Cathay FHC 2018 Corporate Sustainability Report

Contents

Chapter 1 Financial and Integrity Capital
Business Performance
Advancing Corporate Governance
Strengthening Risk Management and Internal Control
Promoting Ethics and Integrity
Implementing Tax Governance

Chapter 2 Intellectual Capital
Insurance Product Development and After-Sales Management Process
Green Finance
Prosper with the Community
Cathay Digital Finance Living Circle

Chapter 3 Human Capital
Employee Structure and Diversity
Talent Development
Talent Retention and Happy Workplace

Chapter 4 Natural Resources Capital
Climate Change
Environmental Performance
Green Actions
Green Operations
Green Initiatives

Chapter 5 Social Relations Capital
Achieving Excellent Customer Service Quality
Protecting Customers' Personal Information and Information Security
Happiness is Giving Happiness
Projects Implemented under the Four Public Welfare Strategies
Key Public Welfare Performance

Appendix

About this Report

Cathay Financial Holdings 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 and Asset Management” - as our core strategy to seek continued growth and realize our vision of becoming “the leading financial institution in the Asia-Pacific.”

Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2018 Corporate Sustainability (CS) Report issued in June 2019 presents Cathay FHC’s economic and environmental (E), social (S), and governance (G) performance in 2018 (1/1-12/31). The report allows all stakeholders interested in understanding Cathay FHC’s performance to understand Cathay’s efforts in various issues. Chinese and English versions of Cathay FHC’s CS Report can be downloaded from the “Corporate Sustainability” section on our website. The last edition was released in July 2018.

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 (IIRC). 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 TSE/TXET/GSMA Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, and Regulations Governing Preparation and Filing of CSR Reports by TSEG and TSE Listed Companies, and Sustainability Accounting Standards Board, SASB. The financial data in this report is audited by EY and published in Cathay FHC 2018 Annual Report. The non-financial data is based on the declared information to competent authorities or audited by external management system accreditation authorities.

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 ISAE 3000, to which PwC has declared information to competent authorities or audited by external management system accreditation authorities. A copy of this opinion is included in the appendix of this report.
Cathay's Corporate Sustainability Vision

Cathay's Sustainability Strategies

Leader in Sustainable Finance

Cathay's Social Sustainability (CS) Committee

Recognition from Sustainability Awards

Cathay Corporate Sustainability (CS) Committee

Message from the Chairman

Pursuing Value while Reinforcing Corporate

Cathay FHC achieved strong business performance in 2018 with consolidated after-tax profit reaching NT$51.8 billion and Earnings Per Share of NT$5.29. We also gained recognition for our implementation of corporate sustainability initiatives and were selected as a constituent stock of G300 Emerging Markets, becoming the first insurance company in Taiwan to be selected as a G300 World-class stock.

We continued to improve our corporate governance based on our core values of integrity, accountability, and innovation in 2018. Specific measures include establishing the group-level whistleblowing program, appointing Corporate Governance Officer, and establishing Regulations Governing Evaluation of Functional Committees. We were recognized for these corporate governance measures and ranked in the top 5% of the 4th Corporate Governance Evaluation conducted by the Taiwan Stock Exchange. We also gained the highest "Outstanding" certification in the Corporate Governance System Assessment (CGSE11) conducted by the Taiwan Corporate Governance Association.

Promoting Digital Innovation and a Data Driven Culture

Cathay Financial Holdings is actively promoting digital innovation, building a solid digital, data, and technology foundation, and creating an excellent customer-centric digital experience as we strive to become a leader in Asia’s FinTech ecosystem. We have created a data driven culture that focuses on improving customer experience, improving business performance, assisting with business decision-making, developing new products and business models, and effectively managing risks. In particular, we continue to explore the latest technologies and algorithms for improving the Group’s overall performance.

Utilizing Our Core Competencies to Lay the Groundwork for Citizens’ Happiness

We are an active participant in the Climate Change Initiative, and we exerted our influence by continuing to host the Cathay Financial Holdings Climate Change Forum in 2018. We invited the COP24, an internationally renowned climate change organization, and PwC to jointly discuss response measures to climate change with Taiwanese enterprises we have invested in, aiming to drive Taiwan’s industries to keep pace with international benchmark enterprises.

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 independent directors, and chaired by the President of Cathay FHC. The committee comprises 6 main working groups, each headed by a senior executive. The CS Committee began making advancements every year since 2011 in order to achieve breakthroughs. Our milestones over the years are as follows:

### 2012
- Founded Cathay FHC CSR Committee and assembled five main working groups
- Established Corporate Social Responsibility Best Practice Principles
- Published a CSR Report for the first time
- Signed the U.K.’s Carbon Disclosure Project (CDP)

### 2013
- Developed CSR rewarding mechanism
- Included corporate sustainability in training programs for new employees
- Refined the response to ESG messages from international institutional investors

### 2014
- Refined the response to ESG messages from international institutional investors
- Responded to and was selected into the DJSI for the first time
- Developed the senior management program of sustainability
- Signed the Equator Principles (EPs) and became Taiwan’s first Equator Principles Financial Institution

### 2015
- Responded to and was selected into the DJSI for the first time
- Signed the Equator Principles (EPs) and became Taiwan’s first Equator Principles Financial Institution
- Aquired Conning, Inc., which adopted UN’s Principles for Responsible Investment (PRI) initiatives

### 2016
- Refocused the CS Committee on sustainability-related strategy
- Edited the values declaration of sustainability
- Strengthened the response to ESG messages from international institutional investors

### 2017
- Cathay Century committed to complying with the UNEP FI’s Principles for Responsible Investment (PRI)
- The six working groups were restructured into a dual secretary structure
- Strengthened Cathay’s materiality analysis

### 2018
- CDP committed to complying with the UNEP FI’s Principles for Responsible Investment (PRI)
- Selected into the Dow Jones Sustainability Index (DJSI) World Index
- Signed the U.K.’s Carbon Disclosure Project (CDP)

Cathay’s Declaration of Sustainability Values declares how Cathay will comply with professional ethics, lawfully and reasonably engage in business, and also dedicate efforts to lower Environmental, Social and Governance (ESG) risks. It is our goal to create benefits for the economy, society and environment, and we invite partners in our value chain, such as suppliers and joint ventures, to comply as well. We hope that our efforts under the Values Declaration will enable us to take strides towards corporate sustainability.

