About this report
Cathay Financial Holding Co., Ltd. (hereinafter referred to as "Cathay FHC") upholds the principle of prudent management in the face of global political and economic changes. We have identified three engines of growth - "Insurance + Banking + Asset Management" - as our core strategy to seek continued growth and realize our vision of becoming "the leading financial institution in the Asia-Pacific".

Reporting period
Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2017 Corporate Sustainability (CS) Report issued in July 2018 presents Cathay FHC’s economic and environmental (E), social (S), and governance (G) performance in 2017 (1/1-12/31). The report allows all stakeholders interested in Cathay’s performance to understand Cathay’s efforts in various aspects. Chinese and English versions of Cathay FHC’s CS Report can be downloaded from the "Corporate Sustainability" section on our website.

Basis for this report
This report is compiled in accordance with the core options of the GRI Standards of the Global Reporting Initiative (GRI), and discloses the five capitals using the integrated reporting framework established by the International Integrated Reporting Council (IRC). Contents of this report also correspond to the UN’s Sustainable Development Goals (SDGs). This report also takes into consideration the Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, and Regulations Governing Preparation and Filing of CSR Reports by TSE and GTSM Listed Companies, and Sustainability Accounting Standards.

Scope
This report has been prepared based upon the scope of the consolidated financial statements. It encompasses Cathay FHC and its 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), Cathay Venture, and Cathay Futures, and discloses information that is relevant to Cathay’s core region of operations: Taiwan. Please refer to "Summary of Subject Matter Assured" for the scope and boundary of subject matter assured.

Report assurance
The Company has engaged PwC Taiwan to corroborate its report compiled based on the GRI Standard using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, “Audit and Review of Non-financial Information” and IAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendix of this report.

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Message from the Chairman

Sustainable Cathay, contributing to the community

Cathay FHC had a breakthrough performance in both its financial and non-financial results in 2017. We believe that as we pursue financial performance and seek to become a leading financial institution in the Asia-Pacific, focusing on sustainable development is the key to winning the trust of our customers and to long-term success. Thanks to the collective efforts of our employees, Cathay FHC’s consolidated net profit reached NT$56.7 billion in 2017, the highest among financial holdings companies in Taiwan. Meanwhile, our subsidiaries also secured their positions as market leaders.

Reinforcing our corporate governance

Our subsidiaries Cathay Life Insurance and Cathay United Bank made organizational changes in 2017, in which professional managers were appointed as chairperson and president and in order to gradually implement the separation of ownership and management. We further established a Corporate Governance and Nomination Committee to continue reinforcing our corporate governance. In 2018, we will continue to strengthen the supervisory and management functions of our board of directors and functional committees. In response to the complex emerging risk across the world, Cathay FHC will also complete our risk map framework to facilitate the prudent monitoring and management of potential risks.

Complying with highest international standards

Cathay FHC has aligned the sustainability measures of our three engines of growth (insurance, banking, and asset management), with United Nations’ standards. Cathay United Bank became the first Equator Principles Financial Institution in Taiwan, Cathay Life Insurance became Asia’s first life insurance company to self-comply with the UN Principles of Sustainable Insurance (PSI), and Conning Inc., our asset management subsidiary, signed the UN Principles for Responsible Investment (PRI). We also established four focus areas of sustainability to achieve the UN’s Sustainable Development Goals: Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion. We are concentrating our resources on these areas in the hope that we can have a meaningful positive impact.

Cathay FHC has been included as a constituent of the Dow Jones Sustainability Index (DJSI) for three consecutive years, and was also one of the constituent stocks of the first FTSE4Good TIP Taiwan ESG Sustainability Index in 2017. All of these achievements demonstrate that our efforts in sustainability have received widespread recognition.

Actively responding to climate change

Cathay FHC has supported the development of renewable energy for many years in order to contribute to the living environment of the Taiwanese people. After completing the first offshore wind power financing project in 2016, Cathay United Bank completed the refinancing of Indonesia’s geothermal power plant (Star Energy) in 2017. In the future, we will continue to finance and develop solar power, hydroelectric power, and biomass energy projects in the ASEAN market, and leverage our financial expertise to help ASEAN countries carry out energy transformation.

Cathay FHC was also among the first financial institution in Taiwan to adopt the Task Force on Climate-Related Financial Disclosures (TCFD) framework and become aligned with international standards. We also organized the Climate Change Roundtable Forum at the end of 2017, inviting senior executives from Taiwan’s leading enterprises to engage in discussions so that the global community may witness Taiwan’s efforts in responding to climate change.

Promoting inclusive financing

Cathay FHC has insight into what society truly needs and actively promotes inclusive financing. Cathay Life Insurance provided protection to over 3 million students around Taiwan through student group insurance in 2017. As of the end of 2017, Cathay United Bank approved loans totaling nearly US$13 million to MFIs in Cambodia, helping local entrepreneurs gain access to capital. Among the borrowers, 80% were female entrepreneurs.

Caring for society and contributing to the community

Since our founding, Cathay FHC has strived to care for our employees and satisfy society’s needs. In 2017, up to 53% of the group’s managerial positions were held by female employees, while 86% of employees expressed satisfaction with working at Cathay. Identifying society’s need, Cathay United Bank, the Taipei City Government and SME Credit Guarantee Fund jointly implemented the industry’s first Social Enterprise Preferential Loan Project to utilize the power of finance to help social enterprises resolve operational and development issues.

Cathay is committed to protecting our community by being a sustainable corporation because we truly believe that corporate sustainability is inseparable from prosperity. As a corporate citizen of the new era, we play the multiple roles of new business model experimenter, employee caretaker, and donor that gives back to society. We also utilize various channels to forge connections with our customers and exert our influence. Cathay FHC will mobilize all of its employees to continuously make improvements on our path to corporate sustainability, work towards meeting the highest international standards and aggressively lead the industry towards our ultimate goal of the advancement of both society and the environment.

Chairman
Cathay Corporate Sustainability (CS) Committee

Cathay FHC’s CS Committee is subordinate to the Board of Directors and is the core unit for promoting corporate sustainability. The CS Committee is supervised by an independent director and is chaired by the president of Cathay FHC. The committee comprises six main working groups, each headed by a senior executive. The CS Committee achieves breakthroughs every year since 2011. Our milestones over the years are as follows:

2016
- Cathay Life committed to complying with the UN Principles of Sustainable Insurance (PSI)
- Formed a strategy advancement meeting with the six working groups and established the four focus areas of sustainable development

2015
- Cathay FHC was selected into the Equator Principles for Institutional Investors
- Signed the Equator Principles and became Taiwan’s first Equator Principles Financial Institution

2014
- Restructured the Cathay CS Committee of the Board of Directors level supervised by an independent director
- Established the Responsible Investment Working Group

2012
- Established Corporate Social Responsibility Code of Practice
- Published a CSR Report for the first time

2011
- Founded “Cathay FHC CS Committee” and assembled the six working groups

Cathay’s Sustainability Strategies

Cathay’s Sustainability Policy

Cathay’s Statement of Sustainability Values represents how Cathay complies with professional ethics, identifies and reasonably engages in business, and endeavors to lower Environmental, Social and Governance risks. It is our goal to create benefits for the economy, society, and environment, and we have invited partners in our value chain, such as suppliers and joint ventures, to comply. We hope that our efforts to promote the statement will enable us to achieve corporate sustainability.

Cathay FHC’s three engines of growth comply with international sustainability frameworks

Cathay FHC

Insurance

Principles for Sustainable Insurance

Banking

Equator Principles

Asset Management

Principles for Responsible Investment

Environment

Social

Governance

Integrating ESG issues into all the business processes

<table>
<thead>
<tr>
<th>Business Processes</th>
<th>Risk Management</th>
<th>Product &amp; Service</th>
<th>Operation</th>
<th>After-Sales Management</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td><strong>Integrating ESG into Business Process</strong></td>
<td><strong>Consider ESG emerging risks</strong></td>
<td><strong>Fintech and insurtech service</strong></td>
<td><strong>Strengthen the green finance and inclusive finance services</strong></td>
<td><strong>Paperless operations and service</strong></td>
<td><strong>ESG inventory and carbon emission reduction</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Improve the management of climate risk and opportunity by following with TCFD framework</strong></td>
<td><strong>Integrate ESG issues into the underwriting and lending processes</strong></td>
<td><strong>Integrate ESG issues into the underwriting and lending processes</strong></td>
<td><strong>Review the product details and offer flexibility to customers when significant ESG incidents occur</strong></td>
<td><strong>Develop a combination of claims mechanisms when significant ESG incidents occur</strong></td>
</tr>
</tbody>
</table>

Monitor and Management

- Risk map (p.22)
- TCO (p.66-67)
- Cathay ESG product/service integration (p.25, 45)

Release Page in the Report

- Digital Finance
- Corporate loan application & review process (p.22-29)
- GHG and resource management (p.66-67)
- Critical disaster claims mechanism

Cathay FHC’s four focus areas for sustainability

Renewable Energy and Infrastructure
Aging Society and Health
Women Empowerment
Community and Financial Inclusion

Cathay FHC’s four focus areas for sustainability

Cathay’s Sustainability Framework

Sustainable development is inseparable from a company’s core competencies. Hence, Cathay’s three engines of growth correspond to three international sustainability frameworks: PSI, EP, and PRI, while ESG is incorporated into our core operations. Cathay strengthens its core competitiveness through emphasis on sustainability and grasp on trends, opportunities and risks. This creates an all-winning situation for company profitability, mutual prosperity with society, and environmental sustainability.
**Cathay’s 2020 Sustainability Vision**

**Goals for 2018-2020**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Information Security</strong></td>
<td>• The group’s major subsidiaries/assets reaching NT$5.59 million, have an independent information security department.</td>
<td>• Establish information security monitoring mechanisms, and monitor information security implementation in accordance with regulatory processes and emergency response measures.</td>
<td>• Complete the competent authority’s information security requirements for the year 100%.</td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td>• Complete the group’s risk map.</td>
<td>• Update the risk map and submit it to the Risk Management Committee annually to continue strengthening the group’s risk management.</td>
<td>• Complete the election of the 7th Board of Directors.</td>
</tr>
<tr>
<td><strong>Corporate Governance</strong></td>
<td>• Include the national risk assessment report in the ARB institution risk assessment report of subsidiaries.</td>
<td>• Complete the performance assessment of the Board of Directors by an external independent institute.</td>
<td>• Complete the performance assessment of the Board of Directors by an external independent institute.</td>
</tr>
<tr>
<td><strong>Green Finance</strong></td>
<td>• Further explore Green Finance (in either Corporate Finance or Project Finance) related products and opportunities, including Solar PV and off-shore wind power projects.</td>
<td>• Establish a training ROI calculation mechanism.</td>
<td>• Complete Cathay’s Excellence and Happiness Project share distribution.</td>
</tr>
<tr>
<td><strong>Digital Finance</strong></td>
<td>• Complete the real-time decision-making platform.</td>
<td>• Launch more cross-platform digital services and integrate online and offline channel experiences.</td>
<td>• Establish an intelligence sharing mechanism for the Group’s information security data and threats.</td>
</tr>
<tr>
<td><strong>Customer Relationship Management</strong></td>
<td>• Cathay Life’s satisfaction reached 95%.</td>
<td>• Increase the installed capacity of solar panels on buildings owned by Cathay to 3,500kW.</td>
<td>• Strengthen ESG information systems to improve the integration of ESG into the internal decision-making process.</td>
</tr>
<tr>
<td><strong>Financial Inclusion</strong></td>
<td>• Cathay United Bank’s satisfaction reached 95%.</td>
<td>• Increase the installed capacity of renewable devices by over 1,900 kW.</td>
<td>• Complete the performance assessment of the Group’s information security data and threats.</td>
</tr>
<tr>
<td><strong>Attracting and Retaining Talents</strong></td>
<td>• Maintain key talent retention rate at above 80%.</td>
<td>• Strengthen the information security monitoring, data integrity monitoring, and external websites’ security.</td>
<td>• Establish an information security monitoring dashboard for monitoring system, network, and external website security.</td>
</tr>
</tbody>
</table>

### 2017 Goal attainment

**Finance and Investment**

- Established the "Tax Governance Policy”
- Continued to strengthen risk-based training, e.g. AML/CTF
- Cathay Life issued the first PSI Disclosure Report assumed by third party verification in Asia
- Cathay Century became the first property insurance company in Taiwan to voluntarily comply with the PSI

**Intellectual Capital**

- Utilization of Cathay Life’s mobile insurance app reached 88% in 2017, which ranked No.1 in the industry
- 22% GHG reduction each year using 2014 as the base year, the ideal goals 2% reduction

**Human Capital**

- Complied 4EIS Academy training courses
- Completed the group’s pressure indicator measurement and organized stress release courses
- Organized Cathay Pregnancy Club

**Natural Resource Capital**

- GPA emissions were reduced by 2.4% compared with 2016
- Increased the installed capacity of renewable energy sources by over 1,000 kW
- Completed the group’s water use inventory

**Social Relations Capital**

-OECD Principles and CSR, and achieved the percentage of positive feedback was over 80%
- Completed the election of the 7th Board of Directors
- Participation in Climate Action 100+ and complete the engagement policy and strengthen engagement

### 2017 Goal attainment

- Strengthen 4G information systems to improve the integration of ESG into the internal decision-making process
- Participate in Climate Action 100+ and complete the engagement policy and strengthen engagement
- Complete the real-time decision-making platform.
- Increase sales revenue from the skus platform by 100%
- Complete Cathay’s Excellence and Happiness Project share distribution
- Complete assurance for the 2017 water use inventory
- Increase the installed capacity of solar panels on buildings owned by Cathay to 3,500kW
- Complete Cathay’s Excellence and Happiness Project
- Complete 4 ESG Academy training courses
- Collaborate with Teach for Taiwan to support 100 teachers in remote areas in 2017-2019
- Launch more cross-platform digital services and integrate online and offline channel experiences
- Increase the installed capacity of solar panels on buildings owned by Cathay to 3,500kW
- Further explore Green Finance (in either Corporate Finance or Project Finance) related products and opportunities, including Solar PV and off-shore wind power projects
- Cathay SITE’s satisfaction reached 80%
- The Excellence and Happiness Project International Conference on New Immigrants attracted about 120 NPO workers, new immigrant native language teachers, and curriculum promoters
- Utilization of Cathay Life’s mobile insurance app reached 88% in 2017, which ranked No.1 in the industry
- Strengthen the information security monitoring, data integrity monitoring, and external websites’ security.
Cathay has dedicated years of effort in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders on a regular basis to understand their issues of concern. Senior executives use their experience to examine the impact of sustainability issues on operations. Cathay has dedicated years of effort in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders on a regular basis to understand their issues of concern. Senior executives use their experience to examine the impact of sustainability issues on operations.

Cathay analyzed material issues to the group’s corporate sustainability in 2017, and used stakeholder engagement to engage stakeholders on a regular basis to understand their issues of concern. Senior executives use their experience to examine the impact of sustainability issues on operations. Cathay has dedicated years of effort in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders on a regular basis to understand their issues of concern. Senior executives use their experience to examine the impact of sustainability issues on operations.

Materiality Analysis

### Stakeholder Engagement

Cathay’s four focus areas are as follows:

1. **Finance and Integrity Capital**
2. **Intellectual Capital**
3. **Human Capital**
4. **Natural Resource Capital**
5. **Social Relations Capital**

#### Materiality Analysis Process

1. **Identify potential issues**
2. **Prioritize issues**
3. **Determine the importance of issues**
4. **Generate the matrix**
5. **Adjust the priority of issues**
6. **Discuss results of the materiality analysis**

#### Potential Issues

- Compliance
- Occupational Safety and Health
- Human Rights
- Climate Change
- Employee Diversity and Inclusion
- Responsible Procurement

#### Significant Issues

- Information Security
- Green Finance
- Responsible Investment and Lending
- Financial Inclusion
- Participation in Charity and Welfare
- Risk Management
- Employee Learning and Development
- Corporate Governance
- Business Performance
- Digital Finance
- Attracting and Retaining Talents
- Customer Relationship Management

#### Cathay’s Significant Issues and Potential Issues

<table>
<thead>
<tr>
<th>Significant Issues</th>
<th>Potential Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance</td>
<td>Compliance</td>
</tr>
<tr>
<td>Digital Finance</td>
<td>Occupational Safety and Health</td>
</tr>
<tr>
<td>Attracting and Retaining Talents</td>
<td>Human Rights</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>Climate Change</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Employee Diversity and Inclusion</td>
</tr>
<tr>
<td>Social Relations</td>
<td>Responsible Procurement</td>
</tr>
<tr>
<td>Human Capital</td>
<td>Natural Resource Capital</td>
</tr>
<tr>
<td>Intellectual Capital</td>
<td>Social Relations Capital</td>
</tr>
<tr>
<td>Finance and Integrity Capital</td>
<td>Natural Resource Capital</td>
</tr>
</tbody>
</table>

#### Cathay’s Significant Focus Areas

- Cathay’s Year Focus Areas
- GRI Standards
- Cathay’s Four Focus Areas
- Corporate Governance, Risk Management, Compliance
- Renewable Energy and Infrastructure
- Aging Society and Health
- Employment, Training and Education
- Human Empowerment

#### Causal Relationship of Sustainability (In the case of digital finance)

- Financial Impact
- Business
- Social Impact
- Customer Satisfaction
- Employee Engagement and Inclusivity
- Responsible Business and Leadership

Cathay’s Sustainable Management Model

Sustainable development brings mutual prosperity to companies, society, and the environment. Cathay hopes that its performance in sustainability issues will have a positive effect on business goals, thereby further enabling us to achieve both sustainability and profitability. According to Cathay’s materiality analysis results for sustainability issues, 12 material sustainability issues were identified, in which “business performance”, “corporate governance” and “risk management” are the result of operations. After excluding the three issues, 12 of Cathay’s senior executives participated in the causal relationship questionnaire survey, and used DEMATEL to illustrate causal relationships of Cathay’s sustainable management model. This provides us with an effective way to understand the impact of sustainability issues on business performance.

Cathay examines the effects of sustainability issues on its business goals, and hopes that management and development of sustainability issues will provide positive feedback to our business goals, so that we can create an all-winning situation for company profitability, mutual prosperity in society, and environmental sustainability.

