



國泰金控

Cathay Financial Holdings



2013

# Contents

Company Name	Cathay Financial Holding Co., Ltd.
Date of Incorporation	December 31, 2001
Brand Spirit	Rediscovering Happiness
Core Values	Integrity, Accountability, Creativity
Headquarters Address:	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
Number of employees	40,439
Total No. of Business Sites	Approx. 800 locations (including in overseas areas)
Total Assets	NT\$6,076,857,088,000
Total Capital Assets	NT\$120,000,000,000
CSR Website: <a href="https://www.cathayholdings.com/holdings/web/CSR_En/Default.aspx">https://www.cathayholdings.com/holdings/web/CSR_En/Default.aspx</a> email : <a href="mailto:hpr@cathayholdings.com.tw">hpr@cathayholdings.com.tw</a> Tel : +886-2-27087698	

Each year, Cathay Financial Holding Co., Ltd. (Cathay FHC) publishes an annual non-financial report. The scope of the 2013 Cathay Corporate Sustainability Report, published in August 2014, covers the financial, environmental, and social initiatives Cathay FHC undertook in 2013 (from January 1, 2013 through December 31, 2013).

• **Parameters and Scope of this Report:**

This report focuses on Cathay's core region of operations, Taiwan, and encompasses Cathay FHC 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:**

Global Report Initiative's G4 Sustainability Reporting Framework, Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact.

• **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)

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## 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 becoming 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 of board members, in 2013, in addition to the 3 existing independent board members, Cathay FHC hired 2 external board members who are very experienced in the finance industry. So, the proportion of neutral board members increased from 23% in 2012 to 39%. To understand the possibility of improving the

current corporate governance status, Cathay Life Insurance has taken the initiative to join the Corporate Governance Assessment Scheme by Taiwan Corporate Governance Association (TCGA) and will continue to fulfill any corporate governance related functions. At the same time, Cathay is also committed to implementing the promise of integrity in business dealings and will increase our transparency. In 2013, we were awarded an Information Disclosure and Transparency Ranking of "A" by the Taiwanese government and our CDP ranking was the first in the finance industry in Taiwan. Furthermore, we have become a CDP signatory in anticipation of our gradual shift from risk control to responsible investment.

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 Tsai

# Paving



## the Way to the Triple Bottom Line

Sustainability

Objectives for 2014

Responding to ESG information requirements by targeting Top 50 international shareholders of Cathay FHC

Improving Information Disclosure and Transparency Ranking to the highest level

Continuously moving toward responsible investment and lending

06 Internalizing the Concept of Sustainability

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**Paving the Way to the Triple Bottom Line**

68.8%

As much as 68.8% of members in CSR committee are at the VP level or above.

83~100%

Ideas of Innovation Contest are highly related to CSR (83% to 100% for the respective companies).

8, 54

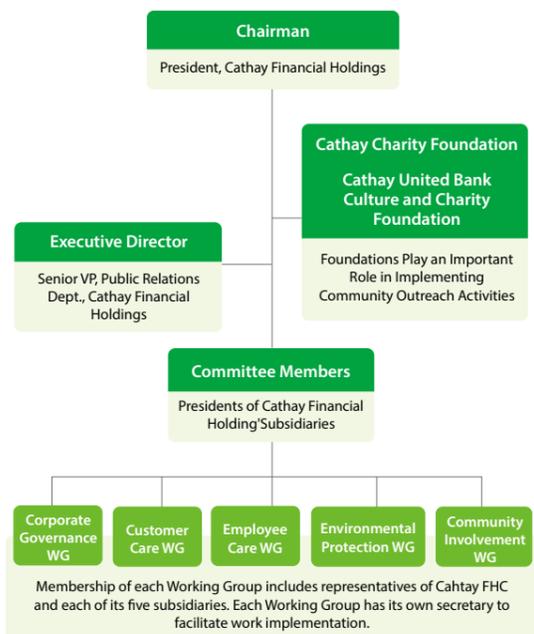
Material issue Identification of Cathay FHC incorporated value-chain concepts: increased stakeholders from 5 categories to 8 categories and from 23 topics to 54 topics.

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 Heights", 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 on 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 Work 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 integration of projects with core financial responsibilities.

**Cathay Financial Holdings CSR Committee**



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: Involvement by Senior Management Setting of Objectives and Regular Inspections**

- The CSR Committee comprises representatives of subsidiaries, including two members of the Board of Directors. Most representatives consist of executive-level management; as much as 68.8% of members are at the VP level or above.
- In 2012 short, medium, and long-term CSR targets were set for each respective WG, who periodically reports its tracking of the implementation of CSR plans during the General Assembly. All meeting conclusions are submitted to the Chairman. Finally, meetings are periodically convened by the board of directors to address major issues.

**Point 2: Construction of the Group's Innovation Platform Innovative Business Operation Model**

- In 2013 Cathay FHC and its subsidiaries completed the Innovation Platform and held numerous courses and competitions. Ideas of Innovation Contest cover topics related to CSR (83% to 100% for the respective companies).
- The top three winners of the Group's Innovation Contest presented their entries for New Business Models (including customer service and public welfare), Customer, and Public Welfare responsibilities. Our hope is to eventually turn the proposals into reality.

**Point 3: Reward for Active Participation and Strengthening of Disclosure Instilling the Drive for Self-Improvement**

- Externally, Cathay FHC continued to contend for several CSR awards. In 2013 it received the "Model for Environmental Protection" award from Global Views Monthly magazine, became 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 (TAISE).
- 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.

**Active Response to CDP**

Cathay FHC respond to CDP in a multi-faceted manner, including response to investor ESG survey, supporting emerging-investment concept and response to expectations for responsible investment.

**Green Procurement**

For four consecutive years, Cathay FHC received the "Outstanding Green Procurement Enterprise" Award presented by Taipei City Government and EPA.

**Exclusion List**

The "Exclusion List" was expanded to apply to all Cathay SITE investment funds in 2013.

**Stakeholder Engagement**

Cathay FHC subdivides communication into several different stages. The first stage consists of establishment of complete external communication materials. The second stage involves looking inward to influence internal policy. The former stage is known internally as "one-way communication with stakeholders", which utilizes the establishment of internal information flow as the main driving force, including publishing the CSR Report

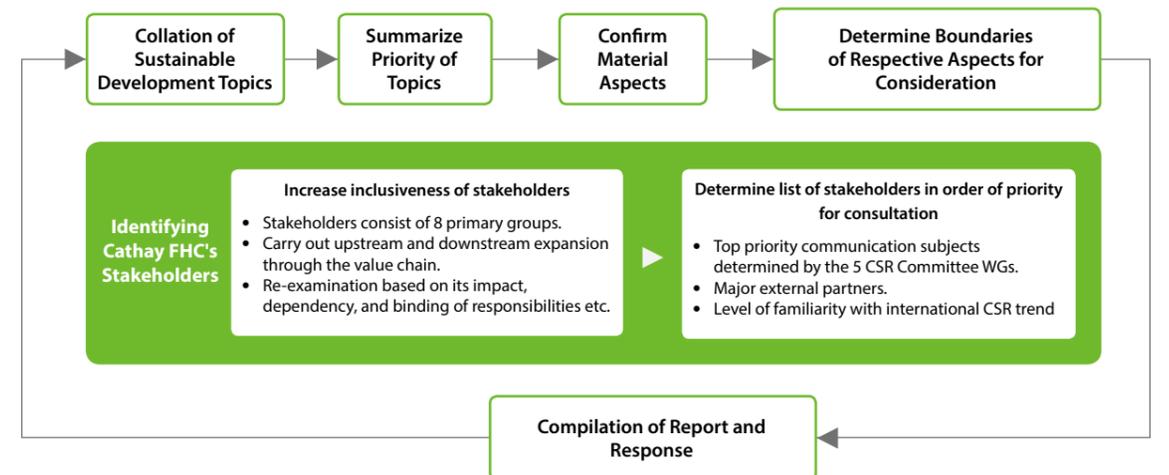
and information on our website. The latter stage is designed with a hope of cultivating more interactive communication with stakeholders. At this stage, Cathay FHC will meticulously collect and prioritize external information and implement the Company's internal short, medium, and long-term CSR strategies in order to progressively foster a model that is mutually beneficial both internally and externally.

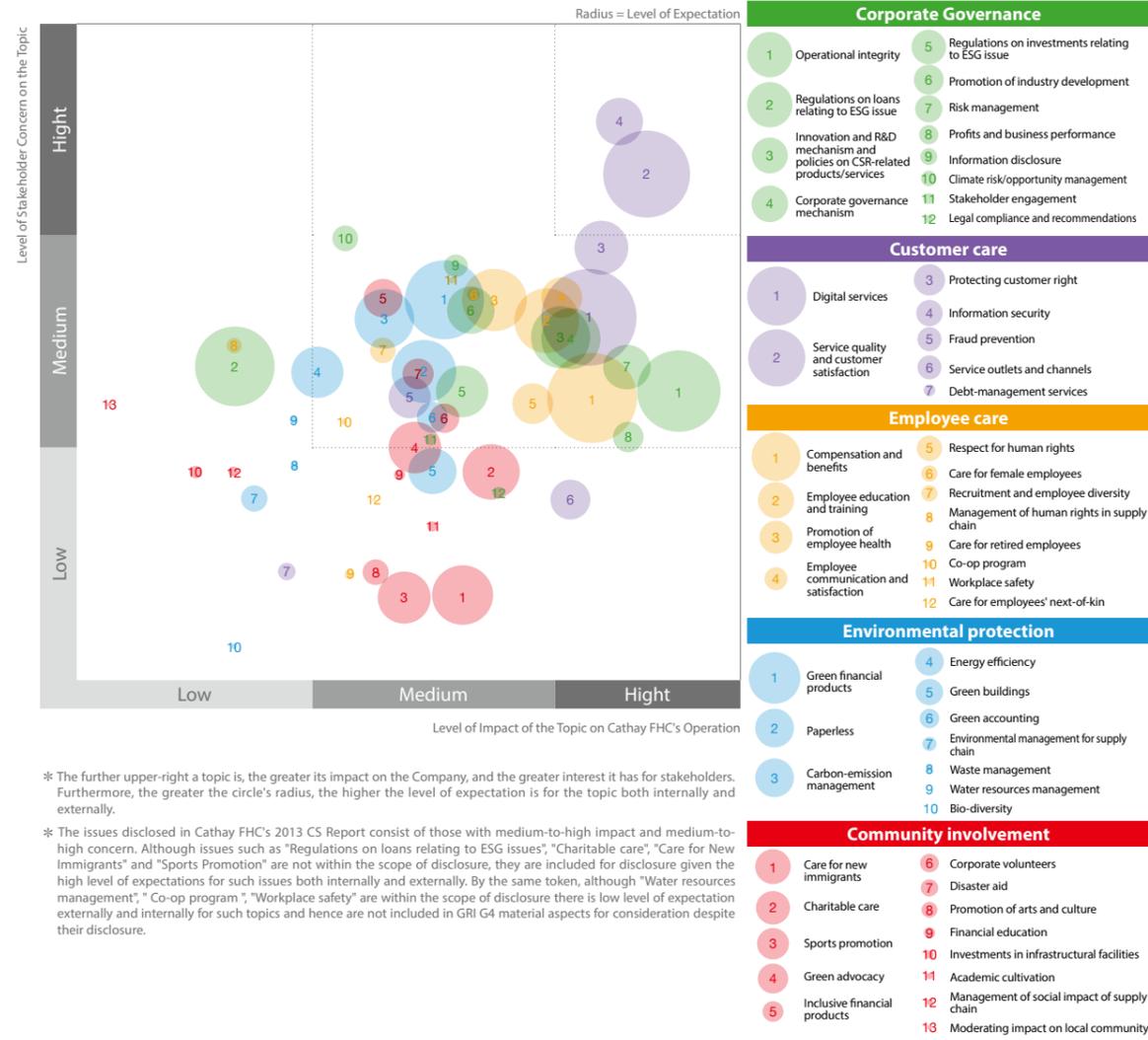


**Raised inclusiveness of stakeholders and expanded range of sustainability issues**

Cathay primarily focuses on stakeholder and other material topics identified in 2012, increased the original number of stakeholders categories from five to eight — including the addition of "CSR Experts", "Key Investees and Borrowers", and "Vendors" — in order to increase inclusiveness of stakeholders and diversity of value-chain topics. Likewise, the number of focus topics was increased from 23 to 54. Cathay FHC also conducted a questionnaire survey on its internal senior management and CSR stakeholders.

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.





\* The further upper-right a topic is, the greater its impact on the Company, and the greater interest it has for stakeholders. Furthermore, the greater the circle's radius, the higher the level of expectation is for the topic both internally and externally.

\* The issues disclosed in Cathay FHC's 2013 CS Report consist of those with medium-to-high impact and medium-to-high concern. Although issues such as "Regulations on loans relating to ESG issues", "Charitable care", "Care for New Immigrants" and "Sports Promotion" are not within the scope of disclosure, they are included for disclosure given the high level of expectations for such issues both internally and externally. By the same token, although "Water resources management", "Co-op program", "Workplace safety" are within the scope of disclosure there is low level of expectation externally and internally for such topics and hence are not included in GRI G4 material aspects for consideration despite their disclosure.

Major Topics to be Dealt With	GRI G4 Material Aspects	Boundary
Profits and business performance; Climate risk/opportunity management; Risk management	Economic performance	Cathay FHC and 6 major subsidiaries
Compensation & benefits; Recruitment and employee diversity	Market Presence	
Promotion of industry development	Indirect economic impacts	
Corporate governance mechanism; Operational integrity; Fraud prevention	Anti-corruption	
Profits and business performance; innovation and R&D mechanism and policy for CSR products/ services; Regulations on loans/investments relating to ESG issues; Stakeholder engagement; Green financial products; Inclusive financial products	Product portfolio	
Regulations on loans relating to ESG issues	Audit	
Regulations on investments relating to ESG issues	Active ownership; Investments	
Service quality and customer satisfaction; Protecting customer rights; Digital services	Product and service labeling; Marketing communications	
Information security	Customer privacy	
Compensation and benefits; Promotion of employee health; Care for female employees	Employment	
Employee communication and satisfaction	Labor/Management Relations	
Employee education and training	Training and education	
Recruitment and employee diversity	Diversity and equal opportunity	
Green financial products; Paperless	products and services	
Green accounting	Overall	
Respect for human rights	Non-discrimination; Assessment	
Energy efficiency	Energy	
Carbon-emission management	Emissions	

\* "Information disclosure", "Charitable care", "Corporate volunteers", "Disaster aid", "Care for new immigrants", "Sport promotion", and "Green advocacy" are not listed in the Table because they do not correspond to the GRI G4 Material Aspects.

