senior financial bonds (green bonds)	Continue to promote crop insurance for persimmons
Proportion of all related products %	Green energy technology financing accounted for 9.5% (the balance of loans as of the end of 2019 was NT\$141.7 billion / total credit outstanding was NT\$1,487.4 billion) Financing for urban renewal and reconstruction of dangerous and old buildings accounted for 1.2% (the balance of loans as of the end of 2019 was NT\$17.4 billion / total credit outstanding was NT\$1,487.4 billion)	7.9%	The insured amount of agricultural insurance is NT\$21 million. The premium revenues accounted for 0.047% of total revenue (agricultural insurance premium income was NT\$3.53 million / total insurance premium income was NT\$ 7,468 million)
Corresponding SDGs for products	SDG 11 Sustainable Cities and Communities SDG 12 Responsible Consumption and Production SDG 13 Climate Action SDG 17 Partnerships for the Goals	SDG 12 Responsible Consumption and Production	SDG 13 Climate Action SDG 15 Life on Land



3.1.4 Investment Indicators for Climate-Sensitive Industries

Mega Holdings has identified climate investment indicators for customers in four major sectors: Energy, transportation, materials and construction, and agriculture are climate-sensitive industries and they are separated into 13 different business categories. As of the end of 2019, the total amount of loans to the 13 business categories among the loan businesses of MICB and MBF amounted to approximately NT\$729.2 billion or 44.0% of all total credit outstanding of MICB and MBF. Among these business categories, the total credit outstanding of the real estate industry was highest, accounting for 35.7% of the sum of the 13 business categories. It is followed by transportation services with 18.2% and mining/metals/steel with 11.4%. In terms of asset investments, the investment of the 13 business categories by MICB, MBF, MITC, and MS as of the end of 2019 totaled NT\$28.8 billion, which accounted for 19.0% of the total investments of the four subsidiaries. The chemicals industry accounted for the highest proportion of 17.8%. It is followed by real estate enterprises, power generation enterprises, and transportation service enterprises, each of which accounted for 15% or more.

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. 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 smooth development of the financial market; the long-term goal is to increase the awareness of renewable energy among industries, investors, and consumers by taking environmentally-friendly measures with subsidiaries to reduce the risks of investments and financing for climate-sensitive industries.

Unit: NTD million

		Total Credit Outstanding				Asset Investment						Insurance Amount
Sector	Industry	MICB	MBF	Total (Loans)	Ratio (%)	MICB	MBF	MITC	MS	Total (Assets)	Ratio (%)	CKI
Energy	Oil/gas/coal	21,600	3,156	24,756	3.4	0	1,000	335	629	1,964	6.8	0
	Power generation	51,723	815	52,538	7.2	3,060	500	12	1,106	4,679	16.3	0
Transportation	Vehicle manufacturing	27,005	777	27,782	3.8	221	0	182	286	689	2.4	0
	Transportation services	129,227	3,509	132,736	18.2	2,470	500	667	806	4,443	15.4	0
Materials and construction	Mining/metals/steel	79,038	3,905	82,943	11.4	1,698	0	434	454	2,586	9.0	0
	Chemicals	63,961	7,129	71,090	9.7	1,481	0	1,852	1,778	5,111	17.8	0
	Cement	15,519	1,537	17,056	2.3	8	0	371	128	507	1.8	0
	Buildings	27,608	2,078	29,686	4.1	72	0	152	955	1,178	4.1	0
	Capital goods	0	0	0	0.0	0	0	106	0	106	0.4	0
	Real estate	213,490	46,500	259,990	35.7	2,526	0	1,790	596	4,912	17.1	0
Agriculture	Agricultural products	2,121	1,260	3,381	0.5	732	0	0	0	732	2.5	21
	Paper and forestry	11,641	1,824	13,465	1.8	0	0	0	0	0	0.0	0
	Food/beverages/tobacco	13,542	305	13,847	1.9	17	0	1,822	23	1,863	6.5	0
Total carbon exposure amount		656,477	72,795	729,272	100	12,285	2,000	7,723	6,762	28,770	100	21

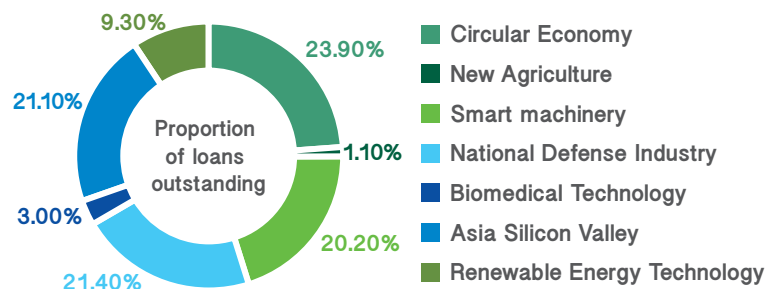


3.2 Social Prosperity in Finance

Five-plus-two Key Start-up Industries

The government seeks to develop the domestic finance industry's functions for facilitating structural transformation in the economy and industrial development and it encourages loans for 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. MICB has always supported the government's major national construction projects and policies and formulated the Directions for Making Loans to Key Start-up Industries at the end of 2016 in hopes of driving investment, integrating funds, technology, and talent, and creating job opportunities and boosting economy locally. By 2019, the outstanding loan balance reached NT\$395.1 billion, ranked fifth in the finance industry. MICB received Class A Award for providing loans to key innovative industries, and Special Award from the Financial Supervisory Commission, and Special Award for the Smart Machinery industries for its long-term support of small and medium enterprises from the FSC in April 2019.

• Proportion of loans outstanding to five-plus-two Key Start-up Industries



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

Unit: NTD 100 million

Year	The Loans Outstanding to five-plus-two Key Start-up Industries	Growth Amount
2017	3,807	491
2018	3,842	35
2019	3,951	109

• Loan amount and number of loans for the renewable energy industries (as of the end of 2019)

Photovoltaic power		Offshore wind farm		Other renewable energy	
Number of cases	Loans outstanding (NTD 100 million)	Number of cases	Loans outstanding (NTD 100 million)	Number of cases	Loans outstanding (NTD 100 million)
70	86	1	0 ^{note}	1,718	654

Note : The offshore wind-power financing project is provided with a credit limit of NT\$2 billion (revolving drawdown) with NT\$560 million in drawdown. However, the balance as of the end of 2019 was 0.

Small and Medium Business Loans

Unit: NTD 100 million

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. As of the end of 2019, the loans outstanding reached NT\$504.3 billion, an increase of NT\$29.6 billion compared to the end of 2018, for 12,693 borrowers. MICB received Class A Award for providing loans to small and medium enterprises from the Financial Supervisory Commission in April 2019.

Year	Loans outstanding	Growth Amount
2017	4,595	381
2018	4,747	152
2019	5,043	296

Reconstruction of Dangerous and Old Buildings and Urban Renewal

As of the end of December 2019, MICB has accumulated NT\$35.561 billion in approved loans facility for urban renewal and reconstruction of dangerous and old buildings with the aim of improving the functions of cities, improving regional industrial development, and fulfilling social responsibilities for improving the quality of the environment.

As of the end of December 2019, MBF has provided loan limits totaling NT\$795 million for urban renewal and reconstruction of dangerous and old buildings.

As of the end of December 2019, MAM has provided advanced funding of NT\$6.117 billion for urban renewal and reconstruction of dangerous and old buildings.



Government Concessional Loan for Youth Housing

The Company has worked with Ministry of Finance to promote the Government Concessional Loan for Youth Housing. As of the end of 2019, the Company has made concessional loans to 19,752 households.

MICB has launched concessional loans in recent years with gradually decreasing gaps in interest rate with the Government Concessional Loan for Youth Housing. Customers can choose their own mortgage plan and it has led to a decrease in the number of new applications for Government Concessional Loan for Youth Housing. The Ministry of Finance has added a one-stage floating interest rate of 1.68% since 2019 to help the people plan their mortgage requirements based on the status of funding. MICB shall continue to work with government policies to promote the mortgage plan.

Year	Accumulated Number of Borrowers	Accumulated Drawdown Amount (NTD 100 million)	Loans Outstanding at the End of the Year (NTD 100 million)
2017	17,466	772	452
2018	18,697	833	444
2019	19,752	886	418

Reverse Mortgages

In response to aging society, MICB launched the "Happy LOHAS" reverse mortgage to help the elderly vitalize their own real estate and provide them with funding necessary for life after retirement. Marketing campaigns were launched in each quarter of 2019 and they included referral gifts for successfully referrals of relatives and friends, retirement health examination activities for wealth management customers, limited-time offer for reducing service fees by half for female customers, preferential loans for residents of elderly homes. We also used multiple channels for promotions including the official website, mobile banking, delivery of ads or SMS, and setting up booths in elderly homes. As of the end of 2019, we had processed 34 applications and approved NT\$238 million in loan limits.

