

Corporate Social Responsibility Report 2017

About this Report

Yuanta Financial Holdings continues to actively promote and implement the concepts of Corporate Social Responsibility (CSR), including proactively disclosing CSR-related information on the official Yuanta website and simultaneously uploading to the Taiwan Stock Exchange's Market Observation Post System (MOPS). In this way, we both provide our multiple stakeholders with CSR materials for their reference and inspire more companies to engage in CSR and work with us toward a more sustainable future.

Report Publication

102-51 102-52

Yuanta Financial Holdings issues annual reports on non-financial information and published the Yuanta Financial Holdings 2017 CSR Report in June 2018 (hereafter referred to as "this report"). This report covers the performance of the Group in three dimensions—financial, social, and environmental—as well as the management of the Group and its response to material issues.

Within this report, "the Company" shall refer to Yuanta Financial Holdings, while "the Group" shall encompass all Yuanta Financial Holdings subsidiaries, including Yuanta Securities, Yuanta Bank, Yuanta Life, Yuanta Securities Finance, Yuanta Funds, Yuanta Investment Consulting, Yuanta Futures, Yuanta Venture Capital, and Yuanta Asset Management; and "the Foundation" shall refer to the Yuanta Cultural and Educational Foundation.

The Company issues CSR reports each year in both Chinese and English, all of which can be found for download in the Corporate Social Responsibility section on the Yuanta Financial Holdings website. (<http://www.yuanta.com/tw/IR02/IR0112/>)

Previous report issued: June 2016

Reporting Period

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The information and implemented performance data disclosed in this report is for the year 2017 (1/1/2017-12/31/2017), with some content drawn from before 1/1/2017 or after 12/31/2017 where necessary to ensure complete information on projects and activities.

Scope and Boundaries of this Report

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This report sets organizational boundaries based on consolidated reporting principles, covering Yuanta Financial

Holdings' nine subsidiary companies, while its disclosure scope is primarily focused on Taiwan-based operations and activities. For more detail on the particular scope of the data disclosed, please refer to the notes appended to each table. Environmental performance data currently takes as its primary disclosure location the headquarters of Yuanta Financial Holdings, with some data drawn from Datong Building, Chengde Building operations, and Yuanta Life's newly-occupied headquarters. Greenhouse gas emissions data become increasingly complete as the boundary of the inventory is expanded year by year. Statistical information on staff and workplaces covers the overseas subsidiaries. Regarding social data, in addition to the information on the Group's community investments and finance-friendly services of the subsidiary companies disclosed within this report, the primary scope of information disclosed is the performance of the Yuanta Cultural and Educational Foundation.

All financial figures within this report are calculated in New Taiwan Dollars (TWD). All aspect statistics are calculated in adherence to international standards, including the adopted unit.

Report Writing Principles

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This report has been prepared in accordance with the GRI Guidelines: Core Options. The content of the report is defined around the principles of stakeholder inclusiveness, sustainability context, materiality, and completeness, while its quality is defined by the application of accuracy, balance, clarity, comparability, reliability, and timeliness.

The report also incorporates content in line with the G4 Content Indexes (including the G4 Sector Disclosures—Financial Services), the United Nations' Sustainable Development Goals (SDGs), ISO 26000 guidance on social responsibility, the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of CSR Reports by TWSE Listed Companies,

and the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies. This reflects our commitment to actively keeping pace with international trends in sustainability.

This report is not only in accordance with the GRI Standards, but also based on the spirit of Integrated Reporting laid out by the International Integrated Reporting Council (IIRC), and thus undertakes information disclosures regarding the Company's business model and value creation process.

Report Assurance

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To ensure the reliability of the information disclosed in this report, with the agreement of the Board of Directors, the Company has commissioned a third party, the BSI Group, to conduct assurance. The data and information published in this report have been subjected to verification of inclusiveness, materiality, and responsiveness through the BSI Group's AA1000AS:2008 and GRI Standards. Having been through assurance, this report has been verified as being in accordance with the GRI Standards Core option and AA1000 Type I Moderate Assurance standards. The BSI Group's independent verification report is included in the appendix to this report for detailed reference.

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A Message from the Chairman



This Company's corporate culture is built on the twin principles of establishing the best model of corporate governance and seeking that which is in the best interests of our shareholders. We strive to communicate openly and transparently with stakeholders, and have therefore undertaken the compilation of the Yuanta Financial Holdings 2017 CSR Report. This is the eighth consecutive year that the Company has issued external disclosures through a CSR report. In view of the ever-changing nature of issues of sustainable development in the finance industry, we have reexamined material topics in line with GRI standards and reconvened a "stakeholders forum," verifying the 19 material topics that serve as the focus of this report. At the same time, we have pursued assurance by internationally recognized third parties, thus ensuring our disclosures are an even better fit for the expectations of our stakeholders.

Looking back at 2017, we see that the Company created after-tax net profits of NT\$16.205 billion and profit growth of 21%. In addition, the Company took concrete measures in a number of areas related to sustainable operations and CSR, such as focusing on corporate governance both at home and abroad; combating money laundering and the financing of terrorism; addressing climate change, carbon reduction and energy savings; promoting green finance and financial inclusion through the UN SDGs; and caring for staff. Highlights of these efforts are as follows:

On the corporate governance side, Yuanta Financial Holdings has received the highest honors from organizations and institutions in Taiwan and overseas. The Company was honored by the internationally-renowned finance magazine *The Asset* as a recipient of their Platinum Award for Excellence in Governance, CSR and Investor Relations Benchmarking in Asia. The Company was also selected for inclusion as a constituent stock of the FTSE4Good Emerging Index, a major index in socially responsible investment, and recognized by the Taiwan Stock Exchange as among the top 5% of listed companies in their Corporate Governance Evaluations for the third consecutive year.

With regard to international efforts to combat money laundering and the financing of terrorism, the Company has established three lines of defense in line with the principles of the prevention of financial crimes. In concrete terms, this has included regular reviews by the Legal Compliance Department of the Ministry of Justice sanctions list and the immediate freezing of any and all related accounts whenever a new entry is added to that list. Looking at overseas reinvestment, our compliance unit is responsible for supervising the reporting of overseas compliance units, including updates to regulations, training hours, changes in management, and possible violations and penalties. After review by the main compliance unit, material

matters and potential penalties are reported to the Board of Directors and monitored until resolved. The Company has also established an International Business Office, which is responsible for managing and coordinating overseas business matters, as well as strengthening management by linking with overseas units through regular performance review meetings.

In terms of addressing climate change, carbon reduction and energy saving, the Company has always made the impacts of climate change on the economy, the financial environment, and regulations a focus, actively working to improve our staff's ability to adapt accordingly, reducing potential operating risks to the Company. In 2017, the Company put in place the Yuanta Financial Holdings and Subsidiaries Energy and Climate Change Management Policy and set out environmental sustainability plans accordingly. In addition, in response to the development of a low-carbon economy in the wake of the Paris Agreement, the Company has signed on to the Carbon Disclosure Project (CDP), actively implementing measures to reduce energy consumption and greenhouse gas emissions. Since 2016, the Company has also worked to establish ISO 14001 Environmental Management Systems, ISO 14064-1 GHG Inventory Systems, and ISO 50001 Energy Management Systems. In 2017, nine subsidiaries implemented ISO 14064-1 GHG Inventory Systems and

received assurance from the BSI Group, and in March 2018 the Company went a step further, with all 324 business locations in Taiwan receiving BSI assurance for their implementation of ISO 14064-1.

With the rise of the green economy around the globe, this Company has made a particular effort to categorize the targets of our services and link them to the United Nations' Sustainable Development Goals (SDGs). Through this, we work to contribute to sustainable development through green finance. For example, in August 2017 Yuanta Bank enacted the Yuanta Commercial Bank Credit Business Guidelines, in line with the amended "Encouragement to Banks to Adopt the Equator Principles" issued by the Bankers Association of the Republic of China and the Financial Supervisory Commission. These guidelines set out clearly that "when conducting corporate credit assessments, the bank shall assess whether the prospective borrower is doing their best to protect the environment, pursue integrity management, and uphold their social responsibility." Both the target and purpose of credit are carefully considered, and those which lack social economic value, are not beneficial to the public welfare, or are in contravention of environmental protection or Yuanta policies will not be granted credit.

Regarding the UN's promotion of financial inclusion to eliminate poverty

and facilitate universal access by underprivileged groups, Yuanta Bank has set up accessible ATMs to protect the right to access financial services for groups with special requirements, as well as establishing charitable funds to provide effective assistance to members of underprivileged groups. Yuanta Life also provides "injury micro-insurance" aimed at giving assistance to economically disadvantaged families in the event of major emergencies.

As for staff care, with the acquisitions of Polaris Securities, New York Life, and Ta Chong Bank in recent years, the scale of our business has grown substantially, and while expanding the business, we have strived not only to focus on ensuring our staff know their rights and interests are protected, but also continued to bring outstanding talent from acquired companies into the ranks of the Yuanta Financial Holdings Group. The Company also provides a robust platform for labor-management communication, a comprehensive system of benefits, and a reasonable remuneration policy, all aimed at upholding our responsibilities to all our staff.

To better understand the expectations our staff have of the Company, in October 2017 we conducted the first group-wide employee opinion survey, with 72% of the Group's total staff taking part. Since January 2018, the Group and its

subsidiaries have been holding internal meetings and drafting follow-up action plans aimed at the issues raised by this survey. We anticipate the promotion of some core values and a next-generation employer brand communication plan that will respond appropriately to our staff's expectations and promote the ongoing sustainable development of both the Company and our employees. In the future, we plan to conduct further employee satisfaction surveys on a regular basis and to continue improving the labor-management relationship.

Through this CSR report, we hope to illustrate our efforts and achievements regarding the creation of economic, environmental and social benefits. We welcome input from all corners and will continue to work side-by-side with our stakeholders to uphold our responsibilities as a corporate citizen and create a better tomorrow for shareholders, customers, staff, and society.

Chairman, Yuanta Financial Holdings

Wang Rong-Jou

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2017 CSR Performance Highlights



Corporate Governance



Financial Inclusion & Community Engagement



Economic Performance



Environmental Sustainability



Employee Care



Green Operations



2016

- In January, Yuanta Financial Holdings, Yuanta Securities, and Yuanta Bank received certificates of excellence in the Taiwan Corporate Governance Association's CG6010 (2015) Corporate Governance Systems Evaluation, becoming **the first Taiwanese company** to do so.
- Yuanta Financial Holdings and Yuanta Funds received rankings in the **top 5%** in the second Corporate Governance Evaluations for the second consecutive year.

2016

- Complete deployment of **494** accessible ATMs across Taiwan.
- Yuanta online banking set up an accessible, informative interest and exchange rate services page, earning an **A+ certification** from the National Communications Commission in September 2016 and providing visually impaired people with convenient access to the bank's online financial services.
- A total of **2,647** Yuanta volunteers participated in philanthropic work, **nearly double** that of the previous year.
- Total Value of Charitable Activities Expenses: **NT\$ 51.31 million**.

2016

- Total Assets: **NT\$ 2,162.2 billion**.
- Net income attributable to parent company: **NT\$ 13.414 billion**.
- Acquired Ta Chong Bank in 2016, creating consolidated total banking assets of more than **NT\$1.3 trillion** and market share of 3%.
- With acquisition of Ta Chong Bank, the total number of banking locations grew from 88 to **152**.
- Total Employees: **11,828** people.
- Acquired Hanshin Savings Bank Korea and KKTrade Securities Thailand.

2016

- In late March, Yuanta Financial Holdings earned ISO 14001 Environmental Management Systems certification, while **9 subsidiary companies also completed implementation**.
- Yuanta Securities and Yuanta Funds completed implementation of ISO 10464-1 and received assurance; Yuanta Bank completed implementation of ISO 50001 and received assurance.
- Required all 330 suppliers to include an environmental sustainability and human rights commitment in their procurement contracts, achieving a completion rate of **100%**.
- Recognized by the Taipei City Government as a Benchmark Business for Green Purchasing for **six consecutive years**.
- For **five consecutive years** the Environmental Protection Agency of the Executive Yuan has issued certificates of appreciation for outstanding performance in the promotion of environmental protection and implementation of green purchasing.

2016

- Yuanta e-Academy Training: **359,474** students.
- Yuanta Employee Stock Ownership Plan (ESOP) Meeting: **8,145** participants.
- Taking the lead in the industry with regard to launching group pension annuity policies to protect the future retired lives of staff.

2016

- Financing in the green energy industry reached **\$ 16.4 billion**, or **31.57%** of total financing.
- December 2016: Yuanta Securities' Yeswin, Point of Hope, and Action Point of Hope platforms accounted for **13.61%** of all orders across the platforms, far ahead of others in the industry.

2017

- 2017 The Asset - **Platinum Award** for Excellence in Governance, CSR, and Investor Relations Benchmarking
- 2017 Wealth Magazine Finance Award for **Financial Holding Companies with Excellence in CSR**
- Selected as a **new constituent stock in the FTSE4Good Emerging Index**.
- Yuanta Financial Holdings and Yuanta Funds received rankings in the **top 5%** in the third Corporate Governance Evaluations for the third consecutive year.

2017

- Over 20,000** Yuanta volunteers participated in philanthropic work; the foundation invested total of 10,974 volunteers that over triple than the previous year.
- Total Value of Charitable Activities Expenses: **NT\$ 61.21 million**.
- Recognized by the Ministry of Education with a **Crystal Award for Donations Supporting Education**.
- Honored as an "**Exemplary Social Welfare Group**" by the Social Affairs Bureau of the Kaohsiung City Government
- Recognized as an organization of excellence for blood donation for **two consecutive years** by the Ministry of the Interior

2017

- Total Assets: **NT\$ 2,273.6 billion**
- Net income attributable to parent company: **NT\$ 16.205 billion**, growth **21%**
- Acquisition of part of the equity of Vietnam's No. 1 Securities Co., Ltd. After the completion, Yuanta held **99.95%** of the total shares.
- January 1, 2018** Yuanta Bank and Ta Chong Bank officially completed the merger.

2017

- ISO 14064-1: In March 2018, all **324** business locations of Yuanta Financial Holdings and its 9 subsidiaries received BSI assurance.
- Recognized by the Taipei City Government as a Benchmark Business for Green Purchasing for **seven consecutive years**, and for **six consecutive years** the Environmental Protection Agency of the Executive Yuan has issued certificates of appreciation for outstanding performance in the promotion of environmental protection and implementation of green purchasing.
- 2017 **Taipei City Energy Saving Leader Award**: in recognition of environmental management in 2016 and outstanding performance in energy-saving (savings of 340,000 degrees / year, a power saving rate of **6.04%** amounting to savings of about **NT\$ 1.2 million**).

2017

- Total employee training hours reached 480,018 hours, an increase of **79%** over that of the previous year.
- The "Yuanta Family Day" events throughout Taiwan were attended by a total of **more than 10,000 employees**, family members and volunteers.
- The participation rate of the first employee opinion survey reached **72%**.
- Focus on staff's mental and physical balance and awarded the **Taiwan iSports honor** by the Sports Administration.

2017

- Underwriting for 13 IPO/SPO companies with operations related to the concept of sustainable development goals, with an underwriting amount of approximately **\$6.7 billion**, or **55%** of the total underwriting amount in 2017.
- Loans to entities with operations related to the concept of sustainable development goals was **\$118.3 billion**, or approximately 41% of the total loan amount of Yuanta Bank.
- The financing amount of "5 + 2" key industries reached **\$62.89 billion**.

Key Performance Index

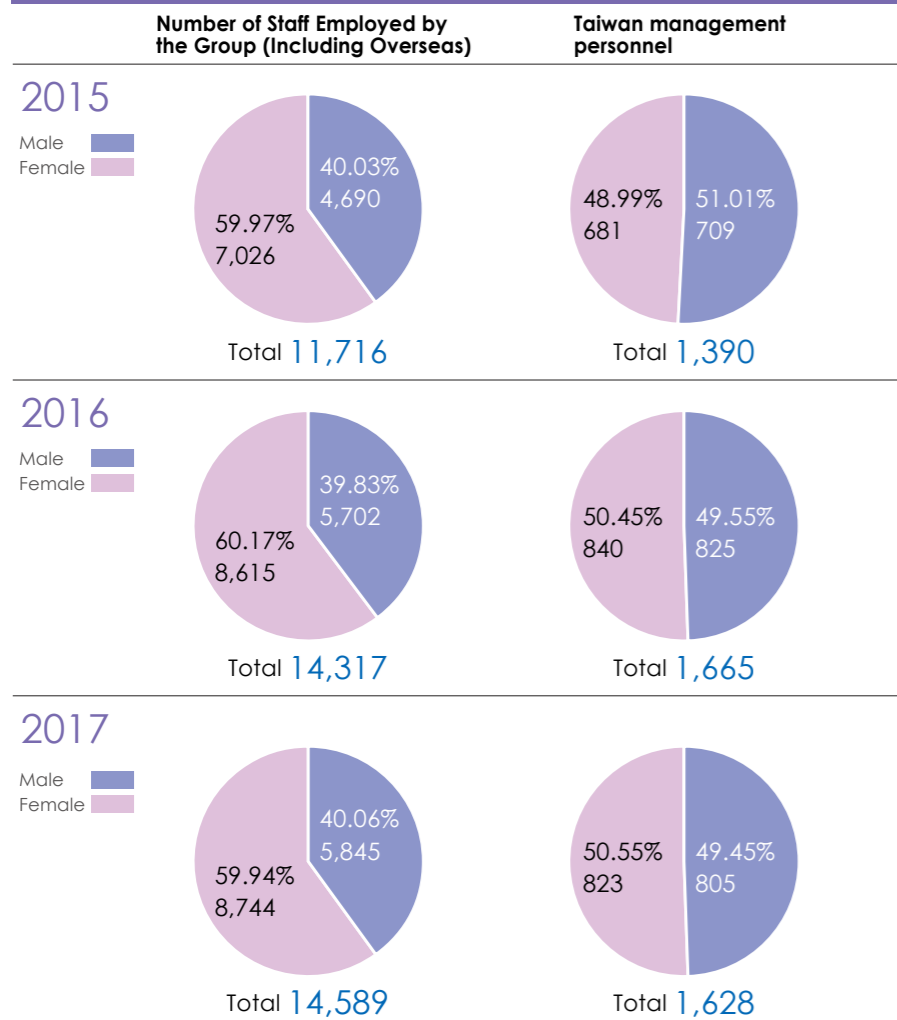
Units: NT\$ thousands

Financial Performance

		2015	2016	2017
Direct Economic Value	Net Interest Income	15,844,344	19,620,866	23,058,279
	Net Non-Interest Income	53,946,804	64,819,920	70,726,639
Economic Value Distributed	Operating Costs	38,698,909	48,312,539	50,147,763
	Employee Remuneration and Welfare	17,843,112	19,145,958	23,081,525
	Donations to Government Agencies	34,856	50,503	55,002
	Academic Donation Fund	3,271	3,720	4,020
	Social Philanthropy	91,331	74,490	81,164
	Political Contributions	-	-	-
	Others	0	74,370	352,057
Economic value retained	Dividends and Interest	4,325,818	5,365,642	6,492,536
	Income Tax Expenses	1,119,115	2,478,983	2,559,332
		7,674,736	8,934,581	11,011,519

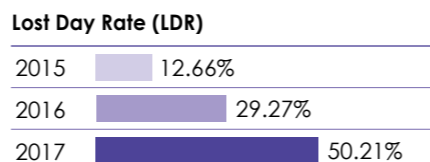
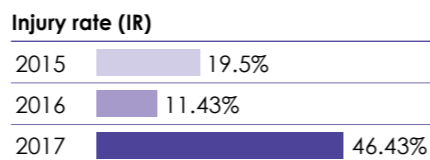
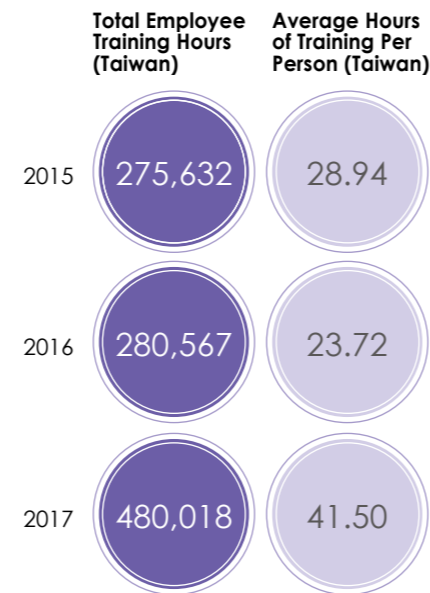
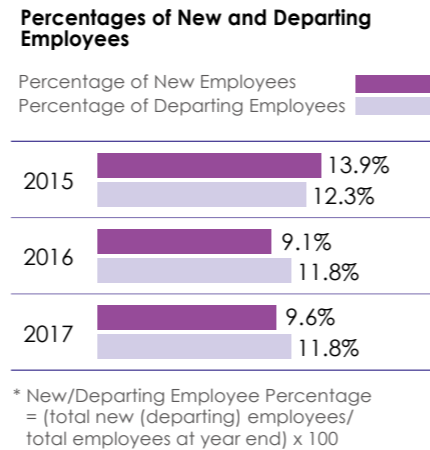
* Operating costs do not include employee salary, benefits, donations, etc.
* Economic value retained = Direct Economic Value - Economic Value Distributed

Human Capital



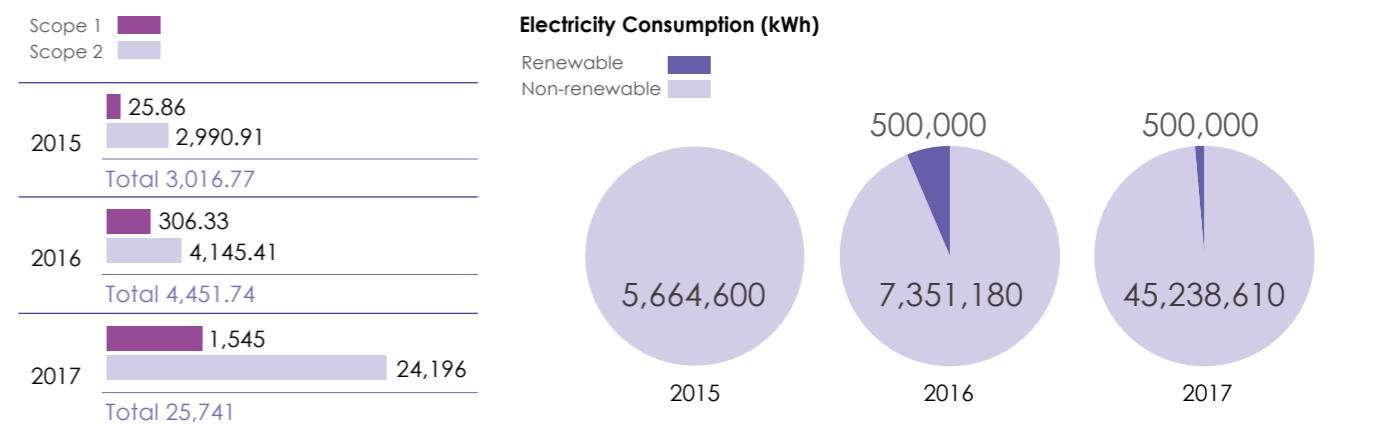
* Employment types include irregular contract and regular contract employees.
* In order to consider special business attributes, adjust the basis for the calculation of the number of life subsidiary companies, excluding project cooperation and sales personnel, and life insurance sales personnel.
* Management personnel are responsible for management and signing authority (division chief or above).

Human Capital



* Injury rate (IR) = (Total No. of People Taking Leave for Work-related Injury or Sickness / Total Annual Working Hours) x 1,000,000. Number of people in each injury incident is 1.
* Lost Day Rate (LDR) = (Total Days Lost to Incapacitating Injury / Total Annual Working Hours) x 1,000,000.

Energy and Climate Change



* The information for 2015 covers the Financial Building.
* The information for 2016 covers Yuanta Financial Holdings, Yuanta Securities and Yuanta Funds.
* The information for 2017 has expanded to the 324 business locations of Yuanta and its 9 subsidiaries, including the Financial Building.
* In 2018, all 324 business locations of Yuanta Financial Holdings and its 9 subsidiaries receive BSI assurance for their implementation of ISO 14064-1.

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Products and Services that Benefit the Environment

	2015	2016	2017
Fund size (NT\$)	812,375,059	859,203,879	699,660,694
Net Value (NT\$)	7.54	8.12	8.9
Performance	5.95% (3 years)	18.04% (2 years)	9.61% (1 year)
Yuanta Global Utility Fund			
Fund size (NT\$)	534,777,199	470,662,391	469,138,790
Net Value (NT\$)	10.67	10.53	13.26
Performance	10.32% (3 years)	24.27% (2 years)	25.93% (1 year)
Emerging Markets ESG Strategy Fund			
Percentage of Branches Providing Western Union Services	86.75%	86.75%	86.84%
Western Union Remittances as a Proportion of Total Annual Remittances	38.61%	30.77%	22.18%
Western Union Inward/Outward Currency Remittance Totals (Thousands of US Dollars)	179,248	179,829	202,504

Charity Contribution



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About Yuanta

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Yuanta Financial Holdings was established on February 4, 2002, is based in Taipei City, Taiwan, and is a comprehensive financial services firm with dominance in securities investment services. The Group carries out its business primarily in the Taiwan region, however in recent years it has gradually begun expanding operations in the Greater China area, setting up in Hong Kong, Shanghai, Beijing, and Shenzhen, as well as expanding into Korea in Northeast Asia, and ASEAN markets including Vietnam, Cambodia, the Philippines, Indonesia, Myanmar and Thailand. In the Taiwan market, the Company occupies a leading position in a range of securities-related businesses across juridical person and individual commercial banking. Through integration, mergers, and

synergies of our subsidiaries, we have been able to create a financial group with operations in securities, banking, life insurance, securities finance, futures, investment trusts, investment consultancy, venture capital, and asset management.

As of December 31, 2017, Yuanta Financial Holdings held a 12.40% share of the Taiwan securities brokerage business market, a 21.71% share of the futures market, and NT\$343.5 billion of public placement funds (14.7% market share), in each case earning a number one position among its industry peers. Yuanta's investment banking business is also one of the market's major leaders, and has enjoyed the long-term affirmation of both domestic and international investors.

Yuanta Financial Holdings is committed to solidifying our core and driving growth in a more comprehensive growth and development strategy, deepening our operations in Taiwan, and strengthening our presence in the international market. The targets of the Group's services include both individual and juridical persons in need of financial services including investment, wealth management, and debt management. By gradually creating a robust presence across the Asia-Pacific region, we are working toward our goal of becoming the region's best financial services provider. Looking ahead to 2018, the Company will continue to solidify its core competitiveness with the backing of excellent asset quality and risk control capabilities.

Highlights of Yuanta Financial Holdings' Financial Performance in 2017

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Profit Growth

21%

Consolidated Net Operating Income

NT\$ 93.785 billion

EPS

NT\$ 1.37

After-Tax Net Profits for Parent Company

NT\$ 16.205 billion

ROE

7.85%

Double Leverage Ratio

113.32%

Dividends

NT\$ 6.493 billion

Yuanta Financial Holdings Subsidiaries

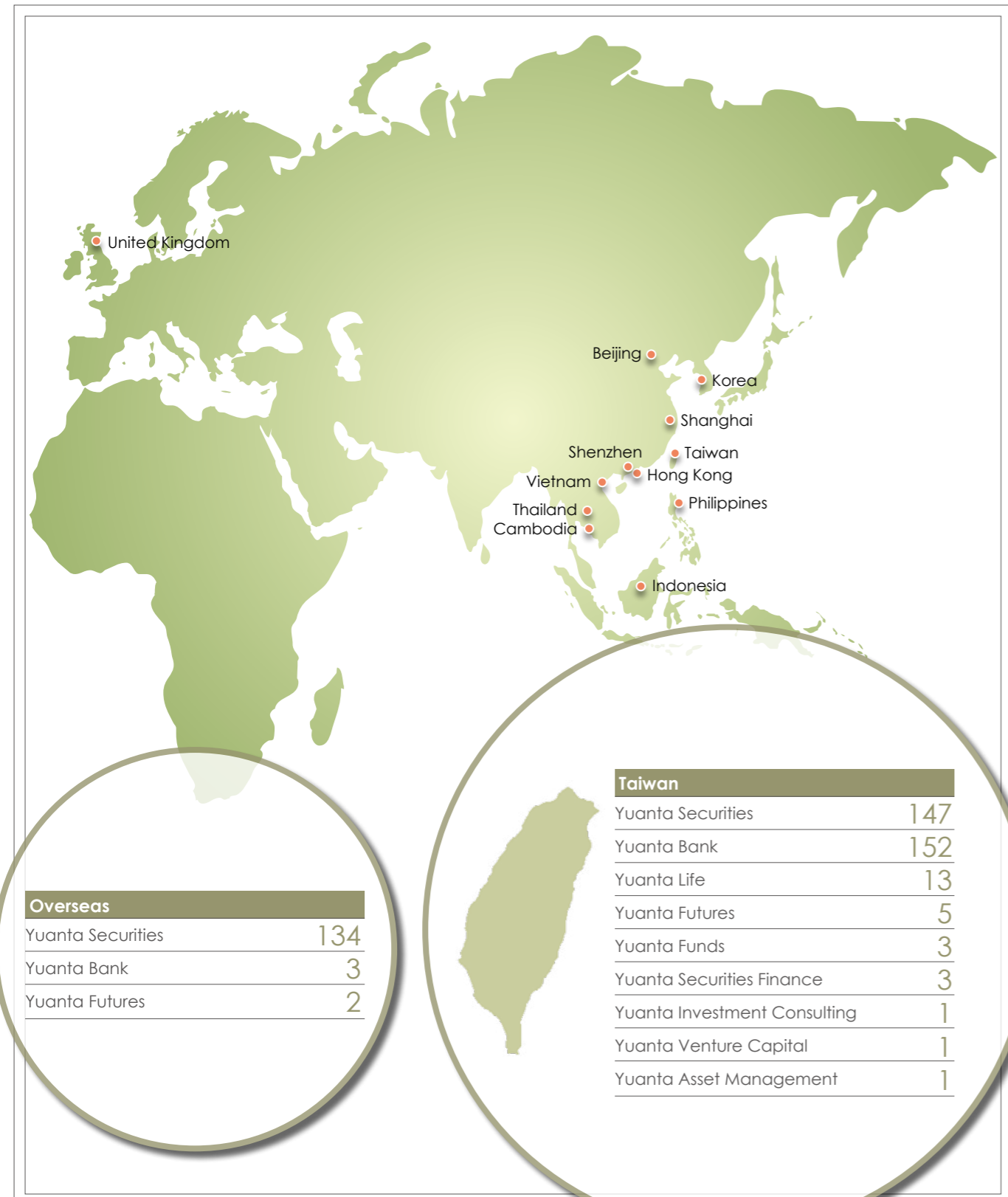
Yuanta Securities	Yuanta Bank	Ta Chong Bank	Yuanta Life	Yuanta Futures	Yuanta Funds	Yuanta Securities Finance	Yuanta Investment Consulting	Yuanta Venture Capital	Yuanta Asset Management
Business Content									
Brokerage, investment banking, financial derivatives, credit trading, fixed income instruments, wealth management, stock transfer agency, electronic commerce	Consumer finance, corporate finance, wealth management, trusts, financial products, online banking, mobile finance	Consumer finance, corporate finance, wealth management, trusts, financial products, online banking, mobile finance	Life insurance, injury insurance, health insurance, disability insurance products, products for the aged, micro-insurance products, investment-oriented products	Futures brokerage, international/domestic futures and options, new financial products	Issuing domestic and international equity, bond, balanced, combination, real estate securitization, asset securitization, index, exchange trade, high-yield bond, and futures trusts funds; private equity funds; discretionary investment business; offshore fund master agency	Margin trading, collateral refinancing of secured loans	Strategic, industrial, and case analysis, and quantitative research products; provision of detailed analytical models of all stocks studied; handling of discretionary accounts	Primarily companies in startup and expansion phase; secondarily mature companies	Sale of non-performing loans of financial institutions, disposition, integration, consulting, foreclosures
Operating income (NT\$ thousand)									
18,866,538	14,742,757	5,742,971	42,677,025	2,887,768	2,500,679	730,947	206,688	172,815	417,609
Net profit after tax (NT\$ thousand)									
8,025,674	6,743,007	(661,259)	(159,195)	873,286	1,001,405	2,089,011	489	11,311	258,864
EPS (NT\$)									
1.47	1.58	(0.18)	(0.15)	3.76	4.41	5.22	0.03	0.05	1.83

3-1 Worldwide Locations

Yuanta Financial Holdings has strong roots in Taiwan; as of December 31, 2017, we had a total of 147 securities locations (including the head office and branch locations) and 152 bank branches in Taiwan, with operations across Taiwan and employing approximately 10,800 financial services professionals to provide our customers with a full range of financial services. Additionally, in recent years Yuanta Financial Holdings has focused on overseas development; currently, the Group has 139 locations abroad and is gradually moving toward becoming a truly regional financial institution.

Operating Locations
 Taiwan **326** Overseas **139**

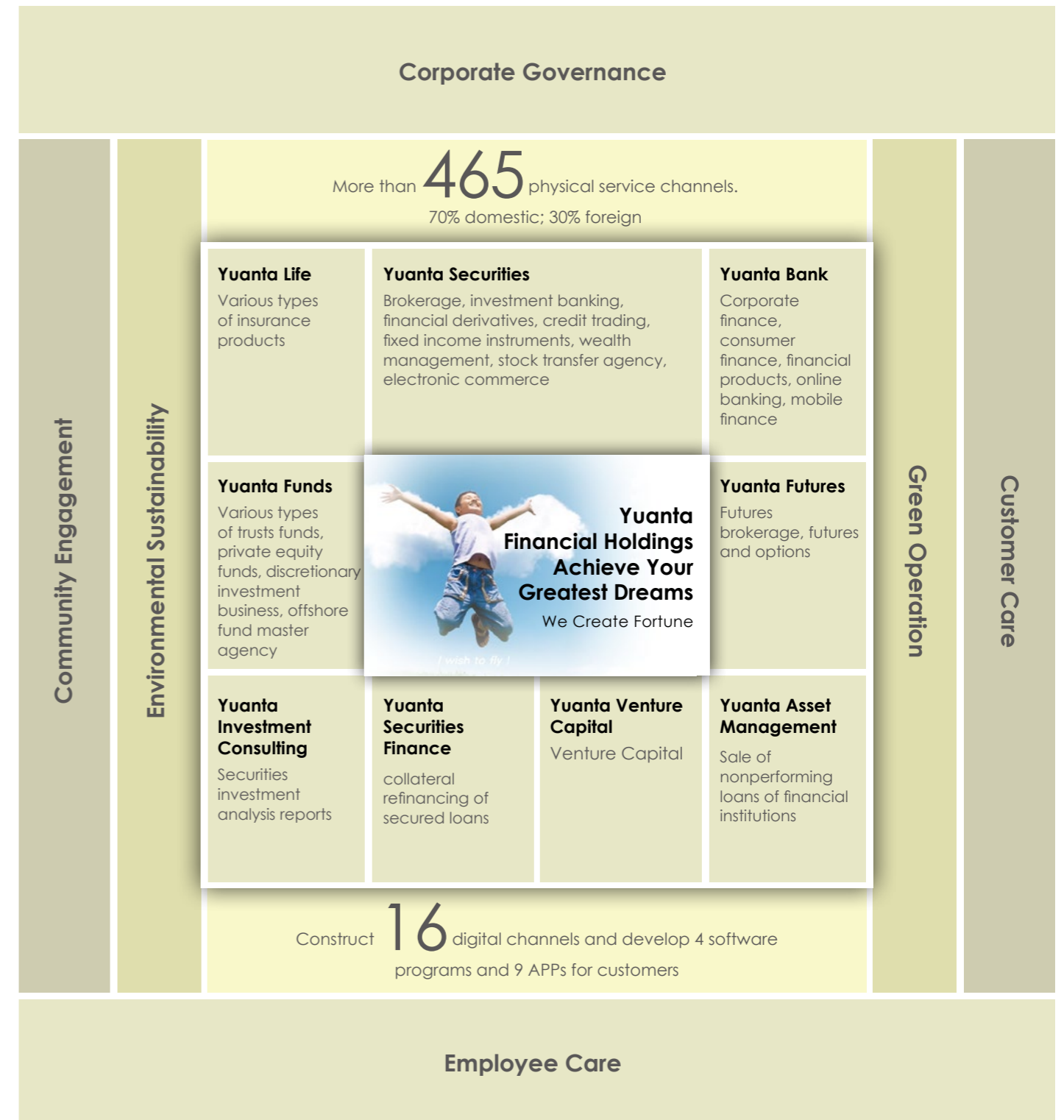
Operating Locations 102-4 102-7



3-2 Business Model

Creating Sustainable Value 102-2 102-5

Our founding values and core mission are expressed in the slogans "We Create Fortune" and "Achieve Your Greatest Dreams." Working across nine sectors of the industry—securities, banking, life insurance, futures, investment trusts, investment planning, securities finance, venture capital, and asset management—we provide the most complete and comprehensive financial services. At the same time, we strive to integrate concepts of corporate social responsibility into our work, establishing management models built around sustainable development and a framework of corporate governance, client care, green operations, staff care, environmental sustainability, and social engagement. Together with our stakeholders, we aim to create value and make dreams come true.



(Over 10,463,998 clients, 2% corporate and 98% individual)

Focusing on the Most Material Topics

Our material issues are at the same time focused on the concerns of stakeholders and the future success factors of the Group. These sustainable themes drive our strategic planning, resource allocation and action plans, enabling Yuanta Financial Group to strive towards a sustainable development vision.



3-3 Global Outlook

We live in a complex and ever-changing age. The global political and economic situation, changes in science and technology, the evolution of laws and regulations, and changes in the natural environment, not only affect overall economic development, but also drive dramatic changes in the financial industry. Building on the core of our operations, the Yuanta Financial Holdings Group takes a macro view of future developments, seeks insight into the environment, and engages with risks and opportunities.