In the case of digital finance, it has impact on business goals including revenue, profit and customer satisfaction. In addition, digital finance influences sustainability issues like Information Security, Customer Relationship Management and Attracting and Retaining Talents.
Cathay’s Sustainability Performance Highlights in 2017

Recognition from external parties

- **DJSI**
  Selected into DJSI for three consecutive years

- **CDP**
  Upgraded from Level C to Level B

- **Vigeo Eiris**
  Selected into the Vigeo Eiris Emerging related Ranking for two consecutive years

- **FTSE4GOOD**
  Selected into FTSE4GOOD for three consecutive years

- **Global Views Monthly’s corporate social responsibility award**
  Received the Green Leadership Award and Responsible Business Leadership Award

- **Asia Responsible Entrepreneurship Awards**
  Received the Corporate Governance and Remuneration Committee Award

- **World Corporate Citizen**
  Top 10 World Corporate Citizens for five consecutive years

- **Taiwan Corporate Sustainability Awards**
  Received the Top 10 Corporate Sustainability Awards for the financial and insurance industry

Internal breakthroughs

- **Cathay Century**
  Became the first property insurance company in Taiwan to voluntarily comply with the PSI

- **Cathay Life**
  Issued the first PSI Disclosure Report assured by independent verification in Asia

- **KOKO Lab**
  Became branch with 100% green power

- **CUB**
  Is one of the largest bank financing solar power stations in Taiwan. As of the end of 2017, CUB has provided loans to over 1,500 solar power stations with a total installed capacity of 318.5 MW

- **Cathay Life**
  Completed the first renewable energy certificate transaction in Taiwan

- **CDP**
  Is the only participant in the CDP non-discloser engagement campaign

- **CUB**
  Is one of the largest bank financing solar power stations in Taiwan. As of the end of 2017, CUB has provided loans to over 1,500 solar power stations with a total installed capacity of 318.5 MW

- **Cathay Life**
  Has the highest market share in Taiwan’s micro insurance market

- **CUB**
  Was the first in the industry to offer preferential loans for social enterprises

- **CUB**
  Announced the results of the first innovation growth award, creative communication award, social inclusion award, and talent development award

- **CUB**
  Was the first in the industry to offer preferential loans for social enterprises

- **Training per employee reached 143 hours**

- **53% of Cathay’s supervisors are female**

- **The SROI of Cathay’s Excellence and Happiness Project for new immigrants is about NT$3,03 for every NT$1 invested**
Cathay assesses SC P&L based on impact valuation to enhance the effectiveness of our management decision-making. We use the impact pathway approach to analyze the impact of outputs from over 20 activities in our value chain on the externality of society, economy, physical health, ecosystem, and natural resources. This includes the economic value and environmental impact created by upstream procurements and downstream investments along the industry chain, GHG emissions from company operations, air pollution, water resource use, waste incineration and landfill, social cost of occupational accidents involving employees, and the social benefits brought by tax payment, rental, employee salaries, career development, health promotion activities, insurance claims, and preferential loans. Level of impact is converted into a consistent and comparable monetary value to identify the interdependence between different activities, increase positive effects, and minimize negative risks. In the future, we will continue to take part in methodology development, expand the scope of assessment, and strive to create long-term sustainability value.

Methodology description:
1. Social and economic contribution from procurements and industry investments is calculated based on the 2011 Input-Output Table of the Directorate-General of Budget, Accounting and Statistics.
2. Finance and integrity capital, depreciation/amortization amount, employee remuneration and benefits, and penalties for violations related to operations are from the Company's annual report.
3. Natural resource capital related value coefficients are calculated based on USEPA (2016), UNEP (2016), PWC (2015), and estimated by this study.
4. Human capital related value coefficients are calculated based on Iune-Jye Ho (2005), Chieh-Hsien Lee (2009), and estimated by this study.
5. The economic value created by the policy holder is taken into consideration for determining the claims amount.
6. When calculating the social value of volunteer services, the number of service hours is converted into employee salary amounts.
7. The value of lifting the pressure on repaying loans is the difference in the amount paid by the borrower, which is calculated using the difference in preferential rates and regular rates.
8. Monetary value conversion takes into consideration inflation and exchange rates of the NTD in 2017.
Cathay's sustainable value creation process

Vision and Long-term Goal

Cathay delineated causal relationships of its sustainable management model through a causal relationship questionnaire survey of 32 senior executives and by using DEMATEL. This provides us with an effective way to understand the impact of sustainability issues on business performance.

Key Indicators and Capital Output

<table>
<thead>
<tr>
<th>Year</th>
<th>Net profit (NT$ billion)</th>
<th>Economic value retained (NT$ billion)</th>
<th>Average power consumption per capita (metric tons/CO₂e)</th>
<th>GHG emissions (Scope 1 + 2)</th>
<th>Installed capacity of solar panels (kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>57.9</td>
<td>14.1</td>
<td>19,502.95</td>
<td>57,422.31</td>
<td>30.6</td>
</tr>
<tr>
<td>2016</td>
<td>48.0</td>
<td>13.5</td>
<td>57,422.31</td>
<td>56,021.87</td>
<td>31.9</td>
</tr>
<tr>
<td>2017</td>
<td>36.7</td>
<td>13.4</td>
<td>56,021.87</td>
<td>54,833.61</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Key Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015 (1st year)</th>
<th>2016 (2nd year)</th>
<th>2017 (3rd year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Board Meeting Attendance Rate (%)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Economic value retained (NT$ billion)</td>
<td>14.1</td>
<td>13.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Average power consumption per capita (metric tons/CO₂e)</td>
<td>18,502.95</td>
<td>57,422.31</td>
<td>56,021.87</td>
</tr>
<tr>
<td>GHG emissions (Scope 1 + 2)</td>
<td>57,422.31</td>
<td>56,021.87</td>
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<tr>
<td>Installed capacity of solar panels (kW)</td>
<td>30.6</td>
<td>31.9</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Cathay’s sustainable value creation process

- **Vision:** The Leading Financial Institution in the Asia Pacific
- **Core Values:** Integrity, Accountability, and Innovation
- **Business Strategies:** Fully utilize financing and risk management capabilities under the three engines of growth and achieve corporate sustainability through the five capitals to become the Leading Financial Institution in the Asia Pacific

**Finance and Integrity Capital**

- Invested a total of NT$510 million in product development
- Invested NT$15.75 million in developing a new version of My MobiBank

**Intellectual Capital**

- Invested NT$14.394 million on training for all employees in 2017

**Human Capital**

- Number of FTEs: 44,445
- Training cost per employee: NT$14,394

**Natural Resources Capital**

- Spent NT$3.8 billion on an environmental data inventory and energy and environmental management system

**Social Relations Capital**

- Public Welfare Expenditure: NT$380 million
- 52,130 hours of volunteer participation

**2017 Capital Input**

- Capital: NT$133.97 billion
- Total assets: NT$8.8 trillion

**Social Impact**

- Cathay Life’s satisfaction reached
- Cathay United Bank’s satisfaction reached
- Cathay Century’s satisfaction reached
- Cathay Securities’ satisfaction reached
- Cathay FHC’s five major subsidiaries did not violate any regulations on information security and customer information protection, and were not fined for any information security violations in 2017

**Business Strategies**

- Cathay’s Excellence and Happiness Project is assessed based on SROI; every NT$1 invested generates about 98% mobile insurance utilization
- 4.27 million mobile banking and mobile banking users
- 2017 (3rd year) 39.6 kWh
- 2015 (1st year) 48.0 kWh
- 2016 (2nd year) 31.5 kWh

**Human Capital ROI:** 12.4

**Economic value retained:** Direct economic value generated less economic value distributed. Direct economic value generated: revenues; Economic value distributed: operating costs, employee wages, and benefits, payments to government by country, and community development.

**Note 1:** Economic value retained and economic value distributed are not same as total economic value added. These economic value generated includes economic value distributed, operating costs, employee wages, and benefits, payments to government by country, and community development.

**Note 2:** Scope 1 + 2 GHG inventory covers: The 46 business locations and 43,671 employees of Cathay FHC and its subsidiaries in 2015-2016 and SGS in 2017. All 434 business locations and 43,671 employees of Cathay FHC and its subsidiaries were certified according to ISO 14001 in 2015 and 2016 and 11,993 employees of cathay FHC and its subsidiaries were certified according to ISO 14001 in 2017.

**Note 3:** For more information on environment related statistics, please see Natural resource capital chapter of this report.

**Note 4:** Cathay’s sustainable value creation process includes the sustainable value creation processes of Cathay FHC and its five major subsidiaries: Cathay FHC’s five major subsidiaries did not violate any regulations on information security and customer information protection, and were not fined for any information security violations in 2017.
Finance and Integrity Capital

The Corporate Governance and Nomination Committee

Cathay FHC established the Corporate Governance and Nomination Committee.

The ratio of electronic voting reached 90%

The ratio of electronic voting at Cathay FHC’s 2017 general shareholders’ meeting reached 90%, the highest among private financial holdings companies.

Tax Governance Policy

Cathay FHC established Tax Governance Policy with the Board of Directors as the highest level decision-maker for tax risk management mechanisms.

Capital at risk and opportunities

The Global Risks Report 2018 issued by the World Economic Forum indicated that the four key fields are environment, cybersecurity vulnerabilities, economic tensions, and geopolitics. The key to sustainable development will be how companies effectively control risks and seize opportunities through the supervision and management of their organization, as well as their development of robust organizational operations in the face of environmental, financial, and security threats.
Business Performance

With the strategic vision of becoming “the leading financial institution in the Asia Pacific,” Cathay Financial Holdings (“Cathay FHC”) continues to refine its business through a customer-centered business model, incorporating innovations into its core business activities, and endeavor to provide customers with better financial services by utilizing new technologies. Cathay FHC’s total assets exceeded US$298.30 billion as of the end of 2017, and consolidated after-tax profit in 2017 was US$1.91 billion at earnings per share of NT$64.47. Our subsidiaries, Cathay Life Insurance (“Cathay Life”) and Cathay United Bank (“CUB”), were the primary contributors. CUB has 67 overseas branches and offices in most ASEEAN member states except Brunei. CUB has the most extensive footprints among Taiwanese banks in the ASEEAN countries. CUB will strengthen its local operations and develop new business through innovative FinTech applications in keeping pace with future trends.

In China, CUB’s Shanghai Branch was approved by the China Banking Regulatory Commission to be upgraded into a subsidiary and the conversion process is underway. After the branch becomes a subsidiary, it will be able to capture more business opportunities and provide customers with more comprehensive financial services that satisfy their needs. Cathay FHC continues to cultivate its insurance business in China. Cathay Life Insurance currently operates 11 offices (headquarters and branch offices) and 41 sales and service agencies across China. Cathay Century Insurance (“Cathay Century”) currently has 26 offices in China. After partnering with strategic investor Ant Financial Services Group, Cathay Century expects to expand China’s property and casualty insurance market through a business model that integrates traditional and Internet-related financial services.

Regarding the footprints in Southeast Asia, Europe, and America, Cathay FHC has expanded its presence throughout the Asia Pacific region. Cathay FHC is optimistic about Vietnam’s insurance business growth potential. Cathay Life and Cathay Century have established 42 branch offices and have been exhibiting steady growth in terms of business operations. Going forward, Cathay FHC will strengthen its partnerships to further develop local markets and effectively seize growth opportunities in overseas markets. With regard to the overseas asset management business, following Cathay FHC’s 100% acquisition of Conning Holdings Corp, Cathay FHC continued to enhance its ability to manage a variety of asset classes. At the same time, Cathay FHC leveraged its advantages in Greater China to build a global asset management platform, consequently reinforcing the momentum of the third growth engine of Cathay FHC.

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Advancing Corporate Governance

Actively implementing corporate governance

Cathay FHC established the Corporate Governance Task Force in 2010 to complete its corporate governance framework. The task force is responsible for implementing the group’s corporate governance affairs. The CCR Committee was subsequently established in 2011 to step up related matters, and was renamed the Corporate Sustainability Committee in 2015. The Corporate Governance Working Group was furthermore merged with the Sustainable Governance Task Force, one of the committee’s six working groups, to strengthen our corporate sustainability measures and further create economic, social, and environmental benefits.

Professional qualifications, independence, and attendance of the board

Cathay FHC features a Corporate Governance and Nomination Committee and adopts the candidate nomination system. All director candidates are nominated and their qualifications are reviewed by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed at the annual shareholders’ meeting. According to Paragraph 3, Article 30 of Cathay FHC’s Corporate Governance Best Practice Principles, the members of the Board shall possess the knowledge, skills, and experience necessary for performing their duties. The current Board of Directors has 12 directors, all well-experienced and in possession of professional knowledge in various fields such as finance, commerce, and business administration. Directors of the Board are on average 71 years in age. As of December 31, 2017, Cathay FHC’s 6th-term Board of Directors had convened 8 meetings with an average attendance rate of 85%. Cathay FHC held a by-election during the general shareholders’ meeting on June 16, 2017, in which Mr. Edward Yang Yu-Way, former president of Deloitte Taiwan, was appointed as an independent director. Directors on average serve 9 year terms (independent directors on average serve 4.5 year terms).

Financial performance in the last three years

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (NT$ billion)</td>
<td>7,559</td>
<td>8,135</td>
<td>8,642</td>
</tr>
<tr>
<td>Shareholder equity (NT$ billion)</td>
<td>461.1</td>
<td>529.8</td>
<td>600.4</td>
</tr>
<tr>
<td>Shareholder equity (NT$ billion)</td>
<td>57.9</td>
<td>46.0</td>
<td>56.7</td>
</tr>
<tr>
<td>Total assets (NT$ billion)</td>
<td>4,558</td>
<td>3,799</td>
<td>4,976</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>12.86</td>
<td>9.70</td>
<td>9.96</td>
</tr>
<tr>
<td>Average revenues per employee (NT$ thousand)</td>
<td>9,463</td>
<td>10,542</td>
<td>11,428</td>
</tr>
<tr>
<td>Average earnings per employee (NT$ thousand)</td>
<td>1,241</td>
<td>939</td>
<td>1,033</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>0.99</td>
<td>0.77</td>
<td>0.84</td>
</tr>
<tr>
<td>Outstanding shares (million)</td>
<td>12,563</td>
<td>13,397</td>
<td>13,307</td>
</tr>
<tr>
<td>Cash dividends per share (NT$)</td>
<td>2.0</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Stock dividends per share (NT$)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Note 1: Financial statements for 2014 were restated due to an adjustment to the categories of Cathay Life’s business underwriting underwriters’ meeting. According to Paragraph 3, Article 30 of Cathay FHC’s Corporate Governance Best Practice Principles, the members of the Board shall possess the knowledge, skills, and experience necessary for performing their duties. The current Board of Directors has 12 directors, all well-experienced and in possession of professional knowledge in various fields such as finance, commerce, and business administration. Directors of the Board are on average 71 years in age. As of December 31, 2017, Cathay FHC’s 6th-term Board of Directors had convened 8 meetings with an average attendance rate of 85%. Cathay FHC held a by-election during the general shareholders’ meeting on June 16, 2017, in which Mr. Edward Yang Yu-Way, former president of Deloitte Taiwan, was appointed as an independent director. Directors on average serve 9 year terms (independent directors on average serve 4.5 year terms).
Board diversity

Cathay FHC in 2017 adjusted its board member diversity policy set forth in Paragraph 2, Article 30 of the Corporate Governance Best Practice Principles, co to strengthen corporate governance and promote the sound development of the board composition and structure. Implementation of board diversity is shown in the table below:

<table>
<thead>
<tr>
<th>Core Item</th>
<th>Basic Composition</th>
<th>Industrial Experiences</th>
<th>Professional Knowledge/Abilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Nationality / Place of Birth</td>
<td>Age</td>
<td>Gender</td>
</tr>
<tr>
<td>Hong-Yi Tsai</td>
<td>ROC</td>
<td>43</td>
<td>M</td>
</tr>
<tr>
<td>Tsau-Pei Chen</td>
<td>ROC</td>
<td>47</td>
<td>M</td>
</tr>
<tr>
<td>Cheng-Ta Tai</td>
<td>ROC</td>
<td>44</td>
<td>M</td>
</tr>
<tr>
<td>Cheng-Chia Tai</td>
<td>ROC</td>
<td>43</td>
<td>M</td>
</tr>
<tr>
<td>Chi-Wen Huang</td>
<td>ROC</td>
<td>52</td>
<td>M</td>
</tr>
<tr>
<td>Andrew Ming-Ian Kuo</td>
<td>ROC</td>
<td>60</td>
<td>M</td>
</tr>
<tr>
<td>Tsau-Kuei Hung</td>
<td>ROC</td>
<td>58</td>
<td>M</td>
</tr>
<tr>
<td>Ming-Ho Hsiung</td>
<td>ROC</td>
<td>58</td>
<td>M</td>
</tr>
<tr>
<td>Chang-Ken Lee</td>
<td>ROC</td>
<td>58</td>
<td>M</td>
</tr>
<tr>
<td>Tung-Yuan Hwang</td>
<td>ROC</td>
<td>60</td>
<td>M</td>
</tr>
<tr>
<td>Feng-Ching Wang</td>
<td>ROC</td>
<td>58</td>
<td>M</td>
</tr>
<tr>
<td>Edward Wang Oi Way</td>
<td>ROC</td>
<td>60</td>
<td>M</td>
</tr>
</tbody>
</table>

The composition of the Board of Directors shall be determined by giving due consideration to operational structure, business development direction, future trends and other needs, and it is advisable to assess aspects of diversity including but not limited to: basic composition (e.g. gender, age, nationality and race), professional experience (e.g. financial holding, banking, insurance, securities, industries and technology) and professional knowledge and skills (e.g. business, finance, accounting, law, marketing and digital technology). Directors shall also possess the general knowledge, skills, and competencies required to perform incumbent duties. Cathay FHC also emphasizes gender equality in the composition of its Board of Directors. As of the end of December 2017, 76% of Cathay FHC’s subsidiaries in Taiwan have female directors or supervisors as board members, up 18% compared with 2016. Besides, Cathay Securities has a female independent director.

Evaluation of board performance and third party certification

Besides establishing the Guidelines for Evaluation of Directors’ Performance and the Guidelines for Directors’ Remuneration for implementing corporate governance and improving board performance, the Regulations Governing the Evaluation of the Board’s Performance was also established for the Board of Directors’ overall corporate sustainability indicators, including compliance, corporate governance, risk management, and corporate sustainability and CSR, were incorporated into the Regulations to ensure that the Board fulfills its corporate governance, operation, and CSR tasks, thereby enabling the Company to advance toward sustainability. In 2017, the result of Cathay FHC’s board performance evaluation was “above standard”, demonstrating the success of the Company’s efforts in improving board performance.

To strengthen the independence and effectiveness of the board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the board performance evaluation once every three years, starting from 2017. Evaluation results will be submitted to the Board of Directors for discussion and disclosed in the annual report or on the company website. The commissioning of an external professional independent institution for conducting external evaluations of board performance is expected to be completed before the end of 2019. Since 2007, Cathay FHC has purchased liability insurance for its directors, supervisors, and key staff members, including those from its subsidiaries. This is in line with the legal requirements during their terms in office. Contents of the insurance policy are reviewed annually, and the insured amount, coverage, premium rate, and other major contents are reported in the next board meeting after the policy is renewed each year starting in 2017. We hope to thus lower the risks taken on by directors, supervisors, and the Company, and establish a well-rounded corporate governance mechanism.

Establishing comprehensive functional committees under the Board of Directors

Cathay FHC established the Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee under the Board of Directors to fully leverage the board’s function and improve its efficiency. The committees are responsible for reviewing material matters. The responsibilities and operations of each functional committee are as follows:

1. Audit Committee
   - Formed by all independent directors (3)
   - Improves the director and manager remuneration policy and system, and establishes remunerations for board managers
   - Committee meetings are convened at least once each quarter, and a total of 6 meetings were convened in 2017

2. Remuneration Committee
   - Formed by 3 directors including 2 independent directors (3)
   - The Committee is responsible for nominating director candidates and reviewing their qualifications, evaluating board operation rates and the Corporate Governance Report. It also evaluates the organizational frameworks of the various functional committees
   - Committee meetings are convened at least once per year, and a total of 4 meetings were convened in 2017

3. Corporate Governance and Nomination Committee
   - The Committee was established on December 22, 2017. The Committee may convene a meeting at any time it deems necessary, and resolve suggestions, questions, disputes, and litigations involving shareholders in accordance with the Cathay Financial Holdings: Guidelines for Handling Shareholder Suggestions, Questions, Disputes, and Litigation.