## 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 investees and borrowers, vendors, CSR experts, and community and NPOs/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	Communication Channels	Organizations, Initiatives or External Communications in 2013
<b>Investors</b>	<ul style="list-style-type: none"> <li>Quarterly corporation/investor meetings</li> <li>Annual shareholders meetings</li> <li>Roadshows</li> <li>Chinese/English websites</li> <li>Instant communication via contact persons and email</li> </ul>	<ul style="list-style-type: none"> <li>CDP (UK): In 2013 Cathay FHC's disclosure score topped all of Taiwan's financial industry. See page 10 for details.</li> <li>Information disclosure and Transparency Ranking and Corporate Governance Ranking: To improve Cathay FHC's information disclosure and corporate governance and respond to investors' expectations, we participated in evaluation conducted by Securities &amp; Futures Institute and TCGA. See page 19 for details.</li> <li>Ernst &amp; Young Taiwan and TAISE: In 2013 Cathay FHC participated in forums held by EY and TAISE as a speaker to share our own experience to assist other companies with regard to non-financial performance disclosure.</li> </ul>
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>Periodic inspections in cooperation with regulatory authorities</li> <li>Communication with regulatory authorities</li> <li>Correct legal compliance</li> <li>Regular disclosure of company information on the Market Observation Post System and company website</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance Forum: Tsai Hong-Tu, Chairman of Cathay FHC, participated in the Corporate Governance Forum and shared his experience and recommendations, thus contributing to the improvement of corporate governance mechanism in Taiwan. See page 18 for details.</li> <li>Business Council for Sustainable Development of Taiwan (BCSD-Taiwan): In 2013 the Company joined the "Energy and Climate Changes Work Group" for Taiwan Corporate Sustainability Forum (TCSF). The Work Group allows it to jointly present relevant proposal to government units. See page 36 for details.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Annual employee satisfaction surveys</li> <li>Annual performance assessments and communication processes</li> <li>Periodic staff/manager interviews</li> <li>Internet platform which provides direct contact with the chairman</li> <li>Internal communication website</li> <li>Physical message boards</li> </ul>	<ul style="list-style-type: none"> <li>Employee Satisfaction Survey: In 2013, Cathay Life Insurance and CUB conducted an employee satisfaction survey. The overall satisfaction level for Cathay Life was 3.9 (out of a maximum score of 5), and that for CUB was 4.52 (out of a maximum score of 6). Other subsidiaries will also begin utilizing questionnaires in order to better understand employee concerns.</li> <li>Taiwan Training Quality System (TTQS): In 2013, Cathay Life, Cathay United Bank, and Cathay Securities implemented the TTQS and obtained Gold, Silver, and Bronze certifications, respectively.</li> <li>"Best Companies to Work For" Award by Taipei City Government: The Company consecutively received the Award in 2012 and 2013.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Annual complaint review meetings at Cathay Life</li> <li>Satisfaction survey by outsourced parties</li> <li>24-hour customer service hotline and email</li> <li>Seminars and conferences</li> <li>Organized the "Best Service Rep" contest</li> <li>Customer services APP</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction: All the subsidiaries had conducted customer satisfaction survey; in 2013 the results improved in most of the subsidiaries. See page 24 for details.</li> <li>BS 10012: 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 "BS 10012: 2009 PIMS" certification. See page 27 for details.</li> </ul>
<b>Key investees and borrowers</b>	<ul style="list-style-type: none"> <li>UK CDP Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>CDP (UK): Cathay FHC is in the first batch of financial institutions in Taiwan that joined CDP. The platform served as a channel for communication with investees and borrowers. See page 10 for details.</li> </ul>
<b>Vendors</b>	<ul style="list-style-type: none"> <li>Contract execution</li> <li>Environmental and social friendly product procurement</li> </ul>	<ul style="list-style-type: none"> <li>Proactive partnership is adopted for specific products in order to support environmentally-friendly products or social enterprises. In 2013 the Cathay FHC's green purchases amounted to NT\$360 million, a growth of 177% compared to 2012. See page 11 for details.</li> </ul>
<b>CSR Experts</b>	<ul style="list-style-type: none"> <li>CSR Committee Assembly</li> <li>Questionnaire for Stakeholders</li> <li>All types of competitions and exchanges</li> </ul>	<ul style="list-style-type: none"> <li>CSR Committee Assembly: Three exchange meetings were held during 2013. The topics included "Energy and Climate Changes Trends", "Impact of Extreme Climate and Composite Disasters on Financial Institutions", and "Pinnacle of Corporate Growth with the Spirit of Sustainability". CSR experts and academics were invited to engage in exchanges with the senior management of Cathay FHC.</li> </ul>
<b>Community and NPO/NGO</b>	<ul style="list-style-type: none"> <li>Charity and cultural events</li> <li>Press conferences</li> <li>Charity donations</li> <li>Involvement in trade associations and organizations</li> <li>Participation in environmental conservation efforts</li> </ul>	<ul style="list-style-type: none"> <li>Taiwan Association of Disaster Prevention Industry (TADPI): In 2013 Cathay Century Insurance partnered with several organizations to establish the TADPI. It was the first cross-industry and comprehensive disaster prevention resources platform in Taiwan. See page 33 for more details.</li> <li>Improved inclusiveness with cooperation with academia and government entities: Developed and promoted micro-insurance, mentally and physically handicapped trust, financial services for the handicapped, long-term care insurance, retirement trusts, and anti-gambling trusts for professional baseball players. See page 40 for details.</li> <li>Promoted school safety: Cathay Century Insurance was the first property insurance company to carry out safety inspection on campuses in 2012. In 2013, the company went one step further by combining campus safety seminars with certification of teachers' further studies, a pioneering move in the industry.</li> <li>Increased influence through existing platform: In 2013 Lin Yuan volunteers numbered 10,827, with total donations from credit card users amounting to NT\$820 million. See page 43 for details.</li> </ul>

## » 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 Secretary-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.

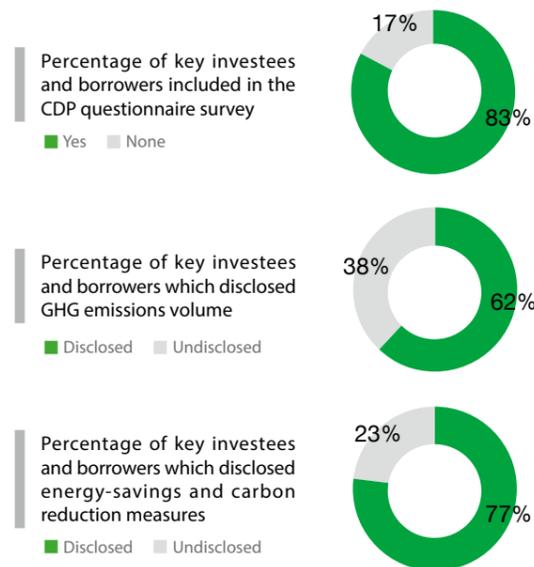
### From Risk-handling to Responsible Investment

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 irradiated property. Likewise, CUB enacted restrictions with respect to security for 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 initiative — 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\$10 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 CSR 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.



\* Key investees and borrowers' is defined as having a bond investment or credit authorization balance of NT\$10 billion or more.

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, MOTC, the project is expected to attract more than 7 million local and foreign tourists each year, generate at least NT\$10 billion in tourism revenue, and create over 2,000 jobs.

Subsidiaries	Item	Amount Invested
Cathay United Bank	Loans to small and medium enterprises	Loan balance: NT\$107.6 billion
	Loans to organizations/businesses in industries related to environmental-protection (including solar energy)	Loan balance: NT\$31.572 billion
	Loans to organizations/businesses in the cultural and creative industry	Loan balance: NT\$27.769 billion
Cathay Life	Investment in public infrastructure and social welfare industries	Investment amount: NT\$20.047 billion
	Loans to organizations/businesses in industries related to environmental-protection	Investment amount: NT\$117.221 billion
Cathay Securities Investment Trust	Cathay Global Ecology Fund	Fund size: NT\$530 million
Cathay Venture	Green/Eco-friendly industries	Investment amount: NT\$176 million

\* "Industries related to environmental-protection" broadly includes environmental protection and clean energy industries such as manufacturing of light-emitting diodes (LEDs), power generation, transmission and distribution machinery, pollution-prevention equipment, wastewater treatment, and offshore power supply.

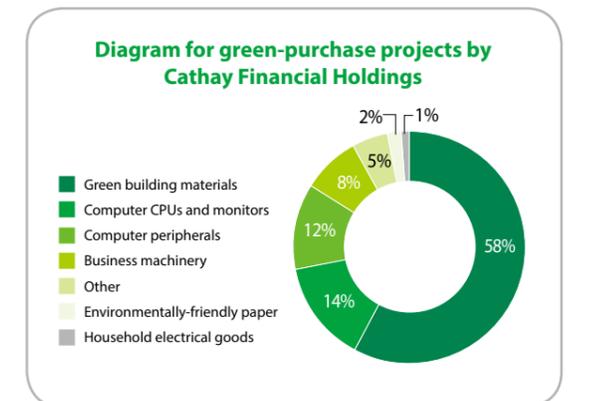
### Vendor Relationship Management

Major vendors in 2013 included insurance brokerages, insurance agencies, building and construction companies, building management and maintenance companies, rental organizations, and information maintenance vendors, most of which 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 a 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\$45 million.
- In 2013, CUB made adjustments to its Lunar New Year gifts by supporting the social enterprise "Buy NearBy" which was established for less than 3 years, with grains from Alishan and rice from Miaoli Yuan all being supplied by 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 Financial Holdings received the "Outstanding Green Procurement Enterprise" Award presented by Taipei City Government and Environmental Protection Administration. In 2013, 'green' purchases amounted to NT\$360 million, a growth of 177% over 2012.

Note : Source : <http://www.dupont.com/products-and-services/fabrics-fibers-nonwovens/fibers/brands/dupont-sorona.html>



**2013  
Key Performance  
Indicators**

**Competition Awards**

- "Model for Environmental Protection" Award from "Global Views Monthly" magazine for CUB's solar energy financing case
- "Global Views Monthly" CSR**
- Cathay FHC was a Top 10 Taiwan Corporate Citizen in 2013 for the first time
- Good Corporate Citizen**
- "Grand Prize for Sustainable Innovation" by Taiwan Institute for Sustainable Energy (TAISE)
- First Prize for Innovation**
- Cathay FHC's 2013 CDP disclaimer points were the highest in Taiwan's financial industry
- Highest CDP score in the Taiwan Financial Industry**



**Positive Changes in Society**

- The group spent NT\$290 million on employees' education and training, and helped employees obtain 100,000 professional certificates
- NT\$290 million**
- By the end of 2013, more than 30 social welfare organizations had received insurance through Cathay providing coverage for more than 10,000 disadvantaged families annually
- 10,000**
- In keeping with public demand, the Company's long-term care insurance covered 52.5% of the market at the end of 2013, making it the biggest in the industry
- 52.5%**
- In 2013, the number of Lin Yuan Volunteers grew to 10,827, and overall event participation rate increased to 105%
- 10,827**

**Operations and Governance**

- Cathay Appointed Two Directors from the Original Board to Serve as Independent Directors, Raising the Proportion of Neutral Directors to 39% in 2013
- 39%**
- Insurance applications via mobile devices accounted for 76.9% of new contracts — a three-fold increase over 2012
- 76.9%**
- Cathay FHC reported a record high profit in 2013 since the 2008 Financial Crisis. A cash dividend of NT\$1.5 per share was distributed, a three-fold increase over 2012
- 3-Fold Increase**
- Cathay Life Insurance recognized as a "Golden Safety" institution and was also certified by BS 10012 (Personal Asset Protection Management System)
- BS10012**

**Environmental Focus**  
(7 Major Targets and Current Progress)

**Green Services/ Goods Targets**

- Solar energy financing extended overseas including establishment of 2 solar-energy sub-branches and development of green products**  
Loans to environmental protection and solar energy industry amounted to NT\$31.57 billion, constituting 6.05% of Cathay United Bank's overall monetary disbursement  
**NT\$31.57 billion**  
Solar power panels installed at 2 branches; projected to generate 3,690 kWh of power  
**3,690**  
Financing of solar energy equipment expanded to overseas market and grew by 5.6 times over 2011 growth, giving the Group the biggest market share in Taiwan  
**5.6 Fold Increase**
- 3-year (2012 to 2014) projected 60% reduction in paper consumption**  
Cathay Life Insurance's action insurance saved 4.76 million papers for Cathay  
**4.76 million**

**Green Management Targets**

- 3-year (2012 to 2014) energy savings of 5%**  
The total amount of voluntary energy conservation measures has reached 27 items, achieving 5.1% energy efficiency over a three-year period  
**27**
- Complete GHG checks in major outlets in Taiwan by 2015**  
Obtained ISO14064-1 certification and completed greenhouse gas audits for 20.6% of key branch offices  
**20.6%**
- Assessment for introduction of ISO 50001**  
Cathay Life is the first Taiwanese life insurance company to implement the ISO 50001 energy management system  
**ISO 50001**

**Green Proposal Targets**

- Continued participation in various proposal activities (See page 36-37 for details)**
- More aggressive response to CDP proposals (See page 10 for details)**

# Challenge

1

## Staying Ahead of the Curve

### Objectives for 2014

Continue to integrate the Group's resources to aggressively develop digital financial services

Actively participate in the First Corporate Governance Evaluation held by Taiwan Stock Exchange

The Overseas Branch Management Guidelines were developed to uniformly implement standardized management principles

Develop The Corporate Governance Practice Principles

16 Identifying Risks and Forging Ahead in a Changing Market

18 Corporate Governance Risks and Response Measures

23 Response to Risk of Accelerating Technological Innovations

24 Response to Risk of Service Quality Management

**Challenge 1**  
**Staying Ahead of the Curve**

90%

After the establishment of business operations in Indonesia, Burma, and Laos, Cathay will have a market presence in 9 out of 10 ASEAN countries.

83%

The Board held a total of 11 meetings in 2013 with an average attendance level of over 83%.

39%

Cathay Appointed Two Directors from the Original Board to Serve as Independent Directors, Raising the Proportion of Neutral Directors to 39% in 2013.

5%

The percentage of shares comprising foreign investment in 2013 increased by 5%.

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 IHS 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 open for 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 Indovina Bank had 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 toward 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\$29.02 billion, while EPS was NT\$2.5, 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\$1.5 per share was distributed, a three-fold increase over 2012.

NT\$23.97 million

CUB successfully stopped 7 cases of fraud, saving our customers from a possible capital loss of NT\$23.97 million.

76.9%

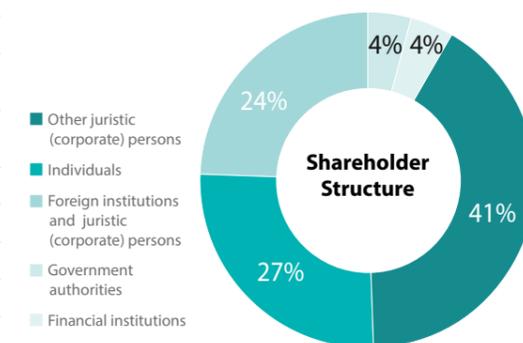
Insurance applications via mobile devices accounted for 76.9% of new contracts — a three-fold increase over 2012.