Organization of Cathay FHC CS Committee

**Board of Directors**

- Chairman
- Independent Directors

**Cathay Corporate Sustainability (CS) Committee**

- Executive Officer
- Executive Director
- Committee Members

**Working Groups**

- Responsible Investment Working Group
- Responsible Governance Working Group
- Responsible Products and Services Working Group
- Employee Happiness Working Group
- Social and Community Working Group
- Social Prosperity Working Group

**Cathay’s Corporate Sustainability Vision**

- Message from the Chairman
- Cathay Corporate Sustainability (CS) Committee
- Recognition from Sustainability Awards
- Leader in Sustainable Finance
- Cathay’s Sustainability Strategies
- Materiality Analysis
- Cathay’s Key Sustainability Breakthroughs
- Cathay’s Corporate Sustainability Vision
- Cathay’s Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Recognition from Sustainability Awards

- **Taiwan Corporate Sustainability Awards**
  - Won Top 50 in the Finance and Insurance Industry, Corporate Sustainability Report Gold Award, Growth through Innovation Award, Social Inclusion Award, People Development Award, Climate Leadership Award, and Gender Equality Award

- **DJSI**
  - Selected as a constituent stock of the DJSI Emerging Markets Index for four consecutive years, and selected as a constituent stock of the DJSI World Index in 2018

- **FTSE4GOOD TIP Taiwan ESG Index**
  - Selected as a constituent stock of the FTSE4GOOD TIP Taiwan ESG Index for four consecutive years

Recognition from Sustainability Awards

- **MSCI**
  - Maintained level A

- **CDP**
  - Maintained level B

- **FTSE4GOOD**
  - Selected as a constituent stock of the FTSE4GOOD TIP Taiwan ESG Index for four consecutive years

**Cathay FHC 2018 Corporate Sustainability Report**

**Cathay FHC 2018 Corporate Sustainability Report**

**Recognition from Sustainability Awards**

- **MSCI**
  - Maintained level A

- **Global Views Corporate Social Responsibility & Social Enterprise Awards**
  - Won the Exemplary Award in the CSR Annual Survey – Finance Division and First Place in the Environmental Considerations Division and Happy Enterprise Division
Leader in Sustainable Finance

Cathay FHC services half of the population in Taiwan. Our flagship subsidiary Cathay Life's total assets amounted to more than over NT$6 trillion, which accounts for one-fourth of Taiwan life insurance industry’s total assets. As of December 2018, CUB’s loan balance ranked top 2 among Taiwanese private banks. Cathay SITE is the largest Taiwanese asset management company in terms of assets under management. Cathay believes our sustainability efforts will create a virtuous cycle for society. We have continuously committed to focus on long-term values and follow international standards to strengthen the spirit of sustainable finance.

Since 2015, Cathay FHC has signed or self-complied with some important global sustainable financial frameworks, such as Principles for Sustainable Insurance (PSI), Equator Principles (EPs), and Principles for Responsible Investment (PRI). Moreover, CUB was the first Taiwanese bank to commit to self-comply with Principles for Responsible Banking (PRB) upon the announcement by UNEP FI in November 2016.

Cathay FHC Integrates Sustainability into Three Core Businesses

In 2016, Cathay Life was the first Taiwanese insurer voluntarily complying with the PSI. Cathay Century Insurance also followed PSI framework in 2017. CUB was the first Taiwanese bank signing the Equator Principles (EPs) in 2015. In 2016, CUB commits to self-comply with PRB to strengthen corporate sustainability.

Cathay believes our sustainability efforts will create a virtuous cycle for society. We have continuously committed to focus on long-term values and follow international standards to strengthen the spirit of sustainable finance.
Cathay FHC has established a top-down supervisory mechanism as well as a bottom-up analysis & review process for responsible investment and lending to mitigate ESG risks. Cathay aims to strengthen Cathay’s long-term investment/valuing/deciding and protect the rights of its clients and shareholders.

The Bottom-up ESG Integration Process for Responsible Investment

Cathay FHC investment and lending ESG integration procedures

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>First Pass</strong></td>
</tr>
<tr>
<td>2</td>
<td><strong>Second Pass</strong></td>
</tr>
<tr>
<td>3</td>
<td><strong>Third Pass</strong></td>
</tr>
</tbody>
</table>

**Daily Operations**

- **First Pass**: Initial review for ESG factors
- **Second Pass**: Risk assessment and screening
- **Third Pass**: Review for environmental, social, and governance factors

**Risk Monitoring and Control**

- **Corporate Engagement and Stakeholder Action**
- **Encourage shareholders to strengthen investment**
- **Corporate engagement**
- **Exercising voting rights**

**Engagements after Investment/Lending**

- **Monitor and report**
- **Regularly assess and adjust**
- **Sustainability and corporate social responsibility**

**Sustainability-Themed Investing**

- **Low Carbon and Infrastructure**
- **Agriculture and forestry**
- **Natural</p>
PE Fund for Sustainable Industries

Cathay FHC has signed limited partnership contracts for its PE funds with promised investment totaling NT$5.63 billion. The funds mainly invest in key sustainable industries in Taiwan, such as renewable energy (e.g., sewage treatment and waste processing and reuse), renewable energy (e.g., wind power, solar energy, geothermal energy, hydroelectric, and energy storage), as well as the "5 + 2" innovative industries promoted by the government (e.g., Internet of Things, smart machinery, new agriculture, and long-term care).

Labor Pension Fund ESG Investment Mandate

Cathay SITE received the Bureau of Labor Fund’s investment mandate for the first ESG fund in Taiwan in March 2019. The assets under management amount to NT$151.1 billion. The ESG mandate benchmarks investment performance against the FTSE4Good Top 50 Taiwan ESG Index which is the index combining environmental, social, and corporate governance (ESG) and financial indicators.

External Communication and Initiatives

Participating in Climate Change Initiatives and Hosting Climate Change Forums

Climate change is one of the most threatening issues to the world. The World Economic Forum (WEF) Global Risks Report and the Task Force on Climate-Related Financial Disclosures (TCFD) have been highlighting climate-related risks and the fact that people shall take necessary action to mitigate such risks.

