



兆豐金控  
Mega Holdings

# 2018

## CSR Report



Mega Financial Holding Co., Ltd.

# 2018 CSR Report

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## From the Chairman of the Board

Mega Holdings has made substantial progress after the severe penalties imposed on Mega Bank's New York Branch in 2016 and revenue has grown each year. The net profit after tax in 2018 totaled NT\$28.093 billion with an EPS of NT\$2.07. Mega Bank's net profit after tax was NT\$24.172 billion and the EPS was NT\$2.83. The results were the highest in the most recent three years. In terms of EPS, Mega Holdings ranked third in Taiwan while Mega Bank ranked first. Other subsidiaries including Mega Bills Finance and Chung Kuo Insurance also performed well.

The Company continued to implement anti-money laundering programs in 2018 to inject anti-money laundering DNA into corporate institutions and culture. Mega Bank Head Office currently strengthens legal compliance based on requirements for New York Branch and introduced Global Practice Standards (GPS) to create a consistent legal compliance culture for the entire bank. Mega Holdings and other subsidiaries also followed Mega Bank's lead and strengthened legal compliance tasks for anti-money laundering.

In addition to executing legal compliance improvement plans, we strive to improve in all business sectors. In 2018, Mega Bank maintained advantages in traditional businesses such as corporate finance and foreign exchange and achieved growth in both revenue and profitability. To provide lasting profitability for the Company, Mega Holdings began developing the second engine for profitability beyond corporate finance and foreign exchange and transformed the development of consumer finance and wealth management services. Consumer finance services focused on developing young customers and providing young employees with space for creativity. As an example, the "JJ Concert" marketing activity conducted for credit card services provided significant assistance for marketing Mega Bank credit cards. Other consumer finance and wealth management services also achieved growth.

Based on Principle of Responsible Investment (PRI) and Equator Principles (EP), Mega Bank makes decisions to invest and offers loans after ascertaining the financial and non-financial information of counterparties, and provides funds for energy conservation, carbon reduction, and environmental protection. By 2018, green loans totaled NT\$84.2 billion and green investments NT\$2.4 billion. In financial inclusion in 2018, we offered accident micro-insurance, small and medium business loans, and key start-up loans; we also developed a variety of digital financial services, such as digital deposits, mobile payments, mobile bank, and a mobile App to increase the coverage of digital financial services. In response to the needs of the aging society, we offer retirement trusts and reverse mortgage.

The Company continues to take measures for energy conservation and carbon emissions reduction, expand the scope of ISO 14064-1 greenhouse gas inventory to 90 locations in northern Taiwan, and obtain an assurance certificate from a third-party institution. In 2018, the Group's reduced its greenhouse gas emissions from direct energy usage by 5.54%, reduced total carbon emissions by 47 tons, and reduced emissions per capita by 4.06%. It demonstrated Mega Holdings' efforts to replace and maintain energy-saving equipment. Mega Bank Chi-Lin Building continued to pass ISO 14001 Environmental Management System verification in 2018. In addition, Mega Holdings participated in the CDP Climate Change Questionnaire for the first time and received a rating of "B" in Management Level. The Company shall introduce training for the identification of material risks and opportunities under the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2019 to actively respond to climate change issues.

The Company provides a variety of job opportunities equally for people with disabilities and indigenous people. In response to the government's call for increased employment,



we engaged additional 454 employees under a reorganization plan and in response to requirements for anti-money laundering legal compliance in 2018. Mega Holdings responded to the government's population policy that encourages people of marriageable age to get married and provided 135 people with subsidies for marriages and provided 150 people with childbirth subsidies in 2018. We value talent development and cultivation and invested more than NT\$150 million in employee training in 2018. Each employee received approximately 47.83 hours of training. The average salary of full-time non-managerial employees was NT\$1.44 million in 2018 while employee benefits for non-managerial employees amounted to approximately NT\$1.64 million. Overall employee compensation was higher than most competitors.

In terms of social engagement, we continued to care for the development of disadvantaged groups and provide financial support to children from disadvantaged families. We also supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan as gifts to customers to alleviate the issue of overproduction. We received the 2018 "Assistance for Agricultural Food Product Marketing Corporate Award" from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan. To help schools in remote areas develop sports and art activities, Mega Bank has long sponsored selected baseball teams, archery teams, and weightlifting teams of remote elementary or junior high schools in Yilan, Hualien, and Tainan for training expenses. We organized the first Mega Bank Esports Tournament and attracted expert players in 32 highly capable teams from more than 20 colleges to increase Taiwan's visibility to the world. We invested a total of NT\$195 million in participation in charity and welfare in 2018 to set an example for other businesses to participate in charitable activities and to create a diversity of values for society, making Taiwan a better place.

During the last year, Mega Holdings has achieved spectacular results in multiple businesses and actively strengthens anti-money laundering and legal compliance operations. In the future, we will further strengthen corporate governance, risk management, and anti-money laundering activities and strive for achieving the UN's Sustainable Development Goals (SDGs) with our business acumen and positive influence in the financial industry.



Chairman of the Board



## About the Report

This is the 6th 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 2018 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 practice and results of corporate governance, customer commitment, environmental protection, employee care, and social engagement Mega Holdings undertook in 2018 (from January 1 to December 31). Major events are disclosed as of March 31, 2019. The scope of the report, same as that in 2017, 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. 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 Taiwan, totaling 90 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 2018, the report is structured in accordance with the Core Options of the 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 2018 CSR Report: June 2019.

### External Assurance of the Report

In June 2019, the report is certified by the British Standards Institution (BSI) based on GRI Standards (Core Option), AA 1000 AS :2008, and Type 1 in medium 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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website





## About Mega Holdings

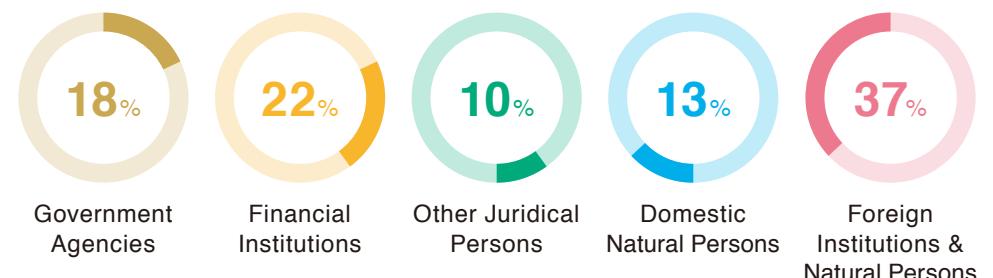


Founded on February 4, 2002, the Company went listed on Taiwan Stock Exchange Corporation on the same day. Located in Taipei City, the Company mainly engages in investments and management of investee companies. At present, the Company has 8 directly-held subsidiaries, namely Mega International Commercial 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, 2018, the Company's share capital was approximately NT\$136 billion, with a market capitalization of NT\$352.9 billion, ranked No. 4 among 15 listed financial holding companies in Taiwan. The Group had 8,956 full-time employees with an increase of 454 employees compared to 2017 mainly due to the appointment of compliance and anti-money laundering professionals by MICB in response to enhanced legal compliance and anti-money laundering requirements.

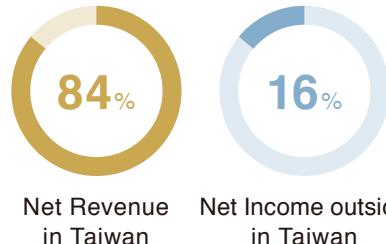
### Company Profile

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\$3,542.059 billion
Total Number of Employees	8,956 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.

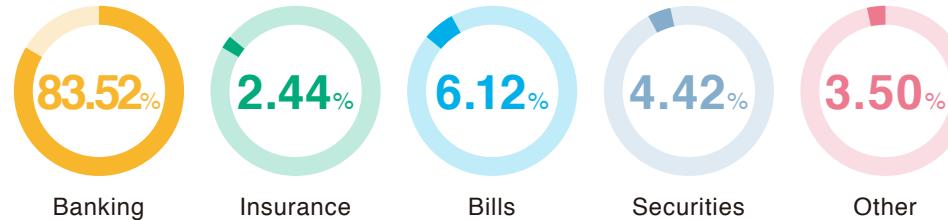
### Ownership and Distribution of Shares



Note: As of August 10, 2018.

**Net Revenue**

Source: The Company's 2018 consolidated financial statements.

**Net Revenue by Subsidiary Business**

Source: The Company's 2018 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). Other subsidiaries make a lower contribution to the Group due to their small size, but they are favorable to the Group's service diversification and service channel extension, which enhance the synergy.

**Organizational Chart****Mega Financial Holding Co., Ltd.**



## 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 2018, MICB's net profit after tax were NT\$24.172 billion which ranked No. 2 among domestic banks. Its EPS was NT\$2.83 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 2018, MICB had 108 domestic units and 36 overseas units located in 18 countries including U.S., Panama, France,

### MICB Overseas Units



Netherlands, the U.K., Australia, Japan, Philippines, Vietnam, Singapore, Malaysia, China, Hong Kong, Cambodia, India, Myanmar, Thailand, and Canada. These overseas units include 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.

website





### Other Subsidiaries

Company Name	Service Description	Business Overview
<b>Mega Securities Co., Ltd.</b>	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 2018, MS achieved the market share of 3.22%, ranked No. 8 in the brokerage services. Its average market share in margin trading was 5.68%, ranked No. 6 in the industry.
<b>Mega Bills Finance Co., Ltd.</b>	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, and bills guarantee; its financial performance and asset quality were considered outstanding. MBF delivered an EPS of NT\$1.95 in 2018 which ranked first in the bills finance industry.
<b>Mega International Investment Trust Co., Ltd.</b>	The scope of business mainly includes securities investment trust and discretionary investments.	By 2018, the scale of assets managed by MITC reached NT\$79.274 billion, ranked No. 11 among 39 investment trust companies in Taiwan.
<b>Chung Kuo Insurance Co., Ltd.</b>	The scope of business mainly includes property insurance and regulator-approved accident insurance and health insurance.	In 2018, CKI ranked second and third in terms of market share in aviation insurance and vessel insurance.
<b>Mega Asset Management Co., Ltd.</b>	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.
<b>Mega Venture Capital Co., Ltd.</b>	The scope of business mainly includes venture capital investment, as well as providing operational, managerial and consulting services. At present, business is operated and managed by Mega Management and Consulting Corporation.	In 2018, 15 new investments and NT\$234 million in investment amount were added. As of the end of the year, total investment amount reached NT\$700 million.
<b>Mega Life Insurance Agency Co., Ltd.</b>	MLIA operates personal insurance agency services.	We are now studying the merger of MLIA with MICB as the government now allows bank to operate insurance agency (insurance brokerage) services.



## Results of CSR and Performance of Sustainable Development



### 2018 Governance Performance

- Mega Holdings was selected as a constituent of **TWSE Taiwan Employment Creation 99 Index**, **TWSE Taiwan High Compensation 100 Index**, and **FTSE4 Good TIP Taiwan ESG Index**.
- The ratio of female Directors of Mega Holdings is **29%** while female Directors and Supervisors of subsidiaries companies make up **41%**. The ratio of female employees across the Group is **58%** and the ratio of female managers is **48%**.
- Mega Holdings strengthened the Group's AML and CFT mechanisms and 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 **167** personnel. Domestic and foreign units appointed **142** AML/CFT supervisors.
- MICB has set up the **Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Committee** under the Compliance Committee to ensure the implementation of measures for anti-money laundering and countering terrorism financing. In 2018, the Investigation Bureau, Ministry of Justice issued commendation letters for **16** cases which was a **three-fold** increase from the previous year.
- Employees of the Company and subsidiaries registered a total of **70,006** attendances in training courses on anti-money laundering and each employee participated in an average of **7.8** hours of courses.
- In 2018, **10** frauds totaling NT\$**6.21** million were held back successfully.
- Around **99%** of employees of the Company and its subsidiaries completed the training courses on customers' information security and personal information.
- MICB, MS, MITC, and CKI signed compliance statements for the "**Stewardship Principles**" in 2018.



## 2018 Social Performance

- MICB set up a total of **331** accessible ATMs as of the end of 2018.
- MICB promotes reverse mortgage and retirement trusts. In July 2018, MICB was awarded **third place** as an outstanding bank 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 2018, the loans outstanding amounted to NT\$**384.2** billion, **ranked No. 4 in the domestic financial industry**.
- The loans outstanding made to businesses pertaining to renewable energy technology was NT\$**84.2** billion in 2018 (NT\$74.428 billion for MICB and NT\$9.739 billion for MBF).
- 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 innovative industries**, and Special Award by the Financial Supervisory Commission, and **Special Award for the Asia Silicon Valley industries** for its long-term support of small and medium enterprises from the FSC in April 2018.
- MICB has worked with Ministry of Finance to promote the Government Concessional Loan for Youth Housing. As of the end of 2018, MICB has made concessional loans totaling NT\$**83.4** billion to **18,697** households.
- 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 Best Product Creativity Award in the 20th Faith, Hope & Love Awards of Insurance** in 2018.
- In 2018, **1,069** new employees were hired in domestic and overseas regions and the percentage of new employees was **11.93%**.
- MICB has actively taken measures for anti-money laundering and countering terrorism financing. As of the end of December 2018, **3,474** employees have obtained the Certified Anti-Money Laundering Specialists (CAMS) certification and **223** employees have obtained the "domestic AML/CFT professional certificate".
- To ensure that **employees have safe and healthy working environments and habits**, doctors have been invited monthly to conduct health tests, provide consultations, and promote health onsite.
- The **Maternal Protection Plan** was approved, where high-risk groups were provided with health guidance and follow-up, adaptive job arrangements, and health education through health assessment and consultation, to create a safer and friendlier workplace.
- MICB organized large concerts for schools in North, Central, and South Taiwan to strengthen the interaction with local communities and customers and **improve local art development**.
- The Company has **long sponsored** selected baseball teams, archery teams, and weightlifting teams of remote elementary or junior high schools in Yilan, Hualien, and Tainan for training expenses.
- We organized the **first Mega Bank Esports Tournament** and attracted expert players in 32 highly capable teams from more than 20 colleges to increase Taiwan's visibility to the world.
- We also supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan. We received the 2018 **"Assistance for Agricultural Food Product Marketing Corporate Award"** from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan.



## 2018 Environmental Performance

- Mega Holdings participated in the CDP Climate Change Questionnaire for the first time and received a rating of "**B**" in Management Level.
- In 2018, a total of **90** locations including the head office and branch institutions in northern Taiwan have obtained the **ISO 14064-1 greenhouse gas inventory certification**.
- MICB Chi-Lin Building passed the second-year verification for the **ISO 14001 environmental management system**.
- Mega Holdings spent NT\$**1.83** million on the replacement of old lighting equipment including 1,966 LED light bulbs.
- MICB's purchase of products with environmental protection marks for Green Procurement totaled NT\$**64,388** thousand in 2018 and received commendations from the Environmental Protection Administration, Executive Yuan.
- MICB received Taipei City Government's highest honor for energy conservation and carbon emissions reduction, the Excellence Award, at the "**Taipei City Energy Conservation Leadership Awards**".





## 2018 Awards

	Award-winning Unit	Name of Award	Issuer
2019 /01	Mega Securities Co., Ltd.	<b>Excellent Central Government Bonds Market Maker for the 2nd half of 2018</b>	Taipei Exchange
	Mega International Investment Trust Co., Ltd.	<b>Chinese Stocks Category - Regular Savings Plan Fund Award</b> <b>Best Performance in Chinese Stocks in the Category</b>	BENCHMARK Fund of the Year Awards (Hong Kong) Benchmark
2018 /12	Mega International Commercial Bank Co., Ltd.	<b>2018 Assistance for Agricultural Food Product Marketing Corporate Award</b>	Agriculture and Food Agency, Council of Agriculture, Executive Yuan
	Mega Bills Finance Co., Ltd.	<b>Golden Security Award for "Information Security Management and Control"</b>	Joint Credit Information Center
2018 /11	Mega Financial Holding Co., Ltd.	<b>Gold Award for "Corporate Sustainability Report Award"</b> <b>CSR Sustainability Excellence Award</b>	Taiwan Institute for Sustainable Energy (TAISE) British Standards Institution, BSI
	Mega Securities Co., Ltd	<b>Second Place in the "TAIEX Growth Award" in ETF Trading and Market Making Contest for Securities Firms</b>	Taiwan Stock Exchange Corporation
2018 /10	Chung Kuo Insurance Co., Ltd.	<b>Performance Excellence Award in the 2018 Microinsurance Competition</b>	Financial Supervisory Commission
2018 /09	Mega International Commercial Bank Co., Ltd.	<b>Best International Market Development Award</b>	Academy of Promoting Economic Legislation



## 2018 Awards

Award-winning Unit	Name of Award	Issuer
Mega International Commercial Bank Co., Ltd.	2018 Excellence Award of the "Taipei City Energy Conservation Leadership Awards"	Department of Environmental Protection, Taipei City Government
	"Faith, Hope & Love Awards of Insurance"  Awarded: Best Communication Service Award  Merits in Best Channel Strategy Award  Best Product Creativity Award, and Best Professional Consulting Award	Taipei RMi Educational Foundation
Chung Kuo Insurance Co., Ltd.	Ranked third for providing property trust services for the elderly and people with disabilities	Financial Supervisory Commission
	Excellent Central Government Bonds Market Maker for the 1st half of 2018	Taipei Exchange
Mega International Commercial Bank Co., Ltd.  Mega Securities Co., Ltd.	Best Commercial Bank 2018	Global Business Outlook
	Third Place in the "Continuous Growth Award" in ETF Trading and Market Making Contest for Securities Firms	Taiwan Stock Exchange Corporation



## 2018 Awards

	Award-winning Unit	Name of Award	Issuer
2018 / 04	Mega International Commercial Bank Co., Ltd.	<b>Class A Award for performance in small and medium enterprises loans</b> <b>Class A Award for providing loans to key innovative industries</b> <b>Special Award for the Asia Silicon Valley industries</b>	Financial Supervisory Commission
2018 / 03	Mega International Commercial Bank Co., Ltd.	<b>Best Financial Brand Taiwan 2018</b> <b>Best Banking Brand Taiwan 2018</b>	Global Brands Publications Ltd.
2018 / 01	Mega International Commercial Bank Co., Ltd.  Mega Financial Holding Co., Ltd. & Chung Kuo Insurance Co., Ltd.	<b>Excellence Award for Total Credit Guaranteed</b> <b>Special Award for Financing for New Southbound Nations</b> <b>Excellence Award for Branch Credit Guaranteed</b>  <b>Excellence Award in the Best Financial Holding and Insurance Companies for Finance Graduates</b>	Overseas Credit Guarantee Fund  Taipei RMI Educational Foundation
	Mega Securities Co., Ltd.	<b>8th TWKC "Best Sprint Award"</b>	Commercial Times



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

### • Expenditures for caring for the socially disadvantaged totaled NT\$14.38 million

- The Group provided financial support to disadvantaged families and children and provided 110 youths from disadvantaged families with school lunches.
- Mega Volunteers Team provided care to the elderly in senior citizens' homes and invested 380 volunteer hours in elderly care activities.
- The Group provided medical or funeral allowances for the economically disadvantaged.
- MICB supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan.

### • Promoting financial education and cultivating sports talents

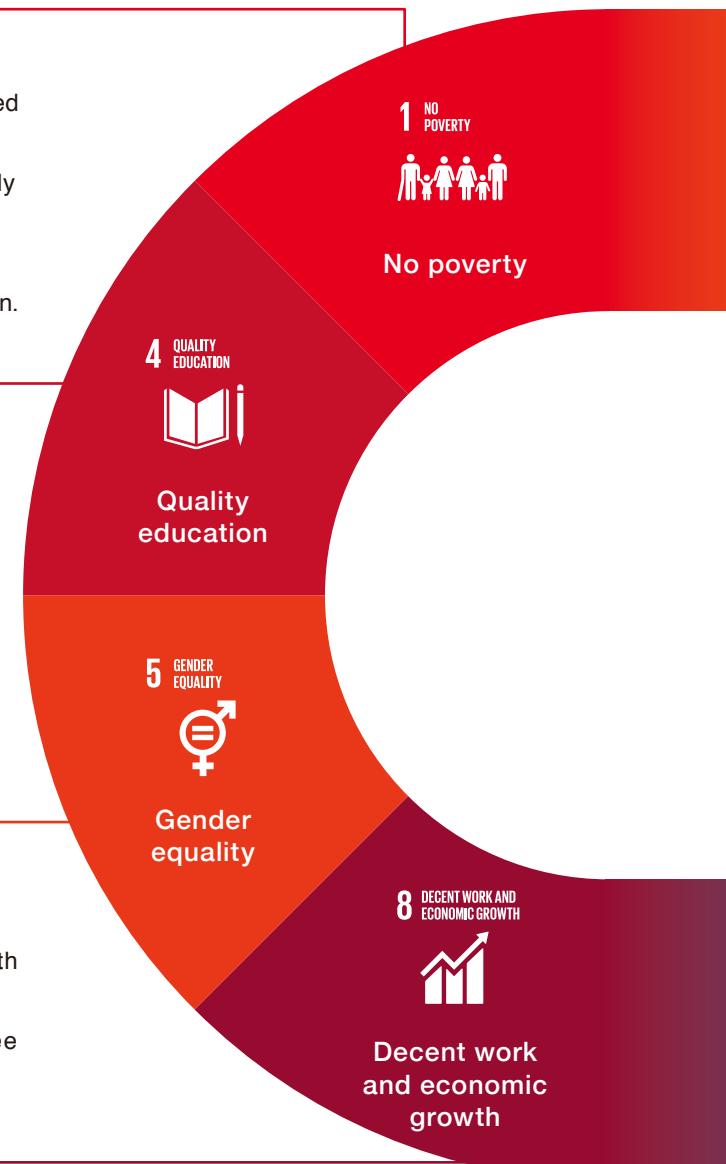
- MICB sponsored 8 financial promotion seminars and forums and accumulated 581 volunteer hours across the Group.
- The Group provided long-term sponsorship with NT\$5.3 million in total funding for baseball teams, archery teams, and weightlifting teams of remote elementary schools in Yilan, Hualien, and Tainan.

### • Create a workplace with gender equality

- Percentage of female directors in the Company reached 29%.
- The ratio of full-time female employees of the Group was 58% and the ratio of female managers was 48%.

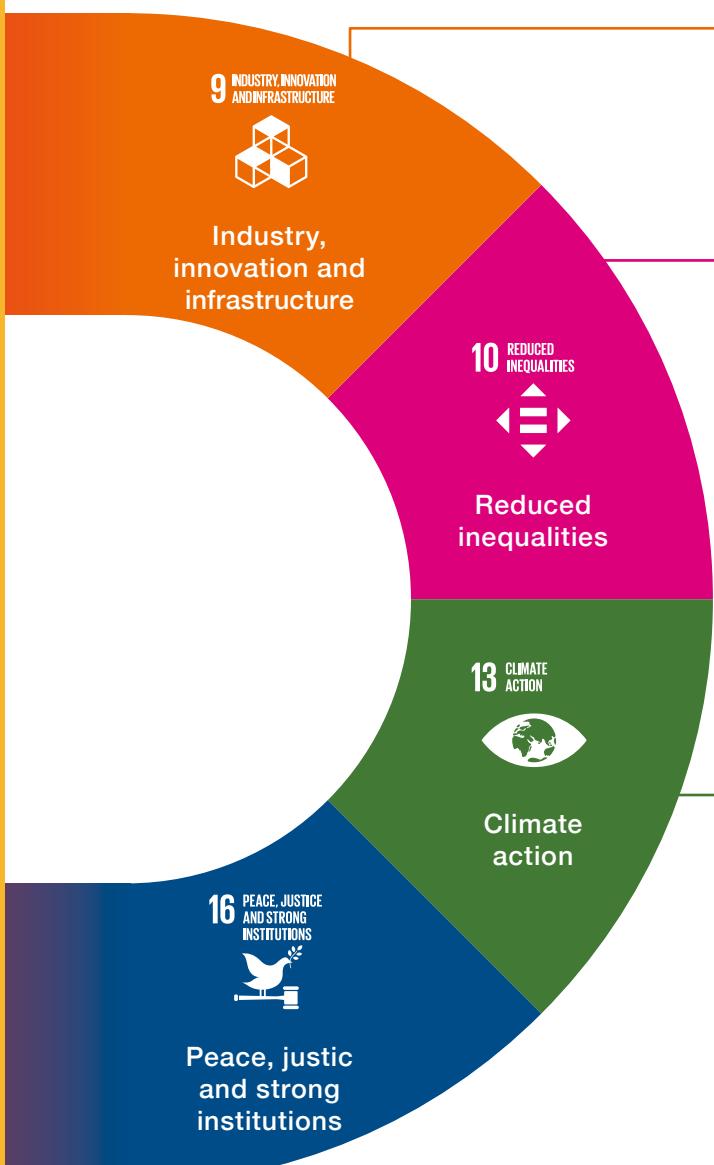
### • The Company's stable growth in profit and earnings

- Mega Holdings' net profit after tax totaled NT\$28.1 billion and MICB's net profit after tax was NT\$24.172 billion. Both were the highest in the most recent three years.
- The average salary of full-time non-managerial employees was NT\$1.44 million in 2018 and overall employee compensation was higher than most competitors.
- The Company invested more than NT\$152 million in employee training and development in 2018.





## SUSTAINABLE DEVELOPMENT GOALS



- **Actively keep abreast of financial innovation trends and develop and optimize innovative digital services**
  - In 2018, MICB applied for 166 patents on digital finance, 112 patents of which have been approved. The types of patents mainly included FinTech applications, information security, mobile platforms, and risk management.
  - Mega Holdings applied for 3 patents on risk management in 2018 and 1 patent was approved.
- **Reduced inequalities**
  - Promote micro-insurance
  - Create accessible spaces
  - In 2018, there were 3,167 accident micro-insurance policyholders, resulting in a total of 12,992 policyholders cumulatively. The implementation status was outstanding.
  - A total of 331 Accessible ATMs and 10 ATMs designed for the visually impaired have been set up.
- **Responding to climate change to create sustainable and low-carbon operations and services**
  - Mega Holdings participated in the CDP Climate Change Questionnaire for the first time and received a rating of "B" in Management Level.
  - MICB received Taipei City Government's highest honor for energy conservation and carbon emissions reduction, the Excellence Award, at the "Taipei City Energy Conservation Leadership Awards".
  - The Group expanded the scope of ISO 14064-1 greenhouse gas inventory, reduced overall greenhouse gas emissions by 0.23%, and reduced direct energy usage by 5.54% in 2018.
- **Comply with regulations pertaining to anti-money laundering and implement measures for anti-money laundering and risk management**
  - Build a sound corporate governance system and a culture of ethical management
  - Mega Holdings established the Group's information sharing platform. Subsidiaries established dedicated AML units and related AML/CFT regulations.
  - Mega Holdings organized regular AML meetings of the Group to follow up on the improvement status of subsidiaries in AML operations.
  - Mega Holdings and subsidiaries have established the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and the whistleblowing system.