Operating Environment	Digital Information	Responsibilities of the Financial Industry	Talent
<p>Global political and economic trends</p> <p>Risk</p> <p>Changes in global political and economic power, national policies, and trade strategies all have their own macroeconomic impacts, which in turn effect changes in exchange and interest rates and create uncertainty in the wider market.</p> <p>Response</p> <p>Please see "Corporate Governance" section P.32</p>	<p>Digital services and consumer behavior patterns</p> <p>Risk</p> <p>The integration of digital technology with financial services gives consumers access to new user experiences and builds trust. Client relationships and customer stickiness both impact the future choices of clients.</p> <p>Response</p> <p>See "Customer Care" section P.42</p>	<p>Combating financial crime</p> <p>Risk</p> <p>The finance industry plays a vital role in preventing money laundering and the financing of terrorism, and as such, we work closely with governments to maintain order in international society.</p> <p>Response</p> <p>Please see "Corporate Governance" section P.35</p>	<p>Talent management and development</p> <p>Risk</p> <p>Developing the skills of current and future staff helps the Company more quickly adapt to the challenges it faces now and will face in the future.</p> <p>Response</p> <p>See "Employee Care" section P.65-67</p>
<p>Regulatory changes</p> <p>Risk</p> <p>Supervisory mechanisms of competent authorities both at home and abroad, as well as changes in legislation, have an impact on operating mechanisms and their efficiency.</p> <p>Response</p> <p>Please see "Corporate Governance" section P.36</p>	<p>Cyber security</p> <p>Risk</p> <p>The protection of personal information and prevention of hacking are both fundamental infrastructural elements of digital services and at the very foundation of maintaining customer confidence in financial services.</p> <p>At the same time, we must maintain normal operations and avoid the potentially severe consequences of market disorder.</p> <p>Response</p> <p>See "Customer Care" section P.47</p>	<p>Sustainable finance</p> <p>Risk</p> <p>Achieving sustainable development goals requires the financial support of the financial industry and the integration of ESG assessments across financial institutions to demonstrate the corporate social responsibility of the financial industry.</p> <p>Response</p> <p>See "Green Operations" section P.50-51</p>	
<p>IFRS updates</p> <p>Risk</p> <p>Every update to the International Financial Reporting Standards has a profound effect on financial statement presentation and the measurement of value.</p> <p>Response</p> <p>Please see "Corporate Governance" section P.36</p>			

4

Material Topics Identification and Management

4-1 Stakeholder Engagement

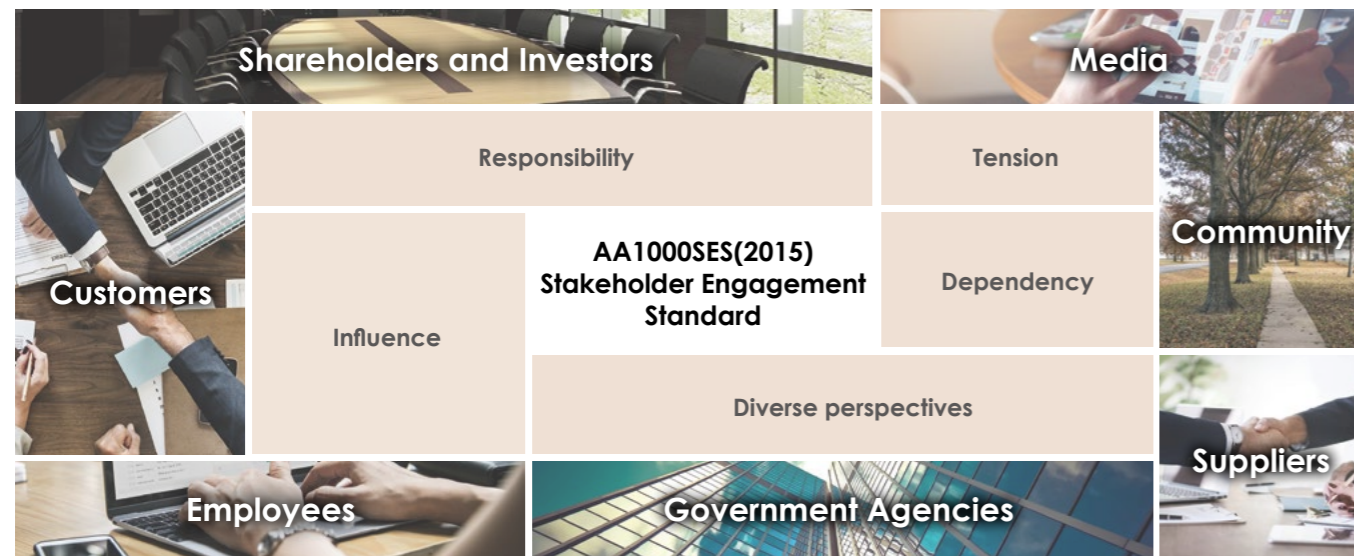
Integrating corporate social responsibility into business strategy is the source of Yuanta Financial Holdings' ability to create future competitiveness. In the process of doing this, the Group must proactively and extensively seek to understand the needs of stakeholders and continually respond to them. This report is one way in which

we do that, providing those stakeholders with a better understanding of the impact of the Group's activities on the economic, environmental and social fronts.

To understand the needs and concerns of stakeholders, the Yuanta Financial Holdings Center for the Promotion of Corporate

Social Responsibility not only makes reference to the experience of our various departments and finance industry peers, but also identifies stakeholders based on the AA1000SES (2015) Stakeholder Engagement Standard.

Methods for Identifying Stakeholders 102-40 102-42 102-43



Channels for Communication and Complaints

To facilitate stakeholders' timely communication with the Company and improve the supervisory function of the Board of Directors and Audit Committee, Yuanta Financial Holdings continuously works to strengthen communication channels with stakeholders. In addition, we hope that through the provision of a range of communication channels, the Company will be able to collect feedback from stakeholders on the issues they are concerned with.

- 2007**
 - Introduced the Rules of Comments and Complaints to the Audit Committee by Stakeholders
 - Established a mailbox for stakeholders and staff suggestions or complaints to the committee under the "Audit Committee" section of the website with persons designated to handle any complaints that may be filed
- 2015**
 - Established an "Investor Services" subsection within the "Investor Relations" section of the website,
 - Established "Stakeholder Engagement" subsection under the "Corporate Social Responsibility" section.
- 2018**
 - In order to establish an effective communication channel with interested parties and communicate with interested parties to help us understand global corporate responsibility trends, issues, and opportunities, we set out to create a new stakeholder questionnaire on Yuanta Financial Holdings' website, which will officially launch in 2018.

Issues of Concern, Methods, and Channels in Stakeholder Communication 102-44

Shareholders and Investors	Communication Objective	Issues of Concern	Communication Methods and Channels	Communication Frequency
<ul style="list-style-type: none"> • Top 10 shareholders and directors • Ordinary shareholders • Institutional shareholders • Foreign shareholders • Public shares • Credit rating agencies 	Two-way communications are conducted through annual participation in conference calls and one-on-one meetings with institutional investors both domestically and overseas. Not only does this enable institutional investors to get a better understanding of the Company's long-term development strategy and an overview of the business and financial situation, it also helps the Company gather institutional investors' suggestions and ideas and transmit relevant suggestions to decision makers as a reference for use in consideration of the company's future strategic direction.	Operational performance Shareholder equity Corporate governance Integrity management Brand image Transparency of information disclosure Legal compliance ESG information disclosure	<ul style="list-style-type: none"> • Maintain English and Chinese websites with "Investor Relations" sections • Convene annual shareholder meeting • Hold bidirectional communication meetings with institutional investors • Participate in domestic and foreign investor conferences • Receive credit ratings • Issue annual reports and CSR reports • Disclose the latest information on the company website and Market Observation Post System 	Regularly Annually Occasionally Occasionally Annually Annually Occasionally
<h4>2017 Communication focuses and performance</h4> <ul style="list-style-type: none"> • As of the end of December 2017, Yuanta Financial Holdings had participated in four overseas investment forums and one investment forum held in Taipei. The Group held more than 100 communication meetings with analysts and investors, including both one-on-one and group meetings, as well as conference calls and more. • In June 2017, Yuanta Financial Holdings was chosen as a new member of the FTSE4Good Emerging Index, highlighting the Group's ranking among the top tier of companies in international appraisals of performance in corporate governance and social responsibility. 				

Customers	Communication Objective	Issues of Concern	Communication Methods and Channels	Communication Frequency
<ul style="list-style-type: none"> • Current Customers (including underwriting clients, stock transfer agent customers, and agents of the four major government funds) • High net worth customers • Potential customers • General public • Financial Ombudsman Institution 	<p>Provide more comprehensive products to satisfy customer needs. Provide more diverse, convenient services.</p> <p>Combine a more diverse range of issues and methods to capture client attention and increase stickiness.</p> <p>Help customers to understand the risks they face and the costs they must bear before they use financial products and/or services, reducing the potential for future disputes.</p>	Service quality Customer rights Risk management Brand image Information security Privacy protection Innovative financial products	<ul style="list-style-type: none"> • Set up customer service and complaints line in "Stakeholder Engagement" section • Set up customer service center and provide dedicated customer service and online service mailbox • Develop online service and mobile service app • Hold investment and financial seminars, lectures, and forums • Conduct customer satisfaction surveys • Hold project activities • Provide electronic newsletters and a variety of investment research reports 	Regularly Regularly Regularly Annually Annually Annually Daily and monthly
<h4>2017 Communication focuses and performance</h4> <ul style="list-style-type: none"> • Customer Service Center: Served a total of 1.7 million people (including Securities, Yuanta & Ta Chong Banks, Life Insurance, Futures, and Funds). • Financial Management and Investment Activities: A total of 4,183 (including Securities, Yuanta & Ta Chong Banks, Life Insurance, and Futures). • As the first implementation of our concept of combining finance with the cultural creative industries, we converted one of our branches into Taiwan's first "finance and culture space". • This space was then used to host a series of 10 charity performances, not only raising some NT\$28 million, which was donated to 10 social welfare organizations in dire need of funding, but also accumulated millions of views through being livestreamed on the Facebook fan pages of company subsidiaries. • To help clients understand the applications of FinTech, we produced a series of educational FinTech videos and exhibitions to increase clients' willingness to make use of digital channels. 				

Employees

- Current employees
- Departed employees
- Campus interns (potential employees)

Communication Objective

Communicate with staff, listen to staff opinions and needs, and communicate with staff about relevant company policies, including education and training, workplace safety, legal compliance and professional ethics, and performance appraisals. Strive for unity of purpose throughout the organization to facilitate the joint creation of success.

In order to attract outstanding future talent, help students understand the current status of the financial industry and make informed career choices.

Issues of Concern

Training and development
cultivation of talent
Workplace health and safety
Employee benefits
Employee communication channels

Communication Methods and Channels

- Conduct employee opinion surveys
- Use the "Yuanta e-Academy" learning platform to promote digital learning
- Conduct management and professional training courses
- Convene labor-management meetings
- Set up ESOP and retirement fund supervisory committee
- Organize employee social club activities
- Send electronic newsletters with important information
- Use "Yuanta University Talent" fan page as a platform for campus communication and talent recruitment
- Set up a staff complaints mailbox in the Stakeholder Engagement section of the website, as well as establishing internal communication channels for employees

Communication Frequency

Annually
Regularly
Regularly
Quarterly
Regularly
Regularly
Regularly
Regularly
Regularly
Regularly

2017 Communication focuses and performance

- The Yuanta Financial Holdings Group conducted staff opinion surveys from October 23 through October 30, 2017. These surveys were built around four aspects, namely staff engagement, operational development, organizational operations, and work experience, covering 18 items. A total of 72% of the staff took part, and when the results came out in mid-December, we found that Yuanta Financial Holdings surpassed the norms of the finance industry in 14 items, including engagement and willingness to remain with the Company.
- Through dedicated Facebook fan pages and internship matching pages on the official website, we help students better understand both Yuanta and the internship opportunities available. We have worked with 14 schools to provide lessons and have been invited by 25 schools to give some 35 specialist talks, as well as taking on internship cooperation with 35 schools and providing five schools with site visits. Through this, we have shared our knowledge and experience with 3,296 students.

Government agencies

- Financial Supervisory Committee
- Ministry of Finance, Ministry of Economic Affairs, Ministry of Labor
- Securities and Futures Bureau, Banking Bureau, Insurance Bureau, Investigation Bureau, Department of Labor
- Taiwan Stock Exchange, Taipei Exchange
- Securities and Futures Institute, Fair Trade Commission
- Taipei City Government and related agencies

Communication Objective

Through regular and occasional feedback through surveys by the competent authorities and the stock exchange, we are able to ensure we meet relevant requirements and strengthen our management capabilities. At the same time, we respond to the exchange's requests for information on major announcements and the release of major information in order to clarify media reports.

Issues of Concern

Carbon reduction and energy savings
Greenhouse gas inventory
Green procurement
Transparency of information disclosure
Credit monitoring mechanism
Business auditing systems
Legal compliance

Communication Methods and Channels

- Establish and maintain effective coordination with the relevant authorities through dedicated liaison channels
- Cooperate with the competent authorities on relevant supervision and inspections
- Participate in meetings and seminars with the competent authorities, providing timely advice and promoting financial literacy education
- Disclose the latest information on the company website and Market Observation Post System
- Participate in governmental evaluations
- Two-way communication through official documents
- Issue CSR reports

Communication Frequency

Regularly
Occasionally
Occasionally
Occasionally
Regularly
Occasionally
Annually

2017 Communication focuses and performance

- In 2017, the company had no violations of the Taiwan Stock Exchange's regulations relating to information reporting, material information, or press conferences.

Suppliers

- Subcontractors
- Contract Manufacturers
- Buyers

Communication Objective

All suppliers are able to understand the requirements of Yuanta Financial Holdings with regard to environmental protection and human rights, and we work together with these vendors to promote concepts of CSR.

Issues of Concern

Integrity management
Green procurement
Fair pricing and contracts
Supplier management
Human rights and equality

Communication Methods and Channels

- Draft procurement management approach
- Establish procedures for acquisition or disposal of assets
- Prioritize procurement of environmentally and socially friendly products
- Request the signing of an integrity management commitment and incorporate CSR terms into contracts for further promotion of both integrity management and CSR
- Occasionally hold case communication & negotiation meetings and contracting negotiation meetings

Communication Frequency

Regularly
Regularly
Regularly
Regularly
Occasionally

2017 Communication focuses and performance

- Regular interaction with suppliers, total of 120 successful renegotiation sessions with 90 suppliers participating in 2017
- Regular review of supplier compliance, including regular annual inspections, revealing an overall compliance of 100%

Community

- Residents of areas around operating locations
- Community residents
- NPOs and NGOs

Communication Objective

Business and society have a relationship characterized by coexistence and joint prosperity. Through our philanthropic platform, we strive to adhere to the concepts of charity and fulfillment, helping people realize their dreams, change their lives, and pursue happiness. At the same time, this helps others better understand the Yuanta Financial Holdings Group and our ongoing efforts to deliver endless positive energy to Taiwan.

Issues of Concern

Community care
Charitable donations
Promotion of the arts
Conservation activities

Communication Methods and Channels

- Participate in public organizations and associations
- Issue annual results and CSR reports
- Hold and support social welfare, academic, artistic, and environmental activities
- Hold press conferences
- Hold investment and finance education seminars
- Charitable blood donations
- Care and concern for the community and the underprivileged
- Contributions for the public good

Communication Frequency

Regularly
Annually
Occasionally
Occasionally
Occasionally
Annually
Occasionally
Regularly

2017 Communication focuses and performance

- Charitable, academic, cultural and environmental events held by the Foundation: 482 events, with 10,974 volunteers.
- We work with legal and educational organizations to promote anti-drug education through the "Saving Faust Project." In 2017, this project visited 123 schools across Taiwan, with a total audience of 65,954 people.
- The "Dreams Take Flight" plan has awarded some 774 people Yuanta Scholarships over the past seven years, including 57 college freshmen.
- Honored by Ministry of Education with a Crystal Award for Donations Supporting Education and a Silver Award for Donations Supporting Education; honored by Social Affairs Bureau of Kaohsiung City Government as an exemplary "Social Welfare Group."

Media

- Electronic, print, online media
- Specialist finance media

Communication Objective

To create a good media relationship and establish a smooth communication channel so that the media can fairly report the operating dynamics of Yuanta Financial Holdings to the public.

Issues of Concern

Operational performance
Innovative financial products
Legal compliance

Communication Methods and Channels

- Publish press releases, hold press conferences, and engage in advertising
- Hold meetings on emergencies

Communication Frequency

Occasionally
Occasionally

2017 Communication focuses and performance

- Yuanta Financial Holdings was awarded the Excellence in CSR by a Financial Holdings Company Award in the Wealth Magazine Finance Awards for the second consecutive year
- Yuanta Financial Holdings held 19 press conferences.

4-2 Identifying Material Topics

Yuanta Financial Holdings Annual Identification of Material Topics

2015

For the first time, GRI G4 served as a reference for the identification of material topics by the members of the Center for the Promotion of Corporate Social Responsibility, helping members identify the 25 material topics to be disclosed in the CSR Report.

2016

A "Stakeholders Forum" was held for the first time. From the conclusions drawn, the Company learned that the 25 material topics identified covered all stakeholder concerns.

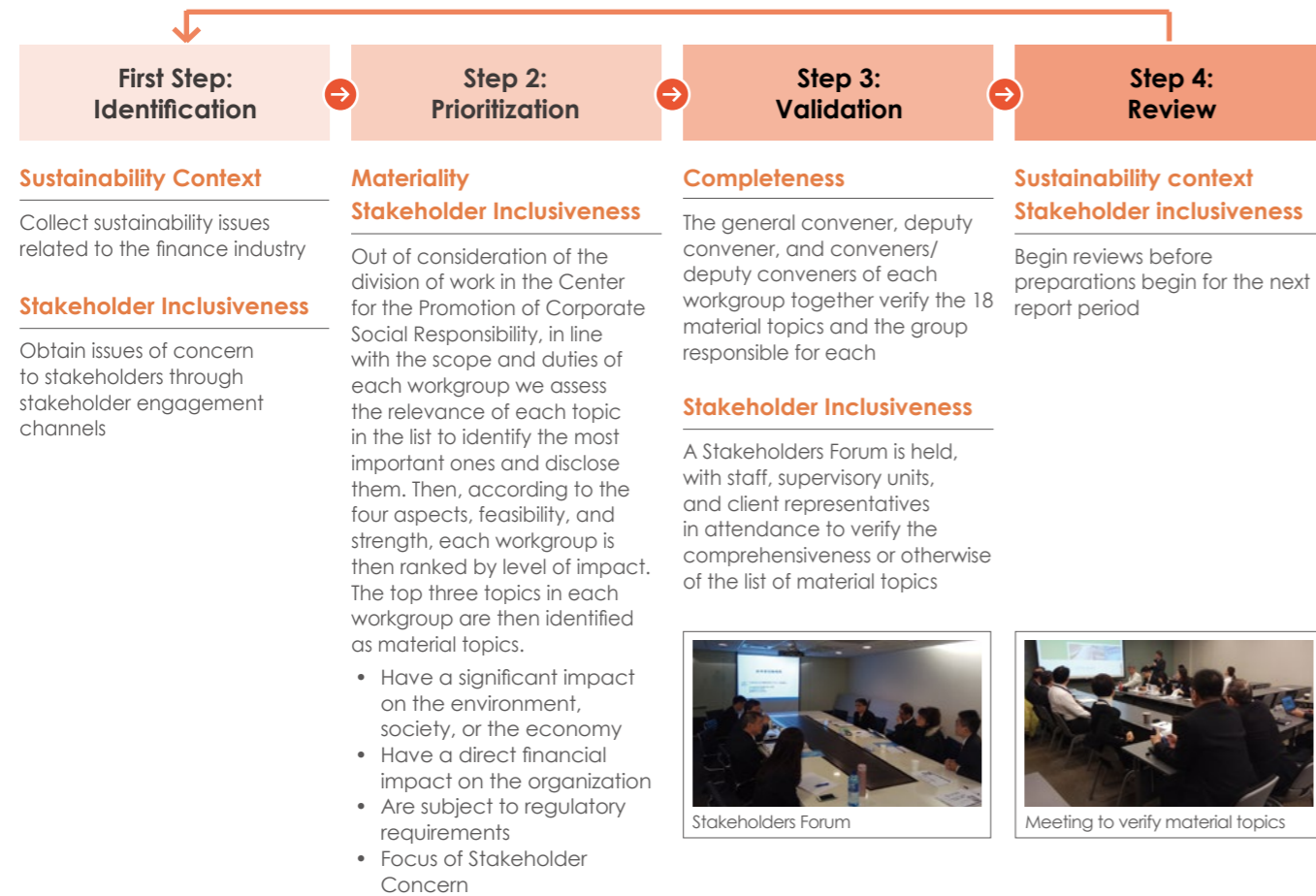
2017

The Company continued to address these 25 material topics and further follow the GRI guidelines. Through material topics DMA discussion meetings, topics were adjusted from 25 to 20.

2018

In view of the ever-changing nature of the issue of sustainable development in the finance industry, to faithfully express Yuanta Financial Holdings' commitment to issues of materiality, issues were re-identified using the GRI guidelines and another Stakeholders Forum was held, identifying the 18 material topics that serve as the focus of this year's report.

Material Topics Identification Process



Through the above-mentioned procedures for identifying material topics, we are able to determine the topics that are to be covered in the content of the year's report and the boundaries of their potential impact. The list of material topics is shown below:

Prioritizing Material Issues	Sequencing	Corresponding Material Topic	Management Approach & Disclosure	Scope of Main Conflicts
Corporate governance and economy	1	Economic performance	GRI 103 - GRI 201-1	Yuanta Financial Holdings, subsidiaries and foundations, shareholders and investors, government agencies
	2	Anti-money laundering and counter-terrorism	GRI 103	Yuanta Financial Holdings, subsidiaries and foundations, customers, government agencies
	3	Compliance and audit	GRI 103 - GRI 419-1	Yuanta Financial Holdings, subsidiaries and foundations, government agencies

Prioritizing Material Issues	Sequencing	Corresponding Material Topic	Management Approach & Disclosure	Scope of Main Conflicts
Product liability	1	Customer relationship management	GRI 103	Yuanta Financial Holdings, subsidiaries and foundations, customers
	2	Customer privacy	GRI 103 - GRI 418-1	Yuanta Financial Holdings, subsidiaries and foundations, customers
	3	Marketing and labeling	GRI 103 - GRI 417-3	Yuanta Financial Holdings, subsidiaries and foundations, customers
Financial industry attributes	1	Integration of environmental, economic and social factors into credit risk analysis	GRI 103 - FS 7 - FS 8	Subsidiaries and foundations, shareholders and investors, customers
	2	Integration of environmental, economic and social factors into asset management and investment advisors	GRI 103 - FS 7 - FS 8	Subsidiaries and foundations, shareholders and investors, customers
	3	Financial inclusion	GRI 103 - FS 14	Yuanta Financial Holdings, subsidiaries and foundations, shareholders and investors, customers
Environment	1	Climate change	GRI 103 - GRI 302-1 - GRI 305-1 - GRI 305-2	Yuanta Financial Holdings, subsidiaries and foundations
	2	Procurement and supplier environmental assessment	GRI 103 - GRI 308-1 - GRI 414-1	Yuanta Financial Holdings, subsidiaries and foundations, suppliers
	3	Environmental compliance	GRI 103 - GRI 307-1	Yuanta Financial Holdings, subsidiaries and foundations, government agencies
Employees	1	Labor-management relations (employment)	GRI 103 - GRI 401-1 - GRI 401-3 - GRI 402-1	Yuanta Financial Holdings, subsidiaries and foundations
	2	Talent management and development	GRI 103 - GRI 404-1 - GRI 404-3	Yuanta Financial Holdings, subsidiaries and foundations
	3	Occupational health and safety	GRI 103 - GRI 403-2	Yuanta Financial Holdings, Subsidiaries and Foundations
Society	1	Charity	GRI 103 - G4 Sector Disclosure—Financial Services) G4-EC 1	Yuanta Financial Holdings, subsidiaries and foundations, community, media
	2	Cultivate Taiwan's financial talent	GRI 103	Yuanta Financial Holdings, subsidiaries and foundations, community
	3	Corporate image	GRI 103	Yuanta Financial Holdings, subsidiaries and foundations, community, media

4-3 Center for the Promotion of Corporate Social Responsibility

Sustainable development has become an issue that every enterprise and citizen must face from the three aspects of the environment, society and economics. In order to strengthen this concept and the focus which the company places on it, Yuanta Financial Holdings established the "Center for the Promotion of Corporate Social Responsibility" in 2011 based on the seven implementation guidelines of the CSR policy, and is divided into seven functional workgroups, which manage Yuanta's CSR-related projects so that each project can be executed effectively.

To strengthen the operations of the Center, the company adjusted the organizational structure of the Center through a resolution of the 7th term Board of Directors in 2016, and improved its overall level of centrality. The main responsible units of each group also increased their sense of participation. The cooperation between the business divisions and personnel of the relevant subsidiaries was also made smoother. The working meetings they previously convened at least once every six months were changed into quarterly meetings, with additional meetings as needed to immediately conduct follow-up action and quality verification. Additional functional workgroup meetings also push for amendments to CSR-related regulations based on practical experience, reporting to the convener, as well as reporting to the board of directors on CSR systems and achievements each year. Any amendments to regulations or changes to organizational structure must be passed by the board of directors. All these ensure that the management and implementation of our CSR policies are effective. In 2017, in addition to occasional reporting on the development of CSR-related systems and the effectiveness of implementation to the board of directors, as well as reporting on the CSR issues of concern to the independent directors, the Center reported the relevant progress reports and improvement measures for each unit.



Development Blueprint

Yuanta Financial Holdings has developed its sustainability by establishing a sustainable operations management and service model, which includes providing more diverse financial products, greener financial services, and comprehensive customer care. By spurring an increased focus on sustainability issues through cooperation with our partners, we hope to create sustainable financial services and become an international benchmark for

sustainable enterprise. In 2016, the Group began working on the Group Sustainable Development Strategy Blueprint, covering Yuanta Financial Holdings' short, mid, and long-term development directions and scope. This year, 2017, is an important year for reviewing the goals set for 2016 and discussing the direction for subsequent adjustments. Progress on the implementation of the various goals will be presented in Chapter 5.

In the future, in response to the continuing development of international sustainability issues and the growing focus on sustainability by both the Taiwanese government and local enterprise, the Center's goal is to consolidate the extant systems and organization of the Group, draft more refined plans, and work toward greater sustainability competitiveness.

Yuanta Financial Holdings' Group Sustainable Development Vision

The Group actively works to communicate with stakeholders. Throughout the business process, we strive to be open, fair, and transparent as we deal with social issues like labor rights and human rights and environmental issues like climate change and biodiversity.

Through sustained long-term communication and a strict adherence to both domestic and international legal standards and codes of conduct, we aim to provide secure products and services to help solve problems. At the same time, we commit fully to promoting societal efforts toward sustainable living, hoping to become an international benchmark for sustainability.

Short-Term

Development Scope:

Yuanta Financial Holdings, Securities, Bank, and Life

Development Direction:

- Drafting of mid-/long-term integrated strategies
- Establish working groups
- Focus on key points and action plans

Mid-Term

Development Scope:

Yuanta Financial Holdings Group

Development Direction:

- Systematically promote and implement action plans
- Raise international attention to sustainability performance

Long-Term

Development Scope:

Yuanta Financial Holdings Group and Suppliers

Development Direction:

- Transfer and expand model projects
- Share results, values, and experience

Record of Meetings of the Center for the Promotion of Corporate Social Responsibility in 2017

First Working Meeting	2017 . 04 . 12	The contents of the resolution track the progress of and make adjustments to the work reports of each workgroup
Second Working Meeting	2017 . 06 . 27	The agenda was successfully implemented: "Environmental Sustainability Group's Third Stage Project" and "Amendment to the Corporate Social Code Provisions"
Third Working Meeting	2017 . 09 . 26	Successfully promoted: "Dow Jones Sustainability Index Project" and "Printed Environmental Assessment"
Fourth Working Meeting	2017 . 12 . 26	Explain the employees' online education and training for CSR

Long-Term Goal for Yuanta Financial Holdings

- Continue promoting CDP and ongoing gradual improvement in CDP evaluation results through continuing review of corporate carbon-reduction strategies
- Collect information on latest selection processes, schedule, and evaluation criteria for DJSI component stocks
- Develop and draft norms or policies considered important by DJSI ratings
- Become a top-10% ranking company in the industry with regard to economic performance in three aspects of sustainable operations: economy, society, and environment

The Center for the Promotion of Corporate Social Responsibility

Convener: Executive Vice President of Yuanta Financial Holdings Deputy Convener: Vice President and Chief Administration Officer of Yuanta Financial Holdings				
	Major duties	Primary unit	Short-Term	Mid-Term
Corporate Governance Group	<ul style="list-style-type: none"> Transparency of financial management and information disclosure Promoting corporate governance Corruption prevention Establishing communication methods and channels for investors Fulfilling tax obligations. Establishing reasonable internal procedures for corporate donations 	<ul style="list-style-type: none"> Corporate Planning Dept. Financial Management Dept. Internal Auditing Dept. Risk Management Dept. Human Resources Dept. Institutional IR Dept. Administration Dept. Compliance Affairs Dept. 	<ul style="list-style-type: none"> Elevating the position of the Center for the Promotion of CSR to directly under Board of Directors Adding stakeholder questionnaire 	
Employee Care Group	<ul style="list-style-type: none"> Education and training related to corporate social responsibility Establishing appropriate human resources management practices and procedures. Maintaining employees' rights and providing relevant information. Setting up effective programs of career development and training. Establishing communication methods and channels for employees Maintain employees' working safety 	<ul style="list-style-type: none"> Human Resources Dept. Administration Dept. Each subsidiary 	<ul style="list-style-type: none"> Carrying out staff satisfaction surveys and disclosures 	<ul style="list-style-type: none"> Strengthening employee benefits program
Environmental Sustainability Group	<ul style="list-style-type: none"> Establishing environmental management systems (including measures related to water conservation, carbon reduction, and greenhouse gas reduction). Purchasing office supplies and equipment with low energy consumption and green power. Proper disposal of waste Reusing and recycling energy-consuming items Supplier management Green procurement 	<ul style="list-style-type: none"> Administration Dept. IT Dept. Each subsidiary 	<ul style="list-style-type: none"> Promoting ISO 14001 systems and certification of Yuanta Financial Holdings and its subsidiaries Introducing ISO 14064-1 certification and ISO 50001 systems and certification in subsidiary companies Establishing energy management policies and implementation plans Drafting appropriate climate change response and management principles for Yuanta Financial Holdings Supplier management and evaluation Expanding the number and range of green purchases CDP filing and researching short-term carbon reduction and energy saving action plan Undertake to purchase green electricity 	

	Major duties	Primary unit	Short-Term	Mid-Term
Green Operations Group	<ul style="list-style-type: none"> Promoting green operations Developing green credit, green products and responsible investment Promoting services and products with environmental and social benefits. 	<ul style="list-style-type: none"> Corporate Banking Division Digital Development Division Corporate Planning Dept. Each subsidiary 	<ul style="list-style-type: none"> Having Securities' ordering system use green electricity Setting up green machine rooms Evaluating draft policies relating to promotion of green finance Launching and promoting green finance Implementing green finance talent development plan 	<ul style="list-style-type: none"> Implementing solar energy branch Implementing carbon footprint and water footprint banks Combining digital finance and carbon neutrality to create branches with zero carbon emissions and digital services Planning carbon footprint and carbon neutrality certification for ordering system services Signing up to the Equator Principles
Community Engagement Group	<ul style="list-style-type: none"> Promoting cooperation and exchanges of domestic and foreign academic research institutions and individuals. Providing awards and assistance to relevant research and outstanding young students at home and abroad Planning and holding academic seminars, talks, and conferences Organizing various events oriented toward culture, education, and social welfare. Promoting volunteer service programs. 	<ul style="list-style-type: none"> Yuanta Cultural & Educational Foundation Administration Dept. Each subsidiary 		<ul style="list-style-type: none"> Increasing the number of volunteers and the number of volunteer service hours Encouraging staff to organize volunteer teams and serve the community
Customer Care Group	<ul style="list-style-type: none"> Handling customer complaints Protecting customer information Maintaining customer rights 	<ul style="list-style-type: none"> Corporate Planning Dept. Compliance Affairs Dept. IT Dept. Administration Dept. Each subsidiary 	<ul style="list-style-type: none"> Comprehensively implementing customer satisfaction surveys and integrating all subsidiaries' customer survey procedures according to uniform and consistent standards. 	
Corporate Affairs Group	<ul style="list-style-type: none"> Formulating and reviewing CSR policies and management systems Regularly collecting CSR information on the setting of regulations, the effectiveness of their implementation, and the operating status of each functional workgroup. Disclosing CSR information. Preparing CSR reports Maintaining CSR information on the corporate website. Communicating CSR information with the media. 	<ul style="list-style-type: none"> Administration Dept. Institutional IR Dept. Compliance Affairs Dept. Legal Affairs Dept. IT Dept. 	<ul style="list-style-type: none"> Strengthening disclosures and timely updating of the CSR website 	<ul style="list-style-type: none"> Establishing a CSR report information management system and strengthening internal control mechanisms for CSR management and information

4-4 Participation and Membership in Domestic and International Committees and Initiatives

102-12 102-13

Company Name	Participation in Public Associations and Initiatives	Participation
Yuanta Financial Holdings	Bankers Association of Taipei	<ul style="list-style-type: none"> Member representative The chairman of the board of directors serves as the association's chairman
	Chinese National Association of Industry and Commerce, Taiwan	<ul style="list-style-type: none"> Member representative
	Taiwan Corporate Governance Association	<ul style="list-style-type: none"> Member representative
Yuanta Securities	Taiwan Securities Association	<ul style="list-style-type: none"> Member representative The chairman of the board of directors serves as the association's deputy chair; another few dozen managers also participate in the association's current 22 committees and 4 project groups in various positions. Of these, 3 serve as conveners and secretaries for committees, 3 as deputy conveners for committees and 1 as convener for a project group, and 18 as members of committees and 2 as project group members.
	R.O.C. Bills Finance Association	<ul style="list-style-type: none"> Member representative
	Trust Association of the R.O.C.	<ul style="list-style-type: none"> Member representative. Serving as an executive director. Serving as a member of 2 committees
	Securities Investment Trust & Consulting Association of the R.O.C.	<ul style="list-style-type: none"> Member representative
	Chinese National Futures Association	<ul style="list-style-type: none"> Member representative
	Financial Planning Association of Taiwan	<ul style="list-style-type: none"> Member representative
	Securities Analysis Association, Chinese Taipei	<ul style="list-style-type: none"> Member representative
	Public Company Transfer Agency Association of the R.O.C.	<ul style="list-style-type: none"> Member representative
	Taipei Foundation of Finance	<ul style="list-style-type: none"> Full Member
	Accounting Research and Development Foundation	<ul style="list-style-type: none"> Full Member
	Taiwan Corporate Governance Association	<ul style="list-style-type: none"> Member representative Participating in corporate governance evaluations
Yuanta Bank	Taiwan Securities Association	<ul style="list-style-type: none"> Member representative
	R.O.C. Bills Finance Association	<ul style="list-style-type: none"> Member representative
	Trust Association of R.O.C.	<ul style="list-style-type: none"> Member representative Participant in the Custodian Bank Group, Cash and Securities Group, Common and Collective Trusts Group, and Securitized and Real Estate Trusts Group Serving as supervisor. Member, Finance & Taxation and Management Training Committees.
	Bankers Association of the Republic of China	<ul style="list-style-type: none"> Serving as a member of International Finance Committee Serving as a member of Risk Management Committee Serving as a member of Electronic Payment Committee
	Bankers Association of Taipei	<ul style="list-style-type: none"> Serving as a member representative (17th-session advisor)
	The Insurance Agency Association of the Republic of China	<ul style="list-style-type: none"> Serving as a member representative for Northern Region
	Insurance Anti-Fraud Institute	<ul style="list-style-type: none"> Member representative
Yuanta Life	Chinese Insurance Service Association	<ul style="list-style-type: none"> 2 Member representatives
	The Non-Life Insurance Association of the Republic of China	<ul style="list-style-type: none"> 3 Member representatives and serving on several subcommittees
	Life Insurance Management Institute of the Republic of China	<ul style="list-style-type: none"> Member representative
	Insurance Society of the Republic of China	<ul style="list-style-type: none"> 2 Member representatives
	Actuarial Institute of Chinese Taipei	<ul style="list-style-type: none"> Full Member
	Insurance Industry Death and Injury Rate Research Committee of the Taiwan Insurance Institute	<ul style="list-style-type: none"> Member representative.

Company Name	Participation in Public Associations and Initiatives	Participation
Yuanta Futures	American Association of Futures (FIA) Asia Association	<ul style="list-style-type: none"> Member
	Taiwan Futures Exchange	<ul style="list-style-type: none"> Serving as a director Serving as a member of the Trading Committee
	Chinese National Futures Association	<ul style="list-style-type: none"> Serving as deputy vice president Serving as convener of Cross-Strait Affairs Committee Serving as members of various business committees (the Brokerage Committee, the Proprietary Trading Committee, the Consultancy Committee, the Cross-Strait Affairs Committee, the Management Affairs Committee, the Trusts Business Committee, the International Affairs Committee, the Auditing and Legal Compliance Committee, the Disciplinary Committee, the Finance Committee, the Education and Training Committee)
	National Association of Small & Medium Enterprises R.O.C	<ul style="list-style-type: none"> Standing supervisor
	Taiwan Neihu Technology Development Association	<ul style="list-style-type: none"> Serving as deputy chairman
	Taiwan Financial Consultant Certification Association	<ul style="list-style-type: none"> Committee
	Taipei Foundation of Finance's FinTech Ecosystem Research and Development Association	<ul style="list-style-type: none"> Member
Yuanta Funds	Securities Investment Trust & Consulting Association of R.O.C.	<ul style="list-style-type: none"> Serving as supervisor
	Pension Fund Association R.O.C.	<ul style="list-style-type: none"> Serving as director
	Chinese National Futures Association	<ul style="list-style-type: none"> Member
Yuanta Securities Finance	Bankers Association of Taipei	<ul style="list-style-type: none"> Member representative Serving as director
	Taiwan Corporate Governance Association	<ul style="list-style-type: none"> Member representative
Investment Consulting	Securities Investment Trust & Consulting Association of R.O.C.	<ul style="list-style-type: none"> Member
Yuanta Venture Capital	Taiwan Venture Capital Association	<ul style="list-style-type: none"> Member representative



At the end of 2015, the Company made its first response to the advocacy work of the CDP (formerly Carbon Disclosure Project), becoming a financial industry signatory of the CDP's climate change, water, and forestry projects from 2016. We complimented the CDP on their efforts to promote sustainability worldwide. Although the CDP has charged an administrative fee from 2017, we still decided to participate and place great emphasis on assessing the true value of the natural materials we use, as well as both the challenges and the opportunities presented by climate change. We hope that by working with the CDP, we will be able to help further popularize carbon reduction around the world.

5

Focusing on Material Topics

5-1 Corporate Governance

102-16

Corporate governance is the primary duty of a corporation, and Yuanta Financial Holdings is committed to building a corporate culture focused on serving as the best model of corporate governance and the pursuit of stakeholder interests and striving for excellence in corporate governance. For the past three years, the Group has been recognized as among the top 5% in the Corporate Governance Evaluations, as well as being selected as a component stock of corporate governance indexes. With the gradual expansion of the Company's overseas business group and reinvestment business, and in line with the various governance-related regulations drafted by the government, we will build on the foundation we have laid in the past to further enhance the Group's corporate governance culture.