Year	Accumulated Number of Borrowers	Accumulated Approved Limit (NTD million)
2017	2	13
2018	11	55
2019	34	238



Mega Holdings' Epidemic Prevention and Relief Measures

The rapid spread of COVID-19 across the world in 2020 has continued to impact economic development. MICB actively cooperated with government policies to help industries and revitalize the economy. We enhanced the digital platform and mobilize the entire Bank in Taiwan and abroad to actively care about customers and execute community care actions. As of the end of April 2020, we have assisted 3,782 enterprises and individuals in applying for financial relief loans. The government relief loans and relief programs organized by MICB totaled NT\$41.8 billion. MICB ranked among the first in terms of total applications and amounts which is a reflection of MICB's activeness in providing relief loans and care for customers.

Relief for enterprises

- **Leniency for existing corporate loans:** Assist enterprises suffering from decline in revenue due to the epidemic by extending existing loans and providing subsidies for reduction or waiver of interest payments.
- **Relief loans provided by government authorities:** Assist enterprises suffering from decline in revenue due to the epidemic in obtaining working capital or relief loans.
- **Central Bank project loans (including small-scale businesses):** To help small and medium enterprises continue their operations, the Central Bank provides funding for banks to provide secured loans for small and medium enterprises affected by the epidemic.
- **Mega Holdings "Love Enterprise Loan" program:** MICB provides loans for small and medium enterprises to obtain working capital.

Relief for individuals

- **Leniency for existing personal loans:** MICB provides extensions for the payment deadlines for principal and interest repayment for customers who are diagnosed with COVID-19, those who are subject to home isolation or home quarantine, or those who face difficulties in repayment of loans and interests due to the impact of the epidemic.
- **Deferral of credit card bill payments:** Assist credit card customers who had previously made payments regularly but are facing difficulties in repayment due to the impact of the epidemic by extending the credit card payment deadline.
- **Relief loans for workers:** MICB provides loans for general expenses or working capital to domestic workers affected by the epidemic.

Active interest rate reduction

- **Mortgage for self-use residences:** In response to the 0.25% interest rate reduction implemented by the Central Bank, the loan interest rate of the balance of loans within a limit of NT\$10 million (inclusive) is reduced by another 0.25% (from April 1, 2020 to September 30, 2020).
- **Consumer loans:** In response to the 0.25% interest rate reduction implemented by the Central Bank, the loan interest rate of the balance of loans within a limit of NT\$10 million (inclusive) is further reduced by 0.5% (from April 1, 2020 to September 30, 2020).
- **Credit card revolving credit reduction:** Customers using revolving credit who hold valid cards and had made regular repayments enjoy an interest rate reduction of 0.75% during the project period (from April 1, 2020 to September 30, 2020) without being required to file applications.



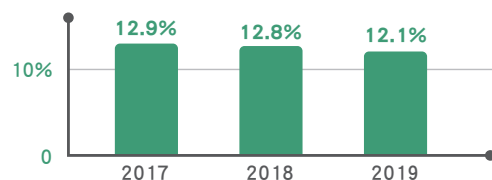
3.3 FinTech Innovation and development

In response to the global FinTech trends, Mega Holdings is committed to the development and innovation in digital finance. We continue to research and develop innovative services and optimize processes to "accelerate the digitization of branches", "improve the service experience of digital channels" and "enhance AI and big data capabilities" to achieve digital finance development. Mega Holdings prioritizes customer needs and experience when planning digital services and processes. In recent years, the Group has continued to promote mobile services and worked closely with its banking, securities and property insurance subsidiaries in cross selling and integration of the Bank's digital deposit accounts. We launched the digital securities account opening and online travel insurance functions to expand the Group's financial service experience and maximize synergy.

Online Financial Services

MICB's online banking is designed based on a customer-oriented approach. Through data collection and analysis of network traffic and remote user perception, the menu, name and the structure of online banking are fully adjusted to optimize user experience. At present, there have been 980,000 online banking accounts with a total transaction amount of NT\$ 21.5 billion per month.

• Growth Rate of Online Banking Accounts



MICB AI Big Data Analysis

1. Enhance AI big data analysis and increase the value of data

Data analysis and applications are some of the core competencies for the finance industry to achieve long-term development and maintain competitive advantages. Mega Holdings has established a data analysis team to independently develop and analyze various data applications. In addition, Mega Holdings integrated internal transaction records and external open data sources to enhance the diversity of the database. We continued to expand the contents of data and completed the online real estate appraisal system and activation operations as we attempt to adopt different business analysis approaches to uncover potential business opportunities or risks for early preparations.

2. Increase Precision Marketing for Target Customer Groups

Mega Holdings collects customers' digital channel interaction data and compares them with external media browsing data to analyze customer preferences and predict financial products that meet their needs. We also analyze product features, marketing target conditions, and other information for each marketing campaign to focus on the target audience and increase the customer satisfaction rate and conversion rate.

Enhance Digitalization Services for Bank Branches

1. Establishment of the Financial Confirmation Blockchain Platform

Traditional confirmations must be mailed via registered mail and provided with a return mail envelope. Each confirmation takes an average of 3 days to complete. MICB connected to the blockchain confirmation system of Financial Information Service Co. Ltd. to reduce manual operations and costs of branches. We established an automatic confirmation platform that integrates the business system databases and significantly reduced confirmation response time to "immediate" response. It effectively reduces manual processing time and makes full use of "paperless" environmental protection effects. We processed 8,487 confirmations via the blockchain in 2019.

2. Establishment of the STM (Smart Teller Machine)

The STM is a unique and innovative service provided by MICB. All verification operations required for account opening procedures were digitalized and standardized to accelerate overall review time. Since the launch of the STM, we have significantly reduced the operation time required for opening accounts over the counter from an average of 60 minutes to 19 minutes. We also integrated multiple documents required for account opening and effectively reduced the use of 274,320 sheets of printed documents. We deployed 77 STMs in 2019 and provided services to 13,356 people who opened 15,240 accounts. The service has increased the digital service effectiveness of the branch and thereby improved customer service experience.





Improving the Service Experience of Digital Channels

1. Promote mobile payment services to satisfy customer demand for mobile shopping

The popularity of mobile networks has increased customers' use of mobile phones for various transactions. MICB continues to develop mobile financial services and adopted dual development strategies which included the launch of Taiwan Pay and partnerships with electronic payment companies (JKOS, O'Pay, Gama Pay, and EasyCard) in connecting accounts for payment. We have established a mobile ecosphere by understanding customers' lifestyles and enhancing cross-industry collaboration. It has enhanced Mega Holdings' mobile service image and the added value of deposit accounts. Close to 290,000 users have used the services in 2019.

2. Use real-time account notification services on social media platforms to increase customers' financial independence

MICB's LINE official account provides 14 account notification services and issues an average of 2.4 million notifications each month. In addition to saving 72% of the cost of the SMS delivery, customers can also actively inquire foreign exchange rates, service locations, credit card services, and mortgage calculations on the MICB LINE official account. They can also use online text customer services to ask questions and receive answers. As of the end of 2019, 2.72 million people have joined the account.

MS continues to operate official accounts on social media including Facebook and LINE. In addition to providing financial news services on the two major social media platforms, it also provides push notifications for customer-selected stocks and news on purchased stocks, real-time transaction price and volume alerts, transaction reports, various account inquiries, and exclusive services. MS also provided connections between the LINE official account and MS's trading system to implement limited-price orders and help investors gain opportunities in trading. MS's LINE official account currently has 33,795 members.



3. Digital Deposit Account MegaLite

After opening accounts online, customers may enjoy services for deposits, wealth management, foreign exchange, and transaction fee concessions, which saves time and paper consumption. MICB enhanced the promotion of the MegaLite NTD and foreign currency digital accounts in 2019 and provided preferential demand deposit interest rate as well as 0.5% rebate for interbank remittances and automatic credit card payment deduction, and discounted service fees for "micro wealth

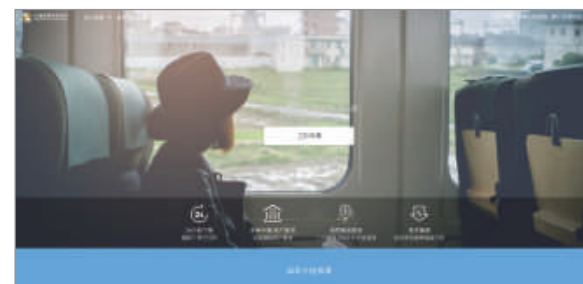
management funds" to encourage individuals with limited assets to save money for wealth management and accumulate wealth. At present, there have been approximately 36,000 NTD accounts and 21,000 foreign currency accounts.