# 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.

## Guidelines for Corporate Social Responsibility

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

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

## Corporate Social Responsibility Policy

Key Topic	Policy
Customer service	Become the best financial service provider to increase the customers' satisfaction by offering financial products that meet their needs and improving the quality of financial services.
Employee care	Comply with labor regulations and respect the internationally recognized principle of labor's basic human rights, protect legal rights and interests of employees, and offer a good working environment.
Shareholders' 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.
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



Corporate Social Responsibility Policy of the Company



## Sustainable Management History



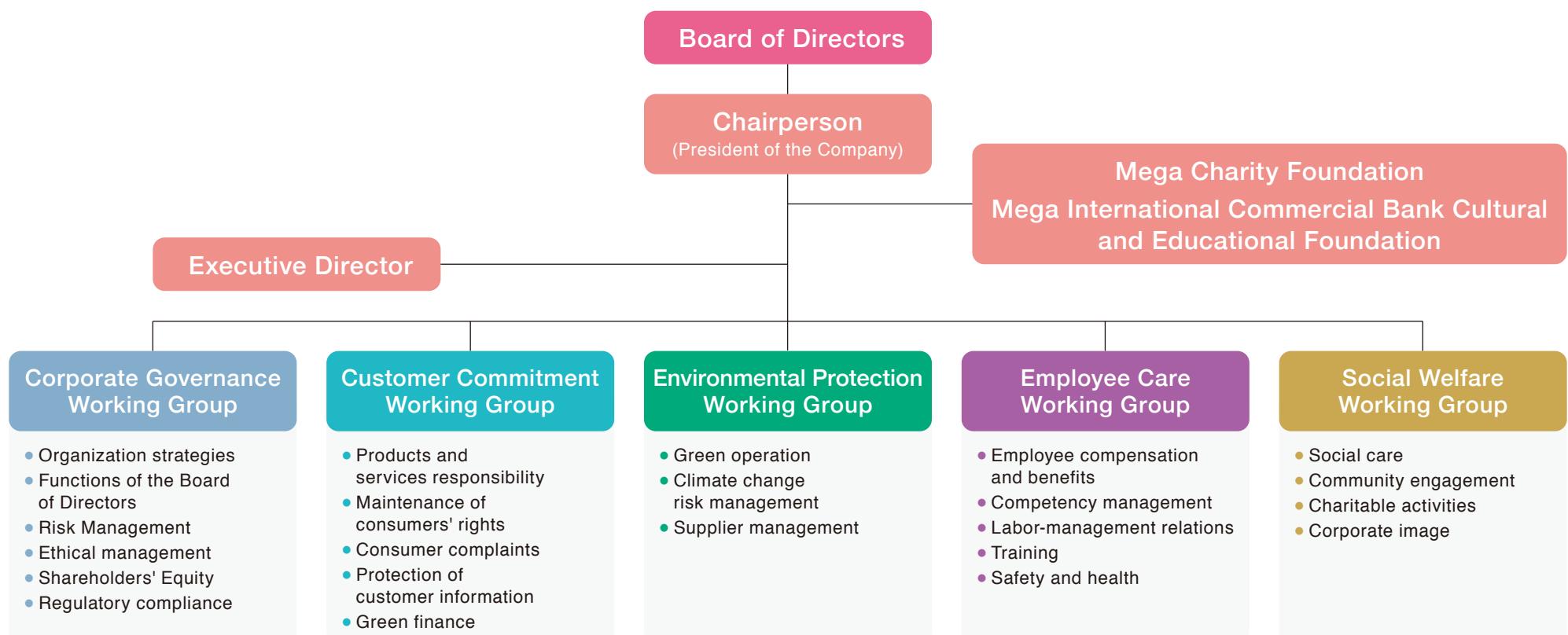


## Organization and Operation of the Corporate Social Responsibility Committee

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 director, and senior executive vice presidents or presidents of subsidiaries act as the members. The Corporate Social Responsibility Committee is divided into five Working Groups, namely Corporate Governance Working Group, Customer Commitment Working Group, Environmental

Protection Working Group, Employee Care Working Group, and Social Welfare Working Group. The members of the Working Groups are composed of employees of the Company and its subsidiaries, Mega International Commercial Bank Cultural and Educational Foundation, and Mega Charity Foundation. responsibility to achieve the sustainable development goals.

### Organizational Chart of the Corporate Social Responsibility Committee





At the beginning of each year, each Working Group shall submit the specific implementation plans covering economic, environmental and social aspects to the CSR Committee and Board of Directors. They shall also regularly report implementation performance regarding these three aspects to the said Committee and Board every year. Five meetings of the CSR Committee were convened in 2018 and the members' attendance rate was 100%. Please refer to page 31-39 for the results of implementation of sustainable development and short, medium, and long-term goals in 2018.

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 provided in 2018 included "ISO 14064-1 Greenhouse Gas Inventory", "Introduction to GRI Standards Amendments and DJSI", and "Introduction to CDP Climate Change Questionnaire". A total of 130 people participated in the five training programs which lasted 3-8 hours in each session.



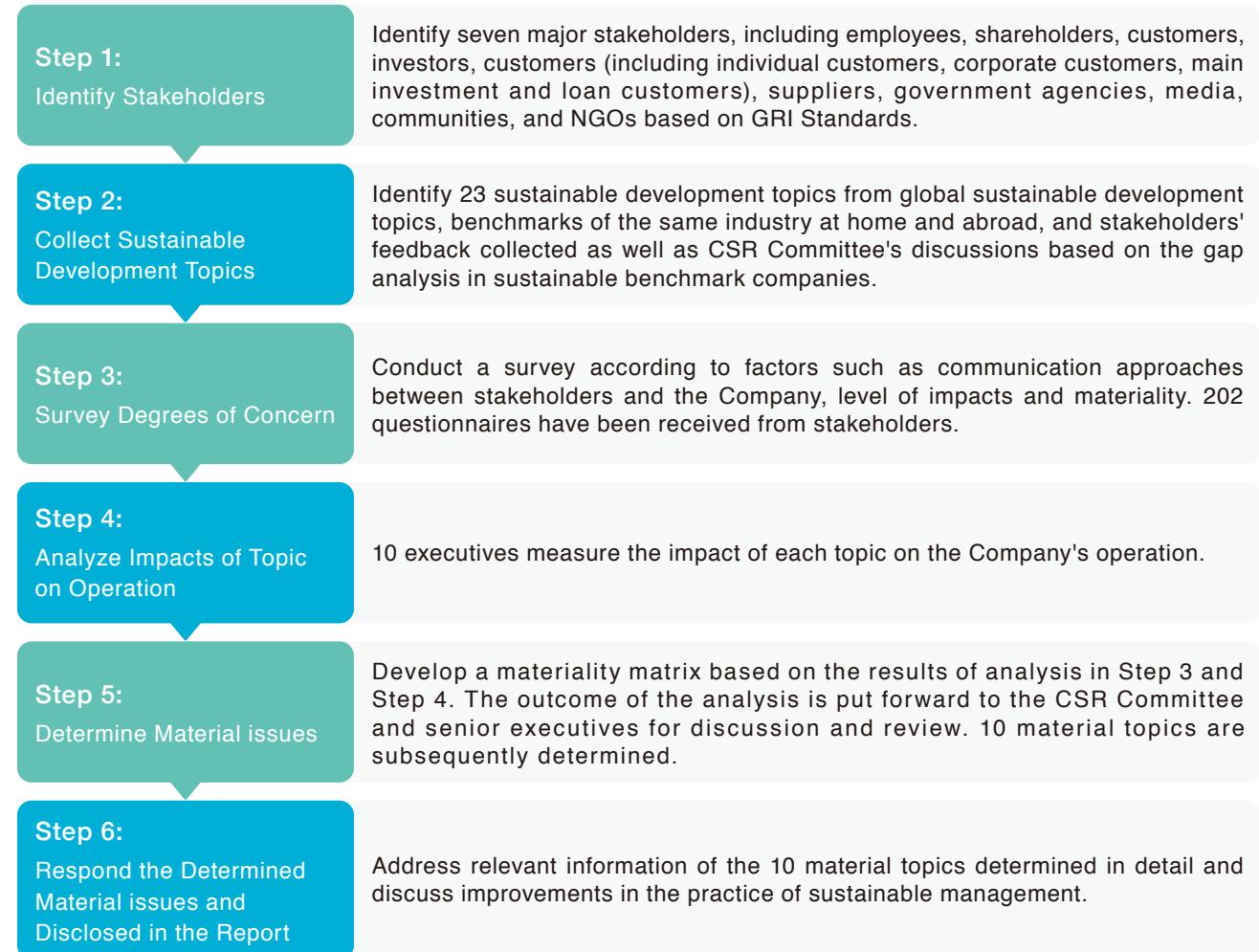


# Stakeholder Engagement

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

## 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 conducted in accordance with GRI Standards and AA 1000SES (Stakeholder Engagement Standard). We use six steps to implement the engagement process for 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

Stakeholder	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Anti-money laundering</li> <li>▶ Risk management</li> <li>▶ Ethical management</li> </ul> <ul style="list-style-type: none"> <li>▶ Business Performance</li> <li>▶ Regulatory compliance</li> <li>▶ Labor-management relation</li> <li>▶ Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Business performance report (monthly and quarterly)</li> <li>• Convene the shareholders' meeting, publication of annual report and CSR report (annually)</li> <li>• Disclose information on the Market Observation Post System (regularly and non-regularly)</li> <li>• Organize domestic investor conference (non-regularly)</li> <li>• Attend investor conferences and investor relations meetings at home and abroad (non-regularly)</li> <li>• Set up the company website in Chinese and in English and disclose annual reports, financial statements and stock information in "Investors" (permanent)</li> <li>• Contact information for investors and stakeholders announced on the corporate website (permanent)</li> <li>• Stakeholder survey in the corporate website's CSR section (permanent)</li> </ul>	<ul style="list-style-type: none"> <li>• 148 material information announcements and 54 announcements in Chinese and English</li> <li>• The Company participated in 4 investor conferences organized by foreign securities companies and organized an independent online investor conference. We organized 251 meetings and telephone conferences with investors at home and abroad.</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Anti-money laundering</li> <li>▶ Risk management</li> <li>▶ Protection of customer rights and interests</li> <li>▶ Ethical management</li> </ul> <ul style="list-style-type: none"> <li>▶ Business Performance</li> <li>▶ Regulatory compliance</li> <li>▶ Labor-management relation</li> <li>▶ Corporate governance</li> <li>▶ Safe and healthy workplace</li> </ul>	<ul style="list-style-type: none"> <li>• The Union Discussion Forum has been set up in MICB's intranet for employees to express their opinions (permanent)</li> <li>• Established employee complaint hotline, fax, e-mail (permanent)</li> <li>• Morning/evening business unit meetings (non-regularly)</li> <li>• Complaint mailbox (permanent)</li> <li>• Sexual harassment complaint hotline, fax, e-mail (permanent)</li> <li>• Staff meetings (non-regularly)</li> <li>• Seminars on employees' safety and health (regularly)</li> <li>• Labor-management meeting (regularly)</li> <li>• Meetings of the Employee Welfare Committee, Labor Safety and Health Committee, Supervisory Committee of Employee Retirement Reserve (regularly)</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of workplace health promotion plans to provide employees with assistance and care</li> <li>• Provision of competitive compensation scheme Included in the "Taiwan Employment Creation 99 Index" and "Taiwan High Compensation 100 Index" consecutively</li> <li>• Organize regular labor-management meetings with the union to foster harmonious relations between employees and the employer</li> </ul>



Stakeholder	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <b>Individual customers/ corporate customers/ main investment and loan enterprises</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Anti-money laundering</li> <li>▶ Risk management</li> <li>▶ Protection of customer rights and interests</li> <li>▶ Ethical management</li> <li>▶ Regulatory compliance</li> <li>▶ Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>● Each subsidiary has set up a customer service and complaint hotline (permanent)</li> <li>● Organize seminars on investment and wealth management (non-regularly)</li> <li>● Announce contact information for complaints and feedback on the company website (permanent)</li> <li>● Surveys of Customer Satisfaction (non-regularly)</li> <li>● Provide newsletters and investment research reports (non-regularly)</li> </ul>	<ul style="list-style-type: none"> <li>● MICB's customer satisfaction scored 93.7; CKI's customer satisfaction scored 89.1</li> <li>● MICB received Class A Award for performance in small and medium enterprises loans, Class A for providing loans to key innovative industries, and Special Award by the Financial Supervisory Commission(FSC), and Special Award for the Asia Silicon Valley industries for its long-term support of small and medium enterprises from the FSC</li> <li>● MICB, MS, and MITC organized ad hoc wealth management and investment seminars which attracted the participation of thousands of customers</li> </ul>
 <b>Government and regulators</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Anti-money laundering</li> <li>▶ Risk management</li> <li>▶ Ethical management</li> <li>▶ Regulatory compliance</li> <li>▶ Labor-management relation</li> </ul>	<ul style="list-style-type: none"> <li>● Attend regulators' policy publication events and public hearings (non-regularly)</li> <li>● Provide information for regulators' examinations (non-regularly)</li> <li>● Communicate with regulators by visit, official letter or phone (non-regularly)</li> <li>● File information on regulators' websites (regularly)</li> <li>● Compliance with the relevant laws and policies of the competent authorities and cooperate with their supervision and inspections (non-regularly)</li> </ul>	<ul style="list-style-type: none"> <li>● Selected as a constituent of TWSE Taiwan Employment Creation 99 Index, TWSE Taiwan High Compensation 100 Index, and FTSE4Good TIP Taiwan ESG Index</li> <li>● MICB, MS, MITC, and CKI signed compliance statements for the "Stewardship Principles" and reported the signature within the specified time</li> </ul>
 <b>Communities/ non-profit organizations</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Labor-management relation</li> <li>▶ Social investment and social welfare</li> <li>▶ Financial inclusion</li> <li>▶ Responsible investment</li> </ul>	<ul style="list-style-type: none"> <li>● Sponsor charitable activities and sports, academic or art activities (non-regularly)</li> <li>● Donate money or materials to not-for-profit organizations or institutions (non-regularly)</li> <li>● Organize volunteer activities</li> <li>● Work with social welfare organizations to organize social welfare activities (non-regularly)</li> <li>● CDP climate change questionnaire (regularly)</li> <li>● Participation in CSR-related non-government organizations (non-regularly)</li> </ul>	<ul style="list-style-type: none"> <li>● Organized a road running event for nearly 20,000 people and collected nearly 360,000 invoices in donations to 5 social welfare organizations</li> <li>● Employees registered a total of 24,050 enrollments in volunteer activities</li> </ul>



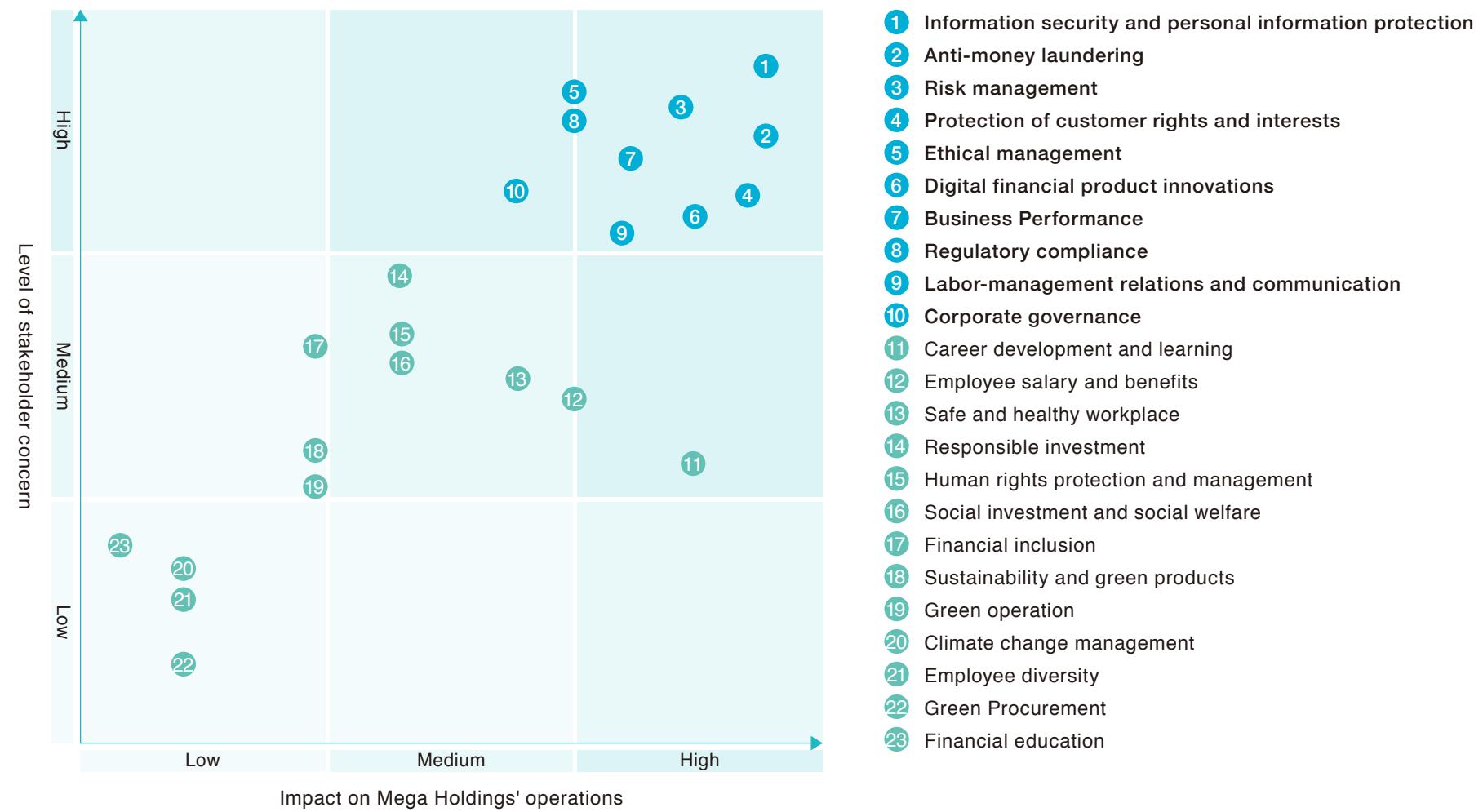
Stakeholder	Concerned Topic	Communication Channel (Frequency)	Communication Achievements
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Anti-money laundering</li> </ul> <ul style="list-style-type: none"> <li>▶ Risk management</li> <li>▶ Ethical management</li> <li>▶ Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>● Organize price negotiations meetings (permanent)</li> <li>● Reach agreements in contracts (permanent)</li> <li>● Organize ad-hoc meetings (permanent)</li> </ul>	<ul style="list-style-type: none"> <li>● Contract amount signed with suppliers who are signatories of the "Supplier Statement of Corporate Social Responsibility" totaled \$2.487 billion which accounted for 93.87% of total purchases</li> </ul>
 <b>Media</b>	<ul style="list-style-type: none"> <li>▶ Information security and personal information protection</li> <li>▶ Risk management</li> <li>▶ Digital financial product innovations</li> </ul> <ul style="list-style-type: none"> <li>▶ Business Performance</li> <li>▶ Regulatory compliance</li> <li>▶ Labor-management relation</li> <li>▶ Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>● Establish a spokesperson and PR department for liaising purposes (permanent)</li> <li>● Organize press releases/conferences (non-regularly)</li> <li>● Provide information for media (regularly)</li> <li>● Disclose information on the Market Observation Post System (regularly and non-regularly)</li> </ul>	<ul style="list-style-type: none"> <li>● 50 press releases were published on Mega Holdings' official website</li> </ul>





## Identifying Material Issues

Mega Holdings included an analysis of material issues in the 2018 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 10 material issues were identified. The identified material issues are shown in the figure below. We added labor-management relations as one of the ten material issues in 2018 and removed the issue of salary and management in 2017 from the ten material issues management approach and implementation results in 2018. The Company did not list issues with lower levels of concern to stakeholders and low impact on Group operations such as "financial education", "green procurement", "employee diversity", and "climate change management" but included the reports on 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.





## Explanation of Adjustments of Titles in Material Issues Compared to 2017

Materiality Issues in 2018

Materiality Issues in 2017

**Anti-money laundering**

**Anti-corruption**

Reason for Adjustment: Included anti-corruption into the scope of ethical management and added anti-money laundering issues in 2018.

**Digital financial product innovations**

**Digital Finance**

Reason for Adjustment: Adjusted to "digital financial product innovations" as integrated applications of digital and emerging technologies will impact the innovation and development of financial products.

**Protection of customer rights and interests**

**Products and services and customer rights**

Reason for Adjustment: Adjusted to "protection of customer rights and interests" as products and services are part of customer rights to be maintained and protected and the title is abbreviated to protection of customer rights.





The Company's material issues in 2018, 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.

Material issue	Material issue	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 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	2.1.2 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.	 					
2 Anti-money laundering	Corrective measures for anti-money laundering and countering terrorism financing, may further create a culture of compliance.	GRI 419: Socioeconomic Compliance	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.		▲	●	●	●	●
3 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 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	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

Material issue	Material issue	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 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	2.1.2 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.	 			●	●	●
5 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, so as to create an operating environment for sustainable development.	GRI 205: Anti-corruption	1.1.3 Ethical management	16.5 Substantially reduce corruption and bribery in all their forms.  16.6 Develop effective, accountable and transparent institutions at all levels.  16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.		●	●	●	●	●



● Direct impact ○ Indirect impact ▲ Business relations

Material issue	Material issue	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
6 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	2.1.1 Digital Financial Services	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).  8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.  8.10 Expand access to banking, insurance and financial services for all.  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.		▲	●	●	●	●
7 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

Material issue	Material issue	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
8 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: Socioeconomic Compliance	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.			●	●	●	●
9 Labor-management relations	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 organizes regular labor-management meetings each year to foster harmonious employee and employer relations.	GRI 407: Freedom of Association and Collective Bargaining	2.2.3 Salary and Benefits	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. 16.b. Promote and enforce non-discriminatory laws and policies for sustainable development.	 		●	●	●	●
10 Corporate governance	Corporate governance is closely related to a company's brand image, long-term development, and operating results; therefore, the Company adopts the diversity policy and evaluates the performance of the Board of Directors to strengthen the functions and performance of the Board of Directors, protect shareholders' 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.	 		●	●	●	●



## Sustainable Development Goals

### Results and short/medium/long-term goals of sustainability practices of Mega Financial Holding Co., Ltd. in 2018

Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Governance	Corporate governance	<ul style="list-style-type: none"> <li>After the election of new Directors of Mega Holdings in 2018, four female Directors remained on the board and the distribution of the age groups of directors became more diverse. In addition to the age groups of 50-59 and 60-69, a new age group of 40-49 was added to the board.</li> <li>Appointed external professional institutions to conduct the Board Performance Evaluation.</li> <li>MICB, MS, MITC, and CKI signed compliance statements for the "Stewardship Principles" and announced the statements on the company website and the Corporate Governance Center website.</li> <li>Mega Holdings was selected as a constituent of TWSE Taiwan Employment Creation 99 Index, TWSE Taiwan High Compensation 100 Index, and FTSE4Good TIP Taiwan ESG Index.</li> </ul>	<ul style="list-style-type: none"> <li>Assist and ensure that Directors continue to follow international trends in corporate governance and advance with the times.</li> <li>Appoint a Corporate Governance Officer. to strengthen support for Directors.</li> <li>Improve or strengthen the deficiencies in board functions or recommendations provided by external professional institutions based on the results of the Board Performance Evaluation.</li> <li>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.</li> <li>Thoroughly implement legal compliance for taxation and improved taxation information transparency in response to the global trend on tax governance.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to organize or schedule professional corporate governance courses.</li> <li>Internalize the performance evaluation factors of professional independent institutions and strengthen the board performance evaluation system.</li> <li>Elevate or maintain the professional qualifications and diversity of the Directors.</li> <li>Provide various taxation Information and disclosure in accordance with international trends and related taxation regulations.</li> <li>Regularly review the Group's taxation management conditions and amend various taxation regulations of the Company in accordance with laws and regulations.</li> </ul>
	Ethical management	<ul style="list-style-type: none"> <li>Mega Holdings and subsidiaries have established the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and the whistleblowing system to clarify the reporting channels, unit responsible for processing reports, and investigation procedures.</li> <li>The Group received a total of 5 internal and external reports in 2018 and investigations were performed for 3 cases.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the Code of Conduct and improve employees' ethical and moral standards.</li> <li>Strengthen the whistleblowing systems of companies of the Group and regularly report the implementation status of ethical management to the Board of Directors.</li> <li>Continue to organize training for ethical management and promote honesty, integrity, and moral values.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to organize training for ethical management and improve the corporate culture for ethical management.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Governance	Risk management	<ul style="list-style-type: none"> <li>Continue to strengthen the Group's credit, market, and operational risk management systems and enhance risk management and internal controls to fulfill the Group's risk management policy and goals.</li> </ul>	<ul style="list-style-type: none"> <li>Implement management of emerging risks.</li> <li>Enhance risk management training.</li> <li>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.</li> <li>Continue to apply for risk management patents and improve risk management performance.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate economic analyses and business information and actively make use of quantitative analyses to identify potential risks.</li> <li>Continue to review various risk management mechanisms for all businesses to ensure the integrity of systems and regulations.</li> <li>Spread the culture of risk management and implement risk management accountability.</li> <li>Continue to evaluate the effectiveness of risk management procedures.</li> <li>Continue to optimize risk management procedures and systems and apply for financial patents.</li> </ul>
	Regulatory compliance	<ul style="list-style-type: none"> <li>MICB established a dedicated compliance unit to strengthen compliance performance.</li> <li>MICB introduced the "Legal Compliance Risk Management Supervision and Management Structure" project.</li> <li>Employees of the Group registered a total of 48,105 attendances in compliance training courses in 2018 and each employee participated in an average of 8.79 hours of courses.</li> <li>In 2018, 10 frauds totaling NT\$6.21 million were held back successfully.</li> </ul>	<ul style="list-style-type: none"> <li>Communicate and update related laws and regulations in a timely manner to ensure operating activities meet requirements in laws and regulations.</li> <li>Improve employees' knowledge and competence of compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement legal compliance training of the Group to strengthen compliance risk management.</li> </ul>
	Anti-money laundering	<ul style="list-style-type: none"> <li>Mega Holdings established an information sharing platform for the Group.</li> <li>Subsidiaries have established dedicated AML units and 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.</li> <li>Mega Holdings organized 11 meetings as of December 2018 to strengthen the supervision of subsidiaries' AML tasks and preparation for APG's mutual evaluations.</li> <li>Employees of the Group registered a total of 70,006 attendances in AML training courses in 2018 and each employee participated in an average of 7.8 hours of courses.</li> </ul>	<ul style="list-style-type: none"> <li>Optimize consistent AML regulations for the Group.</li> <li>Organized regular AML meetings of the Group to follow up on the improvement status of subsidiaries in AML operations.</li> <li>Strengthen the functions of the Group's information sharing platform.</li> <li>Implement regular tests on AML training and AML compliance.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Governance	Information security and personal information protection	<ul style="list-style-type: none"> <li>MICB established the Information Security Department to take charge of information security affairs.</li> <li>MICB purchased insurance for information security/network security incidents to protect customer interests.</li> <li>MICB and CKI completed the ISO 27001 Information Security Management System certification each year to continuously reinforce the safeguards of information security systems.</li> <li>MS continued to strengthen information security and conducted measures to prevent company websites from alteration. It also added new system monitoring and control items to enhance defense against hacking.</li> <li>Around 99% of employees of the Company and its subsidiaries completed the training courses on information security and personal information.</li> </ul>	<ul style="list-style-type: none"> <li>Establish information security policy for the Group and establish comprehensive management scope and management mechanisms.</li> <li>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.</li> <li>Strengthen information security and personal information protection. Conduct vulnerability scanning, penetration tests, and social engineering exercises at unspecified intervals.</li> <li>Strengthen personal information protection and control measures and training programs. The training completion rate was 100%.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
Environment	Digital financial product innovations	<ul style="list-style-type: none"> <li>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 Best Product Creativity Award in the 20th Faith, Hope &amp; Love Awards of Insurance in 2018.</li> <li>In 2018, MICB applied for 166 patents on digital finance, 112 patents of which have been approved and 54 patents are still under review. The types of patents mainly included FinTech applications, information security, and mobile platforms. Mega Holdings applied for 3 patents on risk management in 2018 and 1 patent for a risk management technology application system was approved.</li> </ul>	<ul style="list-style-type: none"> <li>In response to the development of FinTech, the Company encourages employees to develop digital finance patents and improve the overall competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>The Group actively develops more diverse and convenient digital finance products to improve convenience and satisfaction rate of customers, lower the cost of branch operations, and provide green finance services that truly reduce energy consumption and carbon emissions.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Environment	Sustainability and green products	<ul style="list-style-type: none"> <li>MICB has assisted the government in making loans to Five-Plus-Two key start-up industries. By 2018, the loans outstanding amounted to NT\$384.2 billion, ranked No. 4 in the domestic financial industry.</li> <li>The loans outstanding made to businesses pertaining to renewable energy technology was NT\$84.2 billion in 2018 (NT\$74.428 billion for MICB and NT\$9.739 billion for MBF).</li> <li>MICB, the Small and Medium Enterprise Credit Guarantee Fund, and municipal governments jointly launched the "Renewable Energy Finance Loan Project" which provides NT\$30 billion loan facility to help companies obtain the funding required for renewable energy power generation industries.</li> <li>MICB issued the "Gogoro Co-Branded Card" in September 2018 to jointly promote green products, promote the development of the electric vehicle industry in Taiwan, and reduce carbon emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Help green energy operators obtain funding required for business operations and cultivate finance talents that understand the green energy sector to strengthen the Group's green loans and investments.</li> <li>Continue to work with municipal governments and provide funding required for the development of renewable energy.</li> <li>Continue to implement responsible investment and revise financing and credit review principles.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to support the government's promotion of green energy and strengthen the promotion of green finance to fulfill corporate social responsibilities.</li> <li>Continue to optimize responsible investment, establish financing and credit review mechanisms, and list companies that violate corporate social responsibilities as target ineligible for loans.</li> </ul>
	Green operation	<ul style="list-style-type: none"> <li>In 2018, a total of 90 locations including the head office and branch institutions in northern Taiwan have obtained the ISO 14064-1 greenhouse gas inventory certification.</li> <li>MICB Chi-Lin Building passed the second-year verification for the ISO 14001 environmental management system.</li> <li>MICB received Taipei City Government's highest honor for energy conservation and carbon emissions reduction, the Excellence Award, at the "Taipei City Energy Conservation Leadership Awards".</li> <li>The Group has set and implemented long-term goals for energy conservation and carbon emissions reduction.</li> </ul>	<ul style="list-style-type: none"> <li>Initiate ISO 14064-1 Greenhouse Gas Inventory for the Group's business locations in northern and central Taiwan.</li> <li>Mega Chi-Lin Building passed the third-year verification for the ISO 14001 environmental management system.</li> <li>Continue to promote the waste classification and energy conservation policies.</li> <li>Respond to the "Earth Hour" energy conservation initiative on March 20.</li> </ul>	<ul style="list-style-type: none"> <li>Complete the ISO 14064-1 Greenhouse Gas Inventory for all domestic and overseas branches and obtain assurance statements from external verification institutions.</li> <li>The Group shall reduce oil, electricity, water, and carbon emissions by 5% in 2022 (2017 is set as the baseline year). Review the Group's energy consumption and carbon emissions each year.</li> <li>Adopt the "ISO 14001 Environmental Management System" certification for all subsidiary companies of the Group.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Society	Protection of customer rights and interests	<ul style="list-style-type: none"> <li>MICB's Card Center established a smart customer service system in May 2018 to improve the quality of customer service.</li> <li>The Group 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.</li> <li>MICB values every customer's privacy. MICB prepares the evaluation report on personal information protection every six months and reports the result of the evaluation to the Board of Directors. The Group provided employees with at least three hours of training on information security awareness and the training completion rate was 99%.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the "Principles for Fair Treatment of Customers in the Financial Services Industry" to protect customer rights and interests.</li> <li>Comply with the full implementation of the "EU General Data Protection Regulation" (GDPR) and establish related standards or operating guidelines for implementation.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement the "Principles for Fair Treatment of Customers in the Financial Services Industry" and improve the quality of services to actively protect customer rights and interests.</li> <li>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. The training completion rate was 100%.</li> <li>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.</li> </ul>
	Financial inclusion	<ul style="list-style-type: none"> <li>MICB promotes reverse mortgage and retirement trusts. In July 2018, MICB was awarded third place as an outstanding bank for providing property trust services for the elderly and people with disabilities by the Financial Supervisory Commission.</li> <li>MICB has worked with Ministry of Finance to promote the Government Concessional Loan for Youth Housing. As of the end of 2018, MICB has made concessional loans totaling NT\$83.4 billion to 18,697 households.</li> <li>Continued to promote microinsurance. In 2018, there were 3,167 policyholders, resulting in a total of 12,992 policyholders cumulatively. The implementation status was outstanding.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Set a goal for increasing Government Concessional Loan for Youth Housing by NT\$4 billion in 2019.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to assist the stable development, transformation, and upgrade of domestic small and medium enterprises.</li> <li>Continue to actively participate in asset management seminars organized by the Trust Association and public welfare groups to strengthen the development of retirement trusts.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Society	Financial inclusion	<ul style="list-style-type: none"> <li>As of 2018, a total of 331 Accessible ATMs have been set up, an additional 14 ATMs from 2017. A total of 10 ATMs designed for the visually impaired are also set up in airports and hospitals.</li> <li>Enhanced the implementation of small and medium business loans with NT\$474.7 billion in loans outstanding in 2018, up NT\$15.2 billion from 2017. The number of borrowers amounted to 8,656 accounts. MICB was evaluated as an excellent bank with outstanding implementation results by the FSC.</li> </ul>		
	Employee salary and benefits	<ul style="list-style-type: none"> <li>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 overall compensation of the Company's employees is better than most of the industry. The Company target 100% utilization of annual employee benefits budget.</li> <li>Since 2014, the Company has been selected as a constituent of the TWSE Taiwan High Compensation 100 Index.</li> <li>The average salary of full-time non-managerial employees was NT\$1.44 million in 2018 while the average employee benefits for non-managerial employees amounted to approximately NT\$1.64 million.</li> <li>In 2018, 72 employees applied for unpaid parental leave and the 150 employees applied for childbirth incentives.</li> </ul>	<ul style="list-style-type: none"> <li>Respond to the government's childbirth incentives and issue childbirth subsidies.</li> <li>Strengthen care for employees and provide necessary assistance.</li> <li>Organize charity and employee activities, family day, and other events for employees.</li> </ul>	