Governance Structure and Purpose of Yuanta

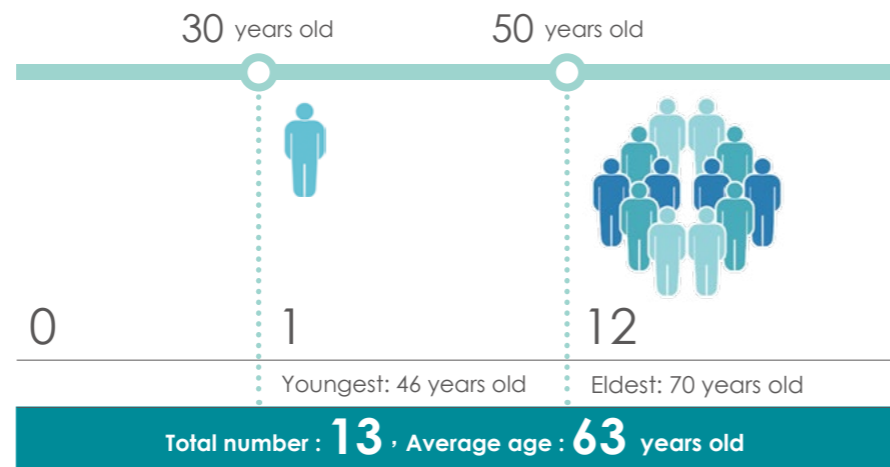
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As the highest organ of corporate governance for the Company, the board of directors insists on pursuing the greatest long-term value for shareholders in the Group and upholding social responsibility as two core values and management concepts. The board uses these core values to guide the Company through important business planning and the execution of those plans, giving careful consideration to economic, environmental, and social aspects to ensure balanced development. Presently the board of directors is in its 7th term and will be reconstituted to form the 8th board of directors in 2019. Currently, there are 13 members, all of whom are men. There are four independent directors. The average age is approximately 63 years of age; the board has no age limit and no

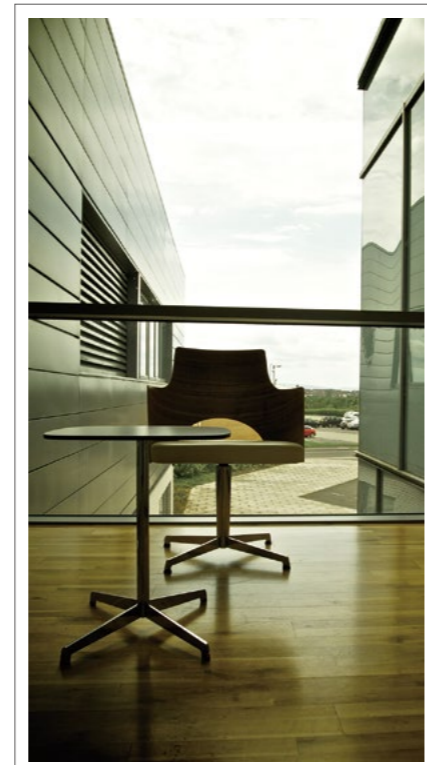
Age Distribution of Directors



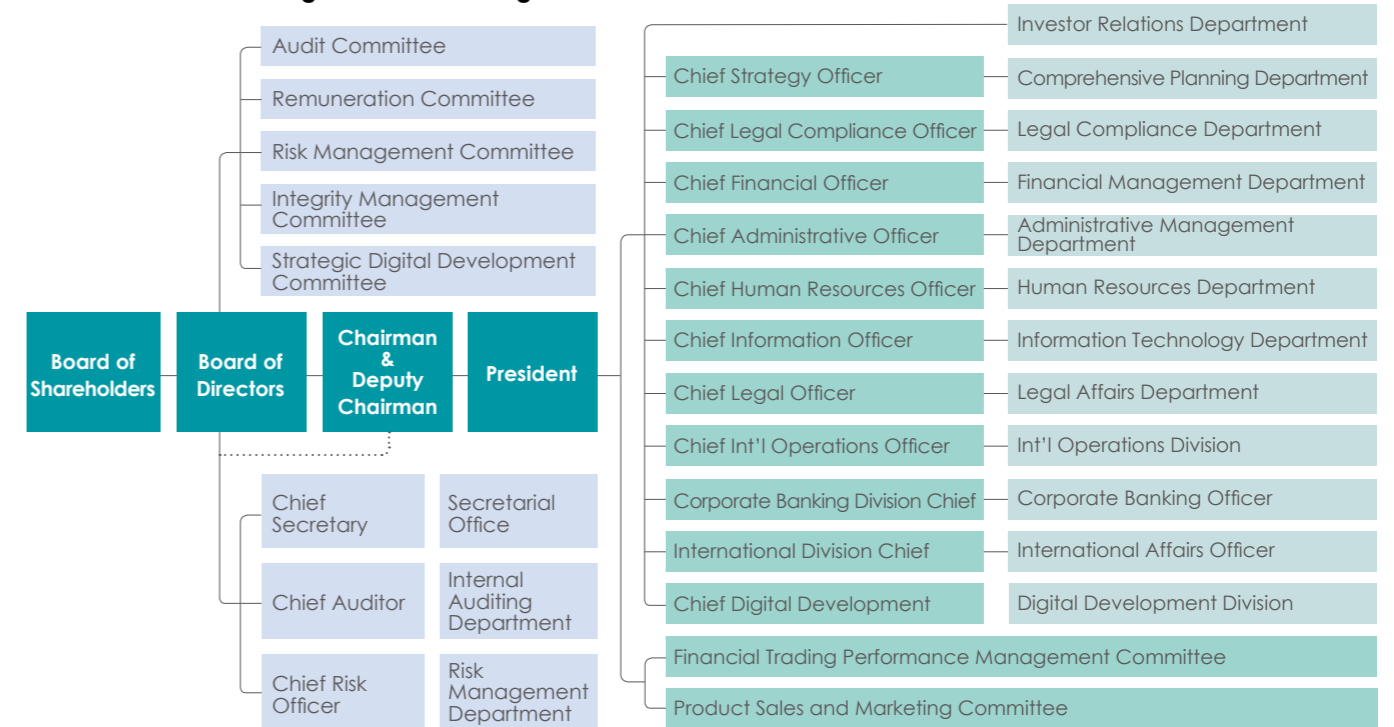
separately defined managing director. The Company has a set in place its Procedures of Director Election, laying out in detail the nine diverse requirements of directors in terms of skills and qualifications, along with the nomination and selection guidelines. The members of the board must also be fully equipped with the knowledge, skills, and personal qualities needed to carry out their duties.

The chairman of the Board is Mr. Wang Rong-Jou, and the president is Mr. Tony Shen. The Board meets at least once each month, and in 2017 met a total of 14 times with an average attendance rate of 97%, meaning that the majority of directors and independent directors attended each meeting in person. Those who are for any reason unable to attend must commission other directors to represent them as per regulation. The Scope of Duties for Board Members of Yuanta clearly lays out the primary duties and responsibilities of directors, while governance body, senior executive, and basic staff are clearly laid out in the Company's division of responsibilities and organizational hierarchy, putting in place a comprehensive, hierarchical system of authorization. Additionally, the Center for the Promotion of Corporate Social Responsibility was established under the

board of directors as a unit to reinforce the concept of sustainable development and drive it more deeply into the management culture of the Company.



Yuanta Financial Holdings Governance Organizational Chart





Note: As each subsidiary is subject to the particular regulations applicable to its industry, as well as having its own internal committees for the execution of reviews, in 2017 the Board of Directors approved the disbanding of the Commodities Committee.

Operating Status of Yuanta Committees

	Main Responsibilities	Operating Status
Audit Committee (Established in 2007)	Oversee the propriety of financial statements, the hiring/dismissal of accountants and ensuring their independence and performance, the effective implementation of internal controls, corporate compliance with laws and regulations, and the management of current and potential risks to the Company.	<ul style="list-style-type: none"> The committee is composed of four independent directors who were elected at the 2016 Annual General meeting. The committee meets at least once a month, convened by independent director Wu Shou-Shan. Further meetings are convened as necessary. In 2017, the committee convened 15 meetings. Average Attendance Rate: 98%.
Remuneration Committee (Established in 2010)	Assist the board of directors with good managerial focus and faithfully fulfilling the following responsibilities: (1) Formulating and regularly reviewing the Company's policies, mechanisms, standards, and structure pertaining to directorial and managerial performance evaluation and remuneration. (2) Regularly evaluating and formulating the Company's remuneration of directors and managers.	<ul style="list-style-type: none"> The committee is composed of four independent directors and meets at least twice a year; further meetings are convened as necessary. In 2017, the committee convened 7 meetings. Average attendance rate of 100%.
Risk Management Committee (Established in 2012)	Assists the board in supervising risk management implementation and ensuring risk management is consistent with the Company's policies, operating strategies, and short- and long-term development goals to facilitate the Company's meeting of these goals and implementation of these strategies.	<ul style="list-style-type: none"> Convened by the chairman of the board of directors and composed of the chairman and the general managers of subsidiary companies, heads of risk control, and other people as deemed appropriate by the convener. The committee meets each quarter, and reports resolutions to the Audit Committee and the board of directors. In 2017, the committee convened 5 meetings. Average Attendance Rate: 97%.
Integrity Management Committee (Established in 2014)	Assists the board of directors and management in supervising the integrity of operating procedures and the implementation of protective mechanisms, as well as ensuring that the measures are enacted against fraud as required by law, to improve the integrity of the management of the Company.	<ul style="list-style-type: none"> Comprised of managers from the Corporate Planning, Administration, Human Resources, Compliance Affairs, and Internal Auditing Departments and convening meetings every two quarters. In 2017, the committee convened 2 meetings. Average Attendance Rate: 90%.
Digital Development Strategy Committee (Established in 2016)	In view of development trends in digital finance, the committee works to integrate and coordinate the Group's digital finance development work.	<ul style="list-style-type: none"> In response to the digital financial development, the committee focused on attracting new technologies and trends, grasping new opportunities, and inviting relevant business executives to participate in order to accelerate the improvement of the Group's digital financial growth. The minutes of the meeting shall be reported to the general manager for approval and sent to the relevant units for cooperation and implementation. In 2017, the committee convened 3 meetings.

Organizations Consolidated Across Group Subsidiaries for the relevant businesses

Yuanta Financial Holdings' reinvestments cover 9 subsidiaries, including securities, banking, and life insurance. To create greater shared benefits for both the Group's customers and our operating network, the Company and its subsidiaries not only convene regular meetings of management, but also work through the functional workgroups listed below to synergistically handle other business matters. The main details of each are:

	Main Responsibilities	Operating Status
 <p>Financial Trading and Performance Management Committee (Established 2007)</p>	Responsible for coordinating and supervising the Group's financial trading affairs, with main responsibilities including assisting with drafting the trading-oriented financial product operations strategies and investment portfolio management, as well as assisting in management of operating rates and supervising operational performance.	<ul style="list-style-type: none"> Currently convened by the president of the Group, with chairman of Yuanta Futures as deputy convener (July 1 chairman approved, amended and be effective), the chairman of the investment committee (July 1 chairman approved, amended and be effective), the general managers of Yuanta Bank, Futures, and the Executive Vice President of Yuanta Securities, along with the Chief Financial Officer and the Financial Controls Chief of the Group make up this eight-person committee. Meetings are convened at least once a month, with more meetings convened as necessary. In 2017, the committee convened 12 meetings. Average Attendance Rate: 78%.
 <p>Product Sales and Marketing Committee (Established 2009)</p>	Primarily coordinates the product development, cross-selling business of each channel, and shared marketing strategy planning. Aims to leverage our combined resources for overall business synergy.	<ul style="list-style-type: none"> Convened by the president of Yuanta Financial Holdings and additionally comprised of management from the Company and all subsidiaries. Meetings are convened at least once per quarter, with more meetings convened as necessary. In 2017, the committee convened 5 meetings. Average Attendance Rate: 83 %.

Management and Operation Methods

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In order to establish a strong corporate governance structure, the Company has established the Rules and Procedures of Board Meetings. According to these rules, directors are expected to adhere to a high level of self-discipline, and at board meetings directors or their legal representatives are expected to clarify their interests. Should there be a conflict of interest between them and the Company, the relevant directors may neither participate in discussions/votes, nor serve as representatives of other directors in exercising those directors' rights to vote. The directors are also expected to provide mutual support in the interests of self-discipline. In 2017, the Company's directorship maintained a high standard of self-discipline, recusing themselves as needed.

Additionally, the role and function of independent directors with regard to both the board and the Company's operations are clearly laid out in the Scope of Duties for Independent Directors. In addition to attending regular board and Audit Committee meetings, each independent director also meets with corporate leadership and both departmental and office managers to go over issues regarding corporate governance or business development in hopes of ensuring maximum effectiveness through the harnessing of the skills and assistance of management. In order to spur

operational efficiency and business decisions & plans, the Company provides each independent director not only with their own dedicated office and equipment, but also a personal secretary to assist in the timely administration of affairs. Additionally, independent directors personally visit the Company several times each week, investing considerable time in reading through meeting minutes and making appointments with managers to gain a deeper knowledge of the company's financial, accounting, auditing, and risk control affairs, and overall operational status.

In addition to complying with the regulations for directors and supervisors of listed companies, all directors of the Company take part in training courses and conferences on corporate governance run by various professional organizations in accordance with the Company's Guidelines for Director Education. In 2017, the directorship participated in a total of 118 hours of training. New and incumbent directors all met the established legal requirement of 12 hours and 6 hours of annual training respectively. In addition, the Company holds annual corporate governance lectures for directors of the Group's subsidiaries, including managers serving as directors. Topics include corporate-governance-related laws and regulations, mergers and acquisitions,

finance, risk management, sales, commerce, legal affairs, the prevention of money laundering and terrorist financing, sustainable management, and corporate social responsibility. Through these, the Company aims to assist the directors in enriching their understanding of sustainable management and CSR, and give full play to directors' supervisory and guidance functions.

In 2017, a total of three corporate governance seminars were held, with 154 Group directors and managers participating. Additionally, each year the Company holds a "Summit Forum" for directors and managers. Forum topics include domestic and international economic outlooks, industrial trends, Asian political and economic culture, innovations in fintech, and management of staff health. Bringing in a wide array of knowledge helps directors with their duties and inspires subsidiary managers to stay up to date on trends in global economic development, driving adherence to concepts of sustainable management, active innovation, and development of business opportunities through corporate social responsibility. In 2017, a total of four Summit Forums were held, with a total of 624 directors and managers taking part.

Evaluation Method and Current Status

For the ongoing improvement of the board of directors' operational efficiency, Yuanta Financial Holdings has also established the Board and Functional Committees Evaluation Procedures. In addition to carrying out self-assessment surveys each year, evaluation is also conducted by external parties at least once every three years, with the results and improvement plans submitted to the board of directors. In 2017, no directors (including independent directors) made suggestions or supplementary explanations, indicating that all directors (including independent directors) had positive evaluations of the efficiency and effectiveness of the board of directors and the Audit Committee. The job duties of the board of directors include the convening of meetings; education, training, and related resources; management of internal control systems; management of risk management mechanisms; and loyalty, duty, and responsibility. All of these are to be exercised to their fullest and in compliance with relevant laws and regulations.

Additionally, two-way communications are conducted through annual participation in conference calls and one-on-one meetings with institutional investors both domestically and overseas. Not only does this enable institutional investors to get a better understanding of the Company's long-term development strategy and an overview of the business and financial situation, it also helps the Company gather institutional investors' suggestions and ideas and transmit relevant suggestions to decision makers as a reference for use in consideration of the company's future strategic direction. As of the end of December 2017, Yuanta Financial Holdings had participated in four overseas investment forums and one investment forum held in Taipei. The Group held more than 100 communication meetings with analysts and investors, including both one-on-one and group meetings, as well as conference calls and more.

Note 1: For more detailed information on organizational changes in 2015, please see the Yuanta Financial Holdings website under Investor Relations>Financials>2015 Yuanta Financial Holdings Annual Reports p.1-2 - 97-99.

Note 2: For more detailed information on organizational changes in 2016, please see the Yuanta Financial Holdings website under Investor Relations>Financials>2016 Yuanta Financial Holdings Annual Reports p.1-2 - 112-115.

Note 3: For more detailed information on organizational changes in 2017, please see the Yuanta Financial Holdings website under Investor Relations>Financials>2017 Yuanta Financial Holdings Annual Reports p.1-2 - 108-111.

Note 4: For more detailed information on domestic and international subsidiaries' holdings, please see the Yuanta Financial Holdings website under Investor Relations>Financials>2017 Yuanta Financial Holdings Annual Reports p.97

Organizational Changes of 2015-2017 (including stock investments and mergers)

Date	Case	Overview
January 2015	Yuanta Securities established Yuanta International Investment (Hong Kong) Co. Ltd. and Yuanta Finance (Hong Kong) Co. Ltd.	
April 2015	Yuanta Securities established Yuanta Securities (UK) Co. Ltd.	
April 2015	PT Yuanta Securities Indonesia	On April 22, 2015, completed acquisition of 99% shareholdings in PT AmCapital Indonesia, an Indonesian securities subsidiary, and renamed it as PT Yuanta Securities Indonesia on July 21, 2015. In January 2017, the company was renamed PT Yuanta Sekuritas Indonesia. Yuanta also holds 99.996% equity of PT Yuanta Asset Management (originally PT AMCI Manajemen Investasi Indonesia).
August 2015	Tong Yang Savings Bank (Philippines)	The Board of Directors of Yuanta Bank acquired a 100% shareholding of YSKR subsidiary Tong Yang Savings Bank (Philippines), formally renaming the company Yuanta Savings Bank (Philippines) on September 26, 2016.
October 2015	Yuanta Financial Holdings and Ta Chong Bank	After being passed by a provisional shareholder meeting of both parties on 31 October 2015 and being approved on 29 January 2016 by the Financial Supervisory Commission, through a share transfer Ta Chong Bank was incorporated as a wholly-owned subsidiary of the Company. The base date for the transfer was approved as 22 March 2016 by the boards of directors of both parties.
January 2016	Hanshin Savings Bank Korea	Yuanta Bank acquired a 100% holding in Hanshin Savings Bank Korea from AON BGN for KRW 135.1 billion, formally completing the delivery and establishing the company as a Korean subsidiary on 22 April 2016.
July 2016	KKTrade Securities Thailand	On 18 April 2016, Yuanta Securities and subsidiary Yuanta Securities Asia Financial Services approved a resolution to acquire a 99.9% holding in Thailand's KKTrade Securities for THB 686.9 million, and for a capital increase in KKTrade of THB 1 billion, with the delivery process completed on 8 July 2016.
December 2017	Vietnam First Securities Joint Stock Company	On December 7, 2017, the Yuanta Securities subsidiaries Yuanta Securities Asia Financial Services and Yuanta Securities (Hong Kong) completed the acquisition of a partial shareholding in the Vietnam First Securities Joint Stock Company. Upon completion, Yuanta Securities Asian Financial Services' shareholding ratio was 50.76 %, Yuanta Securities (Hong Kong) held a shareholding ratio of 49.19%, and the two companies held a total shareholding ratio of 99.95%.
January 2018	Yuanta Bank and Ta Chong Bank Merger	Completed the merger of Yuanta Bank and Ta Chong Bank. The merger base date was January 1, 2018. The surviving entity was Yuanta Bank and the merged entity was Ta Chong Bank.

Risk Management

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The risk management structure of the Company includes the board of directors, the Audit Committee, the Risk Management Committee, upper management, the Risk Management Department, the Legal Compliance Unit, the Legal Affairs Unit, and various other departments. The Group's subsidiary companies have also established independent risk management units in accordance with their respective operating scales and risk attributes.

The company's risk management follows three lines of defense, and each line of defense has a clear organization, competencies and functions to ensure the effective operation of the overall risk management mechanism.

Risk Management Committee

Duty
Assists the Audit Committee and board of directors in carrying out risk management duties, with primary responsibilities including carrying out annual review of risk limits, reviewing risk management reports, integrating and coordinating inter-subsidiary risk management issues, and promoting awareness of major risk management matters.

Legal Compliance Unit

Duty
Implement legal compliance risk management, verify that each unit's business affairs and legal compliance risk management processes are in accordance with relevant standards, and assist with evaluation of potential legal compliance risks in business matters.

Board of Directors

Duty
The highest risk management decision-making unit, with primary responsibilities including appraising our risk management policies and major risk management processes, as well as approving annual risk limits and supervising the implementation of risk management processes.

Upper Management

Duty
Review risks involved in the operating activities, ensure completeness of the risk management processes, and effectively control associated risks.

Legal Affairs unit

Duty
Implement legal risk controls, and assist with evaluation of potential legal risks in business affairs, legal documents, and contracts.

Audit Committee

Duty
Assist the board of directors with risk management duties, with primary responsibilities including appraising Company's risk management policies and major risk management processes, as well as auditing annual risk limits and assisting the board with supervision of implementation of risk management processes.

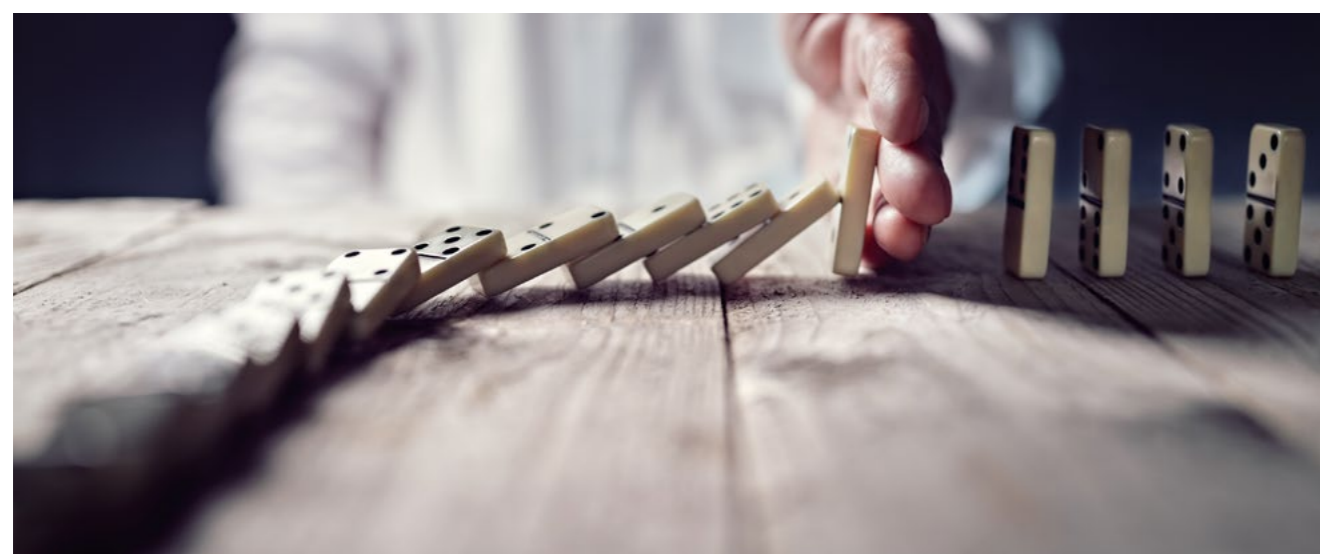
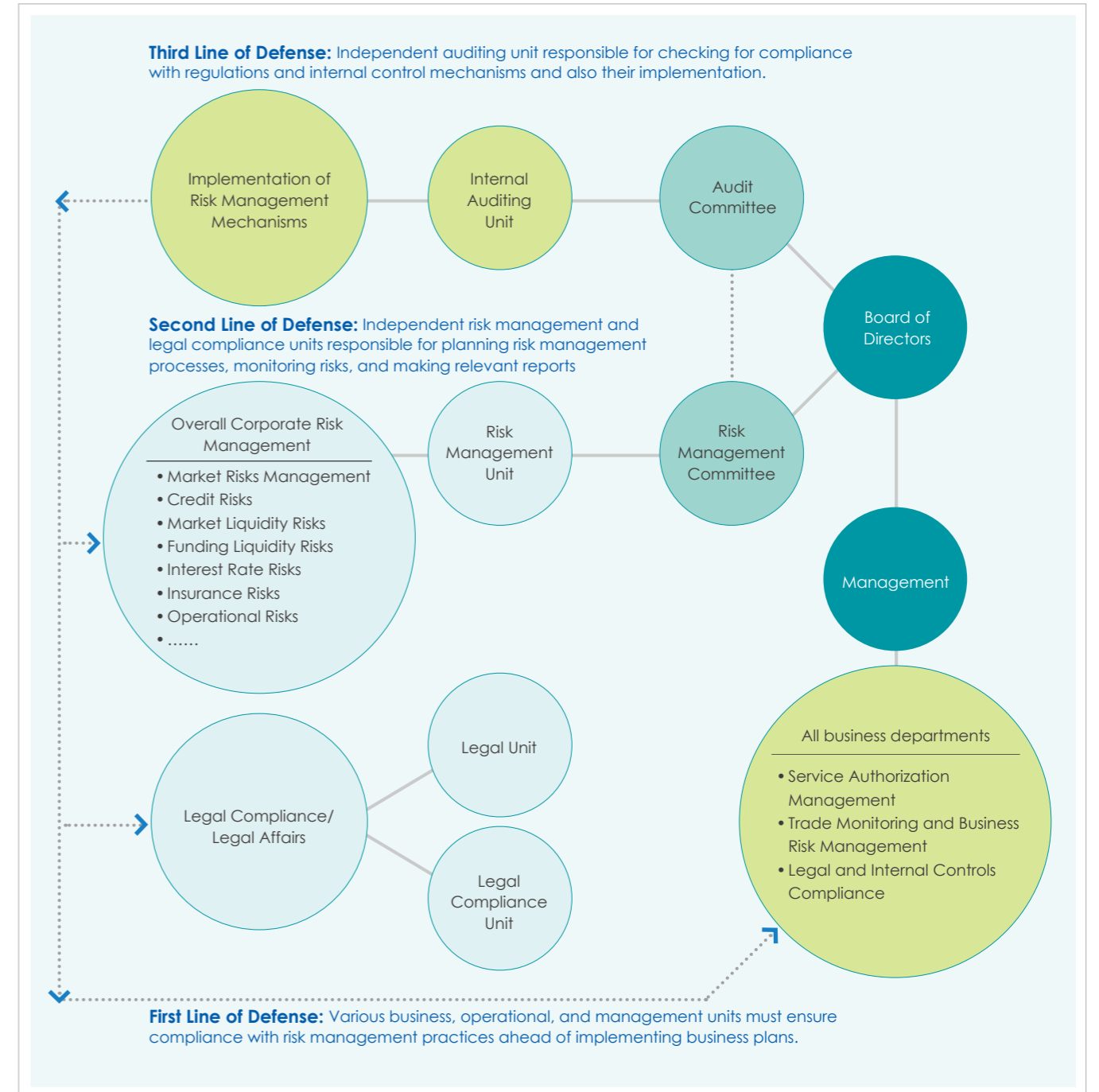
Risk Management Department

Duty
An independent department under the board of directors, with primary responsibilities including drafting risk management processes, establishing effective methods of measuring risks and systems for managing them, monitoring and analyzing risks, and offering timely warnings and reports.

All Business departments

Duty
Responsible for front-line risk management. Before implementing business plans, departments must review the various risk management practices and ensure they are in compliance.

Risk Management Organization Chart



Our Goals



Short-Term Goals

Elevating the position of the Center for the Promotion of CSR to directly under the board of directors

Performance

In addition to regularly reporting to the board of directors on CSR-related mechanisms and the effectiveness of their implementation, the Center also reports on CSR-related issues of concern to the independent directors, giving relevant reports on progress and improvement measures for each unit.



Short-Term Goals

Adding a stakeholder questionnaire

Performance

We launched the planning of a new stakeholder survey to be hosted on the Yuanta Financial Holdings official website, which officially launched online in 2018.

Material Topics

Management Approach

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1. Economic Performance:

With countries around the world undergoing political changes in recent years, the turmoil and uncertainty of global capital markets are even more difficult to predict, and the challenges we face in regard to this and to changing financial and corporate governance laws and industry competition at home are increasingly arduous. Recently promulgated government policies like the Forward-Looking Infrastructure Plan, the New Southbound Policy, and policies on new forms of energy have also become major focuses.

Amid such an environment, the Company follows the twin corporate mission statements of "We Create Fortune" and "Yuanta Financial Holdings—Realizing Your Greatest Expectations," striving to provide the most comprehensive, most efficient, and most added-value set of financial services. We hope that Yuanta Financial Holdings can be a source of direction and support for our stakeholders, working together to "create fortune" and "realize expectations." Over the years, this company has strived to build a corporate culture focused on serving as the best model of corporate governance and the pursuit of stakeholder interests. Working with stakeholders in establishing open and transparent channels of communication, and we look forward to positive interactions with those stakeholders to bring about positive economic, social, and environmental results.

The Company's medium- to long-term strategy is built around solidifying our core and driving growth, continuing to reinforce our competitiveness while also focusing on the growth and dynamism of our business, the market, and our customers, as well as the Group's cross-industry, cross-border cooperative growth. Looking ahead to 2018, the Company will continue to solidify its core competitiveness, drive comprehensive growth, and to strengthen overseas reinvestment in our main subsidiaries with the backing of excellent asset quality and risk control capabilities as laid out below:

Looking to the future, Yuanta Financial Holdings will not only continue to make integrity management part of the corporate culture, but also to put in place a comprehensive strategy for growth-driven operations. By building a business model based on both stock and flow, we will increase the Company's asset scale and operational performance, while also effectively increasing and stabilizing earning levels in our ongoing efforts to realize our vision of becoming Asia-Pacific's top provider of financial services.

Yuanta Securities



Balance the Development of Various Services and Strengthen Presence and Performance in Asia

The Company adheres to the principle of steady development and takes advantage of brokerage as a channel for wealth management. We continue to maintain the spirit of a traditional brokerage business, support innovation, and pursue development into all walks of life, while also comprehensively expanding our domestic and foreign brokerage, wealth management, domestic and foreign futures, and other services and developing private bank-level wealth management services. Our goal is to move from domestic securities leader into an Asia-wide securities institution.

In terms of overseas operations, Yuanta (Hong Kong) has become the center of an international trading platform, linking regional markets in Taiwan, Hong Kong, South Korea, England, Thailand, Indonesia, and Vietnam to leverage the advantages and characteristics of cross-border financial transactions to provide customers with broader investment horizons and specialist financial services. We are also working to strengthening cooperation and resource integration across regions, providing customers with the full range of financial advisory services required for each stage of business development, with the goal of becoming Asia's leading regional investment bank. We also continue to pay attention to the investment opportunities in Southeast Asia and plan to carry out capital increases in view of the progress of each subsidiary's expansion. While working to achieve the company's overall development strategy and profit targets, Yuanta will also continue to monitor the further opening up of investment in joint ventures by securities authorities on both sides of the Taiwan Strait, seizing on the appropriate time to formally enter the Chinese market.

Yuanta Bank



Consolidate and Adjust Business Structure to Boost Merger Synergies

On January 1, 2018, the merger between Yuanta Bank and Ta Chong Bank was formally completed. In response to external environmental changes and the challenges of a highly competitive business, in the future we will not only continue to accelerate the integration of the corporate cultures, but also strive to employ the strengths of both sides through organizational, systemic, and business direction alignment, laying the foundation for the bank's long-term development. These efforts include:

1. Organizational Integration

The bank has set up five major business divisions: Corporate Finance, Personal Finance, Wealth Management, Financial Markets, and International Finance. As well as coordinating the planning and implementation of various business development strategies, the bank is also strengthening close cooperation between various business divisions to make the best use of the various strengths and resources

of the Group and provide an integrated set of financial services.

2. Developing Locations

Post-merger, the number of locations within Taiwan numbers 152, evenly distributed between Northern, Central, and Southern Taiwan, providing a denser service network. The overseas division added a Hong Kong branch to its ranks, serving as a feeler for development of cross-strait business. Two existing subsidiary banks, Yuanta Savings Bank (Philippines) and Yuanta Savings Bank (Korea), serve as the prototype for our overseas business development. In the future, we will continue to strengthen business contacts and cooperation between domestic and overseas locations in order to provide customers with cross-border financial services and increase the proportion of our overseas business.

3. Complementary Businesses

In the future, we will continue to make adjustments to the structure of the business, improving capital utilization efficiency and balancing the post-merger business and income sources of the two banks. As Yuanta Bank has always been known for its credit services for medium and large enterprises, this merger offers an opportunity to make use of Ta Chong Bank's experience with small and medium-sized enterprises and with personal finance. In this way, we will accomplish a degree of complementarity across businesses, creating greater post-merger synergy.

Yuanta Life



Continuous Development, Promoting "Protection-Type and Long-Term Paying Products" and "Wealth Management Products", Developing Across Multiple Channels

The main axis of product development by Yuanta Life is the three major demands of customers: "retirement life," "retirement medical care," and "retirement care." In terms of actual development, the focus is on "protection-type and long-term paying products" and "wealth management products", which are developed to meet the needs of customers and channel development,

and are supplemented by quality administrative measures. Together with the group annuities and group insurance business, these have facilitated cutting into the service market and expanding the basis of the Company's business in long-term protection products. In addition, following the trend toward digital finance, we continuously work to optimize the interface, architecture, and functionality of our e-commerce platform, further enriching our online insurance product line.

In terms of channels, Yuanta Life has continued to pursue balanced, stable development along multiple diverse channels. Based on the particular characteristics of each channel and the need for diversification of customer groups, we have developed differentiated products that meet the development needs of each channel and adhere to our philosophy of "giving opportunities and helping others while also helping ourselves." We continue to promote long-term protection products, create stable long-term profits, and increase the Company's brand value.

Yuanta Funds and Yuanta Futures



Consolidation, Innovation, and Internationalization

Yuanta Funds has had a long-time commitment to innovative ETFs and leveraged/inverse ETFs, leading to the Company developing a firm position at the head of public placement funds. As competitors fight for positions in ETFs, the sector is changing, and as such, in addition to continuing our customer focus, we will work to develop diverse innovations and new ETFs to consolidate our leadership position. We will also cooperate with juridical persons or other channels on ETF trading strategies and ETF AI platform optimization to foster a new ETF ecosystem. At the same time, we will strive to balance the development of multiple fixed-income product lines to provide new, diverse investment options for high-net-worth customers and retirees.



Yuanta Funds is also actively developing specialist technologies and high-margin products to expand our niche. In addition to consolidating the market share and profitability of our domestic brokerage business, Yuanta Futures continues to transform and optimize our traditional business lines, while also pursuing breakthrough innovations in new areas. At the same time, we are making advances in cross-border business, with overseas business providing a full-scale assist with the integration of financial services and providing the strong financial backing supporting ongoing steady growth.

2. Anti-Money Laundering and Counter-Terrorist Financing:

As technology has advanced and global exchange has become faster and more intense, incidents of money laundering and the financing of terrorism have transcended national limitations, involving interactions across entire regions. In recent years, there have been several cases of money laundering in which the financial industry was rocked by sanctions relating to lapses in preventive measures. In response to the need to fight money laundering and the financing of terrorism, the Taiwanese government began work on amending the Money Laundering Control Act on July 28, 2017.

Additionally, in July 2017 the Asia/Pacific Group on Money Laundering (APG) removed Taiwan from its money laundering watchlist, meaning it is no longer necessary to submit a second round of assessment reports. This indicates that Taiwan's money laundering prevention measures are now up to international standards. A third round of assessments will begin in November 2018, and the Taiwanese government is paying even more attention to this round. If the appraisal results are not good, remittance of Taiwanese funds will be significantly affected, the overseas business of financial institutions will be limited, and Taiwanese people's overseas investments will be subject to strict review, among other negative consequences. The competent authorities have thus also become more demanding regarding anti-money laundering measures in the financial industry since the end of 2017, aiming to get Taiwan's financial industry standards on par with international ones.

The related subsidiaries of the Company all comply with the Money Laundering Control Act and have established three lines of defense as directed by the authorities as a means of managing and preventing money laundering. With regard to fighting the financing of terrorism, specialized units regularly check the Ministry of Justice sanction list for updates, immediately freezing any and all related accounts whenever a new entry is added to that list. In addition, the Company has established a unified Anti-Money Laundering (AML) system and relaxed some of the restrictions on its use within the scope of the operations of its subsidiaries. All subsidiaries adhere to the Money Laundering Control Act, Counter-Terrorism Financing Act, and Regulations Governing Anti-Money Laundering of Financial Institutions, as well as the Guidelines Governing Anti-Money Laundering and Combatting the Financing of Terrorism as laid out in the legislation pertaining to their specific industries, as guidelines for their respective management approaches. They are also subject to their respective general manager's careful review of their anti-money laundering and anti-terrorism internal controls and mechanisms.

3. Legal Compliance & Auditing

Modern social changes and economic crises present unavoidable risks for the financial industry. At present, these risks are, for the most part, unpredictable, and once they arise, they bring with them losses that can be difficult to assess. Therefore, risk management is more important than ever, and legal compliance and auditing have become important aspects of business practice and of audit risk management mechanisms. The Company's Legal Compliance Department has set out Standards for Practical Implementation of Legal Compliance Mechanisms, and responsibility for the planning, management, assessment, and implementation of such mechanisms is an important element of project reviews. The Legal Compliance Department is the main driver behind compliance and reports to the board of directors at least once every six months. If major violations of the law or downgrades by financial authorities are found, directors will be notified immediately, and the matter will be referred to the board of directors. With regulations being developed and updated, the Company has also begun to develop relevant mechanisms, aiming to anticipate future needs and facilitate timely compliance with legal compliance audit plans.

In response to Yuanta Financial Holdings' growth plans for its overseas business, and in order to reinforce the management of reinvestment, the Company has approved the reinvestment management measures put forward by the board of directors, which clearly sets out the requirements for reports prior to reinvestment, regular reports during reinvestment, and prompt reporting of risk management matters. The net capital value, business scope, and business scale of the Company's reinvestment business may continue to experience significant growth.

Regarding overseas reinvestment, the Group's Legal Compliance Department has supervised the establishment of legal compliance mechanisms and the implementation of reporting mechanisms in each subsidiary company. The content of reports includes

major changes in local regulations regarding overseas reinvestment, major violations found in internal and external inspections, and assessing the compliance of subsidiaries with the law. The Company has also set up an International Operations Division under the general manager, which is responsible for the planning, management, and execution of international business by the Company and its subsidiaries. In addition to regularly reporting to the board of directors at performance review meetings on overseas-linked matters, it also supervises relevant subsidiaries in the convening of regular Overseas Unit Management Meetings, reporting to the board of directors on the minutes of the meeting and providing overviews of any incidents reported. The Audit, Legal Compliance, and Risk Management Departments of each subsidiary report to the board of directors regarding their respective areas of responsibility, with reports covering topics including improvement measures pertaining to major oversights and penalties. With regard to the recent encouragement by the competent authorities to establish a whistleblower system for the financial industry, the Company has begun to look into the potential direction of such regulations and will cooperate with relevant laws in the establishment of an internal reporting mechanism.

With regard to auditing, this Company adheres to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, and thus has established effective corporate governance and internal control mechanisms, with auditing work undertaken internally and independently. To strengthen corporate governance, the Audit Department will incorporate the operation of the board of directors, stakeholder transactions, and other important issues related to corporate governance as significant focuses of audits. Additionally, the Group's internal control mechanism and legal compliance self-check audit reports, along with any system lapses or improvements, are to be included as references

for the issuing of statements on and evaluating the effectiveness of the internal controls mechanisms of both the board of directors and the management of each department. Additionally, through communication with the board of directors, the auditors are able to gain a better understanding of the Group's operating goals and policy direction, regularly reporting to the board and the Audit Committee on progress and ensuring internal controls remain effectively implemented.

Furthermore, in addition to audits of our venture capital and asset management subsidiaries by agents of the Audit Committee, all subsidiaries, particularly our securities, banking, and insurance subsidiaries, have established and staffed their own audit departments subordinate to their respective boards of directors. These departments are required to adhere to the auditing plans passed by their board of directors. The company's Audit Department and each subsidiary are required to undergo an audit of their core business plans at least once every six months, of which legal compliance is an important element, with any oversights or lapses tracked and followed-up on until they are completely addressed.

Current Performance

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1. Economic Performance

The Company has long taken the improvement of shareholder value as a core focus. Reviewing the Company's profits in 2017, we find after-tax net profits of NT\$16.205 billion, earnings per share (EPS) of NT\$1.37, and a growth in profits of 21% over 2016. The Company will remain committed to rigorous risk management and pragmatic business development. We are focused on improving the quality of our assets, while also continuing to pursue concrete implementation of the spirit of corporate governance. As of the end of 2017, the Company's net debt ratio was 15.90%, its double leverage ratio 113.32%, and the Company's capital adequacy ratio 133.19%, illustrating its sound, healthy financial structure.

Economic Performance of Subsidiaries

Yuanta Securities

Performance highlights

In 2017, the company's net income after tax reached **NT\$8.026 billion**, accounting for **20.22%** of the overall brokerage industry's profit.

The performance of the company's various businesses in 2017 is as below:

- Our brokerage business market share was 12.40%, 4.12% above the next highest in the industry
- Our average financing market share was 15.52%; our average margin market share was 22.51%, 1.8 times that of the nearest domestic competitor; the underwriting and emerging stocks operations of our investment banking business each enjoyed market shares of 24.67% and 28.61% respectively, more than 4.5% higher than those of the second-ranked securities firms in each;
- The value of and number of warrants issued were \$51.728 billion and 5,355 respectively, with market shares of 18.55% and 18.69% each, ranking first in the market;
- The performance of our bond business was outstanding and substantially greater than others in the industry, and our underwriting of corporate and financial bonds was valued at \$92.3 billion, with a market share of 21.3%; our asset swap bonds enjoyed a market share of 24.63%; our asset swap options enjoyed a market share as high as 42.99%; our credit linked notes business market share reached 48.39%, all of which were the first in the market;
- Our wealth management trusts business reached a market share of 33.09%, 13.32% higher than that of the second place competitor;
- In stock futures, our market share was 7.73%, 1.6 times that of the nearest domestic competitor;
- Our ETF market share was 13.12%, 3.2 times that of the market's second highest brokerage;
- Our lending business reached a market share of 52.56%, 45.09% higher than that of the second place competitor;
- Our security lending reached a market share of 36.01%, 13.74% higher than that of the second place competitor;
- In electronic trading, our market share was 16.21%, 1.6 times that of the nearest domestic competitor.