Valuing the Rights and Interests of Shareholders

Cathay FHC’s website has a ‘shareholders’ section’ that announces information on shareholders’ meetings, dividends, and financial information. There is also a shareholders’ system, investor services, and “contact us” mailbox for shareholders to express their opinions at any time. Cathay FHC carefully handles all suggestions, questions, disputes, and litigations involving shareholders in accordance with the “Cathay Financial Holdings: Guidelines for Handling Shareholder Suggestions, Questions, Disputes, and Litigation.”

Strengthening Risk Management and Internal Control

Cathay FHC’s risk management is based on the Enterprise Risk Management (ERM) Framework. Cathay FHC established risk management policy and a complete risk management organizational structure, including a Risk Management Committee and an independent risk management unit. Cathay FHC adopts the three lines of defense model to implement the risk management policy and ensure the risk management mechanisms operate smoothly throughout the entire group.

Our risk management policy includes market, credit, operations, and capital adequacy related risk management mechanisms. Cathay FHC complies with, identifies, assesses, responds to, and controls various risks. The Risk Management Committee meetings are convened on a monthly basis and results are periodically reported to the Board of Directors.

Risk Management Organizational Structure

Chairman/President

Audit Committee (authentication and assurance)

Chief Auditor (authentication and assurance)

Chief Financial Officer (authentication and assurance)

Corporate Governance Director (authentication and assurance)

Risk Management Committee:

Chief Risk Officer (authentication and assurance)

Risk Management Division:

Information Security Office (authentication and assurance)

Operational Risk Office (authentication and assurance)

Credit Risk Office (authentication and assurance)

Market Risk Office (authentication and assurance)

Compliance Risk Office (authentication and assurance)

Internal Control Office (authentication and assurance)

Risk Management Unit:

Chief Risk Officer (authentication and assurance)

Operational Risk Unit (authentication and assurance)

Credit Risk Unit (authentication and assurance)

Market Risk Unit (authentication and assurance)

Compliance Risk Unit (authentication and assurance)

Corporate Sustainability Report 2017 Cathay Financial Holding Co., Ltd.
We held 11 international compliance talent training courses. Cathay FHC has included identified emerging risks in its risk map so that it can adequately respond to emerging risks stemming from a variety of issues, such as emerging technologies, extreme weather, and population aging. On this basis, Cathay FHC carries out annual emerging risk assessment and has established response measures, which are regularly reviewed.

Managing Emerging Risks

As regulatory requirements are becoming increasingly stringent around the world, Cathay FHC has included identified emerging risks in its risk map so that it can adequately respond to emerging risks stemming from a variety of issues, such as emerging technologies, extreme weather, and population aging. On this basis, Cathay FHC carries out annual emerging risk assessment and has established response measures, which are regularly reviewed.

In response to global AML/CFT trends and Taiwan’s upcoming APG mutual evaluation in 2018, Cathay FHC adopted a risk-based approach to strengthening its AML/CFT system in accordance with the Group’s pace of overseas expansion and aligning the Group’s AML/CFT practices with international standards. Cathay FHC has already begun strengthening current whistleblower mechanisms in coordination with the amendment to articles of incorporation, to ensure the Group’s integrity and impart the principle of compliance culture to new employees, among others.

Cathay FHC’s tax governance is based on the principles of integrity and stability, and its tax policy is as follows:

1. Cathay FHC shall calculate all tax charges in accordance with the local tax laws and international tax regulations, and file tax returns prior to statutory deadlines so as to fulfill its obligations to pay tax.
2. Due consideration shall be given to the Cathay FHC’s overall tax burden and the impact on its reputation, management of risks, and social responsibilities in achieving an overall optimal tax policy, as the tax risks and the response measures.
3. Tax relevant information will be disclosed publicly to stakeholders on a regular basis to ensure transparency.
4. Cathay FHC shall foster a mutually trustworthy and honest relationship with the tax authorities. Where possible, it will provide practical industry views and market insights to improve the tax environment and tax system.
5. Cathay FHC shall ensure that its employees receive regular training, both domestic and foreign, in order to enhance their competencies with regard to tax governance.

Cathay FHC paid a total tax of NT$11.1 billion worldwide in 2017; major tax categories included corporate income tax, business tax, house and land tax, land value increment tax, and stamp tax. The amount of taxes paid in Taiwan accounts for 90% of taxes paid worldwide due to the fact that Taiwan is our main country of operation. Taxes paid in the last two years are as follows:

In order to develop and promote better group’s compliance culture as a response to the rapid change of international and financial environment, Cathay FHC attaches great importance to enhancing the compliance awareness and knowledge of all employees, and actively offers a variety of training courses on compliance intended for different subjects, such as all employees, new employees, compliance officers of each unit, specific business units, and personnel for overseas management. Contents of the courses include basic knowledge, advanced topics, and the latest financial regulatory trends in Taiwan and overseas.

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## Intellectual Capital

| 26 | Leader in Sustainable Finance |
| 33 | Pioneer in Green Finance |
| 36 | Strongest Supporter of Inclusive Finance |
| 40 | New Perspectives in Digital Finance |

### The first Sustainability PE Fund

Cathay PE Fund company was established to raise NT$10 billion for the first PE Fund in Taiwan investing Taiwanese sustainable industries.

### Support the green bond

Supported total green bonds investment amounted to NT$1.74 billion as of 2017, and underwrote the largest green bond issued in Taipei Exchange.

### Improve carbon disclosure

The only Taiwanese institutional investor participated in the CDP Non-discloser Engagement campaign. The corporates response rate reached 19% in 2017 after Cathay FHC’s communication. The response rate was higher than 11% of overall response rate.

### The first whole-life micro insurance

Offered the first whole-life micro insurance in the industry and created an accumulated insured amount of more than NT$ 45.8 billion.

### Increase financial inclusion in Cambodia

Connected 3,500 offline locations through the salary transfer service-Payroll 1.0, thereby providing local residents with better access to financial services.

### No.1 Open Account APP in the industry

Over 9,000 new accounts were opened in 5 months via the Open Account APP, which equals to the service volume of 144 salespeople.

### Receive the first ESG investment mandate in Taiwan

Received the first Labor Pension Fund’s NT$6 billion domestic ESG investment mandate.

### First Social Enterprise Preferential Loan Projects

First in the industry to offer the Social Enterprise Preferential Loan Project, and have provided loans to 4 social enterprises.

### Capital at risk and opportunities

The number of the Principles for Responsible Investment (PRI) signatories exceeded 1,700 as of April 2017, with the Assets Under Management (AUM) of US$68.4 trillion. The AUM has been grown by 10.5 times of PRI’s initial AUM in 2006. Taiwan Stock Exchange also launched the “Taiwan Stewardship Principles for Institutional Investors” in 2016, and announced the FTSE4Good TIP Taiwan ESG Index in 2017. We believe the responsible investment is the global trend and will be the Taiwanese government focus in the future.

Climate change and population structure change pose the greatest global risks, forcing industries to face the ensuing environmental impact and the shifting needs of society. Financial products and services are an integral part of daily life. The World Energy Outlook 2017 issued by the International Energy Agency pointed out that renewable energy will account for 40% of global power generation in 2040, while the World Bank Group (WBG) established the goal of Universal Financial Access by 2020 (UFA2020) in hopes that an additional 1 billion people around the world will have the opportunity to enjoy financial services by the year 2020. FinTech has engendered social trends in the digital era, and customers have changed their behavior after using digital financial services. Cathay FHC’s primary mission when developing financial products and services is to gain insight into risks, follow trends, and seize opportunities.
Cathay Life reviews 100% of our new products. To improve policy
Cathay Century takes the commitment of reinsurance
Cathay Life assists suppliers with the management of ESG
In accordance with the spirit of the EPs, in cases of refinance
Cathay Century utilized the core competencies of insurance,

**Leader in Sustainable Finance**

Cathay FHC continuously refines the sustainable finance strategy to align our three growth engines: insurance, banking and asset management with international sustainable frameworks: PSI, EPs and PRI. Cathay FHC and the subsidiaries have integrated those frameworks into our business process with the details as follows.

**Principles for Sustainable Insurance (PSI)**

- **Insure for the Future**: Cathay Life and Cathay Century integrate ESG into key operating processes, such as product development, underwriting, and service processes, such as the enhanced Accident-Free Riders Project, providing commercial fire accident insurance and construction insurance to the renewable energy industry (e.g., offshore wind power and solar power), and offering the government disaster relief linked insurance policies.
- **Protect for the Future**: Cathay Life assists the Ministry of Education in providing student group insurance and promoting sustainable campuses.
- **Sustain for the Future**: Cathay Life and Cathay Century raise ESG awareness among business partners through supplier engagement, and work together with stakeholders, including government agencies, industry associations, academic organizations, and mass media, in the promotion of ESG issues in joint support of sustainable development.
- **Endure for the Future**: Cathay Life assists suppliers with the management of PSI issues through the “Suppliers CSR Principles” and “Corporate Sustainability Checklist”, and by organizing supplier corporate sustainability sharing events. We promote paperless services that encourage customers to participate in PSI practices and improve service efficiency. Moreover, we co-organize anti-drug and environmental protection campaigns in camps from preschool to high schools in collaboration with the K-12 Education Administration of the Ministry of Education.

**PSI Principle 1: Incorporating ESG issues into the insurance company’s decision-making process**

- Cathay Life and Cathay Century integrate ESG into key operating processes, such as product development, underwriting, and service processes, such as the enhanced Accident-Free Riders Project, providing commercial fire accident insurance and construction insurance to the renewable energy industry (e.g., offshore wind power and solar power), and offering the government disaster relief linked insurance policies.
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**PSI Principle 2 & 3: Raising all stakeholders’ ESG awareness**

- Cathay Life and Cathay Century raise ESG awareness among business partners through supplier engagement, and work together with stakeholders, including government agencies, industry associations, academic organizations, and mass media, in the promotion of ESG issues in joint support of sustainable development.
- Cathay Life assists suppliers with the management of PSI issues through the “Suppliers CSR Principles” and “Corporate Sustainability Checklist”, and by organizing supplier corporate sustainability sharing events. We promote paperless services that encourage customers to participate in PSI practices and improve service efficiency. Moreover, we co-organize anti-drug and environmental protection campaigns in camps from preschool to high schools in collaboration with the K-12 Education Administration of the Ministry of Education.

**Equator principles (EPs)**

**Reviewing ESG issues regularly by dedicated team**

Cathay Life and Cathay Century announced their self-compliance with the Principles for Sustainable Insurance (PSI) in 2016 and 2017 respectively. Cathay Life is the first life insurance company in Taiwan self-complying with the PSI. The CS teams formed by these two companies are the key units to implement PSI and incorporate environmental, social and governance (ESG) elements into the decision-making and operating process. Cathay Life and Cathay Century shall fulfill their corporate social responsibility by providing student group insurance in the 2017 academic year, thereby offering protection to the 0.87 million students enrolled in high schools and under (including overseas) around Taiwan. Cathay Life furthermore worked closely with the K-12 Education Administration in organizing an anti-drug stage show tour around Taiwan, as well as energy renovation and carbon reduction lectures to raise students’ awareness of sustainability, bringing knowledge and information on new drugs and environmental protection concepts into campuses through vivid and lively interactions.

**Cathay Life works together with the K-12 Education Administration of Ministry of Education in providing student group insurance and promoting sustainable campuses**

Cathay Life fulfills its corporate social responsibility by providing student group insurance in the 2017 academic year, thereby offering protection to the 0.87 million students enrolled in high schools and under (including overseas) around Taiwan. Cathay Life furthermore worked closely with the K-12 Education Administration in organizing an anti-drug stage show tour around Taiwan, as well as energy renovation and carbon reduction lectures to raise students’ awareness of sustainability, bringing knowledge and information on new drugs and environmental protection concepts into campuses through vivid and lively interactions.

**Cathay Century’s Enhanced “Accident-Free Rider” Project**

Cathay Century utilizes VR technology and its core competencies to develop and launch the industry’s first VR Hazard Perception Test. The effects of different road conditions and driving behavior on the level of hazard can be experienced through a game, thereby achieving the perfect integration of traffic safety knowledge and entertainment. Cathay Century also decoded traffic conflict hotspots on campus, and drew campus risk maps to comprehensively protect the safety of students riding scooters.

**PSI Principle 4: Regularly disclosing our PSI implementation progress to demonstrate accountability and transparency**

Cathay Life issued the first PSI Disclosure Report in Taiwan in 2017, and Cathay Century will also disclose its compliance results for the first time in 2018.

**Establishing a comprehensive lending management mechanism: Equator Principles & ESG Principles for Corporate Loans**

As the leading financial institution in the field of renewable energy in Taiwan, CUB has invested considerable resources over the years into the development and research on green energy themes such as solar power and wind power. CUB adopted the Equator Principles in 2015 to examine its project financing processes with even higher standards, and became the first Equator Principles Financial Institution in Taiwan.

CUB expanded its EPs application scope beyond the original design in 2017.

- In accordance with the spirit of the EPs, in cases of refinance and cases traded on the secondary market, review procedures...
set forth by “Rules Governing Project Finance under Equator Principles” must apply. Not only do we take into consideration if the borrower fulfills its responsibility towards environmental and social protection, and we engage the customer’s external consultant to conduct due diligence when appropriate. We ensure action plans proposed by the external consultant is duly executed, and perform regular monitoring, should the customer show unwillingness to comply, we terminate financing for the project.

- All CUB loans also comply with the “Rules Governing Sustainable Corporate Loans Adhering to ESG Principles” so that corporate borrowers participate in the practice of environmental and social risk management and adopt approaches compatible with sustainable governance. In doing so, CUB incorporates sustainable risk/emerging risk management in its risk management framework and sets it as the basis for credit reviews, as well as defining the industries ineligible for loan granting. CUB will establish even more detailed “ESG Risk Guidelines” for sensitive industries in 2016, so as to enhance employee awareness and help them identify ESG risks. The guidelines list key ESG issues in all aspects of operations for certain industries, provide employees with a basis for KYC, so that they can assist customers in adopting better ESG practices in their business operations.

Corporate Loan Application & Review Process

Check whether the borrower meets the industries defined by CUB ESG exclusion policy.

Fill out the ESG checklist according to the “Rules Governing Sustainable Corporate Loans Adhering to ESG Principles”.

Determine whether the project is an EPs project according to the “Rules Governing Project Finance under Equator Principles”.

Loan application approval

Review and management

- EPs: 520 cases out of all corporate loan applications in 2017 passed preliminary filtering by the EPs’ system’s screening mechanism. 7 applications met the scope of EPs’ project financing requirements and proceeded to EP review, of which 2 applications have been terminated and the remaining 5 applications received approval. The 5 applications were categorized in reference to EPs’ risk classification: 1 project for Category A, 1 project for Category B, and 3 projects for Category C. In 2017, Cathay United Bank undertook 2 Category C Project Finance cases that have reached financial close according to the Equator Principles as of year end.

- ESG Principles: In the total of 4,393 new credit applications from May to December 2017, of which 207 applications with ESG concerns (e.g. sensitive industry, pollution issues, environmental protection within the group, and management integrity) were subject to approval with the detailed reasons of underwriting/maintaining business relationships. The 3,490 current credit cases were sent for EPs assessment, of which 45 cases having ESG concerns (such as pollution issues, environmental protection within the group, and management integrity) were documented with the detailed reasons of maintaining business relationships and carry on follow-up management. As of the end of 2017, 5 applications with ESG concerns were escalated for further discussion and then rejected.

Training and Professional Teams

CUB has completed EPs-related training into online courses, and all the new employees are required to complete EPs training. To raise employees’ awareness for “Rules Governing Sustainable Corporate Loans Adhering to ESG Principles” issued in 2017, we designed the online courses respectively for the teams of corporate lending and SME lending. We also circulated e-mails with FAQs to help employees be more familiar with the ESG Principles. CUB also established the Sustainable Finance & Credit Risk Management Section in 2016, and named it to Sustainable Finance Section in 2017. The section is now the dedicated unit to promote corporate sustainability within the bank.

CUB Partners with Green Giraffe as Domestic and Foreign Financial Consultants for the HaiLong II and HaiLong III Offshore Wind Farms

CUB supports the development of green energy and has taken the next step in offshore wind power development. By demonstrating the bank’s vast experience in project financing, CUB and Green Giraffe, the global renewable energy financial consulting company, act as joint financial consultants for HaiLong II and HaiLong III Offshore Wind Farms in Taiwan. After official commercial operations, the two offshore wind farms (1GW capacity) helps to contribute Taiwan government’s goal of 5.5GW total installed capacity in offshore wind farms by 2025. CUB hopes that the mutually beneficial support between the finance and green energy industries will help Taiwan expand the scope of its green energy industry and contribute to the joint creation of a green and sustainable future for the nation.

Cathay FHC’s three growth engines

Cathay FHC defined its responsible investment and lending policy by following the PRI, EPs, and Taiwan Stewardship Principles for Institutional Investors. We also formalized the following investment and lending process by integrating the seven approaches of responsible investment defined by GSIA report and the PRI framework.

Principles for Responsible Investment (PRI)

- The First: The first financial institution in Taiwan establishing a Responsible Investment Working Group
- The Only: The only financial institution in Taiwan participating in the global initiatives, such as LCI, CDP Non-disclose Engagement Campaign, and AIGCC
- Comprehensive: 3 subsidiaries, Cathay Life, Cathay Century, and Cathay Site, are the signatories to the Taiwan Stewardship Principles for Institutional Investors
- The First: To raise the first PE fund in Taiwan investing Taiwanese sustainable industries

Intellectual Capital
1. Low-carbon investments:
Cathay FHC utilized its experience from participating in the GIC Low Carbon Investment Registry over the past two years to clearly define the meaning of low-carbon investments. Cathay FHC simplified the eight low carbon categories recognized by the registry into six major categories, including energy (excluding nuclear and fossil fuel), buildings, recycling, transportation, industry (energy efficiency), and finance measures (e.g. green bonds), for better applicability in internal processes. Based on the simplified new definitions, Cathay FHC reviewed group’s low-carbon investments/loans. Such investments/loans of Cathay FHC and subsidiaries totaled NT$149.8 billion as of the end of December 2017.

2. Green bonds:
Green bonds have undergone a rapid development in recent years, and the Taipei Exchange established mechanisms for the issuance of green bonds in April, 2017. Cathay FHC has proactively developed our green finance and supported green investment that benefit the environment. That is why, when the first round of green bonds were issued in Taiwan, Cathay Life purchased NT$875 million green bonds (approximately 17% of the total amount issued in the first round). When foreign green bonds are also counted, the total invested in green bonds by Cathay as of the end of 2017 amounts to NT$1.74 billion.

3. PE Fund for sustainable industries:
Cathay Private Equity Co., Ltd. was established in 2017 to raise its first Cathay Sustainability PE Fund with maximum fund size of NT$1 billion. It’s the first PE Fund in Taiwan that focuses on industries related to sustainable development. The professional investment team is supported by the group’s resources, and the PE fund’s strategy is to set up a limited partnership to professionally manage investment target, in much the same way that such partnerships are used in foreign PE fund structures.