► **Financial Performance of Cathay FHC**

Fiscal Year	2011 (Note)	2012	2013
Total assets (NT\$, in millions)	5,005,402.8	5,510,952.9	6,076,857.1
Total shareholders' equity (NT\$, in millions)	217,711.6	248,149.2	285,260.1
After-tax earnings (NT\$, in millions)	11,284.5	16,171.9	29,020.1
After-tax EPS (NT\$)	0.98	1.41	2.50
Return on equity (%)	5.13	6.92	10.88
Revenue per employee (NT\$, in thousands)	5,803	8,440	8,606
Profit per employee (NT\$, in thousands)	257	362	652
Return on assets (%)	0.45	0.52	0.70
Number of shares (in millions)	10,358	10,865	11,965
Cash dividends per share (NT\$)	0.2	0.5	1.5
Dividends per share (NT\$)	0.6	0.5	0.5
Book value per share (NT\$)	20.63	22.49	23.49

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



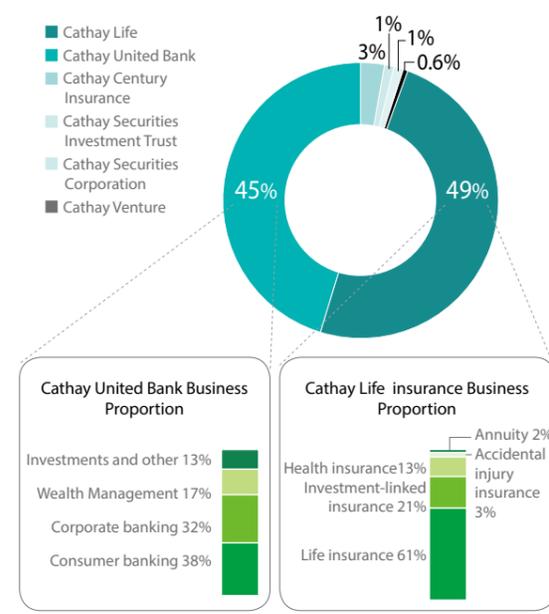
\* To continue to expand and increase profitability, and to cope with the Company's capital demands and long-term financial planning for sustainable operation and stable development, the Company adopts a residual dividend policy.

► Business Performance by Subsidiaries

Company	Business Performance	Primary Products and Services
<b>Cathay Life Insurance</b>	Recorded after-tax earnings of NT\$15.42 billion, delivered outstanding investment performance, and effectively contained hedging cost. Its net worth also hit a record high.	Life insurance, accident insurance, health insurance, annuities, and investment-linked insurance.
<b>Cathay United Bank</b>	Recorded after-tax earnings of NT\$14.63 billion, the best performance in recent years. Its asset has also remained at excellent level.	Wealth management, consumer banking, corporate finance, international finance, e-banking, trust services, investments, and sales of financial products.
<b>Cathay Century Insurance</b>	Secured its position as the second largest non-life insurance company in the Taiwan market in terms of premium income in 2013.	Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance.
<b>Cathay Securities Investment Trust</b>	Reported NT\$424.18 billion in assets under management, making it the largest investment trust company in Taiwan.	Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.
<b>Cathay Securities Corporation</b>	Recorded steady progress in brokerage, underwriting, and other businesses.	Securities underwriting, self-brokerage trading of local and overseas securities, margin financing, securities lending, stock transfer agent for domestic and foreign securities, and futures brokering services.
<b>Cathay Venture</b>	Currently undergoing expansion through a gradual increase of the investment amount individual projects and by targeting companies in the Greater China region.	Investing in unlisted companies with growth potential and assisting in the development of those companies to maximize return on investment.

\* For more information on financial statements, please refer to the Cathay Financial Holdings Shareholder Annual Report 2013 in Appendix 1 (page 122).  
<http://www.corpasia.net/taiwan/2882/irwebsite/index.php?mod=annual>

► Proportion of Revenue by Subsidiaries



\* Business Proportion reveals which subsidiaries contribute the greatest proportion of revenue to the Group.

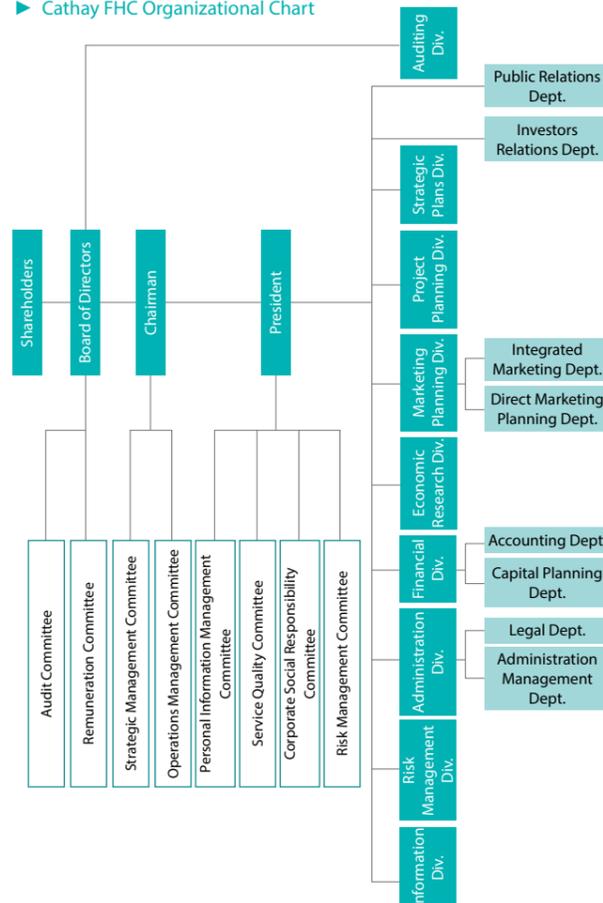
» Corporate Governance Risks and Response Measures

According to the "CG Watch" report of Asian Corporate Governance Association (ACGA) 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 Tsai, was invited to be the keynote speaker at the 9th Taipei 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.

► Cathay FHC Organizational Chart



• Actively Participate in Corporate Governance Evaluation

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 Securities and Exchange 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.

• Raising the Technical Proficiency and Attendance Level of Directors and Supervisors

Cathay FHC's board of directors comprises 10 directors and 3 independent directors. The Board held a total of 11 meetings in 2013 with an average attendance level of over 83%. The Board members possess extensive professional experience in finance, business and management. The age distribution of the members is: 15% aged over 70, 46% aged 60 to 69, and 39% aged below 59. All members are male. The three independent directors are Mr. Min-Houng Hong, former chairman of SinoPac FHC and the incumbent chairman of Taiwan Matsushita Electric, Mr. Tsing-

Yuan Hwang, Chairman of Hon Hai Precision Industry, and Mr. Andrew Ming-Jian Kuo, former president of JPMorgan Taiwan and Hong Kong and incumbent senior advisor for greater China of the Blackstone Group (HK). The three independent directors also serve under the same title on the boards of Cathay subsidiaries, including Cathay Life, CUB, Cathay Century, and Cathay Securities. The two newly appointed external directors also have comprehensive qualifications and are able to provide valuable advice concerning Cathay's long-term development strategy. Meanwhile, Cathay directors and supervisors of proactively participate in training programs to boost their expertise and better understand global trends. In 2013, directors and supervisors each received an average of 13.7 hours of training.

• 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-Wei Joong, 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 subventionally 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.

► Recusal of Directors/Supervisors

Name of Director	Motion	Reason for recusal
Gregory K.H. Wang, Chang-Ken Lee, and David P. Sun	Approval of annual performance bonuses for department/office supervisors and above (including managing directors involved in business operations) and annual special bonuses for senior vice presidents and above.	This motion concerns the interests of the directors listed at left.
Min-Houng Hong, Tsing-Yuan Hwang, and Andrew Ming-Jian Kuo.	Candidates nominated to serve as an independent director of the Company.	This motion concerns the interests of the directors listed at left.
Chang-Ken Lee and David P. Sun	Salary adjustments for the Company's management.	This motion concerns the interests of the directors listed at left.
Min-Houng Hong	Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of National Electric Group (regular assessment).	This motion concerns the interests of the company managed by the director listed at left.
Tsing-Yuan Hwang	Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision).	This motion concerns the interests of the company managed by the director listed at left.
Min-Houng Hong, Tsing-Yuan Hwang, and Andrew Ming-Jian Kuo.	Qualification review of candidates for the Company's independent directors.	This motion concerns the interests of the directors listed at left.
Min-Houng Hong, Tsing-Yuan Hwang, and Andrew Ming-Jian Kuo.	Appointing members of the Company's Second Remuneration Committee	This motion concerns the interests of the directors listed at left.
Ming-Houng Hong, Tsing-Yuan Hwang, Andrew Ming-Jian Kuo, Peter Kwok, Ji-Wei Zhong.	Monthly remuneration of the Company's independent directors and external directors.	This motion concerns the interests of the directors listed at left.
Chang-Ken Lee	Adjustments to management salary, annual special bonuses, and employee stock option cash capital increases.	This motion concerns the interests of the director listed at left.
Ming-Houng Hong, Tsing-Yuan Hwang, Andrew Ming-Jian Kuo, Peter Kwok, Ji-Wei Zhong, and Chang-Ken Lee.	Regular review of the remuneration of the Company's directors and management compensation.	This motion concerns the interests of the directors listed at left.
Hong-Tu Tsai, Cheng-Ta Tsai	Because the persons specified for the Company's 2013 cash capital increase plan are stakeholders, this motion is therefore proposed to be handled in accordance with Article 45 of the Financial Holding Company Act.	This motion does not directly or substantially involve the interests of the director(s) listed at left, therefore recusal is not required. However, for the sake of corporate governance, it is recommended that the directors listed at left voluntarily recuse themselves.

Name of Director	Motion	Reason for recusal
Hong-Tu Tsai	Changes to the company organization, responsibilities, and other adjustments.	This motion does not directly or substantively involve the interests of the director listed at left, therefore recusal is not required. However, owing to the high standards of corporate governance, it is recommended that the director listed at left voluntarily recuse himself.
Jeff Chang, Andrew Ming-Jian Kuo	Discussion of removing the non-competition obligation for Board Director Jeff Chang and one other director.	This motion concerns the interests of the directors listed at left.

► Recusal of Independent Directors

Name of Director	Motion	Reason for recusal
Ming-Houng Hong	Assessment of the "Group/Group Enterprise Loans and Investment Credit Limit" of National Electric Group (regular assessment).	This motion concerns the interests of the company managed by the independent director(s) listed at left
Tsing-Yuan Hwang	Revision to the "Group/Group Enterprise Loans and Investment Credit Limit" of Hon Hai Group and Taiwan Glass Group (regular revision).	This motion concerns the interests of the company managed by the independent director(s) listed at left
Andrew Ming-Jian Kuo	Discussion of removing the non-competition obligation for Board Directors Jeff Chang and Andrew Ming-Jian Kuo.	This motion concerns the interests of the independent director(s) listed at left

• **Linking Remuneration of Directors, Supervisors, and Senior Management to Performance**

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 evaluation and confirmation on director and manager remuneration. The Remuneration Committee held four meetings in 2013 and completed important resolutions, including 2012 director compensation payment, approval of supervisor bonus, regular review and adjustment on remunerations for managing directors and managers involved in the business, and amendments on the Company's "Guidelines for Director Performance Evaluation", "Manager Performance Development Guidelines", "Director Remuneration Guidelines", "Manager Remuneration Guidelines", etc., effectively enhancing the functions of the Board.

• **Regular Monitoring of Business Performance of Overseas Subsidiaries**

Subsidiaries of Cathay FHC 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 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 is "integrity", the Company announced in 2012 the "the Code of Operation Integrity for Cathay FHC", which is based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" released by the Taiwan Stock Exchange (TWSE) and the GreTai Securities Market (GTSM). The

Code states that the Company shall comply with the Company Act, 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.

• **Formulated Code of Ethics and Anti-Corruption Initiatives Aimed at Directors and Supervisors**

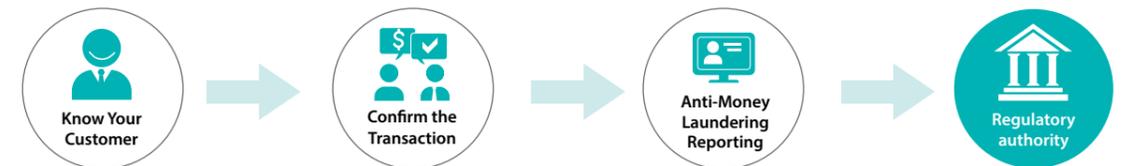
According to the Code of Operation Integrity for Cathay FHC, directors, managers, employees, and entities substantively controlled by the Company, when engaged in commercial activities, are prohibited from directly or indirectly promising, requesting, or receiving any improper benefits, or conducting any other breach of trust, 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 Board, 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 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 substantively controlled by the Company received any improper benefits.

• **Prevention of Misappropriation of Funds**

All CUB financial advisors are required to sign a Work Statement to certify that they understand the Company's work principles, including customer data protection, fair marketing, trading procedures, etc. In order to ensure that premium payments from the customers can be accounted immediately and correctly, Cathay Life set up principles for the service personnel to follow and strictly controls related processes through the system. At the same time, service personnel are trained to conduct payment collection properly.

► Practices of prevention of Cathay Life

Method	Description
Customers are encouraged to pay premiums via automated bank transfer, thereby reducing the manual payment collection and processing.	Customers are encouraged to pay by account transfers or credit cards, or pay at convenience stores. Customers who take the mentioned payment method can enjoy discounts on the premium, while the risk of embezzlement is also effectively reduced. Currently, nearly 90% of premium payment to Cathay Life is done by account transfers.
Strictly monitored process of manual payment collection.	The payment process is monitored and controlled through the computer system, starting from the time when service personnel issue bills to the time the bills are reported collected. Dedicated units are set up to conduct regular inspection and keep abreast of abnormal situations and take responsive actions. Moreover, each receipt given to the sales people is valid only before certain expiration date; the sales will be notified by the system to return the receipt immediately once it's expired, and the service center will follow up with the sales at the same time. If the service personnel are proved having conducted embezzlement, the accused will be dismissed and their supervisors will also be punished.
Implementation of educational training for payment collection.	Supervisors at business units track payment collection handled by the service personnel on a daily bases. In all the administrative centers in Taiwan, dedicated full-time payment advisors are available to provide business units with training on payment regulations and related professional knowledge. Service personnel are also required to take law compliance test regularly.
Proactive disclosure of insurance information.	We proactively send customers "contract status review" annually, providing information on the loans and payment status of all policies under the same policyholder's name. For customers of investment-linked insurance or foreign currency denominated insurance, we provide account statement in accordance with related regulations and proactively provide updates on their insurance status regularly. In addition, policyholders may inquire their recent payment records through the website or mobile device applications.



"Fraud Awareness" Public Video Campaign

With the National Police Agency of the Ministry of the Interior serving as a co-organizer, CUB held a video campaign in 2013 focusing on fraud awareness, which was the first of its kind in the financial industry. CUB distributed and collected 20,000 Fraud Awareness Surveys to the public for the campaign. The results of the survey revealed that 13% of people surveyed believe they "know what a scam is" and that 15% have personally been the victim of fraudulent behavior leading to financial loss. The survey suggests that the public should be better educated to avoid falling victim to fraud. Thirty-six videos were received for the competition, and the best submissions were selected through professional critiques and online voting. A total of 7 videos were selected to receive awards. The creator of the first place video submission was awarded a cash prize of NT\$165,000, a nod to the government sponsored "165" Anti-Fraud Hotline.



**Enterprise Risk Management**

Risk management of Cathay FHC is based on the Enterprise Risk Management (ERM) structure. The "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 is the frontline operational and management units of each subsidiary; the second is the risk management unit, which assists in policy planning, evaluation and supervision; the third is the auditing unit, which examines the status of regulation and mechanism compliance.

• **Active Prevention of Financial Crimes**

All Cathay FHC subsidiaries adopt the "Know Your Customer" (KYC) process, which ensures that the identity of customers is verified. All subsidiaries conduct product adequacy reviews based on the nature of customers' investment and risk classification of the products. Transactions of customers aged over 70 or customers suspected of high risks are monitored and managed. Moreover, we have implemented internal audit mechanisms to monitor special and unusual transactions. A code of conduct and the reward system are stated and explained in the work requirements for employees and relevant regulations of the Company. Cathay also conducts educational training on relevant laws and regulations, such as the Money Laundering Control Act, Personal Information Protection Act, and other related acts. In 2013, 94.8% of Cathay Life employees and 100% of CUB employees completed money laundering prevention training.