4. Mobile Online Exchange Settlement Services

MICB created the first online exchange settlement services to provide people with 24-hour online cash exchange services for 18 foreign currencies. To meet customer demand for mobile services, MICB completed the mobile access to the online exchange settlement website in July 2019 and used RWD technologies for consumers to complete exchange settlement transactions on their mobile phones with ease. MICB also enhanced the integration of online banking services and used the Single Sign On (SSO) mechanism for online banking users to quickly access the online exchange settlement website for direct transactions.

Mega Holdings introduced the eDDA digital authentication functions of Taiwan Clearing House to expand the convenience of mobile services. Consumers can use inter-bank demand deposit accounts to deduct payments and complete payment operations after issuing an order on the mobile phone. This has accelerated overall transaction speed and experience. According to past statistics and data, more than 95% of customers use ATM or online ATM for fund transfers. The number of authorized electronic payment deductions in this service has reached 24% of total transactions. The growth is rapid.





Mobile App Platform

MICB continues to promote the mobile banking app with functions that include Taiwan Pay, rapid login with bound devices, integrated account inquiries, NTD/foreign currency account transfers, online payments, mobile payments, cardless withdrawal, online wealth management, credit card services, online pre-paid foreign currency and traveler's checks, cloud-based counters, and online customer services.

As of the end of December 2019, there have been a total of 620,000 accounts on mobile banking with a 22% growth compared to 2018.

CKI launched a mobile app in 2018 to provide insurance policyholders with "online payment", "online insurance purchases", "accident site self-assistance", "claim application", and "convenient online survey" services. It also continued to optimize the app in 2019 to provide customers with convenient real-time services.

MS's "Digital Account Opening 2.0 Project" was launched in January 2020. It is different from the current video conference account opening app service and it provides two types identity verification and account transfer services with a bank card or online banking certification. It is a one-stop account opening service that does not require the customer to visit a branch. MS also implemented the "Securities Welcome Robot Project" which made use of natural language processing (NLP) and robots to provide onsite customers with inquiry services for financial products, price trends chart, and interactive Q&A services for finance-related questions.



Innovative Service of Credit Card

MICB has digitized credit card services and credit card applicants can provide additional documents via app to save time. A responsive webpage for online credit card applications was established in 2019 so that customers can easily use smart phones, tablets, or computers for applications. The webpage is convenient to browse and it greatly shortened application procedures to meet customer demands. The mobile billing service was launched in June 2019 for customers to view bills and pay credit card bills on their mobile phones with greater ease. They can also apply for automatic fund transfer payments online. In addition, the smart customer service system added online human text services to facilitate the transformation of traditional finance and added functions such as available credit limit inquiries for credit cards and credit card billing services. As of the end of 2019, users have used the "smart customer service system" 487,558 times and the accuracy rate of responses was 92.1%.

Air pollutant and environmental protection issues have gradually gain prominence. To respond to the government's call for marketing only electrical scooters by 2035, MICB issued the "Gogoro Co-Branded Card" with the leading electric scooter company Gogoro in September 2018 to jointly promote the development of the electric vehicle industry in Taiwan, reduce greenhouse gas emissions, and reduce the impact of mobile pollution sources on the environment. More than 70,000 Mega Bank Gogoro Co-branded cards have been issued since its launch. It became the first credit card in the world capable of unlocking an electric scooter and it was selected as the Best Credit Card Taiwan in 2019 by the "International Business Magazine". The number of Gogoro Co-branded card has quadrupled as of the end of 2019 from the previous year and the average valid card rate exceeded 84%. Its performance has been spectacular.

Smart AI Applications

MS integrated innovative technologies and artificial intelligence and continued to create actual applications and settings for FinTech. It introduced machine learning (ML), natural speech processing (NLP), chatbot, and service robot technologies. In 2019, it employed AI in financial products and services including the "Mega Wealth Management Secretary", "smart customer service on the official website", and the "Welcome Robot Hsiao Pei".





Open API Services

MS provides domestic securities, futures, warrants, and foreign futures quotation and transaction API services to respond to programmed transactions and open API trends. It also supports coding and connection documents for programming languages such as Python, C#, C++, VB, and Delphi, providing investors capable of programming transactions with more convenient and faster transaction methods.

Online Insurance and Automatic Claims

Mega Holdings allows customers to purchase property insurance online and a mobile app was launched in June 2018 to allow customers to purchase insurance and enjoy convenient services anywhere and at any time. In 2019, the number of insurance policies purchased was about 20,735 which was an 82.25% growth compared to 2018.

CKI launched the "Persimmon Insurance" automatic claim mechanism with the assistance of the Council of Agriculture of the Executive Yuan to fulfill corporate social responsibility and protect persimmon farmers. When the typhoon wind speed and cumulative rainfall statistics for five consecutive days announced by the Central Weather Bureau exceed the standard values for filing claims, it actively contacts persimmon farmers without implementing individual surveys on losses. It uses credible data to reduce the number of potential disputes in the claim process and reduces the economic losses caused by typhoons or torrential rain to provide persimmon farmers with more protection.



▲ CKI Executive Vice President Shu-Chuan Chen (fourth from right) and the team took a photo with the Executive Director and Director of the Promotion Department of the Farmers' Association.

Mega Care yoUBI

We received the approval from the Insurance Bureau of the FSC for the "CKI Automobile Insurance Mileage Payment Calculation (UBI) Clause" at the end of December 2018. The product uses the exclusive "Mega Care yoUBI" app to automatically launch the human and vehicle identification mode of the app's vehicle-mounted device when the user starts the engine. This is the first application in the domestic property insurance industry that truly automatically records the mileage and driving behavior of drivers. We have obtained a patent from the Intellectual Property Office of the Ministry of Economic Affairs for the technology "human and vehicle identification system used for vehicles". The introduction of the system helps the insured understand their driving habits and increase safety, creating spillover effects beyond the insurance policy. The project is currently being implemented.

IoT Big Data Analysis

CKI participated in the plan for the establishment of an innovative service platform based on IoT big data analysis for the insurance industry in the digital economy program of Tsing Hua University and the Ministry of Science and Technology in 2019. The preliminary plan involves a partnership between the Company, Tsing Hua University, and the dash cam manufacturer mio. The AI technology trained by the University is used to read dash cam images to provide rapid claim services for small amount motorcycle insurance products.



Taiwan Insurance Excellence Award for Notice of Claims for Flight Delays

For flight delays covered in travel insurance, CKI lead the industry in using InsurTech with blockchain and smart contract technologies to automatically review the flight arrival time and delay conditions. The system actively notifies policyholders of if claim conditions are met. To receive compensation according to the policy, the policyholders are only required 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 enter and verify documents. This significantly improves efficiency and customer service and the service was awarded the Silver Award in the "Policy Holder Service Projects Excellence Award" and the "Product Innovation Projects Excellence Award" of the 8th Taiwan Insurance Excellence Award in 2019.

Financial Patents

MICB continuously develops innovative services and optimizes procedures. It encourages employees to develop digital finance products and patents to increase overall competitiveness. In 2019, MICB applied for 185 patents on digital finance, 137 patents of which have been approved and 42 were awarded invention patents. MICB continues to maintain its number one position in the domestic finance industry. The types of patents mainly included FinTech applications, information security, mobile platforms, and big data.

Mega Holdings applied for 3 patents on risk management in 2019 and the 3 patents for a risk management technology application system were approved. Another invention application is still being reviewed.

In a future world of FinTech and digital transformation, we will continue to introduce new technologies to connect to all professional operations in finance such as continuing to optimize digital account opening functions, integrating optical character recognition (OCR), automatic identification of identity certificates uploaded by customers, and automatically load fields for account opening to reduce input time for customers. Mega Holdings also introduced Robotic Process Automation (RPA) to reduce the demand for human labor and reduce human errors by using automation to complete repetitive and dull computer desktop operating procedures. Mega Holdings works with other start-ups to file applications to the competent authority in the form of a regulatory sandbox to implement financial innovations and use new technologies for providing customers with the fastest and most comprehensive financial services.



CHAPTER

4



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. The Company also established long-term energy conservation and carbon emissions reduction targets for the Group to reduce fuel usage, externally purchased electrical power, water usage, and greenhouse gas emissions by 5% before 2022 from the baseline year of 2017 in order to reduce the impact of operations and services on the environment. The Group also continues to optimize and review the impact of operations and services on the environment in accordance with international certification and evaluations.