Yuanta Bank

Performance highlights

In 2017, Yuanta Bank's net income after tax was **\$6.743 billion**, up **21%** from 2016, and its performance was excellent. After the merger with Ta Chong Bank on January 1, 2018, Yuanta Bank's asset size reached approx. \$1.3 trillion, making it the seventh largest private bank in Taiwan, and ranking it among the industry's top tier banks. After the merger, by achieving synergies from the balanced development of its business locations and business complementarity, Yuanta Bank will effectively strengthen its competitiveness and provide more convenient and comprehensive financial services.

Yuanta Life

Performance highlights

With its emphasis on "protection-type and long-term paying products" and "wealth management products", Yuanta Life employs a product development strategy focused on meeting the needs of customers and the development of channels, and supplements them with quality administrative measures to assist in business promotion. Together with the corporate insurance business of group annuities and group insurance, Yuanta Life will cut into the service market and expand the foundation of its protection-type and long-term paying product business. In addition, following the trend toward digital finance, we continuously work to optimize the interface, architecture, and functionality of our e-commerce platform, further enriching our online insurance product line.

Yuanta Futures

Performance highlights

In 2017, Yuanta Futures' net income after tax was **\$873 million**, ranking first in the industry. EPS after tax was \$3.76, and ROE after tax was 11.92%. In terms of business performance, the company's futures, options, and foreign futures market shares were 21.71%, 14.61%, and 25.6%, respectively, which all ranked first in the market.

Yuanta Funds

Performance highlights

In 2017, Yuanta Funds' net income after tax reached **\$1.01 billion**, placing it first place among 39 domestic competitors. As of the end of 2017, Yuanta's public offering of funds were valued at over \$343.5 billion, and its ETFs and index funds had a scale of \$234 billion, both of which ranked first in the market. Yuanta Funds was also honored with Golden Goblet Awards for Best Asset Management and Best Financial Innovation by the Securities and Futures Institute.

Yuanta Securities Finance

Performance highlights

Credit transactions are still the core of Yuanta Securities Finance's business, with a financing balance raised to **\$9 billion**, occupying a market share in the agent securities firm business of slightly over 85%. As of the end of 2017, the company's secured loans business was valued at \$13.103 billion. In 2018, the focus of business will be on secured loans, and in the future we expect these to account for over 50% of the company's business volume and gross revenue.

Yuanta Investment Consulting

Performance highlights

In 2017, **Yuanta Investment Consulting was again named Best Research Team in Taiwan by the well-known finance magazine Asiamoney**, while the company's analysts also received 20 analyst awards for the Taiwan region.

Yuanta Venture Capital

Performance highlights

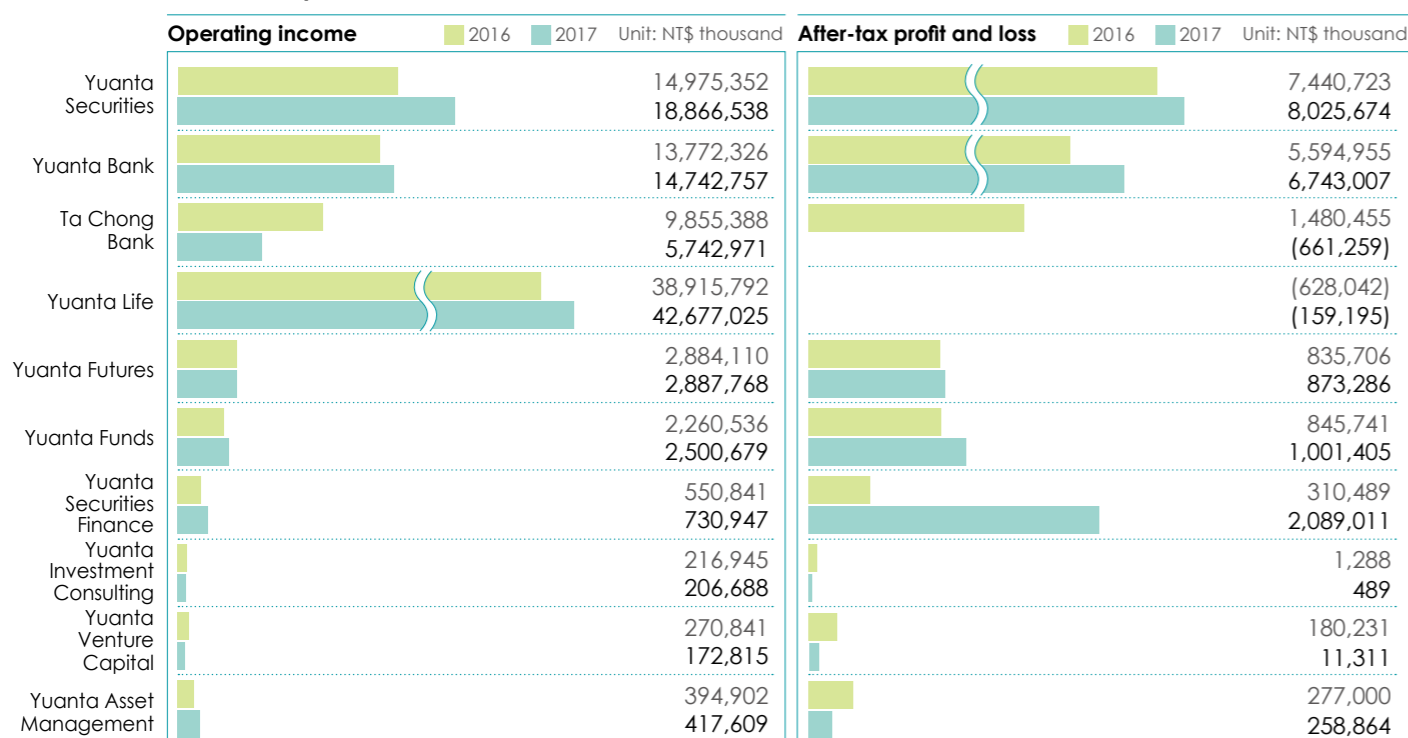
In 2017, Yuanta Venture Capital posted annual profits of over **\$11 million**, with a directly and indirectly managed investment position of approximately \$2.1 billion; at present, the financial structure of the company remains sound.

Yuanta Asset Management

Performance highlights

In 2017, Yuanta Asset Management's post-tax net profit was **\$259 million**, with an ROE of **11.64%**. In the future, to respond to changes in the financial and market environment and to legal restrictions placed by the competent authorities, as well as significantly reducing bad debt cases, Yuanta Asset Management will work on adjusting its past, more traditional internal models, transitioning into a multi revenue-handling model. Additionally, the company will strive to open up domestic and foreign asset management business and study new operating models for the business.

Profit of each subsidiary



Note 1: The above table's "operating income" category does not include non-operating income.
 Note 2: Yuanta Bank and Ta Chong's "operating income" category refers to net income

2. Anti-Money Laundering and Countering-Terrorist Financing:

In addition to internal information sharing policies and procedures aimed at the prevention of money laundering and the financing of terrorism set out in line with the supervisory measures of the competent authorities and relevant reporting mechanisms for its subsidiaries, Yuanta Financial Holdings has also boosted legal education around legal compliance and the prevention of money laundering, funding of terror, bribery, and corruption. Each subsidiary has its own internal regulations and assigns managers to report regularly to the board of directors on the implementation of anti-money laundering and anti-terrorism funding measures, as well as implementing such measures through systematic detection and the use of databases and sanction lists. In addition, in order to train internal specialists and strengthen the implementation of risk identification, each subsidiary has appointed outside consultants to

coordinate and optimize relevant measures. Banking subsidiaries have also appointed accountants to handle the prevention of

money laundering and financing terrorism through project audits to assist in the full implementation of preventative mechanisms.

2015~2017, Money laundering prevention and anti-terrorism training

	2015	2016	2017	
Legal compliance / CSR / anti-corruption bribery	Total Courses	364	592	336
	Total Training Hours	26,369	86,981	69,181
	Number of Trainees	26,385	92,716	50,844
	Total Employee Numbers	9,523	11,828	11,568
	Average Hours of Training Per Person	2.8	7.4	6.0
Money laundering prevention	Total Courses	55	52	182
	Total Training Hours	19,346	22,659	31,634
	Number of Trainees	12,586	13,341	20,679
	Total Employee Numbers	9,523	11,828	11,568
	Average Hours of Training Per Person	2.0	1.9	2.7

Case Study

Projects for Optimization of Subsidiaries' Anti-Money Laundering and Anti-Terrorism Funding Mechanism

Yuanta Securities

In the third quarter of 2017, Yuanta Securities commissioned KPMG to handle the Company's anti-money laundering and anti-terrorism financing mechanism optimization project. The project aims to identify and analyze the effectiveness of these mechanisms through the establishment and implementation of risk assessment methods and to make recommendations for optimization and risk reduction planning. At the same time, it will also involve the offering of educational and training services.

At present, Yuanta Securities has completed its 2017 Institutional Risk Assessment Report (IRA) in accordance with relevant recommendations. The project is still underway. In addition to four outside consultants, Yuanta Securities headquarters and branch locations have also assigned approximately 170 dedicated managers, control personnel, and business unit supervisors to participate in the optimization project and the implementation of prevention mechanism plans.

Yuanta Bank

In the third quarter of 2017, Yuanta Bank commissioned PWC Legal to handle the Bank's anti-money laundering and anti-terrorism financing mechanism optimization project. The project aims to identify and analyze the effectiveness of these mechanisms through the establishment and implementation of risk assessment methods and to make recommendations for optimization and risk reduction planning. At the same time, it will also involve the offering

of educational and training services. At present, Yuanta Bank has completed its 2017 Institutional Risk Assessment Report (IRA) in accordance with relevant recommendations.

The project is still underway. In addition to five outside consultants, Yuanta Bank's anti-money laundering workgroup and other related departments have assigned approximately 20 staffers to participate in the optimization project and the implementation of prevention mechanism plans.

Yuanta Life

In the third quarter of 2017, Yuanta Life commissioned Deloitte to conduct an anti-money laundering and anti-terrorism financing mechanism optimization project. The content of the project is as follows:

- (1) Establish policies and standard operating procedures in compliance with the Money Laundering Control Act to ensure that all mechanisms and operating procedures are in compliance with the regulations of the competent authorities;
- (2) Identify, assess, and manage risks of money laundering and financing terrorism, and formulate prevention plans based on risk assessment results;
- (3) Strengthen staff awareness of money laundering and terrorism financing prevention mechanisms, along with education and training efforts. At present, Yuanta Life has completed its anti-money laundering and anti-terrorism financing plans in accordance with relevant recommendations.

The project continues to carry out optimizations. In addition to outside consultants, Yuanta Life has brought together the relevant departments to set up a special

anti-money laundering and anti-terrorism financing operations task group in line with the consultants' proposal to actively participate in optimization work. Initially this group was composed of 15 members; however, with additional staff appointments from the participating departments, the group currently numbers over 30 members.

Yuanta Futures

In the third quarter of 2017, Yuanta Futures commissioned PWC Legal to assist in assessing the Company's anti-money laundering and anti-terrorism financing efforts and complete their 2017 Institutional Risk Assessment Report for submission to the Financial Supervisory Commission. Based on the results of this assessment, Yuanta Futures subsequently proposed relevant programs to optimize their overall anti-money laundering policy and measures.

In addition, the general manager of Yuanta Futures served as convener of an anti-money laundering and anti-terrorism financing promotion team and established three lines of defense covering legal compliance, risk control, IT, settlement, and business units to fully implement KYC, customer due diligence, suspected money laundering reporting, and internal education and training efforts. Moreover, specialist supervisors appointed by Yuanta Futures also carry out regular half-yearly reports to the board of directors on the implementation of money laundering and terrorism financing prevention measures. With the full support of the board, they also mobilize the overall staff of Yuanta Futures in fighting back against money laundering and the financing of terrorism.

In 2017, all subsidiaries underwent anti-money laundering financial examinations, with no major issues found. In addition, in order to strengthen the link between the Dow Jones anti-money laundering watchlist and information used in Taiwan, the subsidiaries also conducted keyword searches for negative news in Taiwan to supplement the Dow Jones database. Furthermore, in consideration of compliance with the Personal Information Protection Act, the Company makes use of currently held information and information available publicly through the Control Yuan to search through past property declarations of public servants to establish a list of political figures and assets to assist in future linkages with Taiwan Depository Clearing watchlists.

3. Legal Compliance & Auditing

Early warning and notification mechanisms for reinvestment, including top-down risk hazard overviews, monitoring of core business risks, early warning of high-risk industries or countries, and notifications of risk management matters such as major bottom-up P&L changes and major operational risk incidents, shall be reported to the Company in a timely manner. By implementing a notification mechanism, management's ability to stay on top of things in a timely fashion will be improved, as will the management of the reinvestment business.

Case Study

In the course of business in 2016, Yuanta Securities Korea encountered an incident of violation of regulations, resulting in a fine and one-month suspension of operations by the local authorities. After the event, Yuanta Securities required subsidiaries to strengthen their internal controls and monitoring procedures, and to strengthen employee education and training to facilitate the implementation of corporate governance.

In the course of transactions with customers in 2016, Yuanta Securities (Hong Kong) encountered an incident of violation of regulations, resulting in being fined by local authorities and subject to a public reprimand. After the event, Yuanta Securities required subsidiaries to begin implementing customer transaction records.

The Company's Audit Department has established a standard operation procedure for communications and notification between Yuanta Financial Holdings and the internal audit units of its subsidiaries. External audit results, if

they contain listed risks of major lapses or potential fines, should be submitted immediately through reports to the Company's Audit Department. Subsidiaries, meanwhile, are to report monthly on internal audit status, with results collected in audit working reports and submitted monthly to the Audit Committee and the board of directors.

In 2017, the Company's Audit Department conducted a total of 23 audits of subsidiaries, focusing on areas including overseas investment business management and the implementation of legal compliance, anti-money laundering, and anti-financing of terrorism measures and their reinforcement. Where lapses were found or recommendations made, each Company has been requested to draft corrective actions and supply a timetable for their implementation, with the Audit Department tracking progress to completion.

In addition, the Audit Department and Legal Compliance Department conduct annual audits of internal controls, personal information risk evaluations, and biannual legal compliance reviews and self-assessments. Such assessments shall be conducted by specified staff not of the same unit. 2017 audit results did not reveal any incidents of significant lapses.

Fines Received by Yuanta Financial Holdings in 2017

Yuanta Bank	
Details	Corrective Action
In accordance with Article 72-2 of the Banking Act of the Republic of China regarding controls on loans for residential construction and construction for business purposes as percentages of aggregate deposits and debentures and the sale of complex and high-risk derivative financial products, where relevant lapses have disturbed the sound operation of the financial system, the bank shall be subject to the ordering of corrective action as set out in Article 61-1 of the Banking Law.	<ol style="list-style-type: none"> 1. Revised checklist for the review of documents submitted for corporate finance credit and reaffirmed the need to properly handle the classification of funds and the establishment of system codes in line with letter Yuanshencha No. 1050000638. 2. Added declaration to Key Points on Financial Marketing and Handling of Derivative Financial Products Trading that financial marketing and sales staff, when working with Group clients of closely related units, should first confirm the counterparty and the transaction's relative supporting documents (hedging transactions) before giving individual quotes.
In the sale of derivative financial products and auditing of customer financial information, internal controls were unimplemented or inaccurately employed, a violation of Article 45-1, Paragraph 1 of the Banking Act of the Republic of China and disturbing the sound operation of the financial system, resulting in a fine of NT\$4 million in accordance with provisions laid out in Article 129, Paragraph 7 of the same Act. This was also corrected in line with Article 61-1, Paragraph 1 of the Act.	<ol style="list-style-type: none"> 1. A letter was sent to each business unit to halt the application of the "reference model for records of the board of directors" and setting out the "required content checklist for records of the board of directors." When accepting customers' applications for financial product credit, units should follow this Bank's checklist. 2. Amended the "Principles for the Management of Corporate Finance Customers' Credit Limits for Financial Products." Applicants for financial product credit must provide checks or financial report reviews from accountants, and may no longer file their own financial statements. 3. Amended the "Application for Financial Product Credit" by adding "Management/Supervisor" review field to strengthen the audit function of the business unit.

Details	Corrective Action
In the case of the Ching Fu Group's securing of credit, lapses in anti-money laundering operations were found which disturbed the sound operation of the financial system; these are to be corrected in line with Article 61-1, Paragraph 1 of the Banking Act of the Republic of China.	<ol style="list-style-type: none"> The Bank has requested that credit risk increases be reported to the Board of Directors on a case-by-case basis for discussion. If the project (contract) transaction target (including loan recipient) is involved, any major changes should be reported to the board of directors in detail with the reasons for the change in order to strengthen controls. At present, the Bank is revising the "Authorization Guidelines for Corporate Financial Credit." The case has been handled in accordance with the Money Laundering Control Act. With regard to the prevention of money laundering and the financing of terrorism, the following specifications and reports have been amended in accordance with the revised specifications and templates of the competent authority and the Bankers Association of the Republic of China: <ol style="list-style-type: none"> Anti-Money Laundering and Anti-Terrorism Financing Implementation Policy Guidelines Governing Anti-Money Laundering and Combatting the Financing of Terrorism Anti-Money Laundering and Anti-Terrorism Financing Operating Procedures Suspected Money Laundering or Terrorism Financing Status Checklist
In the sale of derivative financial products and auditing of customer financial information by Ta Chong Bank, internal controls were either inadequate or inaccurately employed, resulting in a fine of NT\$4 million. This was also corrected in line with Article 61-1, Paragraph 1 of the Act.	<ol style="list-style-type: none"> Announced that each business unit is no longer to provide templates for the minutes of the board of directors for customers' reference. Issued a letter reaffirming implementation of a review of the minutes of board of directors meeting around derivative financial products customers to confirm accuracy of the records. In order to facilitate the confirmation of the contents of the records of board of directors meetings pertaining to provision of credit, added the "Required Content Checklist for Records of the Board of Directors." Amended the "Credit Application" form format and updated "Application for Credit Risk Assessment Prior to Financial Product Settlements for Corporate Finance Customers" to avoid confusion between customers' credit lines and derivative financial products.
The Financial Supervisory Commission examination report on the general business of Ta Chong Bank (No. 105B021) found that the Bank was involved in one case of derivative financial product sales that disturbed the sound operation of the financial system, and this was corrected in accordance with Article 61-1, Paragraph 1 of the Banking Act of the Republic of China.	<ol style="list-style-type: none"> The Bank has revised the "Key Points for the Control of Ta Chong Bank Corporate Customer Derivative Financial Products Sales," stipulating that only treasury marketing officers (TMO) should conduct evaluations of "Derivative Financial Products Corporate Customer Data Sheets." A new item was added to self-audit worksheets: "Have I informed customers of important trading conditions and related risks when providing them with complex and high-risk derivative financial products?" Promoted and strengthened requirement for TMOs to, during transactions with customers/authorized persons, pay attention to the content of the marketing phrasing and fully inform the customer of any risks related to the transaction. Strengthened promotion of need for TMOs to confirm whether the customer is engaging with products for the purposes of hedging and whether their underlying exposure and hedging positions are commensurate. In order to strengthen the reasonableness of credit line approvals, when valuing the sum, the value of other approved credit lines from elsewhere in the industry must be deducted the sum. For non-hedging lines, the total amount must be estimated based on the net worth of the customer, and financial reports shall be checked or verified by an accountant.
Ta Chong Bank's involvement with the securing of loans by Ching Fu Group and the handling of the remittance operations of said group and its related companies comprised a case of deficiency.	<ol style="list-style-type: none"> The Bank has reviewed and strengthened credit-related processes. The transaction monitoring early warning and warning investigation analysis systems have been strengthened, with reasons for exceptions recorded and the evaluation process and explanations of reasonableness also recorded. Education and training have also been strengthened.

Yuanta Life	
Details	Corrective Action
For a claims case where a policyholder filed claims for two in-patient stays for the same incident, only one stay claim was paid to the policyholder; the second claim remained unpaid when the case was closed, resulting in a portion of the insurance not being paid out, violating Article 8, Subparagraph 3, Items 2 & 3 and Article 17 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises. This resulted in a fine of NT\$600,000 in accordance with Article 171-1, Paragraph 5 of the Insurance Act.	<ol style="list-style-type: none"> The Company has already completed payment in this case and made corrections to the system and controls; relevant procedures have also been added to the claims handbook for future incidents. At that time, the Customer Service Department was short-staffed, and so to avoid impacting the quality and progress of claims processing, the unit was temporarily moved to the Claims Department for three months, then returned to the original department after the manpower was increased. For similar cases, the Claims Department will issue a notice of claim, and the policyholder will be requested to submit complete documents to submit their application; relevant guidelines have also been incorporated into the claims handbook for future incidents.
The Complaints Unit has established mediation for unfavorable insurance claims disputes within the Claims Department. This was corrected in line with Article 149, Paragraph 1 of the Insurance Act.	
In a case where the application documents for the actual payout of medical insurance were not complete and were not paid, the operator was not corrected or notified. This was corrected in line with Article 149, Paragraph 1 of the Insurance Act.	
Resolutions that should not be proposed extemporaneously at board of directors meetings motions were found to have been proposed, in violation of Article 5, Paragraph 1, Subparagraph 8 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises. This resulted in a fine of NT\$600,000 in accordance with Article 171-1, Paragraph 4 of the Insurance Act.	<ol style="list-style-type: none"> The Company has set up a remuneration committee and laid out a complete set of procedures, with the remuneration of directors and managers under the jurisdiction of said committee. Proposals relating to staff remuneration must be submitted to the committee for consideration before moving on to the board of directors for deliberations. The Company convened a discussion meeting on the duration of assets and liabilities, completing the establishment of relevant duration gap management indicators.
Unspecified assets and liabilities were found in conjunction with risk monitoring standards, which adversely affected the management of asset and liability risk. This was corrected in line with Article 149, Paragraph 1 of the Insurance Act.	
With no decline in the Taipei City Urban Land Price Index, no real estate is subject to impairment testing, and no objective evidence has been obtained on a case-by-case basis to verify asset impairment testing. This was corrected in line with Article 149, Paragraph 1 of the Insurance Act.	In order to strengthen the objectivity of real estate impairment testing, the Company has since 2016 had external professional organizations conduct regular evaluations, issuing real estate valuation reports as the basis for the impairment test evaluation and incorporating such measures into the Procedures for Domestic Real Estate Management to facilitate compliance thereto.

5-2 Customer Care

Since the start of the global financial crisis in 2008, maintaining customer relationships has been the focus of attention of institutions throughout the finance industry. In recent years, with the increase in the types of financial services and the diversity of products, the differences between the products and services provided by finance companies have gradually narrowed. The creation of products that meet demand and strengthen customers' sense of identity has become a major issue in the industry.

Yuanta Financial Holdings is committed to the values of integrity, professionalism, honesty, and stability, and to providing customers with the best financial services. We hold maximizing benefits for customers, shareholders and the Group as our highest principle for customer relationships.

With the rise of fintech and the needs of customers diversifying, the internet has become a major channel through which consumers receive messages, while

traditional channels have also been greatly affected. To provide customers with more timely, more convenient services, the Company supervises and coordinates the development of digital financial services among its subsidiaries through its Digital Development Division, providing substantive support to subsidiaries and enabling them to continuously innovate and provide services and products that better meet the needs of customers.

Digital Finance

Yuanta Securities

1. Improving user experience and boosting app downloads to the top of the finance industry:

The Company has invested large amounts of resources and manpower into the development of optimized user experiences for the Action Point of Hope and Yuanta Wanshitong apps.

(1) Action Point of Hope:

Unlike the mobile stock quote software on the market, this app boasts a proprietary interface tailor-made by the Yuanta Securities development team. The app offers intuitive operation and interfaces for linked orders and market price quotes, along with an industry-first fingerprint identification login function and Apple Watch support, extending mobile stock management to the world of wearable financial services.

(2) Yuanta Wanshitong App:

A pioneering one-stop service, providing transactional functions such as domestic and overseas transactions, live video, financial news, and more. The app reflects the innovative thinking of the digital era, including taking the lead in providing borrowing and lending of funds for unrestricted purposes, bidirectional lending between natural persons, and regular fixed-rate stock purchases. Through these, we aim to provide investors with the very best financial service experience.

(3) Innovative "Yuanta Video Robot Account Opening" digital financial service:

Yuanta Securities has developed a highly secure identity verification and account opening technology, offering remote digital account opening services for investors. This fintech development has received patents for various video identification mechanisms, such as video recording and robotic question and answer technology. Yuanta Video Robot Account Opening offers services 24 hours a day, meaning investors do not need to squeeze in time to head to a branch and

can instead quickly apply for and open an account online, greatly simplifying the process and making investment more convenient.

2. Comprehensive creation of value through first-in-class electronic trading:

(1) Cross-business alliances provide diverse value-added services:

Through cross-business cooperation, our "Online Magazine" service provides customers a full range of reading and an integrated cloud services. Incorporating the industry-leading "Yuanta Video" online video platform and a cooperation with renowned financial media outlet EBC Stocks and Finance, it provides cross-platform live video, creating a customer-centric, simple, up-to-the-minute service, applying new technology to our core securities business to meet the needs of our customers.

(2) Customer feedback on marketing activities:

Through launching projects such as securities lending and electronic trading services, we have increased customer satisfaction and market share.

Yuanta Bank

(1) Digital deposit accounts

Given the rapid development of digital finance and the popularity of mobile devices, the Bank is continually building and optimizing digital platforms to optimize digital services from the customer experience perspective. To accelerate the popularization of financial services, the Bank provides customers with free access to counters and direct online applications for digital deposit account services. We have also formulated a modular account type which provides comprehensive usage rights protections to all kinds of customer based on new account verification methods of differing security levels and strengths/scopes of transaction.

(2) Yuanta e-Tellers

In response to the promotion of digital finance, Yuanta e-Tellers not only provide

online applications for 12 financial services, but also provide new and existing customers with online applications for digital deposit accounts. All applications are completed online, providing target customers with faster, more convenient access to financial services communication channels. In addition, to help Yuanta Securities streamline the identity verification process for online accounts, when customers open accounts online from August 2017, they have been able to verify their identity through the Bank and provide customers with a more convenient online account opening service.

(3) Creating more value for physical branches
Our Huashan branch, the first new-style branch to combine finance and the cultural creative industries, incorporates features of the local geography as it extends into a cultural creative and education space, transforming the usually staid customer waiting area into an exhibition space. In addition to wealth management lectures, the space also hosts fintech education, performances, art shows, and fintech service exhibitions, offering enjoyable experiences that give visitors a feast for the soul while they make use of the branch's services. By upholding our corporate social responsibility and exercising our social philanthropy, we are able to give back to society in real terms. The space's venues are all free of charge, and artists and creators from all walks of life are encouraged to participate. In the future, artists who discuss cooperation with Yuanta will have the opportunity to make use of this creative space.

(4) Cross-border payment services

Yuanta Bank was the first bank in the market to cooperate with mainland Chinese third-party payment service Alipay, with a focus on O2O and School Network cash flow services. By the end of 2017, there were more than 600 partner merchants taking part, not only expanding the customer base and recognition of Taiwanese businesses, but also indirectly boosting the penetration rate of domestic electronic payment and optimizing cross-strait electronic cash flow services.

Yuanta Life

(1) Yuanta Life has launched online insurance, helping address the limitations of time and space to promptly bolster the coverage of customers. It also provides a thorough online transaction service, reducing paper costs, boosting after-sales service, improving service efficiency, and reducing administrative costs. In its early stage, the emphasis is on customer experience and streamlining the insurance process in order to increase customer satisfaction.

(2) Yuanta Life primarily offers guarantee policies, with two-thirds of its customers coming from non-traditional business channels (telemarketing, finance, and brokerage). In order to improve service quality, the Company is actively strengthening its digital services and optimizing the functionality of the Policyholders Section of its online platform.

Digital Services:
a. e-Service
b. e-Notice
c. e-Form

Yuanta Investment Consulting

(1) Responding to developments in e-commerce, in April 2017, Yuanta Investment Consulting began providing both paper and electronic contract signing methods for customers inking agreements with securities investment consultants online.

(2) Ongoing implementation of mobile communication software enables the provision of themed investment portfolios, and in the future investors will be able to select the exclusive Yuanta Investment Consulting portfolio as a reference for their investing.

Yuanta Funds

(1) Industry-leading streamlining of account opening process: The Company is the first in the investment industry to launch online account opening. It takes only five minutes to open an account, and trading can start as soon as the next day. The time required to go from opening an account to placing an order has been reduced from two weeks to two days, with trading even possible the day following account opening at the fastest.

(2) Enhancing the customer experience through an in-house app: Yuanta Funds has developed its own "Fund 3.0" app to optimize the user experience, with ongoing optimizations including fund currency linkage and salary management. Thus the Company provides customers with a simpler, more thoughtful, and easier to use app.

(3) Focusing on R&D and applying for patents: In 2017, a total of one invention patent and two utility model patents were obtained, with multiple patent applications still under review by the Patent Office. (Invention patent: Fund consumption method and system; Utility model patents: Yuanta Fund Currency Link, fund consumption system)

Yuanta Futures

(1) Innovation in services and products, ongoing risk management and applications for fintech patents in smart transactions, creating entry thresholds for the industry.

(2) Promoting paperless financial services, saving on operating costs, continuing to optimize the company's official website and smart network, increasing customer numbers and helping increase the number of accounts opened by and orders placed through brokers.

(3) Strengthening information security management to provide customers with a friendlier, more stable, and more secure ordering environment.

(4) Industry-leading innovative "Yuanta Futures Wizard" app, incorporating domestic commodity trading systems and investment information. The platform provides up-to-date information on market conditions, as well as personally chosen portfolio reminders and analysis with a convenient interface.



Our Goals

Yuanta Financial Holdings is committed to the values of integrity, professionalism, honesty, and stability, and to providing customers with the best financial services. To clarify our future direction, we have set goals to be accomplished at different stages.

Material Topics

Management Approach 103-1 103-2

1. Customer Relationship Management

Based on the principle of maximizing benefits for customers, shareholders, and the Group, each subsidiary company has derived from its long experience its own core concepts for customer relations and its own methods for strengthening the implementation of such. The core concepts so developed will serve as the highest principles and dynamics for customer management and strengthening customer relationships in the future.

Subsidiary	Core Concepts	Direction
Yuanta Securities	The implementation of customer rights and company responsibilities, robust management, fearless innovation, rigorous risk management, and the provision of the best, most comprehensive services to the investing public.	<ol style="list-style-type: none"> 1. Regularly analyze customer behavior and brand preferences to determine target customer groups. 2. Find the channels that connect to these target groups. 3. Verify methods for reaching customers through each channel.
Yuanta Bank	Dedication, Care, Integrity	<ol style="list-style-type: none"> 1. Through analysis of customer data, provide customers with the most suitable products and access to the most accurate, timely information. 2. The Customer Service Center provides customer information feedback through its system to the Product Department as a reference for use in designing promotions and developing products, thus providing customers with a better quality and assortment of financial services.
Yuanta Life	Timely, Convenient, Clear, and Flexible	<ol style="list-style-type: none"> 1. Customer information integration. 2. Make improvements based on what customers truly care about. 3. Improve internal operating processes and continue to train internal staff. 4. Plan and execute 2018 Counter Customer Satisfaction Survey.
Yuanta Futures	Deepening professionalism and optimizing innovation Robust operations and sustainable service	<ol style="list-style-type: none"> 1. Strengthening domestic and foreign options products and creating 24-hour, instantaneous services. 2. Providing a range of products and platforms and a wealth of research resources to create differentiated services that fulfill the needs of various customer groups. 3. Continuing to boost staff competitiveness and increase customers' trust in them. 4. Optimizing trading system and risk control effectiveness, improving customer stickiness and strengthening customer management.
Yuanta Funds	A focus on service that starts from wealth management	<ol style="list-style-type: none"> 1. Sharing of investment ideas by investment units and internalization of investment experience by business units coming from customer service. 2. Improving system quality of use through back-office IT. 3. Upgrading smart voice system interface and integrating service channels such as voice, Facebook Messenger, Line@, and customer service email, enabling a unified interface for customer service staff and facilitating more timely service.

Due to the expansion of the Company's reinvestment business group, the types and nationalities of its customers have become more diverse. Currently, Yuanta Bank and Yuanta Securities have both established overseas locations. To respond to the needs and types of customers in these locales, the two subsidiaries have developed different strategies that have enabled them to successfully enter these markets and accrue local customers.



Short-Term Goals

Comprehensively implementing customer satisfaction surveys and integrating all subsidiaries' customer survey procedures according to uniform and consistent standards.

Performance

In view of the different industry-specific characteristics of our subsidiaries, for consistency across customer satisfaction surveys and operations across those subsidiaries, we will establish a standardized survey workflow for each subsidiary.

Yuanta Securities

The scope of coverage of Yuanta Securities' overseas layout extends from South Korea in North-East Asia, incorporating the funding sources and product niches of Yuanta Hong Kong and Taiwan, out to Thailand, Indonesia, and Vietnam in Southeast Asia. Through the deepening of the local operations of these subsidiaries, Yuanta strives to take full advantage of the different characteristics and financial advantages of each market and tie in particular products, as well as to link overseas subsidiaries to create synergies and learn from each other's successes, products, and services. This way, the Group and overseas subsidiaries are provided with new business advantages and the means to develop new products and services.

In addition, Yuanta Securities has experience in business operation, trading technology, risk control, and internal audits and controls that can be quickly transplanted to or shared with overseas subsidiaries. By establishing an Asia-wide trading platform, the Company hopes to offer more choices, more complete product lines, and more diverse investment horizons to our customers.

Yuanta Bank

Yuanta Bank's overseas locations adopt a localized strategic model to establish and maintain customer relationships. In the Philippines, the Company has established relationships with local SMEs through cooperation with real estate agencies and offering customer visits. We also participate in the Korean Chamber of Commerce Philippines, strengthening the relationship with diaspora Koreans to secure more opportunities to connect with customers. Our South Korean subsidiary maintains partnerships and relationships with agencies and local risk management services (RMS) to develop stable lending and home loan businesses. The Hong Kong Branch continues to work closely with internationally renowned investment banks to expand its lending business. It continues to seek opportunities to secure customers through customer visits and cooperation with local lawyers and accounting firms.

In addition, Yuanta Bank takes into account competitive business models in the market, which remain an important part of overseas business development. Managing overseas locations involves a focus on risk control and the establishment of sound mechanisms. In Hong Kong, for example, the Company refers to and introduces more effective business models, which have included improving the efficiency of the credit verification process, improving internal organizational structure, and developing diverse products and services. At the same time, we continue to pay attention to changes in the market, working to improve the overall quality and value of our overseas operations.

2. Customer Privacy

With the recent increase in the frequency of online fraud and account fraud, the protection of personal privacy and confidentiality have become particularly important. The financial industry has in its hands the most comprehensive array of customer data, and as such, finding ways to maintain the confidentiality of information and prevent information abuse are the industry's top priorities. As a part of the financial services industry, should the Group prove unable to properly protect customer information, not only will we lose customers; it will also cause tremendous harm to our reputation, image, and revenues. Given this, the Group strives to fulfill its responsibility to protect the confidentiality of the personal information of customers and investors, with particular attention to relevant legislation such as the Financial Holding Company Act and the Regulations for the Management of Shared Marketing Across Subsidiaries of

Financial Holding Companies, and has set in place the Customer Privacy Protection Declaration, providing a consistent set of guidelines for the protection of the privacy of our customers and investors.

In terms of data collection, the Company uses legal, open channels as the standard, keeping the data thus collected strictly stored in a highly secure and stable information storage system. When a member of the staff accesses client or investor data, they must do so in accordance with the Data Authorization Management Measures. The said information cannot be used on external networks without authorization. The Company and all subsidiaries use a virtual local area network (VLAN) for customer information and hierarchical management of personal data, together with an advanced firewall to prevent unauthorized intrusions.

Information Security for Subsidiaries

Yuanta Securities	A Personal Data Protection Promotion Team has been established, which holds regular discussion meetings to supervise the management and implementation of personal data protection measures and regularly review changes in internal and external regulations. Each year, we hold personal data protection management education and training sessions and continue to promote personal data protection issues to ensure the effective operation of the management system.
Yuanta Bank	Yuanta Bank has not only laid out our own personal information protection regulations, but also holds related education and information drives, ensuring that all customer information collection and usage, within the scope authorized by the customer, is in compliance with the Personal Information Protection Act and other relevant legislation.
Yuanta Life	In response to new developments in IT, the Company has introduced server session recording, code review, and mobile device management (MDM) to boost information security protection capabilities, along with implementing various information security regulations as required by the Company and external authorities.
Yuanta Futures	In addition to complying with regulations including the Establishment of an Information and Communications Security Inspection System for Futures Commission Merchants and Internal Controls Mechanisms—Computer Operations and Information Provision, the Company has also set out internal regulations in line with the businesses under its aegis to serve as guidelines for daily operations and the conducting of business.
Yuanta Funds	A special policy for the protection of personal information has been set out to ensure the Company complies with the relevant laws and regulations and establishes a sound personal data protection system that ensures that the Company's collection, processing, and use of such information is properly handled.
Yuanta Securities Finance	Each piece of personal data is clearly linked with the responsible unit(s) and management personnel, and personal data is not used for purposes other than those for which it was collected. If carried out by an external agency, security and protection must be in accordance with Company regulations and relevant legislation to prevent personal data from being stolen, falsified, destroyed, lost, or leaked.
Yuanta Investment Consulting	A Personal Data Protection Team has been set up to promote, coordinate, and supervise the Company's various personal data protection issues. In 2017, the Personal Data Protection Team Implementation and Operation Details, Principles for the Management of Personal Information, and Personal Data Management Guidelines were revised in accordance with the reality of operations.

3. Marketing and Labeling

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Transparent disclosure of financial product information has always been among the most important issues in the finance industry. With the amendment of laws and regulations and with respect to the concept of protecting financial consumers, if product information is incompletely disclosed and the customer's financial literacy is insufficient or there are misunderstandings, the Company may face sanctions or charges by the competent authorities. This, in turn, will also further affect the Company's goodwill and perception among society.

The Company places tremendous importance on the rights and interests of its clients. When listing financial products, all information is in accordance with the regulations set out by the competent authorities and fully disclosed to both customers and the competent authorities. This includes product terms, characteristics, direct marketing, and the various items of documentation required by the competent authorities. The Company has further established an internal control system in its product design and sales processes to formulate relevant standards, etc.; this is supplemented by the detailed explanations provided by customer service representatives, the financial courses and community layouts that are not regularly handled by various subsidiaries, and the disclosure of product information and frequently asked questions on the official website, to help customers quickly understand the company's products, in order to enhance their financial product knowledge, but also to establish a variety of communication and appeal channels in response to customer needs.

Each subsidiary has strict controls in place governing the internal audit processes pertaining to product marketing. To ensure information integrity and compliance with current regulations, all relevant units will undertake reviews throughout the process, from initial product design to the cost of outsourcing. Should a problem arise, everything is promptly returned and corrected. Once a product is launched, it is subject to the controls in place in the various business units. Should anything inappropriate be found, all relevant information is turned over for joint handling and replication.

Marketing designed

Marketing materials designed by each product business unit

Reviewed by relevant units

In line with product content, each product is sent to the relevant unit(s) for review, such as the Information Development Department, Legal Compliance Department, Legal Department, Business Management Department, or Risk Management Department.

Current Performance

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1. Customer Relationship Management

In addition to maintaining relationships, solving customer problems is also an important part of customer relationship management. The Group takes a proactive attitude toward problems, keeping a close eye on customer complaints and the affected subsidiaries. "Moment of Truth" management is something we place great emphasis on, engaging in horizontal communications across departments to solve customer issues. We listen to our customers' problems carefully and with empathy,

endeavoring to understand the root of each customer's problems and to follow up to understand whether the customer is satisfied with the final resolution. Through education, training, and regular managerial guidance, we strive to strengthen our service officers' abilities to create a comprehensive customer service system that places customer satisfaction at its core, while also improving our skills in communicating with customers and handling their concerns.

