
- **Parameters and Scope of this Report:**
  This report focuses on Cathay’s core region of operations, Taiwan, and encompasses Cathay Life and its six major subsidiaries — Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), and Cathay Venture — based on the organizational parameters set forth in the Company’s consolidated financial statements.

- **Scope and Basis of this Performance Evaluation:**
  Details for the financial performance come from information that has been attested by certified accountants and subsequently released to the public (all sums are denominated in NT$). In 2013, listed companies were forced to prepare financial reports in accordance with the International Financial Reporting Standard (IFRS). The Company’s 2012 and 2013 financial data was compiled in accordance with the IFRS; however, the 2011 financial data was compiled in accordance with Taiwanese accounting standards. All other figures were independently compiled by Cathay FHC, subsidiary companies, and two foundations. Calculations of environmental performance are based on data published by government sources. Please refer to the footnote below each diagram for data of water and electricity consumption by Life Insurance, Bank, and a portion of subsidiary companies. The social aspect includes reports on Cathay Charity Foundation, and Cathay United Bank Culture and Charity Foundation. The financial performance and environmental section in this annual report contains information that has been revised and edited. (p. 17, 34, 35).

- **Reporting Principles:**

- **Report Assurance:**
  - This report has been verified by the British Standards Institution (BSI) to comply with the accountability principles of materiality, inclusivity, and responsiveness as specified in the AA1000 Assurance Standard and meets the requirements of GRI’s G4 reporting guidelines. An independent assurance statement is also published as an appendix to this report.

- **Previous Edition:** September 2013
- **Next Edition:** September 2015 (scheduled)
Be a Sustainable Corporation and Create Shared Value

“Sustainability” is a widely discussed topic among domestic and international corporations and is also a commitment that a company makes in its pursuit of corporate social responsibility (CSR). When Cathay FHC contemplated the word “sustainability”, we initiated a process of self-reflection. Cathay’s development started at the family level: one out of every two people in Taiwan is a Cathay FHC customer, and over 12 million clients have entrusted their precious assets to Cathay. The current state and scale of our group is a sign of approval by families in Taiwan. Apart from building a sustainable and outstanding enterprise that gives back to society and fosters stability, Cathay should strive to broaden our Asia market to become the top financial corporation in Asia.

In the past, the concept of CSR might have left the impression that corporations only need to manage issues such as charities and environmental protection. However, the underlying connotation of corporate sustainability (CS) further encourages corporations to embrace environmental, social, and governance (ESG) issues as a strategic tool to modify corporate management system and operation model while seeking profits. Cathay FHC recognizes that “sustainability in the macro-environment” is the foundation of corporate sustainability. Being entrusted with the responsibility of managing important money flow, we hope to simultaneously increase asset value for clients, create additional bonuses for the environment and the society, and reduce unnecessary risks. Hence, in 2013, we updated the report title from “Corporate Social Responsibility Report” to “Corporate Sustainability Report”, internalizing the concept of sustainability to all levels of the corporation. Through rigorous risk analysis, we defined three major risk factors: business changes, climate changes, and social changes. In order to implement the principles of sustainability, coping mechanisms were devised to master both external and internal risks in order to bring Cathay FHC even more business development opportunities.

In the face of all kinds of market changes and risks, many industries have been redefined and start to take another step further. Cathay FHC is no exception. In coping with changes in business conditions, we are committed to strengthening corporate governance structure: to increase independence in business conditions, we are committed to strengthening further. Cathay FHC is no exception. In coping with changes, we defined three major risk factors: business changes, climate changes, and social changes. In order to implement the principles of sustainability, coping mechanisms were devised to master both external and internal risks in order to bring Cathay FHC even more business development opportunities.

Confronted by climate changes and risks related to resource allocation, we are tightening the rein on monitoring business operations. Moreover, Cathay FHC hopes to leverage the impact of money flow to motivate Taiwan to adopt low-carbon transformation. In 2013, Cathay United Bank provided over 30 billion in loans to companies pertaining to environmental causes, of which solar power project financing received the most funding from Cathay. Cathay Life Insurance has invested over 110 billion in environmental related industry. At the same time, while customer service has been migrated from a physical presence to online platforms, Cathay has also been developing various digital systems using digital technology to upgrade real-time financial services provided by our subsidiary companies. Moreover, Cathay has successfully introduced mobile insurance. By the end of 2013, 76.9% of all new contracts came from our mobile platform, leading the way among industry contemporaries. This enabled us to generate huge savings from reducing paper consumption and improve overall efficiency.

Changes in population dynamics and disparity between the rich and the poor are inevitably on the rise. In an effort to retain financial autonomy of different social demographics, Cathay has improved its financial inclusion of products and services. Cathay Life Insurance began offering long-term care coverage in 1998, and in 2009 we introduced our microinsurance series of products designed especially for disadvantaged families. These two products have secured top market share, and micro-insurance provides over 10,000 disadvantaged families with coverage. Cathay United Bank is also issuing several trust products, including charity trust, disability trust, the baseball player’s anti-gambling trust, etc. Offering the lowest entry levels to set up a trust supervisor system, these trust schemes offer protection to many disadvantaged individuals. Furthermore, Cathay Century Insurance created the “Accident-Free School” program for primary schools based on statistics gathered from previous accidents. Over 40 schools have undergone on-site inspection and safety testing, which is a prime example of tapping into the core functions of the financial industry to derive mutual benefits for social causes.

When it comes to how to best run a company, I believe that each corporation has its own experiences and philosophy. A successful management model is often replicated and the subject of many case studies. The Cathay was founded over fifty years ago. Our success is not the result of following such operation models. Instead, we achieved success through implementing management tools and from the feedback we acquire by interacting with customers, which enabled us to discover the core values of corporate sustainability: integrity, accountability, and creativity. We also recognize the crucial need for realizing corporate sustainability in order to co-exist with the people, the environment, and society as a whole in order to prosper.

Cathay FHC is proactively expanding its overseas locations and sales presence in order to fully embrace new market opportunities in emerging Asian countries. In China, Cathay United Bank in Shanghai achieved record high profits in 2013. In Southeast Asia, apart from existing locations set up in Vietnam and Cambodia, when the locations in Indonesia, Myanmar and Laos are completed, Cathay FHC will have bases in 9 out of the 10 ASEAN countries excluding China. We will continue to strive toward our goal of becoming the leading financial institution in the Asia Pacific region, and it is our sincere hope to one day not only forge alliances with families in Taiwan, but throughout the entire Asia Pacific region. At the same time, we will ensure that the principles of sustainability form the bedrock of our ESG efforts in our overseas locations. In doing so, Cathay will be a truly sustainable corporation that remains committed to families everywhere.

Chairman
Hong-Tu Tai
Paving the Way to the Triple Bottom Line

Objectives for 2014

- Improving Information Disclosure and Transparency Ranking to the highest level
- Continuously moving toward responsible investment and lending

2013 Key Performance Indicators

06 Internalizing the Concept of Sustainability
07 Stakeholder Engagement
10 Augmenting the Power of the Value Chain
12 2013 Key Performance Indicators
After operating in Taiwan for more than half a century, Cathay instituted the Cathay Financial Holdings CSR Committee in 2011 with the aim of more effectively promoting the group’s CSR affairs. In 2012, the Cathay FHC issued its inaugural CSR Report and website and initiated “Project New Horizons,” which comprised an organizational restructuring of the Group’s divisions. To actively respond to sustainable development Information requests by local and foreign institutional investors, these developments were followed up in 2013 with the publication of our English version of the CSR report and a brand new English website. In addition, we established a cross functional team to formulate an official response to the CDP’s questionnaire and to improve our Information Disclosure and Transparency Ranking. At the same time, the Group completed its establishment of an innovation platform and formulated a CSR Incentive Mechanism with the aim of retaining the Group’s strengths while injecting new ideas from its organizational restructuring to enhance quality and establish a reward mechanism based on performance requirements, thereby fostering “improved sustainable competitiveness.” In light of these advances, 2013 “CSR Report” was renamed the “CS Report,” thereby allowing us to further internalize the concept of sustainability.

Internalizing the Concept of Sustainability

Following the establishment of the Cathay Financial Holdings CSR Committee in 2011, Cathay FHC designated the Public Relations Department as its Secretariat and the department responsible for its operations. The Committee consists of 48 members (5 in the Executive Committee, 5 executive governors, 3 in the Secretariat, and 7 in each of the five Working Groups (WGs)) and is responsible for the formulation and promotion of the company’s CSR strategies. A task support unit for Cathay FHC and the respective subsidiaries was also created to facilitate work implementation.

In addition, to ensure that the Company’s internal drive is maintained, we have coordinated the following Target-setting and Top Down Regular Inspection, Development of Innovative Business Operation Models through Group Innovation Platform, and at the same time, we are rewarding active participation and increasing the extent of our disclosures in order to sustainably raise our drive for improvement.

Point 1
Chairman

Point 2

Construction of the Group’s Innovation Platform
Innovative Business Operation Model

• In 2012 short, medium, and long-term CSR targets were set for each respective WG, who periodically reports its business results to management. The corresponding Chairperson represents the division on the Group CSR Committee. The secretariat is responsible for conducting the annual review of the annual CSR report.

• In 2013 Cathay FHC and its subsidiaries completed the Innovation Platform and held numerous courses and courses to instill the drive for self-improvement and internalization of the implementation of CSR plans during the General Assembly. All meeting conclusions are submitted to the Chairman, and minutes are periodically compiled by the directors of boards to address major issues.

• In 2013 Cathay FHC and its subsidiaries completed the Innovation Platform and held numerous courses and courses to instill the drive for self-improvement and internalization of the implementation of CSR plans during the General Assembly. All meeting conclusions are submitted to the Chairman, and minutes are periodically compiled by the directors of boards to address major issues.

Reward for Active Participation and Strengthening of Disclosure

Instituting the Drive for Self-Improvement

• In 2013 Cathay FHC received the “Model for Environmental Innovation” award from Global News Media Magazine, a Top 10 entrant in Commonwealth Magazine’s “Corporate Citizen Award,” and received the “Grand Prize for Sustainable Innovation” by the Taiwan Institute for Sustainable Energy (TISE).

• In terms of making improvements of our ESG transparency, Cathay FHC’s information disclosure was rated Class A in 2013. Our CDP disclosure points were also the highest in Taiwan’s financial industry.

In summary, Cathay FHC’s innovation platform has become an important tool in creating value through the value chain. The top three winners of the Group’s Innovation Contest presented their entries for New Business Models (including innovative ideas in sustainable and social responsibility) to the Group CSR Committee for consultation and final approval. The respective WGs were then to draft annual CSR reports to be approved by the respective Chairpersons and to be submitted to the Company’s CSR Committee for further discussion and implementation.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

In 2012, Cathay FHC received the “Top 200 CSR Companies” award from the Taiwan CSR Committee and its rating was increased from 60 to 83% for the respective company. Cathay FHC also received the “Model for Environmental Innovation” award from the Taiwan Institute for Sustainable Energy (TISE). In addition, by expanding its range of sustainability issues, Cathay FHC is becoming a Top 10 entrant in Commonwealth Magazine’s “Corporate Citizen Award.” In 2013, Cathay FHC was rated Class A in the CDP Report and took into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.

Cathay FHC’s senior management determines the “level of impact of the issue concerned on Cathay’s operation”. The “level of concern” of stakeholders on the topic is then applied as a filter; thereafter, the level of expectations of internal and external parties is applied as a filter in the second stage to yield the priority of the topic in question. The respective WGs then deliberate on each topic and examine how it relates to the industry as a whole in order to ultimately create a 21-item list of GRI G4 Material Aspects. In addition, in order to enable Cathay FHC’s implementation of CSR to truly meet stakeholders’ expectations, the results of analysis are both disclosed in the CSR Report and taken into consideration with respect to short, medium, and long-term adjustment of CSR for each major topic by the respective WGs.
### Participation in Initiatives and Important Exchanges

In 2013, Cathay Financial Holdings’ stakeholders were divided into 8 main categories: investors, government and regulatory authorities, employees, customers, key investors and borrowers, vendors, CSR experts, and community and NGO/NGOs. Cathay FHC invited the participation of external stakeholders in a variety of ways ranging from direct participation in its CSR Committee and utilization of the CSR Report and its dedicated website on down to the construction of a website feedback mechanism and questionnaire to elicit feedback from external stakeholders. We aim to codify our future direction by analyzing diverse viewpoints and improving interaction between senior management and external stakeholders.

#### Stakeholder
- **Investors**
  - Quarterly corporate investor meetings
  - Annual shareholders meetings
  - Roadshows
  - Chinese/English websites
  - Instant communication via contact persons and email
- **Government and regulatory authorities**
  - Periodic inspections in cooperation with regulatory authorities
  - Communication with regulatory authorities
  - Correct legal compliance
  - Regular disclosure of company information on the Market Observation Post System and company website
- **Employees**
  - Annual employee satisfaction surveys
  - Annual performance assessments and compensation processes
  - Periodic staff/manager interviews
  - Internal platform which provides direct contact with the management
  - Internal communication website
  - Physical newspaper boards
- **Customers**
  - Annual comprehensive customer satisfaction surveys at Cathay Life
  - Customer survey: All subsidiaries had conducted customer satisfaction surveys; in 2013 the results improved in most of the subsidiaries. See page 12 for details.
  - 8510012: 2009 Personal Information Management System (PIMS): Cathay FHC carried out consolidation of personal information protection for each department. In 2013 Cathay Life Insurance became the first insurance company in Taiwan to have obtained '8510012: 2009 PIMS' certification. See page 37 for full details.
  - Customer services APP
- **Key investors and borrowers**
  - UK CDP Questionnaire
  - CDP Score: Cathay FHC is in the first batch of financial institutions in Taiwan that joined CDP. The platform served as a channel for communication with investors and borrowers. See page 17 for details.
- **Vendors**
  - Contract execution
  - Environmental and socially-friendly product procurement
  - Fair trade partnership is adopted for specific products in order to support environmentally-friendly products or social enterprises. In 2013 the Cathay FHC’s green purchase amounted to NT$344 million, a growth of 17% compared to 2012. See page 17 for details.
- **CSR Experts**
  - CSR Committee Assembly: Three exchange meetings were held during 2013. The topics include “Energy and Climate Change Trends”, “Impact of Extreme Climate and Disaster Risk” and “Corporate Governance and Media Relations”, “Impacts of Supply Chain on Corporate Climatic Obligations on Financial Institutions”, and “Principle of Corporate-Citizenship with the Spirit of Sustainability”. CSR experts and academics were invited to engage in exchanges with the senior management of Cathay FHC.
  - 8510012: 2009 Personal Information Management System (PIMS): Cathay FHC carried out consolidation of personal information protection for each department. In 2013 Cathay Life Insurance became the first insurance company in Taiwan to have obtained ‘8510012: 2009 PIMS’ certification. See page 37 for details.
- **Community and NGO/NGOs**
  - Charity and cultural events
  - Press conferences
  - Charity donations
  - Involvement in trade associations and organizations
  - Participation in environmental conservation efforts
  - China’s Event of Disaster Prevention Day (9/20): In 2013 Cathay Century Insurance partnered with several organizations to establish the ‘9/20’ in the cross-industry and comprehensive disaster prevention resources platform in Taiwan. See page 17 for more details.
  - Increased influx through existing platform: In 2013 Lin Yuan volunteers numbered 10,427, with total donations from credit card users amounting to NT$182 million. See page 17 for details.
Augmenting the Power of the Value Chain

The financial industry is about increasing wealth and value through leveraging cash flow. Hence, from the Cathay FHC’s perspective, the key lies in influencing society by creating added value for the environment and society—including reducing environmental and social risks—while creating increased wealth through careful manipulation of cash flow. The Equator Principles (EPs) jointly announced in 2003 by the International Finance Corporation (IFC) and World Bank, along with the Principles for Responsible Investment (PRI) jointly announced by UN Secretariat-General Kofi Annan with 16 large investment institutions in 2006, are all rooted in this concept. It is our hope to progressively build up our energy drive the concept of sustainability in Taiwan’s financial industry.