- ISO 14001 Environmental Management System: The System was first introduced in the Mega Chi-Lin Building of MICB in 2017. Certification was completed in 2018 and 2019 and will be continued in 2020.
- ISO 14064-1 Greenhouse Gas Inventory: Since 2016, 5 office buildings of the Group have obtained ISO 14064-1 greenhouse gas inventory certification statements. The boundaries of the inventory have been expanded each year. 139 locations in northern Taiwan have obtained the inventory certification by 2019 and the inventory for all locations of the Group is expected to be completed before 2021. The Group's total greenhouse gas emissions in 2019 was reduced by 1.66% from 2018 which met the target for reducing annual carbon emissions by 1%.
- The Group continues to respond to the CDP Climate Change Questionnaire to review and manage the impact of climate change on operations. We also adds the identification of risks and opportunities under the TCFD framework.

In addition to the environmental management framework, the Group has set environmental policies and goals to achieve energy conservation and carbon reduction. With regard to financial services, we also used investments in green bonds, digital accounts, electronic statements, and other green finance services to reduce total externally purchased electrical power of the Group by 1.39% in 2019 compared to the previous year.



4.1 Green Operation

Aiming to become a green financial service provider, the Group promote digital financial services to achieve energy conservation and carbon reduction together with consumers. Through the implementation and promotion of the environmental policy, we help all employees improve their personal environmental awareness and understand their own environmental protection responsibilities. We also seek to promote environmental protection ideals to customers, families, and communities to create an environmentally friendly society and use actions to help create a more positive society and share the responsibility for environment protection. Our ultimate goal is to achieve sustainable coexistence of the company and the environment.

Implement Sustainable Development and Purchase First Renewable Energy Certificates

To help promote the renewable energy development policy, the Group completed the first renewable energy certificate transaction in 2019. As of the end of 2019, it has obtained 146 renewable energy certificates, equivalent to approximately 146,000 kWh of renewable electricity. The Group plans to continue and enhance green operation and sets a goal for purchasing 394 certificates in 2020, equivalent to approximately 394,000 kWh of renewable electricity.



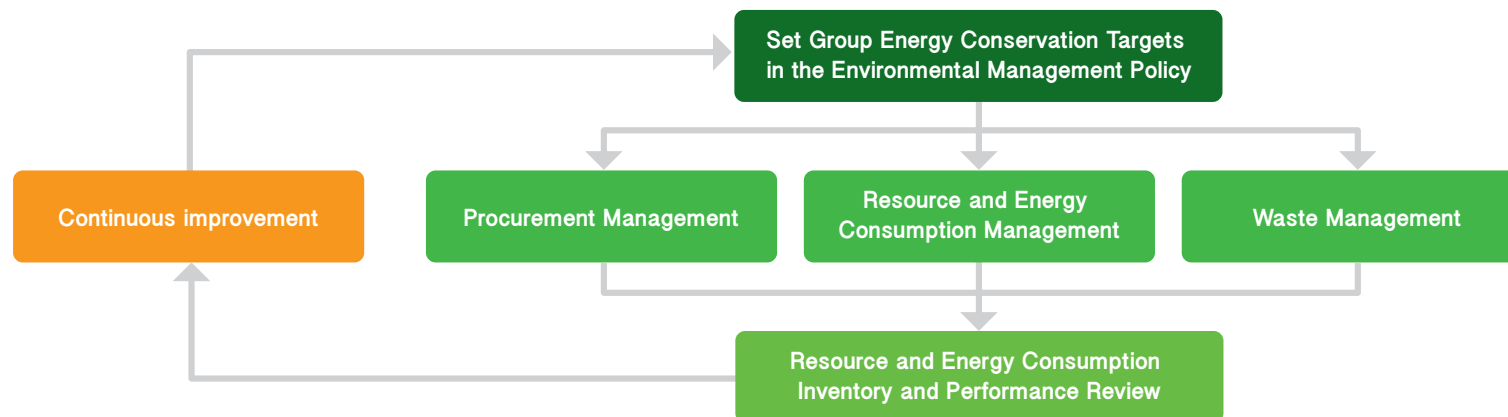
Upholding sustainable development as the core of our environmental management policies, we have set energy-saving goals in response to climate change and environmental protection to reduce the adverse impact of operation on the environment through environmental management systems; the Company also examines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

Environmental Management Policies

Strategy	Measures
Environmental management Environment and climate change management	<ul style="list-style-type: none"> Implement energy conservation and carbon reduction and set carbon emissions reduction targets to reduce energy consumption and improve energy efficiency. Complete ISO 14064-1 greenhouse gas inventory for all domestic branches in 2021, and expand introduction of the ISO 14001 Environmental Management System. Continue to implement green office environment and green services. Introduce training for the identification of material risks and opportunities under the Task Force on Climate-related Financial Disclosures (TCFD) framework. Continue to respond to the CDP Climate Change Questionnaire.
Supporting renewable energy	<ul style="list-style-type: none"> Continue to promote green finance and incorporate rigorous ESG review into credit extension principles to help customers fully implement environmental protection and CSR obligations. Continue to purchase renewable energy certificates. The Company invested NT\$260,000 for the purchase of renewable energy certificates in 2019 and we plan to increase investments by purchasing NT\$830,000 in renewable energy certificates. We shall use real actions to support the development of renewable energy and achieve sustainability of the Company and environment.
Supplier management	<ul style="list-style-type: none"> Implement supplier management by screening before purchases and obtaining their signatures of the CSR statement to encourage suppliers to jointly promote CSR. Promote green procurement and prioritize the use of products with environmental protection certification.



• Environmental Management Measures and Procedures



Green Paperless Services

- ✔ MICB launched the digital account (MegaLite) financial service to allow customers to complete account opening online. As of the end of 2019, 57,960 NTD and foreign currency accounts have opened and the service has saved 1,101,240 sheets of paper from July 2017 to the end of 2019.
- ✔ The financial confirmation information integration platform effectively reduced manual processing time and achieves paperless effects. The service was launched in 2019 and has processed 8,487 confirmations.
- ✔ The Smart Teller Machine (STM) service was launched in March 2019. As of the end of 2019, 15,240 NTD and foreign currency accounts have opened and the service has saved 274,320 sheets of paper this year.
- ✔ A total of 2,433,677 electronic statements for credit cards were successfully mailed in 2019. As each statement requires approximately 2 sheets of paper and a paper envelope, the electronic statements saved approximately 7,301,031 sheets of paper while reducing the use of ink solvents to achieve paperless energy conservation and carbon reduction effects.
- ✔ MITC adopted electronic statements and by issuing a total of 56,752 electronic statements and accumulating 5,102 online orders in 2019, it has saved approximately 61,854 sheets of A4 paper.
- ✔ In 2019, MS issued a total of 19,043,931 electronic statements and saved approximately 19,043,931 sheets of A4 paper.
- ✔ MICB and CKI established the E-learning Portal for employees to learn at the office or from home by themselves and implement paperless education.
- ✔ Printed documents are not provided for most meetings and information is provided in digital files to attendees to meet the goals of paperless meetings. Attendees are also requested to prepare their own beverages or use cups that can be used multiple times. Meetings across different regions are conducted via video conferences to reduce fuel consumption in business travel and achieve energy conservation and carbon reduction.



4.2 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. In 2019, the Company had 9,416 full-time employees which was a net increase of 460 employees from the previous year. The total gasoline and natural gas consumption thus increased from levels in the previous year. However, the Company has made substantial progress in upgrading air-conditioning and lighting equipment and the amount of externally purchased electrical power fell by 1.39% in 2019 compared to the previous year.

Energy consumption in the last four years

Item	2016	2017	2018	2019
Purchased Electricity (kWh)	34,927,418	35,914,120	35,937,419	35,439,310
Gasoline (Liter)	474,529	442,416	432,264	435,193
Natural Gas (Cubic Meter)	30,577	28,799	28,549	29,906
Energy Consumption per Capita (GJ/Person)	16.40	16.57	15.90	16.67
Energy Intensity (GJ/Net Revenue in NT\$ millions)	2.58	2.43	2.34	2.19

Note : The calorific value is based on the "Heat Content of Energy Products" (2018) announced by the Bureau of Energy, Ministry of Economic Affairs. Each kilocalorie is calculated as 4.186 joules.



"Earth Hour" Lights Off Event

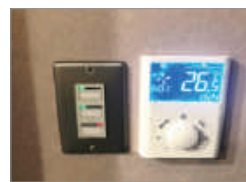
We voluntarily supported the "Earth Hour" campaign organized by the Society of Wilderness and switched off lit signs, window lights, and decorative lights in all business locations in the evening on March 30, 2019. We took real actions to demonstrate the Group's resolve for energy conservation, achieve sustainable development of the earth, and jointly promote an energy-saving lifestyle for sustainable development.