4. Infrastructure investments:
Renewable energy and infrastructure is one of Cathay’s ESG four focus areas. Besides low carbon investment, we also attach great importance to infrastructure. We hope our investment can boost infrastructure development in different countries, and improve people’s life quality. As of the end of 2017, Cathay’s investments in infrastructure reached NT$504.1 billion. Cathay Life has invested in domestic wastewater treatment, and investment amount increased by 39% yoy to NT$455 million in 2017. Cathay Life also announced that it will be investing NT$300 million in preferred shares of Taishan Investment and Management Co., Ltd. (accounts for 7.3% of the amount raised) to aid the development of smart cities by investing in IoT and smart machinery. Cathay Life is the first insurance company in Taiwan to announce its investment in the national investment company and has contributed NT$150 million in the company as of the end of 2017.

**Sustainability Themed Investing**

**1. Low-carbon investments:**
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**Corporate engagement and shareholder action**

**1. Climate Change:**
Cathay FHC is the pioneer of Taiwanese financial institutions participating in COPD initiative since 2012. Out of all the companies in the whole Cathay FHC group and its subsidiaries, have engaged in investing or extended loans exceeding NT$1 billion over the years, nearly 70%-80% are targets of COPD surveys. Cathay FHC therefore began sponsoring COPD activities in Taiwan since 2013 promoting COPD to more Taiwanese companies. Also, Cathay was the only institutional investor in Taiwan participating in the COPD Non-discloser Engagement campaign in 2017. Cathay invited other international investors engaging with the non-responding companies to respond COPD questionnaires. 19%of the companies have responded to COPD questionnaire in 2017. The response rate is higher than 11% of COPD overall response rate.

**2. Robust ESG information system and dedicated ESG task force:**
In addition to procuring an ESG research database, Cathay Life organizes the Responsible Investment Task Force, which consists of colleagues from various investment departments in the end of 2016. Members of the Task Force continuously study best responsible investment measures and practices adopted by international benchmark companies and actively engage in exchanges and learning. Furthermore, Cathay Life establishes a more robust ESG integration process each year to optimize their ESG integration process. In 2017, Cathay SITE also organized its ESG Task Force Team with representatives from the various business units of Cathay FHC and subsidiaries.

**3. Education and training:**
Cathay continues to carry out internal ESG training to improve our employees’ understanding of responsible investment practices. In 2017, Cathay Life provided a total of 513 hours of training to 256 participants; Cathay Century organized four sessions of ESG training for the entire company in the fourth quarter, and a total of 247 employees discussed the contents of CSR and feasible plans with lecturers and members in 7 hours of meetings.

**4. Cathay will incorporate ESG integration capabilities into our core competitiveness:**
Cathay SITE’s ESG integration efforts are highly recognized. In March, 2018, Cathay SITE officially received the Bureau of Labor Funds’ first ESG investment mandate in Taiwan, managing assets in the amount of NT$16 billion, the FTSE4Good TIP Taiwan ESG Index will be used as the benchmark for investment performance.

**ESG Integration**
Cathay believes that ESG information can create long-term value, and therefore focuses on ESG integration into the investment decision. The sustainability has integrated ESG factors into their investment decision-making process.

**1. Defining ESG integration policies and mechanism:**
Both Cathay Life and Cathay Century Insurance have addressed their “Investment Management Procedures” and “Investment Policy” that they follow the Principles for Responsible Investment (PRI) during the investment process. Both companies have integrated ESG factors into the decision-making process by refining the investment procedures & information systems and referring to the external research resources. Cathay Life will also strengthen the high ESG risk reporting and review mechanism in 2018 preventing the possible ESG impacts.

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Cathay Life also communicates with top management of the investee companies in the forms of telephone conferences, forums, company results meetings, or attending shareholders’ meetings. Cathay Life visited 851 companies with a total of 1,507 meetings in 2017. Cathay SITE has nearly 50 managers and researchers, and each person made 133 visits on average in 2017.

**External Investment Management**

Cathay Life began taking ESG into consideration in 2017 when signing contracts with mandate partners to ensure the companies fulfill their duties as asset managers. Cathay Life reviews their ESG performances annually, and hopes to thereby encourage the companies to attach greater importance to ESG risks and opportunities. Cathay Century regularly communicates its expectations and requirements on ESG issues with mandated asset management companies. Of the asset management companies providing discretionary investment services to Cathay Life and Cathay Century, about 95% are signatories to the PRI or local stewardship principles.

**Pioneer in Green Finance**

Environmental issues once again became the greatest concern to experts around the world according to the Global Risks Report 2018 issued by the WEF. As environmental risks continue to increase, the development of renewable energy is a key step we must take to respond to the risk of climate change. The World Energy Outlook 2017 issued by the International Energy Agency (IEA) expects renewable energy to surpass coal-fired power generation in 2020 and that renewable energy will account for 40% of global power generation by 2040. Cathay FHC is the number one brand in green finance and actively supports green energy development in hopes of achieving mutual prosperity for both the environment and the economy.

**Supporting Green Energy Development**

- Solar power station financing
- Offshore wind power financing project
- Renewable energy construction insurance

**Supporting Green Transportation Transition**

- Public transportation construction insurance
- Green vehicle insurance
- Bicycle insurance

**Supporting Promising Green Startups**

- Assisting environmentally-friendly and green energy industries in TWSE/TPEx listing
38 Da’an Forest Parks. The wind turbines serve as a demonstration site for the future construction of a 5 GW offshore wind farm.

Note: According to Energy Number statistics (http://energynumbers.info/) on countries with offshore wind farms, Denmark, Germany, and the UK have each established more offshore wind farms, and the cumulative installed capacity of offshore wind power projects in Taiwan is one of the lowest in the world. The simple calculation is based on the output of the wind turbines and wind power generation efficiency of 35% to 40%, and the formula "actual power generation = installed capacity x capacity factor."
Diverse products protect elderly health and ensure a life of security and happiness

The Asia Pacific Risk Center pointed out that Asia’s population is aging at a historical pace. In the span of this aging society, Taiwan will transition from an aged society to a hyper-aged society in eight years. Taiwan will become the “world’s oldest” country by 2050. The economic pressure and healthcare demands from the rapid increase of the elderly population will become a potential social issue in the future.

In accordance with its people-oriented business philosophy, Cathay Life actively addresses the social risks of the elderly by providing diversified insurance products to resolve possible problems in later years. In responding to the aging issue, Cathay Life launched 9 new insurance products in 2017 and served as the best supporter of social stability.

Cathay Life offered the first whole life micro insurance “Cathay Life Wei Shin Ai Small Amount Whole Life Insurance” in 2017 to help citizens alleviate economic risks brought by aging society. Cathay Life hopes to raise people’s awareness of mortality risk so that they make plans accordingly. This insurance product assists the economically disadvantaged or elderly who can not be approved for life insurance products obtain basic protection at an affordable premium. Up to the end of 2017, Cathay Life’s wrote nearly 160,000 policies with total insured amount exceeding NT$45.8 billion, gaining a double achievement of selling the highest number of insurance policies and collecting the largest amount of premiums from new contracts among all industry peers.

According to the latest listing of the ten leading causes of death announced by the Ministry of Health and Welfare in 2015, cancer continued to be the leading cause of death for the 34th consecutive year. In light of this national health risk, Cathay Century utilized its insight into the urgent need of cancer patients for targeted therapy in the development of an innovative product - “Cathay Century Targeted Cancer Therapy Insurance for First Time Cancer Patients.”

The insurance product provides a lump-sum payout for targeted cancer therapy policy holders diagnosed with cancer for the first time, giving cancer patients the option of choosing to undergo the most effective form of treatment.

CUB protects the economic independence of the elderly through the Disability & Retirement Trust

The Trust Department of CUB has always performed professionally in responding to social risks in an innovative way. CUB launched the Disability & Retirement Trust in 2014 to protect the elderly and people with disabilities. The trust allows people to entrust different types of property, and ensures that trust properties are used exclusively for designated purposes. This allows the elderly and people with disabilities to live a happy life with dignity. Up to the end of 2017, CUB undertook 314 Disability & Retirement Trust cases, among which, 34 cases were undertaken in 2017, for which a total of NT$1.4 billion has been entrusted. CUB was recognized by the FSC in 2017 for its excellent performance in establishing trusts for the elderly and people with disabilities in the year 2016.

Integrating group resources, extending care through the Insurance Benefits Trust

Insurance creates a basic safety net for policy holders, and the Insurance Benefit Trust reinforces this safety net. CUB Insurance Benefit Trust fulfill people’s wishes to take care of beloved family members by planning the actual use of insurance benefits and entrusting the bank make payments for such items as living and education expenses according to contract. This ensures that insurance benefits are used for designated purposes and the care for the needs of family members. CUB has a market share exceeding 40% in the insurance benefit trust market. CUB further integrated group resources by launching a mechanism that automatically entrusts death benefits from Cathay’s travel insurance into the Insurance Benefit Trust. Policy holders of Cathay Life or Cathay Century’s travel insurance can choose to automatically entrust death benefits to the Insurance Benefit Trust by simply checking the option. This completes Cathay’s comprehensive insurance and trust integration mechanism.

CUB has accumulated a wealth of experience over the years by closely attending to what customers need, whether it be children’s education expenses, a safe foundation for family life, security for the elderly, or people with disabilities. CUB provides professional consulting on demand and has helped multitudes of customers make plans in advance, distribute their resources, and carry on their fatherly or motherly love and care.
Actively helping enterprises engaging in long-term and elderly care raise funds in the capital
Cathay Securities endeavors to satisfy funding requirements that support the elderly care industry. Cathay Securities successfully assisted MedFirst Healthcare Services Inc. to become listed on the Taipei Exchange in 2014, injecting new energy into the long-term care industry through accessing the capital markets. As the company continued to expand its business and improve its service quality, Cathay Securities again in 2017 assisted the company to raise funds in the capital markets amounting to approximately NT$320 million. In the future, Cathay Securities will continue contributing to the aging society and elderly care industry by actively supporting enterprises engaging in long-term and elderly care.

Cathay FHC has been concerned about the aging society for many years. It has become the only financial institution to work with Smart Aging Design Courses in 2017 in the three years since the courses were first offered. The Smart Aging Design Courses bring together elderly health management, engineering, and design students from five universities in Taiwan, including National Taiwan University. Course lecturers come from both industry and academia and aim to cultivate interdisciplinary talents, while providing solutions for aging society issues. Over 160 students have taken the courses since they were first offered in 2015. Cathay FHC hopes to create the friendliest financial service experience for the elderly through long-term industry-academia collaboration.

CUB ensures donations are used for those in need through Charity Trust
The scale of CUB’s Charity Trust, at a total of NT$157.92 billion, was the largest in the industry as of the end of 2017. The bank has helped several founders and owners of companies listed on TWSE/TPEx and successful individuals in society to establish trusts for the purposes of charity, education, and children’s welfare in hopes of enhancing the transparency of charitable donations and ensuring that the donated funds are truly used for those in need.

CUB in 2017. The cumulative number of policy holders reached 41,375, providing 257 families with basic protection.

CUB instills new energy into the development of social enterprises in Taiwan through preferential loans
CUB has supported the development of small and medium enterprises (SMEs) through preferential loans, as SMEs are the best force driving economic growth in Taiwan. As of the end of 2017, the balance of CUB’s outstanding loans reached NT$151.9 billion. CUB will continue to work with the Small and Medium Enterprise Credit Guarantee Fund of Taiwan in 2018, and will focus on steadily increasing the number and amount of credit guarantees for SME financing projects.

Social enterprises are flourishing in Taiwan but they still frequently struggle when it comes to the raising of operating capital. CUB and Taipei City Government jointly implemented the industry’s first Social Enterprise Preferential Loan Project to aid the development of social enterprises by providing small, low-interest loans to qualified enterprises, and hopes to furthermore bring together the public and private sectors in building a preferential loan platform for social enterprises. CUB approved loans to 4 social enterprises between April 2017, when the project was implemented, and the end of 2017. CUB has a profound understanding of what society needs and the directions in which it is developing, and will endeavor to instill new energy into the development of social enterprises in Taiwan. CUB hopes to create a better business and social environment by creating conditions favorable to the development of Taiwan’s social enterprise ecosystem, thereby achieving mutual prosperity in society.

CUB Cambodia (CUBC) providing finance to local MFIs
CUBC employees lead students to branches for field surveys and attempt to find the greatest pain points of the elderly when accessing financial services.

Expanding Influence
CUB provides funding for crop insurance, which is one of the necessary programs for natural disasters and does not require on-site inspection of damages. CUBFHC has approved loans for social enterprises up to the end of 2017.

Crop Insurance (regional harvest) in 2017 in hopes of providing farmers with even more protection options. Farmers can select suitable products based on their individual insurance requirements. Total insurance coverage reached NT$11.95 million at the end of 2017.

Cathay Life has provided insurance to all major professional baseball players since 2007 as a way to show support for the team and its followers. CUB led the industry by providing preferential loans to social enterprises, and has approved loans to 4 social enterprises up to the end of 2017.

Cathay Life provides protection for students around Taiwan through Student Group Insurance
Cathay Life began providing Student Group Insurance in academic year 2017 to offer proper care for students when emergencies occur and to relieve the economic burden on their families. The insurance provides basic death and medical benefits to nearly 3.08 million students around Taiwan. Cathay Life constructed an easy-to-understand website to provide higher quality services for Student Group Insurance, allowing parents and the public to access and understand the contents of coverage and to enhance the quality of student group insurance service. Cathay Life also promotes anti-drug and environmental protection issues through the network of student group insurance to fulfill corporate social responsibility.

CUB has become the strongest supporter of professional baseball players through the CPBL Gambling Prevention Trust
CUB began working with the Taiwan Professional Baseball Development Association, Chinese Professional Baseball League (CPBL) and individual professional baseball teams in 2009 in offering a trust for professional baseball players. CUB was the first bank to set up such a trust, and currently has the largest trust with the most players. As of the end of 2017, 234 active players have joined CUB’s CPBL Gambling Prevention Trust, and trust funds have exceeded NT$150 million, allowing both players and fans to truly enjoy the game.

The graph illustrates the cumulative scale of CPBL Gambling Prevention Trust by CUB from 2015 to 2017.
New perspectives in Digital Finance

We must respond to environmental and social issues in the most creative ways under the threat of extreme global risks, such as extreme weather events and cyberattacks. Technology has changed the face of finance, and the digital era has revolutionized our lifestyles. Financial institutions need to find ways to help customers during important times in their daily life, and also use data to create an enjoyable customer experience.

Cathay FHC takes the lead in digital prospects

Cathay FHC has innovated its business model through the strategy of “simultaneously developing multiple channels, moving steadily forward, integrating group resources, and continuing to improve the big data ecosystem,” and continues to explore the unlimited possibilities of financial services. Besides providing customers with a convenient financial experience through comprehensive mobile services, Cathay FHC’s Digital, Data & Technology Center (DOT) has extended its reach into all parts of Southeast Asia in the two years since it was established, and is actively increasing the accessibility of financial services. DOT horizontally integrates the group’s digital developments.

Cathay FHC aims to build meaningful connections with its customers utilizing its information integration abilities and data analysis and development, thus becoming the best financial navigator for customers. Cathay FHC is moreover committed to providing financial services to the underserved. It assists workers through the DOT’s “Best Supporter of Workers” program, and continues to provide personalized financial services to the underserved.

Cathay FHC makes data-driven decisions and fully grasps FinTech development trends

Cathay FHC’s digital development strategy

Strategy 1
International perspective

Strategy 2
Cross-financial fields and cross-industry

Strategy 3
Four major channels

Cathay Robo improves the customer experience

Cathay FHC endeavors to provide customers with a variety of low cost financial solutions through the use of FinTech and has for this reason launched the smart investment platform, which encourages long-term investment and aims to help customers achieve their investment goals. The platform helps investors make disciplined, rational, and fixed investments rather than reacting to market fluctuations.

Cathay FHC integrated the group’s resources worldwide, including the wealth of professional investment experience possessed by its asset management research team, product team, Cathay SITE and Conning Holdings Corporation and the artificial intelligence algorithms developed by Hong Kong startup Quantified, in creating a world class research team. Cathay FHC aims to use the most rigorous algorithms and its world class investment services to help all customers progress steadily toward achieving their financial management goals at each stage of life.

Cathay FHC makes data-driven decisions and fully grasps FinTech development trends

The most heartwarming digital financial service–CUBC Payroll 1.0 salary transfer

A study by the Asian Development Bank (ADB) pointed out that the demand for payments and transfers in 2017 in Cambodia was estimated at US$8.3 billion, but transactions through formal financial channels was only US$3.3 billion, a significant gap of US$5.4 billion. Payment service, the basic function related to all transactions, is the most important service linked to Cambodian’s daily lives. CUBC decided to work with major local payment providers and became the first bank in Cambodia to work with payment service providers in providing salary transfer services. CUBC is connected to the payrolls of factories, and helps factory workers collect their salaries from the offline payment agents CUBC works with as part of its cash flow services. Local workers can collect their salaries from any offline agent that provides the service, which is not only convenient, but also prevents the risk of being robbed when carrying large amounts of cash on paydays. Factories can save the trouble of issuing large amounts of cash each month, and also avoid the risk of miscalculating salaries.

The number of CUBC’s locations expanded from 16 branches and 80 ATMs to about 3,500 offline agents through the collaboration with major local payment providers. The collaboration has created an affordable connection between local people and financial institutions and achieved inclusive finance. In the future, CUBC will continue to work with payment service providers in providing local residents with the opportunity to access an even greater variety of financial services.

Cathay Robo developed by Cathay FHC’s professional team helps customers achieve sound financial management.

Cathay FHC builds the industry’s leading brand in mobile services

Cathay Life formed a financial insurance patent team and became the first insurance company, again bringing honor to our nation by being the only Taiwanese insurance company to win Taiwan’s top awards.

Cathay FHC integrated the group’s resources worldwide, including the wealth of professional investment experience possessed by its asset management research team, product team, Cathay SITE and Conning Holdings Corporation and the artificial intelligence algorithms developed by Hong Kong startup Quantified, in creating
invention patent in 2014. Cathay Life obtained 43 insurance technology patents by the end of 2017, and led the industry by offering numerous new intelligent services, which allows our customers to have a comprehensive experience and best represents the value of innovation.

Cathay Life’s 25,000 salespeople use their iPads to provide one-stop insurance services to policy holders on a mobile insurance platform. Whenever customers are, mobile service personnel are right there with them. This approach also contributes to resource conservation and carbon reduction while providing policy holders with quick, safe, and convenient services, reducing paper consumption by nearly 53.3 million sheets in 2017, roughly the height of 11 Taipei 101 buildings.

CUB makes digital finance an integral part of daily life

The updated MyBank and My MobiBank APP of CUB feature consistent experience, consistent content, and a mobile first approach, providing customers with a simple, streamlined interface and visual experience designed from a user’s perspective. MyBank had 3.17 million users as of the end of 2017. My MobiBank was upgraded and revamped in 2017. Credit card holders no longer need to receive an e-mail to change their password when they apply for a mobile banking account, making the application process even faster. As a result, the number of credit card holders that registered for mobile banking grew 133% YoY. The application process for non-predesignated transfer accounts was also optimized, and can now be completed online with a mobile phone without needing to go to a service counter; the number of transfers grew 23% MOM as result. As of the end of 2017, My MobiBank had 1.1 million users.