From Risk-handling to Responsible Investment

In 2013, Cathay made an appeal to the government to reduce the excessive frequency of monthly reporting of the Company’s revenue. Cathay FHC proposed the adoption of a quarterly reporting system to prevent negative situations such as increased short-term speculation, widespread customer dissatisfaction over disclosure of orders, and manipulation by parties with ulterior motives and instead form a more solid foundation for a long-term vision in Taiwan’s investment market. In light of our asset control mechanism for environmental and social risk, Cathay Life and Cub had, in relation to investments in real estate and housing credit loans, required them to not involve risky facilities such as property built with poorly-processed sea sand or instable property. Likewise, Cub enacted restrictions with respect to security and credit authorization cases in the form of properties on slopes, easily-flooded areas, and excessively-developed areas that are prone to landslides or mudslides.

The Financial Supervisory Commission amended a portion of the Insurance Act in 2014 to prohibit insurance companies from voting in re-elections of Directors and Supervisors of investees. In order to pair investors with sustainable risk/ opportunity issues, Cathay FHC made efforts on its own initiatives—including carrying out inter-departmental training in 2013 in order to improve employee awareness of risks and opportunities associated with climate risk—to actively respond to ESG information requests of international CSR assessment organizations and investors. In the same year, Cathay FHC also significantly improved its response to the UK CDP questionnaire, eventually enabling the Company to be the highest-scoring financial institution in Taiwan.

Meanwhile, to demonstrate our determination to carry out responsible investments, Cathay FHC signed on to support the CDP at the end of 2012, becoming among the first wave of financial institutions in Taiwan to embrace the project. Following an in-depth investigation, we discovered that of the enterprises to which Cathay FHC and its subsidiaries have made bond investment or granted credit loans of NT$510 billion or more, 83% received CDP survey questionnaires in 2013. However, nearly 40% of these enterprises made poor disclosures or did not reply. Despite this, judging by their respective CDP Reports, 77% included energy-saving and carbon-reduction measures or programs and 62% disclosed greenhouse gas (GHG) emissions figures. This reveals that the information currently declared by Taiwanese enterprises is in fact better than international organizations recognize. Therefore, Cathay FHC decided to sponsor CDP events in Taiwan in 2013, including a briefing in April and launch in November. In total, 211 participants were included in both events. In addition to actively responding to CDP and climate topics in a multi-faceted manner, Cathay FHC vowed to work with all concerned parties in order to improve transparency of disclosures to international stakeholders.

In addition, Cathay SITE initiated a comprehensive screening program in 2010 in which stocks that violate the principles of social responsibility are placed on an “Exclusion List” for governmental funds. The list of prohibited investments was later expanded to apply to all Cathay SITE investment funds in 2013, and 14 of Cathay SITE’s quarterly disclosure statements for the Ministry of Labor’s Bureau of Labor funds now also include a CSR analysis of the core holding stocks that comprise each fund.

Boosted National Development by Supporting Local Industries

In a show of support to local industries, Cathay FHC’s subsidiaries continued to grant credit authorization to the environmental protection sector, businesses in the cultural and creative industry, and various small and medium enterprises. In 2013, Cathay led Taiwan’s financial institutions in terms of loans granted to cultural and creative organizations. In addition, we stressed a long-term investment strategy and supported the government’s policy on public construction to boost national development. Cathay Life Insurance was selected for the Taoyuan High-speed Rail Industrial zone, which is expected to be completed in 2015, and in doing so became the first company in the industry to participate in a public construction project. The human transportation and business opportunities brought about by the Industrial zone upon its completion will spur further development and bring benefits such as government tax revenue. According to estimates by the Bureau of High Speed Rail, NORT, the project is expected to attract more than 7 million local and foreign tourists each year, generate at least NT$17.0 billion in tourism revenue, and create over 2,000 jobs.

Vendor Relationship Management

Major vendors in 2013 included insurance brokerages, insurance agencies, building and construction companies, building management and maintenance companies, rental organizations, and information technology vendors, most of whom are local vendors. Changes in the Top 10 large vendors between 2012 and 2013 were due to significant increase in expenses to building and construction vendors as result of building revamp and repair as well as works in-progress.

A vendor’s environmental-protection promotion or certification required an analysis of its CSR initiatives and business nature. Therefore, in addition to inserting a corporate responsibility provision in our “vendor contract” in 2012, Cathay FHC also required vendors to comply with relevant laws and regulations on environmental protection, labor conditions, labor safety and health, labor human rights, etc. Apart from requiring vendors to jointly fulfill their corporate social responsibility, Cathay FHC also proactively collaborated with them in specific projects in order to support environmentally-friendly products and social enterprises. Our collaborative projects in 2013 included:

- The energy-saving and carbon-emission reduction material Sorona® a biopolymer developed by DuPont which was selected in 2013 to create the Group’s employee uniforms. Compared with fabrics made of petrochemical materials, Sorona® can reduce petroleum consumption by 30% and reduce GHG emissions by 63% (Note). Cathay’s total purchase of such materials amounted to NT$46.1 billion.

In 2013, CUB made adjustments to its Lunar New Year gifts by supporting the social enterprise “People which was established for less than 3 years, with grants from Alishan and rice from Mei li Yuan—all being supplied on small-scale farms, thus helping farmers generate greater income. The Company’s purchases in 2013 amounted to NT$1.7 million, or 14% of the 2013 revenue for “Buy NearBy.”

For four consecutive years (2010–2013), Cathay FHC received the “Outstanding Green Procurement Enterprise” Award presented by Taipower and Environmental Protection Administration. In 2013, ‘green’ purchases amounted to NT$360 million, a growth of 177% over 2012.

Vendor Relationship Management

Major vendors in 2013 included insurance brokerages, insurance agencies, building and construction companies, building management and maintenance companies, rental organizations, and information technology vendors, most of whom are local vendors. Changes in the Top 10 large vendors between 2012 and 2013 were due to significant increase in expenses to building and construction vendors as result of building revamp and repair as well as works in-progress.

A vendor’s environmental-protection promotion or certification required an analysis of its CSR initiatives and business nature. Therefore, in addition to inserting a corporate responsibility provision in our “vendor contract” in 2012, Cathay FHC also required vendors to comply with relevant laws and regulations on environmental protection, labor conditions, labor safety and health, labor human rights, etc. Apart from requiring vendors to jointly fulfill their corporate social responsibility, Cathay FHC also proactively collaborated with them in specific projects in order to support environmentally-friendly products and social enterprises. Our collaborative projects in 2013 included:

- The energy-saving and carbon-emission reduction material Sorona®, a biopolymer developed by DuPont which was selected in 2013 to create the Group’s employee uniforms. Compared with fabrics made of petrochemical materials, Sorona® can reduce petroleum consumption by 30% and reduce GHG emissions by 63% (Note). Cathay’s total purchase of such materials amounted to NT$46.1 billion.

In 2013, CUB made adjustments to its Lunar New Year gifts by supporting the social enterprise “People which was established for less than 3 years, with grants from Alishan and rice from Mei li Yuan—all being supplied on small-scale farms, thus helping farmers generate greater income. The Company’s purchases in 2013 amounted to NT$1.7 million, or 14% of the 2013 revenue for “Buy NearBy.”

For four consecutive years (2010–2013), Cathay FHC received the “Outstanding Green Procurement Enterprise” Award presented by Taipower and Environmental Protection Administration. In 2013, ‘green’ purchases amounted to NT$360 million, a growth of 177% over 2012.
"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)

"Good Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Model for Environmental Protection" Award from "Global Views Monthly" CSR
Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time

"Good Corporate Citizen"
Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry

"Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
Cathay FHC recognized as a “Golden Safety” institution and was also certified by BS 10012 (Personal Asset Protection Management System)
1. Staying Ahead of the Curve

Objective for 2014

1. Actively participate in the First Corporate Governance Evaluation held by Taiwan Stock Exchange.
2. Continue to integrate the Group’s resources to aggressively develop digital financial services.
3. The Overseas Branch Management Guidelines were developed to uniformly implement standardized management principles.
4. Develop The Corporate Governance Practice Principles.

Identifying Risks and Forging Ahead in a Changing Market

16. Corporate Governance Risks and Response Measures
18. Response to Risk of Accelerating Technological Innovations
23. Response to Risk of Service Quality Management
Staying Ahead of the Curve

With the emergence of the Association of Southeast Asian Nations (ASEAN), the global distribution of economic power has shifted noticeably in recent years. According to the report of HS Global Insight, ASEAN will become the main driver of economic growth in Asia over the next two decades. Under the global trend of regional development, the most critical issue facing the financial sector is how to apply technological innovations in an ever-changing supply chain of the financial industry to optimize the efficiency of operations and gain a competitive edge. In light of this trend, and after having operated in Taiwan for 51 years, Cathay Financial Holdings will continue its efforts to develop the domestic market while expanding in international markets through diversified business channels and actively participating in international initiatives of corporate sustainability to achieve the goal of sustainable development for the group. In terms of internal governance, Cathay will uphold its stringent and systematic auditing and risk management practices and actively participate in evaluations of regulatory authorities in response to risks brought about by rapidly-changing markets. Faced with a new generation of customers, we will apply technologies to integrate our resources, revise business models, manage customer relationships, and ensure information security. By progressing steadily ahead, Cathay Financial Holdings is paving the way for another 50 years of strong performance.

Identifying Risks and Forging Ahead in a Changing Market

McKinsey & Company predicted that 50% of the global consumer population will come from emerging countries by 2025. With the booming economic development in Southeast Asia, growing business investments and personal wealth are creating strong demands for financial services. Cathay FHC will continue to employ a variety of strategic approaches including branch expansion, equity investments, mergers and acquisitions, and strategic alliances to acquire new market opportunities in Southeast Asia.

Working to Become the Leading Financial Institution in the Asia-Pacific

With respect to our deployment in China, Shanghai Branch of Cathay United Bank (CUB) achieved a record-high profit in 2013. In the future, CUB will continue to expand its scope of services and branch network in the Greater China region. Shanghai Minhang Sub-branch and Qingdao Branch of CUB are expected to start business in 2014. CUB has also received approval from the Financial Supervisory Commission to set up the Sub-branch in the Shanghai Pilot Free Trade Zone and plans to set up subsidiary banks in China to provide more comprehensive services to our clients. Cathay Life Insurance (Cathay Life) has 10 offices (head office and branches) and 31 sales & service agencies across China. Cathay Century Insurance (Cathay Century) has established 20 offices and extended business coverage to the major provinces in Midwest China.

As a result of our aggressive commitment to cultivating new business opportunities in Southeast Asia, CUB and its subsidiary Indonesian Bank have 36 offices in Vietnam. In 2013, CUB acquired 100% equity stake in the Singapore Banking Corporation Limited (SBC Bank) in Cambodia, making SBC Bank a subsidiary of the Cathay Financial Group. CUB also plans to set up liaison offices in Jakarta (Indonesia) and Rangoon (Burma) and a branch in Vientiane (Laos) to further extend its reach in Southeast Asia and build a comprehensive overseas operational platform. Cathay Life Insurance (Vietnam) has established a presence in six major provinces and municipalities in Vietnam, while Cathay Life has also set up a head office and branch offices in both Ho Chi Minh City and Hanoi. Currently, the market penetration of insurance in Vietnam is quite low, and there is great potential for growth of insurance services in Vietnam in the future.

The Triple Engines of Growth: Insurance, Banking, and Asset Management

The triple engines of growth—banking, insurance, and asset management—at Cathay FHC are already operational. For our banking business, we will continue to optimize our internal processes to enhance services. We will also move forward with the goal of being a leader in digital banking by emphasizing better customer experiences and providing innovative value-added services. In terms of our insurance business, we will continue to adjust our product strategy, diversify our sales channels, maintain stable investment performance, and improve overall operation performance. In terms of our asset management business, Cathay Conning Asset in Hong Kong and CDBS Cathay Asset Management Co., Ltd. in China have begun operation and focus on providing services for institutional and retail clients. Through our triple engines of growth development strategy focused on insurance, banking, and asset management services, we intend to establish a regional financial service platform in the Greater China and Southeast Asian markets which will enable us to achieve our goal of transforming Cathay FHC into the top financial corporation in Asia.

Overview of Current Operations

The global economy steadily revived in 2013, the U.S. economy recovered, the Euro Zone shook off from recession, and China’s reform emphasized sustainable growth. Thanks to the concerted efforts of our colleagues, 2013 consolidated after-tax earnings of Cathay FHC were NT$59.02 billion, while EPS was NT$2.57, which was a new high since 2008. Moreover, we continued to enhance investor communication, including holding institutional investor symposiums and road shows overseas. In 2013, the percentage of shares comprising foreign investment increased from 19% to 24%.

3-Fold Increase

Cathay FHC reported a record-high profit in 2013 since the 2008 financial crisis. A cash dividend of NT$2.5 per share was distributed—a three-fold increase over 2012. CUB successfully stopped 7 cases of fraud, saving our customers from a possible capital loss of NT$1.17 million.

Cathay FHC has developed a three-year strategic plan, which is the basis for our business. Three-year strategic planning — to continue to expand and increase profitability, and to cope with the Company’s capital demands — and longer-term structural planning for sustainable operation and stable development, the Company adopts a residual dividend policy.