Cathay FHC has been trying to address the impact of climate risks to corporate enterprises. We have been participating in the CDP Non-Disclosure Campaign for two consecutive years since 2017, and we are the only financial institution in Taiwan participating in the campaign. We hope that such efforts can encourage Taiwanese companies which have yet to respond to CDP questionnaires to disclose their carbon emission data and management measures. At the end of 2017, Cathay FHC also participated in Climate Action 100+ initiative, which was initiated by the Asia Investor Group on Climate Change (AIGCC) in 2014. Cathay defined low-carbon industries in 2017, including industries related to renewable energy (e.g., solar energy, geothermal energy, wind power, and hydropower), as well as the "5 + 2" innovative industries promoted by the government (e.g., Internet of Things, smart machinery, new agriculture, and long-term care).

Community and Inclusive Finance

Cathay United Bank Cambodia (CUBC) provided loans to the micro finance institutions (MFIs) in Cambodia to promote the development of inclusive finance. Cathay FHC also launched diverse philanthropic loan projects for SMEs.

Total amount (NTD) Approx. NT$358 billion

In 2019, Cathay defined the aging society and health industries in reference to the definitions developed by Taiwanese National Development Fund. The industries include the related services, products, and facilities.

Total amount (NTD) Approx. NT$151.1 billion

Low-carbon and Infrastructure

Cathay FHC participated in the Low Carbon Investment Registry (LCIR) Registry campaign launched by the Global Investor Coalition on Climate Change (GIC) in 2014. Cathay defined low-carbon industries in 2017, which include industries related to renewable energy, energy-saving industries, energy efficiency, smart grid, energy storage, and energy management.

Total amount (NTD) Approx. NT$951.5 billion

Note: Green buildings investment of Cathay Life are measured at the face value.

Sustainability Themed Investing/ Lending

Cathay FHC co-launched the Engagement Policy in 2018 in hopes of making positive impact to the investee companies and improving their ESG performance. Climate change is one of our engagement focuses. Cathay FHC organized Taiwan’s Climate Change Roundtable Forum in 2017. The roundtable invited top management from Taiwan’s significant industries to share their opinions on climate change and their climate actions. Former U.S. Vice President Al Gore was the keynote speaker who shared the latest developments on climate change and urged companies to respond to climate risks and opportunities.

In 2018, Cathay FHC co-organized the Climate Change Forum with Cathay SITE. During the forum, CDP and PRI shared with our investee companies how to respond to CDP and TCFD. A total of 85 individuals and 55 enterprises participated.

Cathay FHC has been continuously caring about climate risks, and our efforts have been recognized by international organizations. Sophia Cheng, CIO of Cathay FHC, was appointed as the ASGCC Chair in November 2018.

Taiwan Stewardship Principles for Institutional Investors

Five subsidiaries (Cathay Life, Cathay Century, Cathay SITE, Cathay FHC, and Cathay Century) of Cathay FHC, which are signatories to the Taiwan Stewardship Principles for Institutional Investors, have been highlighting their ESG performance. Climate change is one of our engagement focuses. Cathay FHC organized Taiwan's Climate Change Roundtable Forum in 2017. The roundtable invited top management from Taiwan’s significant industries to share their opinions on climate change and their climate actions. Former U.S. Vice President Al Gore was the keynote speaker who shared the latest developments on climate change and urged companies to respond to climate risks and opportunities.

In 2018, Cathay FHC co-organized the Climate Change Forum with Cathay SITE. During the forum, CDP and PRI shared with our investee companies how to respond to CDP and TCFD. A total of 85 individuals and 55 enterprises participated. Cathay FHC has been continuously caring about climate risks, and our efforts have been recognized by international organizations. Sophia Cheng, CIO of Cathay FHC, was appointed as the ASGCC Chair in November 2018.

Asset Manager Mandating and Monitoring

In 2018, Cathay Life and Cathay Century took ESG into consideration when signing contracts with external managers to ensure they will fulfill their duties as asset managers. As of the end of 2018, 99% of Cathay Life and Cathay Century’s external asset managers are either PRI signatories or have followed the government stewardship code, 3% higher than the previous year.

Cathay FHC also established the Engagement Policy in 2018 in hopes of making positive impact to the investee companies and improving their ESG performance. Climate change is one of our engagement focuses. Cathay FHC organized Taiwan’s Climate Change Roundtable Forum in 2017. The roundtable invited top management from Taiwan’s significant industries to share their opinions on climate change and their climate actions. Former U.S. Vice President Al Gore was the keynote speaker who shared the latest developments on climate change and urged companies to respond to climate risks and opportunities.

In 2018, Cathay FHC co-organized the Climate Change Forum with Cathay SITE. During the forum, CDP and PRI shared with our investee companies how to respond to CDP and TCFD. A total of 85 individuals and 55 enterprises participated.

Cathay FHC has been continuously caring about climate risks, and our efforts have been recognized by international organizations. Sophia Cheng, CIO of Cathay FHC, was appointed as the ASGCC Chair in November 2018.

For details on number of proposals and votes, please see:

For details on number of proposals and votes, please see:

Asset Manager Mandating and Monitoring

In 2018, Cathay Life and Cathay Century took ESG into consideration when signing contracts with external managers to ensure they will fulfill their duties as asset managers. As of the end of 2018, 99% of Cathay Life and Cathay Century’s external asset managers are either PRI signatories or have followed the government stewardship code, 3% higher than the previous year.

Cathay FHC also established the Engagement Policy in 2018 in hopes of making positive impact to the investee companies and improving their ESG performance. Climate change is one of our engagement focuses. Cathay FHC organized Taiwan’s Climate Change Roundtable Forum in 2017. The roundtable invited top management from Taiwan’s significant industries to share their opinions on climate change and their climate actions. Former U.S. Vice President Al Gore was the keynote speaker who shared the latest developments on climate change and urged companies to respond to climate risks and opportunities.

In 2018, Cathay FHC co-organized the Climate Change Forum with Cathay SITE. During the forum, CDP and PRI shared with our investee companies how to respond to CDP and TCFD. A total of 85 individuals and 55 enterprises participated.

Cathay FHC has been continuously caring about climate risks, and our efforts have been recognized by international organizations. Sophia Cheng, CIO of Cathay FHC, was appointed as the ASGCC Chair in November 2018.

For details on number of proposals and votes, please see:

Asset Manager Mandating and Monitoring

In 2018, Cathay Life and Cathay Century took ESG into consideration when signing contracts with external managers to ensure they will fulfill their duties as asset managers. As of the end of 2018, 99% of Cathay Life and Cathay Century’s external asset managers are either PRI signatories or have followed the government stewardship code, 3% higher than the previous year.