With respect to the rapid speed at which information is circulated, the constantly changing landscape for dealing with criminal conduct, and the development of a professional criminal prevention group, Cathay Life and Cathay Century constantly update their fraud prevention methods and set up crime and theft prevention task forces.

In 2013, Cathay Life and Cathay Century proactively assisted the police solve several insurance scams, protecting the interests of all policyholders. On the other hand, CUB assisted the Ministry of Justice Investigation Bureau in identifying 6 cases suspected of money laundering; the bank also successfully stopped 7 cases of scams with our proactive measures in verifying suspected scams at branch counters, saving customers a potential capital loss of NT\$23,970,000. The regulatory authority recognized our efforts and sent an official letter in recognition of our vigilance.

• **Disclosure of penalties and deficiencies. Continuous efforts in sophisticating the internal control and auditing mechanisms**

To effectively control corporate risks, the auditing departments of Cathay keep records 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 are recorded in details. 10 cases subject to discipline levied by the competent authorities were recorded in 2013, and all of them have completed improvement measures.

► Cases Disclosure which are individually subject to a penalty of NT\$600,000 and above

Description of deficiency	Status of the Improvement
<p><b>1</b> In dealing with its real estate business, some board directors of Cathay Life were not recused in business cases where the directors have personal interest. Such behavior was not compliant with item 2, article 4 of the "Regulations Governing Other Transactions beside Loans That Insurance Enterprises Engage in with Related Parties" with the authority of Item 3, Article 146-7 of the Insurance Act. Therefore, Cathay Life was subject to a penalty of NT\$900,000 levied by the Insurance Bureau, FSC in accordance with Item 4-8 of Article 168 of the Insurance Act.</p>	<p>The issue has been corrected. The independent directors have been recused from discussions on transactions with related parties.</p>
<p><b>2</b> In processing its business in deep-out-of-the-money exchange rate options trading, Cathay Life attempted to circumvent the authorized amounts by acquiring investment authorization in several times. Moreover, the related "trading recommendations" document contains only the information of transaction amounts and forecasted exchange rates and does not include information of other trading conditions, such as exercise price and premium. Such behavior is insufficient in risk control and fails to comply with the relevant provisions of the Insurance Act. The company was subject to penalty of NT\$600,000 levied by the Insurance Bureau, FSC in accordance with Item 4, Article 171-1 of the Insurance Act.</p>	<p>The issue has been corrected. The ongoing implementation of regulatory compliance will be ensured; confirmation on the transactions are now processed through hierarchical authorization; the "trading recommendations" for exchange rate options has included information about the range of exercise price and premium for evaluation on the adequacy of the mentioned trading.</p>
<p><b>3</b> In the procedures of policy underwriting, Cathay Life failed to implement insurance notification/query mechanism and financial underwriting mechanism, nor has it proactively identified abnormal cases for investigators' investigation causing insufficiency in preventing moral hazard. Such behavior does not comply with Article 7, Paragraph 1, Subparagraphs 3, 8, and 17 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises. Therefore, the company was subject to penalty of NT\$3,000,000 levied by the Insurance Bureau, FSC in accordance with Item 5, Article 171-1 of the Insurance Act.</p>	<p>The issue has been corrected. The business inspection mechanism has been set up to provide information for IT and business units to verify the accuracy of the data, so as to implement insurance notification/query mechanism. Meanwhile, the "References to abnormal case inspection for policy underwriting officers" has been revised. In the revision, the references to abnormal cases are categorized into two types, "must check" and "check after assessment", for the ease of implementation.</p>
<p><b>4</b> In the board meetings of Cathay Century, some independent directors were not recused in the resolutions on projects where these directors had personal interest in. Such behavior is not compliant with item 2, article 4 of the "Regulations Governing Other Transactions beside Loans That Insurance Enterprises Engage in with Related Parties". Therefore, the company was subject to a penalty of NT\$900,000 levied by the Insurance Bureau, FSC in accordance with Item 4, Article 168 of the Insurance Act.</p>	<p>The issue has been corrected. Since the first meeting of the 7th board of directors on August 30, 2011, the independent directors have been asked to recuse themselves voluntarily from discussions on motions associated with the company's independent directors who also serve as independent directors in subsidiaries 100% owned by Cathay.</p>
<p><b>5</b> In Cathay Century's business operation of "basic residential fire and earthquake insurance", the insurance applications were processed without the signatures of policy underwriting officers. Such behavior does not comply with Article 7, Paragraph 4-2 of the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises. Therefore, the company was subject to a penalty of NT\$600,000 levied by the Insurance Bureau, FSC in accordance with Item 5, Article 171-1 of the Insurance Act.</p>	<p>Improvements completed. The company checks regularly to ensure underwriting officers affix the seal of approval and personally sign the insurance applications. Meanwhile, the guidelines on underwriting process and auditing activities in Article 11 of the "Regulations on policy underwriting for fire insurance of Cathay Century Insurance" was amended.</p>

• **Staying on top of the latest changes in major domestic and international policies and regulations and develop responsive measures**

In response to risks of corporate governance of financial holding companies resulted from significant changes in domestic and international policies, Cathay has completed the revision of its internal control and auditing system based on significant policy changes.

► Internal Adjustments based on significant policy changes

Policy changes	Response measures
<p><b>1</b> The financial industry officially adopted the International Financial Reporting Standards (IFRSs) on January 1, 2013. In order to enhance transparency of enterprise financial information to be in line with international standards, the FSC has made adjustments or amendments to a number of laws and regulations to comply with IFRSs, including the "Securities and Exchange Act", "Securities and Exchange Act Enforcement Rules", "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing Establishment of Internal Control Systems by Public Companies", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", "Guidelines for Certified Public Accountants' Examination and Reporting on Financial Statements".</p>	<p>To comply with the relevant regulations and guidelines for the preparation of financial reports, the Company has completed in 2013 the amendments to the Company's internal system, accounting system and related operational guidelines and regulations.</p>
<p><b>2</b> On June 25, 2013, the FSC amended the "Clarifications on Article 45 of Financial Holding Company Act" to revise, loosen, and expand the coverage of transactions applicable to general authorization in order to respond to the increasingly diverse financial transactions and operational demands of the financial industry, and at the same time sustain the objectives of Article 45 of Financial Holding Company Act.</p>	<p>Relevant departments of the Company have made amendments to the "Guidelines on loans or transactions the Company makes to the interested parties", and the amendments were reported to and approved by the Board on October 29, 2013.</p>
<p><b>3</b> The United States have announced in recent years the "Dodd-Frank Act" and "Foreign Account Tax Compliance Act" (FATCA) to regulate banks and financial enterprises that have branches or investments in the United States.</p>	<p>The Company has formed specified task forces for the respective acts to develop responsive measures.</p>

» **Response to Risk of Accelerating Technological Innovations**

According to the 2014 PwC Global CEO Survey Report, a majority of global business leaders believe that the "accelerating technology innovations" will be the major force driving enterprise transformation. Faced with innovative new trends in technology, Cathay FHC established the Service Quality Committee in 2012 in an effort 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

Subsidiaries	Services
Cathay Life Insurance	Insurance applications via mobile devices accounted for 76.9% of new contracts.
Cathay United Bank	Rate of online banking application of new account rose to 75%, a 13.37% increase compared to 2012.
Cathay Century Insurance	Online insurance applications: 10,617 cases.
Cathay Securities Investment Trust	Online trading of securities: 707,000 transactions.
Cathay Securities Corporation	74.67% of all order placements were made online.

• **One-Stop Shopping: Cathay Launches Financial Services App**

According to the digital opportunity research report of the Research, Development and Evaluation Commission, Executive Yuan in 2013, the percentage of people using smartphones in Taiwan exceeds 50%, while the percentage of using tablet 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 MobiLife allows customers to process services of insurance application and fund investment allocation. CUB-My MobiBank is a highly personalized financial app, not only users may subscribe information on currency exchange and funds, they can also use a variety of convenient financial spreadsheet tools 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 2013, 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.

► Overview of Cathay FHC and its subsidiaries App Features



**Cathay Promotions**

**Cathay Promotions**  
Collections of good bargains

- Promotional events Collection of promotions of the group
- Discounts at partner shops The best bargains at partner shops in Taiwan
- Movie ticket booking Quick movie ticket booking via mobile phones
- Redemption service of bonus points Convenient bonus redemptions on mobile devices

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**My MobiLife**

**Cathay Life-My MobiLife**  
Insurance on the go within a touch

- Policy inquiry Integrated query of policyholder account information
- Online alteration Investment targets conversion, policy loans
- Service network Partner shops LBS guidance
- Policyholder card Easily accessible privileges
- Individual notification Payment, claims progress notification

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**My MobiBank**

**CUB-My MobiBank**  
First mobile banking platform in Taiwan

- Fund portfolio management
- Designated account transfers and payment transfers performance
- Credit card spending and foreign exchange account inquiry

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**My MobiStock**

**Cathay Securities-My MobiStock**  
Mobile trading of securities

- Real-time quotes and financial news
- The index and trading information of individual stocks
- Professional analysis of stock indicators
- Personalized billing inquiry

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**My MobiCare**

**Cathay Century- My MobiCare**  
Best assistant for car accidents

Provides guidance at car accident sites, including positioning, photographing, and sound recording to make a complete record of the accident site to protect the interests of the customer.

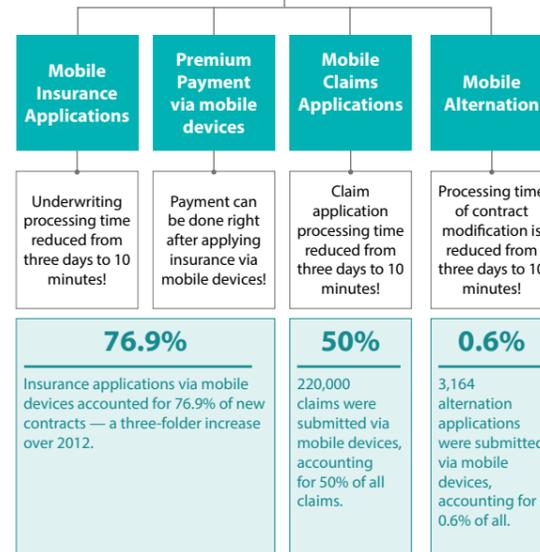
• **The percentage of insurance purchases via mobile devices is the highest in Taiwan**

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 sales people 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.



Cathay Life "Integrated Online Service Center"	CUB Personalized Online Banking												
<p><b>First and only integrated online service center in Taiwan</b></p> <p>Leading the industry to launch the "Integrated Online Service Center", integrating online transactions, advisory services, forms downloads and more to provide up to 30 online trading services. Online service transactions accounts for 18% of total transaction service, a 5.1% increase over 2012 (12.9%).</p>	<p>CUB launched its own customizable interface; users can form their preference interface by "dragging" the function icons. Users may also add the functions they frequently use to the list of My Favorites, making the use of the functions needed much easier!</p> <p>Users may switch the interface into big icon mode, 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.</p>												
<p><b>Integration of online and telephone services</b></p> <p>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.</p> <p>► <b>2013 Performance of Cathay Life Online Services</b></p> <table border="1"> <thead> <tr> <th>Function</th> <th>Forms Download</th> <th>Speak Out</th> <th>Member Area</th> <th>Policy Services</th> <th>Online Consulting</th> </tr> </thead> <tbody> <tr> <td>Frequency</td> <td>74,887</td> <td>37,251</td> <td>22,253</td> <td>20,740</td> <td>11,923</td> </tr> </tbody> </table>	Function	Forms Download	Speak Out	Member Area	Policy Services	Online Consulting	Frequency	74,887	37,251	22,253	20,740	11,923	<p>MyBank 個人化網路銀行 www.mybank.com.tw</p>
Function	Forms Download	Speak Out	Member Area	Policy Services	Online Consulting								
Frequency	74,887	37,251	22,253	20,740	11,923								

» **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 services' 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 highly 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.

**National Brand Yushan Award for "Best Product Category"**

The rate of car accidents is on the rise and consumers are increasingly becoming aware that car insurance rates are increasing. In response, Cathay Century launched the insurance product "Completely Covered" in 2013, which covers damage incurred to third parties, car passengers, and the car itself, providing a comprehensive insurance product for the interests of customers. The product received the 10th Annual National Brand Yushan Award for "Best Product Category".



► **Service Satisfaction for each subsidiary is as follows**

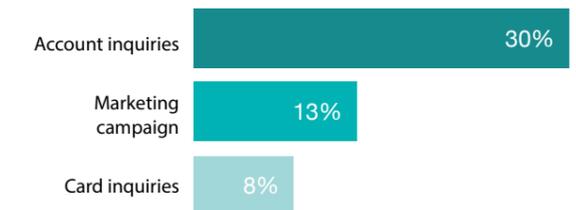
	Cathay Life Insurance	Cathay United Bank	Cathay Century Insurance	Cathay Securities Investment Trust	Cathay Securities Corporation
<b>Satisfaction survey items</b>	Sales agents, telephone customer service centers, service center counters, claim services, and outbound call services	Best Service Rep contest at counter, telephone services, and satisfaction of new customers	Telephone services, claim services, and administrative services	Official website and online transaction options	New accounts, telephone service, salesperson service
<b>2013 Performance</b>	Overall satisfaction of 92% — unchanged from 2012	Average satisfaction of over 90%	Satisfaction of 95.6% — an increased from 92% in 2012	Satisfaction of 83% — an increase from 70% in 2012	Satisfaction after initial implementation already at 90.3%

\* Different survey methods were utilized based on the differences in the counter and voice service arrangement of the subsidiaries; for example, use of external institutional statistics or periodic surveys.

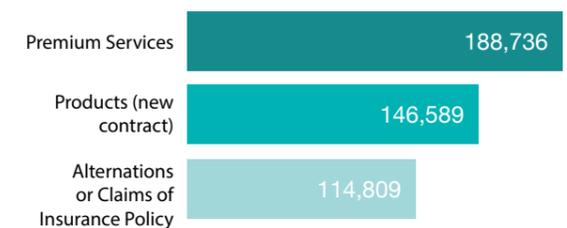
• **Analysis of Caller Questions and Customer Feedback (Voice of the Customer)**

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".

► **Percentage of top three types of inquiries made to Cathay United Bank 0800 hotline**



► **Top three types of inquiries made to Cathay Life 0800 hotline**



## 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 contracts 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 customers contact 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.

## Golden Safety Awarded Enterprise

Cathay Life received the "Golden Security Award" from Joint Credit Information Center in 2013 for its systematic management of vendors and internal training.



## Cathay Life got certified as BS 10012

In addition to being ISO 27001 certified for international information security, Cathay Life incorporated life insurance business, policyholder services, human resources, and information services into the personal information management system before the Personal Information Protection Act came into effect. The Company also worked together with Deloitte & Touche to mobilize all employees to participate in the personal data protection project and eventually passed certification of BS 10012:2009 PIMS - Personal Information Management System on February 27, 2013. This demonstrates Cathay Life's commitment to the security of personal information of customers and has formed a solid foundation of the best corporate governance practice as Cathay Life expands to the international market.