Integrated Telephone and Computer System Performance in Subsidiaries' Customer Service Centers

Average Answer Rate (%)

	2015	2016	2017
Yuanta Securities	92	91	88
Yuanta Bank	88.9	96.4	86.7
Yuanta Life	91	83	89
Yuanta Funds	86.24	92.66	89.96
Yuanta Futures	86.8	94	87.2

Average days to Fully Handle Customer Complaints

	2015	2016	2017
Yuanta Securities	20.05	17.1	17
Yuanta Bank	4.9	5.9	9.6
Yuanta Life	16	15	18.5
Yuanta Futures	22	8	9

Customer Satisfaction Survey (%)

	2015	2016	2017
Yuanta Securities	95	97	98
Yuanta Futures	—	95.6	95.2

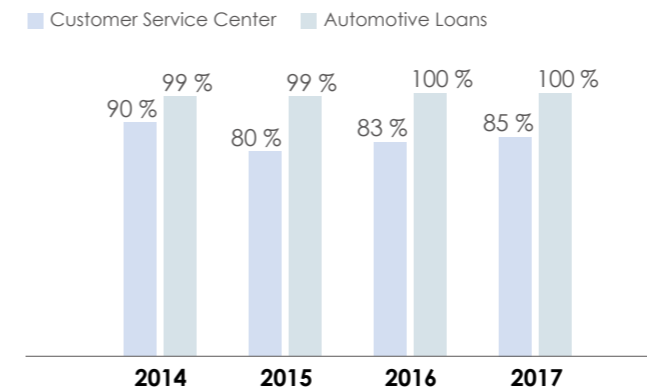
* Answering rate is subject to variation due to factors such as changes in trading volume, number of annual projects, or new product or business integration into online or electronic systems or changes thereto.

In addition to the performance statistics gathered through the integrated telephone and computer system, subsidiaries also conduct surveys into their respective businesses or concerns, aiming to discover particular customer needs or Company shortcomings.

Yuanta Securities Stock Transfer Agency Department Customer Satisfaction Survey Results

Survey Topic	2015	2016	2017
Overall customer satisfaction with shareholder services, including daily schedule flexibility, service employee initiative, and on-site processing.	95.09%	95.64%	96.84%

Customer Satisfaction Surveys for Yuanta Bank Services



Yuanta Life Appeals Performance

	2015	2016	2017
Industry Complaints Ranking*	15	5	9
Industry Complaints Placement**	83%	29.4%	60%
Average days to Fully Handle Customer Complaints	16	15	18.5
Number of Policies			
Master Policies	435,237	473,142	530,535
Riders	587,983	598,465	639,329
Customer Numbers (People Insured)	344,678	375,621	424,911
Number of Complaints			
Claims	24	13	7
Non-Claims	17	21	21
Number of Reviews			
Claims	9	11	6
Non-Claims	4	4	6

* Complaints ranking is based on yearly information from the Insurance Bureau's Comprehensive Scoring of Complaints.

** Complaints placement is based on yearly information from the Insurance Bureau's Comprehensive Scoring of Complaints, calculating placement as a percentage among the total number of life insurance businesses.

In addition, in order to enable our staff to maintain good customer relationships, we hold in-house training courses to help the core concept of customer-oriented service take root in the hearts of our staff. This way, maintaining good customer relationships becomes essentially a reflex, creating win-win situations for both customers and the Company.

Relevant Courses Held by Subsidiaries, 2017

	Course Content	Occurrences
	Problem Analysis and Handling	3
Yuanta Securities	Handling of Financial Consumer Disputes and Principles of Fair Treatment of Customers	5
Yuanta Bank	Key Services Training	22
Yuanta Futures	Financial Services Etiquette - Creating Positive Impacts and Improving Service Satisfaction	3

* Courses relating to life insurance customer disputes are generally conducted through external training

2. Customer Privacy

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The Company and its subsidiaries hold a firm-wide Personal Data Protection Law Education Training Course at least once a year. In 2017, a total of 32 graded digital courses were held, covering review of key regulations and analysis of cases in the industry. A total of 13,164 people participated in these digital courses, for a total of 10,673 study hours. After the courses, tests were held to assess learning effectiveness and ensure that the participants had a full understanding of the importance of personal data and relevant operating practices.

In order to ensure the confidentiality of customer data, each subsidiary also conducts training courses on customer privacy and personal information protection. Through these courses, staff can be more rigorous in the handling of customer data and ensure said data is more thoroughly protected.

Information on Personal Data Protection Law Education Training Courses

	Occurrences	Attendees	Study Hours
Yuanta Financial Holdings	1	202	101
Yuanta Securities	5	4,800	4,800
Yuanta Bank	7	3,964	2,591
Ta Chong Bank	4	2,548	2,448
Yuanta Life	5	804	137
Yuanta Futures	1	374	374
Yuanta Funds	5	325	142
Yuanta Securities Finance	1	44	22
Yuanta Investment Consulting	1	76	38
Yuanta Venture Capital	1	12	12
Yuanta Asset Management	1	15	8
Total	32	13,164	10,673

Information Security and Personal Information Protection Training

	2015	2016	2017
Total Number of Courses	82	71	93
Total Training Hours	12,442	14,442	25,538
Trainees	16,129	16,383	27,041
Number of Employees	9,523	11,828	11,568
Average Hours of Training Per Person			
2015	1.3		
2016	1.2		
2017	2.2		

After a customer's telephone number was found to have been mistakenly included in a sealed envelope in 2016, resulting in a case of infringement of customer privacy, the company reiterated the relevant guidelines and precautions, as well as adding this case to education and training programs. Internal reviews in 2017 found no infringements of customer privacy.

3. Marketing and Labeling

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In 2017, the Company was not subject to any penalties regarding disclosure of product information. Yuanta Life was, however, subject to a penalty relating to marketing and promotion.

Subsidiary
Yuanta Life
Description of Violation
The content of the materials used in training and education provided by Yuanta Life to its insurance brokers had not been reviewed for appropriateness, resulting in some inappropriate comparisons in the materials put together by promotions staff. This was corrected in line with Paragraph 1, Article 149 of the Insurance Act.
Follow-up Measures
Since April 2017, product training materials for insurance brokers and agents used by the Company's promotions staff must be first subject to internal review and approval before use. The relevant procedures have been added to the Brokerage and Agency Sales Department Manual.

The Group's product information is all publicly and transparently disclosed, and is supplemented by the detailed explanations by provided by our customer service staff. However, due to the diversity of financial products and the resultant differences in attributes and contract details, as well as the specialist knowledge involved in finance, there

will always be a degree of difference in financial literacy from customer to customer. This can lead to difficulties in communicating. Therefore, the Group uses a variety of channels to improve financial literacy among customers, facilitating clearer, more effective two-way communication with customers regarding wealth management, finance, and product specifics.

Method for Enhancing Financial Literacy	Occurrences in 2017	Performance in 2017
Yuanta Securities		
Campus warrants lectures held in cooperation with industry association	Held a total of 15 seminars	874 participants
Warrant lectures held by subsidiaries for brokers	Held a total of 11 seminars	241 participants
Participation in financial holding companies' and other departments' earnings calls	Wealth Creation Forum Participation in 48 earnings calls	4,200 participants
Overseas Investment Seminar - Overview of the International Financial Market, Introduction to Foreign Negotiable Securities (shares, bonds, ETFs, ELNs) (held in Northern, Central, and Southern Taiwan)	Held a total of 24 seminars	In 2017, transaction volume of foreign negotiable securities trading continued to reach new highs.
Working with the competent authorities to hold large-scale customer lectures	Held a total of 6 seminars	800 participants
Large interdepartmental (inter-unit) educational lectures	Held a total of 23 seminars	3,150 participants
Held small themed lectures and wealth management seminars for the investing public in each branch's local community	Held a total of 400 seminars	16,000 participants
Yuanta Bank		
Holding large-scale wealth management conferences each year in northern, central, and southern Taiwan	Held a total of 6 seminars	715 participants
Holding, through branches individually or jointly, wealth management seminars	Held a total of 125 seminars	3,056 participants
Yuanta Life		
Conducted certification courses to improve basic insurance knowledge and sales skills and effectively provide correct one-on-one financial knowledge during sales.	Held about 350 seminars (including basic and intermediate courses)	More than 11,400 participants and more than 1,540 trainees
Organizing occasional joint customer seminars to explain concepts of insurance and wealth management	Held a total of 669 seminars, 56 per month on average	Each seminar had, on average, between 20 and 50 participants
Yuanta Futures		
Domestic and foreign product introduction/ Program trading introduction/ Options knowledge course	1,336 on-site events 307 online events	25,000 participants
Large forums/conferences/lectures Education and training focused on juridical persons	Held a total of 48 seminars	2,090 participants
Online lectures/courses	Held a total of 49 seminars	About 700 views per session
Issuing a quarterly publication	Issued a total of 4 times	A total of approx. 40,000 issues distributed (available in an online version on the official website)
Yuanta Funds		
Since 2007, free fund investment classes have been held on Thursdays, with a move toward customer grading in 2017 to facilitate more precise communication of recommendations.	Held a total of 35 seminars	2,000 participants
Yuanta Securities Finance		
Investment seminars for securities agents	North: 7 seminars Central: 2 seminars South: 5 seminars	By the end of 2017/12, Yuanta accounted for 86.75% of the two securities financing ratios.
Yuanta Investment Consulting		
Held investment and finance meetings/seminars	Held a total of 717 seminars	Each seminar had, on average, between 20 and 50 participants
Published a monthly periodical on investment consultancy	Issued a total of 12 times	A total of approx. 40,000 issues distributed

5-3 Green Operations

We understand that the finance industry plays an important role in the continued progress of society and the economy. With global sustainable development, green economies, and low-carbon economies on the rise, the subsidiaries of Yuanta Financial Holdings are riding this wave of transformation to provide the necessary financial products and services. By incorporating environmental, social and corporate governance-oriented measurement and assessment into our business model, we stay on top of risks and opportunities to help our customers shape their own green operational capabilities.

Financial Opportunities in Sustainable Development

In 2015, the United Nations announced the Sustainable Development Goals (SDGs), a set of 17 goals laying out a clear path toward global sustainable development by 2030. In 2017, the Business and Sustainable Development Commission published their report entitled "Better Business, Better

World," which pointed out the potential of the SDGs to spark innovation, economic growth, and new opportunities. By 2030, the report stated, these goals will likely have created at least US\$12 trillion in new market opportunities and as many as 380 million new jobs. In late 2017, the Taiwanese government issued a draft set of sustainable development goals tailored to Taiwan. These goals will spur opportunities for development in other industries while also creating excellent opportunities for the finance industry to provide the products and services those other industries will need as they expand and develop. Cooperation with other industries has become one of the driving forces for the achievement of these sustainable development goals.

As such, the Company will initially classify the targets of services by their nature or an understanding of how their funds are used, as well as linking the programs donated to or supported by the Group's subsidiaries to SDGs to understand how they contribute to sustainable development.

Sustainable Development Goals (SDGs)

	Goal 3 GOOD HEALTH AND WELL-BEING		Goal 8 DECENT WORK AND ECONOMIC GROWTH
	Goal 4 QUALITY EDUCATION		Goal 11 SUSTAINABLE CITIES AND COMMUNITIES
	Goal 6 CLEAN WATER AND SANITATION		Goal 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Goal 7 AFFORDABLE AND CLEAN ENERGY		Goal 13 CLIMATE ACTION

Our Goals

To effectively cooperate with other industries and commit to sustainable development, we must start by upgrading our own policies and the relevant facilities and measures. As such, we set targets in 2016 to spur and track the progress of the Group's subsidiaries.



Short-Term Goals

- Evaluating draft policies relating to promotion of green finance

Performance

Yuanta Securities, Bank, Life, and Funds have incorporated relevant ESG's into the related policies

- Promotion of green finance

Performance

Yuanta Securities, Bank, Life, and Funds have shown relevant performance

- Having securities ordering system use green electricity

Performance

Yuanta Securities subscribed to 200,000 kWh of green electricity in 2017

- Setting up green machine rooms

Performance

Yuanta Financial Holdings Group leases an IDC Green Machine Room from Chunghwa Telecom

- Implementing green finance talent development plan

Performance

- At present, subsidiaries dispatch personnel to participate in relevant outside courses; an estimated 50 participants take part each year
- Continue to develop green financial products



Mid-Term Goals

- Signing the Equator Principles

Performance

A working group has been set up to establish the applicability of project financing and assess the environmental and social impacts of customer operations in accordance with common standards, standardize project financing, and formally sign on to the Equator Principles in 2020.

- Launch solar energy branch organization

Performance

Transferring responsibilities from the Environmental Sustainability Group.

- Implement carbon footprint and water footprint banks

Performance

To accelerate the development of fintech innovation, this goal was revised in 2018 to become "Promote the establishment of a low-carbon order system service."

- Combine digital finance and carbon neutrality, create zero carbon emissions digital experience branch

Performance

- The Digital Development Division of Yuanta Financial Holdings is currently planning a space combining finance with the cultural creative industries at the Huashan branch, a new concept that incorporates cultural exhibitions, artistic performances, and fintech services with a focus on people and making the branch feel warmer.
- In order to boost the digitalization of subsidiaries' services, this goal was revised in 2018 to become "Promote digital finance, the implementation of energy-saving and carbon-reduction measures at all operating locations, and the launch of e-counter services."

- Plan carbon footprint and carbon neutrality certification for ordering system services

Performance

- Yuanta Securities focuses on fintech innovation and strives to apply new technologies to its core businesses. In 2017, the Company won the TWSE's "Increase in Electronic Trading Transactions Award" and "API Promotion Award," and the Company's industry-first Video Robot Account Opening service was awarded the "Product of the Year Award" in the Ministry of Economic Affairs' 2017 Digital Content Product Award. Additionally, an industry-leading fingerprint identification login function was introduced, order services were expanded to wearable devices, and an e-Passbook service was launched, contributing to the creation of a one-stop online digital service environment.
- The feasibility of relevant certification will be evaluated in 2018.

Material Topics

Sustainable finance is a force for the transformation of the global economy toward sustainability through the evaluation of the incorporation of ESG factors into financial operations and the integration of risk management and value creation thinking. Through the participation of the financial industry, the public's awareness of the combination of sustainable development and asset management will be expanded, achieving wealth creation while also achieving the sustainable development of environmental protection and social justice.

For Yuanta Financial Holdings, credit risk analysis, asset management, and investment advisors are important financial risk control mechanisms and profit-making methods, and the integration of environmental (E), social (S), and corporate governance (G) factors into traditional business is the only way to achieve sustainable financial transformation. The following outlines the integration of such factors into the management approach of Yuanta's subsidiaries as appropriate to their particular lines of business. In the future, the Group will continue to guide the remaining subsidiaries in determining the ESG factors suitable for their business and in spreading the concept of sustainable finance across all subsidiaries.

Management Approach

DMA-FS1 **FS2** **FS3**

1. Integration of environmental, social and governance factors in credit risk analysis:

Yuanta Bank

In addition to basic deposit and currency exchange operations, lending is an important source of revenue and one of the keys to driving economic development in the banking industry. To avoid the risk of exposure to dead loans or investment losses caused by a creditor's negative impact on the environment/society or violation of the law, in line with the amendments regarding the encouragement for banks to adopt the Equator Principles conducted by the Bankers Association and Financial Supervisory Commission, in May 2015, Yuanta Bank has added clarification to Paragraph 2, Article 10 of the Yuanta Commercial Bank Credit Business Guidelines stating that "When handling project financing reviews, we advocate that the borrower shall be assessed as to whether or not they have upheld their responsibility to protect the environment, upheld corporate integrity management, and pursued corporate social responsibility." In August 2017, credit business cases the Company undertook generally adhered to these principles, and the Company placed an emphasis on social or environmental impacts in their evaluations, with neither applications without social economic or philanthropic value nor those that may harm the environment being accepted on principle.

The management philosophy of Yuanta Bank has always been to comply with laws and regulations and to support the spirit of environmental care and social culture.

Accordingly, the principles of the Bank's lending operations are as follows:

Corporate Finance

Continuing to promote the consideration of green energy/energy savings related business in response to climate change in project financing reviews, indicating that where appropriate the borrower shall be assessed as to whether or not they have upheld their responsibility to protect the environment, uphold corporate ethics, and protect the best interests of society. At the same time, in order to strengthen the unit's understanding of and compliance with the spirit of green energy, Yuanta Bank will incorporate the aforementioned into its credit business standards. Both the target and purpose of credit are to be carefully considered, and those which lack social economic value, are not beneficial to the public welfare, or are in contravention of environmental protection or Yuanta policies will not be granted credit.

Personal credit

In addition to conducting this business in accordance with the relevant credit policies and regulations, Yuanta Bank controls the credit risk limits and related limits set by the competent authorities through their Risk Management Unit, complying with the regulations set out by the competent authorities and upholding the responsibilities of a good manager. In addition, the Bank has also set out Credit Risk Interim Management Measures and Principles for Personal Financial Credit Risk Interim Management for post-lending management. Three categories of review frequency are employed based on the type of customer and product, namely active, periodic, and dynamic, facilitating ongoing tracking of the credit status of borrowers.

Consumer lending

Yuanta Bank has adopted five basic principles (security, liquidity, public benefit, profitability, and growth) and five auditing principles (customer credit, usage of funds, repayment sources, credit protection, and credit outlook) in reviewing lending. ESG factors are incorporated therein, with an emphasis on principles of corporate governance, and credit reviews are conducted in compliance with the applicable laws and Yuanta Bank regulations.

Where, during the time a borrower has been extended credit, situations including bad credit, signs of default, a worsening of their financial or business situation, or other non-financial information or information published through the media (such as food safety concerns, fires, environmental problems, etc.) should create doubt as to the borrower's ability, the business unit shall immediately investigate and

inform management. This will be followed by the drafting of a response plan and implementation of safety measures such as increasing collateral, increasing interest rates, freezing credit, recovering the balance, or negotiating repayment. Additionally, according to the type of customer and industry, post-lending management shall take place with differing frequencies. The customer will receive both reports and site visits where appropriate, facilitating further follow-up on the customer's credit situation. In 2017, no credit customers violated environmental protections or human rights and had thus been subject to a halt in financing.

2. Integration of environmental, social and governance factors in asset management & investment advisory:

Yuanta Bank

To strengthen corporate responsibility and respond to the need for green finance and environmental protection, in July 2017 Yuanta Bank revised its Bond Business Handbook, as well as revising the Foreign Currency Bond and Bond Futures Trading Operations Handbook in August 2017, adding green bonds to the purchasable bond types. (These refer to a financing tool whereby a bank of business, through the issuance of bonds, can apply the funding so gathered to the financing of green investment plans involving climate, environmental protection, energy conservation, carbon reduction, or other related lending.) Additionally, green bonds will be made a priority consideration regarding investment targets.

Yuanta Life

Concerning responsible investment, in February 2016, in line with the Company's Investment Policy, Yuanta Life added CSR rules regarding investment targets, investment mechanisms, and targeted selection in line with the "principles for responsible investment." Yuanta Life also drafted several governing rules to be adhered to, along with the "Investment Processing Procedures for Capital Projects for Public or Social Benefit," aiming to set goals for investment performance, sustainable management, and social justice.

Yuanta Funds

In order to promote the application of ESG factors to asset management, Yuanta Funds established the ESG Strategy Fund in September 2011, selecting ESG concept stocks boasting corporate governance, environmental protection, and social equity through international standards and an ESG portfolio screening process. Through this, Yuanta Funds helps investors understand trends and invest funds in companies that put into practice ESG policies. In 2016, Yuanta Funds became a signatory to the Taiwan Stock Exchange's

Stewardship Principles for Institutional Investors.

Given the Financial Supervisory Commission's August 2017 opening of public placement fund related business to securities investment trust reinvestment subsidiaries, the competent authority recommended that such funds be used for domestic public infrastructure and the green energy industry. In the future, we will further discuss specific actions relating to this policy and wait for deeper development of the market.

3. Financial Inclusion:

Financial Inclusion is a concept proposed by the United Nations in 2005 to promote microfinance and poverty alleviation. In 2006, the Blue Book on Building Inclusive Financial Sectors further refined the concept, emphasizing that the targets of financial services should not be subject to discrimination on the basis of identity or distance. Thus "inclusiveness" can be universally and fairly applied across any and all groups.

The Financial Supervisory Commission issued a special press release in December 2016 explaining that the essential intent of financial inclusion is to improve the accessibility of financial services through the continuous improvement of financial infrastructure. The FSC further went on to proffer that the core definition of financial inclusion can be seen as covering the following three dimensions:

1. Access to Financial Services:

Ensuring that consumers have access to new financial services, and particularly ensuring that the barriers to access faced by underprivileged and low-income groups, as well as micro, small and medium enterprises, are lowered.

2. Usage of Financial Services:

Strengthening the frequency of use of financial services, promoting the use of financial services, and enhancing consumers' ability to make full use of financial services. With the development of innovative financial technologies, we can provide financial services that are diversified, convenient, and lower-cost.

3. Quality of Financial Services:

Aligning financial services with the needs of the people and promoting financial literacy through education and financial consumer protection measures.

This is also what is at the core of Yuanta Financial Holdings' credo, "Achieve your greatest dreams." This concept is integrated into the Group's development of goods and services, and we strive to improve the inclusiveness of financial services so that everyone can enjoy comprehensive financial services.

Current Performance

1. Integration of Environmental, Social and governance factors in credit risk analysis

FS 8

Yuanta Bank

The preceding is based on the classification of service targets or their usage of funds in order to understand the overall operating status of the business model. In 2017, loans by Yuanta Bank relating to the sustainable development goals totaled NT\$118.3 billion, accounting for approximately 41% of the Bank's total corporate lending.



Unit: NT\$ million

SME Financing

Financing Amount 112,119
Ratio 38.8%

Alternative Energy

Financing Amount 2,364
Ratio 0.8%

Water Resources

Financing Amount 160
Ratio 0.1%

Pollution Prevention

Financing Amount 610
Ratio 0.2%

Education

Financing Amount 1,316
Ratio 0.5%

Medical

Financing Amount 1,677
Ratio 0.6%

Case Study

To uphold our corporate social responsibility and work with the government's social policy, Yuanta Bank has provided "Banqiao Fuzhou Social Housing Home Loans" on a project-by-project basis, based on the criteria for the approval for social housing properties set out by the government and taking into account credit risk considerations. In this way, we help disadvantaged families purchase suitable housing and provide a package of preferential housing loans for the whole family to help them achieve their dreams. As of December 2017, the total amount of such loans was approximately NT\$557 million, comprising a total of 79 households.

Case Study

Lead Arranger for Syndicated Loan

General Energy Solutions is a provider of solar energy systems which is primarily focused on the construction of solar power plants and parallel sales. To assist them in investing the funds needed for the construction of an overseas solar power plant, Yuanta Bank has taken on the role of arranging bank for a syndicated loan, covering 60% of the loan and supporting the construction of a plant capable of a capacity of 90MW.

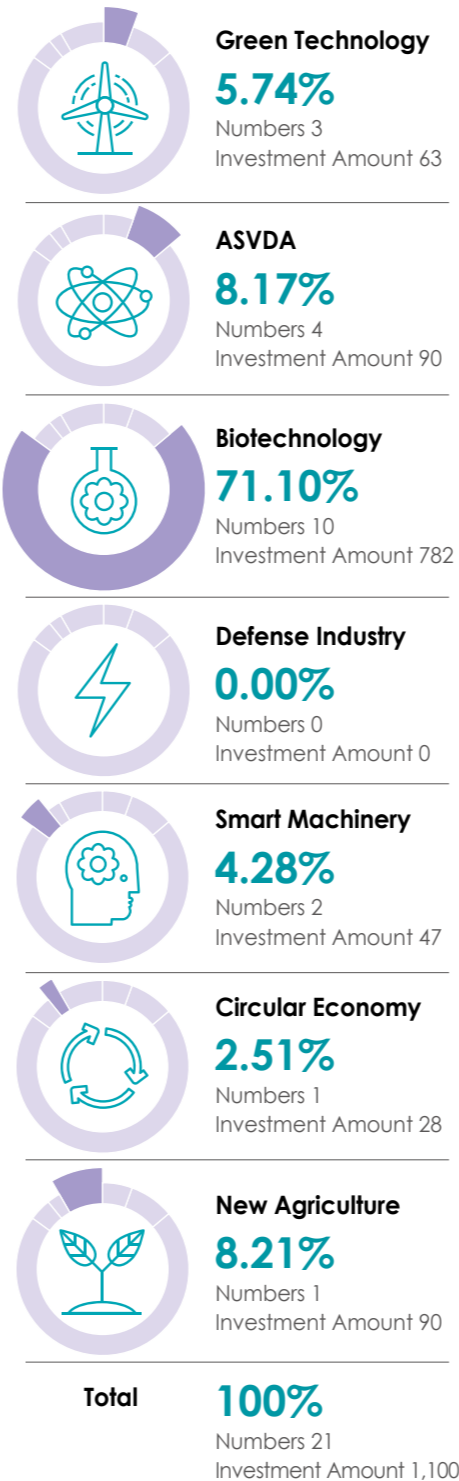
Participant Lender in Syndicated Loan

Hengs Technology is mainly engaged in the integration of renewable energy systems and the design, sale, and installation of equipment. In recent years, the company has cooperated with a number of domestic solar module factories and corporate shareholders to build large-scale power plants. At present, 17 such solar power plants have been issued formal operating licenses in line with the Electricity Act. Hengs Technology has completed six of them. (The total capacity of the 17 plants is 34,781.17 kW, and the proportion completed so far by Hengs Technology is 53.16%.) In order to assist the company in repaying the financial institutions from which it borrowed and in enriching working capital for medium-term operations and procurement, Yuanta Bank participated in a syndicated loan, covering approximately 3.4% of the credit, to support the company's ongoing expansion.

Yuanta Venture Capital

Since its inception, Yuanta Venture Capital has worked along with government policies to promote the high-tech sector and selected investment targets in line with trends in those industries. With the government's strong push behind the 5+2 Major Innovative Industries plan, with its lower restrictions on investment, we have begun actively investing in the related industries, aiming to provide a diverse funding basis to promote industrial development and help domestic companies in their financial transition. In response to support for government policies, the Yuanta Venture Capital's investing amount for 2017 was NT\$1.1 billion. The investment information as below:

Units: NT\$ million



2. Integration of environmental, social and governance factors in asset management & investment advisory

FS 8

Yuanta Securities

An "initial public offering" (IPO) is when a company issues shares publicly for the first time, giving the ordinary investor the opportunity to purchase them; a "seasoned public offering" (SPO) is when a company again issues shares to raise capital beyond its initial offering. Both of these are important financing channels for businesses in the process of growing. The Investment Banking Department of Yuanta Securities is an important consultant for companies seeking to make use of these channels. In 2017, the department assisted companies with concepts related to the Sustainable

Development Goals in launching IPOs/SPOs for a total of approximately NT\$6.7 billion in underwriting, accounting for approximately 55% of the total underwriting of Yuanta Securities in 2017.

In addition, Yuanta Securities participated in the underwriting of corporate bonds for CPC Corporation worth NT\$500 million and Taipower worth NT\$1.7 billion. The funds obtained from the bond issuances by these two state-owned enterprises will be used to develop green energy and related industrial applications.

ESG-related IPO/SPOs for Yuanta Securities in 2017

Unit: NT\$ million

	Accounts	Yuanta Underwriting Amount
Small & Medium Enterprise	3	5396.36
Power Efficiency	1	300.00
Renewable Energy	4	726.68
Medical	5	341.90
Total	13	6764.94

Ta Chong Bank

- (1) There are 5 loans for green energy/energy-saving related enterprises, and the credit balance as of December 31 was \$1.907 billion;
- (2) There are 8 loans for solar photovoltaic related enterprises, and the credit balance as of December 31 was \$1.740 billion;
- (3) There is 1 financing loan project for the construction of social housing, and the balance as of December 31 was \$254 million.

Yuanta Bank has also supported the "5+2 Major Innovative Industries" promoted by the government, and has provided said industries with financing loans, working together with them to create new prospects for the economy of Taiwan.

Yuanta Bank Financing Statistics for 5+2 Major Innovative Industries

Unit: NT\$ thousand



Case Study

The Investment Banking Department of Yuanta Securities is committed to assisting outstanding companies in raising the capital they need through IPOs and SPOs. In 2017, the Company undertook a number of such activities for listed companies, helping them in their achievement of Sustainable Development Goals. For example: A capital increase for Gintech Energy Corporation, convertible bonds for Laster Tech Corporation and Apaq Technology. By supporting market funding, we help businesses expand the scope of their operations along with solutions that are beneficial to sustainable development.

Partnerships in 2017:

Renewable Energy

Gintech Energy Corporation: Specializes in the production of solar batteries and the improvement of their performance, supplies high-quality crystalline silicon solar cells to international module manufacturers. Marketing network currently covers the major markets for solar—China, the US, Europe, and Japan—and will be able to carry out planned expansion of production through funds raised, leveraging economies of scale.

Energy Efficiency

Laster Tech Corporation: Focuses on automotive and indoor/outdoor LED lighting, specializes in supplying automotive optical modules to major vehicle manufacturers around the world and optical components to major lighting companies globally. The funding provided is focused on improving the energy efficiency of their lighting.

Green Production

Apaq Technology: Primarily produces ultra-small, low-impedance, high-temperature-resistant, long-lived conductive polymer solid capacitors, chip capacitors, and supercapacitors. While working to simultaneously strengthen their technological core and introduce lead-free materials, the company employs rigorous green production policies from production processes to packaging and shipping, supply high-quality green components to customers.

Yuanta Funds

In November 2007 Yuanta Funds set up the Yuanta Global Utility Fund, seeking out and investing in relevant companies to help encourage the improvement and popularization of renewable energy resources, thus helping mitigate the greenhouse effect. In September 2011, Yuanta Funds established the Emerging Markets ESG Strategy Fund. Through the use of international standards and a careful ESF investment group selection process, stocks in line with environmental protection, social justice, and corporate governance, we invest funds into companies practicing strong ESG policies, encouraging more companies to focus on ESG. In addition, since April 1, 2017, the Company has signed on to the MSCI Emerging Markets ESG Indexes. Through MSCI's research reports, the Yuanta Emerging Markets ESG Fund can employ more accurate ESG investment strategies in this growing market.

Yuanta AMC not only offers the two sustainability-oriented funds issued by

Performance of Yuanta Global Utility Fund

Unit: NT\$

	Fund Scale (include both dividend and non-dividend distribution fund)	Par Value (non dividend distribution fund)	Performance (non dividend distribution fund)
2015	812,375,059	7.54	5.95% (three-year)
2016	859,203,879	8.12	18.04% (two-year)
2017	699,660,694	8.9	9.61% (one-year)

Performance of Emerging Markets ESG Strategy Fund

Unit: NT\$

	Fund Scale	Par Value	Performance
2015	534,777,199	10.67	10.32% (three-year)
2016	470,662,391	10.53	24.27% (two-year)
2017	469,138,790	13.26	25.93% (one-year)

Yuanta Funds, but also, through channels provided by other subsidiaries (e.g. Yuanta Bank and Yuanta Securities), sustainability-oriented funds issued by other companies, effectively exposing such funds to public investment and encouraging the public

to contribute to companies committed to sustainable development through fund asset management.

Fund Purchase Amount assistance by Yuanta Bank

Unit: NT\$

Funds	2015	2016	2017
Yuanta Emerging Market ESG Strategy	10,000	0	0
Mega Green Diamond	0	0	0
Allianz Global Eco Trends	10,000	60,000	10,000
Pictet-Water	1,133,081	140,000	4,518,504
BlackRock New Energy Fund	624,460	1,118,829	940,972
Parvest Aqua	0	0	118,753,212
Schroder ISF Global Climate Change Equity	0	0	1,272,894
Nomura Global Climate Change	100,000	0	10,000
Vontobel Fund-Future Resources	62,610	0	0
Vontobel Fund-New Power	0	0	0
Amundi Global Ecology A Non	0	0	0
Eastspring Global Green Solutions	60,000	50,000	0
Total	2,000,151	1,368,829	125,505,582
Percentage of lunched funds purchase amount	0.01%	0.01%	0.51%

Fund Purchase Amount assistance by Yuanta Securities

Unit: NT\$

Funds	2015	2016	2017
Emerging Markets ESG Strategy Fund	2,253,000	1,194,000	1,146,500
Nomura Global Climate Change Fund	395,000	214,900	240,500
Schroder ISF Global Climate Change Equity	1,083,772	583,787	4,869,225
HSBC Global Investment Funds-Global Equity Climate Change	740,484	253,218	289,747
Yuanta Global Utility Fund	9,122,651	2,105,093	2,009,914
BGF New Energy Fund	13,252,722	2,214,778	4,665,426
JIH SUN ANTI-GLOBAL WARMING FUND	237,000	170,000	404,250
Allianz Global Investors Global Eco Trends Fund	1,239,200	976,625	914,700
Cathay Global Ecology Fund	420,000	114,000	183,500
Yuanta Global Agribusiness Fund	29,827,698	21,211,119	22,966,000
Allianz Global Investors Global Agriculture Trends fund	14,201,200	5,371,500	9,571,576
Hua Nan Global Agribusiness And Water Fund	0	345,000	386,000
BGF World Agriculture	12,398,818	20,866,983	18,342,283
Parvest Aqua - Classic	0	0	1,891,532
Capital Brilliance Umbrella Fund -- Capital Global Biotech Fund	32,789,263	30,438,545	16,209,668
Allianz Global Investors Global Biotech Fund	138,126,329	51,775,430	55,439,963
Prudential Financial Global Bio-Health Fund	121,966,280	76,204,437	56,768,139
Nomura Global Biotech & Health Care Fund	50,770,309	28,927,314	21,934,400
Franklin Templeton SinoAm Global Healthcare Fund	0	0	26,693,928
JPM Global Healthcare	15,124,143	5,431,047	2,611,661
FRANKLIN BIOTECHNOLOGY DISCOVERY FUND	686,906,305	423,874,307	789,109,275
UBS (Lux) Equity Fund - Biotech	143,309,537	35,807,851	28,807,241
Janus Henderson Global Life Sciences Fund	87,715,058	17,045,366	7,014,022
Total	1,361,878,770	725,125,300	1,072,469,450
Percentage of lunched funds purchase amount	4.63%	4.08%	5.22%

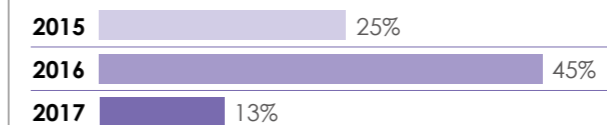
Yuanta Life

The asset management investment strategy of Yuanta Life's Investment Department should also pay attention to the management of liquidity risk in addition to considering profitability in stock selection. Investments made under these considerations could have a positive impact on the environment and society, creating a win-win situation in terms of both investment and social responsibility. Yuanta Life has set out "Liquidity Risk Management Guidelines" to control or avoid liquidity risk in its choice of investment targets, giving higher investment limits for investment targets with better liquidity.

Case Study

Yuanta Life invests in Taiwan High Compensation 100 Index constituent stocks. These were announced by the Taiwan Stock Exchange in October 2014 and compiled by the TWSE through stocks of companies committed to the exercise of corporate social responsibility. With Yuanta Life eager to contribute to the raising of the average salary, such considerations are key in the Company's selection of investments. In addition to the importance of the selection of investment targets with good liquidity emphasized by Yuanta Life in the "Liquidity Management Guidelines," this index is also in line with Yuanta Life's focus on profitability in stock selection. Component stocks of the "Taiwan High Salary 100 Index" Taiwan High Compensation 100 Index can also increase the positive impact of Yuanta Life's investment targets on the environment and society.

Percentage of assets held which are part of the Taiwan High Compensation 100 Index



3. Financial Inclusion

FS 9

Yuanta Bank

a. Strengthening Payment Services in Remote Areas through Western Union

In order to provide immigrants working and living in Taiwan with greater legal access to small-value foreign exchange services, and to strengthen remittance services to and from remote areas abroad, in 2012 Yuanta Bank began offering Western Union currency transfer services. Western Union has service locations in over 200 countries around the world, including places as diverse as Vietnam, Malaysia, Indonesia, Bhutan, and Ethiopia. We also make a particular effort to provide these services in regions with relatively lacking financial services such as Hualien, Taitung, and Kinmen. In 2017, the number of branches providing Western Union remittance services

accounted for 86.84% of all branches of Yuanta Bank, demonstrating Yuanta's commitment to making this service more convenient and easy to use for customers.

b. Serving Disabled Customers through "Accessible ATMs" and "Accessible Services"

To help underprivileged groups have access to financial services, Yuanta Bank has set up 389 accessible ATMs (including 1 for the visually impaired) across Taiwan and has incorporated accessibility specifications into the standards for new ATM purchases. With regard to any ATMs not housed in accessible locations, such considerations are a priority in any moves or renovations pertaining to ATMs.

In addition, to protect the rights of our hearing-impaired friends, Yuanta Bank service counters all provide accessible card issuance, activation, and loss reporting services, as well as providing telephone and online banking services to meet the needs both of the visually impaired and the hearing impaired.

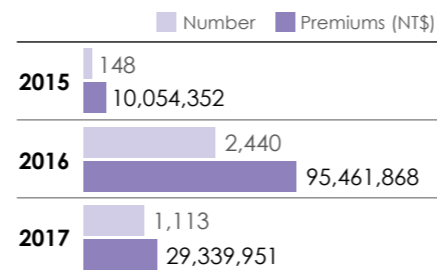
c. Investing in the Welfare of Disadvantaged Groups through Charitable Trusts

Yuanta Bank has established charitable trusts to ensure that assets are invested in public welfare and effectively support underprivileged groups. With civic awareness rising and charitable expenditures subject to social requirements of transparency, we assist enterprises and individuals to plan charitable trusts and publish annual charitable trust business reports and asset statements on our official website to ensure greater transparency of cash flow and that we are achieving our goal of giving back to society. In 2017, the two charitable trusts handled by Yuanta Bank included the Into the Mountains Fund and the Huangwu Social Welfare Fund, both of which are used for charitable purposes such as rewarding outstanding students and promoting art and culture. The recipients include orphanages, St. Francis Xavier Homes for Girls, youth centers, and junior high "eighth period" after-school lesson tuition fees for students from low-income families.

d. Providing a variety of financially inclusive insurance products

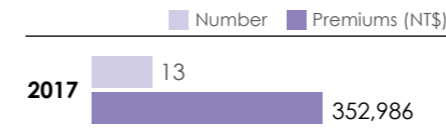
While focusing on low-cost elderly insurance and NCIA/disability insurance, the Company also promotes micro-insurance, offering friendly products that ensure that the right groups get the right coverage.

Proxy Sales of Yuanta Life NCIA/Disability Insurance Products



Total Number 3,701
Premiums (NT\$) 134,856,171

Proxy Sales of Low-Cost Elderly Insurance Products from Other Companies



Total Number 13
Premiums (NT\$) 352,986

*Low-Cost Elderly Insurance proxy sales began in 2017

Yuanta Life

a. Providing Injury Micro-insurance

Micro-insurance provides a basic and reasonable insurance guarantee for the categories of people described below, giving opportunities, helping others, and helping ourselves. It can provide economically disadvantaged families much-needed relief in the event of major accidents or emergencies.

- Those who have no partner and an overall annual income of less than NT\$350,000.
- Members of immediate families of couples with a combined annual income of NT\$700,000 or less.
- Those of Aboriginal identity as defined by the Status Act For Indigenous Peoples, or members/service targets of relevant legally registered indigenous people's groups/institutions.

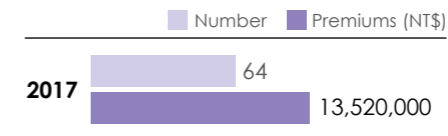
- Members of legally registered fishermen's groups/institutions, Taiwanese citizen holders of Seaman Service Books for Crews of Fishing Vessels, or non-citizen holders of Alien Permanent Residency Certificates working in the fishing industry.
- Those insured under the Farmer Health Insurance Act.

- Service targets of legally registered social welfare charitable groups or institutions.
- Members of families targeted by income subsidies from the Ministry of the Interior.

- Members of families defined as "in hardship" in accordance with the Act of Assistance for Family in Hardship or from a household defined as "low-income" or "middle-low-income" in accordance with the Public Assistance Act.
- Those defined as "people with disabilities" in accordance with the People with Disabilities Rights

- Protection Act, or members/service targets of relevant legally registered groups/institutions focused on people with disabilities.
- Those of other economically disadvantaged or special identities as recognized by the competent authority.