Cathay FHC also established the Engagement Policy in 2018 in hopes of making positive impact to the investee companies and improving their ESG performance. Climate change is one of our engagement focuses. Cathay FHC organized Taiwan’s Climate Change Roundtable Forum in 2017. The roundtable invited top management from Taiwan’s significant industries to share their opinions on climate change and their climate actions. Former U.S. Vice President Al Gore was the keynote speaker who shared the latest developments on climate change and urged companies to respond to climate risks and opportunities.
Cathay’s Sustainability Strategies

Cathay FHC aims to become a leading financial institution in the Asia-Pacific region, and is actively aligning its sustainability strategy with 10 of the 17 SDGs through the process below.

Identifying Risks and Focusing on Development
Cathay established the Cathay ESG Four Focus Areas in 2018. Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion. We analyzed international trends and Taiwan’s priorities, and convened a strategy advancement meeting, which was attended by over 20 departments across our subsidiaries. Over 20 discussions were held to identify risks, trends, and business opportunities, and to establish the long-term direction for Cathay’s sustainable development.

Setting Goals and Creating Value
Cathay has set short-term, mid-term, and long-term goals for sustainability management. We strengthen our constitution and have made sustainability a part of our DNA through periodic assessments, which create benefits and long-term value for stakeholders.

SGDs that Cathay is Focused on
Cathay is focused on achieving sustainability through 10 of the 17 SDGs through the process below.

Climate Action
- Low carbon investment/lending amount reached NT$20.5 billion.

Decent Work and Economic Growth
- Average salary raises over the last three years was about 3.4%.

Gender Equality
- Ratio of female managers reached 33.3%.
- Cathay provided the “Beyond what the law requires” package for female employees and partners, leading to an increased ratio of female managers.

Quality Education
- Student group insurance coverage for 1.5 million students attending high (vocational) school and university (including kindergartens) around Taiwan.

Sustainable Cities and Communities
- Renewable Energy Contractors’ & Erection All Risks Insurance
- The cumulative installed capacity of renewable energy financing reached 832MW.

Industry, Innovation and Infrastructure
- Renewable energy investment/lending amount reached NT$639.3 billion.
- Micro-markets for SMEs amounted to NT$720.6 billion.

Cathay’s Contribution to the SDGs

No Poverty
- Cumulative insured amount of micro insurance reached NT$751.5 million.

Good Health and Well-being
- Small amount whole life insurance provided basic economic support to nearly 180,000 policyholders.

Quality Education
- 100,000 people participated in the health promotion activity Cathay Healthy Mobility.

Clean Water and Sanitation
- Assets worth NT$1.2 billion were entrusted into Cleanability and Retirement Fund.

Gender Equality
- 1,491 students fulfilled their dreams through the Dream Come True Program.

Affordable and Clean Energy
- The cumulative installed capacity of renewable energy financing reached NT$1.511 billion.

Industry, Innovation and Infrastructure
- Renewable energy investment/lending amount reached NT$1,521.1 billion.

Note: Please refer to P.18~19 for Cathay’s Sustainability Vision on short-term, mid-term, and long-term goals.
Cathay FHC 2018 Corporate Sustainability Report

Materiality Analysis

Stakeholder Engagement

Cathay FHC has dedicated efforts of year in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders to understand the issues they are concerned about. Senior executives use their experience to examine the impact of material issues on core business in hope that stakeholders, once they are satisfied, shareholders make profit, customers are satisfied, and employees are happy. Cathay FHC has conducted a materiality analysis in 2015 and identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.

Materiality Analysis Process

Cathay FHC's Key Sustainability Breakthroughs

Cathay FHC has dedicated years of effort in the field of sustainability, while 15 senior executives have identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.

Cathay's Key Sustainability Breakthroughs

Cathay FHC has dedicated years of effort in the field of sustainability, while 15 senior executives have identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.

Cathay’s Key Sustainability Breakthroughs

Cathay FHC has dedicated years of effort in the field of sustainability, while 15 senior executives have identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.

Cathay’s Key Sustainability Breakthroughs

Cathay FHC has dedicated years of effort in the field of sustainability, while 15 senior executives have identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.

Cathay’s Key Sustainability Breakthroughs

Cathay FHC has dedicated years of effort in the field of sustainability, while 15 senior executives have identified material corporate sustainability issues. We set milestones, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:

1. Collect information and identify issues

Analyses CSR reports, indices, and industry reports to identify key social, environmental, and sustainability issues, and communicate with stakeholders.

2. Identify potential issues

Nine social issues, three environmental issues, and nine social issues.

3. Set the priority of issues

Key stakeholders’ opinions in the process of examining the materiality of issues on mission sustainability issues on operations.

4. Set the matrix of the materiality of issues

Cathay FHC’s material topics matrix.

5. Adjust the priority of issues

Senior executives and the sustainability team discuss the impact of material issues on core business, and make adjustments.

6. Generate the matrix

Verify the materiality matrix and generate the material matrix.
Updated on 2023-05-25 04:38:04

Cathay's Key Sustainability Breakthroughs

**Finance and Integrity Capital**
- Receiving the highest rating (Outstanding) for the first time we participated in the Corporate Governance System Assessment CG6011.
- Appointing a Corporate Governance Officer to assist directors in performing their duties; its title was changed into Company Secretary in 2019 and its authority increased.
- Establishing a group-level whistleblowing program, exceeding the legal requirement.
- Cathay Life is the first and only institutional investor in Taiwan to disclose its stewardship principles report.
- Sophia Cheng, Chief Investment Officer of Cathay FHC, was appointed as AIGCC Chair in 2018.
- CUB established ESG Risk Guidelines for Specific Industries; Cathay Life materialized the ESG risk review process.
- Taiwan’s only institutional investor to participate in the CDP’s Non-Disclosure Campaign; engaging 48 companies in 2018.
- Participating in Climate Action 100+ and engaging 2 companies.
- Serving as the financial consultant for the HaiLong 2 and HaiLong 3 offshore wind farms, and successfully assisted HaiLong 2 in being allocated 300 MW by the Bureau of Energy.
- Offering the first-ever public bicycle accident insurance policy in Taiwan and provided coverage for 3.4 million people.
- Ratio of female managers reached 53.3%.