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Society	Career development and learning	<ul style="list-style-type: none"> <li>Each employee of the Group received 47.83 hours of training in 2018 and training expenses totaled NT\$152 million.</li> <li>Employees attended approximately 750 training courses organized by external institutions in 2018.</li> <li>Approximately 190 internal training courses were arranged in 2018.</li> <li>A total of 392 digital learning courses was created in 2018.</li> <li>2,181 people received subsidies for professional licenses in 2018 and the amount totaled NT\$12,018 thousand.</li> </ul>	<ul style="list-style-type: none"> <li>Continue employee education and training with a goal of 48 hours in average training hours per employee.</li> <li>Encourage employees to take tests for finance-related professional certification or qualifications and continue to provide related subsidies.</li> </ul>	<ul style="list-style-type: none"> <li>Cultivate international finance talents, enhance employees' professional competencies, and optimize their competitiveness for career advancement.</li> <li>Continue employee education and training with a goal of 50 hours in average training hours per employee.</li> </ul>
	Human rights protection and management	<ul style="list-style-type: none"> <li>Mega Holdings has four female Directors which account for 29% of all Directors and 58% of the Group's full-time employees are female. In 2018, 1,069 new employees were hired in domestic and overseas regions and the percentage of new female employees in Taiwan was 68% (612 people).</li> <li>The Company provides equal job opportunities for people with disabilities and indigenous people. By the end of 2018, the Company hired 63 people with disabilities, 6 indigenous peoples, and 493 foreign employees.</li> <li>In 2018, there were no reports of complaints regarding human rights or discrimination.</li> <li>MICB employees registered 14,886 attendances in courses on the human rights policy in 2018.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Recruit employees based on gender equality principles. Alleviate all forms of discrimination against women and organize gender equality training courses.</li> </ul>	



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Society	Labor-management relations	<ul style="list-style-type: none"> <li>The Mega Holdings Group has five labor unions in total, the Mega Bank Union has 5,298 members, accounting for 83% of the total number of its employees, and the Company's union has 48 members, accounting for 86% of the total number of its employees.</li> <li>The Company has set up employee complaint channels for employees to provide recommendations for working conditions, environment, health and safety, salary and benefits, human rights and equality, and sexual harassment complaints. There were no complaints in 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Hold labor-management meetings periodically to foster harmonious labor-management relations and strengthen labor-management communication channels.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce the employee engagement survey and learn about employees' engagement and their recommendations for the Company's development.</li> </ul>
	Safe and healthy workplace	<ul style="list-style-type: none"> <li>MICB partnered with Taiwan Adventist Hospital and organized "healthy weight-loss classes" and four sessions of "health seminars" in northern, central, and southern Taiwan. Related contents of the seminars were placed on the e-learning platform.</li> <li>The Company encourages breastfeeding by setting up breastfeeding rooms at each subsidiary and appoints employees to manage and maintain the facilities. At present, there are 25 breastfeeding rooms across the Group. They were used about 6,186 times in 2018.</li> <li>MICB and MS have engaged nurses and MICB has established a medical room where a stationed physician provides onsite services.</li> </ul>	<ul style="list-style-type: none"> <li>Organize activities to promote employee health and provide a safe workplace.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce the "ISO 45001 Safety and Health Management System".</li> <li>Continue to focus on emerging occupational safety and health issues and construct a happy workplace.</li> </ul>



Aspect	Material Sustainability Issue	2018 Achievement Status	2019 Goals	Medium/Long-Term Goal (2020~2024)
Society	<b>Social investment and social welfare</b>	<ul style="list-style-type: none"> <li>The charity-related expenses of Mega Charity Foundation and Mega International Commercial Bank Cultural and Educational Foundation accounted for 68% of their total income in 2018, and employees registered 24,050 enrollments in volunteer activities. The social engagement expenditures amounted to NT\$195 million.</li> <li>The Company has long sponsored baseball teams, archery teams, and weightlifting teams of remote elementary or junior high schools in Yilan, Hualien, and Tainan for training expenses.</li> <li>MICB organized the first Mega Bank Esports Tournament to help support the esports industry.</li> <li>We also supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan. We received the 2018 "Assistance for Agricultural Food Product Marketing Corporate Award" from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan.</li> <li>The Company cares for the socially disadvantaged. We provided financial support to disadvantaged families and children and provided 110 youths from disadvantaged families with school lunches. Mega Volunteers Team provided care to the elderly in senior citizens' homes and invested 380 volunteer hours in elderly care activities.</li> <li>The Company sponsored local art and cultural performances and organized three charitable concerts in northern, central, and southern Taiwan. The Company sponsored Puzangalan Children's Choir in overseas competitions to promote art education in remote areas.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Continue to provide financial support for tuition and expenses to disadvantaged families and children.</li> <li>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.</li> <li>Continue to organize various art and cultural promotion activities to foster local art and culture development.</li> <li>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.</li> </ul>	Medium/Long-Term Goal (2020~2024)



## 1

## Sustainable Governance



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

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## 1.1 Corporate governance

The Company established the Audit Committee as a replacement for supervisors in 2009 to improve corporate governance. Starting in 2011, the shareholders' meeting voted on proposals case by case. Since 2013, the directors have been elected through a nomination system. Since 2015, shareholders may attend the shareholders' meeting by an electronic means. The whistleblowing system was established in 2016 and the number of electronic voting in 2018 accounted for 73% of all shareholders in attendance. The Company shall continue to deepen its corporate governance and CSR culture, strengthen the functions of Directors, implement shareholder activism, improve the quality of information disclosure, and strengthen regulatory compliance in accordance with the FSC's Corporate Governance Roadmap (2018-2020).

### 1.1.1 Governance Structure

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

### 1.1.2 Operation of Board of Directors

Mega Holdings established the Audit Committee to strengthen the supervisory and management of the Board of Directors. Directors are elected based on the candidate nomination system and board members have diverse backgrounds. The Company encourages directors to continue their education and organizes regular board performance evaluations. The role of the Corporate Governance Officer was established on April 1, 2019. A total of 15



Meeting Type	No. of Meetings in 2018	Average Attendance in Person Rate
Board of Directors	15	95.43%
Audit Committee	10	100%
Remunerations Committee	3	100%
Risk Management Committee	6	90.63%
Corporate Social Responsibility Committee	5	100%

meetings of the Board of Directors was held in 2018 and board members averaged an attendance in person rate of 95.43%. At least one independent director attended in person the Company's board meetings and the average attendance in person rate of independent directors in board meetings was 91.37%.



## ■ Adoption of the Candidate Nomination System

The election of directors is based on a candidate nomination system and directors are elected in the shareholders' meeting from a list of candidates. Directors are eligible for reelections. The number of independent directors shall not be less than three persons in the aforementioned number of seats for independent directors and shall not be less than one fifth of the seats of directors. To ensure the transparency of the procedures for the nomination and election of directors, the qualifications of all director and independent director candidates must be reviewed by the Board of Directors in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The Board of Directors shall verify the professional qualifications and independence of the candidates before they may submit the list of candidates to the shareholders' meeting for election.

## ■ Board Member Diversity

The Company's Corporate Governance Best Practice Principles specify the policy of diversity. Board members shall be determined based on the Company's business operations, operating dynamics and development. The standards for diversity include (1) basic requirements (such as gender, age, nationality, and race) and (2) professional knowledge and skills (such as professional background, professional skills, and industry experience). Mega Holdings conducted an election of the seventh term Board of Directors in 2018 for 12 directors and 3 independent directors (1 director resigned on October 1, 2018). As of the end of 2018, the Board of Directors is composed by 14 members, 4 of which are female and account for 29%. 2 directors are aged 40-49; 9 directors are aged 50-59; 2 directors are aged 60-69; and 1 director is aged 70-79. The average age of the directors is 56.92 and the average term is 1.62 years. Among the 75 directors and supervisors of subsidiaries, there were 31 female directors and supervisors which accounted for 41%. It demonstrates the Group's performance in the diversity policy for the directors.

The Company's Chairman does not serve concurrently as the President and only one director serves concurrently as a manager. The ratio of external directors is 93%. The directors are from the finance industry, government agencies, and the academia. Only one director is concurrently held by the managerial officer. The professional background of the directors covers law, accounting, banking, finance, and economics; the professional skills include risk management, compliance, anti-money laundering, finance, economic analysis, business management, internal control, and industry knowledge. The standards for diversity in the Company's Corporate Governance Best Practice Principles are met and each board member has the necessary knowledge, skill, and experience to perform their duties. The structure and diversity of the board members are provided in the table.

The Company's Corporate Governance Best Practice Principles specifies that independent directors may not serve more than three consecutive terms to ensure that independent directors can exercise their authority in an objective manner and that independence is not reduced by extended association. The reelection of all Directors was held in 2018 and all 3 new independent directors elected for this term (seventh term) were newly appointed. The average terms of the sixth and seventh-term independent directors were 5 years and 0.6 years, respectively, and there were no cases where the independent directors served for more than nine years.

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



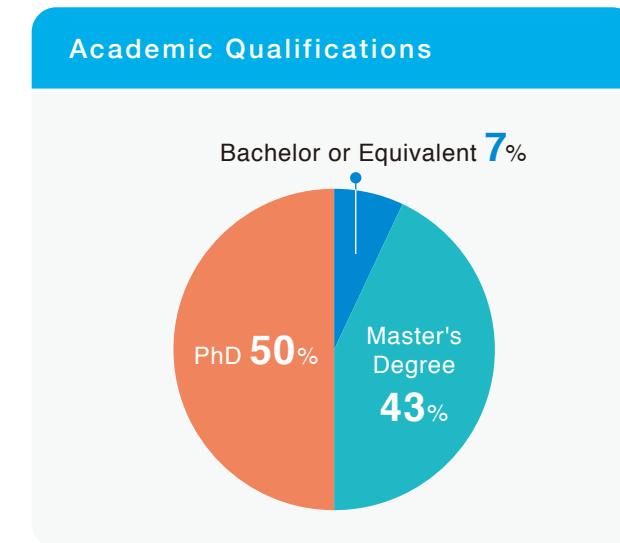
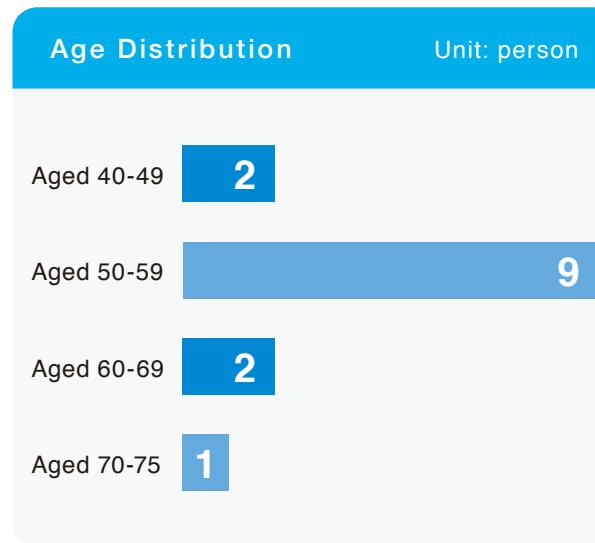
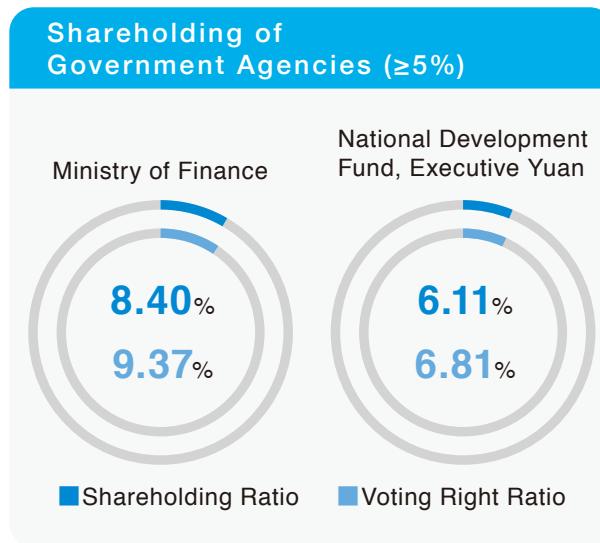
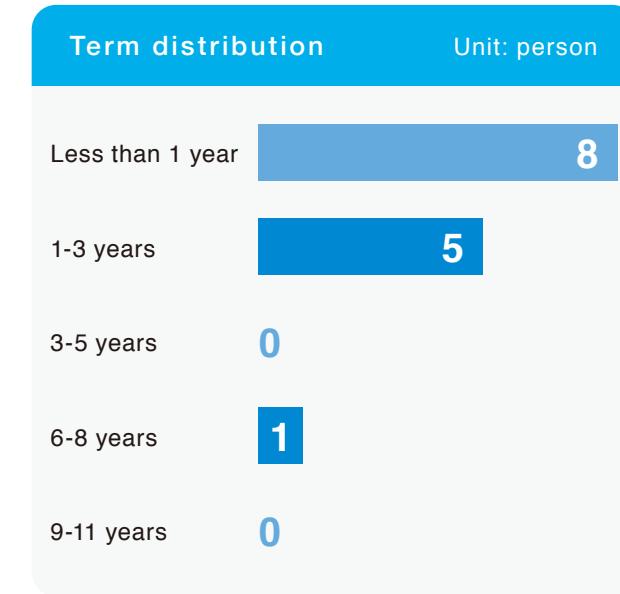
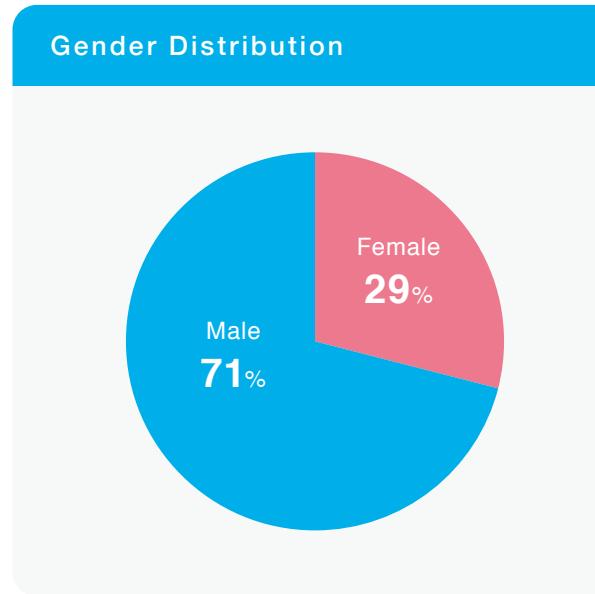
### Online Annual Report:

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



### For the Company's Corporate Governance Best Practice Principles, visit:

<http://www.megaholdings.com.tw/upload/26/2017120511415661923.pdf>



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



Title	Name	Nationality	Gender	Core Competence							GICS (Note 2)
				Business Management	Leadership and Decision-making	Financial Knowledge	International Industry Economics	Financial Accounting	Taxation	Law (Note 1)	
Chairman	Chao-Shun Chang	Republic of China	Male	✓	✓	✓	✓	✓	✓		Finance
Director & 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-Chin Lin	Republic of China	Male	✓	✓	✓	✓		✓		Finance
Director	Chun-Lan Yen	Republic of China	Female	✓	✓	✓	✓	✓	✓		Finance
Director	Chien-Hung Wei	Republic of China	Male	✓	✓	✓	✓				Finance
Director	Cheng-Mount Cheng	Republic of China	Male	✓	✓	✓	✓	✓	✓	✓	Finance
Director	Ye-Chin Chiou	Republic of China	Female	✓	✓	✓	✓	✓			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

Note 1 Including compliance and anti-money laundering.

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

## ■ Supervisory functions 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. In addition, material deficiencies in risk management, legal compliance (including anti-money laundering regulations), internal control, and the internal audit system identified by units shall be reported to the Board of Directors as soon as possible; corrective measures shall be taken as well to ensure that the internal control system is well developed and implemented.

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. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the board meeting, such director shall be deemed to have a personal interest in the matter.



## ■ 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 2018, 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 163, and the average number of training hours per person was 11.64, which exceeded the requirement of 12 hours for new directors and 6 hours for reelected 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 legal courses consisted mainly of related AML/CFT courses. Please refer to the Company's Annual Report for the status of continuing education of the Company's Directors in 2018.



## ■ Board Performance Evaluation

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

reported to the Board of Directors and disclosed in the Annual Report or on the company website by the end of March each year. To strengthen the function of the board of directors of each subsidiary, the directors and supervisors of all subsidiaries were included in the performance evaluation in 2017.

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, the Company amended the Board of Directors Performance Evaluation Guidelines in November 2018 to improve the information transparency of the evaluation guidelines and results. The Company appointed an external entity to conduct the Board Performance Evaluation in 2018. Please refer to the Company's website or Annual Report for the evaluation results.

## ■ Functional Committees under the Board of Directors

### ♦ Audit Committee

In 2012, the Company established the Audit Committee as a replacement for supervisors to improve the functions of the Board of Directors and strengthen the Company's internal monitoring and control mechanisms. The Audit Committee is composed of all three independent directors and it is responsible for reviewing the following items: 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.

A total of 10 meetings of the Audit Committee was held in 2018 and the sixth and seventh-term board members averaged an attendance in person rate of 100%. It was evident that all members were fully committed to their fiduciary duties and they assisted the operations of the Company's



internal control system. They also submitted all resolutions to the Board of Directors for review. Mega Holdings has established clear regulations on the avoidance of conflicts of interests for members of the Audit Committee. Members shall explain and recuse themselves from discussions and votes of the proposals involving the conflict of interests with themselves in meetings and shall not exercise voting rights on behalf of other independent directors. To prevent attendees in a non-voting capacity in meetings of the Audit Committee from affecting the discussions in the meeting and results of the votes, the Audit Committee Organizational Rules expressly require attendees in a non-voting capacity to leave the room during discussions and votes.

#### ♦ Remuneration Committee

In 2011, the Company established the Remuneration Committee to implement corporate governance and strengthen the remuneration system of the Company's directors, supervisors, and managerial officers. The Committee is composed of three independent directors of the Board of Directors who have the same term of office as the Board of Directors. The Remuneration Committee meets at least twice every year to formulate and regularly review the policies, systems, standards, and the structure of performance evaluation and remuneration of the directors, supervisors, and managerial officers and regularly evaluate and set the remuneration of the Company's directors, supervisors, and managerial officers.

A total of 6 meetings of the Remuneration Committee was convened in 2018 and the members averaged an attendance in person rate of 100%. The salary and remuneration discussed in 2018 included the salaries and bonuses for managerial officers, employee remuneration, and director remuneration. The remunerations paid to the President and the Senior Executive Vice President(s) of the Company are submitted for approval by the Remuneration Committee and Board of Directors based on the Company's Articles of Incorporation, business performance, and bonus regulations, in addition to consideration of future risks and standards of the industry.

#### ♦ Risk Management Committee

The chairman of the Company served as the chair of the Mega Holdings 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. Meeting of the Committee is convened every two months. A total of 6 meetings was convened in 2018 and average attendance in person rate was 90.63%. The Risk Management supervises the operation risks of the Company and its subsidiaries. The main issues discussed in 2018 included legal compliance, anti-money laundering and countering the financing of terrorism, internal controls for securities brokerage services, risk monitoring for the Group's account consolidation, and other enhancements of management mechanisms. The Risk Management Committee also reviewed anomalies in risk management of the Company and its subsidiaries and followed up on the improvement, reviewed the results of stress tests, and determined the objectives, changes in systems, rules, and regulations, and proposals pertaining to risk management. All meeting minutes were reported to the Board of Directors.

#### ♦ Corporate Social Responsibility Committee

Please refer to page 19-20 of the Report.



### 1.1.3 Ethical management

To establish a good corporate governance system and a culture of integrity, the Company has formulated the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Codes of Ethical Conduct, the Employee Code of Conduct, and the Regulations Governing Rewards and Penalties. The Corporate Social Responsibility Committee under the Board of Directors is designated to take charge of ethical management, regularly organize training courses on the Company's business philosophies of integrity, transparency, and accountability and the bans on unethical conduct, including malpractice, bribery, occupation and misappropriation of public funds, insider trading, and disclosure of trade secrets and customer information, and regularly report the state of ethical management to the Board of Directors. The total number of employees of the Group in Taiwan in 2018 who received anti-corruption training was 8,430, accounting for 94% of the total employees. The Company also continues to follow up on the training completion rate to achieve a training completion rate of 100%.

2018 Mega Holdings Group ethical management education and training			
	Total Number of Attendees	Total Number of Full-Time Employees	Percentage
Management	2,589	2,742	94%
Non-Management	5,841	6,214	94%
Percentage	<b>8,430</b>	<b>8,956</b>	<b>94%</b>

#### ■ 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 the Company 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

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 2018, the Company organized 251 meetings and telephone conferences with investors at home and abroad and attended 4 investor conferences organized by foreign securities companies. We also organized 1 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

The Company prepares its Corporate Social Responsibility Report each year to disclose the economic, social, and environmental performance of the Company and subsidiaries. The Reports are verified by a third party and published on the Company's website and the Market Observation Post System. The Company also participated in filling out the DJSI, CDP, and ISS questionnaires in 2018 to actively disclose non-financial information.



### ◆ Stakeholders Section

The Company 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, MICB, MBF, MS, CKI, and MAM established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct". In 2018, they strengthened the existing whistleblowing systems in accordance with the regulations of the competent authority 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 2017-2018 (detailed in the table to the right) were punished depending on the circumstances according to the Regulations Governing Rewards and Penalties. The Company also enhanced related training programs.

Item	2017	2018
Number of Reported Cases	5	5
Number of Cases Established after Investigation	3	3
Number of Closed Cases	3	3

**Note** In 2018, whistleblowing cases for which investigations were conducted included 2 cases of clerks' embezzlement of customer deposits and 1 case where the manager failed to report related party information for conflicts of interest. The 2 clerks involved in misconduct were dismissed and the manager in violation of the regulations received 2 reprimands. The Company has taken various improvement measures to prevent similar cases from reoccurring.

## 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 business and management expenses increased significantly. However, the Company still maintained stable profits and market leading advantages.

### 1.2.1 Economic Performance

The Company has maintained stable profit and earnings since its incorporation. Compared to 2017, consolidated net profit after tax increased 9.19% in 2018, from NT\$25.729 billion to NT\$28.093 billion, and EPS after tax was NT\$2.07 which was higher than 2016 and 2017. Overall, the Company had a robust and outstanding performance in 2018. The net profit after tax of the core subsidiary MICB in 2018 amounted to NT\$24.172 billion, an increase of 12.31% from the previous year. It was mainly caused by the increase in net interest revenue and service fee revenue.



	2016	2017	2018
Total Assets (in NT\$ millions)	3,319,791	3,547,321	3,542,059
Total Equity (in NT\$ millions)	292,027	298,096	314,255
Share Capital (in NT\$ millions)	135,998	135,998	135,998
Net Revenue (in NT\$ millions)	55,064	59,660	61,609
Net Profit After Tax (in NT\$ millions)	22,443	25,729	28,093
Average Employee Revenue (in NT\$ millions)	6,546	6,728	6,620
Average Employee Profit (in NT\$ millions)	2,668	2,902	3,019
Earnings per Share (NT\$)	1.65	1.89	2.07
Book Value per Share (NT\$)	21.47	21.92	23.11
Return on Assets (%)	0.67	0.75	0.79
Cash Dividends per Share (NT\$)	1.42	1.5	1.7 <sup>Note</sup>
Stock Dividends per Share (NT\$)	0	0	0 <sup>Note</sup>
Return on Equity (%)	7.67	8.72	9.04
MICB Non-performing Loan Ratio (%)	0.11	0.13	0.15
MICB Coverage Ratio (%)	1,442.65	1,248.92	1,121.78
MICB Capital Adequacy Ratio (%)	14.32	14.30	13.86

**Note** Distribution based the resolution of the meeting of the Board of Directors. To be passed in the general shareholders meeting in 2019.

## ■ Dividend Policy

The Company attaches great importance to employees' salary and benefits and continues to contribute to academic institutions, charities, and social welfare organizations based on the spirit of "Giving back to society". According to the dividend policy specified in its Articles of Incorporation, the Company distributes dividends from 30%-100% of the distributable earnings, of which cash dividends are not less than 50%.