Injury Micro-insurance



b. Launching group annuities

Group annuity products with long terms and high renewal rates have been capturing a large share of the retirement market, creating a source of long-term, sizable, and stable premiums income for the Company. Through the promotion of such business, we can help socially disadvantaged groups save money, assist the government in reducing the financial pressure the pension system is putting on the public, and improve the retirement planning of the young working class. In 2017, group annuities were covered by 12 units, and the total premiums paid totaled approximately NT\$190 million.

Yuanta Securities

Warrant products are a financial product service that can enable participation in stock investment at a lower cost. They can effectively reduce the threshold for entering the capital market through affordable transaction costs, making them a financial tool suitable for all groups. Since their 1997 launch, they have been well received by investors and become the first choice financial management tool among smaller investors. In 2017, trading through Yuanta Securities accounted for as much as 76% of total trading among those aged 50 and under.

Therefore, in order to help make the investing public more familiar with these products, break down barriers to learning, bridge the urban-rural divide, and promote the popularization of financial literacy, we launched the "Warrant Win" warrant education platform. Taking advantage of the Internet's bridging of distances, the platform quickly transmits warrant education into investors' everyday lives, enabling them to learn online through mobile

phones or computers whenever they want. Ultimately, it lets investors learn what they want to know when they want to know it. In addition, we also make use of various online media, radio, television, marketing activities, and other means to actively promote warrants.

Additionally, we also use warrant competitions to combine them with charitable work, drawing the attention of investors to underprivileged groups. In 2017, we launched the "Buy Yuanta Warrants, Support the Little Flying Fish of Orchid Island" event, inviting investors to do their part for charity by buying Yuanta warrants and helping reach a charitable target. In just six days, the event passed the participation threshold of 2,000 people, with Yuanta Securities donating to the Lan An Cultural and Educational Foundation. Through this event, we were able to deepen the links between investors and Yuanta warrants and enhance the brand image of said warrants.

Warrants are also on the leading edge of the environmental protection trend, with the Internet used not only for warrant education, but also for electronic issuance of warrants. Investors can check the Public Offering Prospectus for Put Warrants via the Market Observation Post System at any time to quickly find the contents of investment products, thus accomplishing the goal of going paperless in a high-efficiency, low-cost, and environmentally friendly way.

2017

No. of Issuances of Warrant-Related Products
5,355, for a first-place market share of 18.7%

Issuance Amount
51.7 billion, for a first-place market share of 18.6%

Trading Volume of Warrant-Related Products
206.5 billion, for a market share of 25.5%

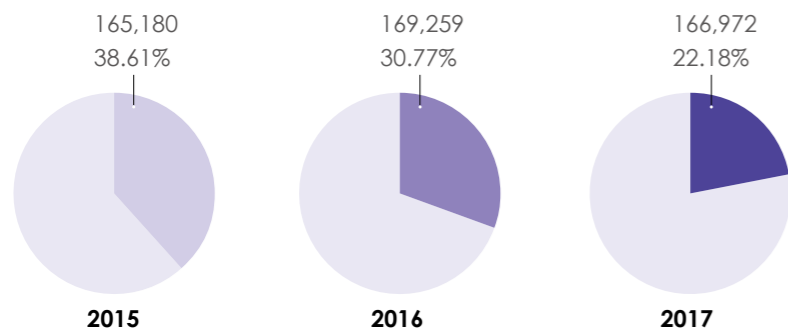
Age Distribution of Warrant Customers
Under 30: 12%; 31-40: 31%; 41-50: 33%; Over 50: 24%

Percentage of Branches Providing Western Union Remittance Services



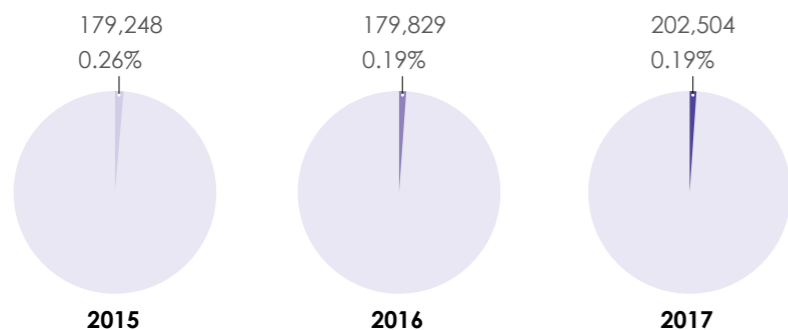
Total Number of Western Union Remittances

Western Union Remittances as a Portion of Total Annual Remittances



Total Value of Inbound/Outbound Western Union Remittances (US\$ thousands)

Value of Western Union Remittances as a Portion of Total Annual Remittance Value



5-4 Environmental Sustainability

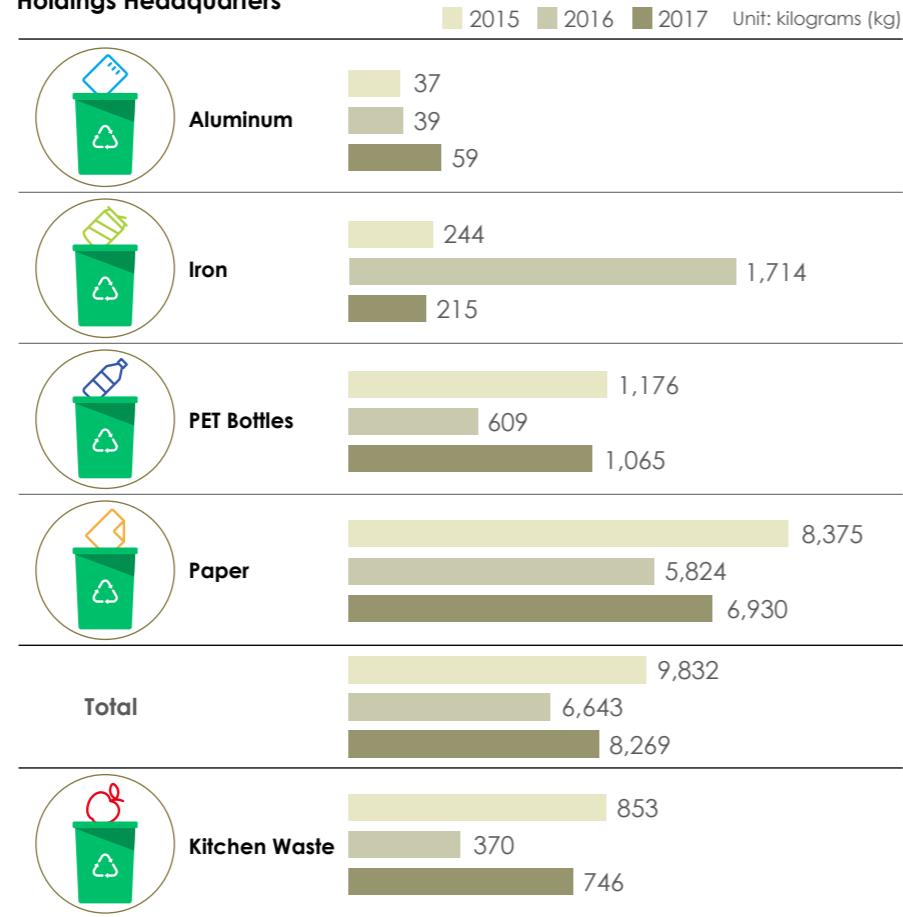
Alongside economic development and demand, both society and the environment have long been in a state of high-speed transformation, which has led to a rapid increase in many serious associated problems, such as the depletion and destruction of the ozone layer, water pollution, waste disposal, and climate change. This has also led to the international community paying greater attention to the idea of environmental sustainability, vigorously pushing a number of agreements with a view to greatly reducing the impact modern society is having on the environment. Six of the 17 Sustainable Development Goals set out by the United Nations are directly related to the environment.

Due to the nature of the financial services industry, the negative impacts of operations in the industry on the environment are not as obvious as those of the manufacturing sector, but this does not mean the finance sector can ignore the issue. Yuanta Financial Holdings, in our role as a global citizen, is committed to actively realizing environmental sustainability, and as such, we not only continue to implement measures to reduce environmental impact, but also work toward establishing a green corporate culture. In addition to creating an eco-friendly workplace, the Group also works to bring customers and staff together in environmental initiatives, building a shared goal of environmental sustainability.

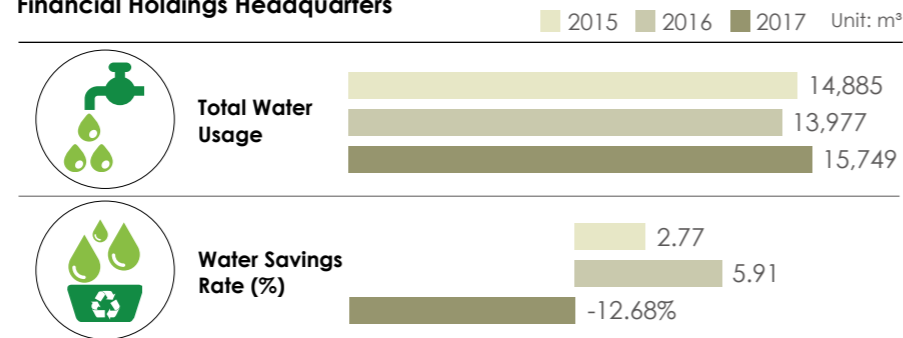
Following the Highest Principles of Environmental Management: ISO 14001

In addition to several material topics this year, Yuanta continues to track the theme of waste from last year. Commitment to a sustainable environment requires continuous action. In order to promote and manage environmental affairs within the Group, the Group began to introduce the ISO 14001 Environmental Management System in November 2015 from Yuanta Financial Holdings and subsequently expanded to other subsidiaries of the Group. This year, Yuanta Financing Holdings and 9 subsidiaries have completed implementation, and will continue to maintain system operation and receive verification in the future.

Waste Statistics for Yuanta Financial Holdings Headquarters



Water Consumption Statistics for Yuanta Financial Holdings Headquarters



Note: In 2017, water consumption increased. After making an inspection, no water leakages in the pipelines or faucets were found. Therefore, it is likely related to the increased presence of personnel.

IT Equipment Replacement Statistics for the Group in 2017

	Sold	Donated	Scrapped	Total
Computer	251		1,217	1,468
Screen	183		1,463	1,646
Printer	8		147	155
Printer Server	0		30	30
Fax Machine	2		28	30
Photocopier	0		1	1
PC Server	15		61	76
Notebook Computer	2	1	30	33

Note: Equipment in the "Sold" category goes to recycling firms.

Our Goals



Short-Term Goals

Promoting ISO 14001 systems and certification of Yuanta Financial Holdings and its subsidiaries

2017 Performance

- Expanded system to Yuanta Life (on floors 16-18 of the Hungtai Building) in January 2017 and passed certification.

Future Practice

- Yuanta Financial Holdings and nine subsidiaries passed certification in January 2018.
- The system maintained operation in 2018, and further certifications will be obtained in 2019.

Introducing ISO 14064-1 certification and ISO 50001 systems and certification in subsidiary companies

2017 Performance

- ISO 14064-1: A total of 324 operating locations of Yuanta Financial Holdings and nine subsidiaries have, as of the end of March 2018, completed inventory and passed assurance.
- ISO 50001: Yuanta Securities, Bank, and Funds have introduced systems in the Chengde and Datong Buildings and passed certification. Yuanta Securities, Bank, and Securities Finance are introducing systems in the Group headquarters and the Chongde Building in Taichung, and are expected to complete this and pass certification in late May 2018.

Future Practice

- Goal accomplishment rate is 100%.
- The system maintained operation in 2018, and further certifications will be obtained in 2019.

Establishing energy management policies and implementation plans

2017 Performance

- Yuanta Bank formulated an energy management policy in May 2016 and implemented it accordingly.
- Yuanta Securities formulated an energy management policy in January 2017 and implemented it accordingly.
- Yuanta Funds formulated an energy management policy in February 2017 and implemented it accordingly.

Future Practice

- The Taiwan Energy-Saving Patrol was invited to carry out an energy savings checkup of the Group's headquarters and provide suggestions for further action.
- The Taiwan Energy-Saving Patrol was invited to carry out an energy savings checkup of the Chongde Building in Taichung and provide suggestions for further action.

Drafting appropriate climate change response and management principles for Yuanta Financial Holdings

2017 Performance

- In November 2017, the Board of Directors passed the Yuanta Financial Holdings and Subsidiaries Energy and Climate Change Management Policy.

Future Practice

- The Yuanta Financial Holdings and Subsidiaries Energy and Climate Change Management Policy is the Group's code of conduct for environmental matters.

Supplier management and evaluation

2017 Performance & Future Practice

- For purchases exceeding NT\$1 million, manufacturers are invited to negotiate with the proposing unit and the auditing unit. Thus the manufacturer can be subject to the relevant evaluations so that corporate social responsibility can be further promoted.

Expanding the number and range of green purchases

2017 Performance & Future Practice

- In 2017, the Group revised its procurement regulations and added the following clause: "In order to work together with suppliers to fulfill corporate social responsibility, in procurements the Company should give priority to green products with certification relevant to environmental protection, energy conservation, water saving, and use of green building materials."

CDP filing and researching short-term carbon reduction and energy saving action plan

2017 Performance

- The exhaust fans in the Datong Building parking lot have been subject to reductions in number of fans running at once and running time, which is expected to save approx. 40,100 kWh/year (NT\$157,000).
- Yuanta Financial Holdings Headquarters Action Plan:

- Reduce the number of exhaust fans operating in parking lot.
- Reduce number of lights in parking lot.
- Reduce number of active air conditioners in stairwells by one.
- Reduce the time air conditioners in stairwells run by one hour.

- Lights replaced with energy-saving lamps:
 - Yuanta Financial Holdings Headquarters lobby: 42; Chengde Building office area: 184; Operating locations: 64. Estimated savings: 47,000 kWh/year.
 - 284 halogen lamps were replaced with LED lamps in Yuanta Financial Holdings Headquarters public areas. Estimated savings: 26,600 kWh/year.
 - 2,900 lamps have been replaced with LED lamps in Yuanta Financial Holdings Headquarters office area at a cost of NT\$7.612 million. Estimated savings: 990,000 kWh/year.

Future Practice

- Continuing to support the CDP and remain a signatory, and will fill out the CDP Carbon Disclosure Questionnaire by July 31, 2018.
- Yuanta Financial Holdings Headquarters Action Plan:
 - Replacement of lamps with LED lamps in staff rooms on each floor is estimated to save approx. 1,173 kWh.
 - Adjusting parking lot lighting time is estimated to save approx. 8,000 kWh/year in electricity.
- Datong Building Action Plan:

Between fall and the following spring, common air conditioner cooling tower fan motors are to be adjusted to operate at 20 HP per unit, saving approx. 230,000 kWh/year in electricity.

Undertake to purchase green electricity

2017 Performance

In order to help the Group boost the promotion of environmental sustainability, in 2017, six subsidiaries subscribed to green electricity at levels laid out below:

- Yuanta Securities: 200,000 kWh
- Yuanta Bank: 200,000 kWh
- Yuanta Futures: 50,000 kWh
- Yuanta Funds: 20,000 kWh
- Yuanta Life: 20,000 kWh
- Yuanta Securities Finance: 10,000 kWh

Future Practice

- In 2018, the Group plans to apply for the purchase of renewable energy certificates by subsidiaries.



Mid-Term Goals

Starting in 2016, promote goals of making new corporate-owned buildings green buildings and obtaining green building certification for the said buildings

2017 Performance

- Push for Yuanta Life's buildings to obtain the Green Building Mark.

Future Practice

- If building our own buildings for business use, we should aim to obtain a Green Building Mark upon completion, ensuring that energy is used in the most sustainable way.

Make use of energy-efficient lighting for at least 30% of lighting in the corporate-owned buildings in Taipei City

2017 Performance

- Work on all floors of Yuanta Financial Holdings Headquarters and Yuanta Bank floors of Chengde Building completed in 2017.

Future Practice

- All floors of the Chengde Building were completed in 2018.
- From 2018, in the spirit of cost-effectiveness and minimum cost, we will push for work on all Yuanta buildings across Taiwan to be undertaken starting in 2019 and completed in 2020.

Make use of water-saving faucets for at least 30% of faucets in the corporate-owned buildings in Taipei City

2017 Performance

- Replacement of faucets in Yuanta Financial Holdings Headquarters was completed in 2017, along with the Datong and Chengde Buildings.

Future Practice

- From 2018, this work will be gradually rolled out across all buildings in Taiwan and is expected to be completed in 2020.

Material Topics

Management Approach

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1. Climate Change

The impact of global warming on the global economy has continued to grow, accelerating with it the pace of countries' adjustments of industrial structures & policies and increasing the volatility of the financial markets. This makes it one of the greatest challenges to sustainable corporate development. The Group is highly aware of the impact climate change has on the economic, financial, and legal environment. As such, in addition to diversifying our operations and developing new businesses based on our existing niches, we also adjust our operating procedures, business strategy, and investment decisions as necessary. On top of this, through education and training, we raise our employees' understanding of climate risk and improve their ability to adapt accordingly, reducing potential operating risks to the company while also continuing to strive for environmental

sustainability. In addition, through international initiatives such as the CDP and the Task Force on Climate-related Financial Disclosures (TCFD), the Company also appreciates the need external stakeholders have for information transparency with regard to actions taken in response to climate change. We also use such initiatives as points of reference for internal climate change management efforts, making adjustments to our methods and direction as needed to effectively improve internal management efficiency and external communications.

In November 2017, the Group adopted the "Yuanta Financial Holdings and Subsidiaries Energy and Climate Change Management Policy" as the criteria for various environments.

Case Study

Article 2 of the Yuanta Financial Holdings and Subsidiaries Energy and Climate Change Management Policy:

Based on the principles of upholding corporate social responsibility and promoting environmentally sustainable development, the Company and its subsidiaries shall strive to implement measures toward energy management and reduction of greenhouse gas emissions, ensuring the following:

- 1) We are committed to reducing the environmental impact of our operations and gradually introducing an international standard management system in line with the particular character of the Company's business, building a basis for ongoing improvement into the future based on an understanding of the Company's impact on the environment, energy use situation, and sources of greenhouse gas emissions.
- 2) In response to the impact of climate change on operational activities, depending on the operational conditions and without affecting facility operation and safety controls, it is advisable to adopt both domestic and foreign common standards or guidelines to implement carbon reduction and energy saving action plans and strategies in response to climate change.
- 3) In establishing a green corporate culture with a focus on energy usage, we shall fulfill our responsibility to the environment and pursue sustainable development with a spirit of cost-effectiveness and minimal cost.
- 4) We shall comply with environmental laws and regulations, actively take measures to respond to trends in carbon reduction and energy saving, and formulate energy conservation goals and plans which are regularly reviewed for their effectiveness. We shall support green purchasing, establish mechanisms for education and training in energy savings and responsible work sharing, and strive for an overall increase in energy usage efficiency.
- 5) If building our own buildings for business use, we should aim to obtain a Green Building Mark upon completion, ensuring that energy is used in the most sustainable way, providing suitable resources and pursuing ongoing improvements in energy usage performance and greenhouse gas emissions levels.
- 6) We shall develop innovative services related to green finance through responsible investment and the establishment of green credit mechanisms, ensuring that funds are used for the benefit of the environment and society, making real our commitment to green finance and boosting the value of our services.

In addition, in response to the low-carbon economy developing in the wake of the Paris Agreement, Yuanta Financial Holdings has also become a CDP signatory and continues to complete CDP questionnaires, a show of the Group's commitment to environmental sustainability. The finance industry produces little in the way of direct (Scope 1) emissions, with the main source of emissions indirect (Scope 2). As such, the Group has put in place a series of policies specifically aimed at energy management and has actively promoted energy and greenhouse gas reduction measures in recent years. To more actively respond to and manage these reductions, in 2016, we began the work of establishing ISO 14064-1 greenhouse gas inventory systems and ISO 50001 energy management systems. Through the ISO 50001 management process, we will continue to improve energy efficiency and adopt a strategy of building out from points of priority importance, learning and gaining experience along the way as we gradually expand year by year, improving the construction of these two essential systems.

2. Procurement & Supplier Environmental Assessment

In addition to our efforts to reduce the impact of our operations on the environment, the Group also recognizes the importance of green purchasing and takes practical actions to support relevant green products. To put green purchasing into action, the Group has prioritized the procurement of environmentally-friendly products with government-approved environmental, energy, and water-saving labels when procuring products or resources. In addition, office repairs are conducted primarily with appropriate green building materials.

In staff training, the Group continues to promote green purchasing and related concepts among our employees and the purchasing departments of our subsidiaries, explaining green purchasing and how to prioritize legally compliant green products, and listing government-approved green products, including those that have received Green Mark approval from the EPA; those that are in line with our requirements for use of renewable materials, low pollution, recyclability, and resource efficiency; and other products with the same or similar functionality as others, but with greater potential to benefit society or reduce social costs. In addition, we also implement training programs for purchasing staff and share with them relevant information. In this way, we are

able to maximize the benefits of green purchasing decisions with regard to our products/services. In addition, with the move toward sustainable supply chain management, through procurement and business cooperation we continue to educate vendors about the use of environmentally-friendly materials for production, promote environmental sustainability and green consumption, and encourage partners to work together to build a broader green consumer market. We hope to strengthen our contribution to environmental sustainability through the requirements we place on vendors and through green procurement. We also expect vendors to increase their competitiveness through such concepts.

The Group's suppliers can primarily be divided into four main categories: IT (software and hardware), facilities maintenance, printing, and other. Of these, the purchase value of the IT category is the largest. Purchases are primarily conducted with local, Taiwan-based suppliers.

To avoid conducting transactions with dishonest vendors and ensure our suppliers are adhering to principles of integrity management, the Group has laid out the Integrity Management Best Practices and Behavioral Guidelines and Guidelines for Integrity Management. We have also set out Key Points for Procurement, Requisition, and Verification and a Procurement Contract Signing Checklist and Integrity Declaration, facilitating evaluations of contracts with external suppliers regarding the outright purchase and sale of products they own. The Declaration of Commitment to Integrity that is attached to the checklist is to be signed by 100% of suppliers and serves as evidence that the signatory has completed the checklist. Additionally, when the Company signs a procurement contract, the supplier is expected to 100% comply with the integrity clauses and the Integrity Management Best Practices and Behavioral Guidelines. We also conduct capability assessments and audits of both new and old suppliers to reduce purchasing risk. On top of this, as each year's procurement contracts are renegotiated, we conduct Supplier Evaluations, using these to ensure the quality of our products and services while also effectively managing and reducing operating costs.

Since November 2015, the Group has required the major suppliers of its subsidiaries to agree to CSR terms in their contracts and/or sign an environmental sustainability and human rights commitment, clearly laying out the working

conditions, occupational health & safety, environmental protection, and labor rights protections expected of suppliers under the law. In the contracts, terms are laid out for the contract to be terminated in the event of a violation by the supplier, serving as a demonstration of the Group's determination to pursue CSR among its suppliers. At the same time, the Group has incorporated green purchasing provisions in the procurement rules of each subsidiary, bringing suppliers on board with our implementation of green purchasing in the hopes of further driving green production and helping protect the environment, reduce environmental impact, and further implement environmentally sustainable operations. If a vendor is found to be violating their corporate social responsibility policy and having a significant impact on the environment and society, Yuanta may terminate the contract at any time. In 2017, all vendors both old and new signed the "Environmental Sustainability and Human Rights Commitment."

3. Compliance

Compliance with environmental regulations has long been a focus of attention in many industries. While the environmental impact of the financial industry is relatively small, a high degree of attention to relevant laws and regulations is still necessary to avoid any fines or sanctions for non-conformance. This is particularly the case when implementing an ISO environmental system, as it is essential to review the relevant regulations to ensure the system is up to standard. In terms of regulatory review, our Administrative Management Department regularly collects information from the Environmental Protection Administration and relevant environmental protection websites each quarter, as well as getting external information on environmental regulations from official documentation or conferences. Moreover, to maintain our interactions with our stakeholders, the various relevant departments will inquire about the opinions of those stakeholders from time to time, which are then passed on to the Administrative Management Department for compilation.

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This year, Yuanta Financial Holdings found no incidents of violation of environmental laws or regulations.

Current Performance

103-3

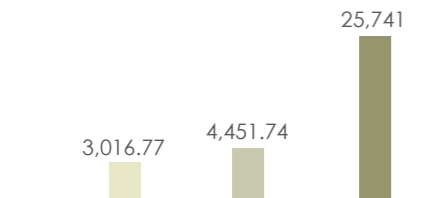
1.Climate Change

To ensure the accuracy and completeness of the operating boundaries of our greenhouse gas emissions in 2017, Yuanta Financial Holdings and our nine subsidiaries completed our first greenhouse gas inventory of all 324 operating locations. With 2017 set as the base year, our assessments of global warming potential (GWP) made use of the latest emissions factors as published in the Intergovernmental Panel on Climate Change (IPCC) 2007 Fourth Assessment Report and by the Taiwanese Environmental Protection Administration, Bureau of Energy, and other relevant authorities, obtaining ISO 14064-1 certification.

Greenhouse Gas Emissions and Main Sources of Energy Usage

Unit: tonne CO₂e

	2015	2016	2017
Scope 1	25.86	306.33	1,545
Scope 2	2,990.91	4,145.41	24,196
Scope 1 + Scope 2			



- * The information for 2015 covers the Financial Building.
- * The information for 2016 covers Yuanta Financial Holdings, Yuanta Securities and Yuanta Funds.
- * The information for 2017 has expanded to the 324 business locations of Yuanta and its 9 subsidiaries, including the Financial Building.
- * In 2018, all 324 business locations of Yuanta Financial Holdings and its 9 subsidiaries receive BSI assurance for their implementation of ISO 14064-1.

Emissions Factors for Greenhouse Gas Emissions

Source of Emissions	Type of Greenhouse Gas	Value	Unit	Source
Cars				
gasoline	CO ₂	2.26	tonneCO ₂ /tonne	EPA Greenhouse Gas Emissions Factor Management Table v6.0.3
	CH ₄	0.00082	tonneCO ₂ /tonne	
	N ₂ O	0.00026	tonneN ₂ O/tonne	
Household and commercial refrigeration equipment				
Refrigerant	HFCs	0.003	tonneHFCs/tonne	
Residential and commercial air conditioners				
Refrigerant	HFCs	0.03	tonneHFCs/tonne	
Transport vehicle air conditioner				
Refrigerant	HFCs	0.2	tonneHFCs/tonne	
Septic tank				
Water and fertilizer	CH ₄	0.0032	tonneCH ₄ /person per year	
Fire extinguisher				
CO ₂	CO ₂	1	tonneCO ₂ /tonne	Calculated by fill amount
HFCs	HFCs	1	tonneHFCs /tonne	
NaHCO ₃	NaHCO ₃	0.262	tonneCO ₂ /tonne	
CHF ₃	CHF ₃	1	tonneCO ₂ /tonne	
Purchased electricity				
Purchased electricity	CO ₂	0.5290	tonneCO ₂ /MWh	2016 Electricity Emissions Factors announced by Bureau of Energy, Ministry of Economic Affairs in September 2017

Primary Non-Renewable Energy Usages

	Company Car Gasoline (gasoline /L)	Total Electricity Consumption (kWh)	Total Energy Used (MJ)
2015	11,425	5,664,600	20,790,234
2016	104,450	7,351,180	30,100,256
2017	182,316.5	45,238,610	169,204,943

Primary Renewable Energy Usages

	Total Electricity Consumption (kWh)	Total Energy Used (MJ)
2015	--	
2016	500,000	1,800,000
2017	500,000	1,800,000

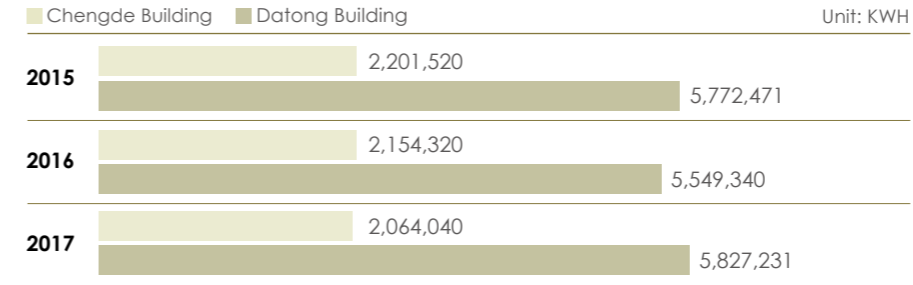
- * The information for 2015 covers the Financial Building.
- * The information for 2016 covers Yuanta Financial Holdings, Yuanta Securities and Yuanta Funds.
- * The information for 2017 has expanded to the 324 business locations of Yuanta and its 9 subsidiaries, including the Financial Building.

In recent years, the Group and its subsidiaries have carried out ISO 50001 assurance for buildings they own. Currently, the Chengde and Datong Buildings have completed certification, and this continues to expand. In addition, Yuanta Financial Holdings Headquarters and the Chongde Building in Taichung are expected to complete certification in June 2018.

In addition to actively pursuing certification, this year the Group and its subsidiaries have

vigorously engaged in energy conservation and carbon reduction action plans. Reminders have been placed in conference rooms to ensure that users pay attention to the cleanliness of their environment and how they make use of the lighting, and electronic noticeboards in the elevators report the year's environmental performance and relevant information. Through such measures, we can communicate with staff and further drive home concepts of carbon reduction and energy saving.

Electricity Consumption of the Chengde Building and Datong Building for the Previous Three Years



Yuanta Financial Holdings Headquarters

Through **seven action plans**, power savings are expected to reach **1,165,700 kWh/year**.

Action Plan

1. Reduce the number of exhaust fans operating in parking lot.
2. Reduce number of lights in parking lot.
3. Reduce number of active air conditioners in stairwells by one.
4. Reduce time air conditioners in stairwells run by one hour.

Energy Saving Results

1. Estimated power savings: 47,000 kWh/year.
2. Estimated power savings: 8,000 kWh/year.
3. Estimated power savings: 39,100 kWh/year.
4. Estimated power savings: 8,000 kWh/year.

Installing energy-saving lamps:

1. Yuanta Financial Holdings Headquarters lobby: 42; Chengde Building office area: 184; Operating locations: 64.
2. 284 halogen lamps were replaced with LED lamps in Yuanta Financial Holdings Headquarters public areas.
3. 2,900 lamps have been replaced with LED lamps in Yuanta Financial Holdings Headquarters office area at a cost of NT\$7.612 million.

1. Estimated power savings: 47,000 kWh/year.
2. Estimated power savings: 26,600 kWh/year.
3. Estimated power savings: 990,000 kWh/year.

Datong Building

Through **one action plan**, power savings are expected to reach **40,100 kWh/year**.

Action Plan

- Reduce the number of exhaust fans operating in Datong Building parking lot and their running time.

Energy Saving Results

- Estimated power savings: 40,100 kWh/year.

Hungtai Building

Through **two action plans**, power savings are expected to reach **9,200 kWh/year**.

Action Plan

1. Between late September and December 2017, the head office held a power-saving and environmental care event which got staff to remember to turn off all power usage in their area as they clocked out; this event will continue in 2018.
2. We will continue to review applications for air conditioning during overtime, with a particular people-per-area threshold required for applications to be accepted.
3. Color printing permissions are restricted out of energy efficiency considerations.

Energy Saving Results

1. Between late September and December 2017, power usage at head office was down 2,040 kWh on the same period in 2016.
2. We expect to save 7,200 kWh in power consumption at head office in 2018.
3. In 2017, color printing permissions were given to a total of 90 people. After review and adjustment, by the end of December 2017 only 54 people still had permissions, a 40% reduction.

* Together, the three buildings are estimated to save 1.215 million kWh per year. The Group's annual electricity consumption is 45,738,600 kWh, and the power saving rate is 2.59%.

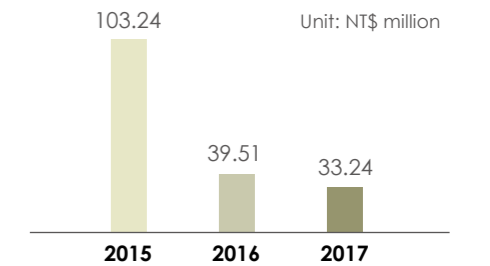
2.Procurement & Supplier Environmental Assessment

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This year, the Group continued to require suppliers to sign the "Human Rights and Environmental Sustainability Clauses" in all procurement contracts. It hopes that this action will affect suppliers' sense of social responsibility and jointly achieve the concept of sustainable management.

For seven consecutive years, the Group has been recognized by the Taipei City Government as setting the benchmark for green purchasing, and for six consecutive years, the Environmental Protection Agency of the Executive Yuan has issued certificates of appreciation for our outstanding performance in the promotion of environmental protection and implementation of green purchasing.

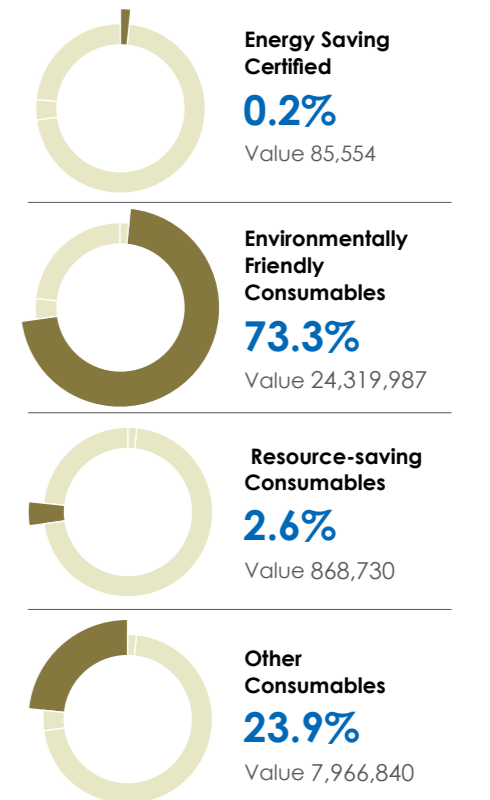
Green Purchasing Value



Note: Due to the Group's 2015 purchase of new, environmentally friendly computers, the green purchasing figure for that year is much higher than the historical average

Green Purchasing items for the Group, 2017

Unit: NT\$



* Resource-saving Consumables are water, energy, and green building Consumables

5-5 Employee Care

Human capital is the core of business operations, and how a company builds up that capital is crucial to whether or not it will continue to develop. With the challenges presented by the advancement of technology, changing financial markets,

and a competitive HR market, we focus on five facets of the management and development of human capital: selection, education, application, evaluation, and retention. By taking a systematic approach to talent development, we can enrich

our human capital and ensure we can successfully respond to both the threats and the opportunities we will face in the future of the financial industry.



Our Goals



Short-Term Goals

Carrying out staff satisfaction surveys and disclosures

Performance

A survey of all employees was conducted in October 2017, with a participation rate of 72%.



Mid-Term Goals

Strengthening employee benefits program

Performance

This issue will be incorporated into our staff opinion surveys, and improvements to welfare and benefits matters will be discussed in line with the results thereof.

Material Topics

Management Approach

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1. Labor-Management Relations (Labor-Employer Relations):

Recruitment and Retention

This Company is Taiwan's only domestic financial holdings company focused on securities. However, since the acquisition of New York Life and Ta Chong Bank, we have employed a more balanced approach and scope with regard to development. Concerning attracting talent, the Company actively organizes campus recruitment events and provides students with a variety of internship and industry-academia cooperation opportunities. We have also established a presence on social media. By differentiating ourselves and the characteristics of our business, we are able to recruit talented people with teamwork skills, the ability to work under pressure, an independent approach to learning, and whose goals are consistent with our own.

In line with corporate strategy, expansion in overseas markets, and the rise of fintech, we aim to help each member of our team tap into their strengths through a comprehensive training system and career development planning. Through the Yuanta Management Associate (MA) training program, ongoing training in professional and digital skills, and a systematic job rotation mechanism, we strive to develop our talented staff and retain them into the future.

We are committed to protecting the rights and interests of our staff and to creating a safe, healthy working environment. Beyond simply providing the protections we are legally obliged to, we also have a robust communications platform, comprehensive and reasonable remuneration policy, and a dedication to creating win-win situations for staff and the company. In this way, every member of our team is able to work happily, proud to be a part of the Yuanta family.

Harmony in Labor-Management Relations

This Company adheres to a management philosophy built around the Company as a people-centric family. We consider the safety and security of our staff and their families an essential part of our corporate social responsibility, and as such, we provide a robust platform for labor-management communication, a comprehensive system of benefits, and a reasonable remuneration policy.

In addition, since October 2017 we have conducted satisfaction surveys of our entire staff, giving them a means to present their perspectives and give us an understanding of the concerns of our staff. In the future, we plan to conduct further employee satisfaction surveys on a regular basis and to continue strengthening the labor-management relationship.

2. Talent Management & Development (Training & Education):

Looking at global and Asian economic development trends, we see challenges coming in the form of a highly competitive financial industry environment in Taiwan and deepening trade cooperation between the Asia-Pacific region and both Europe and America. To maintain the Group's competitive edge, our talent cultivation goals remain focused on preparing future management and international operations talent, along with the broadly skilled people we need to innovate and grow in the age of digital finance. At the same time, through overseas job placements and project training, we develop the international perspective of our management and regular staff, supplementing this training with job coverage, job rotation, and on-the-job training to strengthen everyone's management skills and professional capabilities.

The Company continues to nurture talented financial professionals with an eye toward "satisfying the needs of the financial industry and the Group's business development." We have established a diverse talent development system for management and professional positions, providing training

through four major streams: Management Academy, Specialist Academy, Licensing Academy, and Life Skills Academy. Each of these provides its own learning resources. Staff of the various subsidiaries and managerial staff at all levels are developed and equipped with the skills necessary to the development of both the Group and the financial industry more broadly through talent identification, assignment to training, job rotation, project assignments, and digital learning. At the same time, we encourage staff to reach out into other professional fields and actively acquire a diverse skill set. This equips both the Company and our staff to adapt to the rapid changes and innovations underway in the financial industry, assembling the knowledge, techniques, and skills needed to keep up with the times.

The Company has recognized five major management qualities based on the work of well-known international management consultants, including integrity & trustworthiness, drive for change, adaptability, talent development, and commitment to the practical. Looking at these and their implications for management, we have categorized these five qualities into decision-making, leadership, coordination, cultivation, and execution.

Yuanta Financial Holdings "Finance Academy" Training and Development System

	Management Academy	<p>Key Project Successors/International Talent/Management Associates</p> <p>Summit Forum Senior Management Training Middle-Management Training Base-level Management Training</p>
	Specialist Academy	<p>Annual Core Training Digital Finance/Wealth Management</p> <p>General Financial Education Courses Service Etiquette/ Presentations/Excel</p> <p>Financial Law Classes Money Laundering Prevention/Financing/Labor Safety...</p> <p>Occupational Skills Training Securities/Banking/Life Insurance/Futures...</p>
	Licensing Academy	<p>Pre-Job/On-the-Job Licensing Training Guidance for Licensing Tests</p>
	Life Skills Academy	<p>Health Seminars Art Lectures Life Skills Lectures</p>

**Yuanta Financial Holdings
Management Qualities Chart**



Based on the Company's strategies and annual goals, we offer training and development programs that will boost the professional capabilities of our staff and the competitiveness of the Company. In order to effectively measure how our training and development programs improve employee capabilities and performance, since 2003 the Company has adopted

Donald Kirkpatrick's "Four Levels" model of training effectiveness evaluation. Through this model, we are able to create a cycle of training and development-based performance enhancement which boosts staff capability and performance, along with departmental performance and interlinking of the organization's operational development goals.