**Human Capital**
- Cathay weight loss contests has lost a total of 70,000 kg in weight over four years.
- Donations for the installation of solar panels will bring income for NGO for 20 years.
- The VMMA Vietnam Office Reserve Talent Program selected 12 graduates to join the MA ranks; 3 have completed training and were appointed as sales supervisors in Vietnam.
- Cathay provided better (beyond what the law requires) paid miscarriage leave for female employees and paternity leave for male employees.
- First financial institution in the world to achieve ISO 20400 Sustainable Procurement Conformity.
- Opening the Ruihu Branch with the highest installed capacity among solar-powered branches in Taipei in 2018.
- Cathay Life’s Minsheng Jianguo Building obtained the LEED Gold Certification and EEWH Diamond Certification. At present, Cathay Life has obtained EEWH certification for 13 of its proprietary buildings.
- Continuing to purchase a total of 77 T-RECs in 2018.
- Developing electronic and mobile operations, which significantly reducing the amount of paper used for printing and have in turn driven business development. Reducing paper use by 68.26 million paper sheets and reducing carbon emission by 491 tons in 2018.
- Cathay Life’s average net promoter score (NPS) increased 11.1 points, showing a significant increase in customers’ identification with Cathay and willingness to recommend Cathay to others.
- The average number of daily users of Cathay’s Smart Digital Customer Services – Alpha grew by more than 100% from September to December.
- The cumulative number of volunteer hours from Cathay Good Star Project – Special Leave for Volunteers reached 59,811 hours in 2018, up 14% compared with 2017.
- The Behavior Diagnosis Test with Virtual Reality System from Accident-free Riders was provided for 8,261 people in 41 higher education institutions.

**Appendix**

**Chapter 1  Finance and Integrity Capital**

**Chapter 2  Intellectual Capital**

**Chapter 3  Human Capital**

**Chapter 4  Natural Resources Capital**

**Chapter 5  Social Relations Capital**

**Appendix**
Cathay’s Corporate Sustainability Vision

Finance and Integrity Capital
Upgrade the risk heat map and use the connection between the risk heat map and operations management to help managers understand and manage risks.
Continue to refine the risk heat map and employee potential rating changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management. Continue to improve corporate governance and disclosure mechanisms to promote transparency.

Human Capital
Recruit over 206 digital talents; provide more training for employees that are beyond what the laws require.

Employee Learning and Development
Offer 10 digital courses; offer 10% of training courses for employees.

Occupational Health and Safety
Implement the Plan to the Group; obtain ISO 45001 Occupational health and safety management systems certification.

Employee Diversity Inclusion
Continue to organize events to promote employee diversity and inclusion.

Natural Resources Capital
Expand the scope of iso energy and environmental management system by increasing the installed capacity of offshore wind power financing is expected to reach 768 MW in 2018.

Climate Change
Continue to refine the risk heat map, and analyze potential risks and changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management.

Social Relations Capital
Continue to deploy the TNPS survey experience optimization results to tackle customer experience issues.

Information Security
Establish an information security incident reporting and emergency response management system.

Community Involvement
Increase the number of buildings that have obtained green building certification.

Cathay’s Corporate Sustainability Vision

Message from the Chairman
Cathay Corporate Sustainability (CS) Committee
Recognition from Sustainable Advantages
Leader in Sustainable Finance
Cathay’s Sustainability Strategies
Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Chapter 1 Finance and Integrity Capital
Chapter 2 Intellectual Capital
Chapter 3 Human Capital
Chapter 4 Natural Resources Capital
Chapter 5 Social Relations Capital
Appendix

Chapter 1 Finance and Integrity Capital

Mid-term (Before 2021)
Long-term (Before 2023)

Finance and Integrity Capital

Update the risk heat map and use the connection between the risk heat map and operations management to help managers understand and manage risks.
Continue to refine the risk heat map and employee potential rating changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management. Continue to improve corporate governance and disclosure mechanisms to promote transparency.

Human Capital

Recruit over 206 digital talents; provide more training for employees that are beyond what the laws require.

Employee Learning and Development
Offer 10 digital courses; offer 10% of training courses for employees.

Occupational Health and Safety
Implement the Plan to the Group; obtain ISO 45001 Occupational health and safety management systems certification.

Employee Diversity Inclusion
Continue to organize events to promote employee diversity and inclusion.

Natural Resources Capital

Expand the scope of iso energy and environmental management system by increasing the installed capacity of offshore wind power financing is expected to reach 768 MW in 2018.

Climate Change
Continue to refine the risk heat map, and analyze potential risks and changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management.

Social Relations Capital

Continue to deploy the TNPS survey experience optimization results to tackle customer experience issues.

Information Security
Establish an information security incident reporting and emergency response management system.

Community Involvement
Increase the number of buildings that have obtained green building certification.

Cathay’s Corporate Sustainability Vision

Message from the Chairman
Cathay Corporate Sustainability (CS) Committee
Recognition from Sustainable Advantages
Leader in Sustainable Finance
Cathay’s Sustainability Strategies
Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Chapter 1 Finance and Integrity Capital
Chapter 2 Intellectual Capital
Chapter 3 Human Capital
Chapter 4 Natural Resources Capital
Chapter 5 Social Relations Capital
Appendix

Chapter 1 Finance and Integrity Capital

Mid-term (Before 2021)
Long-term (Before 2023)

Finance and Integrity Capital

Update the risk heat map and use the connection between the risk heat map and operations management to help managers understand and manage risks.
Continue to refine the risk heat map and employee potential rating changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management. Continue to improve corporate governance and disclosure mechanisms to promote transparency.

Human Capital

Recruit over 206 digital talents; provide more training for employees that are beyond what the laws require.

Employee Learning and Development
Offer 10 digital courses; offer 10% of training courses for employees.

Occupational Health and Safety
Implement the Plan to the Group; obtain ISO 45001 Occupational health and safety management systems certification.

Employee Diversity Inclusion
Continue to organize events to promote employee diversity and inclusion.

Natural Resources Capital

Expand the scope of iso energy and environmental management system by increasing the installed capacity of offshore wind power financing is expected to reach 768 MW in 2018.

Climate Change
Continue to refine the risk heat map, and analyze potential risks and changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management.

Social Relations Capital

Continue to deploy the TNPS survey experience optimization results to tackle customer experience issues.

Information Security
Establish an information security incident reporting and emergency response management system.