Cathay Financial Holdings
CS Report 2013

Financial Performance of Cathay FHC

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2011 (Note)</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (NT$, in millions)</td>
<td>5,095,461.5</td>
<td>5,118,432.0</td>
<td>6,076,887.7</td>
</tr>
<tr>
<td>Total shareholders’ equity (NT$, in millions)</td>
<td>212,711.6</td>
<td>246,144.2</td>
<td>285,346.1</td>
</tr>
<tr>
<td>After-tax earnings (NT$, in millions)</td>
<td>11,284.5</td>
<td>16,177.1</td>
<td>26,232.1</td>
</tr>
<tr>
<td>After-tax EPS (NT$)</td>
<td>0.68</td>
<td>1.41</td>
<td>2.53</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>5.13</td>
<td>6.02</td>
<td>10.46</td>
</tr>
<tr>
<td>Revenue per employee (NT$, in thousands)</td>
<td>5,803</td>
<td>8,446</td>
<td>6,606</td>
</tr>
<tr>
<td>Profit per employee (NT$, in thousands)</td>
<td>257</td>
<td>362</td>
<td>562</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>0.45</td>
<td>0.52</td>
<td>0.79</td>
</tr>
<tr>
<td>Number of shares (in millions)</td>
<td>10,358</td>
<td>10,865</td>
<td>11,945</td>
</tr>
<tr>
<td>Cash dividends per share (NT$)</td>
<td>0.2</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Dividends per share (NT$)</td>
<td>4.6</td>
<td>6.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Book value per share (NT$)</td>
<td>23.63</td>
<td>22.49</td>
<td>23.40</td>
</tr>
</tbody>
</table>

Note: Since 2013, the stock of all listed companies for which Cathay FHC holds stock began adopting the International Financial Reporting Standards (IFRS). Therefore, the financial data for 2012 and 2013 adopts IFRS, but the data for 2011 still adopted the “Financial Accounting Standards of the Republic of China.”

Shareholder Structure

<table>
<thead>
<tr>
<th></th>
<th>Other juridical (corporate) persons</th>
<th>Individuals</th>
<th>Foreign institutions (corporate and juridical persons)</th>
<th>Government authorities</th>
<th>Financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>24%</td>
<td>41%</td>
<td>27%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Cathay FHC established the Audit Committee in 2007 and the Remuneration Committee in 2011 with the express aim of enhancing our corporate governance system, strengthening the technical abilities of the Board, and allowing us to better comply with international standards. Both committees are entirely composed of independent directors. Cathay FHC was the first financial holding company to establish an audit committee in compliance with the Standards of Corporate Governance and the Financial Holding Company Act. In our commitment to continuous improvement, Cathay Life participated in a corporate governance evaluation by the Taiwan Corporate Governance Association in 2013 which analyzed the company’s shareholders’ equity, functions of the board of directors and supervisors, and more. The purpose of the evaluation was to understand the current status of the company’s corporate governance practices and identify areas of improvement. To date, we have already responded to all recommendations for improvement proposed in the evaluation report or included them in our internal improvement plan. We will share this experience with other subsidiaries in order to encourage them to also undergo evaluation.

### Increasing the Independent Nature of Directors and Supervisors

In order to increase the independent nature of the Board, Cathay appointed two additional external directors during the re-election of the fifth board of directors in June 2013, thereby bringing the total number of independent directors to five. In doing so, the percentage of neutral directors, who possess greater objectivity, was raised from 23% in 2012 to 39%. The two external directors are Mr. Peter V. Kwok, incumbent chairman of CITIC Resources Holdings Limited, and Mr. Chi-Hsiung Joung, former general manager of the Credit Card Center at China Merchants Bank.

According to the Code of Operation Integrity for Cathay FHC, the Company’s directors, managers, employees, and entities substantively controlled by the Company shall not directly or indirectly offer, promise, request, or accept any improper benefits or conduct any other acts of bad faith that are regarded as a breach of trust, illegal, or a breach of fiduciary duty in order to obtain or maintain benefits.

- **Actively Participate in Corporate Governance Evaluation**
- **Raising the Technical Proficiency and Attendance Level of Directors and Supervisors**
- **Increasing the Independent Nature of Directors and Supervisors**

### Corporate Governance Risks and Response Measures

According to the "CG Watch" report of Asian Corporate Governance Association (AGA) and CLSA Asia-Pacific Markets, the corporate governance ranking of Taiwan in 2012 dropped and lagged behind those of Thailand and Malaysia. Meanwhile, analyses on the usage of Bloomberg ESG database suggest that half of the top 10 data types that investors mostly inquire are related to corporate governance, suggesting corporate governance is the subject in ESG that investors concern the most. Moreover, the Financial Supervisory Commission, R.O.C, announced in 2013 the "Corporate Governance Roadmap", indicating that corporate governance will be a prominent subject in corporate management.

**Reinforcing Corporate Governance Structure**

Corporate governance is critical to the operation and credibility of an enterprise. In November 2013, our Chairman, Hong-Tu Tzai, was invited to be the keynote speaker at the 9th Taipei City Corporate Governance Forum to share Cathay FHC’s experience in corporate governance, showing that Cathay’s performance has been recognized by the authority and considered as a role model. Nevertheless, the endeavors in reinforcing our corporate governance mechanism do not stop here. In 2013, we recruited two external directors, and arranged Cathay Life to participate in corporate governance evaluation. We are committed in continuous efforts in corporate governance, which is an indicator of Cathay’s advantages in sustainable development.
Name of Director: Ming-Hsiong Hong
Motion: Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group
Reason for recusal: This motion concerns the interests of the company managed by the independent director(s) listed at left.

Ming-Hsiong Hong

Name of Director: Ting-Yuan Huang
Motion: Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group
Reason for recusal: This motion concerns the interests of the company managed by the independent director(s) listed at left.

Ting-Yuan Huang

Name of Director: Andrew Ming-Jian Kuo
Motion: Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo
Reason for recusal: This motion concerns the interests of the company managed by the independent director(s) listed at left.

Andrew Ming-Jian Kuo

Name of Director: Jeff Chang
Motion: Discussion of removing the non-competition obligation for Board Director Jeff Chang and one other director
Reason for recusal: This motion concerns the interests of the director listed at left.

Jeff Chang

Name of Director: Hong Tu-Tai
Motion: Change to the company organization, responsibilities, and other adjustments
Reason for recusal: This motion involves the directors listed at left.

Hong Tu-Tai

Name of Director: Jeff Chang
Motion: Change to the company organization, responsibilities, and other adjustments
Reason for recusal: This motion involves the directors listed at left.

Jeff Chang

Revelations of Independent Directors

Ming-Hsiong Hong

Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group (regular revision)

Ting-Yuan Huang

Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision)

Andrew Ming-Jian Kuo

Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Cathay FHC disclosed the Remuneration Committee in 2001 in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee members are the Company’s 3 independent directors, responsible for formulating and reviewing the policies, systems, standards and structures of directors/manager performance evaluation and remunerations, as well as regularly evaluating and confirming on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important revisions, including 2012 direction compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and executive directors, among others involved in the business, and amendments on the Company’s “Guidelines for Director Performance Evaluation and Remuneration”, “Directors Remuneration Guidelines”, “Corporate Remuneration Guidelines”, etc., effectively enhancing the functions of the Board.

Jeff Chang, Andrew Ming-Jian Kuo

Regular Monitoring of Business Performance of Overseas Subsidiaries

Cathay FHC subsidiaries are required to provide financial statements of their overseas branches on a monthly basis. A dedicated department is set up in every subsidiary to hold monthly group meetings to review business operations of subsidiaries in different regions. Systems pertaining to business management, local financial market adaptation, human resources management, and major events reporting have been enacted in order to reduce risks and improve the efficiency of overseas operations.

Full Implementation of Ethical Management

According to Article 12 of the United Nations Convention against Corruption, countries must take appropriate measures based on their national legal principles to prevent corporate corruption and ensure that their enterprises implement internal control mechanisms to help prevent or identify corruption. As the first core value of Cathay FHC’s "Integrity," the Company announced in 2012 the “Integrity in Banking” the Company’s Code of Conduct: the “Code states that the Company shall comply with the Company’s Code, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, acts related to listed or over-the-counter companies, and other acts related to good business practices in order to tangibly implement the fundamental tenets of operational integrity.

According to the Code of Operation Integrity for Cathay FHC, directors, managers, employees, and entities substantially controlled by the Company, when engaged in commercial activities, are prohibited from directly or indirectly promising, requesting, or receiving any improper benefits, or commanding any other breach of truth, criminal act, or breach of fiduciary duty for the purpose of obtaining or maintaining personal interests. If there are any violations to the Company’s Code, cases should be reported immediately to the Internal Control Committee, the Audit Committee, or the Audit Division. The identity of the whistleblower and the content of the report shall be kept confidential. The scope of internal audits includes all major business locations of the Company in Taiwan. The Audit Division should conduct thorough investigations on all reported cases to determine the facts. In the event that a violation that is confirmed, the Audit Division should coordinate with the Administration Department to take disciplinary action according to relevant company policies. An announcement will also be posted on the Company’s internal website with relevant details including the name and job position of the violator; the date and description of the violation; and disciplinary action taken. In 2013, Cathay reported zero cases in which a director, manager, employee, or any entity substantially controlled by the Company received any improper benefits.

Prevention of Misappropriation of Funds

All Cathay FHC financial advisors are required to sign a Work Statement to certify that they understand the Company’s Code of Conduct, including customer data protection, fair marketing, trading procedures, etc. In order to ensure that preventive measures taken from the customers can be accounted immediately and correctly, Cathay FHC implemented a strict monitoring system. The ‘Risk Management Committee’ was set up for the purpose of ensuring the security of the system. At the same time, service personnel are trained to conduct payment collection properly.

Executive Risk Management

Risk management of Cathay FHC is based on the Enterprise Risk Management (ERM) framework, which includes the Enterprise Risk Management Committee that is inter-company and inter-department is chaired by the Chief Risk Officer of Cathay FHC. Members of the committee are the heads of risk management of the subsidiaries. The committee forms three layers of defense mechanism: the first layer is the operational and management units of each subsidiary; the second is the risk management unit, which assists in policy planning, evaluation and supervision; and the third is the auditing unit, which monitors the status of regulation and mechanism compliance.

Disclosure of Penalties and Deficiencies. Continuous efforts in sophistication of the internal control and auditing mechanisms

To effectively control corporate risks, the auditing departments of Cathay keep track of all cases (regarding the Company and its subsidiaries) subject to discipline levied by the competent authorities. All the identified deficiencies and the status of improvement steps were recorded in details. The number of discipline levied by the competent authorities were recorded in 2013, and all of them have completed improvement measures.

Revelations of Independent Directors

Jeff Chang, Andrew Ming-Jian Kuo

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Ting-Yuan Huang

Andrew Ming-Jian Kuo

Cathay FHC established the Remuneration Committee in 2001 in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee members are the Company’s 3 independent directors, responsible for formulating and regularly reviewing the policies, systems, standards and structures of director/manager performance evaluation and remunerations, as well as regularly evaluating and confirming on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important revisions, including 2012 direction compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and executive directors, among others involved in the business, and amendments on the Company’s “Guidelines for Director Performance Evaluation and Remuneration”, “Directors Remuneration Guidelines”, “Corporate Remuneration Guidelines”, etc., effectively enhancing the functions of the Board.

Cathay FHC disclosed the Remuneration Committee in 2001 in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee members are the Company’s 3 independent directors, responsible for formulating and regularly reviewing the policies, systems, standards and structures of director/manager performance evaluation and remunerations, as well as regularly evaluating and confirming on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important revisions, including 2012 direction compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and executive directors, among others involved in the business, and amendments on the Company’s “Guidelines for Director Performance Evaluation and Remuneration”, “Directors Remuneration Guidelines”, “Corporate Remuneration Guidelines”, etc., effectively enhancing the functions of the Board.

Ming-Hsiong Hong

Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group (regular revision)

Ting-Yuan Huang

Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision)

Andrew Ming-Jian Kuo

Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Cathay FHC disclosed the Remuneration Committee in 2001 in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee members are the Company’s 3 independent directors, responsible for formulating and regularly reviewing the policies, systems, standards and structures of director/manager performance evaluation and remunerations, as well as regularly evaluating and confirming on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important revisions, including 2012 direction compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and executive directors, among others involved in the business, and amendments on the Company’s “Guidelines for Director Performance Evaluation and Remuneration”, “Directors Remuneration Guidelines”, “Corporate Remuneration Guidelines”, etc., effectively enhancing the functions of the Board.

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group (regular revision)

Ting-Yuan Huang

Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision)

Andrew Ming-Jian Kuo

Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Cathay FHC disclosed the Remuneration Committee in 2001 in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee members are the Company’s 3 independent directors, responsible for formulating and regularly reviewing the policies, systems, standards and structures of director/manager performance evaluation and remunerations, as well as regularly evaluating and confirming on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important revisions, including 2012 direction compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and executive directors, among others involved in the business, and amendments on the Company’s “Guidelines for Director Performance Evaluation and Remuneration”, “Directors Remuneration Guidelines”, “Corporate Remuneration Guidelines”, etc., effectively enhancing the functions of the Board.

Jeff Chang, Andrew Ming-Jian Kuo

Ming-Hsiong Hong

Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group (regular revision)

Ting-Yuan Huang

Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision)

Andrew Ming-Jian Kuo

Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo
Response to Risk of Accelerating Technological Innovations

According to the 2014 PwC Global CEO Survey Report, a major of global business leaders believe that the “accelerating technology innovations” will be the major force driving enterprise transformation. Faced with innovative new technologies in technology, Cathay FHC established the Service Quality Committee in 2012 to utilize digital technologies and create new products and services that better cater to our customers. Cathay FHC is committed to creating more financial products that generate greater value in Taiwan.

Applying digital technology in the integration of the group’s financial services

Providing customers with One-Stop Shopping services is the primary goal of all the enterprises in Taiwan’s financial sector. In 2013, revision of the official website of Cathay FHC was completed, integrating websites of the subsidiaries in life insurance, banking, property insurance, securities and investment trust, and allowing customers to view the latest group information on the same website.

Digital Finance Performance of Each Subsidiary

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay Life Insurance</td>
<td>Insurance applications via mobile devices accounted for 76.8% of new contracts.</td>
</tr>
<tr>
<td>Cathay United Bank</td>
<td>Ratio of online banking applications of new accounts to 75%, a 12.2% increase compared to 2012.</td>
</tr>
<tr>
<td>Cathay Century Insurance</td>
<td>Online trading of securities: 767,000 transactions.</td>
</tr>
<tr>
<td>Cathay Securities Investment Trust</td>
<td>Online insurance applications: 10,517 cases.</td>
</tr>
<tr>
<td>Cathay Securities Corporation</td>
<td>74.67% of all order placements were made online.</td>
</tr>
</tbody>
</table>

One-Stop Shopping: Cathay Launches Financial Services App

According to the digital opportunity research report of the Financial Development Assessment, and Evaluation Commission, Executive Yuan in 2013, the percentage of people using smartphones in Taiwan exceeds 50%, while the percentage of using PCs is nearly 30%. For the convenience of customers in applying for financial services on mobile devices, Cathay, ahead of its peers in the industry, launched the latest and comprehensive Cathay Service App to provide customers far-reaching real-time services and information on special offers of the Group.