Evaluation Level	Evaluation Method	Explanation
Level 1 Reaction	Course satisfaction questionnaires	What staff thought and felt about the issues in the training
Level 2 Learning	Testing	Evaluating staff learning outcomes through test questions prepared by the instructor
	Class discussion	Evaluating learning effectiveness through staff performance in in-class discussions
	Assignments and reports	Evaluating learning effectiveness through staff performance in presentations and written reports
	Role-playing	Evaluating learning effectiveness through staff performance and behavior in role-playing exercises
Level 3 Behavior	Practical evaluation	Evaluating learning effectiveness through staff behaviors demonstrated during actual work
	Multi-dimensional evaluation	Evaluating whether staff are able to display learning outcomes in practical work from various perspectives, including supervisors, peers, and subordinates
Level 4 Results	Performance appraisal	Conducting an overall evaluation of learning effectiveness and developmental needs through performance appraisal

Since 2003 the Group has made use of a digital learning platform, Yuanta e-Academy, to facilitate internal sharing of knowledge, encourage professional diversity, and encourage self-guided learning in our employees. In response to the changes in the development of the finance industry, along with their individual annual development goals, our staff can make use of our digital educational resources, taking advantage of their "anytime, anywhere, anything" nature to determine what and when to study, with a particular focus on strengthening professional skills and enhancing competency. With the age of "ubiquinomics" upon us and digital content becoming ever richer, in January 2016 the Yuanta e-Academy was upgraded to include a mobile version, letting staff use their smartphones to peruse digital content and audiovisual lessons, formally bringing Yuanta Financial Holding Group's educational offerings into the mobile era. In response to the substantial impact of fintech on the financial industry, in June 2016 the Company introduced Commonwealth Innovation Academy digital content into management-level education. In 2017, an expanded license enabled the Group to broaden this to encompass staff both at home and abroad. We also publish weekly digital newsletters, with each edition focusing on a particular learning topic and communicating it to the staff. In this way, we can further implement the transition to digital learning while also helping staff accumulate a broader and deeper range of knowledge.

The Group takes advantage of the diverse strengths of its subsidiaries in the financial industry by encouraging employees to apply for internal reassignments and transferring employees to subsidiaries where required. This effectively promotes personnel mobility within the Group and diverse professional development, facilitating the duplication of successful experiences and distributing efficiency around the business

3. Occupational Health and Safety

We strive to protect the rights and interests of our staff and create a safe and healthy working environment. As such, not only do we organize labor insurance, national health insurance, group insurance, and employee health checks to ensure the physical and mental health of our staff, we also regularly offer occupational health and safety courses. Additionally, Yuanta Securities and Yuanta Bank have drafted Employee Health and Safety Codes of Practice in order to effectively implement workplace safety management policies.

In line with labor laws and the definition of "occupational accidents" provided in the Occupational Safety and Health Act, and with reference to the Regulations of the Examination of Injuries and Diseases Resulting from the Performance of Duties by the Insured Persons of the Labor Insurance Program, when evaluating an employee's application for injury leave, three categories of injury are considered valid: injuries sustained while on duty, injuries sustained while on a work-related trip, and injuries sustained while on the way to/from work. Once it is established that the employee's injury falls under one of these categories, they are then granted injury leave.

The Group has also formulated various emergency response plans and notification measures, and regularly conducts occupational safety and health promotions and educational training for existing and new staff each year. Moreover, to provide a working environment that protects gender equality, the group has set out the "Key Points on Preventing, Reporting, and Punishing Workplace Sexual Harassment" and strictly prohibits any sexual harassment, gender-based discrimination or violence, and threatening behaviors. It is our goal to create and maintain a gender-equal workplace. At the same time, to help protect the physical health of our employees, raise employees' general knowledge of medicine, and protect against the risk of illness, Yuanta provides employees with group health insurance, medical checks, health consultations, and health-related seminars. For these seminars, we regularly invite doctors, nurses, and other healthcare professionals to give talks on personal health management, health protection, family relationships, and other issues regarding physical and psychological health from an employee perspective, encouraging staff to maintain a healthy mind-body-soul balance.

Current Performance

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1. Labor-Management Relations (Labor-Employer Relations)

In 2017, the total number of staff of the Group (including both indefinite contracts and fixed-term contracts) was 14,589, comprised of 40% male and 60% female employees; among full-time staff in the Taiwan region, females made up 50.6% of managerial staff. This year, we

employed a total of 99 employees with physical disabilities in the Taiwan region. While some subsidiaries are not yet up to standard, we continued to actively recruit people with physical disabilities. In accordance with Article 43 of the People with Disabilities Rights Protection Act, any companies that have not employed a sufficient number of people with disabilities shall periodically pay the difference in subsidies to Disabled Employment Funds under the local competent authorities in charge of labor.

Number of Staff Hired by the Group (Including Overseas) **102-7**

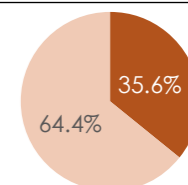
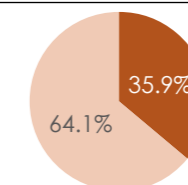
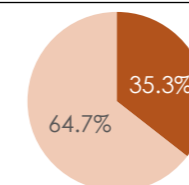
	Taiwan region	Overseas region	Total
2015	6,160	866	7,026
	3,363	1,327	4,690
	9,523	2,193	11,716
2016	7,582	1,033	8,615
	4,246	1,456	5,702
	11,828	2,489	14,317
2017	7,447	1,297	8,744
	4,121	1,724	5,845
	11,568	3,021	14,589

Status of Employees of Yuanta Financial Holdings in Taiwan region **102-8**

Contract Type	2015			2016			2017		
	Female	Male	Subtotal	Female	Male	Subtotal	Female	Male	Subtotal
Full Time Indefinite Contract	6,157	3,363	9,520	7,566	4,240	11,806	7,444	4,120	11,564
Fixed-Term Contract	3	0	3	16	6	22	3	1	4
Total (Number)	6,160	3,363	9,523	7,582	4,246	11,828	7,447	4,121	11,568

Percentage (%)

Female
 Male



* Fixed-Term Contract (3 visually impaired masseurs, 1 Ta Chong Bank employee as credit card business personnel)
* In consideration of the special attributes of its business, the employee figures for the Company's insurance subsidiary exclude project cooperation sales personnel and contract life insurance salespeople
* This table presents full-time employee statistics

Employees of Yuanta Financial Holdings by Gender, Age Group, Management and Minority Group Membership **405-1**

2015							
	Age	Management	Non-Managerial	Aboriginal Taiwanese	Non-Aboriginal Taiwanese	Non-Taiwanese	Total
Male	Under 30	1	326	1	323	3	327
	30-50	462	1,960	1	2,413	8	2,422
	51 or over (incl.)	246	370	0	615	1	616
Female	Under 30	0	645	1	644	0	645
	30-50	482	4,079	4	4,556	1	4,561
	51 or over (incl.)	199	753	0	952	0	952
Total		1,390	8,133	7	9,503	13	9,523

2016							
	Age	Management	Non-Managerial	Aboriginal Taiwanese	Non-Aboriginal Taiwanese	Non-Taiwanese	Total
Male	Under 30	1	469	0	465	5	470
	30-50	569	2,516	1	3,080	4	3,085
	51 or over (incl.)	255	439	0	694	0	694
Female	Under 30	0	751	1	750	0	751
	30-50	631	5,178	4	5,804	1	5,809
	51 or over (incl.)	209	810	0	1,019	0	1,019
Total		1,665	10,163	6	11,812	10	11,828

2017							
	Age	Management	Non-Managerial	Aboriginal Taiwanese	Non-Aboriginal Taiwanese	Non-Taiwanese	Total
Male	Under 30	0	473	1	468	4	473
	30-50	534	2,360	1	2,889	4	2,894
	51 or over (incl.)	271	483	0	754	0	754
Female	Under 30	0	770	2	764	4	770
	30-50	593	4,906	4	5,495	0	5,499
	51 or over (incl.)	230	948	0	1,178	0	1,178
Total		1,628	9,940	8	11,548	12	11,568

Number of the Group's Physically Disabled Employees

	2015			2016			2017		
	Legally Defined Quota	Active Employees with Disabilities	Disabled Hirings Beyond Quota	Legally Defined Quota	Active Employees with Disabilities	Disabled Hirings Beyond Quota	Legally Defined Quota	Active Employees with Disabilities	Disabled Hirings Beyond Quota
Yuanta Financial Holdings	1	0	-1	1	0	-1	1	0	-1
Yuanta Securities	11	32	21	11	32	21	11	30	19
Yuanta Bank	27	20	-7	27	20	-7	28	18	-10
Ta Chong Bank	16	18	2	15	18	3	15	21	6
Yuanta Life	9	13	4	10	14	4	8	13	5
Yuanta Futures	2	1	-1	2	3	1	2	4	2
Yuanta Funds	3	8	5	3	8	5	3	10	7
Yuanta Securities Finance	0	2	2	0	2	2	0	2	2
Yuanta Investment Consulting	1	1	0	1	1	0	1	1	0
Yuanta Venture Capital	0	0	0	0	0	0	0	0	0
Yuanta Asset Management	0	0	0	0	0	0	0	0	0
Total	70	95	25	70	98	28	69	99	30

In 2017, the total number of new employees in the Taiwan region was 1,112, and the proportion of new employees was 9.6%, including 494 males and 618 females. The total number of departing employees in the Taiwan region in 2017 was 1,364, and the proportion of departing employees was 11.8%, including 617 males and 747 females.

New Employee Statistics in Taiwan Region, 2017 **401-1**

	Male			Female			Subtotal (Male)	Subtotal (Female)	Total New Employees	Total Employees	2017 New Employee Percentage
	Under 30	30-50	51 or over (incl.)	Under 30	30-50	51 or over (incl.)					
Yuanta Financial Holdings	6	2	0	5	0	0	8	5	13	101	12.9%
Yuanta Securities	66	40	0	69	27	4	106	100	206	4,738	4.3%
Yuanta Bank	85	89	0	144	118	0	174	262	436	2,822	15.5%
Ta Chong Bank	37	54	1	47	68	3	92	118	210	2,327	9.0%
Yuanta Life	9	19	4	12	59	3	32	74	106	746	14.2%
Yuanta Futures	31	22	0	28	9	0	53	37	90	374	24.1%
Yuanta Funds	7	9	0	6	10	0	16	16	32	310	10.3%
Yuanta Securities Finance	1	1	0	0	1	0	2	1	3	43	7.0%
Yuanta Investment Consulting	4	4	0	4	1	0	8	5	13	76	17.1%
Yuanta Venture Capital	0	1	0	0	0	0	1	0	1	15	6.7%
Yuanta Asset Management	0	2	0	0	0	0	2	0	2	16	12.5%
Total	246	243	5	315	293	10	494	618	1,112	11,568	9.6%
Percentage	22.1%	21.9%	0.4%	28.3%	26.3%	0.9%	44.4%	55.6%	100.0%		

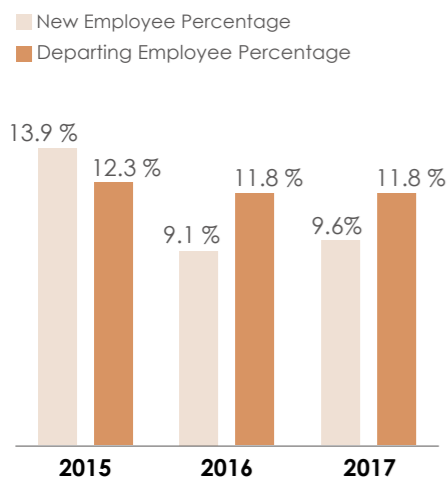
* New Employee Percentage = (total new employees/total employees at year end) x 100
* Percentage = (Total (people)/total new employees) x 100

Employee Departure Statistics in Taiwan Region, 2017 401-1

	Male			Female			Subtotal (Male)	Subtotal (Female)	Total New Employees	Total Employees	2017 New Employee Percentage
	Under 30	30-50	51 or over (incl.)	Under 30	30-50	51 or over (incl.)					
Yuanta Financial Holdings	4	1	0	2	2	0	5	4	9	101	8.9%
Yuanta Securities	56	86	43	44	113	40	185	197	382	4,738	8.1%
Yuanta Bank	44	99	14	82	136	6	157	224	381	2,822	13.5%
Ta Chong Bank	27	82	12	40	85	9	121	134	255	2,327	11.0%
Yuanta Life	12	45	9	15	98	7	66	120	186	746	24.9%
Yuanta Futures	15	27	4	15	18	2	46	35	81	374	21.7%
Yuanta Funds	6	15	0	5	15	0	21	20	41	310	13.2%
Yuanta Securities Finance	1	0	1	0	0	1	2	1	3	43	7.0%
Yuanta Investment Consulting	4	6	1	6	5	0	11	11	22	76	28.9%
Yuanta Venture Capital	1	1	1	0	0	0	3	0	3	15	20.0%
Yuanta Asset Management	0	0	0	0	1	0	0	1	1	16	6.3%
Total	170	362	85	209	473	65	617	747	1,364	11,568	11.8%
Percentage	12%	27%	6%	15%	35%	5%	45%	55%			

* Departing Employee Percentage = (total departing employees/total employees at year end) x 100
 * Percentage = (Total (people)/total departing employees) x 100

New Employees & Departing Employees as Percentages of Total Employees, Taiwan



Harmony in Labor-Management Relations

To better understand the expectations our staff have of the Company, Yuanta Financial Holdings Group conducted our first staff opinion surveys in October 2017, covering the entirety of the Group's staff. These surveys were built around four aspects, namely staff engagement, operational development, organizational operations, and work experience, covering 18 items. A total of 72% of the Group's total staff took part, and when the results came out in mid-December, we found that Yuanta Financial Holdings surpassed the norms of the financial industry in 14 items, including engagement, willingness to remain with the Company, Company brand image, leadership, authorization, execution/efficiency, and performance management. The survey period was on the eve of the merger between Yuanta Bank and Ta Chong Bank, and the results reflect that there is still room for further improvement in identification with the "core values" of Yuanta Financial Holdings. The financial industry is subject to close scrutiny by the competent authorities and is a highly competitive industry, and Yuanta Financial Holdings' staff's evaluations of the three indicators of "Innovation," "Goals/Direction," and "Salary and Benefits" were all equivalent to those elsewhere in the industry.

In the past few years, Yuanta Financial Holdings has acquired Polaris Securities, New York Life, and Ta Chong Bank, substantially expanding the scope of the Company's operations, and gradually transitioning from its former primary focus on securities market operations into a twin-model approach covering both flow (securities and related business) and stock (banking and insurance businesses). Our medium- and long-term development strategies are built around comprehensive growth and development focusing on "solidifying our cores and driving growth." With the diversification of the Group's business and its expansion of scale, as well as trends in the development of digital finance, and in response to the rise of the "digital generation," Yuanta Financial Holdings aims to promote our core values through a communication strategy focusing on promoting the Group as a "new generation" employer in 2018. By communicating the Group's core values, responding appropriately to staff expectations, and leading our staff in taking on the challenges of the era of digital finance, we intend to continuously push forward the sustainable development of both the Company and our staff.

Not only are all of Yuanta Financial Holdings' human resource management measures designed to protect our employees' legal rights through clearly laid-out regulations and adherence to labor laws, in order to facilitate labor-management communication, we also have a formal consultation mechanism for labor-management meetings and meetings with unions. Managers also have room to take the initiative in caring for their staff. Should a staff member have any questions or problems, they can at any time relay these to management or HR, and receive a response as soon as possible.

We hold regular quarterly labor meetings to understand the needs of our staff and respond to their expectations. 2017's labor meetings focused on the impact of amendments to the Labor Standards Act on the Company, including the passage of rules relating to staff work hours, flextime, extended working hours, and women working at night. Additionally, in response to the amendment of the Labor Standards Act, the Company has amended its own regulations with the agreement of the labor meetings. These have been publicly disclosed on the Yuanta Financial Holdings website, as well as being submitted to the competent authorities for their approval.

The Yuanta Financial Holdings Group has two subsidiaries that have unionized to maintain positive employer-employee interactions.

Ta Chong Bank: Union membership: 1950 / Total staff: 2327 = 83.8%

Yuanta Life: Union membership: 194 / Total staff: 746 = 26%

The original collective agreement with the Ta Chong Bank Union expired on 31 March 2017, with a new one signed on 1 April 2017.

While we have done our best to respond to the amendments to the Labor Standards Act, there were still four violations recorded in 2017. Each of these was investigated, with improvement measures taken to ensure such violations are less likely to recur.

Sanctions in 2017

Ta Chong Bank

Inspection Unit : Labor Affairs Bureau of Kaohsiung City Government
 Date of Penalty : 2017/1/12
 Cause : Extended working hours were not paid in accordance with regulations
 Law Violated : Article 24, Labor Standards Act
 Penalty Doc. No. : KCGLAB No. 10540985300

Ta Chong Bank

Inspection Unit : Labor Affairs Bureau of Kaohsiung City Government
 Date of Penalty : 2017/4/20
 Cause : Labor attendance was not recorded to the minute
 Law Violated : Paragraph 6, Article 30, Labor Standards Act
 Penalty Doc. No. : KCGLAB No. 10633244500

Ta Chong Bank

Inspection Unit : Labor Affairs Bureau of Kaohsiung City Government
 Date of Penalty : 2017/4/20
 Cause : Working hours extended beyond legal limitations
 Law Violated : Paragraph 2, Article 32, Labor Standards Act
 Penalty Doc. No. : KCGLAB No. 10633244500

Ta Chong Bank

Inspection Unit : Department of Labor, Taipei City Government
 Date of Penalty : 2017/10/31
 Cause : Extended working hours were not paid in accordance with regulations
 Law Violated : Paragraph 1, Article 24, Labor Standards Act
 Penalty Doc. No. : TCGDOL No. 10639654300

Remuneration Policy

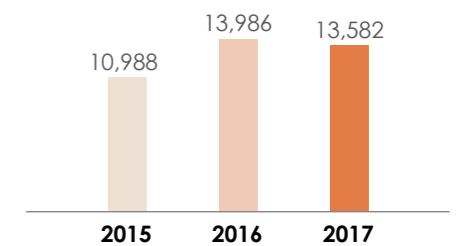
The goal of this company's remuneration policy is to attract outstanding talent to the company and encourage the retention and development of that talent. By creating teams of outstanding people, the company can create greater performance for both itself and its shareholders, and by paying bonuses based on the company's performance to employees, we are able to keep employees' personal work goals closely aligned with the company's operating goals and the interests of our shareholders. Our overall incentives strategy is performance-oriented and designed to be competitive in the market, and by incorporating corporate business results and individual performance into the rewards structure, we create benefits for individual employees, the company, and our shareholders.

This Company's remuneration is planned around the aforementioned ideas, aiming to be competitive and incentivizing, encouraging our teams to give their all and create outstanding results. Our remuneration system is a combination of several methods, with a foundation of basic salary, allowances, and bonuses, complemented with benefits such as leave and insurance. Through this combination, we have constructed a robust remuneration structure that does not vary based on gender.

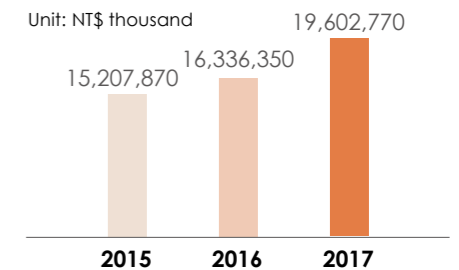
The Company is listed as a component stock of the Taiwan High Compensation 100 Index, which is a demonstration of the TWSE's recognition that our remuneration of staff is reasonable, that profits are shared with staff, and that we are exercising our corporate social responsibility. The starting salary of new, inexperienced staff exceeds the legal minimum wage. Staff starting salaries do not vary by gender, and performance bonuses are awarded on the basis of staff members' performance in their work.

The Company's main area of operations is the Taiwan region, and all staff have access to standard benefits such as benefits and bonuses, cultural and social activities, and a variety of other services. In 2017, the Group spent NT\$19.6 billion on benefits for non-managerial staff, an average of NT\$1.42 million per non-managerial employee.

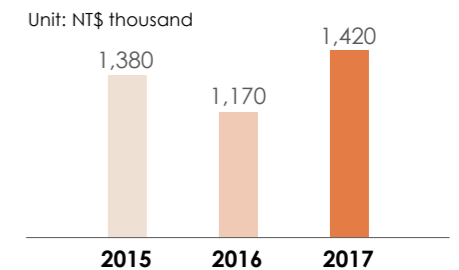
Non-Managerial Staff (People)



Total Benefit Expenses for Non-Managerial Staff



Average Benefit Expenses for Non-Managerial Staff per Person



Note 1: The calculation of employee benefit expenses is based on Taiwan's high-paying 100 index standard, excluding contractors; fees include employee salaries, allowances, various bonuses, labor and health insurance, pensions and other employee benefits.

Note 2: "Non-managerial staff" excludes the chairman and deputy chairman of the board and other appointed managers; the number of non-managerial staff, including the number of employees overseas

2. Talent Management and Development

Yuanta has established an annual training program, taking into consideration the Company's development strategy, annual operating focus, training systems, and talent development needs. Each year, as per the Company's operating strategy and business development considerations, an overall plan for various types of training and talent development is set out. Through participating in specialist skills training, employees can not only reinforce their professional knowledge and work practices & skills, but also improve their job performance. In addition, broadening employees' professional horizons and cultivating future job skills helps employees make better use of their skills and grow with the company.

In 2017, a total of 3,243 staff training classes were offered, for a total number of 480,018 training hours. The average number of training hours per staff member in the Taiwan region was 41.5, an increase of 79% from the previous year. There were three main reasons for this increase. First is the merger of Yuanta Bank and Ta Chong Bank, and the resultant increase in courses for training in corporate culture, business content, information systems and so forth. Second is in response to money laundering concerns. With suspicions of money laundering by overseas branches of Megabank, the financial industry committed to a renewed focus on regulations and mechanisms for the prevention of money laundering. In addition, with the Asia/Pacific Group on Money Laundering (APG) visiting Taiwan in late 2018 to check on the result of money laundering prevention efforts, in 2017 the Group committed a significant amount of time and money to training management in legal compliance and money laundering prevention, accounting for some 21.0% of total training hours. Finally, with the expansion in June 2017 of authorization for access to Commonwealth Innovation Academy digital educational content to the entirety of the Group's staff and a boost from the weekly email newsletter, in 2017 Yuanta Financial Holdings was awarded "Best Educational Organization" by Commonwealth Innovation Academy for having the "highest volume of courses and topics studied." 2017 was, without doubt, a year busy with learning for the staff of the Group.

In addition, to cultivate new rising talent, since 2008 the Group has actively sought out new Yuanta Financial Holdings management associates. In 2016, in line with the Group's overseas expansion strategy and the rise of digital finance, we recruited talented individuals from six fields—financial holdings, securities, banking, life insurance, futures, and funds—as potential management associates, offering them long-term training and job rotation. By the end of 2017, we had 50 management associates, 4 of whom have been dispatched to Hong Kong, South Korea, China, and Thailand, and 3 of whom are on short-term dispatches of 3-months to overseas locations, helping drive the Group's overseas business development.

Employee Education and Training 404-1

	2015	2016	2017	
Total Classes	2,526	3,275	3,243	
Total Training Hours	Male	91,911	110,823	160,990
	Female	183,721	169,744	319,028
	Management	39,426	42,450	81,556
	Non-Managerial	236,206	238,117	398,462
Total Training Hours	275,632	280,567	480,018	
Number of Trainees	Male	193,041	359,474	306,194
	Female	3,365	4,249	4,121
	Management	6,158	7,579	7,447
	Non-Managerial	1,390	1,665	1,761
Total Employee Numbers	8,133	10,163	9,807	
Average Hours of Training Per Person	Male	9,523	11,828	11,568
	Female	27.3	26.1	39.1
	Management	29.8	22.4	42.8
	Non-Managerial	28.4	25.5	46.3
Total Training Expenses	\$38.00 million	\$34.46 million	\$48.00 million	
Average Training Expenses Per Person	\$3,990	\$2,913	\$4,149	

404-3

Yuanta Financial Holdings regularly implements performance evaluations. Through a cycle of first identifying goals, then conducting follow-up improvements and revisions, and finally undertaking review and assessment, the evaluations take the form of annual review of employee performance and setting future career development goals. The results of these evaluations are also used to facilitate human resource management decisions, such as determining employee bonuses, promotions, adjusting salaries, and developing talents. In 2017, 100% of staff undertook regular performance reviews and occupational development reviews, regardless of their gender and position.

Performance Evaluation Focuses

1. Directors

Every year the Company's directors conduct a self-assessment of the operations of the Board and member participation. This assessment, coordinated by the Human Resources Department, covers five aspects: rate of attendance at meetings, hours spent on training, negative eligibility reviews, company operation status, and legal compliance. These assessments are used as references for decisions regarding the renewal of directorships for subsidiaries.

2. Senior and Appointed Managers

In line with the Company's performance management guidelines, performance evaluations for senior and appointed managers employ a goal management approach. Based on organizational development strategies, managers set annual working goals, and their individual performance is assessed through regular reviews of actual results and accomplishment of goals.

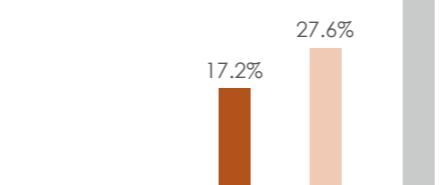
3. Non-Managerial Staff

With the exception of specific personnel designated by management (e.g., mid- and base-level management) who make use of a goal management approach for performance evaluation, non-managerial staff are subject to a fixed set of evaluation items which measure staff members' daily performance and actual work results.

Group staff that perform outstandingly are given the opportunity for promotion to managerial positions, with a view to their taking on more responsibilities and to leveraging their skills in a new position. In 2017, the number of internal promotions to management was 11, accounting for approximately 31.4% of the total number of management openings in the same period. In addition, in order to cultivate a comprehensive understanding of the Yuanta Financial Holdings Group among management, we occasionally carry out job rotations, familiarizing staff with different aspects of the business and having them bring in a more diverse range of concepts and practices, ensuring that the Group's competitiveness continues to improve.

2015

	Male	Female	Subtotal
Management Job Openings	16	13	29
Number of Internal Promotions	5	8	13
Percentage of Internal Promotions			44.8%



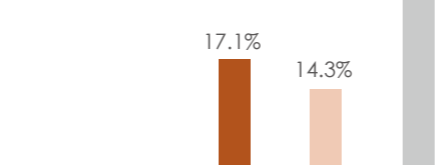
2016

	Male	Female	Subtotal
Management Job Openings	13	2	15
Number of Internal Promotions	3	0	3
Percentage of Internal Promotions			20.0%



2017

	Male	Female	Subtotal
Management Job Openings	20	15	35
Number of Internal Promotions	6	5	11
Percentage of Internal Promotions			31.4%



With regard to any staff whose performance evaluation results are lacking, we provide three to six months of guidance from direct supervisors, aiming to foster improvement or lead to job reassignment within that period. Should that time end without the staff member concerned demonstrating sufficient improvement, they will be let go or made redundant by means that are in accordance with the Labor Standards Act. In 2017, the Group had 16 severance cases and three other labor disputes, all of which are currently in litigation. Severance advance notice periods are determined as follows so as to protect basic rights:

402-1

- i. Those who have worked for us for more than three months, but less than 12 months are given 10 days' notice.
- ii. Those who have worked with us for more than one year, but less than three years, receive 20 days' notice.
- iii. Those who have worked with us for more than three years receive 30 days' notice.

Recipients of Guidance

	2015	2016	2017
Male	79	98	82
Female	121	138	73
Total	200	236	155

Departures/Legal Severances

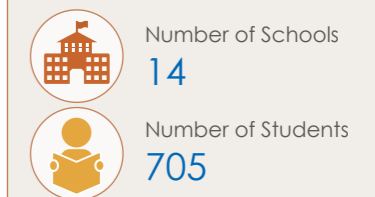
	2015	2016	2017
Male	9	11	13
Female	7	16	10
Total	16	27	23

In addition to employee talent management, the Yuanta Financial Holdings Group is also actively engaged in talent development. In recent years, we have worked in cooperation with institutes of higher learning on courses, lectures, internships, and student visits, as well as through exchanges with professors, to share specialist knowledge and familiarize students with the practicalities of the industry. We consider students targets for future development as potential Yuanta Financial Holdings employees, and as such strive to cultivate these future financial professionals.

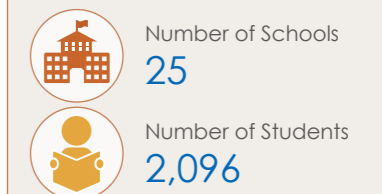
	Yuanta Industry-Academia Cooperation Launch Year	Cumulative Total Interns	Cumulative Total Interns Transitioned to Staff	Return Rate
Yuanta Financial Holdings	2007	161	4	2.5%
Yuanta Securities	2014	154	29	18.8%
Yuanta Bank	2012	224	18	8.0%
Yuanta Life	2014	93	21	22.6%
Yuanta Futures	2012	397	11	2.8%
Yuanta Funds	2017	35	0	0

2017

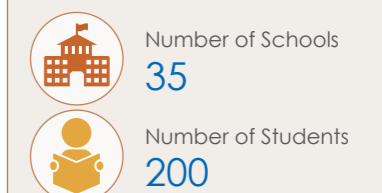
Cooperative Courses



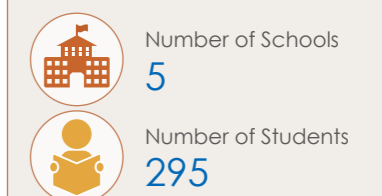
Special Lectures



Corporate Internships

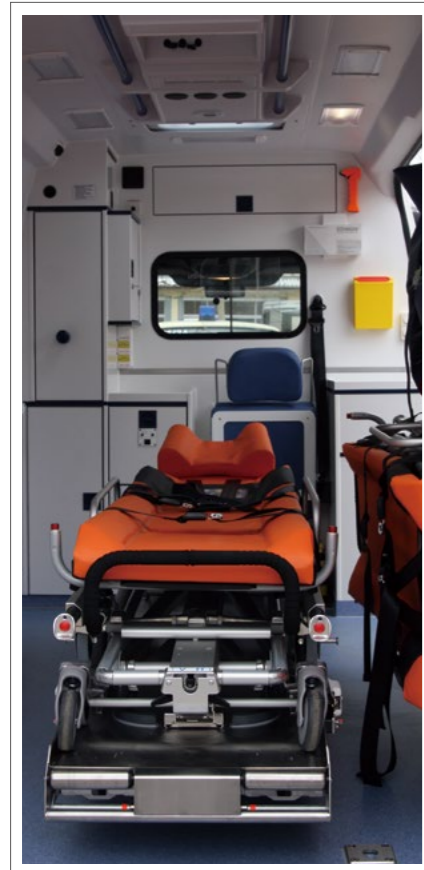


Site Visits



3. Occupational Health and Safety

The majority of injuries in 2017 occurred on the way to and from work, with a total of 29 people applying for injury days and returning to their positions upon recovery. In 2017, no major occupational accidents occurred among the full complement of our staff, nor were there any injuries incurred to related staff, including those from property management companies (guards, cleaning staff), branch security, or dispatch staff (drivers).



Note 1: Injury rate (IR) = (Total No. of People Taking Leave for Work-related Injury or Sickness / Total Annual Working Hours) x 1,000,000. Number of people in each injury incident is 1.

Note 2: Occupational Disease Rate (ODR) = (Total No. of Occupational Diseases / Total Annual Working Hours) x 1,000,000. In 2016, the total number of occupational diseases was zero.

Note 3: "Incapacitating injuries" are determined such by a physician in accordance with regulations: "Days lost to incapacitating injuries" is calculated as the sum total of work days lost by injury to an employee of the Group leading to temporary (or permanent) inability to return to work.

Note 4: Lost Day Rate (LDR) = (Total Days Lost to Incapacitating Injury / Total Annual Working Hours) x 1,000,000.

Note 5: "Total Days Absent" includes absences for injury, illness, and personal reasons, as well as unexplained absences, and is the sum total of "Days Absent" for the entire body of employees of the Group

Note 6: "Absence Rate" (AR) refers to actual absentee days lost as a percentage of total days scheduled to be worked by the workforce for the same period.

Occupational Accidents in Yuanta Financial Holdings 403-2

		2015	2016	2017	
Total Annual Working Hours		17,878,152	22,853,160	18,153,160	
Type of Injury (people)	Injured on Duty	Male	0	0	3
		Female	0	1	4
		Total	0	1	7
	Injured on Business Trip	Male	0	1	1
		Female	3	3	1
		Total	3	4	2
	Injured on Way to/from Work	Male	4	12	12
		Female	14	17	17
		Total	18	29	29
Total No. of People Taking Leave for Work-related Injury or Sickness		Male	4	13	16
		Female	17	21	22
		Total	21	34	38
Total No. of People Taking Leave for Work-related Injury or Sickness (by area)		Northern	13	19	15
		Central	4	3	13
		Southern	4	12	9
		Eastern	0	0	1
		Total	21	34	38
Injury Rate		Male	11.9	4.47	5.06
		Female	7.6	6.96	41.37
		Total	19.5	11.43	46.43
Injury Rate (by Area)		Northern	-	8.00	37.98
		Central	-	1.05	4.97
		Southern	-	2.38	3.37
		Eastern	-	0.00	0.11
		Total	19.5	11.43	46.43
Total Days Lost to Disabling Injury		Male	78	248	382
		Female	148.4	421	270
Lost Days Ratio (LDR)		Male	4.36	10.85	21.09
		Female	8.3	18.42	29.12
		Total	12.66	29.27	50.21
Lost Days Ratio (LDR) (by Area)		Northern	-	18.02	14.18
		Central	-	1.36	13.76
		Southern	-	9.89	22.03
		Eastern	-	0	0.24
		Total	12.66	29.27	50.21
Total Days Absent		Male	3,487	6,302	4,023
		Female	9,794	16,189	10,407
Absence Rate (AR)		Male	0.25	0.42	0.32
		Female	0.48	0.68	0.58
Absence Rate (AR) (by Area)		Northern	-	-	1.31
		Central	-	-	0.06
		Southern	-	-	0.07
		Eastern	-	-	0.00
		Total	-	-	0.36

We also provide promotion, education, and training concerning special courses on sexual harassment prevention and occupational safety & health. These aim to help staff internalize the relevant knowledge and promote the awareness of workplace injury prevention and gender equality.

In addition, the Group offers its female employees with menstrual leave and maternity leave, and its male employees with paternity leave. Both genders are also eligible for family care leave and the opportunity to apply for unpaid parental leave with their job held for their return.

As well as aiding staff in keeping ahead of developments in the industry, pursuing greater professional skills, and maintaining their competitiveness in the workforce, we regularly hold lectures on health, fitness classes, parent-child communication seminars, and art appreciation courses, among other lifestyle programs. We also organize 11 club activities that combine sport and learning, along with staff family days. Through these, we aim to help our staff maintain mentally and physically balanced lifestyles. In 2017, we held a total of 8 courses with 711 participants. Staff rated the lifestyle seminars an average of 4.5 (maximum score 5/5, highest score received 4.7, lowest 4.0).

2017		
Occupational Health and Safety	Total Classes	49
	Total Training Hours	3,000
	Number of Trainees	1,179
	Average Hours of Training Per Person	2.5*
Sexual Harassment Prevention	Total Classes	51
	Total Training Hours	385
	Number of Trainees	1,018
	Average Hours of Training Per Person	0.4*

* Occupational safety and health and sexual harassment prevention courses are not compulsory for all staff, as such average number hours of training per person = total training hours/number of trainees

Case Study

In 2017, Yuanta Financial Holdings was awarded the Taiwan iSports honor by the Sports Administration for our performance in our activities such as health lectures, fitness classes, parent-child sports competitions, and charitable sports sponsorships. The honor was awarded by Vice President Chen Chien-jen and accepted on behalf of the Company by Chairman Wang Rong-Jou.



Case Study

Staff Family Day

Yuanta Family Days were organized by Yuanta Financial Holdings, Yuanta Securities, and Yuanta Bank in Taipei, Taichung, and Kaohsiung respectively, with the assistance of the Yuanta Cultural and Educational Foundation. Over 10,000 members of our staff, family members, and volunteers took part. The purpose of these Family Days is not only to bring families and the Company closer, but even more to help every family of Yuanta staff enjoy good health and happiness, so that every member of the Yuanta family can dedicate themselves to their work free from worry and be able to truly shine. Family Day activities include charity and environmental elements as well, such as second-hand clothing collections, so that in addition to having fun, everyone can also do their part for the planet.

Return-to-Work and Retention Rates for Employees Taking Parental Leave 401-3

	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Return-to-Work and Retention Rates for Employees Taking Parental Leave	334	509	843	352	593	945	313	529	842
Actual Number of Employees Taking Unpaid Parental Leave	9	129	138	20	178	198	20	154	174
Anticipated Number of Employees Returning in current after Parental Leave	6	67	73	10	90	110	14	104	118
Actual Number of Employees Returning in current year after Parental Leave	2	39	41	5	60	65	6	55	62
Return Rate	33.3%	58.2%	56.2%	50.0%	66.7%	59.1%	42.9%	52.9%	52.5%
Actual Number of Employees Returning in pervious year after Parental Leave (C)	5	43	48	3	46	49	5	60	65
Number of Employees Still at Company 12 Months after Returning from Parental Leave in pervious year	2	28	30	2	34	36	4	35	39
Retention Rate	40.0%	65.1%	62.5%	66.7%	73.9%	73.5%	80.0%	58.3%	60.0%

* Return Rate = (Actual Number of Employees Returning in current year after Parental Leave / Anticipated Number of Employees Returning in current after Parental Leave)*100

* Retention Rate = (Number of Employees Still at Company 12 Months after Returning from Parental Leave in pervious year / Actual Number of Employees Returning in pervious year after Parental Leave)*100

* Beginning in 2016, the statistics' coverage includes Ta Chong Bank.



5-6 Community Engagement

Under the rapid economic development, social development also faces major changes and challenges, such as the wealth gap, an aging population and declining birth rate, the uneven distribution of educational resources, or the overconcentration of social resources in specific spheres, which affects the lives of disadvantaged groups. Although the government provides certain policies and benefits to improve this situation, social cooperation and corporate assistance can bring about more positive and supportive response.

As companies have paid increasing attention to social responsibility, approaches to giving back to society have become increasingly diverse. To make more efficient use of resources, the various subsidiaries and units of the Yuanta Group have established systems for the rigorous screening of potential recipients of donations and partnerships. They also make use of the charitable platform model set out by the Yuanta Cultural and Educational Foundation to link management and usage of resources. In addition to donations, our staffs also actively work to understand local needs and serve as a driving force pointing the subsidiaries' efforts in the right direction.

The operating model of the financial industry entails close interactions with both customers and local communities. Through communicating with our customers, we can get insight into the particular needs of their communities and the problems that residents are facing. In this way, we set the stage for the fulfillment of our corporate social responsibility and for achieving our goal of mutual growth by "giving back to society as we benefit from it".



Material Topics

Management Approach

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1. Charity

A sound and stable society can bring about economic growth and a strong, stable business environment. Through the board of directors, the Group works around the core idea of fulfilling our social responsibility to promote social engagement. We work with a number of charitable organizations and institutions, as well as aiming to promote work-life balance by encouraging staff to take part in charitable activities. In addition to active efforts by our subsidiaries, the Group as a whole has integrated the resources of its subsidiaries via the Yuanta Cultural and Educational Foundation to facilitate the investment of more positive energy into society through practical actions.

The Group is built on a "large community/small community" concept. The "large community" refers to Taiwanese society as a whole, in which we see issues like wealth inequality, the urban-rural divide, and drug abuse driving societal instability. The "small community," meanwhile, constitutes our everyday surroundings, which are also full of individuals requiring assistance and care. Not only does the Group strive to build the financial side of the business, it also invests in charitable and environmental activities based on a belief in giving back to society as we benefit from it. In this way, we embed ourselves deeply into the communities that surround our operating locations.

The Group considers investment in volunteer work the foundation of its engagement with society and the driving force behind our charitable platform. We reach out in five major directions to bring to bear the collective abilities of the Group, contributing to both large and small communities to support societal development and promote prosperity shared between both the Group and society.