Community Involvement
Increase the number of buildings that have obtained green building certification.

Cathay’s Corporate Sustainability Vision

Message from the Chairman
Cathay Corporate Sustainability (CS) Committee
Recognition from Sustainable Advantages
Leader in Sustainable Finance
Cathay’s Sustainability Strategies
Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Chapter 1 Finance and Integrity Capital
Chapter 2 Intellectual Capital
Chapter 3 Human Capital
Chapter 4 Natural Resources Capital
Chapter 5 Social Relations Capital
Appendix

Chapter 1 Finance and Integrity Capital

Mid-term (Before 2021)
Long-term (Before 2023)

Finance and Integrity Capital

Update the risk heat map and use the connection between the risk heat map and operations management to help managers understand and manage risks.
Continue to refine the risk heat map and employee potential rating changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management. Continue to improve corporate governance and disclosure mechanisms to promote transparency.

Human Capital

Recruit over 206 digital talents; provide more training for employees that are beyond what the laws require.

Employee Learning and Development
Offer 10 digital courses; offer 10% of training courses for employees.

Occupational Health and Safety
Implement the Plan to the Group; obtain ISO 45001 Occupational health and safety management systems certification.

Employee Diversity Inclusion
Continue to organize events to promote employee diversity and inclusion.

Natural Resources Capital

Expand the scope of iso energy and environmental management system by increasing the installed capacity of offshore wind power financing is expected to reach 768 MW in 2018.

Climate Change
Continue to refine the risk heat map, and analyze potential risks and changes to control risk trends; focus on travel-related risk management and enhance the quality of risk management.

Social Relations Capital

Continue to deploy the TNPS survey experience optimization results to tackle customer experience issues.

Information Security
Establish an information security incident reporting and emergency response management system.

Community Involvement
Increase the number of buildings that have obtained green building certification.
Cathay’s Sustainable Value Creation Process

Vision
To become a leading financial institution in the Asia-Pacific region

Core values
Integrity, Accountability, and Innovation

Business Strategies
- Fully utilize financing
- Achieve corporate sustainability through the five capitals
to become a leading financial institution in the Asia-Pacific region

Finance and Integrity Capital
Capital Investment
- Total assets
- Capital
- Net profit and economic value retained

Intellectual Capital
- Product development
- Digital capital
- Number of employees
- Training cost per employee

Human Capital
- Average revenue per employee
- Human capital ROI
- Key talent retention rate

Natural Resources Capital
- Green procurements amounted
- Environmental performance
- Completion rate of information security training at subsidiaries

Social Relations Capital
- Public welfare expenditure

Cathay’s Sustainable Value Creation Process

Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Cathay’s Sustainable Value Creation Process

Appendix

Chapter 1 Finance and Integrity Capital
Chapter 2 Intellectual Capital
Chapter 3 Human Capital
Chapter 4 Natural Resources Capital
Chapter 5 Social Relations Capital
Capital at Risk and Opportunities

The WEF’s 2019 Global Risk Report lists the top 3 concerns as extreme weather, large-scale data frauds/thefts, and large-scale cyber-attacks. The key to sustainable development will be how companies effectively control risks and seize opportunities through supervising their organizations and developing robust systems in the face of environmental, economic, and security threats.
Business Performance

Cathay FHC continues to move forward based on a customer-centric philosophy under the strategic vision of becoming "the leading financial institution in Asia Pacific." We will continue to invest in our core business activities, and endeavor to provide customers with better financial services through the use of new technologies. We want to manage our risks while pursuing innovation and growth, and are committed to corporate sustainability and to creating a better environment and social interests. Cathay FHC has since more than achieved outstanding business performance in 2018 with consolidated after-tax profit of NT$1,682 billion and earnings per share of NT$3.95. Our subsidiaries, Cathay Life and Cathay Century, were the primary contributors.

Cathay FHC has 675 branches and offices across Taiwan. We will continue to leverage our experience in developing all types of financial business in Taiwan to enter into China and Southeast Asia to complete our overseas operational platform. As of the end of 2018, Cathay FHC has established 256 overseas footprints. Cathay has a branch in 9 out of the 10 ASEAN countries, and has the most extensive network among all Taiwanese banks in the ASEAN market.

Regarding the asset management business, we have been consolidating the resources of the Asia Pacific, Europe and U.S markets through the technologies and big data analytics capabilities of the strategic investor Ant Financial Services Group; actively developed and our partnerships with local operating teams to further develop local markets and effectively seize growth opportunities in overseas markets.

In Mainland China, CUB's Shanghai subsidiary commenced operations in September 2018 to offer more comprehensive services for local customers. Cathay Life has currently operated 31 sales and service agencies. Cathay Century has set up 27 offices; integrated the technologies and big data analytics capabilities of the strategic investor Ant Financial Services Group; actively developed and to further develop local markets and effectively seize growth opportunities in overseas markets.

In Mainland China, CUB’s Shanghai subsidiary commenced operations in September 2018 to offer more comprehensive services for local customers. Cathay Life has currently operated 31 sales and service agencies. Cathay Century has set up 27 offices; integrated the technologies and big data analytics capabilities of the strategic investor Ant Financial Services Group; actively developed and to further develop local markets and effectively seize growth opportunities in overseas markets.

Cathay FHC has established 208 overseas footprints. CUB has branches in 9 out of the 10 ASEAN countries, and has the most extensive network among all Taiwanese banks in the ASEAN market. Cathay FHC has clearly stipulated on its Code of Operation Integrity and Code of Conduct for Employees that participation in public affairs must create investment benefits.

Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and has a plurality of emerging risks, such as aging population and climate change.

Business Performance of Cathay FHC in 2018

Primary Products and Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>5.298</td>
<td>6.085</td>
<td>5.293</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>48.0</td>
<td>56.7</td>
<td>51.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>3.79</td>
<td>4.47</td>
<td>3.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>9.70</td>
<td>9.95</td>
<td>9.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,842</td>
<td>9,224</td>
<td>1,682</td>
</tr>
</tbody>
</table>

Financial Performance in the Last Three Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Total sales (NT$ billion)</th>
<th>Total assets (NT$ billion)</th>
<th>Total shareholders’ equity (NT$ billion)</th>
<th>Average earnings per share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8,135</td>
<td>592.8</td>
<td>529.8</td>
<td>3.79</td>
</tr>
<tr>
<td>2017</td>
<td>8,842</td>
<td>608.4</td>
<td>529.3</td>
<td>4.47</td>
</tr>
<tr>
<td>2018</td>
<td>9,224</td>
<td>680.7</td>
<td>512.0</td>
<td>3.95</td>
</tr>
</tbody>
</table>

Active Engagement to Guide Industrial Development

Cathay FHC has clearly stipulated its Code of Conduct in order to promote fairness and integrity in its daily operation. It thus takes active steps to participate in public affairs and make contributions to the community. It promotes financial innovation and development of financial infrastructure. Cathay FHC also promotes active participation in public affairs on both local and national levels.