Each subsidiary of Cathay has also launched its own featured app, for example, Cathay Life My-LifeMobile allows customers to process services of insurance application and fund investment allocation. CUB My-MobInBank is a highly personalised financial app, not only users may subscribe information on currency exchange and funds, they can also use a variety of convenient financial spreadsheet and services provided by partner shops, as well as cinema ticket booking. Cathay Century My-MobiCare is an app for car drivers that combines the advantages of mobile devices to provide functions of positioning, camera, sound recording and fast connection to the “accident assistance” service, in the app started to provide functions of claims in the record and policy query. Cathay Securities My-MobiStock provides online securities trading, stock analysis information, and personalized billing inquiry.

Cathay FHC and its subsidiaries App Features

Cathay Promotions

- Collection of good bargains
- Collection of promotions of the group
- The collection of promotions at partner shops in Taiwan
- Quick instant booking via mobile phones
- Quick and simple ordering of services on mobile devices

Cathay Life My-MobiLife

- Insurance on the go with a touch
- Integrated query of policyholder account information
- Investment targets conversion
- Personal portfolio analysis
- Life insurance
- Easy accessible privileges
- Payment, claims progress notification

CUB My-MobInBank

- First mobile banking platform in Taiwan
- • Fund portfolio management
  • Payment, claims progress notification
  • Credit card spending and foreign exchange account inquiry

Cathay Securities My-MobiStock

Mobile trading of securities
- Development and financial news
- The index and pricing information of individual stocks
- Professional analysis of stock indicators
- Personalized billing inquiry

Cathay Century: My-MobiCare

Best assistant for car accidents
- Provides guidance at car accident sites, including first aid, call for help and insurance claim service
- Enables emergency personnel to protect the interests of the customer
• The percentage of insurance purchases via mobile devices is the highest in Taiwan

Mobile devices are now an everyday part of life for the vast majority of the public. Therefore, Cathay Life actively implements comprehensive mobile insurance system, and has become the first in the industry that receives approval from the authority on the service, leading the industry in the development of more convenient insurance services.

Currently, over 20,000 sales people of Cathay Life are equipped with iPad, forming the industry’s largest mobile service team. When planning insurance or providing post-sales service for the customers, the salespeople may use their tablet PC to complete insurance applications and related documents, significantly reducing the time for processing underwriting, payment, claims, and preservation. Moreover, the new method is fast, safe, and environmentally friendly. The number of insurance applications made to Cathay Life via mobile devices was 525,936 by the end of 2013, accounting for 76.9% of new contracts, enabling Cathay Life to far exceed its peers in the industry.

• Upgrading online services to build the industry’s first and only integrated online service center

In addition to the revamping of the official Cathay FHC website, Cathay Life built the industry’s first and only integrated online service center in 2013 to provide better online services and more satisfactorily meet customer demands. The endeavor has won Cathay Life the No. 1 place in the “Digital Service Benchmark Enterprise, the life insurance category” awarded by the Business Next magazine.

First and only integrated online service center in Taiwan

Leading the industry to launch the “Integrated Online Service Center”, integrating online transactions, advisory services, forms downloads and more to provide up to 50 online trading services. Online service transactions accounts for 85% of total transaction service, a 5.1% increase over 2012 (12.9%).

Integration of online and telephone services

With the integration of online and telephone services, customers may use Skype, texts, E-Mail or reservation services to make inquiries on their policies to customer service center. If customers have problems accessing the website, they may browse the web pages at the same time with the customer service staff.

2013 Performance of Cathay Life Online Services

A cut-down of 38% from three days to 10 minutes!

Insurance applications via mobile devices accounted for 76.9% of new contracts — a three-foldier increase over 2012.

Payment can be done right after applying insurance via mobile devices.

Claim applications processed time reduced from three days to 10 minutes!

Processing time modifications reduced from three days to 10 minutes!

CUB launched its own customizable interface; users can form their preference interface by “dragging” the function icons. Users may also add or delete the frequently used to the list of My Favorites, making the use of the functions needed much easier!

Users may switch the interface into big icon model, providing easier and intuitive interface for the use of the older users who then would not have to worry about not able to view clearly.

CUB Personalized Online Banking

CUB launched its own customizable interface; users can form their preference interface by “dragging” the function icons. Users may also add or delete the frequently used to the list of My Favorites, making the use of the functions needed much easier!

Users may switch the interface into big icon model, providing easier and intuitive interface for the use of the older users who then would not have to worry about not able to view clearly.

Response to Risk of Service Quality Management

According to the McKinsey & Company, during the process of globalization, the service industry should enhance the management of technology transfers. The quality of Taiwan’s service industry is world-renowned. Since the financial industry provides knowledge-intensive services, scientific management and quantitative assessment of the results should be deployed for the service quality management, so as to effectively monitor service quality and prepare for technology transfers to overseas operations. Cathay is the industry leader in terms of service quality. We apply processes and quantitative management to improve service performance and customer data maintenance; instead of receiving customer complaints passively, we proactively protect our customers’ interests to provide better services.

Quantitative management to raise service satisfaction

One of every two people in Taiwan is the customer of Cathay, meaning more than 12 million customers trust Cathay for their life. In Taiwan, financial services and products provided by different financial enterprises are much similar. Therefore, we believe that good faith and considerate, professional services is the best method to create the difference. Cathay FHC in 2012 established the “Service Quality Committee”, whose members are the general managers of the subsidiaries. The committee develops the Group’s service strategy; integrates resources, and collects feedback in a process known as “Voice of the Customer” (VOC) for the purpose of improving service quality.

Cathay Life received ISO 9001 certification in 1998 and became the first company to become ISO 10002 certified (Customer Satisfaction–Organization Dealing with Complaints) in 2010. In 2012, we became the first insurance company in Asia to become certified by SGS Qualicert for service quality. As the leader in the insurance industry and with our continued efforts to develop innovative service ideas, we held the “Step out of your imagination” campaign once again in 2013 to invite the public and students to submit creative proposals as an individual or a team to compete in the campaign.

CUB is committed to improving telephone services and branch staff satisfaction. The results of the bank’s 2012 customer service survey shows the bank’s service advantage is the “attitude” while customers expect more on shortening “the time waiting to be served”. Therefore, the bank conducted reviews and workflow adjustments in 2013. In addition, in July 2013 we held the “Best Service Rep Contest” campaign to award 153 staff members who are considered service masters with certificates and cash prizes to encourage employees to keep in mind the importance of service quality.

Service Satisfaction for each subsidiary as follows

<table>
<thead>
<tr>
<th>Cathay Life Insurance</th>
<th>Cathay United Bank</th>
<th>Cathay Century Insurance</th>
<th>Cathay Securities Investment Trust</th>
<th>Cathay Securities Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales agents, telephone customer service centers,</td>
<td>Sales service,</td>
<td>Bank service quality,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>card services and</td>
<td>claim claims,</td>
<td>insurance services,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>claim claims, and</td>
<td>service quality,</td>
<td>and administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>telephone call</td>
<td>telephone services,</td>
<td>services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
<td>claim claims, and</td>
<td>Operations</td>
<td>New accounts,</td>
<td></td>
</tr>
<tr>
<td>services</td>
<td>administrative services</td>
<td>Options</td>
<td>telephone service,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>salesperson service</td>
<td></td>
</tr>
</tbody>
</table>

2013 Performance

Overall satisfaction of 95% — unchanged from 2012

Average satisfaction of 90%

Satisfaction of 95.0% — an increase from 90% in 2012

Satisfaction of 85% — an increase from 70% in 2012

Satisfaction after initial implementation at 95.0%

Analysis of Caller Questions and Customer Feedback (Voice of the Customer)

Through collection and analysis of customer feedback using the “Voice of the Customer” process, Cathay managed to identify major customer trends and improve customer communication efficiency. Based on the statistics we gathered in 2013, we found that the majority of customer calls concerned personal service demands and most general information inquiries were resolved through other channels. This suggests that Cathay’s customer service has evolved from a “single problem inquiry” to “personal demands service”.

Top three types of inquiries made to Cathay Life 0060 hotline

<table>
<thead>
<tr>
<th></th>
<th>Premium Services</th>
<th>Products (new contract)</th>
<th>Alternations or Claims of Insurance Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Protecting Customer Interests

- Proactively Conducted Telephone Interviews with Policyholders to Better Protect the Rights of Customers

When a customer signs a new insurance contract with Cathay Life, the relevant salesperson gives a detailed explanation on the contract and a Call Out Team provides follow-up service. In 2013, the Call Out Team conducted a standalone telephone interview on 1.2 million customers to confirm whether customers fully understand product contents and verify the accuracy of customer contact information to insure they will be able to receive the company’s notifications regarding their products and services. Customers were also given the chance to unconditionally cancel contacts prior to the completion of their phone interview. We understand that an insurance policy is a long term contract, and customers often forget their entitlements (e.g. annuity or endowment payment to be collected) as time passes. A customer rights reminder system has been specially created to prompt a reminder of entitlements due in the upcoming month when the customer contacts the company through various channels. The practice changes the conventional passive nature of services to an active approach.

- Automatic Stop Loss Earn Profit Investment Mechanism to Ensure Customers Enjoy Their Profits

In response to the fact that people tend to miss the optimal opportunity to cease or gain from investments, the CUB introduced the Auto-Fund Automatic Stop Loss Earn Profit Investment Mechanism in 2012. Investors not only can set stop loss/earn profit percentages, at which point the system will automatically redeem the fund and secure the cash in advance, but can also receive automatic notices from the system to keep track of cash flow.

- Rational Product Development Policy

Product development at Cathay FHC is founded on rational product development based on customer needs. For example, in recent years, Taiwanese people have become frequent travelers, with more than 9.6 million trips taken every year. Most people purchase travel insurance; however, in case of an accident, whether the beneficiary can actually use the accidental death benefits becomes an important issue for the public. Therefore, Cathay FHC has made a special effort to integrate life insurance, banking, and property and casualty insurance service, and introduced a first-in-the-industry service, Travel Insurance with Automatic Conversion of Accidental Death Benefits to Insurance Trust. The program allows a bank to incorporate the option of converting death benefits to a trust as selected by the customer into the claim systems of the life insurer and the property and casualty insurer, creating a one-stop insurance and trust integrated mechanism. Furthermore, the program ensures the benefits can be used to take care of the beneficiary as intended by the customer.

- Debt Management with Care Project

In response to the Double-Card Debt Crisis of 2008 and the implementation of consumer debt clearance regulations, CUB took the initiative to provide debt management services by planning the Simple Debt Management Project. Eligible applicants include low income households, patients with critical illnesses or more than mild physical/mental disabilities, victims of major disasters, workers unemployed for three months or more, special case families, and people whose income depends significantly on the seasons/weather or market conditions. Flexible repayment plans are offered based on individual circumstances to help customers manage their debts, to improve customer relations, to create more communication channels, and to handle special cases.

Heightened Information Security

Before the Personal Information Protection Act came into effect in 2012, the Cathay Personal Information Task Force was formed with subsidiaries as members in 2011. With the external consultants’ help, subsidiaries build personal information management systems in order to ensure operational compliance. In 2013, the Cathay FHC Personal Information Management Committee was established, so did every subsidiary. Every committee devised their personal information protection policy. Furthermore, the Committees were established in the subsidiaries to promote personal information management systems in order to ensure the security of customer information.

- Increased Personal Data Security through Onsite Inspections of Vendors

All outsourcing service providers employed by Cathay FHC and its subsidiaries that handle personal data of customers (e.g. printing and mailing of notices or statements) will be subject to regular onsite inspection, which will be recorded to ensure the operations of the outsourcing service providers comply with the terms and conditions of the contract.

- Information Security Training for Employees: 100% of Employees Complete Training

To ensure implementation and employee awareness of information security management system and related laws and regulations, Cathay FHC and its subsidiaries designed different information security and external training courses based on different duties to train employees to protect the interests of customers. The courses were completed by 100% of employees in 2013, and the training completion rate on training regarding Information Protection Act was also 100%.

- Introduction of the One Time Password System

In 2012, CUB once again led the industry by introducing the One Time Password (OTP) system, the highest level of security for e-transactions in Taiwan. This security mechanism enables passwords to be transmitted with secure encoding protection in addition to an offline encoding feature, which includes generating a new random password for each transaction which cannot be predicted. These unique passwords cannot be reused or used after they expire, dramatically increasing the security of online transactions and more effectively protecting customers.
**Climate Change**

**Objectives for 2014**

- ISO 14001 and ISO 50001 will be implemented in the 12 Cathay Life buildings nationwide by the end of 2014.
- Cathay FHC’s major subsidiaries will phase in green financial solutions.
- Offer employees lectures on energy efficiency and environmental sustainability in 2014.
- Continuously approaching seven goals.

**Response to Investment Risk of Climate Change**

**Response to Operational Risk of Climate Change**

**Green Advocacy**
According to a report published in 2013 by the UK-based risk analysis company Maplesrft, by 2025, a third of global economic output will be linked to countries suffering the most from climate change, particularly those in South Asia, East Asia, and South Africa. This means that Cathay FHC, with our ultimate aim of becoming one of the leading financial institutions in the Asia-Pacific, will inevitably face challenges associated with climate change.

**Response to Investment Risk of Climate Change**

Despite the lack of international regulations for a mandatory reduction of GHG emissions, the increasing importance governments worldwide attach to the control of GHG — with carbon tax legislation in the pipeline — and natural disaster-caused losses underscore the potential dangers of investing in companies or countries with a relatively high climate risk bias. But in the meantime, the transformation toward a low-carbon economy spells opportunity for businesses with the right mindset.

As a member of the COP, Cathay FHC is engaging large enterprises worldwide on the topic of climate change risks — and subsequent opportunities — to increase control over corporate investments and credit exposure. However, only a modest 0.51% of Cathay FHC’s overseas investments are linked to the 10 countries with the greatest climate change risks as named in the 2013 Maplesrft report. Nevertheless, Cathay FHC will continue to monitor these investments and buffer the impact of climate change. Cathay FHC is also looking for ways to combine its core competencies and cash flow to substantially help transform Taiwan into a low-carbon economy.

**Leveraging Cash Flow to Transform Taiwan into a Low-carbon Economy**

The time-consuming journey of integrating financial competencies with environmental solutions requires Cathay FHC to find niche markets for diversified green financial products, think outside the box, communicate with consumers and make them more receptive to eco-friendly options. In addition to the constant contributions made by Cathay United Bank, Cathay Securities Investment Trust, and Cathay Venture to Cathay’s environmental initiatives, 2013 saw Cathay Century Insurance launch the Green Auto Insurance Service and 94% of Cathay Securities employees raise money toward 7 solar water heaters (for remote schools) in a partnership with IC Broadcasting. In 2014, major Cathay subsidiaries are expected to phase in green financial solutions to address climate change while transforming Taiwan into a low-carbon economy.