▲ MICB's Energy conservation team

Measures and Performance of Energy Conservation and Carbon Reduction

Item	2019 Performance	Action Plan
 Gasoline Saving	435,193 liters of gasoline were consumed in 2019, showing an increase of 0.68% compared to the previous year.	The gasoline consumption was mainly from company cars. The action plan is as follows: <ul style="list-style-type: none"> • Video conferences were launched to replace business trips. For necessary business trips, mass transportation was encouraged to avoid the use of gasoline. • Eco-labeled cars, hybrid cars, and electric motorcycles were rented as company cars to increase fuel efficiency.
 Energy Saving	35,439,310 kWh of electricity were consumed in 2019, showing a decrease of 1.39% compared to the previous year.	<ul style="list-style-type: none"> • Replace lighting equipment in offices and replace traditional lighting with LED lamps. • Update air-conditioning equipment and plan energy-saving chillers in the Mega Financial Building and Mega Heng-Yang Building. • Implement management of air conditioning facilities, elevators, lights, computers, and printers to effectively reduce electricity consumption. • Introduce natural lighting and reduce the number of lamps in staircases. Install infrared sensors to automatically switch lights on and off in areas with less usage and reduce the number of lamps. • Control electricity consumption according to the power conservation plan implemented by Taiwan Power Company. • Implement training courses on energy conservation and post energy conservation slogans to save electricity of air conditioning, elevators, computers, and water dispensers.



▲ Keep indoor temperature no lower than 26°C



▲ Set up efficient water pumps



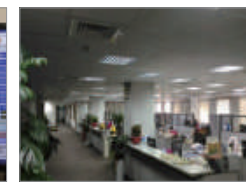
▲ Energy conservation slogans



▲ Update the cooling tower in office buildings



▲ Install air-conditioning environment control system



▲ Use LED energy-saving lighting equipment and reduce the number of lighting equipment in corridors



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 obtained the certification. By 2021, the Company plans to complete greenhouse gas inventory in business locations nationwide by north, central, and south regions successively. The Company has completed third-party certification for 139 business locations in northern and central Taiwan in 2019 and obtained certification statements.

Due to the characteristics of the industry, the Company mainly consumes electricity in its operations. In 2019, the total carbon emissions were reduced by 349 tons. The total emissions decreased by 1.66% from the previous year. The Company aims to reduce carbon emissions by 1% each year and will continue to actively implement energy conservation measures.

Greenhouse gas emissions in the last three years (self-declared)

Unit: ton CO_{2e}

Item	2017	2018	2019	2019 Compared to 2018
Direct greenhouse gas emissions (Scope 1)	1,096	1,035	1,044	0.87%
Energy indirect greenhouse gas (GHG) emissions (Scope 2)	19,896	19,909	19,552	-1.79%
Scope 1+ Scope 2 total emissions	20,992	20,945	20,596	-1.66%
Carbon emissions per capita	2.40	2.31	2.40	3.90%
Intensity of greenhouse gas (GHG) emissions (Tons CO _{2e} /Net Revenue in NT\$ millions)	0.35	0.34	0.32	-7.19%

Note 1 : The table contains self-declared carbon emissions and the scope of inventory includes all business locations of the Group. The emissions were measured with the market base approach.

Note 2 : The Group purchased 146 T-RECs in 2019.

Greenhouse gas emissions in the last three years (self-declared)

Unit: ton CO_{2e}

Item	2017	2018	2019
Direct greenhouse gas emissions (Scope 1)	631.30	718.84	2,527.63
Energy indirect greenhouse gas (GHG) emissions (Scope 2)	8,750.51	14,004.90	16,232.62
Scope 1+ Scope 2 total emissions	9,381.81	14,723.74	18,760.25
Number/percentage of certified locations (Scope 1+2)	15/8%	90/47%	139/72%
Operational waste (Scope 3)	-	-	46.80

Note 1: The Group purchased 146 T-RECs in 2019. Therefore, the total direct and energy indirect greenhouse gas emissions measured with the market base approach was 18,760.25 tons CO_{2e}; the total emissions measured with the location base approach was 18,838.1 tons CO_{2e}

Note 2: The boundaries of the "inventory of waste disposal in operations" in the Group's other indirect greenhouse gas emissions (Scope 3) in 2019 included 5 buildings, namely, Mega Financial Building, Mega Chi-Lin Building, Mega Securities Building, Mega Heng-Yang Building, and Mega Insurance Building.

Note 3: The certification unit for 2017 was the Taiwan Branch of British Standards Institution (BSI), while the certification unit for 2018 to 2019 was SGS Taiwan.





Environmental Training

The Group organized 3 sessions of training in northern Taiwan (Taipei) and central Taiwan (Taichung) to implement the 2019 greenhouse gas inventory and pass third-party certification. We accumulated 656 hours of training for 164 enrollments. In addition to appointing external consultants to assist in filling out related documents, we also explained the importance of greenhouse gas inventories to colleagues.



Green Volunteers Protect the Earth

MICB actively participates in environmental protection actions and actively protects the ocean and the earth. In November, MICB employees and family members formed a volunteer team of 68 people to clear the beach at Xialiao Beach in Wanli, New Taipei City under the guidance of the Let's Do It! Taiwan. The team cleared 451 kilograms of waste in just 2 hours. The waste included 119 kilograms of plastic bottles, indicating that the plastic waste has a significant impact on the ocean. We use the beach clearing event to help volunteers think about what they can do in their daily lives to reduce their consumption of plastic and change their behaviors by preparing their own utensils and shopping bags. These steps can help us protect the ocean and protect the earth.

MITC also actively supports ESG initiatives. It organized the Employee Mountain Cleaning Day event in the Jiuliao Creek Trail in Yilan in November and recruited 69 employees and family members as volunteers. They fulfilled their civic obligations for protecting the earth, environmental protection, and saving greenery for the next generations.



4.3 Water Resources Management

Due to the characteristics of the industry, the Company's consumption of water resources consists mainly of general water consumption for offices. The business locations have continued to increase employees' awareness of the scarcity of water resources. Water-saving appliances with water-saving marks are selected when decorating business locations. The net increase of 460 full-time employees in 2019 led to an increase in total water consumption by 2.35% from 2018.

Total water consumption in the last three years

Unit: 1,000 Liter

Item	2017	2018	2019
Water Consumption	187,624	183,317	187,616
Water Consumption per Capita	21.48	20.18	21.90

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

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

Water Saving Measures

- Use sensor taps and adjust tap flow volume to reduce water flow.
- Use equipment with water efficiency labels.



4.4 Waste Management

As a financial service provider, there is no toxic waste produced during the operation. To implement waste sorting, and resource as well as waste recycling, the Company increases the awareness among employees of the Group, 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 program was launched in 2018. As of 2019, Mega Holdings, MICB, CKI, and MBF implemented the "zero personal bin" policy to reduce waste produced in daily life by employees.



The Group launched the waste reduction program in 2018. Office waste is divided into general waste and recyclable waste. The Group also implemented the "zero personal bin" policy to reduce domestic waste produced by employees. The Group has commissioned cleaning companies to dispose of general waste. Recyclable waste is delivered to qualified recycling plants while general waste is disposed by incineration. Related statistics on the general waste (garbage) and recyclable waste (including paper, hardware, plastic, used batteries, and waste fluorescent tubes) of the Company's five main office buildings are provided below:



單位: 公斤

Item		2018	2019
Recycled resources	Paper containers and waste paper	50,610	48,736
	Iron and aluminum cans	587	423
	Bottles and plastic items	1,302	1,552
	Batteries	125	147
	Waste fluorescent tubes	986	890
	Food waste	33,278	32,697
	Total	86,888	84,445
General waste		108,593	128,606

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





4.5 Supplier Management

As a financial service provider, the Company's suppliers included service and equipment providers. The Company carefully screen suppliers in online inquiry systems of the competent authorities (e.g., Ministry of Labor and Environmental Protection Administration of the Executive Yuan) before conducting transactions to learn about whether suppliers have records of negative impact on the environment and society and use the information as reference for screening suppliers. In addition, the Company also prioritizes domestic products and green procurement when making purchases.

To implement supplier management, the Company established the "Supplier Corporate Social Responsibility Management Guidelines" in March 2019 to require subsidiaries of the Group to formulate their own guidelines or abide by related regulations. The Guidelines specify that suppliers that have business transactions with the Company must meet laws and regulations on labor rights, human rights, safety and health, development of a sustainable environment, and corporate ethics. In addition, they must sign the "Supplier Statement of Corporate Social Responsibility" when signing a contract with the Company. If a supplier violates the terms of the Guidelines or the Statement, the Company may terminate or rescind the contract at any time and blacklist the supplier.

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 2019, a total of 952 Supplier Statements of Corporate Social Responsibility was signed by contractors of the companies of the Group with a total contract amount of NT\$2.480 billion.