When the Taiwan Corporate Governance Association (TGCA) organized in 2012 a series of workshops to discuss corporate governance issues, Cathay FHC and its subsidiaries actively participated. Cathay FHC was also one of the pioneers in having its employees vote in the local elections in 2013. Cathay FHC understands the importance of employee participation in these elections.

Moreover, Cathay FHC fully endorses the principles of active engagement with stakeholders. It actively participates in the public affairs organization of the Life Insurance Association of the ROC in order to improve its corporate governance. Cathay FHC also regularly participates in the World Economic Forum (WEF) to provide guidance on its corporate governance. Cathay FHC was one of the first financial institutions to participate in the WEF’s “Making the Case for Gender” initiative. Cathay FHC’s participation is in line with the principles established by the WEF and aims to promote gender diversity and inclusion in the financial sector.

Cathay FHC has also been a member of the United Nations Global Compact (UNGC) since 2008. Cathay FHC is committed to promoting and advancing the UN’s 17 Global Goals for Sustainable Development as a member of the UNGC.

Business Performance

Cathay Life recorded a consolidated profit after tax of NT$1,682 billion for the year. Thanks to our stable investment performance and exceptional sales performance, the profit margin of the life insurance business improved significantly. Thanks to the first year premium generated, the leading indicator of the value of business, NT$211.6 billion, and the net additional premium for Cathay Life in the industry leader. CUB’s consolidated profit after tax of NT$353.1 billion for the year set a new record. Meanwhile, loans exceeded NT$1,518 billion to corporate banking and consumer banking. Cathay Century achieved impressive performance, and asset quality maintained business growth.

With assets under management (AUM) totaling NT$3,551 billion, Cathay FHC is the largest securities investment trust company in Taiwan.

Cathay FHC was ranked first in the market in terms of sub-banking business, and all of its digital services based on investors’ needs showed steady growth.
Advancing Corporate Governance

Reinforcing Our Corporate Governance

In 2017, Cathay FHC established the Corporate Governance and Nomination Committee, affiliated to the Board of Directors, and in charge of promoting corporate governance matters and improving Board performance, as a step towards completing our corporate governance framework. Since the establishment of the aforementioned committee, we have made the following additions regarding operations of the Board for newly-elected directors, the establishment of Regulations Governing Functional Committee Performance Evaluation, the appointment of a Company Secretary, and the addition of the Standard Operating Procedure for Processing Directors’ Requests. Furthermore, in 2018, Cathay FHC and its subsidiaries Cathay life and CUB received the highest rating (Outstanding) in their participation in the Corporate Governance System Assessment CG0011 organized by the Taiwan Corporate Governance Association.

Professional Qualifications, Independence, and Attendance of the Board

Cathay FHC adopts the candidate nomination system. All director candidates are reviewed by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed during the shareholders’ meeting. 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. The directors are on average 66 years old. Cathay FHC’s 6th Board of Directors had convened with an attendance rate of 88% in 2018.

In 2018, Cathay FHC appointed the Chief of Administration (Executive VP level) as Corporate Governance Officer following relevant resolutions by the Board of Directors, so as to improve our corporate governance framework. In January 2019, the Board of Directors received its title to Company Secretary, who shall possess professional qualifications for engaging in legal affairs, stock matters, meetings and other management tasks as Board and company governance-related affairs in financial institutions and public companies for more years. Her main duties include handling matters related to the directors’ and shareholders’ meetings in accordance with relevant laws, producing minutes for the directors and the shareholders’ meetings, assisting directors during appointment and continuing education, providing information required for execution of directors’ duties, assisting directors in regulatory compliance, and other matters specified in accordance with relevant laws. As of the end of 2018, Cathay FHC has thus appointed four Company Secretaries, and the Cathay FHC Articles of Incorporation, or contracts, and Cathay FHC’s Board of Directors has approved the Standard Operating Procedure for Processing Directors’ Requests in March 2019 to offer the directors sufficient support, assist them in performing their duties, and improve the efficacy of the Board.

According to Paragraph 3, Article 30 of Cathay FHC’s Corporate Governance Best Practice Principles, the members of the Board of Directors shall possess the knowledge, skills, and experience necessary for performing their duties. In response to issues concerning corporate governance and corporate sustainability in Taiwan and abroad, the directors of Cathay FHC actively participate in relevant internal and external training, which concerns issues including risk management, corporate governance, corporate social responsibility, AML/CFT, and information security. The average training hours for the directors stood at approx. 12 in 2018, twice as much as required by relevant laws and regulations (6 hours).

Professionalism of the Board of Directors

To achieve an ideal level of corporate governance, the Board of Directors shall possess the following abilities:

- Ability to make investment judgments
- Ability to perform accounting and financial analysis
- Ability to conduct management performance evaluation
- Knowledge of the industry
- An international market perspective
- Risk management knowledge and skills

Furthermore, Cathay FHC emphasizes gender equality in the composition of its Board of Directors. As of the end of 2018, 89% of Cathay FHC’s subsidiaries in Taiwan appointed female directors or supervisors as board members, an increase of 11% compared with 2017. In addition, Cathay Securities, a subsidiary of ours, appointed a female independent director.

Board Performance Evaluation and Third Party Certification

To implement corporate governance and improve the Board and Functional Committee’s efficacy, Cathay FHC pays special attention to the overall operations of the Board and Functional Committee and thus set up the Regulations Governing the Evaluation of the Board and Functional Committee’s Performance. In addition to the Guidelines for Evaluation of Directors’ Performance, the Guidelines for Directors’ Remuneration, Performance indicators, such as compliance, corporate governance, risk management, and corporate sustainability and corporate social responsibility, were also incorporated in the Regulations Governing the Evaluation of the Board and Functional Committee’s Performance to ensure the Board and Functional Committee’s fulfillment of corporate governance, operations, and corporate social responsibility. In 2018, the result of Cathay FHC’s Board and Functional Committee performance evaluation was “above standard”, demonstrating the success of Cathay’s efforts in improving the performance of the Board and Functional Committees.