- **Boosting the Green Energy Sector with “Green Lending”**

  Cash-flow is an integral part of Taiwan’s transformation toward a low-carbon economy. For the past few years, Cathay United Bank has been committed to investing in, and offering loans to, environmental firms that accounted for 6.05% (or NT$31.57 billion) of its corporate lending as of December 31, 2013.

  Cathay United Bank also drastically increased solar energy equipment loans and extended project financing to overseas clients. In 2013, we remained Taiwan’s No. 1 lender for solar photovoltaic power generation projects, granting loans worldwide that resulted in a 30% year-on-year growth over 2012 in net asset value. The chart to the right shows that Cathay Venture invested NT$176 million in green / environmental businesses by December 31, 2013.

- **Working Side-by-Side with Clients to Bolster Eco-funds**

  Cathay Securities Investment Trust launched the Cathay Global Ecology Fund more than 6 years ago to ensure that investors who are bullish about the environmental sector enjoy a wider range of mutual fund options, earn returns, and help drive the continued growth of environmental firms involved in alternative energy, water resources, agricultural products, and bio-technologies. Although the fund was reduced to NT$30 million by December 31, 2013, its improving performance is exemplified by a 30% year-on-year growth over 2012 in net asset value.

- **Fostering Startups in the Green Sector**

  Cathay Venture consistently offers financing to unlisted environmental firms with a particular focus on those providing high-potential products and proven expansion with profitability. The chart to the right shows that Cathay Venture invested NT$176 million in green / environmental businesses by December 31, 2013.
Cathay Disease Response Mechanism

According to the United Nations Development Program, natural disaster-induced losses worldwide totaled US$75.5 billion per annum in the 1960s and ballooned to nearly US$265 billion in 2011, which translates to a 100% increase over the past five decades. This upward trend is expected to continue, Taiwan, due to its topographical features and location, is especially prone to natural disasters; 90% of Taiwan is hit by two disasters a year, and 73% is hit by three disasters a year. Given that the Taiwanese government has set a goal of reducing GHG emissions to 2005 levels by 2020 and to 2000 levels by 2025, it is every Taiwanese company’s obligation to cut carbon emissions and ensure greater energy efficiency.

The commitment to playing a leading role in Taiwan’s green financing sector leaves Cathay FHC and its extensive nationwide network of branches and subsidiaries concerned about operational risks related to natural disasters and the pursuit of sustainable energy efficiency.

A Sustained Emergency Response Mechanism

The following mechanisms are intended to reduce the impact of natural disasters and climate change-induced damages on Cathay’s operations and revenue, especially damage associated with typhoons which strike Taiwan an average of 3.3 times each year.

Buffering the Impact of Epidemics and Natural Disasters on Clients

In early April 2013, when the H7N9 epidemic in China spiraled out of control with over 100 confirmed cases, Cathay Life eased the claims requirements for policyholders contracting H7N9 through an emergency “upgrade” of insurance coverage, as was the case with the SARS outbreak years before. A revolutionary “medical fee advance” also allowed policyholders to directly file a claim through Cathay Life’s salespeople while hospitalized and receive immediate medical attention.

When multiple typhoons ravaged Taiwan in August and September 2013, Cathay Life provided policyholders affected by the disaster with emergency claims services (e.g., waivers of premiums, insurance policy-backed loan interests and home mortgage payments) plus free towing assistance for vehicles as part of the recovery efforts.

Emergency Claims Service Regarding Natural Disasters

1. Free reissuance of insurance policies lost or damaged due to a natural disaster;
2. 3-month waiver of renewal premium payments;
3. 3-month waiver of insurance policy-backed loan interests for disaster victims;
4. 3-month waiver of home mortgage principal payments 0.6%, only the interests are charged for disaster victims;
5. Fast claims service for policyholders presenting valid proof of disaster-caused damages;
6. Advance medical fee for Health Insurance Claims;
7. Free towing and roadside assistance for disaster victims’ vehicles;
8. 24/7 Customer service hotline;
9. Call center that arranges home visits for policyholders;
10. Disaster relief offered by volunteers from the Cathay Charity Foundation.

Natural disasters generally should be the additional coverage options in non-life insurance policies. To better prevent policyholders’ homes from typhoon- or flood-induced losses, Cathay Century Insurance offers optional extensions for both homeowner typhoon/flood insurance coverage and natural disaster-relevant automobile physical damage insurance.

Cathay Century Insurance launched a large-scale “loss prevention” awareness campaign throughout 2013, giving policyholders a better understanding of how extreme climates could affect them. In March, for instance, Cathay Century Insurance partnered with the Taiwan Association of Disaster Prevention Industry, National Taiwan University of Science and Technology and Sinotech Engineering Consultants to hold The Founding Ceremony of Taiwan Association of Disaster Prevention Industry (TADPI) and the 1st Conference on Taiwanese Emergency Response Technologies in 2013, which marked the inception of Taiwan’s first platform for cross-disciplinary, comprehensive integration of emergency preparedness. Cathay Century Insurance also became a member of TADPI’s Insurance and Enterprise Risk Management Committees. Besides the two conferences on extreme climates and complex disasters in August and September 2013, Cathay Century Insurance held the International Conference on Logistic Loss Prevention in April 2013 to address the topic of logistics risks while spreading the idea of loss prevention. The three Cathay Century Insurance-organized conferences in 2013 involved over 350 corporate clients with a 99% satisfaction level.

Cathay FHC has created a typhoon response taskforce and laid down a plan stipulating that, should a natural disaster occur during business hours, employees must follow the response flowchart below either within 30 minutes of the incidence, or before 9:30 AM on the first business day after the incidence. Within 15 minutes after being alerted to the disaster, the Cathay FHC must instruct managers at all levels to handle it appropriately. In 2013, the Cathay typhoon response taskforce was activated twice, once in July and once in August.

Cathay Century Insurance-organized conferences on loss prevention:

- 2013/4 The International Conference on Logistic Loss Prevention pointed out potential logistics risks facing businesses and gave advice accordingly.
- 2013/8 “The Conference on Emergency Responses and Risk Management for Construction Projects” discussed company owners’ or service providers’ disaster-prevention measures and construction planning, with a particular focus on extreme climates and complex disasters.
- 2013/11 “The Loss Prevention Conference explored new ideas about enterprise risk management from various professional perspectives (e.g., the forecasting of natural disasters and insurance planning).

Management of Operational Energy and Resource Flow

Having set three green management goals in 2012, Cathay FHC president Chang Ken Lee signed the “Declaration of Greenhouse Gas Emissions Reduction & Control for Cathay FHC and Subsidiaries” in 2013. Through company-wide mobilization, Cathay became a pioneering Taiwanese financial group to kick off and complete stage 1 GHG inventory and obtain the BSI-issued ISO 14001 certification, with a plan to conduct GHG inventories by 2026 of its major sites in 2013 and 58.6% in 2014.

Cathay completed Stage 1 GHG inventory in 2013

We plan to conduct GHG inventories at 58.6% of our major sites in 2014.

Cathay Century Insurance-organized conferences on loss prevention:

- 2013/4 The International Conference on Logistic Loss Prevention pointed out potential logistics risks facing businesses and gave advice accordingly.
- 2013/8 “The Conference on Emergency Responses and Risk Management for Construction Projects” discussed company owners’ or service providers’ disaster-prevention measures and construction planning, with a particular focus on extreme climates and complex disasters.
- 2013/11 “The Loss Prevention Conference explored new ideas about enterprise risk management from various professional perspectives (e.g., the forecasting of natural disasters and insurance planning).
In 2013, Cathay reported 883.91 metric tons of CO2e in Scope 1 emissions — defined chiefly as emissions from company vehicles or emergency diesel generators (Note 1 and 2) — and 22,877,416 kWh or 11,542.01 metric tons of CO2e in Scope 2 emissions, mostly coming from electricity consumption (p.30 Note 1). Indirect GHG emissions due to business travel, commuting or other reasons are excluded from the 2013 GHG inventory report because of inaccessible data. For detailed carbon footprint statistics concerning Cathay’s key investees and borrowers, see page 10.

Cathay set the three-year goal to reduce energy consumption by 5% in 2012. Considering that energy consumption is its No.1 source of our business carbon emissions (88.57%), as indicated in the GHG inventory report. Meanwhile, the ISO 50001 energy management system has been implemented as part of the GHG reduction and energy efficiency project.

Note 1: According to Greenhouse Gas Emissions Coefficients Table (version 6.1.1) published by the Environmental Protection Administration in November 2011, the value for petrodiesel (a fossil fuel) is 0.0000256 metric tons CO2e per liter and 0.000040 metric tons CO2e per gallon, respectively.

Note 2: Petrol and diesel fuelled vehicles emit 0.64% (or 0.078 metric tons) and 2% (or 0.27 metric tons) of the total Scope 1 and 2 GHG emissions, respectively. The 2.615 metric tons CO2e in Scope 1 emissions is mainly coming from electricity consumption (i.e., a bioresource) resulted in GHG emissions of 0.55 and 0.0072 metric tons of CO2e, respectively.

Cathay received the Cathay ISO 14064-1 certificate from British Standards Institution (BSI).

Three-year Goal to Cut Energy Consumption by 5%

In its 2012 initiative to cut energy consumption by 5% within three years — as part of a broader campaign launched by the Ministry of Economic Affairs targeting financial institutions — Cathay laid down action plans to improve the energy efficiency of lighting and air-conditioning equipment (i.e., the main sources of business power consumption) and regularly inspect, or replace, energy-guzzling equipment on the basis of its 2011 annual statistics. The total amount of voluntary energy conservation measures has reached 27, which is expected to save up to 777,239 kWh by the end of 2014, achieving 5.1% energy efficiency over a three-year period.

Cathay’s energy efficiency efforts are reflected in the 425,600 kWh (or 1,532.14 GJ) 222,116 metric tons of CO2e drop in Cathay Life HQ’s 2013 annual power consumption compared to 2012, as well as Cathay United Bank HQ’s 195,385 kWh (or 379.39 GJ). 55.01 metric tons CO2e decrease during the same period.

Power consumption at Cathay Life HQ building

Power consumption at Cathay United Bank HQ building

Management of Operational Material Flow

The intrinsic nature of financial services means that Cathay has always had to utilize large volumes of paper. In order to achieve a planned reduction paper usage of at least 80% by 2015, we concentrated on increasing the percentage of Cathay Life insurance policies purchased online using mobile devices to great effect, from the original online subscription rate of 23.5% on December 31, 2012 to 76.9% one year later. This was a huge stride toward achieving Cathay’s initial goal of steadily reducing paper use through adoption of e-insurance, electronic forms, and other efforts. In addition, Cathay FHC has required all of its subsidiaries to use paper that have earned sustainable forest management certification by the FSC.

Results of CUB’s Electronic Billing/Statements Effort

Results of CUB’s Electronic Billing/Statements Effort

In 2013, 80% of Cathay employees opted to receive electronic statements, which remained unchanged from 2012. From April to June 2013, Cathay United Bank held an event titled “Save the Environment: Choose e-Statements”, which aimed to encourage employees to promote the concept of “going paperless” to customers. As a result, Cathay achieved an 18.66% adoption rate of e-Statements in 2013.
Relying solely on Taiwan Water Corporation for water supply, Cathay’s operations have a negligible effect on water resources. The 2013 annual water consumption of Cathay Life HQ totaled 58,010 m³ (or 24.3 m³ per capita), a 0.6% year-on-year decrease. The Cathay United Bank HQ used 17,439 m³ of water (or 32.6 m³ per capita) in 2013.

Cathay Life periodically offers informational sessions to instruct employees, Lin Yuan Property Management Co. Ltd., and cleaning service providers how recyclables should be disposed and sorted. Recycling bins for paper, plastic, and articles of metal are also available on each floor of our office buildings. The following table shows the 2013 annual amounts of recycled batteries, CDs/DVDs, and cell phones at Cathay Life and Cathay United Bank HQ.

<table>
<thead>
<tr>
<th>Recyclables</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batteries</td>
<td>1,347</td>
<td>1,347</td>
</tr>
<tr>
<td>Paper</td>
<td>48,360</td>
<td>48,360</td>
</tr>
<tr>
<td>Plastics</td>
<td>807</td>
<td>807</td>
</tr>
<tr>
<td>Articles of Metal</td>
<td>359</td>
<td>359</td>
</tr>
</tbody>
</table>

Teams of Cathay employees voluntarily participated in the “War on Climate Change,” an event held by the EPA to raise public awareness of climate change.

Teams of Cathay employees voluntarily participated in the “War on Climate Change,” an event held by the EPA to raise public awareness of climate change.

In 2013, Cathay launched group-wide energy-efficiency promotions besides external ones such as “Energy Conservation Patrol Team,” “Earth Hour” and the Bureau of Energy’s “Dress-down Summer.” For example, 124 members of Cathay’s energy-efficiency staff attended 4 speeches the group co-organized with the Foundation of Taiwan Industry Service and Taiwan Green Production Foundation, with an aim of holding 2 or 3 similar speeches in 2014. In an effort to give practical support to the energy-saving policy, Cathay also awarded up to 5,000 bonus points for credit card purchases of energy-saving household appliances between December 16, 2013 and January 31, 2014 in the Cathay Employee Welfare Network.

The table at right shows the results of the “Donate Recyclables and Win Cathay FHC’s Diamond of Joy” event held from April to July, 2013 which encouraged Cathay employees and policyholders to recycle batteries, books, and toys.

<table>
<thead>
<tr>
<th>Type of Item</th>
<th>Unit</th>
<th>Amount Recycled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batteries</td>
<td>Bags</td>
<td>2,253</td>
</tr>
<tr>
<td>Books</td>
<td>Volumes</td>
<td>9,622</td>
</tr>
<tr>
<td>Toys</td>
<td>Pieces</td>
<td>786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>16,660</strong></td>
</tr>
</tbody>
</table>

Inspired by Cathay Charity Foundation’s focus on “Community Greenification, Energy Conservation, and Carbon Reduction,” 2,236 Lin Yuan volunteers from New Taipei City, Keelung, Hualien, Hsinchu, and Tainan planted a combined 6,800 trees during 14 arborial heritage preservation events throughout 2013. In May, Cathay teamed up with the Sunny Rich Agric Biotech to show the public how organic farming can be feasibly combined with solar energy during an event entitled “Healthy Green Farming: Generate Electricity with Pingtung’s Solar Greenhouse.”
A Changing Society

Rally participation from more employees; assemble a team of volunteers whose task is to look for elementary schools that require assistance in other parts of Taiwan

Response to the needs of an aging society, develop new long-term care insurance based on customer needs

Complete work dedication surveys on all employees of Cathay FHC and subsidiaries

Implement AG2.0 at all Cathay Life operations nationwide

Challenge 3

Objectives for 2014

- Rally participation from more employees; assemble a team of volunteers whose task is to look for elementary schools that require assistance in other parts of Taiwan
- Response to the needs of an aging society, develop new long-term care insurance based on customer needs
- Complete work dedication surveys on all employees of Cathay FHC and subsidiaries
- Implement AG2.0 at all Cathay Life operations nationwide

Response to an Aging Society and Wealth Inequality

Response to the Risk of a Shrinking Talent Pool in the Financial Industry

Building Employee Loyalty for Sustainable Competitiveness

Social Initiatives
The demographic dividend is vital to the growth of an economy. However, given the nation’s falling fertility rate and aging society, the Council for Economic Planning and Development has estimated that Taiwan’s demographic dividend will start declining in 2014 and result in a “Super-aged Society” by 2035. Meanwhile, economic growth will widen the gap of wealth distribution and worsen the work-life imbalance that many young people experience. In addition to being a highly specialized industry, banking also revolves around providing services to people. As a result, the risks associated with these social issues represent a major concern to our company. We hope to increase financial inclusion, enhance employees’ skills through training, and foster greater internal teamwork to turn ideas into action and generate positive energy to help society “rediscover happiness.”