• Supplier Statement of Corporate Social Responsibility Signed by Suppliers in 2019

Unit: NTD thousand

	Total Procurement Amount	Contract Amount under the Supplier Statement of Corporate Social Responsibility	Percentage (B/A)
Total	2,592,925	2,480,211	95.65%

In addition, Mega Holdings places great emphasis on green procurement and follows the regulations in Article 2 and Article 15 of the "Mega Holdings Guidelines for Corporate Social Responsibility" to prioritize the purchase of products with environmental protection certification marks as well as products with low energy consumption and long durability. MICB's green procurement totaled NT\$87,612 thousand in 2019 and it received the Private Enterprise and Organization Green Procurement Award from the Taipei City Department of Environmental Protection again. In addition, MICB actively promoted various energy conservation and carbon reduction measures and received the "2019 Outstanding Green Procurement and Green Consumption Organization Award" from the Environmental Protection Administration, Executive Yuan in October. We also received back-to-back "Group A Commerce Industry Excellence Award in the Taipei City Energy Conservation Leadership Awards" as recognition of our performance in promoting environmental protection and renewable energy. MICB has made great progress in updating the air-conditioning and lighting equipment and achieved great results in energy conservation and carbon reduction. It received the "2019 MOEA Energy Saving Benchmark Award - Silver Award" in December.

• Green Procurement Table

Item	Green procurement
IT and office equipment	Products with environmental protection marks are chosen for the procurement of computer equipment (PCs).
Lighting equipment	LED lighting equipment is prioritized for the replacement of old lighting equipment.
Transportation vehicles (Company cars and motorcycles)	Company cars: Prioritize models with environmental protection certification and gradually increase the use of hybrid vehicles. Company motorcycles: Group subsidiaries have begun procurement of electric motorcycles with environmental protection certification.
Air-conditioning and electrical appliances (e.g., refrigerators and water dispensers)	MICB's chillers in central air-conditioning systems use chiller models with coefficient of performance (COP) above 4 and split air-conditioners that have energy efficiency certification. The coolant may not contain controlled substances specified in the Montreal Protocol and models with energy labels are selected for water dispensers.



• Mega Holdings Supplier Management

Management Strategy	Tangible Actions Taken	Implementation Results
Assessment	Prior to engaging in commercial dealings, the Company shall assess whether there is any record of a supplier's impact on the environment and society. The Company also prioritizes local products, green procurement, and products with environmental protection certification.	<ul style="list-style-type: none"> • Complete advanced surveys of suppliers before transactions. • Prioritize domestic products and green procurement when making purchases.
Commitment	Before suppliers sign contracts with the Company, they are required to abide by the Group's CSR Policy and sign the "Supplier Statement of Corporate Social Responsibility". The contents of the Statement require suppliers to protect labor rights and human rights, safety and health, development of a sustainable environment, and corporate ethical conduct.	<ul style="list-style-type: none"> • In 2019, a total of 952 Supplier Statements of Corporate Social Responsibility was signed with a total contract amount of NT\$2.480 billion. • Contract amount signed with suppliers who are signatories of the "Supplier Statement of Corporate Social Responsibility" accounted for 95.65% of total purchases.
Management	It has been established in procurement contracts that if a supplier violates the Group's CSR Policy or causes significant impact on the environment and society of the community of the supplies source, the Company may terminate or rescind the contract at any time and blacklist the supplier.	<ul style="list-style-type: none"> • Implement reviews from time to time on whether suppliers violate the Group's CSR Policy. In 2019, there were no material violations committed by suppliers that caused significant impact on the environment and society. • Increase the awareness of CSR regulations and jointly promote environmental sustainability and protection of labor rights.



2019 Environmental Protection Awards

- Taipei City Energy Conservation Leadership Award in the Group A for Commerce Industry: MICB implements green environment and sustainable development initiatives and actively promote various energy conservation and carbon reduction measures. It participated in the "Taipei City Energy Conservation Leadership Awards" in 2019 and won the "Group A Commerce Industry Excellence Award" for the second consecutive year. MICB introduced the ISO 14001 Environmental Management System in 2017 and obtained ISO 14064 Greenhouse Gas Inventory Certification Statement to make full use of the operations of the management system and set targets for environmental improvements. MICB shall continue to implement green procurement, environmental conservation measures, updates of equipment with high energy consumption, education, and awareness campaigns to increase employees' environmental protection awareness.
- Private Enterprise and Organization Green Procurement Award: MICB's procurement of products with environmental protection marks and energy labels totaled NT\$87.61 million in 2019 and it received the Private Sector Green Procurement-Award of Excellence from Environmental Protection the Taipei City Department again for its outstanding performance.
- MOEA Energy Saving Benchmark Award - Silver Award: MICB has made great progress in updating the air-conditioning and lighting equipment and achieved great results in energy conservation and carbon reduction. It received the MOEA Energy Saving Benchmark Award - Silver Award.
- Outstanding Green Procurement and Green Consumption Organization: MICB actively promoted various energy conservation and carbon reduction measures and received the "Outstanding Green Procurement and Green Consumption Organization Award" from the Environmental Protection Administration, Executive Yuan in 2019.
- 2019 Taiwan Corporate Sustainability Report Award: Mega Holdings was awarded the Gold Medal again in the "2019 Taiwan Corporate Sustainability Report Award" organized by the Taiwan Institute for Sustainable Energy. Mega Holdings will continue to advance corporate sustainability, actively commit to environmental, social and governance ideals to fulfill corporate social responsibilities.





<Appendix 1>

Comparison Table for GRI Standards - Material Topics and Management Approaches

Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Regulatory compliance	The compliance system is a priority for the Company. In addition to formulating compliance related standards, Mega Holdings has set up a reporting system for subsidiaries on major regulatory violations to manage subsidiaries' compliance related issues in a timely manner.	The Company appointed an executive equivalent to the 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 and review the implementation of the Company's and its subsidiaries' compliance system. The Compliance Department was established and placed under the management of the President.	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. The result of the evaluation will be sent to each subsidiary, which is required to report the result to its Board of Directors as a basis for employee performance evaluation.	1
Information security and personal information protection	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.	<ol style="list-style-type: none"> 1.The Company has formulated the policy and regulations pertaining to information security and increased budgets and staffing for information security. 2.Mega Holdings conducted social engineering exercises on subsidiaries. Mega Holdings, MICB, MS, MBF, and CKI completed vulnerability scanning, penetration tests, and social engineering exercises. 3.Mega Holdings established the Information Security Policy in March 2019. MICB and CKI continues to purchase the "e-commerce services and information security liability insurance" and continues to obtain certification for the ISO 27001 Information Security Management System. 	<ol style="list-style-type: none"> 1.The framework of information security is based on the PDCA cycle (Plan-Do-Check-Act) that maintains effective operation and continuous improvement. We also continue to adopt external certification each year to maintain the validity of the ISO 27001:2013 certification and ensure each information security measure can be fully employed to protect information assets. 2.In 2019, there were no complaints regarding customer privacy or material information security incidents. 	2



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
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 strengthens tax governance based on the international trend of tax governance.</p>	<ol style="list-style-type: none"> 1.The Group has completed reporting procedures and paid taxes in May and disclosed the implementation status of tax payment and administrative relief in the Consolidated Financial Statements and Independent Auditors' Report. 2.Expand the competitive advantage of corporate banking and foreign exchange business and strengthen consumer finance and wealth management business. 3.Adjust service channels and integrate digital platforms and strengthen business integration among subsidiaries to improve the overall synergy across the Group. 	<p>Mega Holdings continues to improve the business model and profitability. The consolidated net profit after tax totaled NT\$28.955 billion in 2019 which was an increase of NT\$861 million from 2018.</p>	3
Corporate governance	<p>Corporate governance is the foundation for sustainable development. The Company has strived to strengthen corporate governance and the functions 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"> 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. The Administration Department takes charge of the planning of corporate governance and related administrative affairs. 2.Strengthen the functions of the Audit Committee, Remuneration Committee, Risk Management Committee, Corporate Social Responsibility Committee and Ethical Management Committee. 3.Mega Holdings and subsidiaries (except for MVC and MLIA) have respectively appointed a Corporate Governance Officer since 2019 to strengthen support for Directors. 	<ol style="list-style-type: none"> 1.The Company evaluates the performance of the Board of Directors every year and has the performance of the Board of Directors be evaluated externally at least every three years. The first external evaluation was conducted in 2018. The performance evaluation for 2019 was implemented in November and the results were reported to the Board of Directors in January 2020. 2.The result of the evaluation of the performance of the Board of Directors will be the reference for the future election of directors candidates. 	4