CUB has truly transferred mobile payment into an integral part of people’s daily lives, and is actively creating additional areas of application to establish a cashless society. CUB was among the first grove of banks to support Apple Pay in 2017, and led the industry by allowing credit card holders to use Apple Pay on My MobiBank, offering customers access to a brand new payment process. We led the industry in overall (mobile payment) performance, in which young online shoppers and air travelers are especially fond of using mobile payment. Over 30% of these users joined the top three international mobile payment providers. CUB integrated mobile payment technology with wearable devices in 2018 by supporting Garmin Pay and Fitbit Pay, thereby offering cardholders a new mobile payment experience on devices other than their mobile phones.

Furthermore, CUB is working exclusively with 7-ELEVEN and also supports FamilyMart’s Fami Pay not only for payment services but also through the provision of credit card invoice carrier services. When a CUB credit card holder uses the credit card to make a purchase, the invoice will automatically be stored in the credit card invoice carrier, and a hard copy will not be printed, providing greater convenience and contributing to environmental protection at the same time.

CUB APP services allow you to complete all your errands using your mobile phone

My Rewards

My Rewards APP integrates offline and mobile applications with innovative technologies, and offers a variety of application scenarios and service functions in response to the demand for newer, faster developments in digitization. Cathay FHC utilizes agile development to accelerate its development speed and fulfill requirements for customer experience. Product releases are completed in the most efficient manner from prototype design and development, usability testing, and new version adjustments and testing. As of the end of 2017, the number of members had exceeded one million.

Cathay FHC also set a precedent in the finance industry by using agile development to accelerate the APP’s transformation into a charity platform. The new reward point donation function under My Rewards allows users to redeem products and supplies offered by excellent social enterprises with their reward points at a minimum threshold of 20 points, and then donate the products to social welfare organizations in need. This way users’ reward points can benefit social enterprises and social welfare organizations at the same time. In less than a week after the service was launched, users had accumulated over 400,000 reward points and donated 40% of the 1-million-donated-point target. Cathay FHC’s My Rewards APP achieves mutual prosperity in society through innovative digital technology, enabling customers to show their care and concern by using reward points to answer the purposes of social enterprises and reflect the thoughtfulness of participating enterprises. My Rewards is therefore truly a mobile platform on which love and care know no boundaries.

Smart Go APP

Cathay Century launched the car insurance Smart Go APP, a mobile marketing management tool, to identify trends in mobile services. The APP allows salespeople to manage car insurance affairs anytime and anywhere using an iPad. The APP received a utility model patent from the Intellectual Property Office, and can be used for calculations and purchasing insurance online. It can also provide policy holders with quotations and payment information in real-time using Line. The Smart Go APP was used for nearly 90% of car insurance quotations in 2017, significantly reducing the time previously needed to generate quotations.

Open Account APP

Cathay Securities’ Dunnan Branch revolutionized the model of traditional securities brokerage through adoption of a new digital business model that removes the constraints of personnel, time, and place.

Cathay Securities obtained 4 utility model patents in less than a year, the fastest in the industry, and applied the patents in the latest version of the Open Account APP and the newly upgraded stock selection APP. The Open Account APP is the first one in the industry to not require a digital citizen certificate or video authentication process, and uses Authentication and Identification Service Center technology to establish an integrated and secure online identification mechanism. The process of opening a securities account and bank account can be completed through 3 simple steps using the APP. Over 9,000 new accounts were opened within 5 months since the launch of the APP. In the other words, the number of accounts opened by one digital salesperson is 144 times that of traditional salespeople.

Cathay SITE’s My MobiFund APP

Cathay SITE’s My MobiFund APP is the first mobile APP provided by a securities investment trust to feature fingerprint recognition and online password unlocking functions. Cathay SITE introduced and continued to optimize push notifications of fund performance in 2016, and added NFC and additional unit payment mechanisms to provide customers with even more convenient service functions. The number of customers that used mobile devices for trading accounted for 25% of all customers in 2017.

My MobiFund APP

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Human Capital

53% of Cathay’s managers are female

4.2
The average score for Cathay’s Employee Engagement Survey was 4.2 (5 point scale) with a 77% response rate

143 hours
Training per employee reached 143 hours

ROI reached 47
ROI from AG 2.0 training reached 47

Capital at risk and opportunities
According to the Future of Jobs report published by the WEF, the financial industry's demand on talent has changed drastically due to the impact of FinTech. Besides, Taiwan has the world’s most severe brain drain. Professional talent accounts for 61.1% of all workers leaving the country, posing a great challenge to the highly professional financial industry. Cathay has the most complete presence in the ASEAN region among all of Taiwan’s financial institutions. With branches in 9 out of 10 countries, Cathay has achieved the goal of localized operations and refined services through M&A and strategic alliances.

Cathay is actively recruiting FinTech talents and training management associates with high potential with consideration to international trends in the industry, regional development, and the company’s business strategy, so that employees will identify with its business philosophy. Cathay moreover provides a work place for employees from diverse backgrounds to grow and develop, thereby facilitating the company’s expansion into new markets.
Cathay FHC had 44,445 full-time employees in 2017, 197 office staff were part-time workers, accounting for 0.44% of all employees. Furthermore, Cathay FHC employs 445 disabled persons; the group’s average appointment rate of 1.00% has reached the legal standards. Cathay prioritizes local employment in main operation sites, 99.5% of employees in Taiwan are locally hired.

### Employee Structure

<table>
<thead>
<tr>
<th>Number of full-time employees/distribution by region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taiwan</strong></td>
<td><strong>Oversea</strong></td>
</tr>
<tr>
<td><strong>Manager</strong></td>
<td>2,554</td>
</tr>
<tr>
<td><strong>General Staff</strong></td>
<td>28,977</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>31,531</td>
</tr>
</tbody>
</table>

Note 1: Only FTEs are included in above statistics.
Note 2: Other non-FTEs are 197 part-time office staff; 0 temporary workers; 160 interns; 13 hourly employees; 2008 contract personnel.

### Attracting Talents

Employees are company’s most important assets. The related talents have to come targets much sought after in the market due to the growing emphasis on FinTech, information security, compliance, and anti-money laundering in recent years. Cathay has developed diverse recruitment channels and engages in industry-academic cooperation with key universities and the ATCC case competition. Cathay provides competitive salaries and a comprehensive benefits system to strengthen its brand as an employer, and is actively recruiting outstanding talent to create persistent competitive advantages, establish strong connections with the international financial market, and become the leading financial institution in the Asia-Pacific.

### Jointly cultivating FinTech talent in cooperation with NTU’s Talent Cultivating Program

Cathay joined the Talent Cultivating Program organized by the National Taiwan University College of Management for the first time in academic year 2017 and recruited 20 students. The students engaged in flexible learning methods, including case discussions, field operations, and department visits, under a mentor system. Students that performed well during training gained priority to the CIP or MA programs. Cathay FHC subsidiaries CUB, Cathay Life, and Cathay Century implemented the IT’s Time IT Talent Recruitment Program to jointly recruit IT talent through the new recruiting model of holding interviews and notification on the same day to recruit IT talent around Taiwan.

### Cathay Internship Program (CIP)

Cathay reserves talent in advance through industry-academic cooperation to gain a stable source of talent in response to severe talent market competition. Cathay launched the Cathay Internship Program (CIP) in 2005 to offer students with internship opportunities so they can enter the workplace immediately upon graduation and apply what they have learned. Project features are as follows:

- **Project-based research**
  - Interns can use project-based research in coordination with the departmental business strategy to develop and present results at the end of their training.

- **Personal assistance**
  - Department personnel serve as mentors to help interns adapt and provide guidance in their research projects.

- **Participate in departmental operations**
  - Interns participate in the department’s daily operations to gain an in-depth understanding of the company’s business, and apply what they have learned on the job.

- **Developing a sense of social responsibility**
  - Interns take part in social activities that help them develop a sense of responsibility and gratitude and understand the true meaning of social responsibility.

- **Combining work with practice**
  - Students are provided with practical learning and professional education through a wide variety of learning channels and internships.

- **Priority for employment**
  - Students that have performed outstandingly are given priority for employment after graduation.

### Statistics of Employee Training Hours

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>12,513,926</td>
<td>10,044,276</td>
<td>22,558,202</td>
</tr>
<tr>
<td>2016</td>
<td>12,826,955</td>
<td>10,498,193</td>
<td>23,325,148</td>
</tr>
<tr>
<td>2017</td>
<td>12,856,398</td>
<td>10,498,193</td>
<td>23,354,591</td>
</tr>
</tbody>
</table>

Note 1: Female includes training cost per hour: NT$640 million.
Note 2: Total training hours have continued to invest considerable resources for establishing CSR (Cathay Super Net) and CAN (Cathay Academy Network) so that we may offer employees an abundance of learning opportunities and resources. In 2017, Cathay’s total training spending has reached NT$640 million.

### Employee Learning and Development

Cathay has maintained leadership in the market for over half a century. Cathay implemented Project New Heights, a large-scale organizational change initiative, in 2012 in response to the rapid changes in the financial market and to achieve corporate sustainable development. Through the project, we engage in organizational changes that enable us to utilize the advantages of international benchmark companies. We have identified three engines of growth - "Insurance + Banking + Asset Management" - as our core strategy to become "the leading financial institution in the Asia-Pacific." Cathay established the Cathay Danshui Education Center in 1969 as an exclusive educational institute for Cathay employees, and we have continued to invest considerable resources for establishing CSR (Cathay Super Net) and CAN (Cathay Academy Network) so that we may offer employees an abundance of learning opportunities and resources. In 2017, Cathay’s total training spending has reached NT$640 million.

We adopted the human capital ROI management model in recent years to assess the value created for each NT$1 invested in training. We hope to thereby understand the effects of education resources, and clearly communicate talent cultivation results with stakeholders. Cathay reviews long-term value of training and development for stakeholders through the comprehensive examination of project results, which is carried out by measuring the return on employee development investment. Findings from the results effectively strengthen Cathay’s human capital when we apply them to human resource management.

### Key Statistics of Human Capital

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Note 1: Cathay FHC is committed to accommodating the different training patterns and training needs of each employee. Hence, training hours include number of overseas subsidiary employees complete at the company, number of hours employees participated in offsite conferences and courses, number of hours learning at CAN, and number of hours learning at CUB.
Note 2: In 2017, Cathay’s adjusted hours of continuous training hours, graded education, and CAN. Some courses were suspended, which resulted in the lower number of training hours.

### The only financial institution to work with Make NTU in support of FinTech

Cathay FHC worked with Make NTU in 2017, and became the only financial institution to work together with Make NTU. This year’s theme was “Smart Cities” to follow up on the challenges in FinTech last year, in which financial services are an important target market for FinTech. The creativity of participants allows Cathay to be more in touch with the younger generation’s imagination of a smart life when integrating customer services and dealing with health management issues.

### CIP Statistics

<table>
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<tr>
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<tr>
<td>2015</td>
<td>1,185</td>
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<td>2016</td>
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<td>1,257</td>
<td>20.5%</td>
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Note 1: Cumulative number of employees recruited through CIP.
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**Cathay FHC 2017 Corporate Sustainability Report**

**Human Capital**

**CMA Program**

Learn specialized financial and protect job
Create higher-paid job opportunities
Enhance individual
Increase business
Cultivates international financial talent
Gains greater output value
Increase personal
Cultivating talent for developing
Gain highly challenging career
Increase employees'
Gain outstanding
Increase premium income

**Human Capital**

of elite international talents have also been successfully including specialists in each field, cross-disciplinary talent, and enriches the group’s talent pool. Employee growth and strengthen target competencies, whichtalent development activities and coaches, we accelerate to seize opportunities and face challenges in Asia. Through

**Project objectives**

Cathay Life initiated the AG 2.0 Sales Force Transformation Plan in 2013. The plan encompasses a systematic on-the-job training model and utilizes scientific management tools to comprehensively increase the size of our sales force and improve the quality of their services. The transformation plan involves a rigorous talent recruitment process and evolving sales volume quota system from orientation training, tiered courses for sales agents at different stages of their career, to one-to-many worksite marketing. Through the plan, we also strengthen the managerial competencies of our sales managers and utilize our proprietary scientific management tool—Cathay Box APP to enhance our marketing and service abilities.

**Project performance**

The AG 2.0 Sales Force Transformation Plan is Cathay’s most important large-scale training program, and its outcomes are of great importance for both internal and external stakeholders. The human capital ROI management model assesses the value created for each NT$1 invested in training. Employees learn from the experience and specialized knowledge of senior employees through AG 2.0 and provide products and services that fulfill customer needs, which increase customer satisfaction and further create higher income. Society enjoys access to a greater number of high quality employment opportunities, and gains a pool of outstanding insurance talent. Cathay calculated that NT$47 in benefits is created for every NT$1 invested in AG 2.0.

**Talent Pool Program**

**Project objectives**

Cathay defines the talent standards in coordination with business strategy, so as to cultivate talent needed by the group to seize opportunities and face challenges through talent development activities and coaches, we accelerate employee growth and strengthen target competencies, which enriches the group’s talent pool.

**Project performance**

Cathay engages in precisely head hunting, provides comprehensive training, and offers participants with the key knowledge and skills they need to become leaders. We have successfully developed managers of all levels, including specialists in each field, cross-disciplinary talent, and international talent through the Talent Pool Program. Dozens of elite international talents have also been successfully promoted to overseas managerial positions. Participants of the Talent Pool Program receive promotions in a shorter amount of time, and create higher output value and greater contribution than their peers. The program provides higher-paid job opportunities and cultivates international financial talent. Cathay creates NT$310 in business benefits for every NT$1 invested in the Talent Pool Program.
Individual Performance Appraisal

Cathay established the “Employee Performance Management and Development Guidelines” to link the annual performance of employees to company strategy. Employees formulate their own personal annual performance goals that can be measured against the company’s strategic goals each year. In addition to performance goals, employees also propose their own mid-term career plans and personal capability development plan. Immediate supervisors regularly examine employees’ performance and provide feedback. Multidimensional feedback are incorporated into employees’ annual performance appraisal and formal comparative ranking of employees. 100% of Cathay’s employees use the Individual Performance Appraisal mentioned above.

Employee Retention

Valuing human rights

Cathay established the “Cathay FHC Human Rights Policy” in accordance with local labor laws and international frameworks, such as the UN’s “Universal Declaration of Human Rights,” “Guiding Principles on Business and Human Rights” as well as “UN Global Compact” and International Labour Organization related regulations. The policy ensures the protection of human rights, and sets forth specific guidelines for diversity and inclusion, equal opportunity, reasonable working hours, workplace health and safety, freedom of association, and employee-employer negotiations. From the first day an employee joins the Group, he or she shall understand, commit to, and promise to comply with the Code of Conduct for Employee. In 2017, there were no discrimination cases and 3 sexual harassment cases. Therefore, we provided resources for psychological counseling and sensitize to awareness. We also add sexual harassment prevention into annual trainings that required all employees to attend.

Job Rotation Mechanism of the Group

Cathay established the “Group Employee Rotation Regulations” and “Talent Exchange and Development Guidelines” to train interdisciplinary leaders and improve communication and understanding between subsidiaries. The regulations and guidelines create a common language and culture for fully utilizing the job understanding between subsidiaries. The regulations and guidelines create a common language and culture for fully utilizing the job understanding between subsidiaries. The regulations and guidelines create a common language and culture for fully utilizing the job understanding between subsidiaries. The regulations and guidelines create a common language and culture for fully utilizing the job understanding between subsidiaries.

For details on the Human Rights Risk Assessment and Management Process, please see: https://www.cathayholdings.com/holdings/-/media/88a7b6113f434b82d6c751c3f3c1a7e2b54df93f88a5839217fd56c4f144f4e101d2e4
Cathay Mental Health Project

Cathay launched the Mental Health Project in 2017, and administered a mental health questionnaire to measure the pressure index of employees. We organized a series of essential oil and preserved flower courses to help employees relieve pressure; up to 97% of employees believed that the courses helped them better achieve work-life balance. Cathay aims to identify the health risks of at least one third of all employees, and provide suitable assistance and improvement plans. CUB launched the Employee Assistance Program (EAP) in 2017. The program provides support through an all-encompassing system that effectively relieves the pressure employees experience, and provides services in a variety of fields unrestricted by the constraints of time.

Service method:
1. Fields of service: psychological counseling, legal consultation, financial advice, management consulting, and health consultation
2. Service channels: 24-hour 0800 hotline, e-mail, face-to-face consultation
3. Service platform: Free tests are provided on an online platform (graphic and color personality tests)
4. Service locations: Consultation locations around Taiwan are limited to face-to-face consultations

Cathay Weight Loss Contest

Cathay has been holding weight loss contests for three consecutive years so that employees can achieve their goals in both work and health. In 2017, 15% of employees that participated in the contest lowered their weight to their standard BMI, while all participating employees lost a total of 17 metric tons. The event was also integrated with a charity campaign in that Cathay pledged to donate NT$100 to Homan Senior Citizen’s Welfare Foundation for installing solar panels for every 1 kg of weight lost by employees, thus enabling employees to extend care to others while maintaining their personal health. This creative charity model has continued to help Cathay employees lose weight, reduce carbon emissions, and contribute to the health of the elderly. Cathay FHC set a goal in 2016 specifying that employees must lose a total of 45 metric tons in weight between 2016 and 2018. Cathay FHC has currently reached 70% of the goal, and will continue to work towards the goal in 2018 so as to promote the importance of a healthy workplace.

Employee Engagement Survey

Cathay FHC conducts Employee Engagement Surveys annually. The survey this year comprised the following aspects: corporate sustainability (ES), employee happiness, engagement, leadership and management, work commitment, and overall satisfaction. Based on the average numbers within the Group, gender did not constitute any significant differences in any aspect. Male employees scored higher in engagement and leadership and management than female employees, while female employees scored higher in employee happiness and work commitment than male employees. Overall, female employees had slightly higher satisfaction.

Healthy Workplace

Health Risk Management

A healthy and safe workplace is the foundation of employee happiness. Cathay has established the “Safety and Health Work Guidelines”, “Occupational Safety and Health Management Plan”, and “Occupational Safety and Health Management Guidelines”, and periodically reviews its health and safety strategy and the progress of related projects through liaison meetings of the group’s Occupational Safety Committee. Cathay grades and manages employee health risks based on Cathay Health Risk heat map that depicts the impact and frequency of health risks by analyzing health examination reports.

Furthermore, Cathay established the “Guidelines for Implementing Employee-employer Communication” in 2015 and periodically convenes employee-employer meetings. Management officers and employees of Cathay FHC and its subsidiaries elect representatives in accordance with the law. These representatives report on, fully discuss, and propose resolutions to any management issues for reaching consensus; resolutions from such meetings are carried out accordingly. A total of 22 employee-employer meetings were held in 2017.
Cathay FHC 2017 Corporate Sustainability Report

Human Capital

Innovation and Diversity

Cathay’s Empowerment of Women

According to the BCG diversity and innovation survey, companies with diverse management perform better and are more creative than their peers are. In the 21st century, women are becoming ever more competitive and achieving brilliant performance in each field as they become better educated and more economically independent. The rising power of women is a trend that cannot be overlooked. Female labor force participation in Taiwan increased to a record high of 51% in 2017, as women become better educated and more economically independent. The rising power of women is a trend that cannot be overlooked. Female labor force participation in Taiwan increased to a record high of 51% in 2017, as women become better educated and more economically independent.