Response to an Aging Society and Wealth Inequality

Taiwan has been facing the issues of an aging population and unequal distribution of wealth for quite some time now. In response to these social issues, we have pooled our group resources and applied our professional expertise to develop a broad range of financial products and services that ensure that citizens become financially independent regardless of their economic background. In the meantime, we also provide customers with adequate flexibility to respond to all kinds of changes in the future. Our goal is to help customers accumulate more wealth while simultaneously fostering greater benefits to society through offering increased liquidity.

Achieving Mutual Prosperity in Society through Financial Inclusion

- **Number One Provider of Microinsurance for the Socially Disadvantaged in Taiwan**

Disadvantaged families in society tend to face a multitude of difficulties all at once. For example, a disadvantaged family may depend upon a single breadwinner who is forced to engage in a relatively dangerous line of work. In turn, if an accident occurs and the primary provider does not have insurance coverage, the entire family can fall into a difficult situation where it loses its only source of income and becomes unable to meet subsistence expenses. To address this social disadvantage, Cathay Life Insurance (Cathay Life) began introducing microinsurance products in 2009 which are characterized by a lower insured sum, lower premiums, and easy-to-understand terms. These products are specifically aimed at the financially independent regardless of their economic background. In the meantime, we also provide customers with adequate flexibility to respond to all kinds of changes in the future. Our goal is to help customers accumulate more wealth while simultaneously fostering greater benefits to society through offering increased liquidity.

- **The Industry’s Lowest Requirements for Secure Trust Services**

After the enactment of the Trust Enterprise Act, Cathay United Bank (CUB) introduced a new product called “Love Trust” wherein a trustor can entrust money to the bank under separate trust agreements and allow the bank to manage each trust separately according to different purposes. In order to make this trust service accessible to people from all corners of society, CUB introduced the lowest entry requirements in the entire banking industry in Taiwan. Furthermore, we also helped individuals and organizations engaged in public welfare in the application for authorities of charitable, cultural, academic, religious, and other purposes trusts. Compared to a foundation, setting and managing a public welfare trust is more convenient and has lower operational costs. In 2013, approximately NT$23 million was donated through such charitable trusts to nearly 10 organizations including Eden Social Welfare Foundation, Tzu Chi Foundation, and Taiwan Fund for Children and Families.

- **CUB also launched its “Disabilities Trust” in 2003 in collaboration with the Hsinchu City government and Taoyuan County government to safeguard social property owned by disabled people. Since then, the bank has been invited on numerous occasions by social welfare organizations to explain the disabilities trust. A total of 5 seminars were held in 2013 which drew more than 700 participants. Through these seminars, we conveyed the importance of budgeting to our beneficiaries.**

**Working for Greater Accessibility in Financial Services**

Cathay FHC has established a strong business presence throughout all of Taiwan. The Cathay Life salesteam brings financial services to remote towns, and CUB also operates 7 branches in less populated areas. In order to make automated banking services accessible to the visually impaired, CUB has committed resources into software development and testing. These ATM’s for the visually impaired were first adopted by the Taipei School for the Visually Impaired in 2011, and were deployed ahead of other peer banking institutions at public transportation hubs. By the end of 2013, a total of 10 specially-designed ATMs were installed to make automated financial services accessible to people with visual disabilities.

- **Working for Greater Accessibility in Financial Services**

Cathay Life’s “Long-term Care Insurance”, now in its third iteration since it was first launched in 1998, has undergone various adjustments over the years based on the latest studies and customer needs. Cathay Life was also the first to introduce life insurance products that are convertible into retirement plans. This long-term care insurance plan that can be converted into a retirement plan for as many as 7.3 years on average. Cathay Life’s “Long-term Care Insurance”, now in its third iteration since it was first launched in 1998, has undergone various adjustments over the years based on the latest studies and customer needs. Cathay Life was also the first to introduce life insurance products that have been widely popular among older adults. The long-term care insurance plan that can be converted into a retirement plan for as many as 7.3 years on average. Cathay Life’s “Long-term Care Insurance”, now in its third iteration since it was first launched in 1998, has undergone various adjustments over the years based on the latest studies and customer needs. Cathay Life was also the first to introduce life insurance products that have been widely popular among older adults.

- **Response to the Needs of an Aging Society**

Although the average life expectancy of people in Taiwan continues to grow, nearly 20% of senior citizens aged 65 and above are disabled in one way or another and require long-term care for as many as 7.3 years on average. Cathay Life’s “Long-term Care Insurance”, now in its third iteration since it was first launched in 1998, has undergone various adjustments over the years based on the latest studies and customer needs. Cathay Life was also the first to introduce life insurance products that are convertible into retirement plans and long-term care when the insured reaches the retirement age, and thereby provide double protection all within one policy. By the end of 2013, Cathay Life had the largest number of effective policies among peer insurance institutions, representing a market share of 52.9%.

We regularly organize long-term care seminars and events nationwide which host experts and invite beneficiaries to share their experiences. A total of 13 seminar sessions were held in 2013 which achieved a 96% satisfaction rate among participants. Our website also has a dedicated long-term care section (http://www.cathay-retired.com.tw) that provides a consolidated source of information about healthcare and long-term care.

- **Retirement Trust - Property Protection for the Elderly**

CUB launched a “Retirement Trust” service that allows customers to entrust their pension fund under the bank’s professional management and have them supervised by children, trusted family members and friends, or social welfare organizations. Any changes or early termination of the trust agreement are subject to the supervisor’s consent, and hence provide the assurance that the entrusted properties are used specifically for their intended purposes. Our efforts were recognized by the government and in May 2013 we were invited by the Kaohsiung City Government Social Affairs Bureau to deliver a seminar on “common trust plans for elders” at Jen Ai Senior Citizens Home.
Effectiveness of CUB’s CPBL Gambling Prevention Fund

The core mission of Cathay Century Insurance (Cathay Century) is to implement a training certification system for teachers that was later recognized by the Ministry of Education, making Cathay Century the first property insurance company to achieve such a goal.

National Safety Standards for Children in Schools

The core mission of Cathay Century Insurance (Cathay Century) is to implement a training certification system for teachers that was later recognized by the Ministry of Education, making Cathay Century the first property insurance company to achieve such a goal.

New Taipei City
- Safety check: Elementary schools
  - Activities: 2 sessions
  - Classes reached: 53
  - Persons affected: 1,205

Taipei City
- Safety check: Elementary schools
  - Activities: 6 sessions
  - Classes reached: 33
  - Persons affected: 1,062

Taoyuan County
- Safety check: Elementary schools
  - Activities: 6 sessions
  - Classes reached: 33
  - Persons affected: 1,062

Hsinchu County
- Safety check: Elementary schools
  - Activities: 2 sessions
  - Classes reached: 15
  - Persons affected: 260

Miaoli County
- Safety check: Elementary schools
  - Activities: 6 sessions
  - Classes reached: 26
  - Persons affected: 510

Taichung City
- Safety check: Elementary schools
  - Activities: 6 sessions
  - Classes reached: 33
  - Persons affected: 1,205

Changhua County
- Safety check: Elementary schools
  - Activities: 1 session
  - Classes reached: 1
  - Persons affected: 10

By 2013, the safety inspections covered 40 elementary schools nationwide. In a series of 26 activity sessions, we reached 280 classes and more than 7,100 school children.
The Cathay Intern Program (CIP), first launched in 2005, has given 371 students the opportunity to learn about the financial industry up close over their summer vacation. During the internship program, students are guided to perform “project research” and “department practices” in addition to spending time on events related to social responsibility. Summit forums are also arranged for interns to take turns becoming familiar with planning, actuarial, information, and investment aspects of an insurance company. Those who demonstrate exceptional performance are given hiring priority after the internship is completed. In 2012, 15.4% of interns returned to work for the company after graduation. In 2013, because most interns have yet to graduate, exact figures are not yet available. Otherwise, in 2013, CUB hired 353 fresh graduates in Taiwan (representing 35% of new employees), which helped relieve pressure of unemployment from Taiwanese youths, especially among those who are new graduates.

To encourage our employees in referring top talents into our group, we launched a series of campaigns including “Talent Referral Incentives,” “Total Recruitment Initiative,” and “Elite Rewards” between 2012 and 2013. Employees who identified with the company’s missions were welcomed to refer suitable candidates into the company and hence strengthen the company’s sales force. These campaigns were launched much to employees’ delight, for they had not only raised employee loyalty, but spread the company’s business philosophy as well. A total of 19 new recruits were introduced through these programs in 2013.

### Employee Retention and Personalized, Institutionalized Training

In order to train employees to become our best supporting partners, Cathay FHC has implemented multi-dimensional training programs that are custom-tailored to employees of all grades depending on their different stages of career development and the needs of the organization. In 2013, these training programs were further refined to reflect Cathay FHC’s core values of “Integrity, Accountability, and Creativity.” During the same year, the group spent a total of NT$290 million on employee education and training, and helped obtain over 100,000 professional certificates.

### New Employee Orientation

- New recruits
  - Group training
  - Online courses
  - Membership
  - Learning through practice

### Managerial skill development

- New managers
  - Entry management courses
  - Section Manager’s Manual
- Existing managers
  - Innovative courses
  - Cross-department courses
  - Local and overseas training
  - Knowledge exchange
- Senior manager
  - Leadership training courses

### Specialist training program

- Existing employees
  - Seminar and related studies
  - Individual Development Program (IDP)
  - Customer satisfaction courses
  - Knowledge exchange
  - Advanced training - Leadership courses

### Building a strong team

To encourage our employees in referring top talents into our group, we launched a series of campaigns including “Talent Referral Incentives,” “Total Recruitment Initiative,” and “Elite Rewards” between 2012 and 2013. Employees who identified with the company’s missions were welcomed to refer suitable candidates into the company and hence strengthen the company’s sales force. These campaigns were launched much to employees’ delight, for they had not only raised employee loyalty, but spread the company’s business philosophy as well. A total of 19 new recruits were introduced through these programs in 2013.

### Employee Retention and Personalized, Institutionalized Training

In order to train employees to become our best supporting partners, Cathay FHC has implemented multi-dimensional training programs that are custom-tailored to employees of all grades depending on their different stages of career development and the needs of the organization. In 2013, these training programs were further refined to reflect Cathay FHC’s core values of “Integrity, Accountability, and Creativity.” During the same year, the group spent a total of NT$290 million on employee education and training, and helped obtain over 100,000 professional certificates.

### New Employee Orientation

- New recruits
  - Group training
  - Online courses
  - Membership
  - Learning through practice

### Managerial skill development

- New managers
  - Entry management courses
  - Section Manager’s Manual
- Existing managers
  - Innovative courses
  - Cross-department courses
  - Local and overseas training
  - Knowledge exchange
- Senior manager
  - Leadership training courses

### Specialist training program

- Existing employees
  - Seminar and related studies
  - Individual Development Program (IDP)
  - Customer satisfaction courses
  - Knowledge exchange
  - Advanced training - Leadership courses

### Building a strong team

To encourage our employees in referring top talents into our group, we launched a series of campaigns including “Talent Referral Incentives,” “Total Recruitment Initiative,” and “Elite Rewards” between 2012 and 2013. Employees who identified with the company’s missions were welcomed to refer suitable candidates into the company and hence strengthen the company’s sales force. These campaigns were launched much to employees’ delight, for they had not only raised employee loyalty, but spread the company’s business philosophy as well. A total of 19 new recruits were introduced through these programs in 2013.

### Employee Retention and Personalized, Institutionalized Training

In order to train employees to become our best supporting partners, Cathay FHC has implemented multi-dimensional training programs that are custom-tailored to employees of all grades depending on their different stages of career development and the needs of the organization. In 2013, these training programs were further refined to reflect Cathay FHC’s core values of “Integrity, Accountability, and Creativity.” During the same year, the group spent a total of NT$290 million on employee education and training, and helped obtain over 100,000 professional certificates.
Employee Training Statistics

<table>
<thead>
<tr>
<th>Company</th>
<th>Average employee size</th>
<th>Total training hours</th>
<th>Training issues per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay FHC</td>
<td>50</td>
<td>83</td>
<td>708</td>
</tr>
<tr>
<td>Cathay Life</td>
<td>6,979</td>
<td>23,448</td>
<td>394,893</td>
</tr>
<tr>
<td>CUB</td>
<td>2,315</td>
<td>4,680</td>
<td>116,681</td>
</tr>
<tr>
<td>Cathay Century</td>
<td>918</td>
<td>870</td>
<td>58,774</td>
</tr>
<tr>
<td>Cathay Securities</td>
<td>228</td>
<td>248</td>
<td>6,139</td>
</tr>
<tr>
<td>Cathay SITE</td>
<td>107</td>
<td>125</td>
<td>1,856</td>
</tr>
<tr>
<td>Cathay Venture</td>
<td>9</td>
<td>4</td>
<td>35</td>
</tr>
</tbody>
</table>

Employee Turnover Statistics

<table>
<thead>
<tr>
<th>Company</th>
<th>2013 Average employee size</th>
<th>2012 Turnover rate</th>
<th>2013 Turnover rate</th>
<th>Gender</th>
<th>Age</th>
<th>Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay FHC</td>
<td>133</td>
<td>1.63%</td>
<td>7.52%</td>
<td>Female</td>
<td>4</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>6</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50 and above</td>
<td>7</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>231</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Cathay Life</td>
<td>4,942</td>
<td>4.19%</td>
<td>4.67%</td>
<td>Female</td>
<td>137</td>
<td>94</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>87</td>
<td>3</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50 and above</td>
<td>7</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>224</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>CUB</td>
<td>7,083</td>
<td>6.91%</td>
<td>7.03%</td>
<td>Female</td>
<td>292</td>
<td>266</td>
<td>229</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>266</td>
<td>229</td>
<td>494</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>408</td>
<td>4</td>
<td>498</td>
</tr>
<tr>
<td>Cathay Century</td>
<td>1,499</td>
<td>9.22%</td>
<td>6.27%</td>
<td>Female</td>
<td>46</td>
<td>42</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>42</td>
<td>41</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>90</td>
<td>1</td>
<td>88</td>
</tr>
<tr>
<td>Cathay SITE</td>
<td>470</td>
<td>30.32%</td>
<td>18.09%</td>
<td>Female</td>
<td>54</td>
<td>31</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>55</td>
<td>5</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>105</td>
<td>4</td>
<td>85</td>
</tr>
<tr>
<td>Cathay Venture</td>
<td>222</td>
<td>11.88%</td>
<td>6.91%</td>
<td>Female</td>
<td>4</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>7</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

Education

Continuing Education for Employees

In addition to owning 3 Education Centers and 13 Training Facilities, we have also developed an online learning network (CWM) which employees may use to learn in a variety of ways including classroom (C), satellite (S), network (N), and mobile (M). To address the differences in training requirements among employees, we have introduced the use of a Multimedia on Demand (MOD) system in 2013 that broadcasts videos through network and specially designed receivers to all 435 departments nationwide. This system not only delivers common materials (e.g. Cathay News and top performers’ interviews), but is also capable of providing “video-on-demand” which employees of different roles and grades may choose the right contents given their expertise.