Challenge

2

# Climate Change

Objectives for 2014

• Cathay FHC's major subsidiaries will phase in green financial solutions

• ISO 14001 and ISO 50001 will be implemented in the 12 Cathay Life buildings nationwide by the end of 2014

• Offer employees lectures on energy efficiency and environmental sustainability in 2014

• Continuously approaching seven goals

- 30 Response to Investment Risk of Climate Change
- 32 Response to Operational Risk of Climate Change
- 36 Green Advocacy

Challenge  
2  
Climate Change

**NT\$31.57 billion** The environmental and solar energy sector accounts for 6.05% (NT\$31.57 billion) of all corporate loans from Cathay United Bank.

**Green Energy Vehicle Clause** Cathay Century is the leading insurer to offer Green Energy Vehicle clause.

**4.76 million** Cathay Life's mobile insurance to great effect, reducing paper consumption by 4.76 million sheets.

According to a report published in 2013 by the UK-based risk analysis company Maplecroft, 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 change risk. But in the meantime, the transformation toward a low-carbon economy spells opportunity for businesses with the right mindset.

As a member of the CDP, 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 Maplecroft 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.

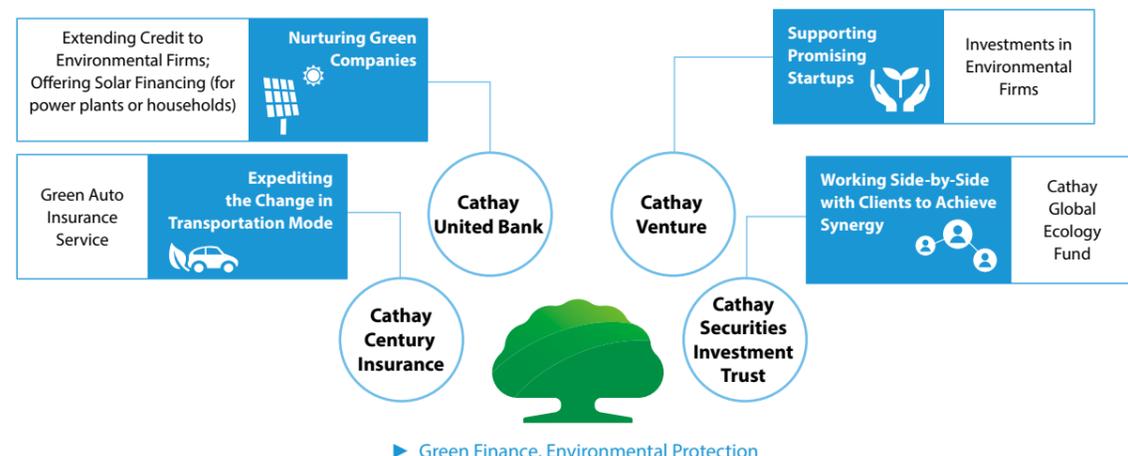
• **Boosting the Green Energy Sector with "Green Lending"**

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 generators, granting loans worldwide that involved nearly 120 MW in solar energy capacity — a 197% year-on-year growth — with 84,213 metric tons CO<sub>2</sub>e (Note 1), which is equivalent to 216 times greater than the annual emissions absorbed by Da'an Forest Park (Note 2). The bank will keep striving toward a win-win situation for itself and the Taiwanese people, authorities, photovoltaic sector, and low-carbon economy.

Note 1: According to the Industrial Technology Research Institute, solar energy equipment in Taiwan generates somewhere between 1,000 kWh and 1,500 kWh per kW. Most of the solar power facilities are located in central/southern Taiwan and produce an annual average of 1,350 kWh per kW. Based on data published by the Bureau of Energy in 2014, CO<sub>2</sub> emissions were cut by 0.522 kg with every kWh of power consumption reduced in 2013.

Note 2: Based on data from the Bureau of Energy which indicates that Da'an Forest Park absorbed 389 metric tons of CO<sub>2</sub> in 2011.



**Emergency Preparedness Platform** Cathay Century and several organizations co-found the Taiwan's first comprehensive, cross-disciplinary emergency preparedness platform

**ISO 50001** Cathay Life is the first Taiwanese life insurance company to implement the ISO 50001 energy management system.

**30%** Cathay SITE's Cathay Global Ecology Fund improved its performance by a 30% year-on-year growth over 2012 in net asset value.

\* A slight discrepancy exists between the 2012 and 2013 solar generator capacity statistics due to the fact that overseas facilities were not included in the 2012 report.

• **Leading Taiwan's insurer and create Green Energy Vehicle Insurance service, to Expedite Changes in Transportation environment**

The primary sources of carbon emissions in daily life are residential energy consumption and transportation. Therefore, in addition to building green energy facilities, the transformation of transportation has become an important issue.

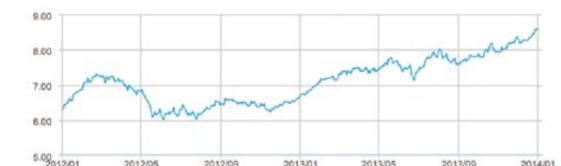
Recently, green energy vehicles have been the mainstream of R&D in automobile industry. In 2013, Cathay Century first introduced — green motor insurance that gives the insured vehicles including hybrid — cars, electric cars and motorcycles, a discount of approximately 10% for the insurance premium except for compulsory automobile insurance.

Green motor insurance saves some cost of the green car drivers for their efforts to save energy and cut carbon emission.

• **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 companies involved in alternative energy, water resources, agricultural products, and bio-technologies. Although the fund was reduced to NT\$530 million by December 31, 2013, its improving performance is exemplified by a 30% year-on-year growth over 2012 in net asset value.

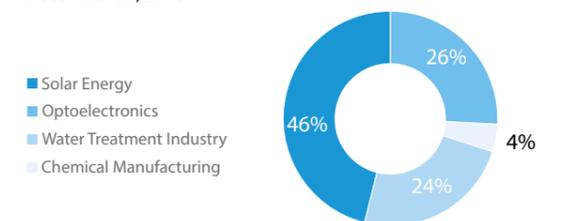
► **Net Asset Value of Cathay Global Ecology Fund**



\* Source: [https://www.cathayholdings.com/funds/funds/introduction/net\\_asset\\_value.aspx?fc=23&st=2&sd=2012/01/01&ed=2013/12/31](https://www.cathayholdings.com/funds/funds/introduction/net_asset_value.aspx?fc=23&st=2&sd=2012/01/01&ed=2013/12/31)

• **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.



## » Response to Operational Risk of Climate Change

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 300% increase over the past five decades. This upward trend is expected to continue. Taiwan, due to its topological 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.

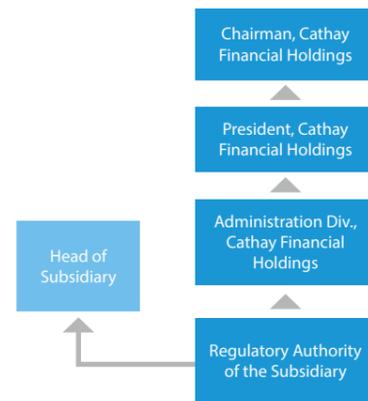
The commitment to playing a leading role in Taiwan's green financing sector leaves Cathay FHC and its extensive nationwide network of branches and subsidiaries concerned about operational risks related to natural disasters and the pursuit of sustainable energy efficiency.

### 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:

#### Disaster Response Mechanism

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.



- \* Business hours: report the disaster within 30 minutes after it occurs (or 30 minutes after the threat is nullified).
- \* Non-business hours: report the disaster before 9:30 a.m. on the first business day after the incident.

#### Disease Response Mechanism

As the outbreak of avian influenza A (H7N9) intensified in 2013, Cathay Life laid down anti-H7N9 measures in line with the Ministry of Health and Welfare's pandemic threat levels. An emergency response taskforce was also in place to grasp the flu's proportions through Cathay Life's internal surveillance system. In the ensuing April, a health education program was implemented via Cathay internal training system to give employees further information on flu prevention.

##### ► Cathay Disease Response Mechanism

Level	Definition	Response
Level 1	No confirmed human cases of the disease.	Establish a disease surveillance mechanism and activate the emergency response taskforce.
Level 2	A confirmed case due to cross-border outbreak is reported.	Activate the internal surveillance system.
Level 3	A secondary, cross-border outbreak happens.	If necessary, front-line employees who develop a fever or other flu symptoms should stay at home.
Level 4	A community-wide outbreak happens but is under control.	All employees must have temperatures taken and wear masks at work every day.
Level 5	A nationwide outbreak happens but is under control.	Consider canceling meetings, training sessions or other activities; paying an advance against health insurance claims.
Level 6	A nationwide outbreak happens.	

### 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 salespersons 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.

##### ► Cathay Life Emergency Claims Service Regarding Pandemics and Natural Disasters

#### Pandemic Emergency Claims Service

1. Certifiable pandemics (e.g., H7N9) will never be an excluded liability;
2. Policyholders will be eligible for an upgrade (i.e., eased claims requirements) once admitted to the negative-pressure isolation room, as is the case with our Intensive Care Unit coverage;
3. Policyholders will receive up to a 7-day advance for medical expenses.

#### Emergency Claims Service Regarding Natural Disasters

1. Free re-issuance 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 (i.e., only the interests are charged) for disaster victims;
5. Fast claims services 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 Committee. Besides the two conferences on extreme climates and complex disasters in August and November 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 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

Establishing an energy/material management system remains a top priority of Cathay even though office buildings, which are the important sites where we deliver output growth, consume far less energy and natural resources than manufacturing facilities. To further control our operational energy and resource flows, Cathay Life and Cathay United Bank have adopted "Green Environment and Sustainability Policies" and "Environmental and Energy Policies" respectively. Cathay Life has also achieved "silver" green building candidate certification for Cathay Landmark, an office complex slated for completion in 2016, in an effort toward urban green architectural renewal.

### • Implementing ISO Management Systems

In order to enhance our environmental management, Cathay Life obtained ISO 14001 environmental management system certification in 2012 — becoming the first Taiwanese financial institute to do so — and Cathay United Bank is expected to follow suit in 2014. In June 2013, both Cathay Life and Cathay United Bank appeared on the Bureau of Energy's list of energy management system for service industry demonstration program, and we have since adopted the ISO 50001 energy management system and energy-saving, high-efficiency technologies.

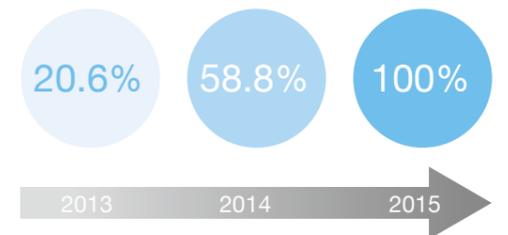
Stepping up efforts to adopt ISO management standards, Cathay Life plans to introduce both ISO 14001 and ISO 50001 to its 12 buildings nationwide by December 31, 2014 and hopefully make tangible, noticeable contributions to environmental and energy sustainability.

### • Management of Operational Energy 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 14064-1 certification, with a plan to conduct GHG inventories at 20.6% of its major sites in 2013 and 58.8% in 2014.

#### Cathay completed Stage 1 GHG inventory in 2013

We plan to conduct GHG inventories at 58.8% of our major sites in 2014.



In 2013, Cathay reported 883.91 metric tons of CO<sub>2</sub>e 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 11,942.01 metric tons of CO<sub>2</sub>e 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% considering that electricity 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 6.0.1) published by the Environmental Protection Administration in November 2013, the values for petroleum and diesel emissions indices were 2.361 Kg CO<sub>2</sub>e/L and 2.615 Kg CO<sub>2</sub>e/L, respectively.

Note 2: Petrodiesel and biodiesel made up 98% (or 209.36 liters) and 2% (or 4.27 liters) of the 213.63-liter super diesel annual consumption of Cathay's emergency generators, respectively. That is, Cathay's consumption of non-renewable petrodiesel and biodiesel (i.e., a bioresource) resulted in GHG emissions of 0.55 and 0.0072 metric tons of CO<sub>2</sub>e, respectively.

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



	2012 (Verified)	2013 (Verified)
Scope 1 Emissions (metric tons CO <sub>2</sub> e)	963.30	883.91
Scope 2 Emissions (metric tons CO <sub>2</sub> e)	5901.85	11,942.01
Total Emissions (metric tons CO <sub>2</sub> e)	6865.15	12,825.92
Total Energy Consumption (GJ)	48,423.19	88,518.51
Energy Consumption Per Capita (GJ/person) (Note 2)	21.93	17.89

Note 1: The verified 2012 annual GHG emissions report indicates 963.30 and 5,901.85 metric tons of CO<sub>2</sub>e in Scope 1 and Scope 2 emissions, respectively. The figures were slightly different compared to the year-earlier public data because they excluded external companies in the Cathay Life HQ (e.g., Deutsche Bank Taiwan) and Cathay United Bank HQ (e.g., Seaward Card).

Note 2: The number of Cathay employee was 2,208 in 2012 and 4,954 in 2013.

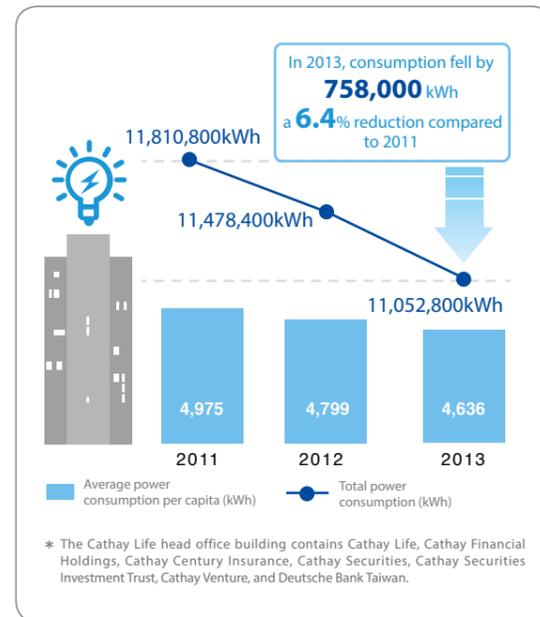
• Three-year Goal to Cut Energy Consumption by 5%

In its 2012 initiative to cut energy consumption by 5% within 3 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,

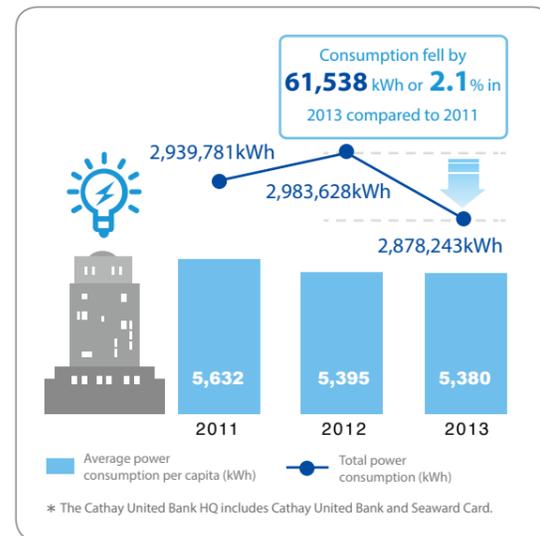
energy-guzzling equipment on the basis of its 2011 annual statistics. The total amount of voluntary energy conservation measures has reached 27, which is expected to save up to 777,239 kWh by the end of 2014, achieving 5.1% energy efficiency over a three-year period.