## ■ 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 a good relationship.
- V. Improve professional tax skills and continue talent development.

### Taxation information in the most recent two years

Item	2017	2018	Average
Net profit before tax	29,280,727	31,079,960	30,180,344
Income tax expenses	3,551,632	2,986,515	3,269,074
Effective tax rate	12.13%	9.61%	10.83%
Income tax paid	3,284,750	1,594,241	2,439,496
Cash tax rate	11.22%	5.13%	8.08%

Unit: NTD thousand

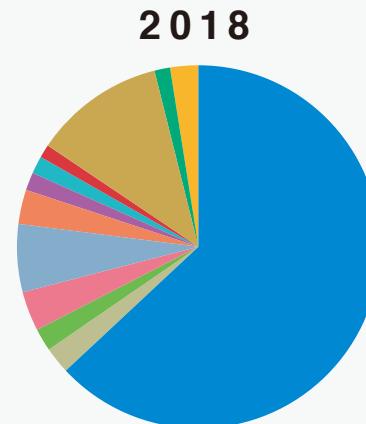
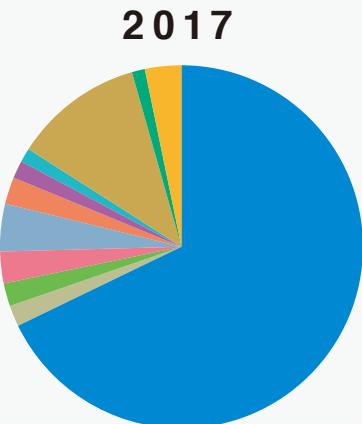


The Company fulfills its obligation as a corporate citizen by paying taxes according to national laws. Income taxes paid by Mega Holdings in 2018 and 2017 amounted to NT\$4.202 billion and NT\$4.946 billion, respectively. The percentages of income tax payment in Taiwan were 63.04% and 67.83%. The percentages of the Company's tax payments in 2018 and 2017 were as follows:

#### The percentages of the Company's tax payments in 2018 and 2017 were as follows

Percentage(%)	Country	Percentage(%)
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<b>67.83%</b>	Taiwan	<b>63.04 %</b>
<b>1.88%</b>	Australia	<b>2.38 %</b>
<b>2.04%</b>	Cambodia	<b>2.02 %</b>
<b>2.83%</b>	China	<b>3.53 %</b>
<b>4.23%</b>	Hong Kong	<b>6.04 %</b>
<b>2.41%</b>	Japan	<b>3.06 %</b>
<b>1.57%</b>	Singapore	<b>1.59 %</b>
<b>1.26%</b>	Thailand	<b>1.58 %</b>
<b>0%</b>	United Kingdom	<b>1.18 %</b>
<b>11.55%</b>	United States	<b>11.68 %</b>
<b>1.16%</b>	Vietnam	<b>1.39 %</b>
<b>3.24%</b>	Other	<b>2.51 %</b>





## 1.2.2 Participation in Organizations (Associations)

The Company has actively participated in activities and committees of trade associations to share information and opinions on economic and financial situations and its practice in business and corporate social responsibilities. We also propose recommendations for government policies through the trade associations. As of the end of 2018, the Company has participated in 43 related trade and industry associations and NGOs. Senior executives of the Company serve as the chairman, managing director, director, or supervisor of 13 associations and participated in 45 committees of the associations. The issues of concern to each committee in 2018 included: Legal compliance, anti-money laundering, technology innovation, risk management, information security, product openness, market discipline, amendments of business regulations, and other important issues.

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.	Supervisor
Chinese National Futures Association	Director
R.O.C. Bills Finance Association	Director
Nuclear Energy Insurance Pool of the Republic of China	Chairperson
Risk Management Society of Taiwan	Chairperson
Chunghwa Finance Research and Development Association	Director
Insurance Society of the Republic of China	Managing Director
Chinese Insurance Service Association	Director
CR Classification Society	Supervisor

## 1.2.3 Green Finance

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

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 in the near future; the long-term goal is to increase the awareness of renewable energy among industries, investors, and consumers by taking environmentally-friendly measures with subsidiaries.



The achievements of the Company's green investments and green loans in 2018 are as follows:

### Green Investments

1. MICB invested NT\$2.4 billion in financing green finance businesses pertaining to natural gas and solar batteries. 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. MICB will pay close attention to the future opportunity to invest in the said plant.
2. MS has actively participated in the underwriting of green bonds. In 2018, MS helped with the underwriting of three green bonds, with the market share of 21.4% (3/14 cases). The investments in green bonds as of the end of 2018 were as follows: US\$10 million in Crédit Agricole CIB international bonds, NT\$100 million in Evergreen Marine 2018-1 corporate bonds, and NT\$200 million in Chi Mei Corporation 2018-1 corporate bonds.
3. At the end of 2018, MBF held NT\$2 billion of green bonds issued by CPC Corporation.
4. From 2016 to 2018, MS helped three 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.

### Green Loans

1. In response to the government's support of renewable energy industries, MICB actively made loans to 213 key start-up sectors, including renewable energy technology. Regardless of the scale, eligible businesses may have loans at preferential interest rates. At the end of 2018, the outstanding loan balance for key innovative industries was NT\$384.2 billion, showing an increase of NT\$3.5 billion from 2017. The outstanding loan balance to businesses pertaining to renewable energy technology was NT\$74.428 billion by the end of 2018, accounting for 5.85% of total domestic outstanding loan balance, and the number of loans amounted to 1,913.
2. As of the end of 2018, MBF extended loans of NT\$20.549 billion to 105 businesses pertaining to renewable energy technology, and the balance was NT\$9.739 billion.
3. To comply with the government's development of green energy, strengthen green finance, and fulfill social responsibilities, MICB, the Small and Medium Enterprise Credit Guarantee Fund, and municipal governments jointly launched the "Renewable Energy Finance Loan Project" which provides NT\$30 billion loan facility to help companies obtain the funding required for renewable energy power generation industries. MICB initiated cooperation with Taoyuan City Government in December 2018 and it will continue to cooperate with municipal governments.

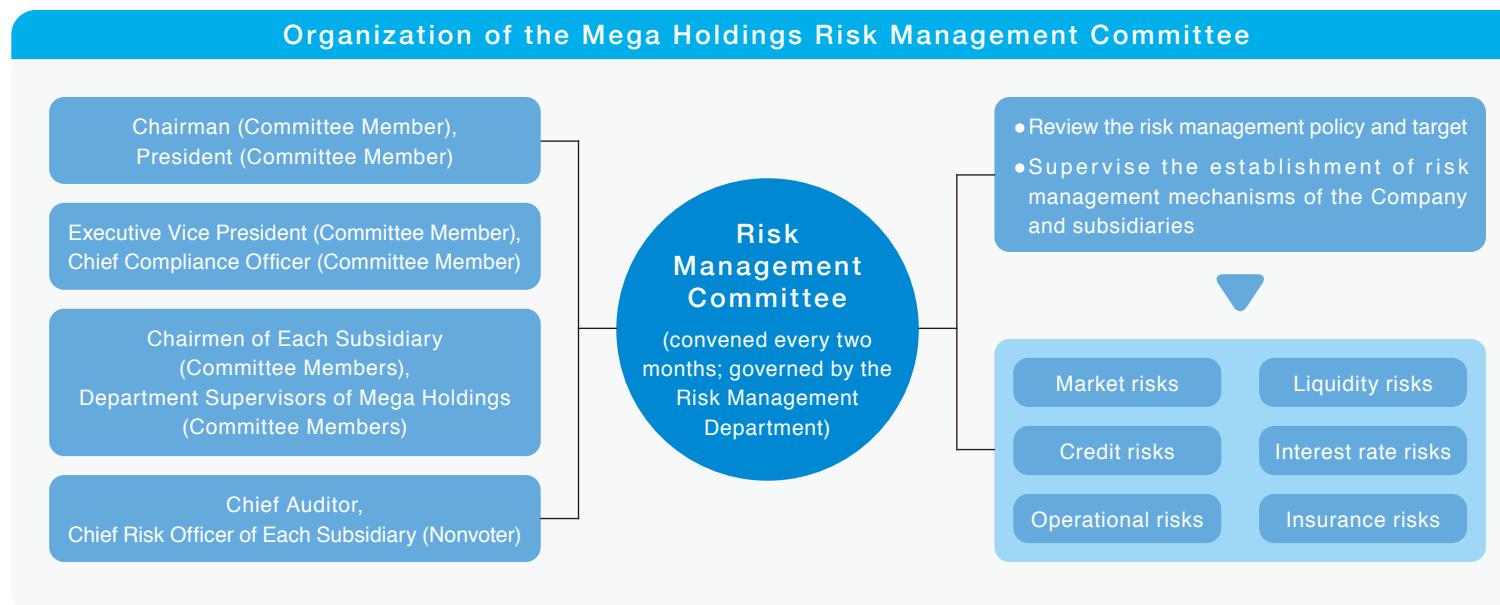


## 1.3 Risk Identification and Control

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 finances, 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. Each subsidiary has been requested to incorporate these guidelines and regulations into its policies, goals, and internal control regulations, so as to build a sound risk management system.

### 1.3.1 Risk Management

Mega Holdings established the Risk Management Committee under the Board of Directors to ensure the effective implementation of the Group's risk management system and designated the Risk Management Department as the unit responsible for risk management.





## ■ Three Lines of Defense in Risk Management

### First Line of Defense

The staff on the first line of defense in each subsidiary complies with the standard operating procedures established by the business management units in regular operations. They identify business risks in their operations based on their professional training and experience and immediately process and report risks in accordance with regulations. The business management units shall formulate internal control guidelines to manage new business risks.

### Second Line of Defense

The risk management and legal compliance units are the second line of defense. They establish methods for measuring and supervising risks with the business management units and set various risk indicators and risk management targets or limits for regular monitoring and control. They are responsible for monitoring risk indicators within the Group, following up anomalies, and reporting the state of improvement to the top management on a regular basis. Risk management targets for subsidiaries are reviewed and amended each year and reported to Mega Holdings for review, along with important risk management regulations. In addition, each subsidiary reports the state of implementation to both its risk management committee and the Mega Holdings Risk Management Committee on a regular basis.

### Third Line of Defense

The audit units of Mega Holdings and subsidiaries perform regular and irregular audits in business and management units and report results to the Board of Directors to ensure the normal operation of internal control system.

## ■ Firewalls

To prevent any conflict of interest in businesses, transactions, joint promotion of business activities, exchange and use of information, joint use of business equipment, venues, or personnel, and provision of cross-sector consolidated financial products or services between the Company and subsidiaries that may jeopardize the Company's sound operations or customer interests, the Company has established a firewall policy for compliance by the Company and subsidiaries.

## ■ Major Contingencies

Mega Holdings has established the "Major Contingency Report Guidelines" and "Major Credit Risk Report Operations" 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 risks exposed by the media or other sources of information.



## ■ Emergency Response

The Group's subsidiaries maintain numerous service locations in Taiwan and foreign countries and their businesses have broad influence on social and economic activities. To protect the interests of customers and transaction counterparties, the Group has established the "Recovery Plan", "Subsidiary Bank 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 the Company 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 implement debt repayment when overseas business units end operations.

### 1.3.2 Management of Emerging Risks

The impact of FinTech innovation and climate change on the finance industry has 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, the Company 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 production activities, the Company and subsidiaries adopted preventive measures on risks that may affect their operations and actively support important projects or programs in the industry that improve the environment. The Company continues to 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 countermeasures. MICB regularly reports emerging risks (e.g. information security risks) and other material issues to the Board of Directors and the Risk Management Committee.



### Emerging Risk Identification Procedures

#### STEP 1 Risk identification (risk factors)

Collect and monitor risk reports published by important institutions across the world as well as messages from personal and corporate customers to identify possible emerging risks

#### STEP 2 Risk assessment (impact assessment)

Determine the latest trends, scope of impact, and possibility of emerging risks and evaluate the impact on the Group and customers

#### STEP 3 Responding to risks

Adopt/prepare response measures for emerging risks



Impact of emerging risks on the Group and response measures			
Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 <b>Emerging technologies and information security risks</b>	<ul style="list-style-type: none"> <li>1. Information security incidents caused by hacker attacks.</li> <li>2. Increase of possibility of data leakage due to inappropriate use of emerging technologies.</li> <li>3. Innovative services provided with emerging FinTech.</li> </ul>	<ul style="list-style-type: none"> <li>1. If an attack on the Company affects the Company's operations, it would also affect customers' interests and cause negative impact on customers and the Company's reputation.</li> <li>2. Information leaks will cause negative impact on customers and the Company's operations and reputation.</li> <li>3. Advancements in information technology may result in the replacement of wealth management and consumer loan businesses by the FinTech industry.</li> </ul>	<p><b>1. Reducing the risks of hacker attacks:</b></p> <ul style="list-style-type: none"> <li>(1) Strengthen safeguards of the information security platform to reduce the risk of malicious attacks (Distributed Denial of Service (DDoS)). The Company and subsidiaries shall conduct regular risk assessments, implement information security drills, and enhance training to improve employees' risk management awareness for information security.</li> <li>(2) 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 certification.</li> </ul> <p>2. 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.</p> <p>3. Promote online smart customer services to provide customers with faster financial services.</p>



Impact of emerging risks on the Group and response measures			
Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 Laws and compliance	<p>1. To prevent the recurrence of the financial crisis from happening again, supervisory authorities around the world have set up stricter requirements for compliance, as a result, financial institutions are exposed to a higher risk of being punished.</p> <p>2. As banking is one of the high-risk businesses that are prone to be used for money laundering, anti-money laundering is subject to higher supervisory requirements, leading to an increase in related costs.</p>	<p>Violation of supervision requirements may result in financial losses, impact 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"> <li>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.</li> <li>To prevent money laundering and financing of terrorism, the Company made the Group Plan for Anti-Money Laundering and Countering Terrorism Financing in January 2017. According to the said plan, each subsidiary is to work together to set up Know Your Customer (KYC) procedures, methods for risk identification and assessment, and rules of risk classification, so as to determine the strength of Customer Due Diligence (CDD); corresponding monitoring and management measures are also taken.</li> <li>MICB has established the Anti-Money Laundering and Financial Crime Compliance Department, which is responsible for setting up a monitoring system, regularly organizing training courses, and strictly performing the monitoring, reporting, and management of suspicious money laundering accounts.</li> </ol>



Impact of emerging risks on the Group and response measures			
Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 Laws and compliance			<p>4. MICB adopted a risk-based approach to the review and identification of high-risk individuals, corporations or groups as well as terrorists or terrorist groups that are recognized or followed up by foreign governments or international anti-money laundering organizations in accordance with the Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks promulgated by the Financial Supervisory Commission, and formulated related regulations.</p> <p>5. Analyze penalties imposed by competent authorities on financial institutions to learn about supervision trends.</p>
 International trade war	Trade and protectionism will affect growth in global trade and indirectly impact economic development.	They may decrease customers' revenue and indirectly affect the Group's profitability.	<p>1. Attend to the international trend, adjust asset allocation properly and manage the proprietary holding proactively.</p> <p>2. Continue to pay close attention to the economies that suffered greater impact of the trade war and the development trends in the industrial chain that bore the brunt of the impact.</p>
 Climate change	<ol style="list-style-type: none"> <li>1. Rise in temperature.</li> <li>2. Increased frequency and intensity of torrential rain and typhoons.</li> <li>3. Extending loans to industries with material pollution issues may indirectly cause pollution in the environment and climate change.</li> </ol>	<ol style="list-style-type: none"> <li>1. The rise in temperature and tightened supply of electricity may cause power blackouts and affect the Company's operations.</li> <li>2. Assets in low-lying areas may be threatened by torrential rain and flooding.</li> <li>3. Financial losses and loss of reputation to the Company and customers caused by disasters.</li> </ol>	<p>1. Measures to be taken in response to the rise in temperature:</p> <p>(1) Introduce ISO 14064 Greenhouse Gas Inventory, formulate reduction targets, implement energy conservation and carbon reduction, and reduce total carbon emissions.</p> <p>(2) The Company has established automatic power generation backup initiation mechanisms to prevent risks of power blackouts during operations.</p>



Impact of emerging risks on the Group and response measures			
Risk Factor	Description	Impact and Influence on Business Operations	Response Measures
 Climate change			<p>(3) Include the factors that impact the society and the natural environment when approving loans as the basis for the approval of cases.</p> <p>(4) Pay close attention to the impact of changes in temperature on business operations.</p> <p>2. Measures to be taken in response to extreme weather:</p> <ul style="list-style-type: none"> <li>(1) Include extreme weather as an important factor to be considered when choosing the sites of business locations and bank buildings.</li> <li>(2) Establish operating guidelines for major contingencies as guidelines for business locations to respond to natural disasters.</li> <li>(3) Organize natural disaster damage insurance and natural disaster recovery loans.</li> </ul> <p>3. Measures to be taken to improve pollution in the environment:</p> <ul style="list-style-type: none"> <li>(1) Pay close attention to environmental protection issues and rigorously evaluate financing requirements for industries with high levels of pollution.</li> <li>(2) Provide financing for the replacement of old production equipment to reduce pollution and increase the efficiency of resource usage.</li> </ul>



### 1.3.3 Internal Audit System

The Company has established the internal audit unit and appointed a chief auditor under the Board of Directors. The internal audit unit is responsible for supervising each unit's self-inspection and performing the general audit of the Company's business at least once a year as well as the special audit of the Company's and each subsidiary's finance, risk management and compliance at least once every six months based on the annual audit plan adopted by the Board of Directors; the internal audit unit shall follow up the state of improvement in deficiencies identified in internal and external audits and report the results of audits to the Audit Committee and the Board of Directors on a regular basis. The internal audit unit also organizes a meeting to review the deficiencies of the internal control system each year. It reviews the deficiencies of internal control systems of the Company and subsidiaries as well as the improvement status which are compiled into records and reported to the Board of Directors.

### 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; in addition, the Company has established the Legal Affairs and Compliance Department under the President to be in charge of the following:

- Planning and managing the compliance system
- Conveyance, consultation, and coordination of laws and regulations
- Keeping operating and management rules updated in line with related laws and regulations
- Supervising each unit to perform compliance self-assessments on a regular basis

- Evaluating the compliance self-assessments operations of respective units
- Formulation and modification of the Group's plan for anti-money laundering and countering terrorism financing
- Providing compliance training to employees on a regular basis

#### ◆ 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 2018.

#### ◆ Dedicated Compliance Unit

MICB divided the Legal Affairs & Compliance Department into the Compliance Department and the Legal Affairs Office in 2018. The Compliance Department is responsible for compliance matters and it establishes the compliance risk management and supervision framework for the entire Bank. The Company has appointed chief compliance officers in domestic business centers to help the Compliance Department promote legal compliance. To monitor the implementation of each overseas unit's compliance system and anti-money laundering and countering terrorism financing, some overseas units are selected to undergo a compliance test every year, so as to strengthen the second line of defense for internal control.

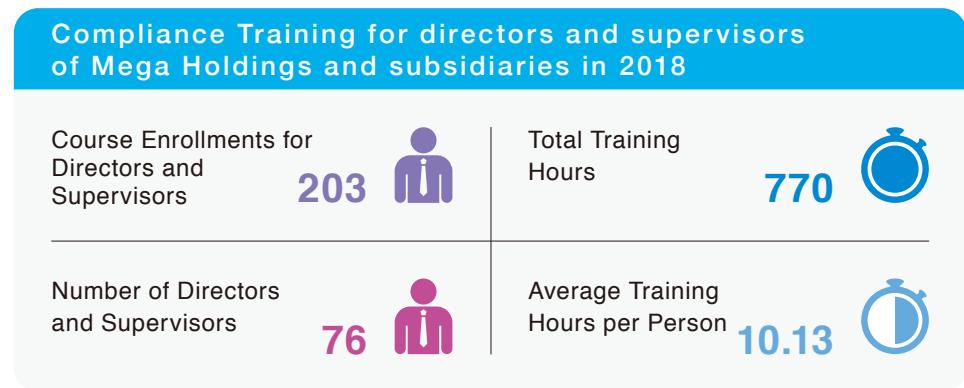
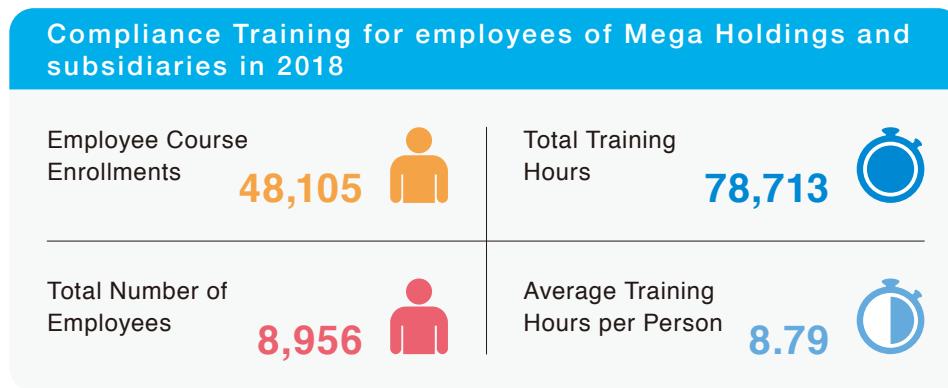
#### ◆ Compliance Committee

As a principle, MICB's Compliance Committee convenes monthly and a total of 10 meetings were held in 2018. 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 test results for compliance of the Money Laundering Control Act, key points in annual financial inspections, and repeated deficiencies found in audits.



## ■ Compliance Training

The Group provided comprehensive compliance training for employees, directors, and supervisors in 2018 and each employee or director/supervisor participated in an average of 8.79 hours or 10.13 hours of courses, respectively.



## ■ Punishment Imposed by the Competent Authority

To fulfill the internal control and internal audit systems, subsidiaries are required to report any regulator's punishment to the Company within a given time limit and propose the cause, corrective measures, and the expected deadline for improvement which will be reviewed by the internal audit unit and the compliance unit and then report to the Board of Directors. The internal audit unit is responsible for following up the corrective measures until improvement is made completely. In 2018, there was no litigation pertaining to anti-competitive behavior, anti-trust or monopoly practices. The regulators' punishments and corrective measures taken by the Company in 2018 are described below:

Reason for Penalties	Improvement Measure
In 2016, the Federal Reserve Bank (FRB) under the Federal Reserve System (the FED) performed the financial examination for MICB's branches in the U.S. There were deficiencies in risk management and compliance with anti-money laundering laws at New York Branch (examination base date: 6/30/2016), Silicon Valley Branch (examination base date: 9/30/2016), and Chicago Branch (examination base date: 12/31/2016). The FED issued the examination report in 2016 and listed the deficiencies that were incompliant with the anti-money laundering laws for New York Branch, Chicago Branch, and Silicon Valley Branch. To show that the authority took a fair and open attitude toward all financial institutions, on the three branches the FED and the Illinois Department of Financial and Professional Regulation imposed a penalty of US\$29 million on January 17, 2018.	<ol style="list-style-type: none"> <li>1. The board of the bank was completely re-organized. Newly appointed directors and supervisors include CPA, lawyers, finance and economics scholars and anti-money laundering professionals. In addition, a special committee subordinate to the board has been established to strengthen the board supervisory functions.</li> <li>2. The anti-money laundering and legal compliance operations of the bank have been comprehensively reviewed and organizational reforms have been carried out. The management organization of the head office has been adjusted and a dedicated management unit has been added. Manpower for legal compliance and anti-money laundering has been increased. Full-time legal compliance officers are appointed in overseas branches and the qualifications of the bank's legal compliance personnel have been enhanced. Employees' legal compliance awareness shall be heightened.</li> </ol>



Reason for Penalties	Improvement Measure
<p>The FSC conducted a special inspection on MS's AML/CFT and anti-proliferation of weapons of mass destruction operations in April and May, 2018 and discovered deficiencies such as errors in MS's customer due diligence investigations, failure to verify customers who are politically exposed persons or their relatives, failure to verify the foreign head offices of customers of foreign entities in branch companies in Taiwan and the names of individuals authorized to conduct transactions by foreign entities, and failure to conduct enhanced due diligence (EDD) for high-risk customers. The FSC imposed a fine of NT\$500,000 on MS on November 16, 2018 and issued a correction.</p>	<ul style="list-style-type: none"> <li>3. The bank has developed anti-money laundering policies and relevant management systems applicable to domestic and overseas units. Professional consultants are engaged to assist in the risk assessment of money laundering and terrorism financing and the adoption of improvement measures. The bank successively implements the Global Anti-Money Laundering and Counter-Terrorism Financing Policies and Standards and internal regulations governing the management of overseas branches in pursuit of a sound legal compliance and anti-money laundering system. The ultimate goal is to bring the bank in sync with international anti-money laundering standards and ensure conformity to the requirements of the US financial examination authority.</li> <li>4. The bank has enhanced the anti-money laundering monitoring system, established a KYC database, strengthened the functions of anti-money analysis, screening, and monitoring and implementation.</li> <li>5. Improvement plans have been proposed in accordance with the Cease and Desist Order. These plans encompass internal organizational adjustment, strengthening of the rules, regulations, procedures, and anti-money laundering system, etc. Relevant items are implemented according to the planned schedule.</li>   <li>1. Updated information on customers' nationality on April 19, 2018 and correctly assessed the customers' risk rating.</li> <li>2. Completed the identification and remarks on April 30, 2018 and reassessed the customers' risk ratings as high risk.</li> <li>3. Completed necessary procedures for the verification of the foreign head offices of customers of foreign entities in branch companies in Taiwan and the names of individuals authorized to conduct transactions by foreign entities; established operating regulations for the verification of watch list filtering on June 22, 2018.</li> <li>4. Established EDD procedures and operating forms for high-risk customers on June 22, 2018 to retain audit trails for obtaining information on customers' source of wealth and funding.</li> </ul>

**Note** Penalties totaling NT\$500,000 or above are disclosed in the table. Please refer to the Company's 2018 Annual Report for other penalties.

2018 Annual Report





## 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, dedicated unit, or 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.

MICB's Anti-Money Laundering and Financial Crime Compliance (AML & FCC) Department has 167 employees. Domestic and foreign units appointed 142 AML/CFT supervisors.

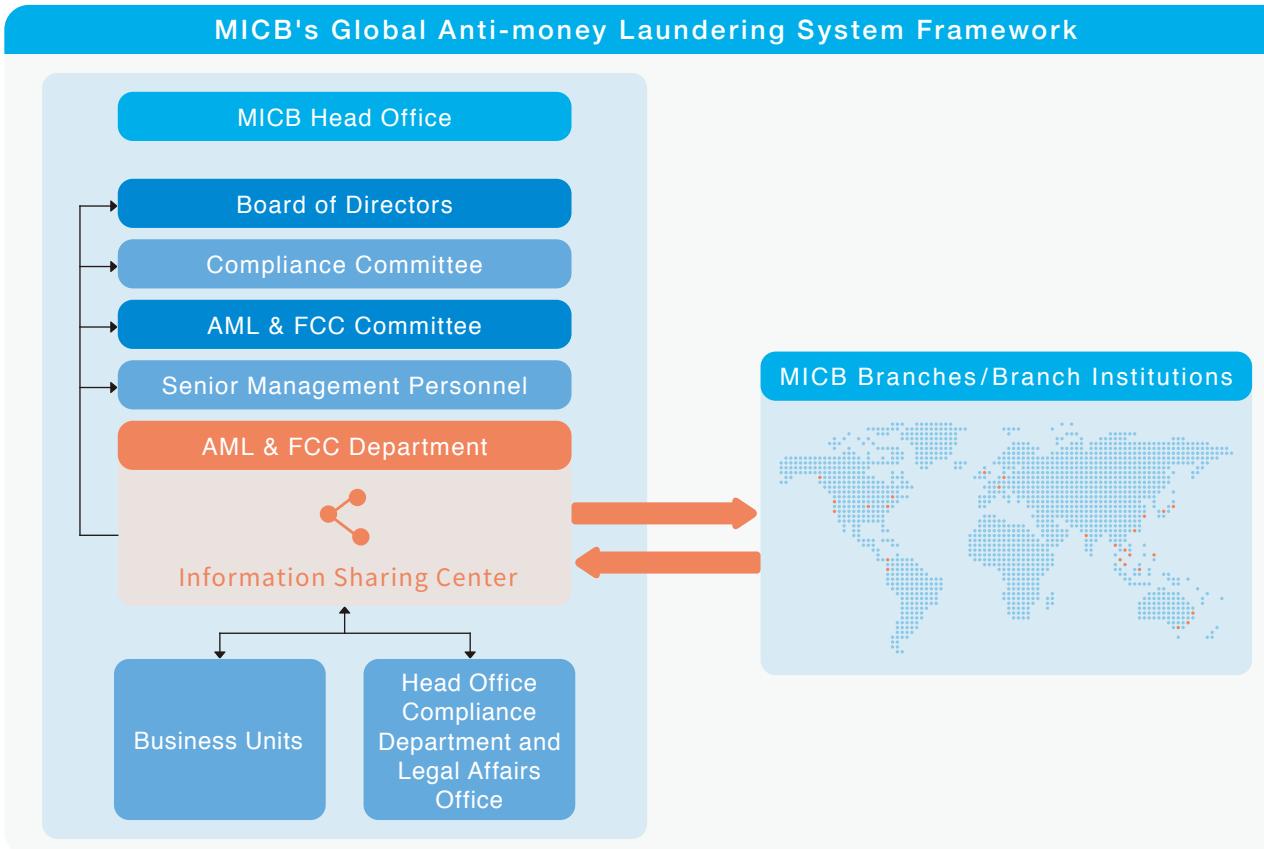
### 2. Establish AML/CFT policies, strategies, and standards

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 the Company 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, branches, or other foreign branch institutions and all their employees. Subsidiaries established AML plans based on identified ML/TF risks and the scale of their business operations. The plans include AML/CFT plans, compliance test plans, independent test plans, and AML training plans.