Internal Instructor statistics

<table>
<thead>
<tr>
<th>Company</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay Life</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>CUB</td>
<td>117</td>
<td>319</td>
</tr>
<tr>
<td>Cathay Century</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Cathay Securities</td>
<td>35</td>
<td>12</td>
</tr>
</tbody>
</table>

Mobile Learning Focuses on the Specific Needs of Individual Trainees

In light of the growing popularity of mobile devices and mobile insurance services, we have also made training resources accessible on-the-go. Over the past few years, we have sponsored employees to purchase iPads and assembled an IT support team of 300 staff to develop the “Cathay Learning Aces,” “Certificate Station,” and a mobile platform that enables self-motivated learning. To help enhance employees’ service quality, we have developed a number of mobile applications based on its operating procedures that employees may use to simulate working environment on the go. Cathay applications such as “My MobileLife,” “Mobile Office,” “Cathay Conferences,” “Cathay Bookcases,” “Marketing EZ-GO” and “Mortgage Marketing Tool” helped Cathay Life achieve a mobile deal success rate of 72.3%.

Agent 2.0 Focuses on Long-term Employee Cultivation

Cathay Life has foreseen the potential risks of its businesses, which is the fact that the most productive sales people are concentrated in senior positions and employees with extensive years of service. In response to this risk, we engaged an external consultant to assist in the reformation of its education system. In 2013, we launched a project named “Agent 2.0” that introduced four main initiatives: new talent training, grade-based education, new recruitment system, and managerial skill enhancement. In the meantime, the group also changed its “performance-driven” culture to one that aims to “create long-term values through the marketing process.” By developing standardized operating procedures, senior sales people were able to transfer knowledge completely over to new recruits, while managers’ roles have been transformed from those of a supervisor to those of a “mentor,” guiding entry-level employees through their problems. Before the project was implemented, we held 6 seminars nationwide and incorporated the use of powerful training equipment to give employees and managers a 5-day intensive course. After the project was implemented, employees’ satisfaction was followed up on a regular basis while an evaluation team was assigned to provide regular reports on the effectiveness of this project. This project will be implemented throughout all units nationwide in 2014 over three stages.

Learning Journey

To help managers develop leadership skills, we introduced a senior leadership program in 2013 that embodied systematic training, evaluation and development. To date, 16 courses have been organized for a total of 92 managers. In 2014, we have plans to expand the leadership program to cover mid-level and entry-level managers, and thereby ensure the union of internal management practices.

Furthermore, to improve managers’ management efficiency, we have organized an enhancement program named “160 Communication” where managers get to learn the strengths and weaknesses of their leadership, and are guided to solve problems and learn ways of leading their teams to deliver greater performance. Through feedbacks from line managers, colleagues and subordinates, managers were able to identify areas of improvement and ways of developing leadership skills.

Building Employee Loyalty for Sustainable Competitiveness

Employees who identify with the company’s values are the key to a company’s competitiveness, and taking good care of employees is also one of the responsibilities of an employer. According to a report published by Towers Watson in 2013, Taiwanese businesses were more willing to invest in employees’ welfare than do businesses in other parts of the Asia Pacific region. However, benefits policies tend to be too rigid that employees eventually misunderstand the values of the benefits system. Cathay’s sustainability is founded on the trust of 45,459 employees, and it is our wish to offer employees the best benefits system possible and engage in ongoing communications so that they may find motivations for the works they do, identify with Cathay’s values, and achieve the ultimate work-life balance.

Dedicated to Offering Employees Better Work-Life Balance

We have committed substantial resources to maintain a comprehensive benefits system that covers all aspects of an employee’s work and personal life. In 2013, Cathay Life Employee Benefit Committee spent upwards of NT$58 million to provide employees with financial, lifestyle, recreational, protective, and developmental benefits. Having received the Best Companies to Work for Award in 2012 and 2013 is a testament to the level of care and attention that Cathay FHC has devoted to its employees.

Employee Benefits

1. Health benefits
2. Retirement benefits
3. Welfare benefits
4. Other benefits

Health benefits
1. Medical insurance
2. Dental insurance
3. Accident insurance

Retirement benefits
1. Defined contribution pension
2. Defined benefit pension
3. Other retirement plans

Welfare benefits
1. Children’s day care
2. Child care subsidies
3. Child care services
4. Other welfare benefits

Other benefits
1. Education subsidies
2. Insurance
3. Other benefits

Cathay Life has foreseen the potential risks of its businesses, which is the fact that the most productive sales people are concentrated in senior positions and employees with extensive years of service. In response to this risk, we engaged an external consultant to assist in the reformation of its education system. In 2013, we launched a project named “Agent 2.0” that introduced four main initiatives: new talent training, grade-based education, new recruitment system, and managerial skill enhancement. In the meantime, the group also changed its “performance-driven” culture to one that aims to "create long-term values through the marketing process." By developing standardized operating procedures, senior sales people were able to transfer knowledge completely over to new recruits, while managers’ roles have been transformed from those of a supervisor to those of a “mentor,” guiding entry-level employees through their problems. Before the project was implemented, we held 6 seminars nationwide and incorporated the use of powerful training equipment to give employees and managers a 5-day intensive course. After the project was implemented, employees’ satisfaction was followed up on a regular basis while an evaluation team was assigned to provide regular reports on the effectiveness of this project. This project will be implemented throughout all units nationwide in 2014 over three stages.

Learning Journey

To help managers develop leadership skills, we introduced a senior leadership program in 2013 that embodied systematic training, evaluation and development. To date, 16 courses have been organized for a total of 92 managers. In 2014, we have plans to expand the leadership program to cover mid-level and entry-level managers, and thereby ensure the union of internal management practices.

Furthermore, to improve managers’ management efficiency, we have organized an enhancement program named “160 Communication” where managers get to learn the strengths and weaknesses of their leadership, and are guided to solve problems and learn ways of leading their teams to deliver greater performance. Through feedbacks from line managers, colleagues and subordinates, managers were able to identify areas of improvement and ways of developing leadership skills.
Each subsidiary’s Auditing Division has adopted the practice of cross-auditing other subsidiaries on human rights-related policies, while human rights-related issues such as gender equality and forced labor have been included as part of new employee orientation. In 2013, a total of 1,920 hours were spent on training new recruits. In addition, our employee manual also addresses human rights issues that are relevant to work. Additionally, with regard to the issue of gender equality, Cathay FHC established the “Cathay Financial Holdings Sexual Harassment Prevention, Grievance, and Disciplinary Guidelines” in 2005 and “Grievance and Investigation Policy” in 2009, followed by the inclusion of equal gender courses and sexual harassment prevention courses as part of employee-on-the-job training. Cathay also has a sexual harassment grievance and investigation system in place, and assembled an investigation committee to review reported incidents. No cases of sexual harassment were reported in 2013. Furthermore, we make sure that every workplace has a nursery available. Between 2011 and 2013, Cathay FHC was awarded the “Certified Excellent Breastfeeding Room” by the Taipei City Government Department of Health. Employees have been granted family care leave and paternity leave to tend to the needs of their families, while female employees are offered menstrual leave of absence that are more favorable than what was stipulated in the Labor Standards Act. Employees are paid full salary up to 5 days a year and half salary up to 30 days a year when taking the above leave, both of which are more favorable than what the law requires. In cases where employees opt to take prolonged unpaid leave of absence, whether due to injury, illness or childbirth, they are given the choice to continue their existing social insurance and group insurance policies. According to the 2013 statistics published by Ministry of the Interior, Taiwan averaged a crude marriage rate of 6.32‰ and a crude birth rate of 14‰. Cathay Life is not included in the data due to the unique nature of its sales force.

Employee Relations and Job Satisfaction

In 2013, Cathay FHC initiated a transformation of its corporate culture from the inside out, and one of its primary missions was to engage employees in “open communication.” Through our core values, leadership models, and communication channels, we intend to lead employees by example, listen to their thoughts, and convey the company’s business philosophy and strategies to develop a consensus among all employees.

Open Communication Initiated by Supervisors Setting Examples

In order to maintain amicable employer-employee relations, we have dedicated ourselves to implementing a variety of communication channels for employees, managers, and the company as a whole. A total of 43 employee-employee meeting sessions were held in 2013.

Lectures Chaired by Internal and External Experts

In an attempt to promote an “innovative and learning culture,” Cathay FHC has actively encouraged self-motivated learning and interactions with internal as well as external expertise. In 2013, 3 seminar sessions were held to address topics on career development, ongoing trends, and culture. They had been organized to inspire new thinking and new visions among employees, in which a total of 250 had participated.

Employee Satisfaction Survey

In 2013, Cathay Life employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46%-60% response rate). Cathay Life employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46%-60% response rate). While our employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46%-60% response rate), while our employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46%-60% response rate), while our employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46%-60% response rate).

Care for Employee Health and Safety

Cathay FHC helps cover employee health and safety in 4 main aspects: worker safety, workplace health, health promotion, and health promotion. Supported by resources of Cathay General Hospital, employees are assured of a safe environment to work in. Cathay FHC also conducts regular inspections on workplace health, safety and uses of hazardous machinery, and organizational training for the health and safety supervisor and on-site paramedics. Indoor CO2 levels and luminance are measured every six months, while training for the use of defibrillator is provided on a regular basis.

We have promoted sports and hiking activities since 2007. In 2013, recreational activities were promoted simultaneously in 5 different regions outside Taipei and achieved a record-breaking participation rate of 50% (compared to 37% in 2012), which places us in the Standard of Excellence as recognized by the Ministry of Health and Welfare.

Fitness and bone density tests

Occupational Injury Statistics

<table>
<thead>
<tr>
<th>Company</th>
<th>Occupational injuries</th>
<th>Occupational deaths</th>
<th>Lost working days</th>
<th>Frequency of death injuries</th>
<th>Severity of disabling injuries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay Life</td>
<td>140</td>
<td>8</td>
<td>311</td>
<td>0.23</td>
<td>5.2</td>
</tr>
<tr>
<td>CUB</td>
<td>19</td>
<td>0</td>
<td>60</td>
<td>3.60</td>
<td>19.21</td>
</tr>
<tr>
<td>Cathay Century</td>
<td>18</td>
<td>0</td>
<td>124</td>
<td>4.83</td>
<td>37.5</td>
</tr>
</tbody>
</table>

* The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220). The absence rate is based on the 292,000 working hours under the GRI formula. Calculation of absence rate: total absent days / (actual working days x 220).
Social Initiatives

Charity Event

• Cathay New Immigrant Care Program

Having foreseen the growth of new immigrants in 2005, Cathay Charity Foundation has committed a total of NT$35 million by the end of 2013 to organize a series of events, such as “Caring for New Immigrants International Seminar”, “New Immigrant Children and Parental Learning Vietnamese Together Program”, “New Immigrant Documentary Program”, “New Immigrant Family Finance and Home Safety Program”, immigrant child assistance, work skill enhancement, documentary, finance and domestic safety courses etc that benefited more than 150,000 new immigrants.

• Elevated Tree Program to enhance children’s learning ability

The “Elevated Tree Program” was introduced by Cathay United Bank Charity Foundation in 2004. It is a program aimed to support living in remote areas through tuition subsidies, donation of used books, and various educational activities. In 2013, we donated a total of NT$7.33 million to 7,343 elementary and junior high school students of disadvantaged backgrounds, and 6,000 used books to childcare institutions, remote schools and libraries.

• Employee Donations and Caring Remote Students

Cathay Charity Foundation has organized “Children Development Camp” for 11 years and counting, during which children living in remote areas were invited to a cultural tour and experience an urban life unlike the rural areas. These activities have been partially sponsored through employees’ donations. For the 12th consecutive year, the foundation has delivered its love to children in remote areas during Christmas and Chinese New Year. A total of 85 fund-raising sessions were held in 2013, during which we raised NT$6,592,563 (2013/10/01 - 2014/01/31) and benefited more than 10,000 people. From the list of remote schools that the foundation has long-sponsored, 8 were selected for the Cathay Dream Pursue Program. When the students kept their perseverance and accomplished their goals, the students are offered up to NT$200,000 to fulfill their dreams.

Education

“Cathay Financial Group Scholarship Program for Children of Cathay Customers” is the oldest and most extensive scholarship program in Taiwan. Since 1977, more than 100,000 people have applied for scholarships and collectively received a total of NT$33 million. The scholarship program is aimed at encouraging senior high school, college, and university students to pursue their studies. In an attempt to encourage the learning efforts of Taiwanese students, the “2013 Wan-Lin Tsai Scholarship” offered financial support to 105 elite students and academic organizations. Each candidate was given a scholarship of NT$100,000, and a total of NT$10,904,252 had been donated through this program. To further provide students with the motivation to pursue their dreams, the alumni association of the Wan-Lin Tsai Scholarship held 7 seminars throughout Taiwan in 2013, during which time experts from a number of fields were invited to share their experiences firsthand with students.

Arts and Culture

For 19 years, Cathay FHC has sponsored Cloud Gate Dance Foundation for its dedication to bringing theatrical arts and stage performance into schools throughout Taiwan. In 2010, Cloud Gate ventured into China and has performed 189 sessions since then. The National Children’s Drawing Competition and the New Age Drawing Exhibition are the two most prominent art contests for children, as they receive approximately 50,000 submissions each year. Many award winners have nowadays become art teachers or creators. The theme of the 2013 competition, “Drawing for the Environment”, was introduced to develop children’s environment awareness. Cathay FHC organizes free seminars and “Plaza 7” events that cover an extensive variety of topics from finance, healthcare, life enlightenment, family, arts, culture, to cosmetics. In 2013, a total of 13 free seminars and 4 “Plaza 7” sessions were held, over the last 23 years, a total of 553 free seminars have been held to an audience of nearly 200,000.