Dreams Take Flight & Assistance for Disadvantaged Students

Yuanta has long had a commitment to the underprivileged, sparing no effort in promoting education and believing deeply that education is the cornerstone for improving lives and achieving dreams. As such, we strive to help underprivileged groups in our society learn and grow,



helping children stand tall and reach their full potential by embracing their passions and dreams. In particular, the Yuanta Cultural and Educational Foundation is committed to providing education and after-school tutoring to children in rural areas. To help rural children enjoy the same educational opportunities as their urban counterparts, we established the Yuanta and Fu Jen University Dreams Take

Flight Scholarship program, assisting children in completing their studies and building their self-confidence, while also making society as a whole a more caring place. In addition, by providing scholarships to gifted but economically-disadvantaged children, we ensure that they can complete their studies even in spite of the difficulties they face.

Community Service & Caring for Rural Areas

Public service starts in our daily lives, and through more frequent interactions and exchanges with the local community, the Group is able to gradually become part of that community. Today, the Group conducts activities in the neighborhoods around its operating locations, sponsoring neighborhood festival events, community cleanups, blood pressure checks and health examinations. We also work with local police to provide support for events like the opening and closing ceremonies of the Universiade, for which we rented out facilities for officers to rest and coordinate.

Law, Security, and Protecting the Environment

Yuanta is passionate about charity and is dedicated to the belief that the power of change starts with caring. In addition to supporting the Taiwan Fund for Children and Families' project to protect children who have been the victims of abuse, we have also had a long-term involvement in after-care and rehabilitation projects. And building out from a core of social concern, through promoting education and working with legal and educational organizations we take an anti-drug message into schools and help encourage the public to focus on and participate in legal education. Subsidiary companies including Yuanta Securities, Yuanta Futures, and Yuanta Funds also take part in activities such as mountain cleanups and beach conservation activities, putting the Company's strength to use through volunteering and doing our part to help protect the planet.



Healthcare & Caring for the Old and Young

With modern society facing the problems of unequal distribution of medical resources and an increasingly elderly population, Yuanta has also taken a particular concern in the areas of medicine and health. The Group regularly organizes blood drives several times each year, sponsors medical research, supports care for people with dementia, and provides company for people at Mennonite Christian Hospital in Hualien. Yuanta Group subsidiary company Yuanta Life also holds quarterly activities focusing on the elderly. In 2017, these included sending a group of volunteers to the Dingpu Elderly Day Care Center in Tucheng to accompany and interact with the people there and take practical action to show that we care.

Cultivating Talent & Industry-Academia Cooperation

Another long-term area of importance to the Yuanta Group is the cultivation of talented finance professionals. Through industry-academia partnership projects like the College and Graduate Summer Research Program, we hope to help more students understand the practical side of finance. Students who show particular ability will also have the chance to join the Group upon graduation and put what they have learned to practical use.

The Group plans and holds lectures on financial research and wealth management, assisting the investing public in accumulating wealth management skills and financial literacy, as well as arranging internships and corporate visits for colleges and universities. The Yuanta Cultural and Educational Foundation has also launched the National Taiwan University-Renmin University Chinese Business Case Research Cooperation Framework Program, establishing a cross-strait platform for corporate case studies and exchange. At the same time, the Foundation has also continued to hold the Yuanta Cup EMBA Competition to help improve corporate brand recognition among local universities and students, and connect the Group's talent cultivation efforts with its Management Associate (MA) program, preparing the students for future job opportunities with the Group.

2. Cultivating Taiwan's Financial Talent

In today's competitive society, professional talent has become the main driving force for the development and internationalization of the financial industry. However, it takes time to cultivate talent, and often people are unable to fulfill their potential because of insufficient learning resources or economic factors. Yuanta is aware of these problems and seeks to actively provide support and solutions through its practical actions. Yuanta has long promoted industry-academia cooperation in domestic and international finance, academic research, and practical applications, actively engaging in the cultivation of professional talent, assisting in the innovative development of the financial industry, and enhancing international competitiveness. Yuanta hopes that its comprehensive and



caring talent cultivation system will help and attract outstanding talents to enter the Yuanta Group.

Our Goals



Mid-Term Goals

Increasing the number of volunteers and the number of volunteer service hours

2017 Performance

- In response to corporate social responsibility implementation, Group staff across all Yuanta subsidiaries have participated in a variety of charitable activities, financial industry-academia cooperative projects, and community environmental service activities. The total number of such volunteers was 9,455.
- Within the Group, the Yuanta Cultural and Educational Foundation promoted charitable activities in 2017 with a total of 10,974 volunteers participating, a more than three-fold increase on 2016's total of 2,647 participants. In 2017, the number of people who participated in Yuanta Group volunteer activities overall surpassed 20,000.

Encouraging staff to organize volunteer teams and serve the community

2017 Performance

- Group subsidiary staff participate in social engagement work in five major directions and in a variety of different activities held by each subsidiary company, including industry-academia cooperative projects, finance/wealth management forums, and a broad range of community service and environmental activities.

2018 Practice

- The long-term plan is to establish a Group volunteer organization, bringing together volunteer activities from across subsidiaries and gradually working to expand the scale of such activities and make their holding more systematic.

3. Corporate Image

A good corporate image will make employees identify more with the Company as well as increasing consumer trust. To build and maintain our corporate image, the Yuanta Cultural and Educational Foundation and our subsidiaries strive to take an active part in social engagement and philanthropy. We also encourage staff to volunteer, creating a greater sense of unity and cohesion through concrete actions. In addition, through the Foundation's electronic newsletter, news and information about the Group and its subsidiaries is published on the Group's official website, and modern digital media are used to create vibrant interactive communities, such as our official social media presences. Through such media, we communicate positive information and integrate with physical locations to comprehensively build and maintain our corporate image.

In response to public perceptions and reactions to the Group, our public relations team conducts daily external information monitoring, staying on top of the latest movements in opinion and actively communicating with the media. Through this, the Group maintains a transparent and open communication channel with the media, ensuring our message gets through accurately while also maintaining the flexibility to respond promptly. As for external communication, in accordance with the Yuanta Financial Holdings Unified Communications Procedures, one Company spokesperson and one acting spokesperson are responsible for the official release of information, policies, or other communications to the public on behalf of the Group.



During the opening and closing ceremonies of the 27th Summer Universiade in 2017, Yuanta provided venues for police dispatch. The Chief Police Officer of Nangang Precinct, Pan Chaozhi, gave a certificate of appreciation, which was received by the President Tony Shen.

Current Performance

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Charity

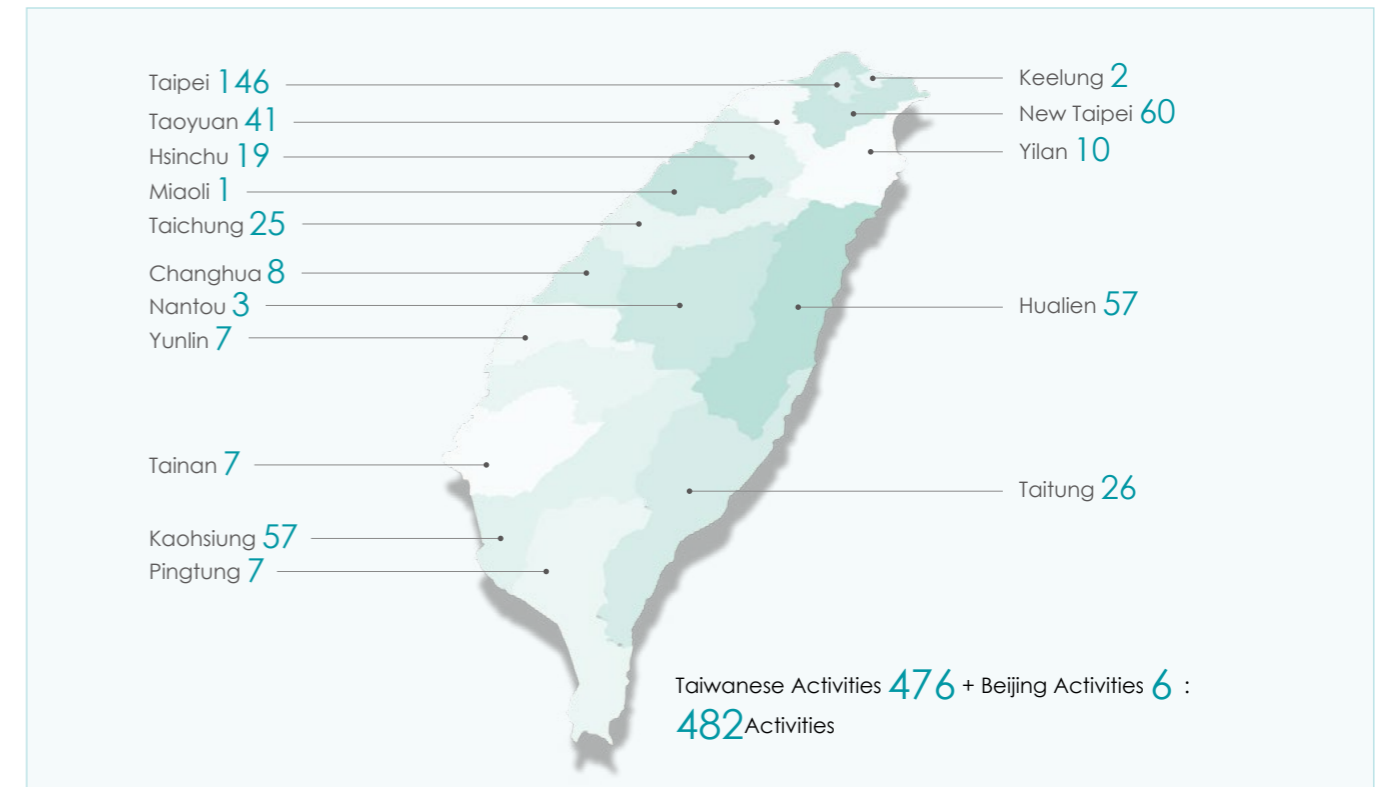
The Yuanta Cultural and Educational Foundation has promoted social welfare activities and thoroughly implemented corporate social responsibility, undertaking total of 482 public welfare activities throughout the year. Each activity called on the Group's colleagues to participate in the event and expand the public welfare benefits through them. In

2017, the Foundation attracted 10,974 volunteers, which amounted to a three-fold growth over 2016 and set a new record, as well allowing us to provide much-needed support to many public welfare organizations. Yuanta subsidiaries also actively worked for the public good, involving themselves in service for the local environment, charity activities, and financial

industry-academia cooperation, with a total of 9,455 volunteers participating. In addition, the Yuanta Cultural and Educational Foundation has established an interactive volunteer organization to enable volunteers to participate in the volunteer activities of the Group and their charitable partners in a sustained, stable and enthusiastic manner, so that colleagues can have more opportunities to care for society and invest in love.

Independent Activities: 113, Joint Activities: 194, Sponsored Activities: 175

Yuanta Cultural and Educational Foundation Activities by City/County in 2017



Yuanta Cultural and Educational Foundation Expenditure on Social Philanthropic Events, 2017

Unit: NT\$ thousand

	Expenditure
Dreams Take Flight & Assistance for Disadvantaged Students	23,770
Healthcare & Caring for the Old and Young	19,810
Cultivating Talent & Industry-Academia Cooperation	7,020
Law, Security, and Protecting the Environment	4,780
Community Service & Caring for Rural Areas	2,090
Arts Learning	3,100
Administrative Management Department & Volunteer Promotion	640
Total	61,210

Donation Income for Yuanta Cultural and Educational Foundation, 2015-2017 (focused on Yuanta Financial Holdings subsidiaries)

Unit: NT\$ thousand

	2015	2016	2017
Yuanta Securities	16,650	17,000	17,000
Yuanta Bank	13,850	16,000	16,000
Yuanta Futures	4,650	6,000	6,000
Yuanta Funds	4,600	5,000	5,000
Yuanta Securities Finance	2,300	2,000	2,000
Yuanta Venture Capital	2,300	2,000	2,000
Yuanta Asset Management	1,850	2,000	2,000
Total	46,200	50,000	50,000

Dreams Take Flight & Assistance for Disadvantaged Students

1. The 1st Dream Big Plan achievement display

In order to expand and strengthen the scope of our educational work with rural and underprivileged communities, the Yuanta Cultural and Educational Foundation runs the "Dream Big" plan. This plan provides a "charity platform" that links the Company's funds and workforce with social welfare and educational units, communities, and Aboriginal communities to help volunteers make use of their time to provide children with art education, after-school tutoring, and even extramural challenges like cycling. By bringing together these once-separate forces, the plan makes them stronger through unity and ignites lights of hope for nine rural communities dealing with limited educational resources. At the same time, the Dream Big plan further embodies our staff's enthusiasm for and investment in charity. It brings together nearly 300 volunteers to go deep into the remote communities and provide direct support for social welfare organizations. Since its inception, the Dream Big plan has set dreams in motion in communities across Taiwan, including for the Taichung-based Sheng'ai Seniors Magic Group, whose members are, on average, in their 70s; the staff and students of Zhanghu Ecological Elementary and Junior High School in Yunlin, who took a six-day, 400-km cycle and study tour; the children of the Aboriginal community of Mapasadu on the beautiful East Coast, who harnessed their love of music to realize their dream of bringing their community together for a market and concert; the Dream Book House in Hsinchu's Tayax Aboriginal community, which helped revive traditional Atayal weaving and millet farming in the community after a 25-year gap; Haishan Senior High School, which launched free online math classes; Sinsiang Intercommunity Association in Hualien, which invited outside teachers to come and provide a range of lessons to the children of Chongguang Community to broaden their horizons; and the Taiwan Foundation for the Blind, which was able to boost its production of combination braille/printed books for joint reading sessions; Each of these projects have further reinforced Yuanta's commitment to charitable work and to creating more of the energy needed to make dreams come true.

1.1 Yunlin students step out of the classroom to learn on a 400 km cycling adventure

A huge lineup of Zhanghu Environmental Elementary and Junior High School teachers and students headed south from Gukeng Township, across the Tropic of Cancer to the southernmost tip of Taiwan, riding for 6 days and more than 400 kilometers. By stepping out of the classroom to experience Taiwan through this unique curriculum, the children tested their physical strength and character, and built vitality and self-confidence. Yuanta volunteers helped them prepare, filling four big bags of snacks for the road, which they distributed to the cyclists one by one, using their action and enthusiasm to support the children's cycling dreams.

1.2 The power of community in Aboriginal areas, and helping children achieve their music dreams

The Music Grace Market event showcased Bunun culture and invited people to enjoy the musical performances of local 10 year-old children. Community residents sold Bunun products and handicrafts, giving a boost to the local economy and building social cohesion, so that these little musicians could realize the dream of playing concerts in their hometown in the most meaningful way. Bali Sushuluman, chairman of the Buklavu Tribe Sustainability Association, said that the children were very musically talented, and that their musical education had led them to achievement in other aspects of their lives. Since educational resources are limited, and old second-hand musical instruments are often inadequate, Yuanta's support and sponsorship to purchase musical instruments was timely and helpful, as was their assistance in arranging a learning space, inviting Bunun musicians to provide guidance, and helping the children achieve their musical dreams!

1.3 Yuanta volunteer engagement, and bringing together the old and young

Elderly residents of the Yuanta-supported Sheng-Ai Senior Health and Vitality Center dreamed of becoming magicians and bringing laughter to local children. After three months of training they were able to realize this plan, performing in various rural primary schools, nursery schools, and children's wards in Taichung. The septuagenarian magicians' performances captivated their audiences, and also helped the seniors reclaim a sense of accomplishment through their work. To further surprise the children, Yuanta volunteers learned balloon modelling, sending the children through the roof with excitement when they began distributing balloon animals to everyone.



2. The 2nd Dream Big Plan

The Yuanta Cultural and Educational Foundation launched the second Dream Big plan in July 2017, selecting six target units to serve different groups, but with a shared faith in the plan's ability to provide rural communities with a launchpad for new journeys. Through the Dream Big plan, educational programs are integrated with Yuanta volunteer groups around Taiwan to provide a platform for shared resources and bigger dreams.

The 2nd Dream Big Plan Selected Projects

	Unit(s)	Dream Big Plan
Arts and Culture Publishing	Artist Association of Public Welfare	"Me and My Mom" SEA Immigrants Documentary Publishing Project
Talent Cultivation	Taiwan Professional Boxing Association	"Pangu Splits Heaven and Earth" Talent Training Program
	Taoyuan Municipal JieShou Junior High School	"New Songs for Indigenous Voices—My Future is not a Dream" Music Program
Serving Old and Young	Sisters of the Sacred Heart of Mary (Sheng'ai Villa)	"Love Links Villages" Program
Science Education	National Erh-lin Industrial and Commercial Vocational High School (Wahaha Science Service Team)	Do Your Own Science! Dream Big Plan
Community Development	New Taipei Community Workers Association	Red Silk-Cotton—Education for the Underprivileged Program



3. Yuanta and Fu Jen University's Dreams Take Flight Program

The Yuanta Cultural and Educational Foundation is committed to giving back to society as we benefit from it, and to this end is actively involved in a number of cultural, educational, and social philanthropic activities. This is also part of our efforts to uphold our corporate social responsibility. Working together with Fu Jen Catholic University in the hopes that our existence will be a blessing to others, we have launched the Yuanta and Fu Jen University Dreams Take Flight Program, further doing our part for education in remote rural communities. With the project now in its seventh year, the Yuanta Cultural and Educational Foundation has earned the long-term support of the Ministry of Education for our efforts to help the underprivileged get access to education and create a virtuous cycle. Their affirmation and encouragement were made all the more clear in 2017 as the Foundation was granted the Ministry's highest honor, the Crystal Award for Donations to Educational Institutions.



3.1 Dreams Take Flight Scholarship Program

The Dreams Take Flight Scholarship Program has played a significant role in the cultivation of talented students from rural areas; over 7 years it has assisted 774 young students, of whom more than 100 students have now graduated successfully. Yuanta launched this scholarship program with the hope that it would help create new opportunities in children's lives, allowing them to focus on their studies, and, through the mentorship and support of Yuanta and Fu Jen University, realize that as long as they work hard, life will have unlimited possibilities.

Yuanta and Fu Jen University's Dreams Take Flight Program

9 (Note 1)	248	774
Linked school	Total number of scholarships over year	Total number of scholarships
Graduates over the years	Number of graduates this year	Number of students studying this year
High School: 110	High School: 26	High School: 66
Vocational High School: 18	Vocational High School: 3	Vocational High School: 7
University: 1	University: 1	University: 43
Junior college: 6 (Note 2)	Junior college: 3	Junior college: 7

Note 1: The Linked School includes a long-distance supplementary and scholarship application school, including the Wugu Catholic Church, Taoyuan City Jie Shou Junior High School, New Taipei Municipal Qinxian Junior High School, New Taipei Municipal Jian-shan Junior High School, Taitung County Zhongxiao Extension Middle School, Kaohsiung City Shanlin District, Chiayi City Fu Jen Catholic High School, Keelung Fu Jen Sacred Heart Senior High School, National Jhuolan Senior High School.

Note 2: Includes graduates in 106.

3.2 Digital Tutoring

The Ministry of Education's "Digital Companion" program has been in operation since 2006. It uses computers, internet, video conferencing technology and online teaching platforms to nurture students from remote areas to learn and interact in class and life. The digital companion program is also a key project in the Dreams Take Flight Program, making use of both on-site teaching from local educators and digital tutoring, with resources and support coming from both governmental and private sources. In the Dreams Take Flight Program, Fu Jen University recruits college mentors to provide twice-weekly after-school tutoring services to rural students, offering a student-centered learning environment to participants, while also promoting a spirit of social service among the university student tutors. Through the joint efforts of the Yuanta Cultural and Educational Foundation and the community, there are currently 27 partner universities in Taiwan that are engaged in online tutoring services, benefitting a total of 111 primary and secondary schools, and 1,512 students.



3.3 Summer and Winter Classes for Rural Middle Schoolers

Since 2011, we have cooperated with the Fu Jen University's Rural Education Team to provide tutoring to rural middle school children and organize curriculums for both winter and summer schools. In this way, we help to care for these children all the way to college graduation and the completion of their higher education. As part of these efforts, the FJU team insists on respecting local cultural values in each location and making use of the most appropriate methods to provide professional tutoring. Through the winter and summer schools staffed by college students, the local children not only receive guidance and instruction, but also have a way to spend their vacations active and engaged rather than being idle. By interacting with the FJU team, they cultivate self-esteem and respect for others, while also gaining a better understanding of the value of educational resources, developing a positive attitude, and becoming more responsible. These winter and summer schools help the children continue to learn, lighten the load on parents, and provide rural children with educational opportunities on par with their urban counterparts.



Yuanta Kids Shine Bright

Since the 2011 start of the Yuanta-FJU Dreams Take Flight Scholarship Program, some 43 "Yuanta Kids" have successfully made it to college. One of the first, Chen Endi, graduated from the Department of Music at Chinese Culture University and held her solo graduation recital at the Wenshui Arts and Cultural Center in Taipei on July 18, 2017, performing several classical pieces. Ms. Chen was a recipient of tuition assistance from the Yuanta Cultural and Educational Foundation in her sophomore year, when she participated in an exchange program that took her to Zhengzhou University in Henan, China, to further refine her skills. With a major in piano and a minor in composition theory, Ms. Chen hopes to return to her hometown to promote Aboriginal musical culture and help the local children.

Scholarship "Growth Camp", Helping Kids Dreams Take Flight

Twice a year, we hold scholarship "Growth Camps," offering these Yuanta Kids a chance to get together with their families and each other for a two-day, one-night camp to catch up and share their different experiences. Lu Tze-Han, chair of the Taiwan Rural Education Center at FJU and project director, has expressed her gratitude to Yuanta for our long-time support and assistance, and her hope that the spirit of the project will continue to blossom in the hearts of these Yuanta Kids as they pass it on to younger generations. As positive role models, they will encourage younger people to treasure hard-won opportunities and give back to the community, spreading the positive spirit of the Dreams Take Flight Program far and wide.

Healthcare & Caring for the Old and Young

1. Sponsoring Hualien's Mennonite Christian Hospital

The Yuanta Cultural and Educational Foundation has worked with the Mennonite Christian Hospital for 11 years to take care of the elderly of Taiwan's East Coast, including through donations of gifts for Mid-Autumn Festival and Chinese New Year feasts. Through such activities, we bring a little festive cheer to long-term patients unable to go home for the holidays. At each activity, dozens of Yuanta staff members worked as volunteers to help patients and their families celebrate the festive season. In 2017, such activities helped a total of 1,783 people.



2. New record of Yuanta Employee Blood Donations

"Yuanta Blood Donation Day" is based on the idea that "love makes life more abundant" and, in adherence with the concept of caring for society and sharing love, Yuanta encourages all Group employees to participate. The blood donation drives have expanded from one to three times per year, and the number of individual donors and bags donated has also increased. Over seven years of these activities, Yuanta has donated a cumulative total of 10,511 bags of blood.

3. Yuanta Life's "Silver in the Sunshine—Caring for People with Dementia" Volunteer Activities

Yuanta Life has planned a series of philanthropic activities focused on caring for the elderly and helping them create rich and enjoyable lifestyles. Both internal and contract staff from Yuanta Life formed a volunteer team and traveled to the Dingpu Elderly Day Care Center in Tucheng, New Taipei, to hold a variety of entertaining and interactive activities and games, bringing some warmth to the lives of those at the center and showing them that society still cares about them.



Community Service & Caring for Rural Areas

1. Yuanta Happy Day

The Yuanta Cultural and Educational Foundation has held "Yuanta Happy Day" events since 2012. Due to the enthusiastic response from charitable organizations and volunteers, from 2015 onwards, the scope was expanded to offer three annual Happy Day activities in Northern, Central, and Southern Taiwan, to make sure that kids from across Taiwan were able to take part. Over the past six years, more than 3,100 students have participated in Yuanta Happy Days.

In 2017, three Yuanta Happy Day events were held at the National Taiwan Science Education Center in Taipei, the National Science and Technology Museum in Kaohsiung, and Asia University in Taichung. 29 public welfare organizations and schools and 657 children were invited to participate. A total of 300 employees and their families were involved as volunteers, to accompany the children for a memorable "Yuanta Happy Day", and to let them experience the joy of giving.



2. Newspaper Donations to Mountain Regions

Since 2014, the Yuanta Cultural and Educational Foundation has sponsored the Mandarin Daily News project to send newspapers to schools in rural communities for free. In 2017, the "Send Word to the Mountains" project sent newspapers to 18 elementary schools and 485 children in the Hualien-Taitung region.



3. Kids' Bookhouse

The Yuanta Cultural and Educational Foundation also uses its role as a public welfare platform to collaborate with other enterprises and public welfare organizations to integrate multi-party resources. At present, the Kids' Bookhouse has set up a total of 9 Bookhouses in Taitung, providing a diverse range of tutoring services for more than 300 students.



4. Yuanta Charity Concert

Since November 2017, Yuanta Financial Holdings has organized a total of 10 charity concerts. Through the talent and charisma of the performers, the charity groups involved were able to raise a substantial amount in donations, giving them resources to take care of vulnerable groups in society. In two months, a total of 10 concerts raised NT\$ 28 million, which was donated to 10 domestic social welfare groups in urgent need of funds, demonstrating Yuanta's commitment to fulfilling its corporate social responsibility.



Law, Security, and Protecting the Environment

1. Protecting Children and Young People

The Yuanta Group is active in children's protection work, and has sponsored advertisements for the Taiwan Fund for Children and Families for the past two years to promote their important work through magazines and the media, so that the public can better understand child protection issues and help those in need. The Taiwan Fund for Children and Families visited Yuanta in June 2017 to express their appreciation to the Yuanta Group (Securities, Bank and Life) for contributing money and resources.



2. After-Care Activities

Yuanta is also actively involved in efforts promoting legal protection, women's and children's safety, and in assisting with creating employment opportunities, helping more people reintegrate into society and encouraging both the public and company groups to attach importance to legal protection. In 2017, the Yuanta Cultural and Educational Foundation helped organize bronze art skills classes, hoping to help ex-convicts develop a skill they can use to reintegrate with society on their own terms. These efforts were recognized by the Taiwan After-Care Association with their "Award for Successful Involvement in Education and Protection by a Company."



3. Anti-Drug Education

Building from a core of social concern through education, the Yuanta Cultural and Educational Foundation, the Taiwan After-Care Association, the Education Department of the Taipei District Prosecutors Office, and county and city governments jointly promote anti-drug education shows in schools. The hope is that through the humorous and entertaining shows, students will understand the serious harm that drugs can do. In 2017, a total of 123 junior high schools were visited, and with these performances now in their fifth year, they have reached more than 370,000 teachers and students, helping to establish drug-free campuses.

4. Protecting the Environment

To fulfill our responsibility as a global citizen and in the spirit of corporate social responsibility, the Group's subsidiaries have organized their own voluntary environmental protection activities, such as beach and mountain cleanups. For example, since 2012 Yuanta Funds has organized several weekend and holiday beach and mountain cleanups, inviting staff to take part. Numbers are growing each year, and in 2017, participation reached a substantial 250 people. Yuanta Securities and Yuanta Futures have also held environmental protection activities, with combined participation of over 600 people, giving a clear demonstration of Yuanta's civic and environmental awareness.

Cultivating Talent & Industry-Academia Cooperation

1. Cultivating Talent

Yuanta is committed to training financial professionals, creating a pool of talent through internships, scholarships, and academic competitions. Over the past 11 years, we have helped cultivate some 175 college students of finance. In 2017, Yuanta also helped 57 economically-disadvantaged students, who we hope will be able to give back to society in the future and create a "cycle of goodness" with their deeds.



1.1 Yuanta Scholarships for Economically-Disadvantaged Students

In 2017, Yuanta offered scholarships for economically-disadvantaged students, with a total of 57 promising students from 16 senior high schools and 8 tertiary institutes receiving scholarships of \$200,000 each. This helps these students better focus on their studies and, in the future, become talented people capable of helping society.

1.2 Graduate Student Summer Research Scholarship Program

Yuanta Financial Holdings and the Yuanta Cultural and Educational Foundation have jointly organized a summer research program for 11 years, giving students practical experience to complement their academic knowledge and helping connect them with the industry. To date, a total of 175 outstanding students in finance-related fields have benefited from this program.

1.3 Yuanta Cup EMBA Case Analysis Competition

Established in 2007, the Yuanta Cup competition is now in its 11th year. The event combines case study and competition to create an innovative academic experience. In 2017, 9 national universities participated in the competition, and the winning teams donated NT\$320,000 of prize money to 9 charity groups, creating a model of cooperation between Yuanta, competition participants, and social welfare groups.

Cultivating Talent & Industry-Academia Cooperation

2. Academic Research

2.1 NTU-Renmin University Chinese Business Case Research Cooperation Framework Program

Yuanta is the sole sponsor of the "EMBA Case Analysis Cooperative Framework", which includes students and faculty from National Taiwan University and Renmin University of China. To date, the program has produced 81 case studies on large-scale business operations.



2.2 Fin-Tech Research Center of National Chengchi University

Yuanta sponsored the Financial Technology Research Center of National Chengchi University and held the "2017 FINTalks CEO Summit Forum" to promote the academic integration of the high-tech industry.

2.3 International Financial Management Institute

With the sponsorship of the Yuanta Cultural and Educational Foundation, the International Financial Management Institute, the National Taiwan University Department of Finance, and the National Chiao Tung University Department of Information Management and Finance jointly held the 2017 International Financial Management Institute Asia-Pacific Conference. This event broke domestic records for such academic exchanges, inviting nine renowned international scholars to share their most recent research, successfully promoting academic exchange between Europe/the US and the Asia-Pacific region, and boosting Taiwan's image in the international finance industry.



3. Industry-Academia Exchange

Yuanta also sponsored Taiwan Corporate Governance Association's 13th International Summit on Corporate Governance. The 2017 event was held at the NTU Conference Center and hosted scholars and experts from Taiwan and abroad, sharing their experiences and providing a valuable reference for Taiwan in the field of corporate governance. The summit was focused on the theme of "improving directors' professional competence and creating value for companies," aiming to show that corporate governance is about more than just regulation, but rather needs a top-to-bottom identification and acknowledgment throughout companies in order to shape corporate culture. Both domestic and overseas organizations also recognized Yuanta Financial Holdings and its subsidiaries for their performance in terms of both corporate governance and information transparency; in addition to ranking in the top 5% in the 3rd Corporate Governance Evaluations, in 2017 Wealth Magazine also awarded Yuanta Financial Holdings the Excellence in CSR by a Financial Holdings Company Award in the Wealth Magazine Finance Awards for the second consecutive year. As a result, the Group has become a model for many experts and scholars that participated in the summit.



Corporate Image

Yuanta has always been committed to providing better services to customers and actively participating in charity, efforts which have long won it the recognition and affirmation of the general public, as well as numerous awards in 2017. This shows that Yuanta's good corporate image and positive attitude are also the driving forces for its continued development efforts.

Yuanta Awarded in 2017

Yuanta Financial Holdings Selected as a new constituent stock in the FTSE4Good Emerging Index.

Wealth Magazine

Yuanta Financial Holdings 2017 Wealth Magazine Finance Award for Financial Holding Companies with Excellence in CSR

Yuanta Securities 2017 Taiwan Financial Awards: Best Brokerage Brand Image; Best Brokerage Services; Best Digital Brokerage
Wealth Management Awards: Best Wealth Management; Best Services; Best Professional Team; Best Customer Recommendations; Best Video Marketing

The Asset

Yuanta Financial Holdings Platinum Award for Excellence in Governance, CSR, and Investor Relations Benchmarking

Yuanta Securities Best Corporate and Institutional Bank in Taiwan
Best Equity Adviser
Best Bond Adviser NT Dollar
Best ETF Participating Dealer in Taiwan
Best ETF Market Maker in Taiwan
Best ETF Broker in Taiwan
Best Equity Derivatives House in Taiwan
No. 1 for Best Individuals in Sales - Jay Hsu
Best Corporate Bond Securities Firm
Top Bank Arrangers, Investors' Choice for Government Primary Issues, Taiwan
Best Government Bond Securities Firm in Taiwan

Yuanta Futures Best Brokerage House in Taiwan
Derivatives House of the Year - Highly Commended

Yuanta Funds Best ETF Provider in Asia
Best ETF Provider in Taiwan

Asiamoney

Yuanta Securities Best Securities House in Taiwan
Best Corporate and Investment Bank in Taiwan
Best Local Brokerage
Best Overall Country Research
Best Overall Sales Services
Best Execution
Best in Sales Trading
Most Improved Brokerage Over the Last 12 Months
Best for Events and/or Conferences
Best for Roadshows and Company Visits
Most Independent Research Brokerage
Best Country Sales Trader - Edwin Tsai
Best Country Sales Trader Hong Kong - Kate Jackson
Best Team for Strategy
Best Team for Economic Research
Best Team for Small Cap
Best Team for Automobiles & Components
Best Team for Banks
Best Team for Consumer Discretionary
Best Team for Consumer Staples
Best Team for Industrials
Best Team for Diversified Financials
Best Team for Energy
Best Team for Healthcare
Best Team for Insurance

	Best Team for Materials Best Team for Real Estate Best Team for Semiconductors & Semiconductor Equipment Best Team for Software & Internet Services Best Team for Technology Hardware & Equipment Best Team for Telecommunication Services Best Team for Transportation Best Team for Utilities
Euromoney	
Yuanta Securities	Best Investment Bank in Taiwan
FinanceAsia	
Yuanta Securities	Best Investment Bank in Taiwan Best Broker in Taiwan Best ECM House in Taiwan Best Underwriting and Resale Organization in Taiwan
Taiwan Corporate Governance Association	
Yuanta Financial Holdings	
Yuanta Securities	CG6011 2015 Corporate Governance Framework Assessment Certificate with Excellence
Yuanta Bank	
Taiwan Stock Exchange	
Yuanta Financial Holdings	Corporate Governance Evaluation Award - Top 5% of TWSE-Listed Companies
Yuanta Futures	Corporate Governance Evaluation Award - Top 5% of TPEX-Listed Companies
Yuanta Securities	No. 1 for Increase in Electronic Order Placement Volume Award No. 1 in API Promotion Award No. 3 for IPO Fundraising Volume Award No. 3 for IPO Market Value Award No. 1 for Warrant Issuers Volume Award No. 1 for Warrant Value Award Warrant Issuer Excellence Award Warrant Trustee Business Volume Award
Taipei Exchange	
Yuanta Securities	Best Partner for Promotion of Foreign Enterprises Listing on the TPEX and Emerging Stock Market Award for Excellence in TPEX and Emerging Stock Market Listing Guidance
Taiwan Futures Exchange	
Yuanta Securities	Diamond Award for Introducing Broker Trading Volume Diamond Award for Futures Proprietary Trading Volume Diamond Award for EUR to USD Futures Market Maker Performance Diamond Award for USD to JPY Futures Market Maker Performance
Yuanta Futures	Diamond Award for Best Contributing FCM
Securities & Futures Institute	
Yuanta Futures	Golden Goblet Award - Outstanding Futures Talent Golden Goblet Award - Outstanding Risk Management Golden Goblet Award - Outstanding Financial Innovation
Yuanta Funds	Golden Goblet Award - Best Asset Management Award Golden Goblet Award - Best Financial Innovation Award
Yuanta Securities	Golden Goblet Award - Outstanding Leadership Award - Arthur Chen Golden Goblet Award - Outstanding Financial Innovation Award - Wanshitong App Golden Goblet Award - Outstanding Talent Cultivation Award

Republic of China National Enterprise Competitiveness Development Association	
Yuanta Futures	National Brand Yushan Awards - Outstanding Enterprise Award National Brand Yushan Awards - Popular Brand Award
General Chamber of Commerce of the R.O.C.	
Yuanta Futures	Golden Merchant Medal
China Credit Information Service	
Yuanta Futures	Top 5000 Large Enterprises in Taiwan - No. 1 FCM
Asia Asset Management	
Yuanta Funds	ETF Manager of the Year in Taiwan Best New ETF in Taiwan
Asian Investor	
Yuanta Funds	Asset Management Company of the Year, Taiwan
Smart Taiwan Fund	
Yuanta Funds	Annual Futures and Leveraged Inverse ETF Award - Yuanta Daily Taiwan 50 Bear -1X ETF Annual ETF Award Domestic - Yuanta/P-shares Taiwan Top 50 ETF
Morningstar Fund Awards	
Yuanta Funds	Morningstar Taiwan Best Fund Award - Yuanta/P-shares Taiwan Top 50 ETF
Benchmark Magazine	
Yuanta Funds	Best Performing Regular Savings Funds - Yuanta China Balance Fund TWD Best ETF Performance Award - Yuanta Nikkei 225 ETF Best ETF Performance Award US Large-Cap Blend Equity - Yuanta S&P 500 Index Fund Best ETF Performance Award Commodities - Precious Metals - Yuanta S&P GSCI Gold ER Futures ETF Best ETF Performance Award Taiwan Large-Cap Equity - Yuanta/P-shares Taiwan Dividend Plus ETF Best ETF Performance Award Taiwan Small/Mid-Cap Equity - Yuanta/P-shares Taiwan Mid Cap 100 ETF
Business Today	
Yuanta Securities	Wealth Management Banking and Securities Evaluation: Best Wealth Management Securities Firm Award, Best Digital Services Award, Best Foresight Award Best Brand Award: No. 1 for Best Integrated Securities Firm
Institutional Investor China	
Yuanta Securities	Best Securities Firm in Financial Industry of Taiwan
Excellence Magazine	
Yuanta Securities	Best Brand Image Best Product Innovation Award
-	
The Yuanta Cultural and Educational Foundation	Recognized by the Ministry of Education with a Crystal Award for Donations Supporting Education and Silver Award Honored as an "Exemplary Social Welfare Group" by the Social Affairs Bureau of the Kaohsiung City Government Recognized by the Taiwan After-Care Association with their "Award for Successful Involvement in Education and Protection by a Company."

Appendix

INDEPENDENT ASSURANCE OPINION STATEMENT

Yuanta Financial Holdings 2017 Corporate Social Responsibility Report

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

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

Scope

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

1. The assurance scope is consistent with the description of Yuanta Financial Holdings 2017 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the Yuanta Financial Holdings's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

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

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

Methodology

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

- review of issues raised by external parties that could be relevant to Yuanta Financial Holdings's 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.
- 46 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

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

Inclusivity

This report has reflected a fact that Yuanta Financial Holdings has continuously sought the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Yuanta Financial Holdings's inclusivity issues.

Materiality

Yuanta Financial Holdings publishes sustainability information that enables its stakeholders to make informed judgements about the organization's management and performance. In our professional opinion the report covers the Yuanta Financial Holdings's material issues.

Responsiveness

Yuanta Financial Holdings has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for Yuanta Financial Holdings is developed and provides the opportunity to further enhance Yuanta Financial Holdings's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the Yuanta Financial Holdings's responsiveness issues. However, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

GRI Sustainability Reporting Standards (GRI Standards)

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

Assurance level

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

Responsibility

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

Competency and Independence

The assurance team was composed of Lead Auditors experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu
Managing Director BSI Taiwan
2018-05-02




AA1000
Licensed Assurance Provider
000-4

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8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Financial Inclusion	FS14	5-3 Green Operation/Management Approach/Financial Inclusion	51
	Economic performance	GRI 201-1	5-1 Corporate Governance/ Management Approach/ Economic performance	34
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9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Financial Inclusion	FS14	5-3 Green Operation/ Management Approach/ Financial Inclusion	51
11. Make cities and human settlements inclusive, safe, resilient and sustainable	Affordable housing	FS7	5-3 Green Operation/Current Performance	52
13. Take urgent action to combat climate change and its impacts	Risk and Opportunity of Climate Change	FS8	5-3 Green Operation/Current Performance	52
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16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Anti-money laundering and counter-terrorism	103-1、103-2	5-1 Corporate Governance/ Management Approach/ Anti-Money Laundering and Countering-Terrorist Financing	35
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Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies

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Within the scope of the listed companies' financial products or services agreements or transactions, processes for encouraging and paying attention to their clients' or other counterparties' compliance with environmental and social requirements and how reasonable conditions are being followed.	5-3 Green Operation
Number of employees in non-supervisory positions, annual employee benefit expenses and difference comparing to those of the preceding year.	5-5 Employee Care

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