Cathay's energy efficiency efforts are reflected in the 425,600 kWh (or 1,532.16 GJ; 222.16 metric tons of CO<sub>2</sub>e) drop in Cathay Life HQ's 2013 annual power consumption compared to 2012, as well as Cathay United Bank HQ's 105,385 kWh (or 379.39 GJ; 55.01 metric tons CO<sub>2</sub>e) decrease during the same period.

► Power consumption at Cathay Life HQ building



► Power consumption at Cathay United Bank HQ building



Received Taipei City Energy-Saving Label for Business Buildings

Under Taipei City Government's "Energy Label" program for business buildings in 2013, both the Cathay Life HQ and Cathay Financial Center were awarded the Energy Label for their good Energy Use Intensity (EUI) values and constant implementation of energy efficiency measures.



Two Solar Branches

While renewable energies are excluded from our GHG inventories, Cathay conducted several assessments before installing 160 solar panels at two CUB branches known for ample sunshine (i.e., the Mingcheng branch in Kaohsiung and Tainan branch), occupying an area totaling 81 ping (267.3m<sup>2</sup>). The project will produce an estimated 3,690 kWh of power per month.

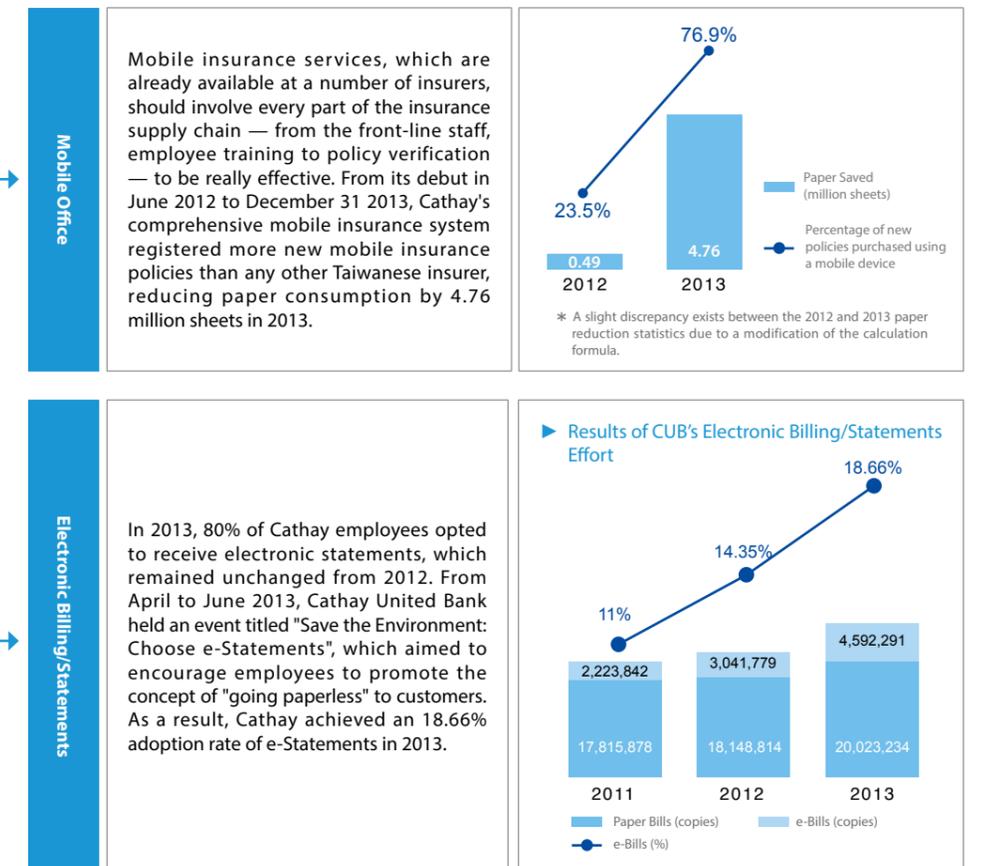


• Management of Operational Material Flow



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 60% 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

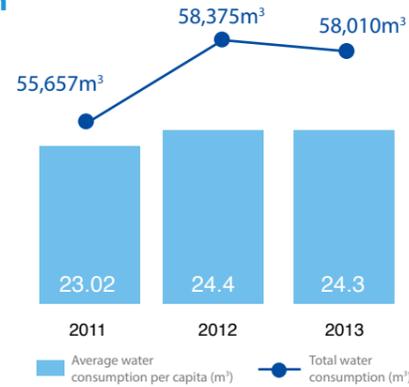
later. This was a huge stride toward achieving Cathay's initial goal of steadily reducing paper use through adoption of e-insurance, electronic forms, and other efforts. In addition, Cathay FHC has required all of its subsidiaries to use paper that have earned sustainable forest management certification by the FSC.



## Water Consumption

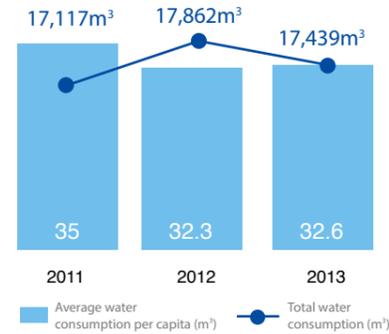
Relying solely on Taiwan Water Corporation for water supply, Cathay's operations have a negligible effect on water resources. The 2013 annual water consumption of Cathay Life HQ totaled 58,010 m<sup>3</sup> (or

▶ Cathay Life HQ water usage



24.3 m<sup>3</sup> per capita), a 0.6% year-on-year decrease. The Cathay United Bank HQ used 17,439 m<sup>3</sup> of water (or 32.6 m<sup>3</sup> per capita) in 2013.

▶ Cathay United Bank HQ water usage



## Recycling

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

▶ Cathay Life HQ Recycling (kg/year)

Recyclables	2012	2013
Batteries	121.4	1,347
Paper	44,870	48,360
Plastics	620	807
Articles of Metal	373	559

of metal are also available on each floor of our office buildings. The following table shows the 2013 annual amount of recycled batteries, CDs/DVDs and cell phones at Cathay Life and Cathay United Bank HQ.

▶ Cathay United Bank HQ Recycling (kg/year)

Recyclables	2011	2012	2013
Batteries	4.43	4.65	4.5

## Green Advocacy

### • Advocacy for Climate Change

Throughout 2013, Cathay FHC enthusiastically participated in surveys conducted by the CDP — as a Taiwanese signatory and sponsor — and joined the Energy and Climate Change Taskforce of Taiwan Corporate Sustainability Forum (TCSF) in April, hoping to submit proposals to the authorities following discussions with 18 local companies in the financial sector and beyond.

Cathay FHC raised public awareness of the environmental impact of climate change by sponsoring both the "Secrets behind the Ice" event HAND e.V. launched in September 2013 and the Environmental Protection Administration's "War on Climate Change" in November, which saw the Cathay Life team beat rivals (including delegations from other Cathay subsidiaries or volunteers organized through group-wide internal promotions) and win the championship!

▶ 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.



### • Advocacy Campaigns for Energy Efficiency

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, 524 members of Cathay's energy efficiency staff attended 4 speeches the group co-organized with the Foundation of Taiwan Industry Service and Taiwan Green Productivity 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.

▶ Cathay FHC supported the Ministry of Economic Affairs' summer energy efficiency program.



### • Recycling Advocacy

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.

Moreover, the "Cathay Family Eco-fair" in June 2013 featured free eco-themed DIY projects, games and a recycling-themed raffle that saw 4,200 batteries and compact discs recycled by thousands of participants with family members in tow.

▶ Results of the "Donate Recyclables and Win Cathay FHC's Diamond of Joy" Event

Type of Item	Unit	Amount Recycled
Batteries	Bags	6,253
Books	Volumes	9,622
Toys	Pieces	785
Total		16,660

### • Environmental Advocacy

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 arboreal 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."

▶ Cathay FHC worked with the Sunny Rich Agric Biotech to hold the "Healthy Green Farming: Generate Electricity with Pingtung's Solar Greenhouse" event.



# Challenge

## 3

### A Changing Society

#### 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 the Performance and Compensation Optimization program for all subsidiaries by the end of the year

Implement AG2.0 at all Cathay Life operations nationwide



- 40 Response to an Aging Society and Wealth Inequality
- 43 Response to the Risk of a Shrinking Talent Pool in the Financial Industry
- 47 Building Employee Loyalty for Sustainable Competitiveness
- 50 Social Initiatives

**Challenge 3**  
**A Changing Society**

**10,000**

By the end of 2013, more than 30 social welfare organizations had received insurance through the Cathay Group, providing coverage for more than 10,000 disadvantaged families annually.

**AA Grade**

Cathay Life and Cathay United Bank both have disability-friendly websites and are certified with an AA Grade by RDEC.

**52.5%**

In keeping with public demand, the Company's long-term care insurance covered 52.5% of the market at the end of 2013, making it the biggest in the industry.

**NT\$680 million**

In 2013, Cathay Life Employee Benefit Committee spent upwards of NT\$680 million on employee benefits.

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 2025. Meanwhile, economic growth will widen the gap of wealth distribution and worsen the work-life imbalance that many people already 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 can 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 subsequent 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 socially disadvantaged by offering more affordable basic protections. By the end of 2013, more than 30 social welfare organizations had subscribed to Cathay Life's microinsurance products, representing 35% of the total market and making Cathay Life the number one provider in terms of market share in Taiwan. Our microinsurance products now provide a total insured sum of more than NT\$12 billion and help protect more than 10,000 disadvantaged families each year from risks associated with accidents.

• **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.



**10,827**

In 2013, the number of Lin Yuan Volunteers grew to 10,827, and overall event participation rate increased to 105%.

**NT\$820 million**

In 2013, a total of NT\$820 million was donated through the credit card donation program to social welfare organizations.

**NT\$290 million**

The group spent NT\$290 million on employees' education and training, and helped employees obtain 100,000 professional certificates.

**NT\$290 million**

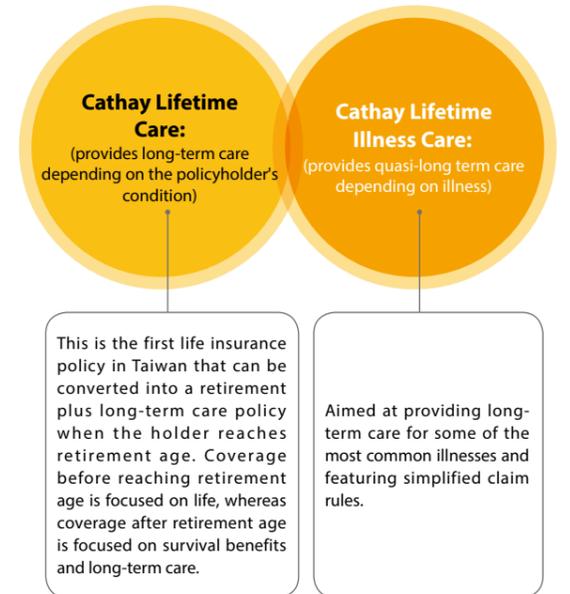
In 2013, Cathay and its philanthropic arm spent a total of NT\$ 290 million on charity.

CUB also launched its "Disabilities Trust" in 2003 in collaboration with the Hsinchu City government and Taoyuan County government to safeguard 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 sales team 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 ATMs 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 more accessible to people with visual disabilities. In the meantime, Cathay Life and CUB have both maintained disability-friendly web pages that are AA certified by the Research, Development, and Evaluation Commission (RDEC).

**Cathay Life's New Long-term Care Insurance Products in 2013**



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

• **Developing Long-term Care Insurance that Tends to the Needs of Society**

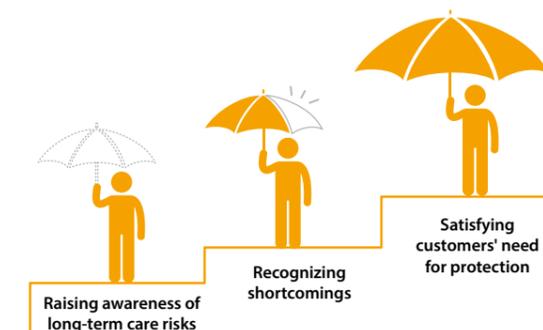
Although the average life expectancy of people in Taiwan continues to grow, nearly 20% of senior citizens aged 65 and above are disabled in one way or another and require long-term care for as many as 7.3 years on average. Cathay Life's "Long-term Care Insurance", now in its third iteration since it 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 institutions, representing a market share of 52.5%.



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 funds 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.

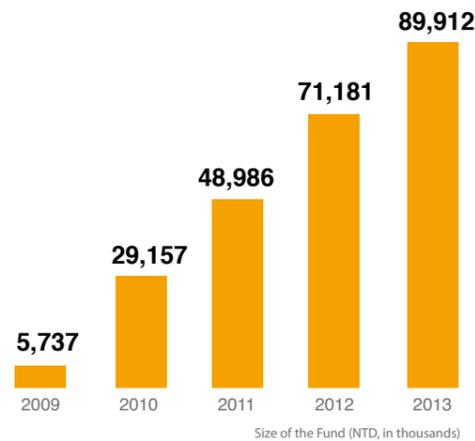


## Filling in Gaps in the Social and Legal System

### • The Only Professional Baseball Anti-Gambling Fund Aimed to Eliminate Game Rigging

In 2013, Chinese Taipei national baseball team made it to the quarterfinals of the World Baseball Classic for the first time, which not only set records for the best performance in history, but once again brought out more fans to the Chinese Professional Baseball League (CPBL) games. In the meantime, however, baseball fans were equally concerned about the recurrence of game-rigging that once tainted the credibility of the nation's beloved sport. In an attempt to restore the confidence of fans, CUB worked with the players association CPBL and teams in setting up the nation's only "CPBL Gambling Prevention Fund." This fund was established as a retirement fund for players, which tackled head on the problem that baseball players are not considered a profession recognized for the new statutory pension scheme. By the end of 2013, the size of entrusted assets grew to NT\$89,912,313.

#### ► Effectiveness of CUB's CPBL Gambling Prevention Fund



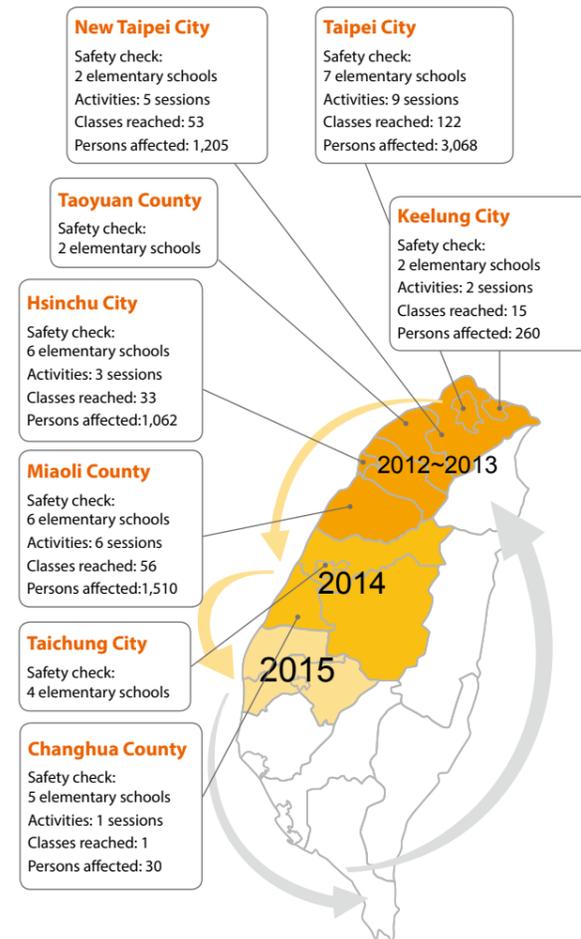
### • National Safety Standards for Children in Schools

The core mission of Cathay Century Insurance (Cathay Century) is loss prevention. After analyzing approximately 600 claims made against Cathay Century's "Accident and Liability Insurance for High Schools and Below Including Kindergartens," we discovered that campus accidents were most frequent in elementary schools and during sports and recreational activities, accounting for 38% of all incidents.