Cathay Pregnancy Club

The Cathay Pregnancy Club is a work risk assessment mechanism designed for female employees who are pregnant. We planned a series of active care and follow-up measures that address needs in different stages from pregnancy to postpartum care, such as the Love Mommy Gift, Baby Care Gift, Mommy Classroom, and Parent-Child Interaction Classroom. These measures are highly acclaimed by our employees. The Pregnancy Club held the first Cathay baby climbing contest in 2017, and nearly a hundred Cathay babies and their parents entered the contest. 98% of employees felt that maternity related activities help increase commitment to the company, and satisfaction of the activity reached 100%.

Cathay Dreamer

Cathay Life implemented the Cathay Dreamer project to encourage employees in the pursuit of their dreams. During the course of the activity, we collected 175 seeds of dreams, 728 people contributed their ideas, and 2,764 people showed support by clicking ‘Like’. Finally, we selected 3 teams as winners of the NT$500,000 prize, helping the teams fulfill their dreams. We raised a total of approximately NT$3,300,000 through the crowdfunding mechanism for charity, and donated the full amount to Cathay Charity Foundation’s KITURU for children in remote areas. We hope that even more dreams can be fulfilled by amplifying every little force of support toward the pursuit and realizing of dreams.

Cathay Talents Challenge

The first Cathay Talents (Challenge) saw many representative new life insurance consultants. For example, Huang Kai-Li, a basketball player from Kaohsiung who used to play for SBL Kinmen Kaoliang Liquor Team, is now in the life insurance industry and reached an annual salary of NT$1 million in his second year in Cathay. He was then promoted to a manager and gave back to the community by teaching basketball at Xuebin Elementary School, a campus that had been devastated by Typhoon Morakot. During the second Cathay Talents (Challenge), Yang Chang-Hsien, a folk parade expert that performed at the closing ceremony of Taipei 2017 Universiade, gave a performance that combined traditional fold parade, dance and theater. During the finals, Wong Yu-Ting, an expert in making handmade soap, shared her story of giving up being a balliards coach upon being diagnosed with breast cancer and her experience in making and promoting the benefits of natural handmade soap.

Cathay Talents Challenge

Cathay Life implemented the Cathay Dreamer project to encourage employees in the pursuit of their dreams. During the course of the activity, we collected 175 seeds of dreams, 728 people contributed their ideas, and 2,764 people showed support by clicking ‘Like’. Finally, we selected 3 teams as winners of the NT$500,000 prize, helping the teams fulfill their dreams. We raised a total of approximately NT$3,300,000 through the crowdfunding mechanism for charity, and donated the full amount to Cathay Charity Foundation’s KITURU for children in remote areas. We hope that even more dreams can be fulfilled by amplifying every little force of support toward the pursuit and realizing of dreams.

Cathay Talents Challenge

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Southeast Asia Talent Program

Cathay seeks to fulfill talent internationalization and helps international talent assimilate into local society through the use of group resources as well as strategies and deployment plans for expanding into other Asian markets. Cathay continues to strengthen front, middle and back office employee competencies and expand its talent pool to assist the operation and development of overseas businesses, so as to increase the ratio of overseas profits. As of the end of 2017, Cathay had established operations in 9 of the 10 ASEAN countries, and hired employees of as many as 20 different nationalities. Cathay implemented the strategy of developing local markets using local talent, and will continue to recruit local workers in overseas markets with the goal of recruiting 85% of all overseas employees from local communities.

Insurance experience camp for Vietnamese students

Cathay Life organized the “Insurance experience camp for Vietnamese students” to Vietnamese students can experience what it is like in the workplace for one day. The camp offers a variety of courses from getting to know about Cathay, learning about the insurance market, to learning financial knowledge. We invited Vietnamese MAs to share their experience with students, so that students are able to better understand what it is like to work in Taiwan and gain priority for opportunities to work in Taiwan. Over 300 students have registered for the activity since 2012, and dozens of graduates have successfully become Cathay employees after participating in job interviews; overall satisfaction exceeded 90%.

CUB International Industry-academia Collaboration Master’s Program

CUB’s International Industry-academia Collaboration Master’s Program cooperates with universities and recruits students from Vietnam, Cambodia, and Laos to study in Taiwan. The students take Chinese language courses before the semester starts, and CUB covers living expenses, tuition, and miscellaneous fees so that students may focus on their studies. CUB furthermore provides internship opportunities so students can make an early transition into the workplace. Students that acquire master’s degrees are more than given the opportunity to work at CUB’s overseas branches. CUB launched the CMA Asian Banker Program in 2005, and also recruits graduates from China, Cambodia, and Vietnam.
Two ISO certifications
Cathay FHC and all of its subsidiaries achieved ISO 14001 Environmental Management System and ISO 50001 Energy Management System certifications.

The largest solar-power roof for insurance company in Taiwan
In 2017, Cathay Life established the largest solar-powered roof, which is expected to generate 2.09 million kWh green power annually.

Sustainable real estate
In Taiwan, Cathay Life is the first company to establish "the Real Estate Responsible Investment and Management Policy".

The first renewable energy certificate transaction
Cathay Life completed the first renewable energy certificate transaction in Taiwan, and CUB’s KOKO Lab became branch with 100% green power.

1400 tones carbon emissions reduction
Compared to 2016, Cathay’s GHG emissions reduced 1400 tones, namely, more than 2% reduction in 2017.

Capital at risk and opportunities
Asian Development Bank’s 2017 report pointed out that over three fourths of the most severely impacted cities will be in Asia if sea levels rise by one meter. Furthermore, 13 of the 20 cities that will sustain the greatest economic loss from flooding in the next several decades are in Asia. In the face of inevitable climate risks, enterprises must take action. Cathay FHC’s operating locations are mainly in Taiwan and Asia, and it is therefore under greater pressure to reduce GHG emission through energy conservation and GHG emission reduction measures. Cathay FHC must adopt measures to reduce the potential impact of future climate change to ensure it can achieve sustainable operation.

Understanding climate risks and opportunities will help the transformation of financial institutions and drive the development of a low-carbon economy. The Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) and announced the Recommendations of the Task Force on Climate-related Financial Disclosures, which provided best practices for climate-related financial disclosures. Cathay FHC attaches great importance to environmental sustainability issues and has actively participated in various green initiatives over the years. Cathay FHC not only actively responded to CDP climate change questionnaire, but also signed the CDP Water Disclosure Program and CDP Forest Footprint Disclosure Program. Cathay FHC furthermore adopted the TCFD in 2017 to strengthen disclosures of climate-related risks and opportunities.
Climate Change

Task Force on Climate-Related Financial Disclosures (TCFD)

As a global citizen, Cathay FHC continues to keep abreast with international trends in sustainable development and became a COP signatory in 2012. Cathay FHC went on to sign the COP Water disclose Program Forest Footprint Disclosure Program Commit to implement the recommendations of the Task Force on Climate-related Financial Disclosures. We became the only company in Taiwan to participate in the COP Non-discloser Engagement Campaign in 2017 to encourage companies response to COP. Our subsidiaries Cathay Life and Cathay SITE became the only two financial institutions in Taiwan to participate in Climate Action 100+, engaging with 100 of the world’s largest corporate greenhouse gas emitters to establish mechanism managing climate change and disclose relating information. When the TCFD was completed by the FSB in 2017, Cathay FHC voluntarily began complying with the TCFD and disclosed the financial impact of climate change, as well as the company’s response strategy in the future.

TCFD - Governance

Cathay FHC supports the company’s effective management of climate change through Corporate Sustainability Committee (the CS Committee), with Chang Ken Lee, Director and President of Cathay FHC serves as the Chairman. The CS Committee applies the governance of climate risks and opportunities at the company operation and asset management. In 2017, the CS Committee was supervised by an independent director, Edward Yung De Way, and there were quarterly meetings. Meanwhile, it reported to the Board of Directors semianually. The Board of Directors reviews the company’s sustainable development strategy, which includes responses to climate-related risks and opportunities, through the periodic reports of the CS Committee.

In 2016, Cathay FHC convened “strategy improvement meetings” that were attended by 25 senior executives (vice president and above) from 15 departments in different subsidiaries. After fully discussing issues in over 20 meetings, Chang Ken Lee, Chairman of the Corporate Sustainability Committee and Director and President of Cathay FHC, convened meetings of the CS Committee’s six working groups, and finally narrowed down Cathay FHC’s strategy to four focus areas for improving strategies and restructuring indicators. Among the focus areas, renewable energy and sustainable infrastructure respond to the Sustainable Development Goals (SDG) 13: Climate Action and Taiwan’s transition issues.

In 2017, Cathay began building the climate risk and opportunity matrix as basis for scenario analysis and improving climate strategies. The most significant short-term and mid-term risks that were identified include the physical risk of typhoons and temperature change, which can damage renewable energy facilities that Cathay FHC invest in. Long-term risks include the pressure on financial product and service transformation brought by the trend of a low-carbon economy that seeks to restrict global temperature rise to 2°C.

Major risks that have the potential to affect our revenue and cost directly include physical risks, such as typhoons, and transformational risks from laws and technologies, such as the pressure to reduce carbon emissions in accordance with science-based targets (SBT). Furthermore, our profitability may be affected, although currently only to a limited extent, if the investment target is a sensitive industry to high carbon emission or high pollution risk.

At present, our greatest opportunity is in the renewable energy financing business and new markets created by the green energy policies, as they will continue to increase our revenue or assets.

After identifying major risks by analyzing the climate change risk matrix, Cathay carried out scenario analysis for three types of scenarios, namely restricting temperature rise within 2°C, following National Determined Commitment, and Business-as-Usual. Parameters taken into consideration include temperature and rainfall changes, geographic location of operations, regulatory requirements, energy structure, green power market, economic growth, and the impact of committing to SBT.

TCFD - Risk Management

Cathay FHC analyzes the risks and opportunities brought by climate change, and assesses the impact and probability of related risks and opportunities through the Corporate Sustainability Committee under which Green Operation Working Group and Sustainable Governance Working Focus work on the company’s daily operations and supply chain management; the Responsible Investment Working Group focuses on investment related affairs; and the Responsible Products and Services Working Group focuses on product development and sales.

For major climate-related risks that have been identified, Cathay FHC discusses how to mitigate, transfer, take, or control these risks through Corporate Sustainability Committee and establishes management measures accordingly. The CS committee also tracks management results to assess the subsequent impact of residual risks. Cathay FHC, for example, uses a natural disaster model to assess retained risk and estimate potential losses from earthquake, typhoon, and flood on a quarterly basis. Assessment results are compiled into a risk assessment report for risk control.

If climate-related risks will severely influence operations, the risks will be reviewed by the Risk Management Committee and results will be reported to the Chairman of Cathay FHC. CUB is a signatory to the Equator Principles (EPs) and carries out risk control procedures for project financing that complies with the EPs. Furthermore, climate-related risk factors are already incorporated into the bank’s Risk Management Guidelines, and are identified, assessed, and managed along with operating and business risks.

TCFD - Indicators and Goals

Cathay FHC has set short-term, mid-term, and long-term goals for green finance (solar and wind power generation), digital finance (paperless/mobile services), green emissions (GHG emission/reduction/installed capacity for solar power on self-owned building), and responsible investment and lending (Climate Action 100+) engagement based on the professional division of the working groups under the Corporate Sustainability Committee, considering the climate risk and opportunity matrix and stakeholder survey results for major issues to improve the management of climate risk and opportunities. These goals are disclosed on pages 6-7.

Note 1: For information on short-term, mid-term, and long-term goals, please see P.3 of this report.

TCFD - Additional Indicators

Cathay FHC 2017 Corporate Sustainability Report
Environmental Performance Indicators and Implementation Results

Cathay FHC set two environment-related long-term goals in response to climate change and to realize green operations, and tracks the results annually. The first goal is to reduce GHG emissions by 5-10% in 2021, with 2016 as the baseline year, and the second goal is to have a total installed capacity for solar power on self-owned building reach 5,200 kW in 2019.

Energy usage and GHG emissions

Power use has the most important and direct effect on the environment among all aspects of Cathay FHC’s business operations and that of its subsidiaries. Carbon emissions from power use account for about 95% of Cathay’s overall carbon emissions. Therefore, Cathay reduces power use by replacing equipment and holds electricity saving competitions. Moreover, we increase green energy generation and use by actively installing solar panels and purchasing renewable energy certificates.

The first renewable energy certificate transaction in Taiwan

Cathay Life completed the first renewable energy certificate transaction in Taiwan in September 2017, and had purchased a total of 53 certificates (53,000 kWh of green energy) CUB purchased 16 renewable energy certificates (16,000 kWh of green energy) in 2018, and made KOKO LAB the 100% renewable energy branch. Our active participation in the renewable energy certificate transaction was reported by the Rocky Mountain Institute (RMI) and GreenBiz, introducing Taiwan to the world.

Green Operations

Cathay FHC established “the Environment and Energy Policy” as the guiding principles for the management of natural resource capital. Cathay FHC adequately manages its direct effect on the environment by comprehensively adopting the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. For the two ISO systems, Chang-Ken Lee, Director and President of Cathay FHC, is the top management representative and our GHG emission reduction goal is aligned with the goal for ISO 50001. Moreover, we strengthen the sustainable operation of our suppliers and have been awarded for embracing green procurement by Taipei City Government for eight years, with the amount of green procurement exceed 470 million in 2017. We also participate in various green initiatives to expand our influence and to do our best for the sustainability of Earth’s environment.

Resource consumption and recycling

Cathay FHC and its subsidiaries are dedicated to water conservation and waste reduction, and utilize dual flush toilets and automatic sensors in our office buildings for water conservation. We completed a water consumption inventory at all business locations in 2017, and also began implementing the Bottled Water Elimination Project. According to the 2016 procurement statistics, we reduced 1,310 bottles.

Water consumption

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit of measurement</th>
<th>Scope</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption</td>
<td>m³</td>
<td>Cathay FHC Head Office Buildings</td>
<td>1,117,922</td>
<td>1,340,858</td>
<td>1,340,858</td>
</tr>
<tr>
<td></td>
<td>g/person</td>
<td>Cathay FHC and its subsidiaries</td>
<td>18.12</td>
<td>19.75</td>
<td>19.40</td>
</tr>
</tbody>
</table>

Note 1: The 2016 and 2017 water consumption inventories were both taken at the head office building for Cathay FHC. Total water consumption for these two years is calculated using the water consumption per capita at the head office building multiplied by the group’s total number of employees. Water consumption changed a little in 2016. After investigating, we determined that the increase in water consumption may be the result of the building’s water filter unit and water-cooling system being in action. Also, we replaced the equipment at the end of 2016, and the Head-Office’s water consumption significantly decreased after February 2017.

Amount of waste

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit of measurement</th>
<th>Scope</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual amount of waste</td>
<td>Metric tons</td>
<td>2015 numbers include the Cathay FHC Head Office and Cathay FHC Head Office buildings, Cathay FHC’s branches, Cathay FHC’s subsidiaries, and Cathay FHC’s branches were added in 2017.</td>
<td>329.32</td>
<td>412.93</td>
<td>428.65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Note 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated total waste</td>
<td>Metric tons</td>
<td>Cathay FHC and its subsidiaries</td>
<td>2,004.43</td>
<td>2,665.03</td>
<td>2,665.03</td>
</tr>
</tbody>
</table>

Note 1: Conversion of the metric tons is for 2014 to 2017 to the employee increased. Thus, the actual amount of waste increased but the estimated amount, which was calculated by the per capita, decreased.

Material use

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit of Measurement</th>
<th>Scope</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td></td>
<td>2015</td>
<td>58,982</td>
<td>59,101</td>
<td>59,101</td>
</tr>
<tr>
<td>Plastics</td>
<td></td>
<td>2015</td>
<td>1,371</td>
<td>1,371</td>
<td>1,371</td>
</tr>
<tr>
<td>Aluminum Can</td>
<td></td>
<td>2015</td>
<td>0.516</td>
<td>0.516</td>
<td>0.516</td>
</tr>
<tr>
<td>Glass</td>
<td></td>
<td>2015</td>
<td>2.624</td>
<td>3.105</td>
<td>3.105</td>
</tr>
<tr>
<td>Batteries</td>
<td></td>
<td>2015</td>
<td>8.770</td>
<td>8.770</td>
<td>8.770</td>
</tr>
<tr>
<td>Cables</td>
<td></td>
<td>2015</td>
<td>8.024</td>
<td>8.024</td>
<td>8.024</td>
</tr>
<tr>
<td>IC products</td>
<td></td>
<td>2015</td>
<td>0.029</td>
<td>0.029</td>
<td>0.029</td>
</tr>
</tbody>
</table>

Note 1: The 2015 and 2016 electricity consumption inventories were both taken at the head office buildings for Cathay FHC. Total electricity consumption for these two years is calculated using the electricity consumption per capita at the head office building multiplied by the group’s total number of employees. The electricity consumption changed slightly in 2016. After investigating, we determined that the increase in electricity consumption may be the result of the building’s air conditioning system being in action and the addition of equipment at the end of 2016, and the Head-Office’s electricity consumption significantly decreased after February 2017.
Sustainable Real Estate

Cathay Life, a major subsidiary of Cathay FHC, shoulders the responsibility of environmental protection and carbon reduction. It began to take an inventory of the group’s real estate for engaging in the Solar Farm Project, and established “the Real Estate Responsible Investment and Management Policy” in 2017. Besides actively constructing green buildings, Cathay Life is committed to complying with the Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI) when investing in real estate. In coordination with Cathay FHC’s green finance development strategy, the installation of solar panels was included in evaluation items for developing real estate.

Cathay’s Solar Farm Project

Cathay Life’s first real estate solar farm project was on the roof of Taoyuan Logistics Park. The project was completed and began generating electricity at the end of 2017. The solar panels of the project cover an area of about 4,080 ping (approx. 174,000 square feet) and have a total installed capacity of about 1.9MW. The panels are expected to generate up to 2.09 million kWh and reduce carbon emissions by 1,335 metric tons annually, which is equal to the carbon absorption of about 3.4 Da’an Forest Parks.

Contract regulation

Cathay FHC added a CSR clause to the supplier contract in 2012 which explicitly requires suppliers to comply with regulations regarding employment conditions, workers’ health and safety, environmental protection, and labor rights.

Contents of the CSR clause in Cathay FHC’s supplier contract

In the event any party fails to comply with the following terms and conditions, the counterparty may notify the party of the violation in writing and set a deadline for making improvement. If an improvement is not made within the deadline or there is a severe violation, the counterparty may directly terminate this contract without notification:

1. The parties understand that laborers have the freedom to choose their occupation and job; no party may use force, threats, or imprisonment as a means to force laborers to work. The parties may not violate the law by requiring employees to make a deposit or detaining their identification documents.

2. The parties shall provide equal opportunity to employment, and may not discriminate or provide differential treatment in terms of labor conditions based on race, skin color, religion, political orientation, nationality, social status, or other identifiable characteristics.

3. If the parties employ disabled people, disabled people shall enjoy the same labor rights as regular employees and their salaries shall at least meet the minimum wage.

4. If sheltered employment is provided to disabled people in a sheltered workshop, the persons in principle shall enjoy the same labor rights as regular employees, but their salaries may be lower than the minimum wage if approved by the competent authority of labor of the special municipality or county (city).