Sports

Cathay Life has long been a supporter to national sports events since the assembly of its own women’s basketball team in 1969. In addition to organizing basketball and baseball camps for young talents, Cathay FHC also provided them with professional training and invited basketball star Jeremy Lin and baseball star Chen Wei-Yin to share their experiences. Being the only Taiwanese financial partner of the NBA, Cathay FHC organizes 3-on-3 competitions and treats the champion team to see NBA games in the United States.

Appendix

» GRI(Global Reporting Initiative)G4.0 Index
United Nations Global Compact Principles
ISO 26000 Social Responsibility Guidelines
Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
Independent Assurance Opinion Statement by BSI
<table>
<thead>
<tr>
<th>General Standard Disclosures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy and Analysis</strong></td>
<td></td>
</tr>
<tr>
<td>G4-1 Statement from the most senior decision-maker</td>
<td>2</td>
</tr>
<tr>
<td><strong>Organizational Profile</strong></td>
<td></td>
</tr>
<tr>
<td>G4-3 Name of the organization</td>
<td>1</td>
</tr>
<tr>
<td>G4-4 Primary brands, products, and services</td>
<td>1/17</td>
</tr>
<tr>
<td>G4-5 Location of organization’s headquarters</td>
<td>1</td>
</tr>
<tr>
<td>G4-6 Number/Name of country where the organization operates</td>
<td>16</td>
</tr>
<tr>
<td>G4-7 Nature of ownership and legal form</td>
<td>16</td>
</tr>
<tr>
<td>G4-8 Market served</td>
<td>16</td>
</tr>
<tr>
<td>G4-9 Scale of organization</td>
<td>1/18</td>
</tr>
<tr>
<td>G4-10 Breakdown of workforce</td>
<td>44</td>
</tr>
<tr>
<td>G4-11 Percentage of total employees covered by collective bargaining agreements</td>
<td>43</td>
</tr>
<tr>
<td>G4-12 Describe the organization’s supply chain</td>
<td>10-11</td>
</tr>
<tr>
<td>G4-13 Significant changes during the reporting period</td>
<td>1/10-11</td>
</tr>
<tr>
<td>G4-14 Report whether and how the precautionary approach or principle is addressed by the organization</td>
<td>6-7</td>
</tr>
<tr>
<td>G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses</td>
<td>9</td>
</tr>
<tr>
<td>G4-16 Memberships in associations</td>
<td>9</td>
</tr>
<tr>
<td><strong>Identified Material Aspects and Boundaries</strong></td>
<td></td>
</tr>
<tr>
<td>G4-17 Report coverage of the entities in the consolidated financial statement</td>
<td>17</td>
</tr>
<tr>
<td>G4-18 Process for defining the report content and the aspect boundaries</td>
<td>7</td>
</tr>
<tr>
<td>G4-19 List all the material aspects identified in the process for defining report content</td>
<td>8</td>
</tr>
<tr>
<td>G4-20 For each material Aspect, report the Aspect Boundary within the organization</td>
<td>8</td>
</tr>
<tr>
<td>G4-21 For each material Aspect, report the Aspect Boundary outside the organization</td>
<td>8</td>
</tr>
<tr>
<td>G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements</td>
<td>1</td>
</tr>
<tr>
<td>G4-23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries</td>
<td>7-6</td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong></td>
<td></td>
</tr>
<tr>
<td>G4-24 List of stakeholder groups engaged by the organization</td>
<td>9</td>
</tr>
<tr>
<td>G4-25 Report the basis for identification and selection of stakeholders with whom to engage</td>
<td>7</td>
</tr>
<tr>
<td>G4-26 Approaches to stakeholder engagement</td>
<td>7</td>
</tr>
<tr>
<td>G4-27 Response to key topics and concerns raised</td>
<td>9</td>
</tr>
<tr>
<td><strong>Report Profile</strong></td>
<td></td>
</tr>
<tr>
<td>G4-28 Reporting period</td>
<td>1</td>
</tr>
<tr>
<td>G4-29 Date of most recent previous report</td>
<td>1</td>
</tr>
<tr>
<td>G4-30 Reporting cycle</td>
<td>1</td>
</tr>
<tr>
<td>G4-31 Contact point for questions</td>
<td>1</td>
</tr>
<tr>
<td>G4-32 In accordance/option, the GRI content index and external assurance</td>
<td>1</td>
</tr>
<tr>
<td>G4-33 Policy and current practice regarding external assurance</td>
<td>1</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
</tr>
<tr>
<td>G4-34 Governance structure</td>
<td>18</td>
</tr>
</tbody>
</table>

### Specific Standard Disclosures

<table>
<thead>
<tr>
<th>Aspect</th>
<th>DMA &amp; Indicator</th>
<th>Page(s)</th>
<th>Extent of Reporting</th>
<th>External Assurance (page)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN1 Energy intensity</td>
<td>D5</td>
<td>34-36</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN10 Reduction of energy consumption</td>
<td>D5</td>
<td>34-36</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN15 Direct greenhouse gas emissions (scope 1)</td>
<td>D5</td>
<td>34</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN16 Energy indirect greenhouse gas emissions (scope 2)</td>
<td>D5</td>
<td>34</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN17 Other indirect greenhouse gas emissions (scope 3)</td>
<td>D5</td>
<td>34</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN18 Greenhouse gas emissions intensity</td>
<td>D5</td>
<td>34</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>EN19 Reduction of greenhouse gas emissions</td>
<td>D5</td>
<td>35</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>Product and Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN27 Mitigation of environmental impacts of products and services</td>
<td>D5</td>
<td>35</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>Overall Environmental Performance</td>
<td>D5</td>
<td>11</td>
<td>△</td>
<td></td>
</tr>
<tr>
<td>EN31 Total environmental protection expenditures and investments by type</td>
<td>D5</td>
<td>11</td>
<td>△</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>D5</td>
<td>46</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>LA3 Return to work and retention rates after parental leave, by gender</td>
<td>D5</td>
<td>46</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</td>
<td>D5</td>
<td>43</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>Labor/Management Relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA9 Average hours of training per employee by gender, and by employee category</td>
<td>D5</td>
<td>46</td>
<td>△</td>
<td></td>
</tr>
<tr>
<td>LA10 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category</td>
<td>D5</td>
<td>46</td>
<td>△</td>
<td></td>
</tr>
<tr>
<td>LA12 Composition of governance bodies and employee breakdowns</td>
<td>D5</td>
<td>19-20/44</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>Aspect</td>
<td>DMA &amp; Indicator</td>
<td>Page(s)</td>
<td>Extent of Reporting</td>
<td>External Assurance (page)</td>
</tr>
<tr>
<td>--------</td>
<td>----------------</td>
<td>---------</td>
<td>---------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Investment (Social Performance)</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>11/43</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>HR1 Significant investment agreements and contracts that include human rights clauses or that underwent human right screening</td>
<td>11/43</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>HR2 Total hours of employee training on human rights policies or procedures</td>
<td>48</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>48</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>HR3 Actions taken in incidents of discrimination</td>
<td>48</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Assessment (Social Performance)</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>43</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>HR9 Operations have been subject to human rights reviews or impact assessments</td>
<td>43</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>20-21</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>SO3 Operations assessed risk related to corruption and the significant risks identified</td>
<td>20</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>SO4 Communication and training on anti-corruption policies and procedures</td>
<td>20-21</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>SO5 Confirmed incidents of corruption and actions taken</td>
<td>20</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Product and Service Labeling</td>
<td>DMA Aspect-specific Disclosures on Management Approach</td>
<td>25-26</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>PR3 Product information required by procedures</td>
<td>25-27</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>PR5 Results of surveys measuring customer satisfaction</td>
<td>25</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Marketing Communications</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>25-26</td>
<td>△</td>
<td>△</td>
</tr>
<tr>
<td></td>
<td>PR6 Sale of banned or disputed products</td>
<td>26</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>PR7 Non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship</td>
<td>26</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Customer Privacy</td>
<td>DMA Generic Disclosures on Management Approach</td>
<td>26</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>26</td>
<td>v</td>
<td>v</td>
</tr>
</tbody>
</table>

**GRI Financial Services Sector Supplement**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>DMA &amp; Indicator</th>
<th>Page(s)</th>
<th>Extent of Reporting</th>
<th>External Assurance (page)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Portfolio</td>
<td>FSI1/DMA Policies with specific environmental and social components applied to business lines</td>
<td>30/40</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI2/DMA Procedures for assessing and screening environmental and social risks in business lines</td>
<td>30/40</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI3/DMA Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions</td>
<td>10-11</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI4/DMA Process for monitoring clients’ implementation of and compliance with environmental and social policies and procedures as applied to business lines</td>
<td>7</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI5 Interactions with clients/investors/business partners regarding environmental and social risks and opportunities</td>
<td>9-11</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/target) and by sector</td>
<td>17</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose</td>
<td>40</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose</td>
<td>30</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Audit</td>
<td>FSI8 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures</td>
<td>6</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Active Ownership</td>
<td>FSI10 Percentage and number of companies held in the institution’s portfolio with which the reporting organization has interacted on environmental or social issues</td>
<td>11-12</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI11 Percentage of assets subject to positive or negative environmental or social screening</td>
<td>10-11</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI12 Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or address an voting</td>
<td>10</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td>Local Communities</td>
<td>FSI13 Access points in low-populated or economically disadvantaged areas by type</td>
<td>40</td>
<td>v</td>
<td>v</td>
</tr>
<tr>
<td></td>
<td>FSI14 Initiatives to improve access to financial services for disadvantaged people</td>
<td>40-42</td>
<td>v</td>
<td>v</td>
</tr>
</tbody>
</table>

**United Nations Global Compact Principles**

<table>
<thead>
<tr>
<th>Category</th>
<th>10 Principles</th>
<th>Related Report Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>Businesses should support and respect the protection of internationally proclaimed human rights;</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Make sure that they are not complicit in human rights abuses</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</td>
<td>41</td>
</tr>
<tr>
<td>Labor</td>
<td>The elimination of all forms of forced and compulsory labor;</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>The effective abolition of child labor; and</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>The elimination of discrimination in respect of employment and occupation</td>
<td>41</td>
</tr>
<tr>
<td>Environment</td>
<td>Businesses should support a precautionary approach to environmental challenges;</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Undertake initiatives to promote greater environmental responsibility; and</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Encourage the development and diffusion of environmentally friendly technologies.</td>
<td>30-31</td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>Businesses should work against corruption in all its forms, including extortion and bribery.</td>
<td>20-21</td>
</tr>
</tbody>
</table>

**ISO 26000 Social Responsibility Guidelines**

<table>
<thead>
<tr>
<th>Category</th>
<th>Core Subjects and Issues</th>
<th>Related Report Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational governance</td>
<td>Decision making processes and structures</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Due diligence</td>
<td>43-47</td>
</tr>
<tr>
<td></td>
<td>Human rights risk situations</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Avoidance of complicity</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Resolving grievances</td>
<td>46-50</td>
</tr>
<tr>
<td>Human rights</td>
<td>Discrimination and vulnerable groups</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Civil and political rights</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Economic, social and cultural rights</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Fundamental principles and rights at work</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Employment and employment relationships</td>
<td>49</td>
</tr>
<tr>
<td>Labor practices</td>
<td>Conditions of work and social protection</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Social dialogue</td>
<td>43-46</td>
</tr>
<tr>
<td></td>
<td>Health and safety at work</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Human development and training in the workplace</td>
<td>45-46</td>
</tr>
<tr>
<td>The environment</td>
<td>Prevention of pollution</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Sustainable resource use</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Climate change mitigation and adaptation</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Protection of the environment, biodiversity and restoration of natural habitats</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Anti-corruption</td>
<td>20</td>
</tr>
<tr>
<td>Fair operating practices</td>
<td>Responsible political involvement</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Fair competition</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Promoting social responsibility in the value chain</td>
<td>10-11</td>
</tr>
<tr>
<td></td>
<td>Respect for property rights</td>
<td>20</td>
</tr>
</tbody>
</table>
### Consumer issues

<table>
<thead>
<tr>
<th>Core Subjects and Issues</th>
<th>Related Report Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer issues</td>
<td></td>
</tr>
<tr>
<td>Fair marketing, factual and unbiased information and fair contractual practices</td>
<td>26</td>
</tr>
<tr>
<td>Protecting consumer’s health and safety</td>
<td>26-27</td>
</tr>
<tr>
<td>Sustainable consumption</td>
<td>30-31/40-42</td>
</tr>
<tr>
<td>Consumer service, support, and complaint and dispute resolution</td>
<td>25-26</td>
</tr>
<tr>
<td>Consumer data protection and privacy</td>
<td>26-27</td>
</tr>
<tr>
<td>Access to essential services</td>
<td>26</td>
</tr>
<tr>
<td>Education and awareness</td>
<td>40-43</td>
</tr>
<tr>
<td>Consumer service, support, and complaint and dispute resolution</td>
<td>25-26</td>
</tr>
<tr>
<td>Consumer data protection and privacy</td>
<td>26-27</td>
</tr>
<tr>
<td>Access to essential services</td>
<td>26</td>
</tr>
<tr>
<td>Education and awareness</td>
<td>40-43</td>
</tr>
<tr>
<td>Community involvement</td>
<td>43</td>
</tr>
<tr>
<td>Education and culture</td>
<td>45</td>
</tr>
<tr>
<td>Employment creation and skills development</td>
<td>23-24</td>
</tr>
<tr>
<td>Technology development and access</td>
<td>11</td>
</tr>
<tr>
<td>Wealth and income creation</td>
<td>51</td>
</tr>
<tr>
<td>Health</td>
<td>50</td>
</tr>
<tr>
<td>Social investment</td>
<td>50</td>
</tr>
</tbody>
</table>

### Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

<table>
<thead>
<tr>
<th>Content</th>
<th>Related Report Section(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1 General Principles</td>
<td>Focusing the Way to Triple Bottom Line</td>
</tr>
<tr>
<td>Chapter 2 Exercising Corporate Governance</td>
<td>Staying Ahead of the Curve</td>
</tr>
<tr>
<td>Chapter 3 Fostering a Sustainable Environment</td>
<td>Climate Change</td>
</tr>
<tr>
<td>Chapter 4 Preserving Public Welfare</td>
<td>A Changing Society</td>
</tr>
<tr>
<td>Chapter 5 Enhancing Disclosure of Corporate Responsibility Information</td>
<td>Focusing the Way to Triple Bottom Line</td>
</tr>
<tr>
<td>Chapter 6 Supplementary Provisions</td>
<td>Focusing the Way to Triple Bottom Line</td>
</tr>
</tbody>
</table>

### Independent Assurance Opinion Statement by BSI