### 3. Establish an AML system

The establishment of the AML system of subsidiaries includes at least three modules such as name screening and comparison (including the compliance list database), verification of customer identity (including CDD, customer risk assessment mechanisms, and ongoing CDD), transaction monitoring (including operating procedures for verifying suspected money laundering signs and alert messages).



#### [Customer information update implementation status]

- (1) MICB continues to execute CDD procedures and continues to update basic customer information.
- (2) As of December 28, 2018, the Bank completed CDD for 86.10% of customers (excluding inactive accounts).

#### 4. Establish an information sharing platform for the Group

To provide the Group with consistent standards for ML risks for 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 beneficiaries), suspicious money laundering patterns, adverse news in the media, and national risk ratings.

#### 5. Establish Group AML and risk appetite for sanctions

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

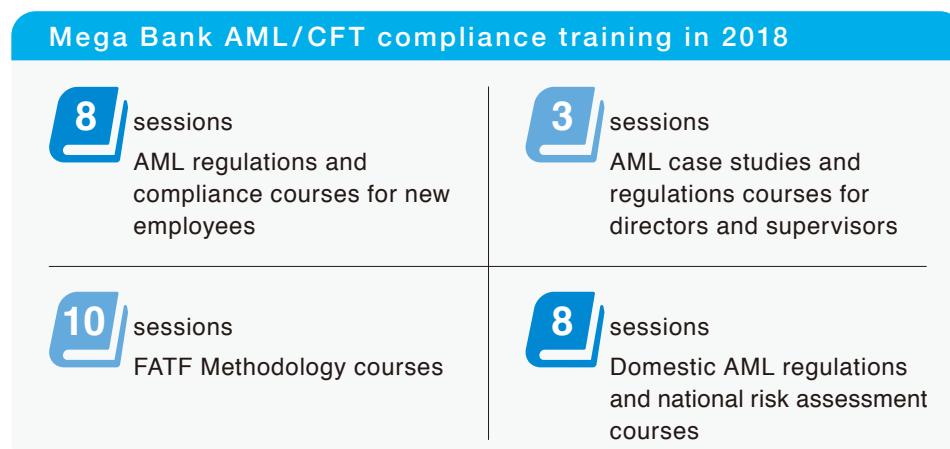
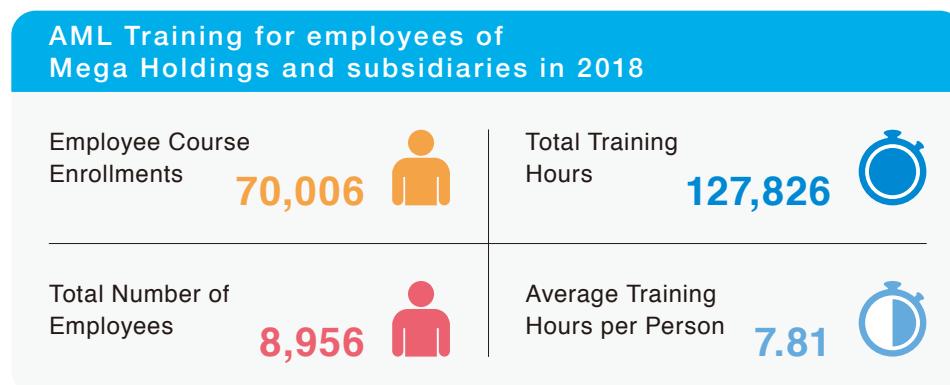
#### 6. Organize regular training on anti-money laundering

MICB continues to intensify its AML/CFT compliance culture and organizes various types of AML/CFT training that focus on improving employees' AML awareness and recognition and provide different types of themes and length of training for different professional roles and business requirements. In 2018, MICB actively invited related units of the competent authority responsible for AML operations (Investigation Bureau of the Ministry of Justice and the Financial Supervisory Commission) and professionals to serve as lecturers. The contents of seminars are diverse and they focus on key topics. Participants included regular bank clerks, senior executives, directors, and supervisors. For internal employees, MICB implements AML/CFT educational training and arranges multiple digital learning courses. The contents range from domestic AML regulations, identification of beneficiaries, and KYC to suspicious ML/TF transaction patterns. We seek to internalize the AML culture through AML training for all employees.



## ■ Results of Training on Anti-money Laundering

Mega Bank has actively taken measures to cultivate talents for anti-money laundering and countering terrorism financing and 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 2018, 3,474 employees have obtained the Certified Anti-Money Laundering Specialists (CAMS) certification which account for approximately 59% of all employees of Mega Bank while 223 employees have obtained the "domestic AML/CFT professional certificate".



## ■ AML and Anti-Fraud Achievements

MICB conducts analyses and investigations on suspected ML alerts and reports suspicious cases to the Investigation Bureau, Ministry of Justice. The Investigation Bureau issued 16 commendations in 2018 which was a significant increase from 2016 and 2017. In addition, MICB forwards monthly letters from the National Police Agency, Ministry of the Interior about successful case studies on preventing fraud to domestic branches for reference. To protect the customers from illegal frauds, the branches are requested to take preventive measures such as showing more concerns and asking customers questions about their irregular withdrawal amount or behaviors. We succeeded in blocking 10 frauds totaling NT\$6.21 million for customers in 2018.

Year	Number of Commendations from the Investigation Bureau, Ministry of Justice	Year	Number of Cases of Fraud Blocked for Customers	Amount
2016	5	2016	7	4,542,000
2017	5	2017	9	6,010,000
2018	16	2018	10	6,212,474

Unit: NTD

## 1.6 Supplier Management

As a financial service provider, the Company's suppliers included service and equipment providers. The Company carefully screen suppliers before conducting transactions and avoids transactions with suppliers that have records of negative impact on the environment and society. In July 2014, the Company formulated the Supplier Statement of Corporate Social Responsibility based on Article 27 of the Mega Holdings Guidelines for Corporate Social Responsibility. Subsidiaries have requested contractors transacting at the amount higher than NT\$1 million to sign and comply with the Supplier Statement of Corporate Social Responsibility.

According to the Supplier Statement of Corporate Social Responsibility, suppliers shall comply with related labor regulations, basic human rights of labor, and non-discrimination employment, establish and implement occupational safety and health



regulations and procedures, ban on the use of child labor, adopt energy-saving equipment, improve environmental management, and meet the minimum statutory requirements for waste management to fulfill their corporate social responsibilities.

In 2018, a total of 312 Supplier Statements of Corporate Social Responsibility signed by subsidiaries' contractors with a total contract amount of NT\$2.487 billion.



Article 26 of the "Mega Holdings Guidelines for Corporate Social Responsibility" expressly provide regulations on the responsibilities and obligations of members of the Group in procurement and transactions with suppliers. The Company has established the "Supplier Corporate Social Responsibility Management Guidelines" to enhance the management of suppliers and requires all subsidiaries of the Group to abide by the Guidelines or enact related management regulations.

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 in 2018 was NT\$64,388 thousand and the Bank has also been awarded the Green Procurement Enterprise Award in the "Green Procurement Implementation by Private Enterprises and Associations" by the Department of Environmental Protection, Taipei City Government. MICB was invited to the "2018 Taipei City Private Enterprises and Associations Green Procurement and Environmental Protection Mark Achievement Commendation Ceremony".

## Green Procurement Table



### 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 efficiency certification are selected for water dispensers.

## Mega Holdings Supplier Management

**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.



### 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 include protection of labor rights and human rights, safety and health, development of a sustainable environment, and corporate ethical conduct.



**Note** Suppliers with a contract amount of higher than NT\$1 million are required to sign the aforementioned Statement. We shall gradually encourage all suppliers to sign the Statement.

It has been established in procurement contracts that if a supplier violates the Group's CSR Policy or causes significant impact on the environment of the community at the source of the supplies the and society, the Company may terminate or rescind the contract at any time and blacklist the supplier.



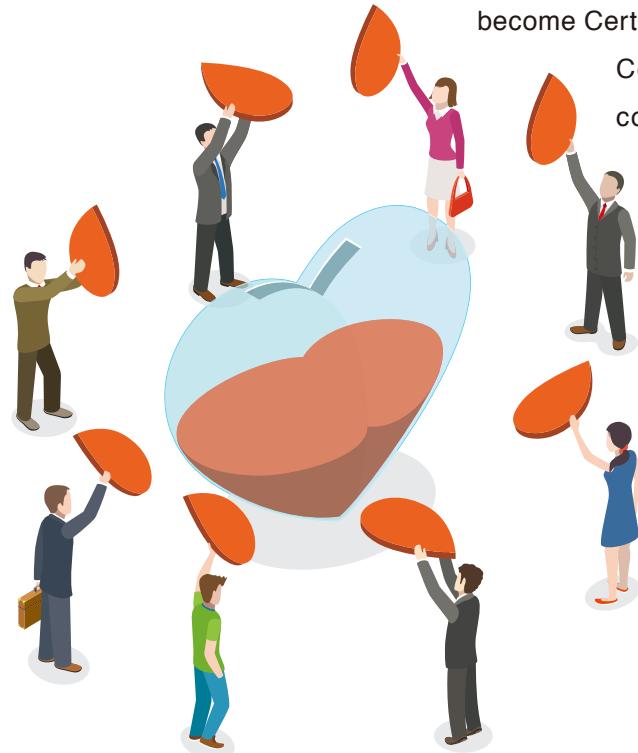
## Social Inclusion

2

The Company aims to create a sustainable society together with stakeholders which include customers, employees and the community, through its own financial expertise and stable profitability. With a focus on consumer experience, the Company offers a variety of services to customers, listens to customers' opinions, and maintains their personal information and privacy. 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. The Company continues to promote financial education, care for the disadvantaged, promote sports, and create a local art culture, which are the four main programs of the Company's public welfare activities.



2.1 Customer Service	68
2.2 Employee Care	78
2.3 Community Engagement	95



## 2.1 Customer Service

The Company believes that by providing a variety of convenient financial services based on the concept of financial inclusion, the true spirit of sustainable development can be achieved. The Company pays close attention to the protection of customers' interests by organizing routine staff training and tests on personal information protection and information security and formulating related regulations.

### 2.1.1 Digital Financial Services

#### ■ 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 870,000 online banking accounts with a total transaction amount of NT\$ 20.6 billion per month.

Growth Rate of Online Banking Accounts



#### Improving Employees' Capacity for Digital Finance

To improve employees' capacity for digital finance, Mega International Commercial Bank Co., Ltd. (MICB) organizes online and on-site training by function to improve employees' FinTech skills.

#### Physical and Digital Courses

Number of Courses	Course Enrollments	Total Course Hours
78	30,591	30,064

#### ■ Digital Deposit Account-Mega Lite

After opening accounts online, customers may enjoy services for deposits, wealth management, foreign exchange, and transaction fee concessions, which saves time and paper consumption (please refer to 3.1 Green Operation for more details). MICB enhanced the promotion of the Mega Lite NTD and foreign currency digital accounts in 2018 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 23,000 NTD accounts and 10,000 foreign currency accounts.

#### ■ Global E-banking

The system enables small and medium businesses to transact and upload transaction certificates by dynamic password token or electronic certificate, which saves time and paper consumption. As of the end of 2018, there have been 66,000 accounts. Compared to 2017, the number of transactions in 2018 increased by 630,000.



## ■ App Platform

Mega International Investment Trust Co., Ltd. (MITC) allows customers to search for fund information and transact via App. As of the end of 2018, there have been 6,403 e-transaction accounts. The number of transactions via App was NT\$1.36 billion in 2018, increased by 26% compared to 2017.

MICB continues to promote the mobile banking app with functions that include 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 2018, there have been a total of 512,174 accounts on mobile banking with a 28% growth compared to 2017.



## ■ Wealth Management via Social Media Platform

MS created the first AI on LINE wealth management service called the "Mega Wealth Management Secretary" which uses the LINE@ platform to provide services to investors. The platform launched the price and transaction volume alerts, individual stock queries, account queries, personalized information and order connection functions in the first quarter of 2018. Investors can use audio or text to interact with the "Mega Wealth Management Secretary" which answers various financial and wealth management questions from customers. The popular securities loan broadcast and inventory

matchmaking functions, securities loan broadcast notifications, and connected securities and futures ordering webpage functions were launched in the second quarter. MS also continued to launch innovative services on "Mega Wealth Management Secretary" such as: Systematic investment plan of TWSE stocks, natural person securities loan broadcasts, wealth management trust fund inventory inquiries, broadcast of sub-brokerage conditions, and the three instantaneous content broadcast services including "Key Points before Trading", "Focus Points during Trading", and "Post-Trading Analysis".



Wealth management via social media platform

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CKI launched a mobile app in June 2018 to provide insurance policyholders with "online payment", "online insurance purchases", "accident site self-assistance", "claim application", and "convenient online survey" services.



## ■ Innovative Service of Credit Card

MICB has digitized credit card services and credit card applicants can provide additional documents via App to save time. The current computer version of the online credit card application webpage was complemented with a webpage for mobile devices in 2018 so that customers can easily use smart phones or tablet computers for applications. The webpage is convenient to browse and it greatly shortened application procedures to meet customer demands. In addition, the smart customer service system was launched online in May 2018. It automatically responds to questions online to improve the quality of customer service. A total of 1.66 million electronic statements for credit cards was issued in 2018, accounting for 33.79% of all customers. We shall provide customers with online applications for automatic credit card payment deduction in 2019 and continue to optimize functions on the smart customer service system such as credit card personal information inquiry and online clerk text services to improve customer convenience and satisfaction.



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 green products, and promote the development of the electric vehicle industry in Taiwan with smart energy and carbon emissions reduction concepts.

The sales of Gogoro electric scooters have grown rapidly. As of the end of 2018, there are more than 100,000 owners in Taiwan and more than 20,000 of the owners have applied for the co-branded card. In addition, MICB prioritizes the purchase of Gogoro electric scooters when replacing company scooters and evaluates the possibility of setting up battery exchange stations in branches to make it more convenient for vehicle owners to change batteries, jointly increase the penetration rate of electric scooters, and create a sustainable and low-carbon living environment.



## ■ Financial Payments

The Company has offered convenient and safe foreign currency collection services for investment trust funds, securities, and insurance companies; in addition, 24-hour all year round online foreign exchange settlement is offered ahead of competitors to any purchasers (not limited to the Company's clients) at preferential exchange rates. As of the end of 2018, the number of transactions has exceeded 50,000 and 34% were transactions with customers of other banks. The Bank established 114 foreign currency ATMs in Taiwan to allow customers to withdraw cash in foreign currencies 24 hours a day.

### "Foreign Currency Collection Services" Operation Structure



**■ Official LINE Account Integrated Services**

MICB opened the official LINE Account in June 2018. In addition to receiving promotional information from the Bank, users can also use LINE to inquire the announced exchange rate, complete exchange transactions online, or file applications for digital accounts. If identity verification procedures are completed, users can receive personalized notifications such as changes in accounts, credit card spending, wealth management transactions, and mortgage. As of the end of 2018, 2.63 million people have joined the account.



### Notice of Claims for Flight Delays - Best Product Creativity Award

For flight delays covered in travel insurance, CKI uses 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 input and verifies documents. This significantly improves efficiency and customer service and the service was awarded the Best Product Creativity Award of the 20th Faith, Hope & Love Awards of Insurance in 2018.

#### ■ Online Insurance and Automatic Claims

CKI 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 2018, the number of insurance policies purchased was about 10,148 which was a 75% growth compared to 2017.

#### ■ Financial Patents

In response to the development of FinTech, MICB encourages employees to develop digital finance patents, so as to improve the overall competitiveness. In 2018, the Company applied for 166 patents on digital finance, 112 patents of which have been approved, and 54 patents are still under review. The types of patents include FinTech applications, information security, mobile platforms, and risk management.

Mega Holdings applied for 3 patents on risk management in 2018 and 1 patent for a risk management technology application system was approved. Another 2 applications are still being reviewed. The Company shall continue to optimize risk management procedures and systems and apply for financial patents.

#### 2.1.2 Maintenance of Customer Rights

#### ■ Implementation of Principles for Fair Treatment of Customers

MICB has always upheld professional financial services and ethical services and abides by the Fair Customer Treatment Principles in accordance with the regulations of the Financial Supervisory Commission. In addition to the 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 all employees understand the importance of thinking from the customer's perspective while implementing related indicators. The performance of the Fair Customer Treatment Principles is a demonstration of long-term commitments to customers. The Company shall continue to carefully maintain fair, mutually beneficial and equal interactions with customers and establish a corporate culture based on "fair customer treatment". We seek to improve protection of financial consumers and increase financial consumers' confidence in Mega Holding in order to provide customers with the most comprehensive financial service experience.



The Company 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 company's website, application forms, bills, brochures, electronic brochures, and advertisement materials. The Company 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 2018, MICB received 93.7 points in the customer satisfaction, higher than 92.4 points compared to 2017. MICB will continue the following improvement plans to maintain service quality and improve customer satisfaction degree:

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

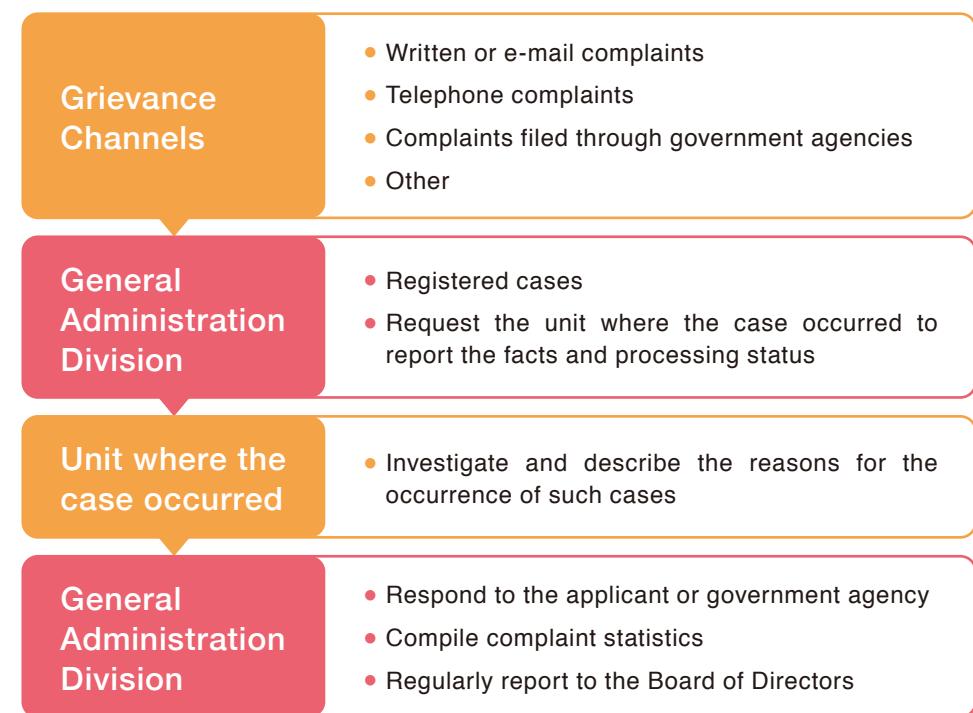
In 2018, CKI received 89.1 points in the customer satisfaction, lower than 90 points compared to 2017 because some customers had different perceptions of claims. CKI will continuously train claim agents on the items and procedures for claims to improve customer service and increase customer satisfaction.

### Average Customer Satisfaction Score

Year	2016	2017	2018
Mega International Commercial Bank Co., Ltd.	93.51	92.40	93.7
Chung Kuo Insurance Co., Ltd.	91.13	90.00	89.10

## ■ Customer Complaint Mechanism

The Company provides customers with a smooth complaint mechanism, where they may file complaints in writing, by e-mail or by phone. MICB has set up the customer service center that provides 24-hour customer service. Customers may contact the customer service center by phone or website email. In 2018, the customer service center received about 79,575 calls including customer service requests and complaints on average every month. The main complaints involved credit card, deposits and transfers, and service attitude. The types of complaints were mainly on deposits, credit cards, and poor service attitude. MICB has reviewed customer complaints and proposed corrective measures to the Board of Directors on a regular basis.





## ■ Responding to the EU's GDPR

The EU General Data Protection Regulation (GDPR) was launched in May 2018 and MICB's response measures were as follows:

- (1) In May 2018, MICB assigned the (Data Protection Officer, DPO) and representatives of three branches in the EU to issue announcements on the webpage of each branch and complete registration with the local supervisory authorities to complete customer rights notifications and the amendment of related manuals and forms. The branches also signed the Standard Contractual Clauses (SCC) for cross-border transmission of personal information with the Head Office.
- (2) MICB amended its Privacy Protection Statement and cookie collection statement in accordance with GDPR standards and announced them on the official website and online bank.
- (3) In August 2018, MICB amended the Personal Information Incident Report Processing Guidelines and conducted drills on reports for leaks of personal information.
- (4) The Operational Regulations on the Exercise of a Party's Rights were amended in accordance with the results of the inventory of business items as well as GDPR standards and the application scope.
- (5) The Bank shall determine whether to apply for Binding Corporate Rules (BCRs) with the EU in the future based on the expansion of business offices in the EU to facilitate future cross-border transmission of personal information across the world.

## ■ Privacy and Personal Information Protection

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

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 new system monitoring and control items in November 2018 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 passed the certification of ISO 27001 Information Security Management System in May 2017 and is reviewed by the certification agency every year on a regular basis to continuously reinforce the protection of information security systems.

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.



## MICB Information Security Protection Measures

1. MICB established a dedicated information security unit in June 2018 and the unit manager 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.
2. Based on the purpose that employees shall hold information which they keep and use confidential, as specified in the Information Security Policy, the Company requests employees (including part-time employees and contractors) to sign a Non-disclosure agreement, which is then kept and held confidential by the Human Resources Department.
3. Information Security Countermeasure Council meetings are convened twice every year (in June and in December separately) and chaired by the CISO to resolve proposals, budgets and implementation audited by the Auditing Department.
4. In case of information security events, they shall be reported to the unit in charge and to the duty counter of the Data Processing & Information Department by phone; the person on duty shall understand the problems, identify events, and take emergency measures.
5. MICB passed the certification of ISO 27001 Information Security Management System in July 2015 and is reviewed by the certification agency every year on a regular basis to continuously reinforce the safeguards of information security systems.
6. MICB purchased the "e-commerce and information security liability insurance" in December 2018 to obtain coverage for liabilities for compensation for leaks of third-party information and the losses caused by information security risks in order to provide comprehensive coverage for information security.

### ■ Email Social Engineering Exercises and Information Security Training Programs

The Bank continues to train employees to identify unknown e-mails monthly by e-mail, training, and publication to reduce risks of information security caused by malicious links or attachments; the Company also organizes training courses on customers' 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 2018, MICB conducted e-mail social engineering tests on 6,591 employee accounts (including overseas branches and the Card Department), and the pass rate was 96.02%. Compared to 2017, the rate of deception decreased marginally by 0.17 percentage points, showing an 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.

#### Result of E-mail Social Engineering Test

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

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.

In 2018, there were no complaints regarding customer privacy or violation of laws or online information security incidents.

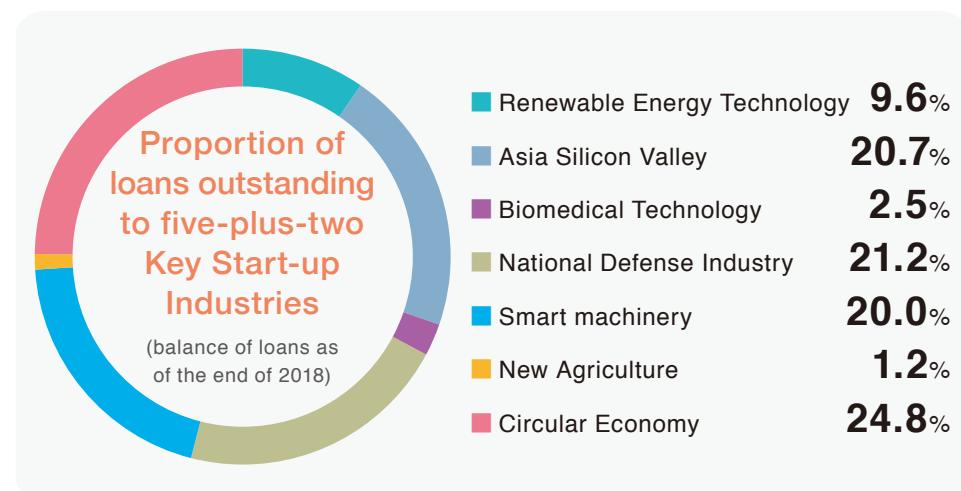


### MICB Information Security Training Courses

Information Security Training Course	Training Completion Rate in 2018
Personal information protection, employee confidentiality, and information security training for the first half of 2018	
Social engineering training for the first half of 2018	
Social engineering training for the second half of 2018	100%
2018 information security protection training	
Information security training for the second half of 2018	

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

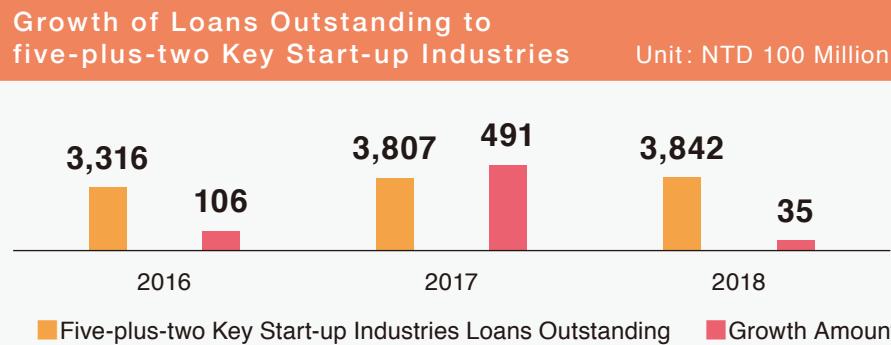
The government seeks to develop the domestic finance industry's functions for facilitating structural transformation in the economy and industrial development and it encourages loans for five-plus-two Key Start-up Industries, including Asia Silicon Valley, Smart Machinery, Renewable Energy Technology, 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 2018, the outstanding loan balance reached NT\$384.2 billion, ranked No. 4 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 Asia Silicon Valley industries for its long-term support of small and medium enterprises from the FSC in April 2018.



### 2.1.3 Responsible Investment and Services

We continue to implement the Principles for Responsible Investment (PRI) to meet the expectations of the society. Mega Holdings shall adopt the Equator Principles (EPs) into the credit extension policy. 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. MICB and MBF revised the credit extension review procedures in 2019 to implement more rigorous reviews.

In 2018, MICB, MS, MITC, and CKI signed compliance statements for the "Stewardship Principles" and announced the statements on the company website and the TWSE Corporate Governance Center website. They have committed themselves to pay attention to investees and require them to implement corporate governance to improve long-term investment outcome.



## ■ 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 2018, the Company has made concessional loans to 18,697 households.

Year	Accumulated Number of Borrowers	Accumulated Drawdown Amount	The Loans Outstanding at the end of year
2016	15,868 households	687	430
2017	17,466 households	772	452
2018	18,697 households	833	444

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.

## ■ Small and Medium Business Loan

The Company has long assisted small and medium businesses in obtaining working capital. The Plan for Small and Medium Business Loans was developed to help domestic small and medium businesses operate stably. In 2018, the loans outstanding reached NT\$474.7 billion, an increase of NT\$15.2 billion compared to 2017, for 8,656 borrowers. MICB received Class A Award for providing loans to small and medium enterprises from the Financial Supervisory Commission in April 2018.