For this reason, we introduced a series of campus safety inspections starting in July 2012 and became the first insurance company to evaluate campus safety using CNS12642, the national safety standard. By the end of 2013, the company had inspected 40 elementary schools and prepared a full "Recreational Facility Safety Inspection Report" for every campus inspected, and hence provided them with the guideline for future improvements. In an attempt to provide care for disadvantaged students, Cathay Century had also assisted school administrations in replacing protective mattresses. The mattress enhancement program benefited 4 schools in 2012 and 8 schools in 2013, the program was further expanded to benefit institutions located in remote areas and those that are under-budgeted.

For the purpose of improving campus safety, we also organized annual safety seminars, during which we shared real case studies and experiences. In order to rally participation by a greater number of teachers, we spent nearly six months in 2013 to

develop 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.



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.

## Expanding Influence through Existing Platforms

### • Mobilizing Corporate Volunteers Nationwide through Our Broad Service Coverage

Lin Yuan Volunteers, an association independently assembled by employees, cares for social and environmental issues and is devoted to charitable efforts. In 2013, Lin Yuan Volunteers volunteered a total of 10,827 times to help people nearly 1,600 times through activities such as donation of supplies, tuition, and medical expense subsidies. The event participation rate of volunteers also increased from 62% last year to 105% in 2013, showing that many volunteers were repeatedly involved in numerous activities.

In 2013, Typhoon Soulik hit Taiwan and caused 3 deaths, 123 injuries, and 1 missing person. The volunteer group developed a response system specifically aimed at seasonal disasters such as typhoons to allow immediate mobilization of volunteers to travel deep into disaster zones to report, assess, and help local residents rebuild.



### • Credit Card Donation and the Reward Point Donation Program

In an attempt to encourage people to shop and do charity at the same time, CUB has developed a reward point donation program that channels cardholders' love to social welfare organizations of their desire. For every NT\$20 spent, credit card holders are given 1 reward point (or 2 points for certain card types); for every 2,000 reward points accumulated, cardholders may redeem donations worth NT\$120 to an extensive list of beneficiaries including Cathay United Bank Culture and Charity Foundation, Genesis Social Welfare Foundation, Children Are Us Foundation, Eden Social Welfare Foundation, and Catholic Foundation of Alzheimer's Disease and Related Dementia. In 2013, 846 reward point donations were made for a total of NT\$437,000. Meanwhile, a total of NT\$820 million were donated via credit card transactions and channeled to social welfare organizations specialized in caring for the physically/mentally disabled, disadvantaged children, and women in distress.

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

The decreasing school-aged population, widening gap between academic teachings and actual industry applications, as well as the ongoing flight of talented financial professionals in Taiwan will ultimately impact both the quantity and quality of available human resources. In response to these trends, Cathay FHC and our subsidiaries continued to implement a "Performance and Compensation Optimization" program in 2013 and introduced comprehensive training for all employees. In addition, special focus has also been directed toward leadership skills with the introduction of the "Leadership Development Program."

## Diverse Employment Opportunities and Equitable Salaries

By the end of 2013, Cathay FHC had a total of 40,439 employees and was one of the constituents of the "Taiwan Employment Creation 99 Index." This recognition by the Taiwan Stock Exchange Corporation highlights our devotion to creating employment opportunities and nurturing employees in Taiwan. Also, we are committed to bringing more varieties into our talent base while ensuring equal employment rights. In 2013, female employees accounted for 73% of total employees, whereas female managers accounted for 31% of total managers. Salary levels for male and female employees of all grades were approximately 1:1. Furthermore, we hired disabled persons in excess of the statutory requirement, who represented 1.06% of total employees in 2013. Lastly, we continue to work with the Chinese Association of Blind Massage Therapists by employing the services of 13 blind masseurs. Our dedication was recently recognized among enterprises in Taipei City when Cathay Life was presented with the "Excellence Award" certification mark by the Taipei City Government Department of Labor for having exceeded the employment quota of disabled employees.

To improve the local job market and to protect the rights and interests of local workers, we practice a policy of giving local employees first priority when hiring. In Taiwan, for example, 93.5% of senior management comprises citizens of the Republic of China. Salaries and remuneration are determined based on each employee's responsibilities, academic background, skill set, and work performance regardless of gender. Moreover, all new recruits are offered a basic salary that exceeds the minimum wage: entry-level employees are paid approximately 1.26 times the statutory minimum. Cathay FHC has complied with the requirements of the Labor Standards Act by formulating specific work rules that protect employee rights. Our work rules clearly stipulate that employees are to be given a 10-day advance notice, paid leave of absence, and redundancy pay calculated according to seniority in the event that the company must undergo a major structural change in operations.

All employees of Cathay FHC and subsidiaries are subject to performance and career development reviews. In order to stay competitive in attracting, inspiring, and retaining talented workers, the group continued to implement its Performance and Compensation Optimization program in 2013, which is aimed at setting employee salary levels based on performance and competency. At present, Cathay FHC, CUB, Cathay SITE, and Cathay Securities have all adopted this new practice.

► Full-time Employees by locations

Company	Taiwan		Overseas		Total
	Female	Male	Female	Male	
Cathay FHC	91	54	0	0	145
Cathay Life	23,550	6,729	8	95	30,382
CUB	4,596	2,602	10	58	7,266
Cathay Century	931	927	1	37	1,896
Cathay Securities	258	240	0	0	498
Cathay SITE	130	109	0	0	239
Cathay Venture	4	9	0	0	13
<b>Total</b>	<b>29,560</b>	<b>10,670</b>	<b>19</b>	<b>190</b>	<b>40,439</b>

\* 0.05% of our employees are females working overseas and 0.47% are males working overseas; 73.10% are females working in Taiwan and 26.38% are males working in Taiwan.

► Cathay FHC 2013 Salary Comparison Sheet

Level	Average monthly salary comparison (male:female)	Average annual salary comparison (male:female)
Senior manager	1:0.93	1:0.93
Mid-level manager	1:1.02	1:1.02
Entry-level manager	1:0.96	1:0.96
Other	1:1	1:1

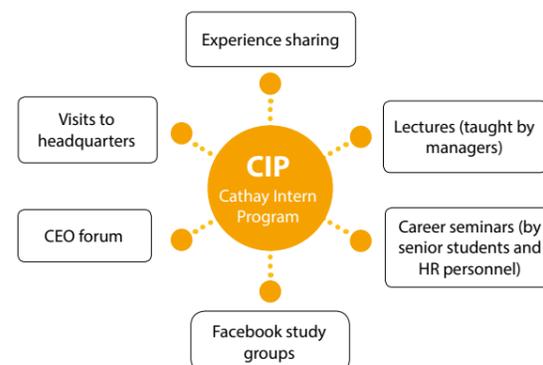
► Managers/General Employees by Age and Gender

Company	Position	Female			Total	Male			Total
		Aged 30 and below	31-49	50 and above		Aged 30 and below	31-49	50 and above	
Cathay FHC	Manager	0	15	1	16	0	12	7	19
	General employees	28	48	0	76	2	32	0	34
Cathay Life	Manager	16	120	106	242	19	455	270	744
	General employees	3,001	11,854	8,461	23,316	1,975	3,136	969	6,080
CUB	Manager	1	234	58	293	0	222	99	321
	General employees	1,136	3,107	70	4,313	415	1,789	135	2,339
Cathay Century	Manager	0	14	1	15	0	148	41	189
	General employees	329	552	36	917	166	530	79	775
Cathay Securities	Manager	0	6	3	9	0	20	15	35
	General employees	50	195	4	249	25	172	8	205
Cathay SITE	Manager	0	9	0	9	0	19	4	23
	General employees	20	101	0	121	6	73	7	86
Cathay Venture	Manager	0	1	0	1	0	1	0	1
	General employees	0	3	0	3	0	8	0	8
<b>Total</b>	Manager	17	399	169	585	19	877	436	1,332
	General employees	4,564	15,860	8,571	28,995	2,589	5,740	1,198	9,527

\* 31% of managers are female and 69% are male; 75% of general employees are female and 25% are male.

Selecting Top Talent by Recognizing Academic and Work Achievements

We organize annual "Banking and Insurance Camps" and "Cross-strait Finance Seminars" on an annual basis to help finance students understand more about real-life applications. Meanwhile, Cathay Life has collaborated with academic institutions (e.g. Fu Jen Catholic University Department of Information Management, Tamkang University Department of Insurance, and National Chengchi University Department of Risk Management and Insurance) and offered long-term internships in an attempt to recruit talents that are key to the operations of a life insurance company, such as policy underwriting, claims, and IT. The internship program includes trainings on business practices as well as teamwork.



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 process, 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.

► Employees by Education Level

Company	Master's Degree and above	University/College	High school / Vocational school and below	Total
Cathay FHC	95	47	3	145
Cathay Life	1,707	13,233	15,442	30,382
CUB	1,175	5,944	147	7,266
Cathay Century	213	1,439	244	1,896
Cathay Securities	116	349	33	498
Cathay SITE	103	132	4	239
Cathay Venture	9	4	0	13
<b>Total</b>	<b>3,418</b>	<b>21,148</b>	<b>15,873</b>	<b>40,439</b>

\* University/college degree holders represented the largest group of employees in Cathay FHC at 52%, followed by high school/vocational school graduates and below at 39%, and master's degree holders and above at 9%.

► New Recruit Statistics

Company	Gender		Age			Region		Total new recruits persons resigned in the current year (female/male)
	Female	Male	30 and below	31-49	50 and above	Taiwan	Overseas	
Cathay FHC	7	3	4	6	0	10	0	10(0/0)
Cathay Life	303	151	383	71	0	454	0	51(33/18)
CUB	661	440	619	482	10	1,099	2	185(123/62)
Cathay Century	131	85	162	53	1	216	0	20(13/7)
Cathay Securities	58	61	20	95	4	119	0	12(4/8)
Cathay SITE	10	12	4	18	0	22	0	0(0/0)
Cathay Venture	0	0	0	0	0	0	0	0(0/0)
<b>Total</b>	<b>1,170</b>	<b>752</b>	<b>1,192</b>	<b>725</b>	<b>15</b>	<b>1,920</b>	<b>2</b>	<b>1,922(173/95)</b>

\* Owing to the unique nature of the sales forces of Cathay Life and Cathay Century, they are not included in the data for new employees.

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 have not only raised employees' loyalty, but spread the company's business philosophy as well. A total of 59 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.



To further refine the quality and effectiveness of our training efforts, subsidiaries of Cathay FHC have been actively implementing "Taiwan Train Quality System (TTQS)," which provides employees with professional guidance on how to associate trainings with their career development. The life insurance, banking and securities subsidiaries were rated gold, silver and bronze, respectively, in 2013 under the system, making CUB the first and only bank to have training quality rated silver.

► Employee Training Statistics

Company	Average employee size		Total training hours		Training hours per person	
	Female	Male	Female	Male	Female	Male
Cathay FHC	50	83	708	1,316	14	16
Cathay Life	6,979	23,848	394,893	1,043,419	57	44
CUB	2,595	4,488	118,681	205,257	46	46
Cathay Century	918	870	58,714	56,614	64	65
Cathay Securities	229	248	6,139	8,534	27	34
Cathay SITE	107	125	1,956	2,392	18	19
Cathay Venture	9	4	35	26	4	7

\* Includes classroom-based, media-based, and online courses, and all training activities held in Taiwan and overseas; does not include daily morning briefings.  
\* Statistics had yet to be distinguished between general employees and managers in this year; the distinction will be made from 2014 onwards.

► Employee Turnover Statistics

Company	2013 Average employee size	2012 Turnover rate	2013 Turnover rate	Gender		Age			Region		Total
				Female	Male	Aged 30 and below	31-49	50 and above	Taiwan	Overseas	
Cathay FHC	133	1.63%	7.52%	4	6	3	7	0	10	0	10
Cathay Life	4,942	4.19%	4.67%	137	94	141	87	3	224	7	231
CUB	7,083	6.91%	7.03%	292	206	229	260	9	494	4	498
Cathay Century	1,409	9.23%	6.27%	46	42	46	41	1	88	0	88
Cathay Securities	470	30.32%	18.09%	54	31	26	55	4	85	0	85
Cathay SITE	232	11.89%	4.31%	4	6	3	7	0	10	0	10
Cathay Venture	13	7.14%	0.00%	0	0	0	0	0	0	0	0

\* Cathay Life and Cathay Century are not included in the data due to the unique nature of their sales forces.  
\* Formula for turnover rate: (total number of resignations/average employee size)x100%

• Continuing Education for Employees

In addition to owning 3 Education Centers and 13 Training Facilities, we have also deployed an online learning network (CSNM) 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.

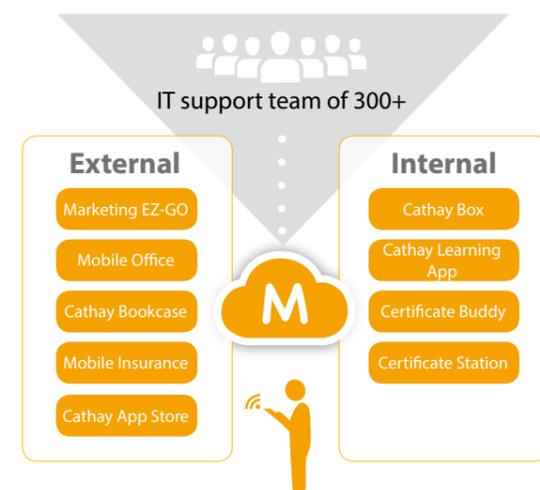
sponsored employees to purchase iPads and assembled an IT support team of 300 staff to develop the "Cathay Learning App," "Certificate Station," and a mobile platform that enables self-motivated learning. To help enhance employees' service quality, we have developed a number of mobile applications based on its operating procedures that employees may use to simulate working environment on the go. Cellphone applications such as "My MobiLife," "Mobile Office," "Mobile Conferencing," "Cathay Bookcase," "Marketing EZ-GO" and "Mortgage Marketing Tool" helped Cathay Life achieve a mobile deal success rate of 72.3%, the highest among peer institutions.

► Internal instructor statistics

Company	2012	2013
Cathay Life	54	56
CUB	117	310
Cathay Century	2	2
Cathay Securities	35	12

• 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



• 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 "AG2.0" (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 unison of internal management practices.