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Anti-money laundering	<p>Mega Holdings continues to strengthen AML/CFT mechanisms and build a culture of compliance. Mega Holdings established an AML information sharing platform for the entire Group and organizes regularly AML/CFT meetings of the Group.</p>	<ol style="list-style-type: none"> In addition to AML/CFT policies, strategies, and standards, subsidiaries have established related AML/CFT regulations for compliance. They also established AML/CFT Committees or teams and hold regular meetings to discuss mechanisms for strengthening AML/CFT operations. Based on KYC (know your customer) and CDD (customer due diligence), the Company formulates SOP based on RBA (risk-based approach), to implement risk identification, assessment and risk management; in addition, the Company rates customer risks and takes countermeasures based on three indicators including geographical regions, customers, and products. Mega Holdings continued to optimize the Group's anti-money laundering sharing platform and related AML regulations and systems. MICB continued to optimize related AML regulations and systems and gradually bring its domestic and overseas AML system in line with international standards. 	<ol style="list-style-type: none"> Subsidiaries establish the Anti-Money Laundering Committee or dedicated unit to take charge of related AML operations. A total of 212 employees are assigned to the AML & FCC Department of MICB. Mega Holdings established the AML/CFT Policy and related plans which are applicable to the Company and subsidiaries specified in Article 5 of the Money Laundering Control Act. Mega Holdings established an information sharing platform for the Group to adopt consistent standards for customers' ML risks. MICB revised related GPS regulations in July 2019 and established related AML regulations in 2019. MICB's 25 domestic business units and head office business units have completed the compliance tests in November and 8 overseas branches completed the compliance tests in December. MS, MBF, and CKI completed compliance tests in 2019. MICB and other subsidiaries (except for MVC) completed the AML training in 2019. 	5
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 based on the Group's Risk Management Policy and Guidelines Principles adopted by the Board of Directors and related risk management regulations, are incorporated into each subsidiary's risk management policy. The Company and its subsidiaries adjust mechanisms timely and continuously strengthen the establishment and the application of software and hardware and the employees' ability to identify, measure, and monitor risks.</p>	<ol style="list-style-type: none"> 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 administration units on a regular basis or from time to time to ensure that the three lines of defense for risk management function well. 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. To respond to the trend in risks exposure, the Board of Directors passed the proposal for including the management of emerging risks (including climate change risks) into the "Risk Management Policy and Guidance Principles" of Mega Holdings and subsidiaries in the meeting in June 2019. 	<ol style="list-style-type: none"> The figures of risk indicators of the Company and its subsidiaries are compiled, analyzed and followed up on a regular basis; corrective measures for abnormalities are reported to the management. Each subsidiary is required to conduct the risk self-assessment every year and report material risk issues 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 results of the evaluation shall be included in the subsidiary's business performance evaluation. 	6



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Digital financial product innovations	<p>The Company aims to seize the opportunity of digital finance transformation and strengthen its capacity of digital financial services to respond to the development of FinTech and digital transformation. The Company shall focus on the following four items:</p> <ol style="list-style-type: none"> 1.Enhance the capacity for data analysis 2.Provide customers with digital financial services 3.Develop FinTech Innovations 4.Cultivate talent in digital technology 	<ol style="list-style-type: none"> 1.Build the big data system, and integrate business application systems to improve the capacity for data analysis and management. 2.Develop various digital financial services (e.g., mobile payments, biometric identification, loyalty program marketing, digital deposit accounts, LINE official accounts and stickers, and card-free withdrawals). 3.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 to improve MICB's digital image. 	<p>Global E-banking:</p> <ol style="list-style-type: none"> 1.Achievement rate of electronic funds transfer (EFT) in NTD: 104% 2.Achievement rate of electronic funds transfer (EFT) in foreign currencies: 102% <p>Online Banking:</p> <p>Achievement rate of electronic funds transfer (EFT): 120%</p> <p>Digital deposits:</p> <p>Achievement rate of account opening: 105%</p> <p>Taiwan Pay:</p> <ol style="list-style-type: none"> 1.Achievement rate of the number of users: 112% 2.Achievement rate of the number of merchants: 117% 	7
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 management 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 for processing.</p>	<ol style="list-style-type: none"> 1.The ethical management policy is explicitly formulated. The Board of Directors and the management are committed to implementation of 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. 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. 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. 4.Rules to be followed by employees are explicitly prescribed in the Code of Conduct. The Company has established a whistleblowing system to encourage employees and external entities to report unlawful and unethical acts. The Company organizes training courses on ethical management on a regular basis to improve awareness and compliance. 	<ol style="list-style-type: none"> 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 an 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. 2.All Directors and personnel ranked Executive Vice President and above of the Company have signed the compliance statements for the Ethical Corporate Management Policy. The ethical corporate management status was reported to the Board of Directors of each company. The Group's ethical corporate management training programs were completed for 9,617 enrollments with a completion rate of 99.59%. 	8



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Employee salary and benefits	<ol style="list-style-type: none"> 1. Provide complete compensation and benefits 2. Create a fair and equal workplace 3. Value employees' human rights and maintain smooth communication channels 4. Care for employees' career development 5. Value employees' health and safety 6. Maintain harmonious labor relations 	<ol style="list-style-type: none"> 1. Provide competitive compensation packages to attract and retain outstanding talents. 2. Offer incentives to employees to develop their potential. 3. Maintain 100% utilization rate of the employee welfare budget and higher overall employee compensation than most competitors. 	<ol style="list-style-type: none"> 1. Since 2014, the Company has been selected as a constituent of the TWSE Taiwan High Compensation 100 Index. 2. Average annual salary of full-time non-managerial employees of Mega Holdings, MICB, MBF, CKI, and MS in 2019 was NT\$1,435 thousand. 	9
Protection of customer rights and interests	<p>Implement the Fair Customer Treatment Principles and improve protection measures for financial consumers. The Group conducts marketing and labeling of financial products and services in accordance with the regulations, and implements a strict internal control system.</p>	<ol style="list-style-type: none"> 1. Pursuant to the Fair Customer Treatment Principles, all product information is fully disclosed on the subsidiaries' website. Application forms, bills, brochures, electronic brochures, and advertisement materials and fully disclosed. 2. MICB and 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. 3. The Group provides customers with a smooth complaint mechanism, where they may file complaints in writing, by e-mail or by phone. 	<ol style="list-style-type: none"> 1. In 2019, MICB's customer satisfaction scored 92.4. 2. In 2019, CKI's customer satisfaction scored 92. 3. In 2019, MITC's customer satisfaction scored 4.19 (5 points in total). 4. MS was awarded second place in the securities firms category in the 2018 evaluation on the Principles for Fair Customers Treatment by the Financial Supervisory Commission in July 2019. 	10



<Appendix 2> Comparison Table for GRI Standards

GRI Standard	Disclosure	Corresponding Chapter	Page	Note
GRI 101: Foundation 2016				
General Disclosure				
GRI 102: General Disclosure 2016	102-1 Name of Organization	About Mega Holdings	5	
	102-2 Activities, Brands, Products, and Services	About Mega Holdings	5	Products and services have not been prohibited in specific markets
	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	6	
	102-7 Scale of the Organization	About Mega Holdings	5	
	102-8 Information on Employees and Other Workers	2.3.1 Human Resources	66-69	No part-time workers
	102-9 Supply Chain	4.5 Supplier management	110-111	
	102-10 Significant Changes to the Organization and Its Supply Chain	-	-	None
	102-11 Precautionary Principle or Approach	1.3 Risk Identification and Control	49-54	
	102-12 External Initiatives	Results of CSR and Performance of Sustainable Development	9-11	
	102-13 Membership of Associations	1.2.2 Participation in Organizations (Associations)	48	
	102-14 Statement from Senior Decision-maker	From the Chairman of the Board	2-3	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
GRI 101: Foundation 2016				
General Disclosure				
GRI 102: General Disclosure 2016	102-16 Values, Principles, Standards, and Norms of Behavior	1.1.3 Ethical Management	45-46	
	102-18 Governance Structure	Sustainability Vision and Policies	18	
		1.1.1 Governance Structure	40	
	102-40 Stakeholder Groups	Stakeholder Engagement	23-25	
	102-41 Collective Bargaining Agreements	2.3.5 Human Rights Protection and Communication with Employees	80	
	102-42 Identification and Selection of Stakeholders	Stakeholder Engagement	22-25	
	102-43 Approach to Stakeholder Engagement	Stakeholder Engagement	23-25	
	102-44 Key Topics and Concerns Raised	Stakeholder Engagement	26-30	
	102-45 Entities Included in the Consolidated Financial Statements	About Mega Holdings	5	
	102-46 Defining Report Content and Topic Boundaries	About the Report	4	
	102-47 List of Material Topics	Stakeholder Engagement	27-30	
	102-48 Restatements of Information	About the Report	4	
	102-49 Changes in Reporting	Stakeholder Engagement	26	
	102-50 Reporting Period	About the Report	4	
	102-51 Date of Most Recent Report	-	-	June 2019
	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 2 Comparison Table for GRI Standards	118-121		
102-56 External Assurance	Appendix 3	125-126		