In December 2018, MICB, the Small and Medium Enterprise Credit Guarantee Fund, and municipal governments jointly launched the "Renewable Energy Finance Loan Project" which provides NT\$30 billion in loans to help companies obtain the funding required for renewable energy power generation industries.





## 2.1.4 Financial Inclusion

### ■ Accessible Services

MICB provides a variety of convenient financial services for people with disabilities through a designated contact window and sets up a service bell and a guide at the entrance for any necessary assistance. As of 2018, a total of 331 Accessible ATMs have been set up, an additional 14 ATMs compared to 2017. 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.

### ■ Microinsurance

CKI aims to maintain the basic human rights of the disadvantaged. Since 2010, CKI has worked with social welfare organizations, district administration offices, and associations of indigenous peoples to offer microinsurance ahead of the industry. Adding 3,167 policyholders in 2018, the total number of policyholders reached 12,992, showing an outstanding result. From 2015 to 2018, 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 Performance Excellence Award in the 2018 Micro Insurance Competition in 2018.

Accident Micro-insurance		
Year	Number of the Insured	Insurance Premium
2016	2,254	363
2017	2,272	366
2018	3,167	531

Unit: NT\$1,000



### ■ 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 2018, the care trust assets under MICB's management amounted to NT\$562 million, and the number of beneficiaries reached 469. The trust asset under management increased significantly by 50% from 2017. 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 2018, MICB was awarded third place as an outstanding bank for providing property trust services for the elderly and people with disabilities by the Financial Supervisory Commission.



## 2.2 Employee Care

Employees are the foundation of business development. The Company develops comprehensive plans for employee recruitment, development, retention, benefits, and pensions. In 2018, more than NT\$150 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 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 recruits a diversity of professionals and helps employees improve their expertise and self-development through professional training, industry-academia cooperation, and talent development plans, making them the driving force behind the Company's sustainable development.

### 2.2.1 Human Resources

#### ■ Gender Composition

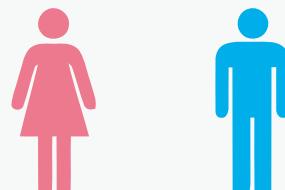
**Since 2011, the Company has been selected as a component of the TWSE RA Taiwan Employment Creation 99 Index (EMP 99)**

In 2018, the Company had 8,956 full-time employees and 372 temporary employees; adding 540 full-time employees in subsidiaries which are not included in the CSR report, the total number of employees was 9,868. Since 2011, the Company has been selected as a component of the TWSE RA Taiwan Employment Creation 99 Index (EMP 99), showing that the number of employees of the Company ranks highly among the listed companies.

The Group has 3,772 male employees and 5,184 female employees with a male to female ratio of 42:58. Managers account for 31% of employees and female managers account for 48%. Gender equality has been achieved.

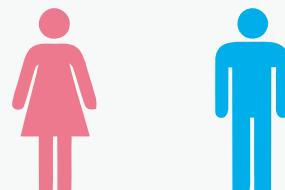
The Group has 124 male and 248 female temporary employees and the male to female ratio was 33:67.

**Distribution by Gender  
(Full-Time Employees)**



Female **58%**    Male **42%**

**Distribution by Gender  
(Temporary Employees)**



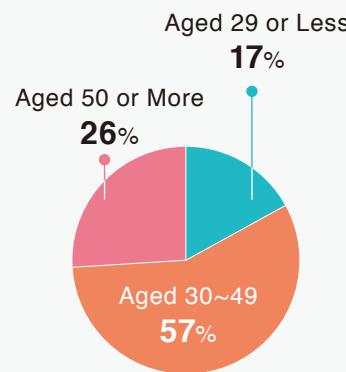
Female **67%**    Male **33%**



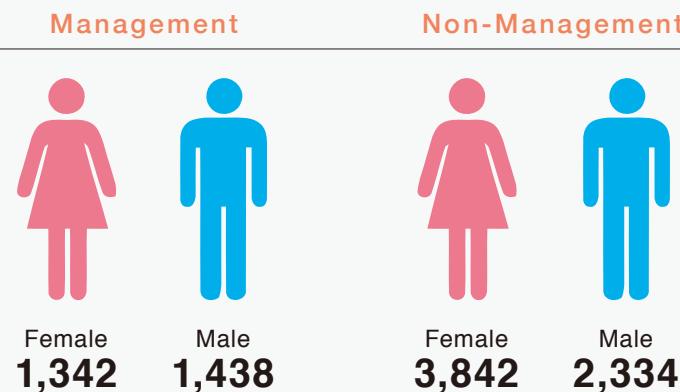
### Workforce Structure of Full-Time Employees

Total Number of Full-Time Employees	Aged 29 or Less		Aged 30-49		Aged 50 or More		Management	Non-Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
8,956	508	1,030	2,056	3,053	1,208	1,101	2,780	6,176	8,172	784

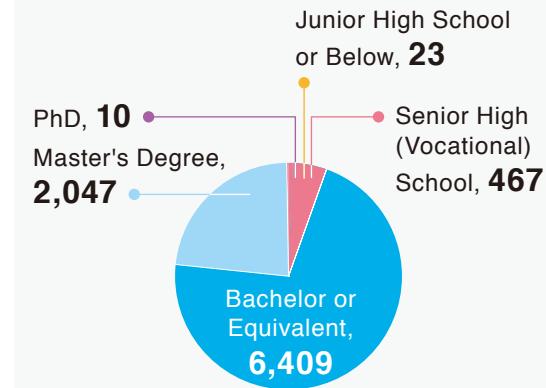
### Employee Age Distribution



### Title and Gender



### Employee Education



### Ratio of Female Employees and Managers (%)

Item	2016	2017	2018
Number of Female Employees (%)	4,632 (57)	4,876 (57)	5,184 (58)
Number of Female Managers (%)	1,225 (45)	1,272 (46)	1,342 (48)
Number of Female Senior Managers (EVP or Above) (%)	8 (22)	12 (32)	14 (36)
Number of Female Mid-level Managers (Unit Head) (%)	91 (27)	94 (28)	101 (29)
Number of Female Entry-level Managers (Managers other than Unit Heads or EVP) (%)	1,126 (48)	1,166 (49)	1,227 (51)
Number of Female Business Unit Managers (Business Unit Head) (%)	46 (20)	49 (21)	50 (22)



## ■ New Employees and Employee Turnover

In response to the government's call for increased employment, we continued to hire large amounts of employees in 2018 and we increased the net number of employees by 454 mainly due to the appointment of compliance and anti-money laundering professionals by MICB in response to enhanced legal compliance and anti-money laundering requirements.

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

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		
1,069	203	356	227	234	27	22	901	168
The ratio	19.0%	33.3%	21.2%	21.9%	2.5%	2.1%	84.3%	15.7%
Percentage of New Employees Note	11.94%							

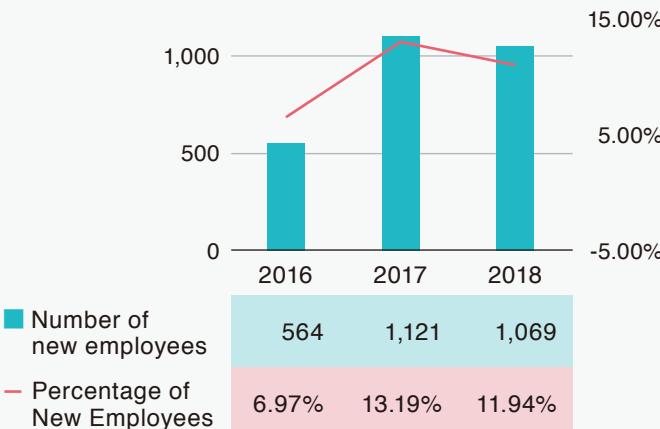
Note Percentage of New Employees in 2018 = Number of New Employees/Number of Employees by the end of year.

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		
464	83	104	105	135	18	19	344	120
The ratio	17.9%	22.4%	22.6%	29.1%	3.9%	4.1%	74.1%	25.9%
Turnover rate Note	5.18%							

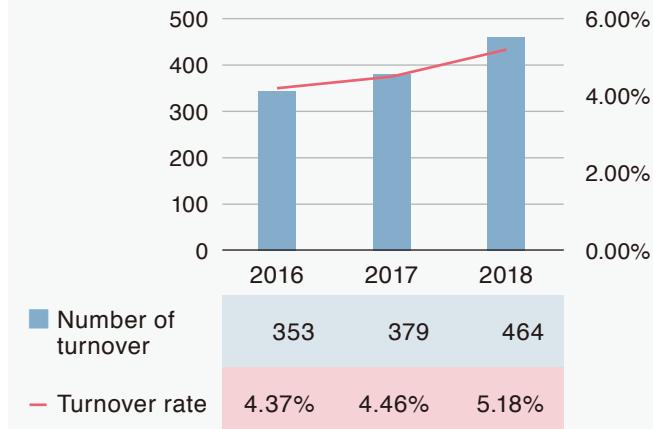
Note 1. Number of employee turnover: Employee turnover includes employees who resign voluntarily or are laid off or die in service; it does not include employees who retire or are on leave without pay.  
2. Turnover Rate = Number of Employee Turnover/Number of Employees by the end of the year.



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



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



**Note** Related statistics in 2017 are amended due to the expansion of the scope for statistics.

## ■ Multi-ethnic Employees

The Company adopted a diverse hiring policy and does not discriminate based on nationality, race, gender, or age. The Company provides equal job opportunities for people with disabilities and indigenous people; the Company also designs jobs based on the characteristics of people with disabilities to allow them to use their talents to contribute to the society and improve the quality of life. By the end of 2018, the Company hired 63 people with disabilities, 6 indigenous peoples, and 493 foreign employees.

Item	Aged 29 or Less		Aged 30-49		Aged 50 or More		Management	Non-Management	Taiwan	Overseas
	Male	Female	Male	Female	Male	Female				
People with Disabilities	0	0	11	9	27	16	4	59	63	0
Indigenous Peoples	0	1	0	5	0	0	0	6	6	0
Foreigners	49	158	65	121	33	67	48	445	0	493
Total	49	159	76	135	60	83	52	510	69	493



## 2.2.2 Talent Development and Cultivation

### ■ Training

In response to the development of digital finance, the Company implements the plan for competence training and career transformation and the manpower allocation will be adjusted in a timely manner subject to the development of digital finance, the regulators' policies and the amendments to related laws and regulations. On average, each employee of the Group received 47.83 hours of training in 2018. We target 100% utilization of annual talent training and development budget. In addition to continue strengthening the internal training programs, we invite experts and scholars to lecture; employees are also assigned to attend training courses organized by external institutions. The Company also works with professional institutions or selects strategic partners to assist in adaptive testing, competence analysis, learning map, and training with the support of experts, so as to help employees learn quickly and improve their competency. Our expenditures on training and development from 2016 to 2018 are as follows:

Item	2016	2017	2018
Training expenses	71,487	140,211	152,172
Percentage of net income	0.13%	0.24%	0.25%

Unit: NTD thousand



Figure: The Company's E-learn

MICB has strived to organize staff training courses, including professional training and foreign language courses, to enhance their employability, competence management after retirement, and lifelong learning plans; MICB also subsidizes employees to obtain professional licenses, take foreign language proficiency tests, and sets up an e-learning portal for advanced studies. In 2018, the Group provided employees with the following training courses:

**External Training:** Employees attended approximately **750** training courses organized by external institutions

**Internal Training:** Approximately **190** sessions were arranged

**E-learning:** A total of **392** training courses were created

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

We conduct a satisfaction questionnaire survey after each training course to understand students' feedbacks for the course contents and the lecturers' teaching skills. We organized 22 sessions of wealth management courses in 2018 and recovered 1,805 questionnaires. In the preliminary credit extension course, more than half of the employees found the lectures to be informative and helpful to their own work.



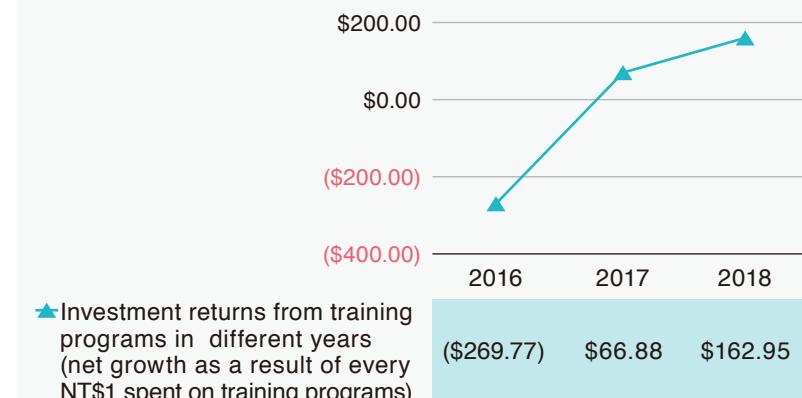
List of Subsidies for Professional Licenses over the Past Three Years								Unit: NTD thousand		
Year	Management				Non-Management				Female	Total Amount
	Male		Female		Male		Female			
	Number of Employees	Total Amount								
2016	187	184	215	233	348	439	619	521		
2017 <sup>Note</sup>	738	28,339	937	35,166	821	24,210	1,583	48,365		
2018	206	2,078	307	3,307	589	1,914	1,079	4,719		

**Note** Owing to the introduction of CAMS subsidy in 2017, the amount of subsidy significantly increased. Please refer to the Company's Annual Report for information on professional licenses held by employees of the Group.

The Company seeks to demonstrate its resolve for 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 (the number of certified employees accounts for approximately 59% of all employees of MICB and approximately 39% of all employees of the Group; the Company invested approximately NT\$250 million in related subsidies and bonuses for the CAMS certification). We also continued to enhance AML/CFT educational training for managers of all levels and employees responsible for related businesses to fully improve employees' awareness and knowledge of related risks. The results have been significant.

The relationship of the annual employee training expenses and annual net revenue changes is shown in the figure below, indicating that the training expenditures increased year by year from 2016 to 2018. Except for the reduction in revenue due to a penalty event in 2016, every NT\$1 invested as training expenses in 2018 resulted in an increase of NT\$162.95 in the increase in net revenue from the previous year. It demonstrated the positive growth in proceeds derived from staff training.

#### Changes in training expenditures and net revenue in 2016-2018





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

MICB Talent Cultivation Program		
Project Name	Training Emphasis/ Core Competence Training	2018 Results
Unit Supervisor Training Course	<ul style="list-style-type: none"> <li>• Business management philosophies</li> <li>• Branch businesses</li> <li>• Team leadership and motivation</li> <li>• Risk management</li> <li>• Decision-making and execution</li> <li>• Time and stress management</li> <li>• International (business) etiquette and communication skills</li> </ul>	<ul style="list-style-type: none"> <li>• 52 trainees, each received 31.5 hours of training</li> <li>• NT\$115,000 spent foreign</li> </ul>
Cadre Training Course	<ul style="list-style-type: none"> <li>• Business management philosophies</li> <li>• Branch businesses</li> <li>• Team leadership and motivation</li> <li>• Risk management</li> <li>• Decision-making and execution</li> <li>• Time and stress management</li> <li>• International (business) etiquette and communication skills</li> </ul>	<ul style="list-style-type: none"> <li>• 69 trainees, each received 32 hours of training</li> <li>• NT\$148,401 spent foreign</li> </ul>
Seminar on Overseas Branch Businesses	<ul style="list-style-type: none"> <li>• Business management philosophies</li> <li>• Branch businesses</li> <li>• Team leadership and motivation</li> <li>• Risk management</li> <li>• Decision-making and execution</li> <li>• Time and stress management</li> <li>• International (business) etiquette and communication skills</li> </ul>	<ul style="list-style-type: none"> <li>• 47 trainees, each received 32 hours of training</li> <li>• NT\$143,265 spent foreign</li> </ul>

## Comprehensive Training System

### Unit Manager Training Program

Each year, unit managers 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 243 employees of which 42 have been assigned to serve as unit managers. 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 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 lecturers from outside the Bank to lecture on practical courses such as "Crisis Management Strategy and Crisis Communication Skills", "Group Leadership and Motivation for Next-Generation Managers", and "Issue Analysis and Resolution". The Program is now in its eighth year and it has accumulated a total of 457 employees who now serve in important positions at the Head Office and domestic and overseas business units.



## Overseas Trainee Program

MICB actively develops talents for overseas assignments. In addition to recruiting trainees for 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 2018, MICB has recruited more than 150 trainees for overseas assignments and sent domestic employees on internships in overseas branches. 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. The earnings of overseas subsidiaries (branches) before deposits totaled over NT\$5 billion in both 2017 and 2018.

## Digital Banking Talent Transformation Program

MICB replenishes digital courses, expands training programs, and enhances employees' digital banking expertise. In 2018, MICB organized independent training courses and training provided by external institutions for a total of 885 participants totaling 5,978 hours. Digital learning system provided training to 29,706 enrollments totaling 24,086 hours.

As of the end of 2018, the Bank acquired 11 FinTech invention and innovation patents and 416 employees received the "FinTech Knowledge" certificate.

## Securities Salesperson Transformation Program

MS's "Securities Salesperson Transformation Program" in 2018 was provided as an internal training program with meetings convened every two weeks. The main training program included the Exchange Traded Note (ETN), sales skills, and joint marketing which improved salespersons' diverse sales skills. A total of 190 people took part in the training in 2018 and training hours amounted to 240 hours.

## ■ Performance Evaluation

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

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

- **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 one unit and another, including job rotation (or temporary transfer) between domestic and overseas units. Job rotation between units is implemented every year from time to time in accordance with the Five Principles of Job Transfers.



## 2.2.3 Salary and Benefits

### ■ 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. In August 2018, the subsidies were expanded to provide an additional NT\$80,000 for each childbirth at the end of December 2017. In August 2018, the subsidies were expanded to provide an additional NT\$80,000 for each additional child in multiple births. The Group's marriage and childbirth benefits and subsidies are as follows:

Marriage subsidies and childbirth incentives in the last three years							Unit: NT\$
Item	2016		2017		2018		
	Number of Employees	Amount	Number of Employees	Amount	Number of Employees	Amount	
Marriage subsidies <small>Note</small>	17	204,000	19	228,000	135	2,572,000	
Childbirth incentives <small>Note</small>	42	170,040	29	104,400	150	10,948,400	

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

### ■ Parental Leave

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

Overview of Unpaid Parental Leave							
Female	Number of Employees Taking Unpaid Parental Leave in 2018	Number of Employees who Should Be Reinstated in 2018 (A)	Number of Employees who Were Reinstated in 2018 (B)	Reinstatement Rate in 2018 (B/A)	Number of Employees who Were Reinstated in 2017 (C)	Number of Employees Working for 1 Year or More after Reinstatement in 2017 (D)	Retention Rate (D/C)
Male	8	5	3	60%	3	2	67%
Female	64	69	56	81%	35	34	97%
Total	72	74	59	80%	38	36	95%



## ■ Compensation and Benefits

The Company pays new employees different basic salaries depending on their position levels regardless of gender, age, race, religion, political standpoint, marital status, membership; the basic salaries of new employees, at home and abroad, across the Group are higher than the minimum wages of countries where they operate; subsequently, employees' compensation will vary year by year based on the performance bonuses and the increase of salary. The basic salary of women to men is 1: 1. The remuneration ratios for men and women at all ranks are shown in the table below. In addition to the monthly salary and the year-end bonus, each employee's annual income includes the performance bonus and employee compensation paid according to the annual performance. Employees with outstanding performance are eligible for raises. The overall compensation of the Company's employees is better than most of the industry. The Company target 100% utilization of annual employee benefits budget. Since 2014, the Company has been selected as a constituent of the TWSE Taiwan High Compensation 100 Index. As of the end of 2018, Mega Holdings, MICB, CKI, and MS have a total of 7,008 employees holding non-managerial positions which accounts for 81% of the total full-time employees in these units (8,608). The annual salary of the non-managerial employees was approximately NT\$1.44 million on average, an increase of NT\$20,000 compared to 2017. In addition, the average employee welfare expenses for non-managerial employees of the Group in 2018 was approximately NT\$1.64 million, an increase of NT\$30,000 compared to 2017.

Item	2017	2018
Number of full-time non-managerial employees	6,612 people	7,008 people
Average annual salary of full-time non-managerial employees	NT\$1.42 million	NT\$1.44 million

**Note 1** The scope includes Mega Holdings, MICB, CKI, and MS.

**Note 2** The statistics in 2018 were audited by the CPA and the statistics in 2017 were compiled independently.

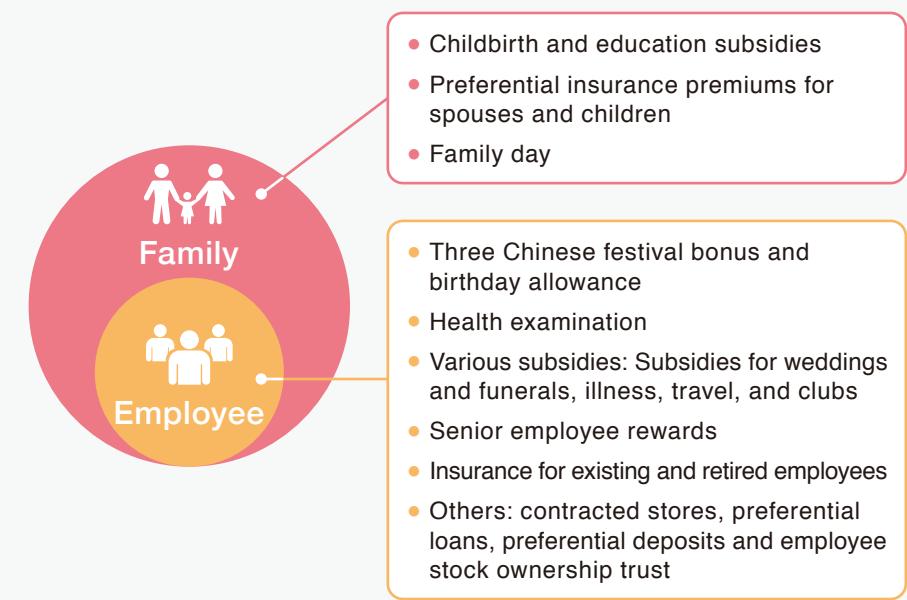
## Ratio of Male and Female's Basic Salary for All Ranks

Item	Male	Female
Top Management Level (Above Executive Vice President)	1.1	1
Management Level (Section Chief to Executive Vice President)	1	1
Non-management Level	1	1
Management Level (Including Other Allowances)	1	1

## ■ Employee Benefits

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

### 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 2018. Nearly 5,000 employees participated in the event and MICB provided more than 1,300 lucky draw awards as well as three cars as prizes. MICB hired hosts and group performances during the year-end party and invited employees to form groups for performances on stage. Each group would receive a participation award of NT\$5,000 and the top three groups were provided with prizes totaling NT\$50,000, NT\$30,000, and NT\$10,000 to encourage participation.

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

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

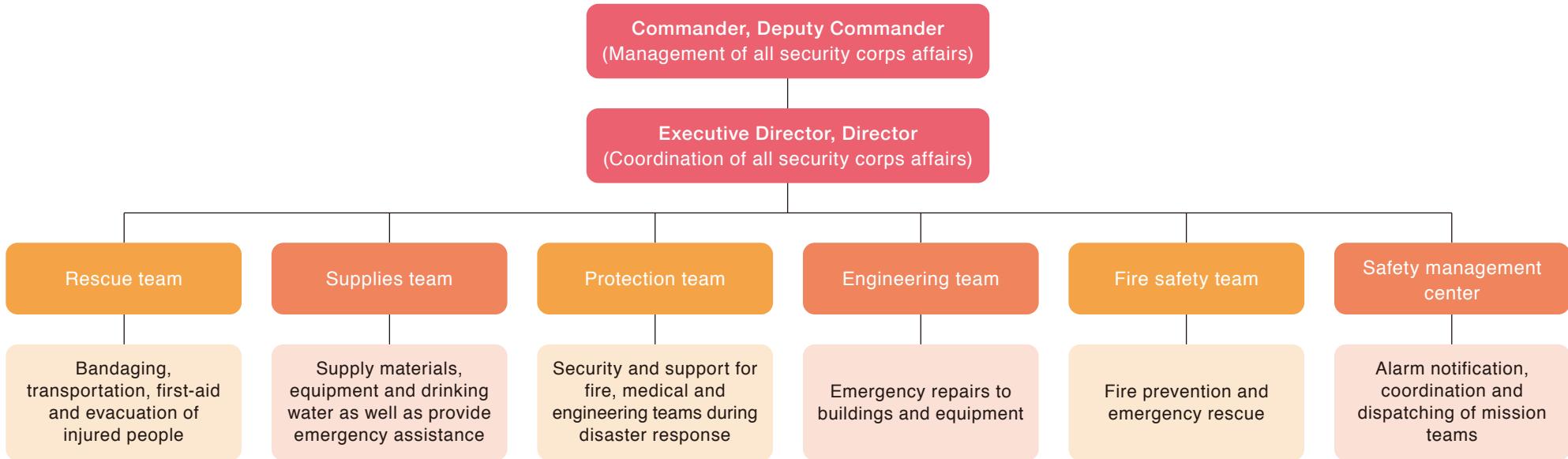
#### 2.2.4 Occupational Safety and Health

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 CO<sub>2</sub> 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 2018, 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 labor safety and health training programs in accordance with laws, the following training programs were also provided:

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

Occupational safety and health training in the last three years						
Item	2016		2017		2018	
	Enrollments	Total hours	Enrollments	Total hours	Enrollments	Total hours
Training for supervisor in charge of occupational safety and health	48	858	220	1,352	75	1,015
Fire prevention personnel retraining	37	266	138	929	113	1,031
First aid personnel training	192	591	58	369	27	366



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

Health Promotion Activities			Health Promotion Activities		
Category	Activity	Content	Category	Activity	Content
Employee Health	Health Talk ①	<ul style="list-style-type: none"> <li>MICB invites physicians to lecture every quarter and uploads the lectures to the e-learning platform to increase employees' awareness of health.</li> <li>In 2018, MICB organized four seminars on chronic diseases and mental health.</li> </ul>	Employee Health	Non-smoking Workplace	The Group actively creates a non-smoking workplace to protect the safety and health of employees.
	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.		Breastfeeding Rooms ④	The Company encourages breastfeeding by setting up breastfeeding rooms at each subsidiary and appoints employees to manage and maintain the facilities. At present, there are 25 breastfeeding rooms across the Group. They were used about 6,186 times in 2018.
	Healthy Diet ②	MICB strictly controls the selection, processing, and cooking of group meals, Healthy Diet 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.		Nurses ⑤	<p>MICB and MS have engaged nurses to provide the following services:</p> <ol style="list-style-type: none"> <li>1. Health examinations.</li> <li>2. Health Promotion.</li> <li>3. Clinical appointments and emergency treatment.</li> <li>4. On-site visits.</li> <li>5. Ergonomic issues, overwork, and maternal protection.</li> </ol>
	Sports Clubs ③	The Group encourages employees to form sports clubs, such as hiking, ball sports, yoga, Tai Chi, and aerobic exercise to develop a habit of exercise.			





## Health Promotion Activities

Category	Activity	Content
Employee Health	Stationed Physicians	MICB has set up a medical room, where a stationed physician serves for 2 hours from Monday to Friday (4 hours every other Friday); in addition, the physician visits each branch for 3 hours every month. The stationed physician provides the following services: health consultation, simple injury or disease treatment, emergency treatment, and employee protection plan. On average, about 100 employees consult the physician every month.
Occupational Safety	Automated External Defibrillators (AED) <span style="color: red;">6</span>	A total of 53 AEDs have been set up in each office building and operations in northern, central, and southern Taiwan. Training courses on AEDs are also organized.
	Fire Drills and Training <span style="color: red;">7</span>	MICB invites Fire Stations 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 (inclusive) and above are given annual health examinations; employees aged 40-49 are given biennial health examinations; employees aged 39 (inclusive) 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 4,897 individuals of the Group participated in the health examinations in 2018 and total subsidies exceeded NT\$50 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		
2016	4,663	374	847	586	755	1,163	938	4,570	93
2017	3,645	288	521	559	515	1,012	750	3,531	114
2018	4,897	511	861	558	805	1,191	971	4,796	101



## ■ 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 outpatient services, hospitalization, illness, and disabilities caused by occupational diseases depending on the severity of injuries and gives official or sick leaves. After incidents, the Company expresses the consolation at the first time to care for the victims with sincerity.