5. Raw materials, products, or services that are provided shall meet reasonable expectations based on current technologies, and shall comply with regulations on environmental protection and food safety. The parties should use local materials and renewable materials that have a low impact on environmental load whenever possible, and should exert every effort to reduce any adverse effect on human health and the environment. The parties should adopt the most feasible pollution prevention measures and control technologies, and reduce GHG emissions so that Earth’s resources will be sustainable.

Periodic communication

Cathay provides suppliers with human rights and environmental protection training each year. Cathay also convenes a general meeting with all types of suppliers every three years, and meetings with 1-2 types of suppliers every year, communicating corporate sustainability issues, based on procurement amount and materiality.

Green Initiatives

Cathay hopes to preserve the environment through rising citizens’ awareness of environmental protection. We began engaging the public in caring for the ocean in 2017, adopted three beaches in Miaoli Longfeng, Chiayi Budai, and Pingdong Donggang, and also invited local organizations, schools, customers, and suppliers to join us in beach cleaning; a total of 10 beach clean-ups were organized that year at which we and our partners cleaned over 1,300 kg of trash; the event achieved ISO 20121 Event Sustainability Management Systems certification.
Continuing winning first place in service quality awards
Cathay Life won first place in the life insurance category of the Top Service Award for 13 consecutive years, while CUB placed first in the banking category of the Top Service Award for 6 consecutive years.

Providing customers with the best experience
Cathay Life is the first life insurance company to offer claim payments automatically deducted from hospitalization expenses; Cathay Century introduced the first LINE claims service in the industry, so that policy holders can easily complete a claims notification.

Generated 3 times social impact
The social return on investment (SROI) is about NT$3.03 with NT$1 invested in social value associated with Excellence and Happiness Project which was implemented by Cathay Life and Cathay Charity Foundation.

Launched the first VR Hazard Perception System
In Taiwan, Cathay Century is the first property insurance company which combined property insurance core competencies and virtual reality technology to promote traffic safety knowledge through a VR Hazard Perception System.

Donated more than NTD$10 million for students’ breakfast
CUB encouraged customers to participate in Food and Happiness Campaign to fund breakfast for students in remote areas, which had raised NT$14,501,705.
Achieving Premium Customer Service Quality

It is the thought that enables services to touch people's hearts. The key to interactions between subsidiaries of Cathay FHC and customers is “sharing from the heart, moving others with sincerity, and offering thoughtful care.” Our customer-centric business model is achieved through professional service filled with warmth and thoughtfulness, thus enabling us to successfully achieve heartfelt services. Every service agent regards the well-being of our customers as a priority, and aims to provide highly effective, convenient, and thoughtful financial services. We furthermore strive to let customers experience comprehensive financial services that increase their sense of fulfillment and satisfaction by enhancing smart technologies and integrating virtual and physical channels.

Perfecting the customer complaint mechanism

Cathay FHC and its subsidiaries value the opinions of all customers. We established multi-channel and dedicated units to process complaints and formulate internal regulations for the monitoring of customer service quality. We immediately contact customers and propose solutions under the highest principle of “actively handling issues and actively showing concern.” Cathay Life's financial ombudsman center received 955 ombudsmen cases in 2017, a complaint rate (number of complaints to total number of policies) lower than the industry average. Cathay Life will also establish a Treating Customers Fairly Promotional Committee in 2018, which will be tasked with establishing strategies and methods based on the principle of treating customers fairly, solving problems from the source, and increasing customer satisfaction.

Adopting Net Promoter Score for Better Management of Customer Satisfaction

Cathay FHC’s subsidiaries began including Net Promoter Score (NPS) in satisfaction surveys from 2016 to understand how well customers are satisfied with our services. We collect customer feedback from a diverse array of perspectives, and will continue to monitor NPS for improving the service experience of our customers.

Cathay Life moreover established a Customer Experience Improvement Team in December 2016 that meets on a monthly basis. In the future, we will continue to listen to customers’ voices and acquire NPS experience feedback from various channels so as to optimize our services, thereby improving service quality and customer experience. Cathay Life conducted an NPS survey of all customers in 2017, and results showed significant improvement from 2016 and surpassed the scores of industry peers by a great deal, indicating that the loyal customer group of Cathay Life has grown tremendously over the past year. CUB found that the digital services were highly acclaimed by customers from an NPS survey of MyBank customers. In the future, CUB will provide the most convenient and thoughtful financial services with the goal to increase the penetration of its digital services.

Insurance brokers and agencies management

Cathay Life has a set of “Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies” in place to ensure the level of services provided by distribution channels it works with. The Guidelines serve to maintain the quality of new insurance contracts made by insurance brokers and agencies and control the number of improper sales. In 2017, 57,431 sales cases were reviewed during regular inspections. If the contracts fail to meet the established standards, the company has a set of mechanisms in place to determine the necessity of reviewing such contracts.

Cathay FHC 2017 Corporate Sustainability Report

Achieving High Customer Satisfaction through Heartfelt Services

Cathay FHC subsidiaries have accompanied Taiwanese people for over half a century. We have made active efforts to become a part of customers’ social circle through a variety of channels and comprehensive services based on our core values of integrity, accountability, and innovation. We provide solid training to embed the idea of serving in the minds of our employees, so that they can build stronger customer relations, better protect customers’ rights and interests, and continually improve their service quality.

Cathay FHC has established a Service Quality Committee that meets on a quarterly basis. Our subsidiaries have also established Service Quality Teams that educate personnel on cases that commonly, repeatedly occur or are major violations. The teams also compile complaints reported by related departments, conduct statistical analysis of the cause of the complaints, contents of services and processing efficiency, as well as improvement methods. All of the above serve as the basis for improving operating procedures, product design, sales, and customer services.

Cathay FHC’s Service Quality Committee launched a customer service project in 2017, completing a comprehensive review of the service process, and resolved customers’ pain points by identifying four major areas, including service design optimization, digital self-service, data-driven analytics and smart applications. We will continue to adopt new technologies and integrate with third-party applications in response to development trends in financial services. We will then be able to provide customers with new service experiences and create an even better brand image through the design of services that are closely aligned with consumer experiences and needs.

Cathay FHC’s subsidiaries commission large, reputable market survey companies to conduct satisfaction surveys every year. Using an objective third party to examine our service results and service gaps in each channel provides us with a basis for further improvement of our service quality. The satisfaction survey items include sales personnel, telephone customer center, claims services, counter services, and web services, etc.

Perfecting the customer complaint mechanism

Cathay FHC and its subsidiaries value the opinions of all customers. We established multi-channel and dedicated units to process complaints and formulate internal regulations for the monitoring of customer service quality. We immediately contact customers and propose solutions under the highest principle of “actively handling issues and actively showing concern.” Cathay Life's financial ombudsman center received 955 ombudsmen cases in 2017, a complaint rate (number of complaints to total number of policies) lower than the industry average. Cathay Life will also establish a Treating Customers Fairly Promotional Committee in 2018, which will be tasked with establishing strategies and methods based on the principle of treating customers fairly, solving problems from the source, and increasing customer satisfaction. Cathay FHC will continue to examine its service channel, strengthen internal training, optimize online and offline processes, and lower the recurrence rate of customer complaints. It is our goal to provide customers with a friendly environment for financial services.

Cathay FHC’s subsidiaries, in relation to customer satisfaction

Company | 2015 performance on customer satisfaction (%) | 2016 performance on customer satisfaction (%) | 2017 performance on customer satisfaction (%) | 2017 satisfaction goal (%)
--- | --- | --- | --- | ---
Cathay Life | 92.9 | 94.4 | 91.7 | 93
CUB | 9.7 | 8.7 | 96.3 | 87.5
Cathay Century | 95.3 | 96.7 | 96.5 | 95
Cathay Securities | 95.7 | 92.6 | 85.1 | 80
Cathay SITE | 83.68 | 84.65 | 88.23 | 80

Effective Services Being Highly Recognized

Cathay FHC’s 2017 Corporate Sustainability Report / Social Relations Capital
Providing Customers with a Happy Experience

Closing the gap between financial services and customers

- First insurance concept store in Taiwan
- KOKO Lab, designed exclusively for the younger generations

Shortening service wait time so waiting is no longer an issue

- Largest mobile insurance services team in the industry
- First in the industry to offer virtual queuing services
- "Now smart Robot Q" that best understands customer needs

Leasing claims services to reduce the burdens that customers bear

- First in the industry to introduce the "Claim Payments Automatically Deducted from Hospitalization Expenses" service
- Innovative insurance technology, express claims services for flight delays using blockchain
- First in the industry to use LINE for claims

Lab in 2017 to host exclusive, pop-up events targeted at the younger generations including the Secret Movie Theater and Toots Pharmacy. The Secret Movie Theater was packed throughout the 3 months of the event, and it achieved 700,000 online comments, closing the distance between young people and finance in a surprising and creative way.

Building the first insurance concept store in Taiwan

Cathay FHC hopes to offer citizens a fresh service experience by building an innovative financial service concept store. This provides customers with online convenience and offline warmth at the same time.

Cathay Life opened the first insurance concept store in Taiwan in 2017. This transformed the traditional concept of serving policy holders into a whole new way of providing people with insurance consulting in a brick-and-mortar store. Starbucks was invited to open a café within the insurance concept store. Designed with the concept of a tree house situated in natural environs; all interior decorations and equipment were moreover made from environmentally friendly materials. Customers are able to visit the store and consult with an insurance agent while enjoying the aroma of coffee, a great opportunity and whole new approach for learning about insurance.

Cathay FHC 2017 Corporate Sustainability Report

Leaning claims services to reduce the burdens that customers bear

- Cathay Life is the first life insurance company to offer "Claim Payments Automatically Deducted from Hospitalization Expenses" in cooperation with Chang Gung Memorial Hospital, the largest hospital in Taiwan. It has also obtained a utility model patent from the Intellectual Property Office for the offset service process and concept. Starting in September 2017, when a policy holder is hospitalized in any branch of Chang Gung Memorial Hospital, the hospital will actively notify Cathay Life, and the policy holder’s medical expenses will be directly deducted from claim payments upon discharge. This one-stop claims service achieves active care by the hospital, automatic payment upon discharge, and active claims notification. Up to the end of 2017, about 30,000 policy holders have participated in the service, and a total of over NT$51 million has been deducted from their claim payments. The ratio of policy holders using "Claim Payments Automatically Deducted from Hospitalization Expenses" reached over 80% after being hospitalized.

Cathay Life and CUB have both established disability-friendly financial services.

Closing the gap between financial services and customers

- Friendly and convenient accessible financial services designed for disabled persons

Runway in Cathay Life

Innovative insurance technology - Using blockchain technology to increase flight delay claims efficiency

Cathay Century adopted blockchain and smart contract technologies for the flight delay portion of travel insurance. Blockchain technology has the benefits of being traceable and resistant against tampering. Cathay Century will actively notify policy holders when it determines that they meet claims conditions. This significantly improves claims efficiency and provides better services to policy holders. Up to the end of 2017, nearly half of customers agreed to use the express claims blockchain application. Cathay Century will begin partnering with Eva Airways to provide the service in 2018, an event that will become the first collaboration between the aviation industry and property insurance industry.

First LINE claims service in the industry providing easy completion of claims notifications

Cathay Century was the first in the industry to adopt a platform for providing services. Policy holders can use LINE to notify Cathay Century of a traffic accident to file a claim without needing to go to a counter in person. They can also use the platform to monitor the progress of their claims. Policy holders can easily complete claims notification without needing to take a leave of absence to visit a branch office or make an appointment with a salesperson to fill out forms. Policy holders can also check the progress and records of their claims on LINE at any time, significantly increasing their autonomy.

Enhancing financial inclusion to offer accessible financial services

Cathay Life and CUB have both established disability-friendly websites to provide friendly financial services to and to popularize financial services among disabled persons.

CUB was the first to provide a dedicated accessible ATM at the Taipei School for the Visually Impaired in Tienmu, Taipei City in 2011. CUB also led the industry by setting up a total of 122 accessible ATMs at mass transport stations by the end of 2017.

Information security has become an issue that demands the financial industry’s attention as the trends of FinTech continue revolutionizing conventional approaches toward finance. Cathay FHC conscientiously protects customers’ personal information, and continues to maintain, review, and improve its information security. Cathay Life won the gold trophy for the Information Security Promotion Excellence Award - Life Insurance category at the Taiwan Insurance Excellence Award in 2017, while Cathay Century received the Insurance Information Security Contribution Award from the British Standards Institution (BSI).

BSI conducts on-site inspections at Cathay Century semi-annually to ensure the information security management mechanism maintains the standard of ISO 27001:2013 certification. The photo shows BSI awarding a certificate to Cathay Century in March 2017.

Protecting Customers’ Personal Information and Information Security

Providing Customers with a Happy Experience

CUB launched the KOKO APP in 2015 to fulfill the financial management needs of young people, and further established KOKO Lab, designed exclusively for the younger generations.

KOKO Lab, designed exclusively for the younger generations

CUB launched the KOKO APP in 2015 to fulfill the financial management needs of young people, and further established KOKO Lab, designed exclusively for the younger generations.

Social Relations Capital
Establishing an information security mechanism to ensure comprehensive protection of information security and customer personal information

Cathay FHC’s major subsidiaries have all separately established information security policies, and all examine the confidentiality, completeness, availability, and compliance of information assets through annual inspections. Cathay FHC’s subsidiaries have perfected their information security governance framework and information security management, and also strengthened warning, reporting, and response procedures for information security incidents in the process of achieving ISO 27001:2013 certification. Cathay FHC, Cathay Life and CUB will each appoint a Chief Information Security Officer (CISO) in 2018. The CISO will be independent from the Information Division, lead a dedicated information security team, and will be fully committed to information security management and quality improvement. We hope to thereby provide customers with financial services that more stable, safer, and of higher quality.

Perfect information security and personal information employee training

Cathay FHC has internalized information security and personal information protection by enhancing employees’ awareness of information security and regularly organizing social engineering drills and training as well as information security awareness and management courses. These measures aim to raise our employees’ awareness of information security and Internet security, protect information assets from interference, damage, intrusion, or any unfavorable actions and intents, and properly implement information security and personal information management. Cathay FHC and subsidiaries organize, on an annual basis and in accordance with the roles that each employee holds, social engineering drills and training as well as informational security awareness and management courses to enhance the information security and network security awareness of employees.

<table>
<thead>
<tr>
<th>Contents of Cathay FHC and its main subsidiaries’ information security training</th>
<th>Course Name</th>
<th>Course Subjects</th>
<th>Course Frequency (times/year)</th>
<th>Course Hours (min)</th>
<th>Completion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cathay Life</td>
<td>Information security</td>
<td>All employees</td>
<td>1</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Social engineering rehearsal</td>
<td></td>
<td>employees of the head office</td>
<td>1</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>CUB</td>
<td>Information security</td>
<td>All employees</td>
<td>2</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Social engineering promotion course</td>
<td></td>
<td>employees</td>
<td>2</td>
<td>0.5</td>
<td>100</td>
</tr>
<tr>
<td>Cathay Century</td>
<td>Social engineering drills and training</td>
<td>All employees</td>
<td>2</td>
<td>0.5</td>
<td>100</td>
</tr>
</tbody>
</table>

Jointly protect information security with customers and suppliers

Cathay FHC attaches great importance to protecting personal information and information security while developing digital financial products and services, so that customers may be assured of the safety of our convenient services. Utilization of Cathay Life’s mobile claims APP reached 94% in 2017. The mobile claims APP is convenient, fast, and protects customers’ personal information safety by removing all concerns of personal information leakage using AES 128 bit encryption and regularly changing encryption keys. Furthermore, as soon as a claim is filed, the system will automatically delete the policy holder’s information simultaneously so that information is not stored on the mobile device.

Cathay Century also utilizes its professional competencies to help corporate customers improve their information security management, including a conference on information security risks and loss prevention it hosted in November 2017, at which participants had the opportunity to learn to new concepts of comprehensive information security risk management. Cathay Century aims to help customers carry out precise management and timely response from strategic, and management endpoints and increase their information security management capabilities through enhanced professional competencies in loss prevention.

Cathay Life complies with requirements of audits by mandated institutions according to the “Cathay Life Insurance Co., Ltd. Outsourcing Guidelines,” and conducts on-site audits of the physical environment, network structure, computer system, access control, end point security, and data processing security of suppliers with whom we have data connections. CUB conducts semi-annual information security audits of all suppliers (in total) that have data connections with the bank, using internal and external audits to achieve audit requirements; audit coverage reached 100%.

Information security emergency response and management

The ransomware WannaCry and NotPetya ravaged all corners of the world in 2017. By encrypting computer data so computers can no longer function, they caused severe economic damage as even harbors and factories were forced to suspend operations. Cathay FHC has always treated potential information security risks with great caution, and actively strengthens information security defense capabilities to ensure corporate sustainability and maintain the brand’s reputation.

Cathay FHC and its subsidiaries initiate their information security incident response system when discovering a cyber threat or information security incident. An emergency response team is assembled to handle the threat or incident if it is determined there is an emergency incident based on the situation. Members of the emergency response team include the incident decision-making committee, business continuity response team, computer system recovery team, applications system recovery team, business recovery team, communications team, administrative and general affairs team, and center recovery team. The CEO has the highest level of authority over emergency response in each company. When employees suspect an information security event, Cathay Life provides the “Cathay Life Regulations for Information Security Event Reporting and Response,” CUB provides the “Cathay United Bank Regulations for Information Service Incident Management” and “Cathay United Bank Guidelines for Information Service Incident Management” for employees to clearly understand reporting procedures. Any suspicious employees have are reported via the Operating Risk Reporting System. Cathay FHC’s subsidiaries did not have any information security events, violate any regulations on customer information protection, and were not fined for violations of information security between 2015 and 2017.

Happiness is Giving Happiness

Cathay insists on the idea that “Happiness is Giving Happiness,” and thus it works with other social partners to jointly weave a strong social safety net, in hopes of giving everyone a fair chance to compete. We also hope to make the public aware of the importance of social and cultural diversity, so that people will be able to learn, understand, and tolerate the cultures of different ethnic groups. This way people will develop their own perspectives of cultural diversity and eventually grow in civic consciousness and responsibility.

Cathay FHC established the four focus areas of its public welfare activities, including Inclusive Care, Sporting Activities, Arts and Culture, and Environmental Considerations. We take into consideration different aspects of society’s needs, and formulate different public welfare projects to link the core competencies of the financial industry to social issues. In doing so we hope to establish the value of sharing and happiness. We use “core competencies of financial education,” “reward points donation on My Rewards APP,” “loss prevention expertise,” and “charitable trust” to satisfy society’s needs.

● Core competencies of financial education: We provide financial education to improve the financial literacy of children in remote areas and second-generation immigrants, help teenagers learn the correct approaches to money management and risk awareness, and hope to thereby enhance their ability to deal with all kinds of risks in the future.

● Reward points donation on My Rewards APP: Credit card reward points can be redeemed as products of social enterprises by lowest threshold and the products were donated to children or solitary elderly people in remote areas.

● Loss prevention expertise: Cathay Century is promoting the concept of loss prevention to prevent elementary school playground accidents and fatal traffic accidents involving college students. Cathay Century helps students learn campus safety concepts as well as traffic accident prevention and safe driving concepts.

● Charity trust: A trust that was founded for public welfare, such as charity, culture, and academics, so that wealth is used on things people care about. We are also working with CBLF and SBL players, our long-term partners, in providing charitable trust services. We also organized training camps with Chien Wan-Yin and Jeremy Lin to promote sports atmosphere in society.