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
Material Topics				
Regulatory compliance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	112	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	45-46	
GRI 419: Compliance with social and economic laws 2016	419-1 Non-compliance with laws and regulations in social and economic areas	1.4 Regulatory compliance	55	
Information security and personal information protection				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	112	
	103-3 Evaluation of the management approach	2.2 Information security	63-65	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer's privacy or loss of customer's data	2.1.1 Maintenance of Customer Rights	60	
Business performance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	112	
	103-3 Evaluation of the management approach	Sustainability Vision and Policies	18-19	
GRI 201: Economic Performance 2016	201-1 Report the direct economic value generated and distributed	1.2.1 Economic performance	47	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
Material Topics				
Corporate governance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	113	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	45-46	
Non-GRI Specific Topic		1.1 Corporate Governance	40-46	
Anti-money laundering				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	114	
	103-3 Evaluation of the management approach	1.5 Anti-money laundering and counter terrorism financing	56-58	
GRI 419: Compliance with social and economic laws 2016	419-1 Non-compliance with laws and regulations in social and economic areas	1.5 Anti-money laundering and counter terrorism financing	56-58	
Risk management				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	114	
	103-3 Evaluation of the management approach	1.3 Risk Identification and Control	49-54	
Non-GRI Specific Topic		1.3 Risk Identification and Control	49-54	
Digital financial product innovations				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	115	
	103-3 Evaluation of the management approach	2.1.1 Maintenance of Customer Rights	60	
Non-GRI Specific Topic		3.3 FinTech Innovation and development	99-102	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
Material Topics				
Ethical management				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	115	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	45-46	
GRI 205: Anti- Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	1.1.3 Ethical Management	45	
Employee salary and benefits				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	116	
	103-3 Evaluation of the management approach	2.3.5 Human Rights Protection and Communication with Employees	80	
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	2.3.3 Salary and Benefits	73-74	
Protection of customer rights and interests				
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	Stakeholder Engagement	27-30	
	103-2 The management approach and its components	Appendix 1 Comparison Table for GRI Standards - Material Topics and Management Approaches	116	
	103-3 Evaluation of the management approach	2.1.1 Maintenance of Customer Rights	60	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	2.1.1 Maintenance of Customer Rights	60	



• ISO 26000 Comparison Table

GRI Guideline	Disclosure	Corresponding Chapter	Page
Organizational Governance	Decision-making processes and structures	1.1 Corporate Governance	40
Human Rights	Following the Laws and Regulations, and Avoiding Audit Risk due to Human Rights Issues	2.3.5 Human Rights Protection and Communication with Employees	80
	Human Rights Risk Situations	2.3.5 Human Rights Protection and Communication with Employees	80
	Avoidance of Complicity	1.1.3 Ethical Management	45-46
	Resolving Grievances	2.3.5 Human Rights Protection and Communication with Employees	80
	Discrimination and Vulnerable Groups	2.3.5 Human Rights Protection and Communication with Employees	80
	Civil and Political Rights	2.3.5 Human Rights Protection and Communication with Employees	80
	Economic, Social and Cultural Rights	2.3.5 Human Rights Protection and Communication with Employees	80
	Fundamental Principles and Rights at Work	2.3.5 Human Rights Protection and Communication with Employees	80
Labor Practices	Employment and Employee Relations	2.3.1 Human Resources	66-69
	Conditions of Work and Social Protection	2.3.3 Salary and Benefits	73-74
	Social Dialogue	2.3.5 Human Rights Protection and Communication with Employees	80
	Health and Safety at Work	2.3.4 Occupational Safety and Health	74-79
	Talent Development and Training	2.3.2 Talent Development and Cultivation	70-72
Environment	Pollution Prevention	4 Green Environment	103-111
	Sustainable Resource Use	4 Green Environment	103-111
	Climate Change Mitigation and Adaptation	3.1 Green Finance and Climate Risk Management	91-96
		4 Green Environment	103-111
Protection of the Environment, Biodiversity, and Restoration of Natural Habitats	4 Green Environment	103-111	



GRI Guideline	Disclosure	Corresponding Chapter	Page
Fair Operating Practices	Anti-corruption	1.1.3 Ethical Management	45-46
	Responsible Political Involvement	1.2.2 Participation in Organizations (Associations)	48
	Fair Competition	1.4 Regulatory compliance	55
	Promoting Social Responsibility in the Value Chain	Stakeholder Engagement	22-30
	Respect for Intellectual Property Rights	1.4 Regulatory compliance	55
Consumer Issues	Fair Marketing, Information and Contract Practices	2.1.1 Maintenance of Customer Rights	60
	Protecting Consumers' Health and Safety	2.1.1 Maintenance of Customer Rights	60
	Sustainable Consumption	3.2 Social Prosperity in Finance	97-98
		3.3 FinTech Innovation and development	99-102
	Consumer Service, Support, and Complaint and Dispute Resolution	2.1.1 Maintenance of Customer Rights	60
	Consumer Data Protection and Privacy	2.1.1 Maintenance of Customer Rights	60
	Access to Essential Services	2.1 Customer Service	60-61
Education and Awareness	2.1 Customer Service	60-61	
Community Involvement and Development	Community Engagement	2.4 Community Engagement	82-89
	Education and Culture	2.4.1 Promoting Financial Education	86
	Employment Creation and Skills Development	3.3 FinTech Innovation and development	99-102
	Technology Development and Access	3.3 FinTech Innovation and development	99-102
	Wealth and Income Creation	3.3 FinTech Innovation and development	99-102
	Health	2.4.2 Caring for the Socially Disadvantaged	86-87
	Social Investment	2.1.2 Financial Inclusion	61



• Comparison Table for UN Global Compact

GRI Guideline	Disclosure	Corresponding Chapter	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	2.3.5 Human Rights Protection and Communication with Employees	80
	Make sure that they are not complicit in human rights abuses.	2.3.5 Human Rights Protection and Communication with Employees	80
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.3.5 Human Rights Protection and Communication with Employees	80
	The elimination of all forms of forced and compulsory labor.	2.3.5 Human Rights Protection and Communication with Employees	80
	The effective abolition of child labor.	2.3.5 Human Rights Protection and Communication with Employees	80
	The elimination of discrimination in respect of employment and occupation.	2.3.5 Human Rights Protection and Communication with Employees	80
Environment	Businesses should support a precautionary approach to environmental challenges.	3.1 Green Finance and Climate Risk Management 4 Green Environment	91-95 103-111
	Undertake initiatives to promote greater environmental responsibility.	3.1 Green Finance and Climate Risk Management 4 Green Environment	91-95 103-111
	Encourage the development and diffusion of environmentally friendly technologies.	3.1 Green Finance and Climate Risk Management 4 Green Environment	91-95 103-111
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	1.1.3 Ethical Management	45-46

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

Item	Corresponding Chapter
Chapter 1 General Principles	Sustainability Vision and Policies
Chapter 2 Exercising Corporate Governance	1 Sustainable Governance
Chapter 3 Develop Sustainable Environment	3 Sustainable Finance 4 Green Environment
Chapter 4 Preserving Public Welfare	2 Social Inclusion
Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information	Sustainability Vision and Policies
Chapter 6 Supplementary Provisions	Sustainability Vision and Policies



<Appendix 3>

BSI's Independent Assurance Opinion Statement of GRI Standards



INDEPENDENT ASSURANCE OPINION STATEMENT

Mega Holdings 2019 Corporate Social Responsibility Report

The British Standards Institution is independent to Mega Financial Holding Company Limited (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 verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of 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 2019 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the Mega Holdings' adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000 Assurance Standard (2008) with 2018 Addendum 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 2019 Corporate Social Responsibility Report provides a fair view of the Mega Holdings CSR programmes and performances during 2019. 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 2019 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 AA1000AS (2008) with 2018 Addendum. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Mega Holdings' description of their approach to AA1000AS (2008) with 2018 Addendum and their self-declaration in accordance with GRI Standards: Core option were fairly stated.

Methodology

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

- a review of issues raised by external parties that could be relevant to Mega Holdings' policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 9 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, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

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

Inclusivity

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

Materiality

Mega Holdings publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of Mega Holdings and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the Mega Holdings' management and performance. In our professional opinion the report covers the Mega Holdings' material issues.

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 continually 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 issues.

Impact

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

GRI Sustainability Reporting Standards (GRI Standards)

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

Assurance level

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

Responsibility

The CSR report is the responsibility of the Mega Holdings' chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

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

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan



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Certifications



ISO27001
Information Security Management System



ISO27001
Information Security Management System



ISO14001
Environmental Management System



ISO14064-1
Greenhouse Gas Inventory



ISO14064-1
Greenhouse Gas Inventory



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