- Note**
1. In 2018, 68 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 Daysx1,000,000/Total Working Hours
  3. Injury Rate (IR)=Occupational Injuriesx1,000,000/Total Working Hours
  4. Absence Rate (AR)=Absent Days/Total Working Daysx100% (including sick leaves, menstrual leaves, and occupational sick leaves)

Overview of Occupational Hazards in 2018

	Injuries	Deaths	Working Days Lost	Lost Day Rate (LDR)	Occupational Injury Rate (IR)	Absence Rate (AR)
Male	30	0	165.5	9.28	1.68	0.0074%
Female	38	0	319.25	17.89	2.13	0.0143%
Total	68	0	484.75	27.17	3.81	0.0217%
Reason	<ul style="list-style-type: none"> <li>21 employees were injured in performance of duties or at the workplace and the rest was injured in traffic accidents for business purpose or on the way to or from work.</li> <li>The 21 employees injured in performance of duties were mostly injured when they fell while waiting for official vehicles or receiving/delivering documents in the performance of duties.</li> </ul>					
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.					

## ■ 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 in accordance with the Occupational Safety and Health Act and collected data from 5,255 questionnaires in 2018. An analysis concluded that there were 399 individuals in the high-risk group and they were provided with follow-up management as well onsite visits. MICB inspected the onsite work environment and provided related human-factor engineering improvement guidance and health education information.

### 2. Abnormal Workload-triggered Diseases Prevention Plan

To prevent diseases caused by shift rotations, night shifts, and long work hours for high-risk employees, MICB began implementing the "disease prevention program caused by irregular work load" in 2017 to ensure work safety and physical and mental health of employees. MICB continued to organize mental health seminars and physical and mental protection and promotion measures in 2018. The Bank directs employees to related medical care resources at appropriate times to prevent overwork and stress management and reduce the risks of triggering diseases.



### 3. Prevention of Illegal Infringement at Work Plan

MICB established the "Prevention of Illegal Infringement at Work Plan" in 2017 to prevent illegal infringement at work, protect the physical and mental health of laborers, and establish a friendly workplace culture. MICB also included the Plan into the annual employee training courses and established report hotlines. MICB amended the Plan in 2018 to include risk assessment and hazard identification to achieve the goals for prevention and responding to workplace violence.

### 4. Maternal Protection Plan

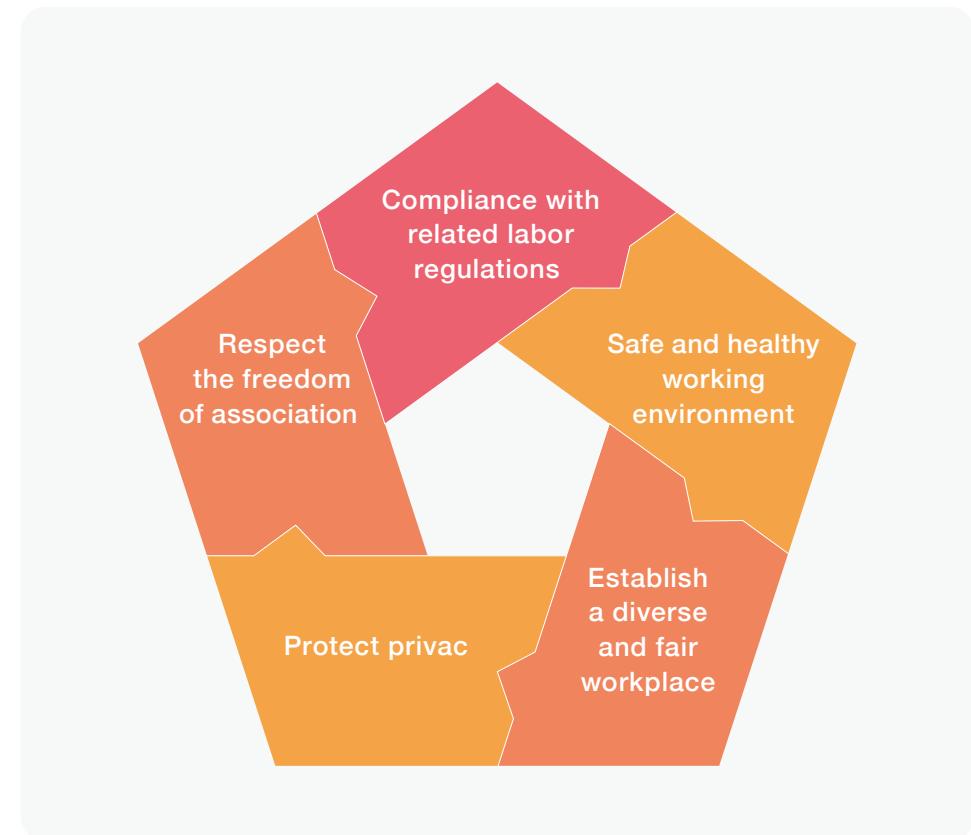
MICB established the "Maternal Protection Plan" in 2016 to protect the physical and mental health of maternal employees, dignity of laborers, and implement the regulations regarding maternal protection in the Occupational Safety and Health Act. The Human Resources System was also tasked with management and follow-up tasks. In 2018, MICB continued to provide care through onsite physicians and follow up on maternal employees during pregnancy. Where the evaluation shows a health hazard, the onsite physician, nurse, and unit supervisor shall conduct an interview to implement suitable work arrangements and other related measures. Where no health hazard is found, the nurse shall provide related health guidance, protective measures, and follow-up management to inform the pregnant employee of related information such as childbirth subsidies to protect the rights and interests of maternal employees.

## 2.2.5 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.





We 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 2018. 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.

MICB has converted training on the Human Rights Policy (including sexual harassment prevention) to the digital learning system since 2017 to greatly improve the integrity of the training. In 2018, there were no reports of complaints regarding human rights or discrimination.

#### **MICB training courses on Human Rights Policy in the last three years**

Year	2016	2017	2018
Total Number of Enrollments	9,702	9,360	14,886
Total Training Hours	13,761	36,158	67,166

#### **■ Collective Agreement**

**In 2018, MICB's union consisted of 5,298 members, accounting for 83% of the total employees of MICB and 59% of the total employees of the Group.**

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%. Certain 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 5,298 members, accounting for 83% of the total number of its employees, and the Company's union has 48 members, accounting for 86% of the total number of its employees.

MICB organized regular labor-management meetings with the union in 2018. The labor-management meetings discussed a wide range of issues and labor and management representatives exchanged opinions on various issues to 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**

The Company has set up employee grievance mechanisms to help solve problems and increase cohesion. Employees may provide recommendations for working conditions, environment, health and safety, salary and benefits, human rights, and equality through these mechanisms. The Company takes action actively from the standpoint of employees. Each subsidiary has announced the regulations governing the handling of sexual harassment incidents and the grievance mechanisms according to the law. In 2018, there was no sexual harassment case reported.



Employee  
Message Board



Employee  
Complaints Mailbox



Direct Contact  
with Supervisors



## 2.3 Community Engagement

### ■ Overview of Social Welfare

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 68% of their total income, and volunteers' participation totaled 24,050 times in 2018 (as shown in the table below). Through a series of charitable activities, the Company hopes to spread love to every corner of society.

2016-2018 Number of Volunteer Participation Note



Note The number of people increased significantly in 2017 and 2018 due to the addition of three large-scale concerts and public welfare hiking.

Results of Public Welfare Activities in 2018

Type of Activity	Resources Invested (Unit: NTD thousand)	Main Content	Benefits
Promoting Financial Education	7,227	<ul style="list-style-type: none"> <li>• Sponsored the economic forum events organized by Wealth Magazine Biweekly, Economic Daily News, and Business Today Magazine to promote financial knowledge to the public.</li> <li>• Donated to seminars organized by the Department of Public Finance of National Chengchi University, academic funds of National Taiwan University, National Cheng Kung University, and National Chung Hsing University, and the Financial Service Industry Education Foundation to help young students complete their studies and promote financial knowledge to the public.</li> <li>• Sponsored the Central News Agency in the campus event "I am a Foreign Correspondent".</li> <li>• Sponsored the Taipei City Taiwanese Language Association in organizing the "Fourth Wang Chun Feng Cup Taiwanese Language Recitation and Singing Contest".</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsored 8 financial promotion seminars and forums and accumulated 581 volunteer hours across the Group.</li> <li>• Provided training for hundreds of students in the campus event "I am a Foreign Correspondent" and obtained foreign internship opportunities for three students to improve the international perspective of youths in Taiwan.</li> <li>• Improved elementary school students' performance in singing Taiwanese songs and allow children to learn about the popular songs from their grandparents' era.</li> </ul>



### Results of Public Welfare Activities in 2018

Type of Activity	Resources Invested (Unit: NTD thousand)	Main Content	Benefits
Caring for the Socially Disadvantaged	14,368	<ul style="list-style-type: none"> <li>● Launched microinsurance to fulfill the financial inclusion.</li> <li>● Sponsored the Taiwan Fund for Children and Families, Eden Foundation, Taipei City Kuanyin-Line Psychological and Social Service Association, and the Down Syndrome Foundation to help underprivileged grow healthily.</li> <li>● 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.</li> <li>● Provided medical or funeral allowances for the economically disadvantaged.</li> <li>● Sponsored the Chinese Taipei Baseball and Softball Association of the Deaf's "2018 Fifth Export Cup Baseball Game".</li> <li>● Donated to the Fire Safety Personnel Medical Care Charity Trust Fund of the National Fire Agency, Ministry of the Interior.</li> <li>● Donated to the "February 6 Earthquake Disaster Relief" and "August 23 Natural Disaster Relief Account".</li> <li>● Supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan.</li> <li>● Organized the "Year-End Care with Mega Bank" activities.</li> </ul>	<ul style="list-style-type: none"> <li>● Sponsored 17 charitable and volunteering activities.</li> <li>● Invested 380 volunteer hours in elderly care activities.</li> <li>● Eden Foundation organized the "Family Hand in Hand for Making Friends" family fair for a total of 1,000 participants. The Foundation raised NT\$150,000 from tickets. This sponsorship implements Mega Holdings' ideals for caring for the underprivileged and create a harmonious and warm society with social welfare groups.</li> <li>● The Chinese Taipei Baseball and Softball Association of the Deaf organizes annual baseball and softball games for the disabled and won top three awards in overseas games in 2018.</li> <li>● Helped farmers alleviate overproduction issues by purchasing 1,450 boxes of rice and 1,510 boxes of cabbages.</li> <li>● Organized the "Year-End Care with Mega Bank" activities and donated to five charity institutions in Taiwan to take care of underprivileged and orphaned children.</li> </ul>
Arts and Culture	16,697	<ul style="list-style-type: none"> <li>● 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.</li> <li>● Sponsored The 4th Tua-Tiu-Tiann International Festival of Arts in 2018 and the performance of the Six Arts Theatre Group to support local cultural development.</li> </ul>	<ul style="list-style-type: none"> <li>● Sponsored the charity performances of the Six Arts Theatre Group and invited 160 people from underprivileged families to attend the performances.</li> <li>● Invested a total of 480 volunteer hours in concerts in northern, central, and southern Taiwan.</li> <li>● Sponsored overseas competitions to build children's self-confidence and promoted the Taiwanese local culture across the world.</li> </ul>



Results of Public Welfare Activities in 2018			
Type of Activity	Resources Invested (Unit: NTD thousand)	Main Content	Benefits
Arts and Culture		<ul style="list-style-type: none"> <li>● Sponsored the "Taiwan Stronger Together - Republic of China 2018 National Day Light Sculpture Show", "2018 Taiwan Plus - Cultural Taiwan Tokyo Event", "2018 Taiwan Lantern Festival", "2018 Taichung World Flora Exposition", and "2018 Taipei Fashion Week".</li> <li>● Sponsored Puzangalan Children's Choir in overseas competitions to promote art education in remote areas.</li> </ul>	
Promoting Sports Activities	156,745	<ul style="list-style-type: none"> <li>● Sponsored the Unified Invoice Cup Road Running for 7 consecutive years.</li> <li>● Sponsored baseball teams, archery teams, and weightlifting teams of remote elementary schools in Yilan, Hualien, and Tainan for 3 years or more.</li> <li>● Sponsored the Santaizi ATP Challenger Tour organized by Keelung County Government and Hualien County Government.</li> <li>● Sponsored the Chinese Taipei Tennis Association in organizing the "2018 WTA Taiwan Open".</li> <li>● Sponsored the "Tainan City Anding Junior High School Basic Tennis Training", and "2018 Meihe and Huaxing OB Game", and "Youth Golf Training Program".</li> <li>● Sponsored the Chinese Yoga Association in organizing the "2018 International Yoga Day".</li> <li>● Organized the first Mega Bank Esports Tournament.</li> </ul>	<ul style="list-style-type: none"> <li>● Mega Holdings donated a total of 358,168 invoices in the Unified Invoice Cup Road Running.</li> <li>● Sponsored two large sports events to promote domestic sports development and increase public participation in sport.</li> <li>● Funded select baseball teams, archery teams, and weightlifting teams to develop future sports talents.</li> <li>● MICB organized the first Mega Bank Esports Tournament and attracted expert players in 32 highly capable teams from more than 20 colleges.</li> </ul>
Total Expense	<b>195,037</b>		

\* Including economic and trade development and disaster relief.



In addition to the above events and sponsorship, our employees make use of work time to serve as volunteers and provide lectures on finance and the economy. The insurance, transportation, and other management and administrative fees for volunteer services provided by volunteers of the Charity Foundation are listed in the table below:

Item	Amount invested Unit: NT\$
Paid Volunteer Labor <small>Note 1</small>	450,925
Management and Administrative Fee <small>Note 2</small>	46,386

**Note 1** The Company invested a total of 1,061 hours of paid volunteer labor force in 2018. Based on the average basic wage of entry-level employees by NT\$425/hr, the total labor cost was approximately NT\$450,925 in 2018.

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

### 2.3.1 Promoting Financial Education

#### ■ Received the "Insurance Dragon and Phoenix Award" from the RMi Educational Foundation

RMi Educational Foundation organized the 24th "Nationwide Financial Insurance Graduate Career Intention Survey" in the 2018 National Insurance Day events. Mega Holding received was given an excellence rating as the "Most Desired Financial Holding Company" by graduates of finance and insurance departments.



#### ■ 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 300 students part-time jobs from 2012 to 2018 to develop their competitiveness for future careers. The Company was awarded the certificate of appreciation by Ministry of Education in November 2018, due to the outstanding results of the plan.

#### ■ College Visits and Promotion of Financial Knowledge Activities

MICB integrated resources of the Group and organized the "College Visit Corporate Finance Education Volunteers" program in November 2018. The Department of Finance of Chung Yuan Christian University and Department of Finance of National Chengchi University visited the Bank. MICB encouraged employees to transform their core competencies into volunteer services to help promote financial knowledge and education.





### 2.3.2 Caring for the Socially Disadvantaged

#### ■ Donated to the St. Camillus Center for Intellectual Disability in Hanxi Township, Yilan County

 **Donated NT\$200,000 as operating funds for an institution for the disabled**



The St. Camillus Center for Intellectual Disability in Hanxi Township, Yilan County focuses on caring for patients and children with extreme intellectual disabilities. Due to worsening economic conditions, the Center had accumulated a financial shortfall of approximately NT\$8 million. Mega Charity Foundation immediately provided assistance and donated NT\$200,000 which was presented by the Branch Manager of MICB Lo Tung Branch on behalf of the Foundation to the founder Father Giuseppe Didone.

The donation was presented by the Branch Manager Mr. Hsi-I Chen (left) of Lo Tung Branch, MICB on behalf of the Foundation

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

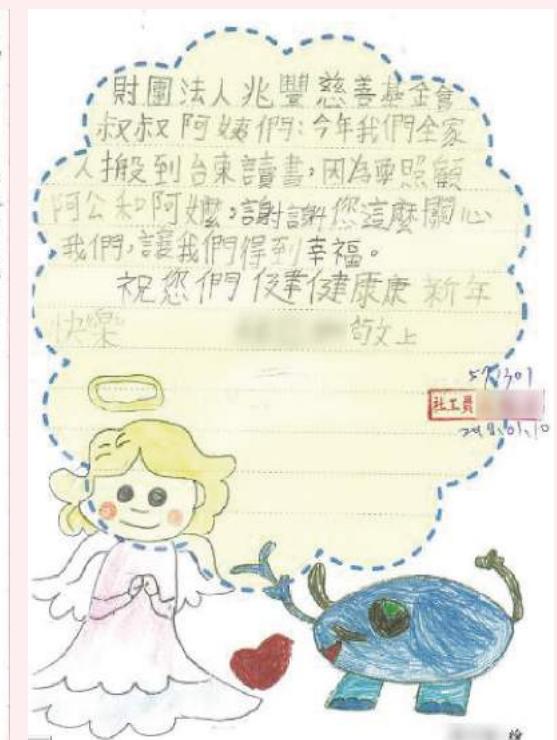
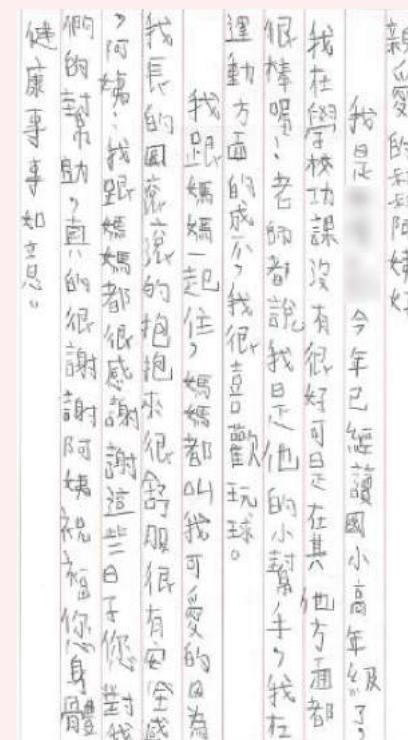
Since 2011, the Company has cared for the Little Sisters of the Poor, Taiwan. To provide the elderly good quality of life, the Company has donated restructuring funds, computers, bathing facilities, and floor washing machines; in addition, volunteers have accompanied the elderly to sing old songs on a monthly basis for seven consecutive years. The donations were provided to the Little Sisters of the Poor of Bali District, New Taipei City in 2018 to provide the elderly with nutrition and life necessities.



 **Donated NT\$200,000 and 480 Volunteer Hours**

#### ■ Supporting the Disadvantaged Children's Growth

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





## ■ Supported domestic agricultural and economic initiatives by purchasing onions, rice, and cabbages produced in Taiwan.

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 using actual actions to help farmers with a difficult year, we contribute to Taiwan's agricultural development. In December 2018, we received the 2018 "Assistance for Agricultural Food Product Marketing Corporate Award" from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan.



### 2.3.3 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.



Regarding baseball, MICB not only recruited the national baseball player, Shi-qiang Zhao, and the sports columnist, Guo-zhou Huang, as directors of Mega International Commercial Bank Cultural and Educational Foundation but also actively sponsor sports activities and talents training. Moreover, we cooperated with the Committee of

Baseball in Yilan County, cultivating 7 primary school baseball teams. We have sponsored NT\$3 million for three consecutive years starting from 2017, helping to cultivate these future rising stars. To support national sports development, MICB organized the "Mega Cup Yilan Dream Come True Youth Baseball Championship" at the Lo Tung Baseball Stadium in Yilan County in October 2018 to provide young baseball players with a platform to compete.



As far as archery, the Company has sponsored the Hualian County Yuli Junior High School Archery Team for three consecutive years since 2017. It provided NT\$2 million in training expenses each year 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 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 2018, the Company sponsored Keelung City's 8th Rainy Keelung Cup-Weekend Basketball League, the Santaizi ATP Challenger Tour, 2018 Hualien Probation Basketball, 2018 Meihe and Huaxing OB Game, and TWA 2018 Taiwan Open in hopes of promoting sports exchange through sports events at home and abroad and creating a healthy and positive atmosphere for sports.



As of the end of 2018, the Company and National Taxation Bureau of Ministry of Finance jointly organized "Ministry of Finance Uniform Invoice Cup Road Running" for seven consecutive years. The 2018 Road Running was held at the Ketagalan Boulevard on November 25. The main purpose of the activity is to promote national sports and respond to the government's initiative for encouraging people to request unified invoices after consumption. The Company invited customers and suppliers to take part in the activity, gathering almost 20,000 running enthusiasts, and raising nearly 360,000 invoices, which were donated to the Yu-Cheng Social Welfare Foundation, Living with Hope Organization, Taiwan Kanner Support Group, Genesis Social Welfare Foundation, and Canlove Social Service Association.

## ■ Inviting Customers and Suppliers to Participate in Road Running to Promote National Sports

As of the end of 2018, the Company and National Taxation Bureau of Ministry of Finance jointly organized "Ministry of Finance Uniform Invoice Cup Road

## ■ Promoting National Sports

To promote the development of yoga culture, spread the spirit of yoga to every corner of Taiwan, and teach citizens the health benefits of yoga, the Company sponsored the Chinese Yoga Association in organizing the "2018 International Yoga Day" art performance for 1,051 participants.



## ■ Organized the first Mega Bank Esports Tournament to Increase Taiwan's Visibility to the World

We organized the first Mega Bank Esports Tournament for college students and attracted expert players in 32 highly capable teams from more than 20 colleges. The Company organized the esport 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 increase Taiwan's visibility on the global stage so that the world can view our achievements.



### 2.3.4 Creating Local Art and Culture

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



The Company sponsors a series of art appreciation activities every year to support the development of the local art industry and fulfill the social responsibility. In 2018, MICB organized large concerts in Taipei, Taichung, and Kaohsiung for customers. Our employees also served as volunteers for the concerts. In addition to the Evergreen Symphony Orchestra and Vocal Ensemble, Mandarin and Taiwanese singers and vocalists were invited to perform. The performance included both international and domestic elements with songs selected from operas as well as Taiwanese song mixes and music from films and TV shows which were well received. This has manifested the Company's faith in the full participation in community development as well as the spirit of giving back to society.

#### ■ Sponsoring the 4th Tua-Tiu-Tiann International Festival of Arts in 2018 to Support Local Cultural Development

The Company sponsored 4th Tua-Tiu-Tiann International Festival of Arts in 2018 which was organized by Chiang Wei-Shui's Cultural Foundation, Thinkers' Theatre, Bookstore 1920s and dozens of cultural associations. Featuring a diversity of art programs that combine modern and traditional art to explore the Taiwanese characteristic culture, including 1920s parade, serial seminars, workshops, outdoor markets, and the connection with local resources, the event was expected to inspire thinking through new-generation art integrated with cultural heritage at Tua-Tiu-Tiann.



#### ■ Sponsoring the "2018 Taipei International Choral Festival" of the Taipei Philharmonic Foundation for Culture and Education

In the Taipei International Choral Festival, multiple groups and conductors were invited from countries across the world to provide a wide range of exciting seminars and training courses. It has become the largest choral festival in Asia and an important platform for exchanges between Taiwan and the world. A total of 25 performances were arranged in the concerts in 2018. There were approximately 2,600 performers and 24,000 audience attendances.



## Green Environment

3

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 oil usage, electricity usage, water usage, and carbon emissions by 5% before 2022 from the baseline year of 2017 in order to reduce the impact of operations and services on the environment. In June 2017, Mega International Commercial Bank on Chi-Lin Road (Chi-Lin Building) took the lead to introduce the ISO 14001 environmental management system and passed the certification for the second year in November 2018. Since 2016, 5 office buildings of the Group have obtained ISO 14064-1 greenhouse gas inventory certification statements. As of the end of 2018, 90 locations in northern Taiwan have obtained the inventory certification and the inventory for all locations of the Group is expected to be completed before 2021. In addition to the environmental management framework, the Company has set environmental policies and goals to achieve energy conservation and carbon reduction. In 2018, the Group reduced energy consumption per capita by 4.04%, reduced carbon emissions per capita by 4.06%, and reduced water consumption per capita by 6.05%. With regard to financial services, we also used investments in green bonds, digital accounts, electronic statements, and other green finance services to save approximately 21 million sheets of paper in 2018 to fulfill environmental sustainability. Mega Holdings participated in the CDP Climate Change Questionnaire for the first time in 2018 and received a rating of "B" in Management Level.



3.1 Green Operation	104
3.2 Energy and Greenhouse Gas Management	106
3.3 Water Resources Management	109
3.4 Waste Management	110

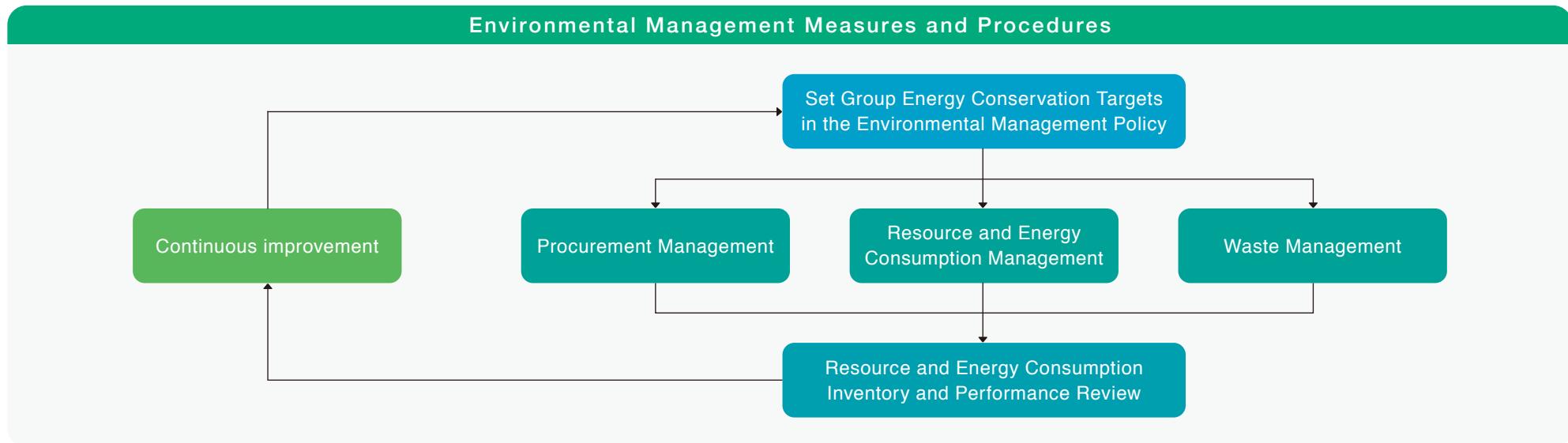


### 3.1 Green Operation

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, 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.

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"> <li>Implement energy conservation and carbon reduction and set carbon emissions reduction targets to reduce energy consumption and improve energy efficiency.</li> <li>Complete ISO 14064-1 greenhouse gas inventory for all domestic branches in 2021, and expand introduction of the ISO 14001 Environmental Management System.</li> <li>Continue to implement green office environment and green services.</li> <li>Introduce training for the identification of material risks and opportunities under the Task Force on Climate-related Financial Disclosures (TCFD) framework.</li> <li>Continue to respond to the CDP Climate Change Questionnaire.</li> </ul>
Supporting green energy	<ul style="list-style-type: none"> <li>Continue to promote green finance and incorporate rigorous ESG review into credit extension principles to help customers fully implement environmental protection and CSR obligations.</li> <li>Continue to purchase renewable energy certificates. The Company plans to invest NT\$260,000 for purchase of renewable energy certificates in 2019. Assess plans for installing solar panels on MICB's buildings to support green energy development.</li> </ul>
Supplier Management	<ul style="list-style-type: none"> <li>Establish the Supplier Corporate Social Responsibility Management Guidelines to implement screening before purchases and signature of the CSR statement to encourage suppliers to jointly promote CSR.</li> <li>Promote green procurement and prioritize the use of products with environmental protection certification.</li> </ul>



## ■ Green Services

### Digital deposit accounts:

Eight sheets of A4 paper are used per contract or application for traditional account opening procedures. MICB launched the digital account (MegaLite) financial service to allow customers to complete account opening online. As of the end of 2018, the service has saved 264,000 sheets of paper.

### A total of 1,665,014 electronic statements for credit cards were successfully mailed in 2018. As each statement requires approximately 2 sheets of paper, the electronic statements, saved approximately 3,330,028 sheets of paper.

### MITC adopted electronic statements:

In 2018, MITC issued a total of 56,658 electronic statements and saved approximately 56,658 sheets of A4 paper.

### In 2018, MS issued a total of 17,354,967 electronic statements and saved approximately 17,354,967 sheets of A4 paper. The Company plans to use the LINE instant communication App and provide options screening, trust fund balance inquiry, and other functions in the Line@ecosphere in 2019.