Cathay FHC organized the Lin Yuan Volunteer Group in 2011 to provide suitable services for different groups, and also to create a full-service network. A volunteer recognition ceremony is held each year to encourage employees who take action to bring happiness to society. We are also actively searching for NGOs, NFPOs, and social enterprises that are driving change in society, so that we may jointly create a better blueprint for society.
Inclusive Care

Eliminating the gap in education resources for remote areas

- Students: Dream Come True Program
  Provided the prerequisite money and supplemented their lack of learning resources and cultural attributes to encourage students and teachers in remote areas in pursuing their dreams.
  Organized Children Development Camp with courses related to professional competencies pertaining to the group’s interests, including a Cathay United Bank Triathlon Team, Cathay Women’s Basketball Team, and Cathay General Hospital.
- Teachers: Collaborated with Teach For Taiwan
  We worked together with Teach For Taiwan in training young professionals with multiple fields of expertise and a sense of mission to become educators in remote areas, thereby creating equal and high-quality educational environments for all.
- Elevated Two Program (Junior high and elementary school)
  Students who are from low income households are unable to pay tuition and fees due to major difficulties each semester so they cannot receive an education with peace of mind.

- Elevated Tree Program (Junior high and elementary school)
  Architects and engineers from remote areas and indigenous children
  - Support for the culture & creative industries
  - Eastern Taiwan Paramedic Training Program (Junior high school - Junior college)
  - English and Vietnamese Camp
  - Community Story-tree Planting Campaign

- Eliminating resources inadequacies in remote areas
  - Food and Happiness Campaign
  - Cathay Foundation encourages all to solve the issue of insufficient breakfast for students in remote areas. They made a donation to students through foundations.
  - Million Reward Points for People who needed
    - Organized a 1-day camp, supported by Cathay Foundation and the Taiwan Insurance Industry Foundation. The campaign was assessed based on SROI; every NT$1 invested generates about NT$3.03 in social value. The international conference attracted about 120 NPO workers, new immigrant native language teachers, and curriculum promoters.
  - Eastern Taiwan Paramedic Training Program (Junior high school - Junior college)
    - Cathay University and Cathay United Bank Foundation joined forces to provide scholarships to students who need financial assistance through the demand devaluation of promoting education, and also implement donation plans together with the Lawrence S. Ting Memorial Fund. The donations help local impoverished students continue their education.
  - Chinese Culture and Eco-Friendly Award bestowed by Shopping Design. The Department of Technological and Vocational Education, Ministry of Education, issued a letter to schools in Taiwan urging the use of culturally supplementing teaching materials.

- We donated VND588 million in 2017 to provide scholarships to 980 students. Over the last 10 years, we have provided over 13,000 scholarships and donated a cumulative amount of nearly VND700 million.

See the Cathay United Bank Foundation official website for details.
https://fund.cathaybk.org.tw/

- Continued for the learning and growth of children in remote areas and indigenous children and development of their professional skills
  - Elevated Tree Program in Vietnam
    - Vietnam Association for Promoting Education, and also implement donation plans together
  - Eastern Taiwan Paramedic Training Program (Junior high school - Junior college)
    - Cathay University and Cathay United Bank Foundation find local students who require financial assistance through the demand devaluation of promoting education, and also implement donation plans together with the Lawrence S. Ting Memorial Fund. The donations help local impoverished students continue their education.

- Elevated Tree Program (Junior high school - Junior college)
  - Elevated Tree Program
  - Diverse cultural power of new or second-generation immigrants
  - Supports scholarships and donated a cumulative amount of NT$1,501,705.
  - Over 200 people participated and VND6.6 million was raised to renovate a 14-year-old kindergarten. The number of donations were members who had never had the reward point exchange function before and two months.

- Elevated Tree Program
  - Project Name and Description
  - Health promotion
  - Community engagement
  - Charity donations

- As of February 28, 2017, it totalled NT$1,501,705.
  - As of February 28, 2017, it totalled 140 people who raised VND6.6 million.
  - The results were recorded in the list of Social Care and Eco-Friendly Award bestowed by Shopping Design. The Department of Technological and Vocational Education, Ministry of Education, issued a letter to schools in Taiwan urging the use of culturally supplementing teaching materials.

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Cathay's women's basketball team has been the Award of Excellence in the social inclusion. Provided coverage for a total of 297 works of art with a Chen Wei-Yin Baseball Training Camp, Jeremy Lin Basketball Training Camp. 199,000,000 11,510 2017 Sporting with Neighbors Sponsorship for the 2017 National Indigenous Games, a major sports event among indigenous peoples, and the Sun Moon Lake National Scenic Area, an important tourist site in Taichung, to invite sports competition and develop the next generation of outstanding athletes. Cathay Women's Basketball, and Cathay Women's Table Tennis. Cathay has sponsored and promoted sports for over half a century in the spirit of "giving back to the society in which we make our living," and actively train athletes and coaches for the national women's basketball and table tennis teams by supporting their tournaments through a diverse range of games and events.

Advocating the Importance of Regular Exercise for All

Chen Wei-Yin Baseball Training Camp, Jeremy Lin Basketball Training Camp

We organize annual baseball and basketball training camps. Players overseas personally provide instruction and pass on their experience to young players with dreams, allowing the sport of baseball and basketball to take root in Taiwan.

Cathay weight loss, carbon reduction, healthy aging

Cathay FHC donates NT$100 to senior baseball teams for every 1 kg of weight that employees or polyclinics in hopes of bringing elderly people out of their homes and enabling them to regain their youth, confidence, and health through playing baseball.

Running Buddy Project

Cathay Securities employees and personnel of Taiwan Vision Defective Road Run Association can be seen running with visually impaired persons at NTU Sports Center or Da'an Forest Park every morning. Cathay FHC donates NT$100 to senior baseball teams for every 1 kg of weight that employees or personnel of Taiwan Vision Defective Road Run Association can be seen running with visually impaired persons at NTU Sports Center or Da'an Forest Park every morning. Employees are able to improve their own health as they engage in public welfare activities.

Full support of local art and the promotion of an artistic culture

Cathay National Children's Drawing Contest (children)
The theme of the Kids drawing contest was "Love is beautiful." We hope to deliver the message that children should try to find a healthy and good exercise habit, but also needs to learn to say no to drugs which have become increasingly prevalent and accessible.

Cathay New Century Arts Exhibition (high/vocational school to college)
We seek to encourage talented students in art-related departments in colleges and high/vocational schools to create artwork by providing them with the opportunity to display their works to the public, so that young artists in Taiwan can fulfill their boundaries potential.

Art Talks in Cathay United Art Center (public)
The Art Talks lecture series, primarily comprising talks on Western or Taiwanese art history, showcase to the public a wide variety of art genres. The lectures not only offer participants a historic view of paintings but also an abundance of knowledge.

Cathay Art Festival - Cloud Gate (public)
Cathay Art Festival covers the works of art in Taiwan. Every year we sponsor Cloud Gate outdoor performances and tours in China, as well as free admission performances of Cloud Gate in Taiwan, so that art can reach people's lives.

Cathay Century began offering Artwork Insurance, covering collectibles, exhibited artwork, and artwork delivery to provide protection for precious artwork.

We have sponsored culture and creative industries for many years, and let Taiwan's abundant culture can be seen.

A total of 69,010 participants entered the four tournaments held in Northern, Central and Southern Taiwan and the finals. Subsidized 10 schools in 2 national sports events.

Cathay's women's basketball team has been the reigning champion of WTB5 for 26 consecutive years.

We have sponsored culture and creative industries for many years, and let Taiwan's abundant culture can be seen.

The children drawing contest collected 66,204 works.

Cathay New Century New-Age Arts Exhibition collected 165 works.

Up to the end of 2017, Cloud Gate has made a total of 312 performances, visited 234 cities of Taiwan, and performed overseas for NT$23.5 million viewers. Provided coverage for a total of 237 works of art with a total premium of NT$414.85 million.

In 2017 Cloud Gate performed over 320,000 copies art performance.

Cathay FHC invested a total of NT$1.7 million in 11 Frieda Senior Baseball Teams.

The Running Buddy Project has provided 114 hours of service to 50 people, 2 of our employees obtained guide runner license.

About 9,500 people participated in training camps. By the end of 2017, the number of trustee members reached NT$37.92 billion, of which the scale of charitable trusts related to athletes was approximately NT$890 million.

Donated NT$1.7 million in 11 Frieda Senior Baseball Teams.

The Running Buddy Project has provided 114 hours of service to 50 people, 2 of our employees obtained guide runner license.

Making eco-friendliness an integral part of daily life

ShoJo Charity Platform - Supporting eco-friendly social enterprises

Cathay FHC integrates the line of offline platforms, such as ShoJo Charity Platforms and Christmas charity sales, to invite employees and customers to support eco-friendly social enterprises by purchasing and promoting their products.

Community Story-tree Planting Campaign

Cathay volunteers participated in tree planting and mountain cleaning activities in Hualien, Taitung, and Taichung. Cathay co-organized a tree planting carnival with Taiwan Native Plant Society, and built a NetArt on campus.

Key Charity Performance

2015-2017 Charity Investment Categories and Amount (Unit:NTD)

Business promotion 54% Giving back and donating to charity 1% Community engagement 45%

Giving back and donating to charity 12% Community engagement 42%

Giving back and donating to charity 6% Community engagement 46%
Cathay Financial Holding Co., Ltd.
2017 Corporate Sustainability Report
Summary of Subject Matter Assured

<table>
<thead>
<tr>
<th>No.</th>
<th>Assured Item</th>
<th>Subject Matter Assured</th>
<th>Page</th>
<th>Applicable Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Code of Conduct for Employee</td>
<td>Cathay FHC established the Code of Conduct for Employees. The Code is already in place and is in implementation.</td>
<td>22</td>
<td>Refer to page 22 for details.</td>
</tr>
<tr>
<td>2</td>
<td>Board performance indicator</td>
<td>Cathay Financial Holdings has a set of &quot;Guidelines for Evaluation of Directors' Performance&quot; and &quot;Regulations Governing the Evaluation of the Board's Performance&quot; in place. The &quot;Guidelines for Evaluation of Directors' Performance&quot; and &quot;Regulations Governing the Evaluation of the Board's Performance&quot; include CSR indicators.</td>
<td>20</td>
<td>Refer to page 20 for details.</td>
</tr>
<tr>
<td>3</td>
<td>Performance on internal controls</td>
<td>The performance evaluation indicators for all Cathay Financial Holdings employees include performance on internal controls.</td>
<td>22</td>
<td>Refer to page 22 for details.</td>
</tr>
<tr>
<td>4</td>
<td>Number of users of MyBank and MyMobiBank</td>
<td>MyBank had 3.17 million users and MyMobiBank had 1.10 million users as of the end of 2017.</td>
<td>42</td>
<td>As of the end of 2017, the number of users have logged in to Cathay United Bank MyBank and the number of users have logged in to Cathay United Bank MyMobiBank.</td>
</tr>
<tr>
<td>5</td>
<td>Insurance brokers and agencies management</td>
<td>Cathay Life has a set of &quot;Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies&quot; in place. The Guidelines serve to maintain the quality of new insurance contracts made by insurance brokers and agencies and control the number of improper sales conduct. In 2017, 57,431 sales cases were reviewed during regular inspections.</td>
<td>67</td>
<td>The total number of sales cases reviewed per Cathay Life’s Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies in 2017.</td>
</tr>
<tr>
<td>6</td>
<td>Disability &amp; Retirement Trust</td>
<td>In 2017, CUB engaged in 34 cases of the Disability &amp; Retirement Trust.</td>
<td>37</td>
<td>The total number of Disability &amp; Retirement Trust contracts accepted and signed by Cathay United Bank during 2017.</td>
</tr>
<tr>
<td>7</td>
<td>Solar Energy Financing</td>
<td>The bank financed a cumulative amount of 1,302 solar power stations with a total installed capacity of 318.5 MW in Taiwan.</td>
<td>54</td>
<td>Solar power stations: As of December 31, 2017, the total number of stations approved by Bureau of Energy. Domestic financed capacity: As of December 31, 2017, the sum of capacities from the lower of the projects with approval documents issued by Bureau of Energy or Taipower Electricity Purchase Contract and financed by CUB head office and all domestic branches.</td>
</tr>
<tr>
<td>8</td>
<td>Low-carbon Investments</td>
<td>Low-carbon investments/loans of Cathay FHC and subsidiaries totaled NT$49.8 billion as of the end of December 2017.</td>
<td>51</td>
<td>Cathay FHC and subsidiaries' low carbon investments/loans consist of investments from the following three categories: 1. Industries which are classified into the six major categories, including energy, buildings, recycling, transportation, industry and finance measures. 2. Companies where the business lines include the above six categories. 3. The investment included in the following three lists: Low Carbon Investment Registry, Carbon Clean 200 List and Green bond listing within Bloomberg. The low-carbon investment includes real estate, equity and debt, which are calculated according to the book value as included in the audited financial statements as of December 31, 2017 of each subsidiary. The low-carbon loans are calculated using the original loan amount minus the loan repayment amount (without considering subsequent credit risk).</td>
</tr>
<tr>
<td>9</td>
<td>Equator Principles (EP)</td>
<td>In 2017, Cathay United Bank undertook two Category C Project Finance cases that have reached financial close according to the Equator Principles as of year-end.</td>
<td>28</td>
<td>The total number and category of cases that have reached financial close, according the Equator Principles, undertaken by Cathay United Bank in 2017.</td>
</tr>
</tbody>
</table>
Cathay FHC 2017 Corporate Sustainability Report

10 Average employees benefit for non-managerial staff

- Table: "Employee Benefit Expense for Non-Managerial Staff" shows the average employees benefit for non-managerial staff was NT$9,393,059 per person in 2017.

- The Group's 2017 employee benefit expense for non-managerial staff divided by the Group's total number of non-managerial staff as of December 31, 2017.

- "Employee" is defined as individuals who provide services to Cathay FHC under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers, nor do they include directors and supervisors.

11 Training spending

- In 2017, Cathay's total training cost has reached NT$540 million.

- The Group's total spending on employee trainings in 2017, including directly attributable costs (incl. course fee, instructor fee, stationary, etc.) and allocated cost (incl. classon rental, training department cost, internal instruction cost, etc).

12 Total number of new employees and resigned employees

- New employee: the number of new employees by gender and age group listed on page 52, "Turnover statistics table".

- The Group's total number of new and resigned employee: the number of new and resigned full-time employee by gender and age group per each company's human resource systems as of December 31, 2017.

- "New employee turnover: the Total turnover by gender and age group listed on page 52, "Turnover statistics table".

- "Employee turnover: the Total turnover by gender and age group listed on page 52, "Turnover statistics table".

- The Group's total employee external and internal training hours in 2017 divided by the Group's total number of employee as of December 31, 2017. Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions. Hours of morning sharing session is calculated by taking the total number of employees as of December 31, 2017, and multiplied by the annual attendance rate. (1) Total number of leave days taken divided by total number of working days of the year of sales department, multiplied by the total training duration in hours.

13 Trainings hours per person

- The Group's total employee external and internal training hours in 2017 divided by the Group's total number of employee as of December 31, 2017. Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions. Hours of morning sharing session is calculated by taking the total number of employees as of December 31, 2017, and multiplied by the annual attendance rate. (1) Total number of leave days taken divided by total number of working days of the year of sales department, multiplied by the total training duration in hours.

14 Absence Rate

- "Absence Rate = Ratio of lost days to total work days in a period of time. Lost Days = Sick leave (including tocolysis leave) + Maternity leave + Occupational injury leave. Number of required work days = Total work days - Special leave days - Total work days calculated: using number of employees on 2017/12/31. The "Cumulative reinstatement rate" is calculated by applying it to the number of people in those business locations.

15 Cumulative reinstatement rate

- The "Cumulative reinstatement rate" is listed on page 47, table "CIP Statistics".

- Cumulative reinstatement rate = Cumulative reinstatement rate of employees recruited through Cathay internship program from 2017/12/31 to 2017/12/31. The total number of employees recruited through Cathay internship program participants from 2017/12/31 to 2017/12/31.

16 Ratio of annual compensation of male to female for each employee category

- Table: "Annual compensation by gender (Male: Female)" shows the ratio of annual compensation of male to female for each employee category for 2017.

- "Employee" is defined as individuals who provide services to Cathay FHC under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers, nor do they include directors and supervisors.

- Definitions: "High-level manager" is equivalent to vice presidents of Cathay FHC (including) or above; "Mid-level manager" is equivalent to senior managers of Cathay FHC (including); "Entry-level manager" is equivalent to managers of Cathay FHC (including); and "General Staff" refer to employees who do not bear the administrative responsibility for managing other employees or units, including project managers who do not manage other employees.

- Annual compensation = basic salary and remuneration

17 Number of employees

- Cathay FHC had 44,445 full-time employees in 2017. 167 office staff were part-time employees.

- Number of active full-time / part-time employees as of December 31, 2017.

Appendix

18 Parental Leave

- Table: "Statistics of Reinstatement after Parental Leave", in 2017, parental/leave return to work rate was 70% and retention rate was 90%.

- Return to work rate: Cathay FHC Total number of employees that did return to work after parental leave in 2017. Total number of employees due to return to work after taking parental leave in 2017.

- Retention rate: Cathay FHC Total number of employees retained 12 months after returning to work in 2016. Total number of employees returning from parental leave in 2016.

19 Public Welfare Expenditure


- The Group's total amount of public welfare related cash donations and promotional activities expenditure in 2017.

20 Scope 3 GHG emissions

- "Note 4: Business travel emissions: The aviation part currently only counts the flights for Cathay FHC, Cathay Life, CBH and Cathay Century. Based on the corporate members data collected from China Airlines and Evergreen and is calculated according to GHG protocol Transport, Tool v2.6. The high-speed rail part covers Cathay FHC and all of its subsidiaries. Based on the corporate members data collected from Taiwan High Speed Rail and it is calculated according to carbon footprint: 38 gCO2-e/person-per-kilometer (announced by Taiwan High Speed Rail)."

21 Water Usage

- In 2017, Water consumption was 643,859 degrees which was obtained based on the data from all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries) disclosed in the annual report as well as official website and four office of Cathay FHC. (Headquarters in Renai Rd, Dunn Division, Information Div. in Taoyuan St, HsuehShu Division, Direct Marketing Division Dept. in Nangang E Rd, Zhongshan District, Digital, Data & Technology Center in Songshan Rd, Taipei District) (Below referred to as the business locations).

- There are three major categories of water consumption calculations: independent self-owned water bills, shared building public water bills, and some business location that were unable to obtain water bills, they were calculated by taking the average per capita water consumption of the group and applying it to the number of people in those business locations. The public water consumption of each building were calculated by taking the monthly public water consumption bills from the building management commitment pro-rated based on the percentage of floor space occupied.
### Materiality Analysis

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### GRI Standards

**GRI Standards**

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The report is prepared in accordance with the GRI Standards but some information does not report all required disclosure due to information unavailable. The company will continue to strengthen the management process to obtain necessary reporting information.

### United Nations Global Compact Principles

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| **The Environment** | Businesses should support a precautionary approach to environmental challenges. Undertake initiatives to promote greater environmental responsibility. Encourage the development and diffusion of environmentally friendly technologies. | Natural Resource Capital | 56-63
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Cathay Financial Holdings

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