Furthermore, to improve managers' management efficiency, we have organized an enhancement program named "360 Communication" where managers get to learn the strengths and weaknesses of their leadership, and are guided to solve

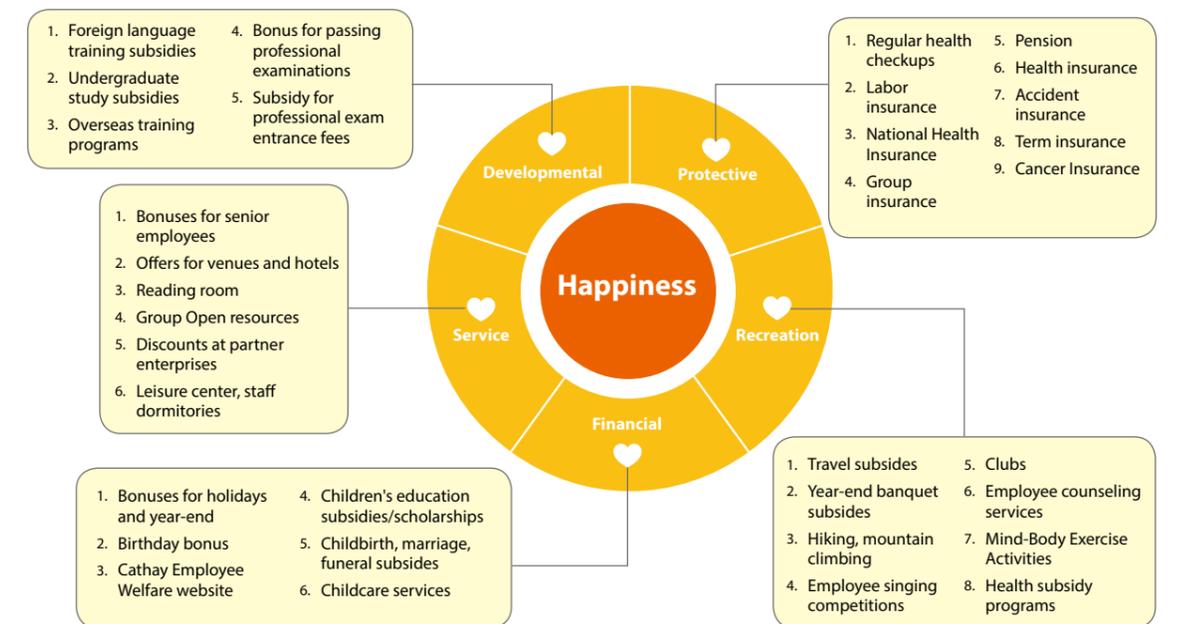
problems and learn ways of leading their teams to deliver greater performance. Through feedbacks from line managers, colleagues and subordinates, managers were able to identify areas of improvement and ways of developing leadership skills.

» 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 40,439 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 takes care of its employees. In 2013, Cathay Life Employee Benefit Committee spent upwards of NT\$680 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.



• **Safeguarding the Rights and Interests of Employees**

Each subsidiary's Auditing Division has adopted the practice of cross-auditing each other 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 childcare needs, 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 8.53‰; our employees, however, averaged a crude marriage rate of 22‰ and a crude birth rate of 26‰, both of which were several times above the national average. This data shows that the company strongly supports employees' families.

► **Childcare Leave Statistics**

Company	Number of employees on unpaid parental leave		Number of reinstatement		Reinstatement rate	
	Female	Male	Female	Male	Female	Male
Cathay FHC	1	0	1	0	100%	0%
Cathay Life	79	4	41	2	52%	50%
CUB	91	9	36	3	40%	33%
Cathay Century	15	2	7	0	47%	0%
Cathay Securities	9	1	3	1	33%	100%

\* The actual number of reinstatements includes early reinstatements.  
\* Cathay Life sales force was excluded from the statistics due to their unique job nature; Cathay SITE and Cathay Venture were not listed as no childcare leave was taken in 2013.

► **Family Care Leave Statistics**

Company	Family care leave		Maternity/paternity leave		Menstrual leave
	Female	Male	Female	Male	Female
Cathay FHC	0	0	3	1	0
Cathay Life	37	8	521	171	5,041
CUB	88	25	134		520
Cathay Century	1	1	37	54	34
Cathay Securities	4	0	16	13	17
Cathay SITE	9	3	6		42

• **Domestic Reassignment Subsidies**

In July 2013, we began assisting employees who are reassigned to an office in another part of the country by subsidizing monthly hotel accommodations and/or individual home rentals, moving expenses, and transportation costs. Family members who accompany employees are also partly subsidized, enabling employees to rest easy when working knowing that their family is being taken care of.

• **Increased Family Assistance for Employees Stationed at Overseas Branches and Offices**

Cathay FHC's goal of becoming one of the leading financial institutions in the Asia-Pacific is also contingent on the hard work of its overseas employees. In order to provide employees with the strongest support, Cathay FHC has taken the initiative to review and revise its subsidies granted for employees working in Shanghai, Hong Kong, and Malaysia since 2013, so that employees are able to maintain good living standards when stationed at the frontier of the global market.

**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 employer-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 3.9 (on a scale of 5, based on a 59% response rate), while CUB employees gave an overall satisfaction of 4.52 (on a scale of 6, based on a 46.46% 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 management, 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 organizes trainings for the health and safety supervisor and on-site paramedics. Indoor CO<sub>2</sub> 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**

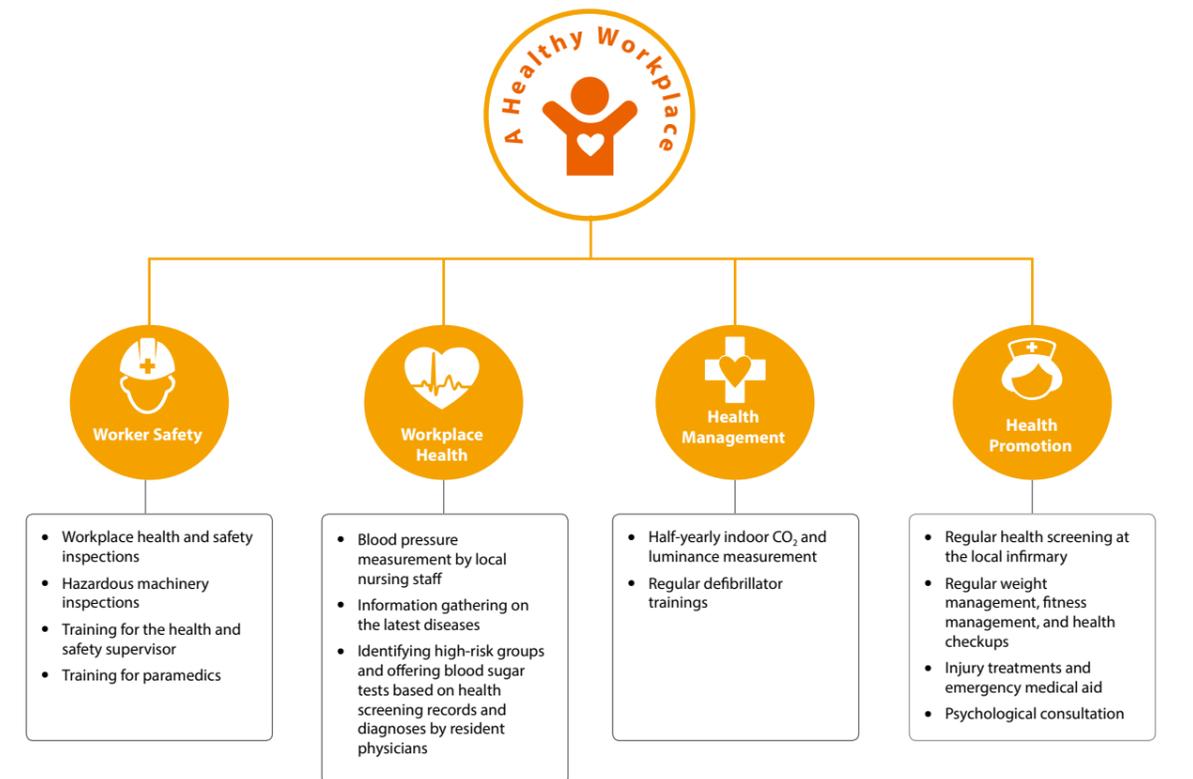
Company	Occupational injuries	Occupational deaths	Lost working days	Frequency of disabling injuries	Severity of disabling injuries
Cathay Life	14	0	311	0.23	5.2
CUB	19	0	93	3.93	19.21
Cathay Century	18	0	124	4.83	37.5

\* There were 51 occupational injuries in 2013; no such incidents occurred at Cathay FHC, Cathay Securities, Cathay SITE, or Cathay Venture.  
\* Cathay Life is not included in the data due to the unique nature of its sales force.  
\* Occupational injuries and deaths include those that were suffered while commuting and during work activities outside normal hours.  
\* The number of work days lost includes Saturdays and Sundays.  
\* The increase in frequency was due to the inclusion of commuting injuries into current year's statistics, and the fact that more occupational incidents had indeed occurred in 2013.  
\* The number of injuries, deaths, lost working days, incident frequency, and severity are based on the standard million working hours defined by the Council of Labor Affairs for the workers compensation statistics.

► **Absence Statistics**

Company	Absence rate
Cathay Life	1,012
CUB	513
Cathay Century	1,187

\* The absence rate is based on the 200,000 working hours under the GRI formula. Calculation of absence rate: total absent days (or work days lost)/(average employee size x 220 working days) x 200000 working hours.



## » 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\$9.73 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\$8,592,503 (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

## GRI(Global Reporting Initiative)G4.0 Index

Note 1: © Fully disclosed △ Partially disclosed N.A. Not disclosed

Note 2: External Assurance: "v" meant the indicator was assured by the independent party, British Standards Institution (BSI)

### General Standard Disclosures

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

GRI G4 Index		Page(s)	External Assurance (page)
<b>Ethics and Integrity</b>			
G4-56	Codes of conduct and codes of ethics	6-7	v

### Specific Standard Disclosures

Aspect	DMA & Indicator	Page(s)	Extent of Reporting	External Assurance (page)
Economic Performance	DMA Aspect-specific Disclosures on Management Approach (Financial Service)	17/40	©	v
	EC1 Direct economic value generated and distributed	17	©	v
	EC2 Risks and opportunities due to climate change	30-33	©	v
Market Presence	DMA Generic Disclosures on Management Approach	43	©	v
	EC5 Entry level wage by gender compared to minimum wage	44	©	v
	EC6 Proportion of senior management hired from local community at significant location of operation	44	©	v
Indirect Economic Impacts	DMA Aspect-specific Disclosures on Management Approach	10-11	©	v
	EC8 Significant indirect economic impacts, including the extent of impacts	10-11	©	v
Energy	DMA Aspect-specific Disclosures on Management Approach	34	©	v
	EN3 Energy consumption within the organization	34-36	©	v
	EN5 Energy intensity	34-36	©	v
	EN6 Reduction of energy consumption	34-36	©	v
	EN7 Reductions in energy requirements of products and services	36	©	v
	EN15 Direct greenhouse gas emissions (scope 1)	34	©	v
Emissions	EN16 Energy indirect greenhouse gas emissions (scope 2)	34	©	v
	EN17 Other indirect greenhouse gas emissions (scope 3)	34	©	v
	EN18 Greenhouse gas emissions intensity	34	©	v
	EN19 Reduction of greenhouse gas emissions	35	©	v
	EN27 Mitigation of environmental impacts of products and services	35	©	v
Product and Service	DMA Generic Disclosures on Management Approach	33	©	v
	EN27 Mitigation of environmental impacts of products and services	35	©	v
Overall (Environmental Performance)	DMA Generic Disclosures on Management Approach	11	△	v
	EN31 Total environmental protection expenditures and investments by type	11	©	v
Employment	DMA Generic Disclosures on Management Approach	43	©	v
	LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	44-46	©	v
	LA2 Benefits provided to full-time employees that are not provided to temporary or part time employees	48	©	v
Labor/ Management Relations	LA3 Return to work and retention rates after parental leave, by gender	48	©	v
	DMA Generic Disclosures on Management Approach	43	©	v
Training and Education	LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	43	©	v
	DMA Generic Disclosures on Management Approach	45-46	©	v
	LA9 Average hours of training per year per employee by gender, and by employee category	46	△	v
	LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	45-46	©	v
Diversity and Equal Opportunity	LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	43	©	v
	DMA Generic Disclosures on Management Approach	43	©	v
Diversity and Equal Opportunity	LA12 Composition of governance bodies and employee breakdown	19-20/44	©	v

Aspect	DMA & Indicator	Page(s)	Extent of Reporting	External Assurance (page)	
Investment (Social Performance)	DMA	Generic Disclosures on Management Approach	11/43	⊙	v
	HR1	Significant investment agreements and contracts that include human rights clauses or that underwent human right screening	11/43	⊙	v
	HR2	Total hours of employee training on human rights policies or procedures	48	⊙	v
Non-discrimination	DMA	Generic Disclosures on Management Approach	48	⊙	v
	HR3	Actions taken in incidents of discrimination	48	⊙	v
Assessment (Social Performance)	DMA	Generic Disclosures on Management Approach	43	⊙	v
	HR9	Operations have been subject to human rights reviews or impact assessments	43	△	v
Anti-corruption	DMA	Generic Disclosures on Management Approach	20-21	⊙	v
	SO3	Operations assessed for risks related to corruption and the significant risks identified	20	⊙	v
	SO4	Communication and training on anti-corruption policies and procedures	20-21	⊙	v
	SO5	Confirmed incidents of corruption and actions taken	20	⊙	v
Product and Service Labeling	DMA	Aspect-specific Disclosures on Management Approach	25-26	⊙	v
	PR3	Product information required by procedures	25-27	⊙	v
	PR5	Results of surveys measuring customer satisfaction	25	⊙	v
Marketing Communications	DMA	Generic Disclosures on Management Approach	25-26	△	v
	PR6	Sale of banned or disputed products	26	△	v
	PR7	Non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship	26	⊙	v
Customer Privacy	DMA	Generic Disclosures on Management Approach	26	⊙	v
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	26	⊙	v

### GRI Financial Services Sector Supplement

Aspect	DMA & Indicator	Page(s)	Extent of	External Assurance (page)	
Product Portfolio	FS1/DMA	Policies with specific environmental and social components applied to business lines	30/40	⊙	v
	FS2/DMA	Procedures for assessing and screening environmental and social risks in business lines	30/40	⊙	v
	FS3/DMA	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	10-11	⊙	v
	FS4/DMA	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	7	⊙	v
	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	9-11	⊙	v
	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	17	⊙	v
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	40	⊙	v
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	30	⊙	v
Audit	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	6	⊙	v
Active Ownership	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	11-12	⊙	v
	FS11	Percentage of assets subject to positive and negative environmental or social screening	10-11	⊙	v
	FS12	Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	10	△	v
Local Communities	FS13	Access points in low-populated or economically disadvantaged areas by type	40	⊙	v
	FS14	Initiatives to improve access to financial services for disadvantaged people	40-42	⊙	v

Aspect	DMA & Indicator	Page(s)	Extent of	External Assurance (page)	
Product and Service Labeling	FS15	Policies for the fair design and sale of financial products and services	40	△	v
	FS16	Initiatives to enhance financial literacy by type of beneficiary	40-42	⊙	v

### United Nations Global Compact Principles

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

### ISO 26000 Social Responsibility Guidelines

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

Category	Core Subjects and Issues	Related Report Page(s)
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	26
	Protecting consumers' Health and safety	26-27
	Sustainable consumption	30-31/40-42
	Consumer service, support, and complaint and dispute resolution	25-26
	Consumer data protection and privacy	26-27
	Access to essential services	26
	Education and awareness	40-43
Community involvement	Community involvement	43
	Education and culture	45
	Employment creation and skills development	23-24
	Technology development and access	11
	Wealth and income creation	51
	Health	50
	Social investment	10

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

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

## Independent Assurance Opinion Statement by BSI





國泰金控  
Cathay Financial Holdings



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