MBF cooperated with the Taiwan Depository & Clearing Corporation's policy for issuing commercial papers in non-physical form starting from September 2017. It suspended the use of physical commercial papers and adopted a registration system. In 2018, nearly 10% of the commercial papers issued by MBF have been converted to electronic format for issuance. The Company shall continue to cooperate with government policies and promote digitalization in services.

MICB issued a co-branded card with Gogoro, the electric scooter company that strives for energy efficiency and green energy. MICB organized limited sales of exclusive products during the campaign and launched the exclusive vehicle purchase option in 12 separate installments. MICB also prioritizes the purchase of Gogoro electric scooters when replacing company scooters and selects suitable branches to set up battery exchange stations and expand cooperation with the company to contribute to environmental protection.



## 3.2 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.

### Energy Consumption in the last four years (2015 to 2018):

Item	2015	2016	2017	2018	2018 savings rate
Purchased Electricity (kWh)	36,110,514	34,927,418	35,914,120 <small>Note 1</small>	35,937,419	<b>-0.06%</b>
Gasoline (Liter)	522,857	474,529	442,416	432,264	<b>2.29%</b>
Natural Gas (Cubic Meter)	30,631	30,577	28,799	28,549	<b>0.87%</b>
Energy Consumption per Capita (GJ/Person)	17.01	16.40	16.57 <small>Note 1</small>	15.90	<b>4.04%</b>

**Note 1** Related statistics on purchased electricity in 2017 are amended due to the expansion of the scope for statistics.

**Note 2** The calorific value is based on the Calculation was based on the "Heat Content of Energy Products" announced by the Bureau of Energy, Ministry of Economic Affairs. Each kilocalorie is calculated as 4,186 joules.



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



Measures and Performance of Energy Conservation and Carbon Reduction		
Item	2018 Performance	Action Plan
	Gasoline Saving	<p>432,264 liters of gasoline were consumed in 2018, showing a decrease of 10,152 liters or 2.29% compared to 2017.</p> <p>The gasoline consumption was mainly from company cars. The action plan is as follows:</p> <ul style="list-style-type: none"> <li>Video conferences were launched to replace business trips. For necessary business trips, mass transportation was encouraged to avoid the use of gasoline.</li> <li>Eco-labeled cars, hybrid cars, and electric motorcycles were rented as company cars to increase fuel efficiency. As of the end of 2018, 23 hybrid cars were rented.</li> <li>Purchase energy-efficient air-conditioning and lighting equipment and replace inefficient traditional lighting with LED lamps.</li> <li>Implement management of air conditioning facilities, elevators, lights, computers, and printers to effectively reduce electricity consumption.</li> <li>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.</li> <li>Control electricity consumption according to the power conservation plan implemented by Taiwan Power Company.</li> <li>Implement training courses on energy conservation and post energy conservation slogans to save electricity of air conditioning, elevators, computers, and water dispensers.</li> </ul>
	Energy Saving	<p>A total of 35,937,419 kWh of electricity was consumed in 2018 and electricity consumption per capita was reduced by 3.79% which is equivalent to saving approximately 155 kWh of electricity per capita.</p>
	Natural gas savings	<p>28,549 cubic meters of natural gas were consumed in 2018, showing a decrease of 250 cubic meters or 0.87% compared to 2017.</p> <ul style="list-style-type: none"> <li>Respond to environmental protection and introduce green and environmental protection ideals into the employee cafeteria. Replaced existing kitchen equipment and steamers in 2018 with a NT\$200,000 procurement project to improve the efficiency of natural gas usage.</li> <li>Add cold, steamed, or light meals to employees' cafeterias to reduce gas consumption.</li> </ul>



LED energy-saving lighting equipment Settings



Keep indoor temperature no lower than 26°C



Air-conditioning chilled water pipeline replacement



Set electricity environment control system Settings



## ■ 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 initiated the inventory project for 90 locations in northern Taiwan in November 2018 and obtained the certification in April 2019.

Due to the characteristics of the industry, the Company mainly consumes electricity in its operations. In 2018, the carbon emissions per capita of the Group decreased by 4.06% and total carbon emissions was reduced by 47 tons. The total emissions decreased by 0.23% from the previous year. The Company aims to reduce carbon emissions by 1% each year and we shall continue to actively implement energy conservation measures.

### Greenhouse Gas Emissions in the Last Four Years (from 2015 to 2018):

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

Item		2015	2016	2017 Note 2	2018	2018 Compared to 2017
Direct Use of Energy (Scope 1)	Total Emissions from Business Locations (self-declared)	1,289	1,175	1,096	1,035	-5.54%
	Partial Emissions from Business Locations (third-party certification) <small>Note 1</small>	881.32	472.63	631.30	718.84	NA
Indirect Use of Energy (Scope 2)	Total Emissions from Business Locations (self-declared)	19,066	18,442	19,896	19,909	0.06%
	Partial Emissions from Business Locations (third-party certification) <small>Note 1</small>	6,039.04	6,745.66	8,750.51	14,004.90	NA
Total Carbon Emissions (self-declared)		20,355	19,617	20,992	20,945	-0.23%
Emissions Per Capita (self-declared)		2.34	2.26	2.40	2.31	-4.06%
Number of Locations with Third-party Certification		5	10	15	90	75 were added

**Note 1** The certification unit for year 2015-2017 was the Taiwan Branch of British Standards Institution (BSI), while the certification unit for 2018 was SGS Taiwan.

**Note 2** Total emissions from business locations in 2017 are amended due to the expansion of the scope for statistics.



### Mega Holdings Group GHG Inventory Training



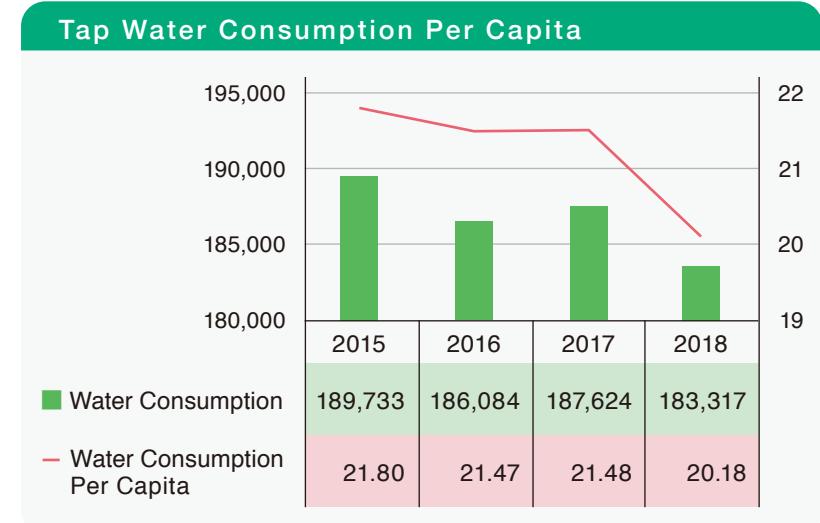
### 3.3 Water Resources Management

Due to the characteristics of the industry, the Company's main water consumption consists mainly of general water consumption for offices. The business locations have worked hard to reduce water consumption and the total water consumption and water consumption per capita have declined since 2015. The water consumption in 2018 declined by 2.30% from 2017 while water consumption per capita declined by 6.05%. The effects were significant. The water consumption in the last four years is as follows:

#### Total Water Consumption from 2015 to 2018 :

Item	Unit: 1,000 Liter				
	2015	2016	2017	2018	2018 savings rate
Water Consumption	189,733	186,084	187,624	183,317	<b>2.30%</b>
Water Consumption Per Capita	21.80	21.47	21.48	20.18	<b>6.05%</b>

- Note**
1. Water sources were from municipal water supplies without the use of groundwater or otherwise. Used wastewater was discharged into sewers.
  2. Water was mainly supplied to employees and air conditioning.
  3. Related statistics in 2017 are amended due to the expansion of the scope for statistics.





### ■ Water Saving Measures

- Use sensor taps and adjust tap flow volume to reduce water flow.
- Use equipment with water conservation labels.
- The water used for cleaning the water tower is reused to clean the air conditioning cooling tower (Phase 1), so as to avoid excessive water consumption during the cleaning. In addition, the water level in the cooling tower is lowered to reduce splashes and reduce the waste of water resources.
- In 2018, tap water consumption usage decreased by 4,307 cubic meters or 2.30% compared to 2017.

### 3.4 Waste Management

As a financial service provider, there is no toxic waste produced during the operation. To implement resource and waste recycling and classification, the Company promotes the awareness among employees 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.



Mega Holdings, MICB, and MBF implemented the "zero personal bin" policy in 2018 to promote the waste reduction program and 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 table below shows general waste (garbage) and recyclable waste (including paper, hardware, plastic, used batteries, and waste fluorescent tubes) of the Company's five main office buildings (Mega Financial Building, Mega Chi-Lin Building, Mega Insurance Building, Mega Securities Building, and Mega Heng-Yang Building). The Company has commissioned cleaning companies to dispose of general waste. Recyclable waste is delivered to qualified recycling plants while general waste is disposed by incineration.





Item	2015	2016	2017	2018
Paper	30,233	47,143	48,556	52,243
Iron/Iron Cans	470	1,017	1,083	596
Bottles/Plastic	889	1,283	1,351	1,255
Used Batteries	52	75	70	132
Waste Fluorescent Tubes	460	733	708	995

Unit: 1,000 Liter

Data coverage:

2015: Mega Financial Building, Mega Heng-Yang Building, and Mega Securities Building.  
2016-2018: Mega Financial Building, Mega Chi-Lin Building, Mega Securities Building, Mega Insurance Building, and Mega Heng-Yang Building.

## 2018 Environmental Protection Awards and Response Measures



### ▶ Outstanding Green Procurement Enterprise

MICB was awarded the Green Procurement Enterprise Award in the "Green Procurement Implementation by Private Enterprises and Associations" by the Department of Environmental Protection, Taipei City Government for green procurement (totaling NT\$64,388 thousand). MICB was invited to the 2018 Taipei City Private Enterprises and Associations Green Procurement and Environmental Protection Mark Achievement Commendation Ceremony.

### ▶ 2018 Taipei City Energy Conservation Leadership Award

MICB received Taipei City Government's highest honor for energy conservation and carbon emissions reduction, the Excellence Award, at the "Taipei City Energy Conservation Leadership Awards".

### ▶ 2018 Taiwan Corporate Sustainability Report Award

Mega Holdings was awarded the Gold Medal in the "2018 Taiwan Corporate Sustainability Report Award" organized by the Taiwan Institute for Sustainable Energy. Mega Holdings produced its first CSR Report in 2013 and will continue to advance corporate sustainability, actively commit to environmental, social and governance (ESG) ideals to fulfill corporate social responsibilities.

### ▶ Responding to the Social Initiative for Switching off Lights

In response to the energy-saving activity held by CityFM, the Company has voluntarily switched off all signboard lights across the Group during 8~9 p.m. on the Mid-Autumn Festival since 2008.



&lt;Appendix 1&gt;

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

Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Information Security and Personal Information Protection	<p>Information security and personal information protection is the key concerned topic of the Company and its subsidiaries. The Company has strived to improve information security and personal information protection and win the trust of shareholders and customers.</p>	<p>The Company has formulated the internal documents and regulations pertaining to information security and increased budgets and staffing for information security. MICB established a dedicated information security unit in June 2018 and the unit manager 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 aims to improve the information security management and governance level and continue to increase investment in personnel and information security equipment. Two subsidiaries of the Company have been certified for ISO 27001 information security management.</p> <p>MICB purchased the "e-commerce and information security liability insurance" with an insured amount of US\$5 million.</p>	<ol style="list-style-type: none"> <li>1. The framework of information security is based on the PDCA cycle (Plan-Do-Check-Act) that maintains effective operation and continuous improvement. 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.</li> <li>2. The Mega Financial Group's budget for information security accounted for 7.2% of the total IT budget. MICB has a total of 14 full-time employees responsible for information security.</li> </ol>	1
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>	<p>Establish 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.</p>	<ol style="list-style-type: none"> <li>1. Subsidiaries establish the Anti-Money Laundering Committee or dedicated unit to take charge of related AML operations. A total of 167 employees are assigned to the AML &amp; FCC Department of MICB.</li> </ol>	2



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Anti-Money Laundering		<p>Based on KYC (know your customer) and CDD (customer due diligence) methods, the Company formulates SOP based on RBA (risk-based approach), risk identification &amp; assessment and risk management; in addition, the Company ranks risks and takes countermeasures based on three indicators including geographical regions, customers, and products.</p>	<p>2. 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.</p> <p>3. Mega Holdings established an information sharing platform for the Group to adopt consistent standards for customers' ML risks.</p> <p>4. As of December 2018, Mega Holdings has organized 11 AML/CFT meetings for the Group to strengthen the supervision of subsidiaries' AML tasks and preparation for APG's mutual evaluations.</p>	
Risk Management	<p>The Company requests subsidiaries to prevent, reduce, and respond to predictable business risk in a systematical 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 adopted by the Board of Directors and related risk management regulations, are incorporated into each subsidiary's risk management policy. The Company adjusts mechanisms timely and continuously strengthens the establishment and the application of software and hardware and the employees' ability to identify, measure, and monitor risks.</p>	<p>The Company has set up the Risk Management Committee to monitor the implementation of its and its subsidiaries' risk management systems. The Auditing Office under the Board of Directors audits business and management units on a regular basis or from time to time to ensure that the three lines of defense for risk management function well.</p> <p>The Company reviews any changes in the capital at risk used by each business activity of each subsidiary on a regular basis and sets the concentration limits for major risks as well as the rules for the allocation of limits.</p> <p>Employees are encouraged to suggest improvements. Those whose suggestions are adopted will be awarded and given bonus points in the annual risk management evaluation.</p>	<p>1. The figures of risk indicators of the Company and its subsidiaries are compiled and followed up on a regular basis; corrective measures for abnormalities are reported to the management.</p> <p>2. Each subsidiary is requested to conduct the risk self-assessment every year and report the result in the meeting of the Risk Management Committee. The performance of each subsidiary's risk management is evaluated at the end of each year. The results of the evaluation shall be included in the subsidiary's business performance evaluation.</p>	3



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
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>	<p>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.</p> <p>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.</p> <p>The Group provides customers with a smooth complaint mechanism, where they may file complaints in writing, by e-mail or by phone.</p>	<ol style="list-style-type: none"> <li>In 2018, MICB's customer satisfaction scored 93.7.</li> <li>In 2018, CKI's customer satisfaction scored 89.1.</li> </ol>	4
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.</p>	<p>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.</p> <p>The Company has established the Rules of Procedure for Board of Director Meetings, which stipulate that the directors shall recuse themselves from proposals involving conflicts of interests in any Board meetings.</p>	<ol style="list-style-type: none"> <li>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, MICB 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.</li> </ol>	5



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Ethical Management		<p>The Ethical Management Committee and the Corporate Social Responsibility Committee under the Board of Directors are responsible for drawing up the ethical management policy and preventive plans and reporting the implementation status to the Board of Directors every year.</p> <p>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.</p>	<p>2. Training courses are organized for directors and supervisors from time to time; the Company also promotes the awareness of ethical management among all employees.</p>	
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"> <li>1. Enhance the capacity for data analysis.</li> <li>2. Improve the capacity for digital customer management.</li> <li>3. Develop innovative digital services.</li> <li>4. Cultivate talent in digital technology.</li> </ol>	<ol style="list-style-type: none"> <li>1. Build the big data system, and integrate business application systems to improve the capacity for data analysis and management.</li> <li>2. Work with a consultant company to enhance the capacity for data analysis and set periodical work plans.</li> <li>3. Actively develop various new services (e.g. mobile payments, biometric identification, loyalty program marketing, digital deposit accounts, LINE official accounts and stickers, and card-free withdrawals).</li> <li>4. Work with the user experience consultant to optimize the interfaces and procedures of personal online banking and mobile banking and redesign the functions on the official website, so as to improve MICB's digital image.</li> </ol>	<p>Global E-banking:</p> <ol style="list-style-type: none"> <li>1. Achievement rate of electronic funds transfer (EFT) in NTD: 116%</li> <li>2. Achievement rate of electronic funds transfer (EFT) in foreign currencies: 124%</li> </ol> <p>Online Banking:</p> <ol style="list-style-type: none"> <li>1. Achievement rate of account opening: 125%</li> <li>2. Achievement rate of electronic funds transfer (EFT): 120%</li> </ol> <p>Mobile Banking:</p> <p>Achievement rate of activation: 142%</p> <p>Digital deposits:</p> <p>Achievement rate of account opening: 330%</p> <p>Taiwan Pay:</p> <ol style="list-style-type: none"> <li>1. Achievement rate of the number of users: 112%</li> <li>2. Achievement rate of the number of merchants: 120%</li> </ol>	6



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Business Performance	Growth and profitability are the basics of business operation. Mega Holdings believes that 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.	<ol style="list-style-type: none"> <li>1. The Board of Directors is the highest decision-maker of the Company's tax risk management policy. The Treasury Department is the Company's tax management unit, which is responsible for reporting tax management progress to the Board of Directors every year.</li> <li>2. Expand the competitive advantage of corporate banking and foreign exchange business and strengthen consumer finance and wealth management.</li> <li>3. Adjust service channels and integrate digital platforms and strengthen business integration among subsidiaries to improve the overall synergy across the Group.</li> </ol>	Continue to improve the business model and profitability. The net profit after tax totaled NT\$28.093 billion in 2018 and the EPS was NT\$2.07. Both were the highest in the most recent three years.	7
Regulatory Compliance	The compliance system is a priority for the Company. In addition to formulating compliance related standards, the Company has set up a reporting system for subsidiaries on material compliance related violations, to manage subsidiaries' compliance related issues in a timely manner.	The Company has established the Guidelines for Compliance System and the Implementation Rules of Compliance System and appointed a Chief Compliance Officer (CCO) to be in charge of compliance. The Legal Affairs and Compliance Department is the compliance unit, which is responsible for the planning, management, and implementation of the compliance system. The CCO reports the implementation of the Company's and its subsidiaries' compliance system to the Board of Directors and the Audit Committee every six months.	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.	8



Material Topics	Management Approach			Priority
	1 Policies and Commitments	2 Actions	3 Evaluation	
Labor-Management Relations	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 Group has five labor unions in total, the Mega Bank Union has 5,298 members, accounting for 83% of the total number of its employees, and the Company's union has 48 members, accounting for 86% of the total number of its employees.	The Company has set up employee complaint channels for employees to provide recommendations for working conditions, environment, health and safety, salary and benefits, human rights and equality, and sexual harassment complaints. There were no complaints in 2018.	9
Corporate Governance	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.	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.  Strengthen the functions of the Audit Committee, Remuneration Committee, Risk Management Committee, and Corporate Social Responsibility Committee.	1. The Company evaluates the performance of the Board of Directors every year and has the performance of the Board of Directors evaluated externally at least every three years. The first external evaluation was conducted in 2018.  2. The result of the evaluation of the performance of the Board of Directors will be the reference for the future election of directors.	10



&lt;Appendix 2&gt;

## Comparison Table for GRI Standards

GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>GRI 101: Foundation 2016</b>				
<b>General Disclosure</b>				
<b>GRI 102: General Disclosure 2016</b>	102-1 Name of organization	About Mega Holdings	5	Products and services have not been prohibited in specific markets
	102-2 Activities, Brands, Products, and Services	About Mega Holdings	5	
	102-3 Location of Headquarters	About Mega Holdings	5	
	102-4 Location of Operations	About Mega Holdings	5	
	102-5 Ownership and Legal Form	About Mega Holdings	5	
	102-6 Markets Served	About Mega Holdings	5	
	102-7 Scale of the Organization	About Mega Holdings	6-7	
	102-8 Information on Employees and Other Workers	2.2.1 Human Resources	78-81	No part-time worker
	102-9 Supply Chain	1.7 Supplier Management	65-66	
	102-10 Significant Changes to the Organization and Its Supply Chain	—		None
	102-11 Precautionary Principle or Approach	1.3 Risk Identification and Control	53-60	
	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)	51	
	102-14 Statement from Senior Decision-maker	From the Chairman of the Board	2-3	
	102-16 Values, Principles, Standards, and Norms of Behavior	1.1.3 Ethical Management	47-48	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>GRI 101: Foundation 2016</b>				
<b>General Disclosure</b>				
GRI 102: General Disclosure 2016	102-18 Governance Structure	Sustainability Vision and Policies 1.1.1 Governance Structure	19 41	
	102-40 Stakeholder Groups	Stakeholder Engagement	22-24	
	102-41 Collective Bargaining Agreements	2.2.5 Human Rights Protection and Communication with Employees	93-94	
	102-42 Identification and selection of stakeholders	Stakeholder Engagement	21-24	
	102-43 Approach to Stakeholder Engagement	Stakeholder Engagement	22-24	
	102-44 Key Topics and Concerns Raised	Stakeholder Engagement	25-30	
	102-45 Entities Included in the Consolidated Financial Statements	About Mega Holdings	5-8	
	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 2017
	102-52 Reporting Cycle	About the Report	4	
	102-53 Contact Point for Questions Regarding the Report	About the Report	4	
	102-54 Claims of Reporting in Accordance with the GRI Standards	About the Report	4	
	102-55 GRI Content Index	Appendix 2 Comparison Table for GRI Standards	118-123	
	102-56 External Assurance	Appendix 3	127-128	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>Material Topics</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	71-75	
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer's privacy or loss of customer's data	2.1.2 Maintenance of Customer Rights	72	
<b>Anti-Money Laundering</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	1.5 Anti-Money Laundering and Counter Terrorism Financing	63-65	
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in social and economic areas	1.5 Anti-Money Laundering and Counter Terrorism Financing	63-65	
<b>Risk management</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	1.3 Risk Identification and Control	53-60	
<b>Non-GRI Specific Topic</b>		1.3 Risk Identification and Control	53-60	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>Protection of Customer Rights and Interests</b>				
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	112-117	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	71-75	
GRI 418: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	2.1.2 Maintenance of Customer Rights	71-75	
<b>Ethical Management</b>				
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	112-117	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	47-48	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	1.1.3 Ethical Management	47-48	
<b>Digital Financial Product Innovations</b>				
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	112-117	
	103-3 Evaluation of the management approach	2.1.2 Maintenance of Customer Rights	71-75	
	Non-GRI Specific Topic	2.1.1 Digital Financial Services	68-71	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>Business Performance</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	Sustainability Vision and Policies	17-18	
<b>GRI 201: Business Performance 2016</b>	201-1 Report the direct economic value generated and distributed	1.2.1 Economic Performance	48-50	
<b>Regulatory Compliance</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	47-48	
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in social and economic areas	1.4 Regulatory Compliance	60-62	



GRI Standard	Disclosure	Corresponding Chapter	Page	Note
<b>Labor-Management Relations</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	2.2.5 Human Rights Protection and Communication with Employees	93-94	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	2.2.5 Human Rights Protection and Communication with Employees	93-94	
<b>Corporate Governance</b>				
<b>GRI 103: Management Approach 2016</b>	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	112-117	
	103-3 Evaluation of the management approach	1.1.3 Ethical Management	47-48	
	Non-GRI Specific Topic	1.1 Corporate Governance	41-48	



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GRI Standard	Disclosure	Corresponding Chapter	Page
Organizational Governance	Decision-making processes and structures	1.1 Corporate Governance	41
Human Rights	Due Diligence	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Human Rights Risk Situations	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Avoidance of Complicity	1.1.3 Ethical Management	47-48
	Resolving Grievances	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Discrimination and Vulnerable Groups	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Civil and Political Rights	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Economic, Social and Cultural Rights	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Fundamental Principles and Rights at Work	2.2.5 Human Rights Protection and Communication with Employees	93-94
Labor Practices	Employment and Employment Relationships	2.2.1 Human Resources	78-81
	Condition of Work and Social Protection	2.2.3 Salary and Benefits	86-88
	Social Dialogue	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Health and Safety at Work	2.2.4 Occupational Safety and Health	88-93
	Talent Development and Training in the Workplace	2.2.2 Talent Development and Cultivation	82-85
Environment	Prevention of Pollution	3 Green Environment	103-111
	Sustainable Resource Use	3 Green Environment	103-111
	Climate Change Mitigation and Adaptation	3 Green Environment	103-111
	Protection of the Environment, Biodiversity, and Restoration of Natural Habitats	3 Green Environment	103-111



ISO 26000 Index			
GRI Standard	Disclosure	Corresponding Chapter	Page
Fair Operating Practices	Anti-corruption	1.1.3 Ethical Management	47-48
	Responsible Political Involvement	1.2.2 Participation in Organizations (Associations)	51
	Fair Competition	1.4 Regulatory Compliance	60-62
	Promoting Social Responsibility in the Value Chain	Stakeholder Engagement	21-30
	Respect for Intellectual Property Rights	1.4 Regulatory Compliance	60-62
Consumer Issues	Fair Marketing, Information and Contractual Practices	2.1.2 Maintenance of Customer Rights	71-75
	Protecting Consumers' Health and Safety	2.1.2 Maintenance of Customer Rights	71-75
	Sustainable Consumption	2.1.3 Responsible Investment and Services	75-76
	Consumer Service, Support, and Complaint and Dispute Resolution	2.1.2 Maintenance of Customer Rights	71-75
	Consumer Data Protection and Privacy	2.1.2 Maintenance of Customer Rights	71-75
	Access to Essential Services	2.1 Customer Service	68-77
	Education and Awareness	2.1 Customer Service	68-77
Community Involvement and Development	Community Engagement	2.3 Community Engagement	95-102
	Education and Culture	2.3.1 Promoting Financial Education	98
	Employment Creation and Skills Development	2.1.3 Responsible Investment and Services	75-76
	Technology Development and Access	2.1.3 Responsible Investment and Services	75-76
	Wealth and Income Creation	2.1.3 Responsible Investment and Services	75-76
	Health	2.3.2 Caring for the Socially Disadvantaged	99-100
	Social Investment	2.1.4 Financial Inclusion	77



### Comparison Table for UN Global Compact

GRI Standard	Disclosure	Corresponding Chapter	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	2.2.5 Human Rights Protection and Communication with Employees	93-94
	Make sure that they are not complicit in human rights abuses.	2.2.5 Human Rights Protection and Communication with Employees	93-94
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.2.5 Human Rights Protection and Communication with Employees	93-94
	The elimination of all forms of forced and compulsory labor.	2.2.5 Human Rights Protection and Communication with Employees	93-94
	The effective abolition of child labor.	2.2.5 Human Rights Protection and Communication with Employees	93-94
	The elimination of discrimination in respect of employment and occupation.	2.2.5 Human Rights Protection and Communication with Employees	93-94
Environment	Businesses should support a precautionary approach to environmental challenges.	3 Green Environment	103-111
	Undertake initiatives to promote greater environmental responsibility.	3 Green Environment	103-111
	Encourage the development and diffusion of environmentally friendly technologies.	1.2.3 Green Finance	51-52
Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	1.1.3 Ethical Management	47-48

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

Item	Corresponding Chapter
Chapter 1 General Principles	Sustainability Vision and Business Strategies
Chapter 2 Exercising Corporate Governance	1.1 Corporate Governance
Chapter 3 Fostering a Sustainable Environment	3 Green Environment
Chapter 4 Preserving Public Welfare	2.1.2 Maintenance of Customer Rights 2.2 Employee Care
Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information	Sustainability Vision and Policies
Chapter 6 Supplementary Provisions	Sustainability Vision and Policies



## &lt;Appendix 3&gt;

## BSI's Independent Assurance Opinion Statement of GRI Standards

## INDEPENDENT ASSURANCE OPINION STATEMENT

## Mega Holdings 2018 Corporate Social Responsibility Report

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

1. The assurance scope is consistent with the description of Mega Holdings 2018 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 2018 Corporate Social Responsibility Report provides a fair view of the Mega Holdings CSR programmes and performances during 2018. 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 2018 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.
- 10 interviews with staff 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 substantially 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 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  
2019-06-11

AA1000  
Licensed Assurance Provider  
000-4



## Certifications



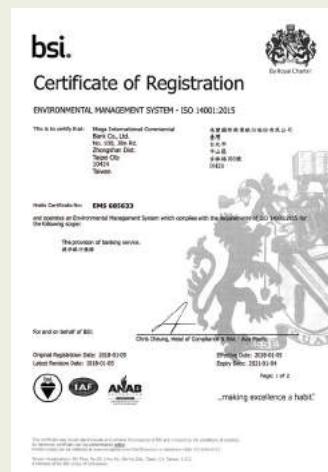
ISO14064-1  
Greenhouse Gas Inventory



ISO27001 Information Security  
Management System



ISO27001 Information Security  
Management System



ISO14001  
Environmental Management System



ISO14001  
Environmental Management System



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