To strengthen the independence and effectiveness of the Board performance evaluation, Cathay FHC will appoint an external independent institution to carry out the Board performance evaluation once every three years, starting from 2017. Evaluation reports are then submitted to the Board of Directors for discussion and disclosed in the annual report or on Cathay’s website. The commissioning of an external professional institution for conducting external evaluation of Board performance in 2018 is expanded to be completed by 2019.

In 2017, Cathay FHC began purchasing liability insurance for directors, supervisors, and important staff members, including those of its subsidiaries. To cover the liabilities associated with their positions during their terms of service. 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 Cathay in general, and establish a comprehensive corporate governance mechanism.
Establishing Comprehensive Functional Committees under the Board of Directors

Cathay FHC established the Audit Committee, Remuneration Committee, and Corporate Governance and Nominations Committee under the Board of Directors to improve the Board’s efficiency. The committees are responsible for reviewing proposals. The responsibilities and operations of each Functional Committee are as follows:

### Audit Committee
- Formed by 3 independent directors
- Establishes or reviews the internal control system and assesses the system's effectiveness. The audit committee's financial statements are properly expressed, supervises the procedures of material transactions and business dealings, reviews directors' conflicts of interests, ensures Cathay's regulatory compliance, completion, and compliance (discloses CPA).

### Remuneration Committee
- Formed by 3 independent directors
- Improves the director and manager's management policy and system, and establishes remuneration guidelines for directors and managers.

### Corporate Governance and Nominations Committee
- Formed by 3 directors (including 2 independent directors)
- Nominates Cathay's director candidates and verifies their qualifications, evaluates board operation rules and the Corporate Governance Best Practice Principles, and establishes the organizational frameworks of the various functional committees.

### Cathay’s Sustainability Strategies

#### Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process

#### Materiality Analysis

Materiality Analysis is a systematic approach to determine which sustainability issues are material to the organization and to stakeholders. It helps Cathay FHC identify and prioritize sustainability issues for action and reporting.

- **Cathay's Sustainable Value Creation Process**
  - Cathay’s Sustainable Value Creation Process
  - Cathay’s Corporate Sustainability Vision
  - Cathay’s Key Sustainability Breakthroughs

#### Valuing the Rights and Interests of Shareholders

Cathay FHC’s website has an “Shareholder Services” section that announces information on shareholders’ meetings, dividends, and financial information. There is also a spokesperson section, investor services, and “Contact Us” to facilitate shareholders’ expressions of opinions at any time. In addition, Cathay prudently handles matters in relation to shareholders’ suggestions, questions, disputes and litigations in accordance with the Cathay Financial Holdings Guidelines for Handling Shareholder Suggestions, Questions, Disputes, and Litigation, and completes monthly or timely reports to be submitted to the spokesperson and notified to the Investors Relations Dept.

#### Strengthening Risk Management and Internal Control

**Risk Management Organizational Structure**

The Cathay FHC Board of Directors is the highest decision-making organ of Cathay Financial Holdings (FHC) and its subsidiaries. The Audit Committee is formed by all independent directors, and is in charge of supervising the implementation of risk management policies and procedures. The superior audit committee includes the Board of Directors, the Risk Management Committee, the Chief Auditor, the Risk Management Division, and the Auditors Committee.

**Major Risk Management Systems**

- **Market Risk**
  - Cathay has established the Guidelines for Market Risk Management as the basis for financial product transactions and risk distribution, and also to assess the impact of market volatility on our capital adequacy.

- **Credit Risk**
  - Cathay established the Guidelines for Credit Risk Management as a basis for credit risk management to avoid or manage risks regarding the failure of transaction counterparties or debtors to perform duties specified in contracts, and regularly review credit risk assessment indicators.

- **Liquidity Risk**
  - Cathay established the Guidelines for Liquidity Risk Management as the basis for establishing emergency fund response mechanisms. It also established the Regulations Governing Fund Access Management for the board of directors.

**Three Lines of Defense**

**First Line of Defense:** Operational Risk Management and Control
- First Line of Defense: Operational Risk Management and Control
- Second Line of Defense: Risk Management and Compliance
- Third Line of Defense: Audit Committee

- **First Line of Defense**
  - Ensures that operating lines are effectively paired and independently reviewed.

- **Second Line of Defense**
  - Responsible for establishing emergency fund response mechanisms.

- **Third Line of Defense**
  - Audi: Reports to the Board of Directors, the Risk Management Committee, and the Chief Auditor.
Chapter 5  Social Relations Capital

Chapter 4  Natural Resources Capital

Chapter 2  Intellectual Capital

Cathay’s Sustainable Value Creation Process

Materiality Analysis

Cathay’s Key Sustainability Breakthroughs

Cathay’s Corporate Sustainability Vision

Cathay’s Sustainable Value Creation Process

Chapter 1  Finance and Integrity Capital

Chapter 2  Intellectual Capital

Chapter 3  Human Capital

Chapter 4  Natural Resources Capital

Chapter 5  Social Relations Capital

Appendix

Management of Emerging Risks

Cathay FHC identifies identified emerging risks in its risk management in the focus of global emerging risks such as FinTech, extreme weather, and diverse changes in demographics. The review and evaluated responsibility measures to risks on an annual basis, and will strengthen their connection with our operation plans. Our risk governance will be further enhanced with the official incorporation of emerging risks into our Risk Management Policy in 2019.

Cathay FHC’s two major emerging risks and response measures:

- Cyber-Attacks
  - Impact: Inadequate design of the information security framework, or insufficient control of management mechanisms regarding the systems, networks and privacy may lead to higher risk of information security breaches, as well as increased the probability of personal information leakage. This creates the risk of reputation damage, fines, and suspension of operations.

- Climate-Related Risks
  - Impact: Refers to the global warming that leads to sea level rise and higher frequency of extreme weather, as well as more violent storms and atmospheric circulation. Such developments have not only brought extreme weather to locations historically until by climate disasters, but may also produce risks threatening Cathay FHC’s business development.

Response Measures:

- Review the information security blueprint and strengthen the anti-virus mechanism of information management, to ensure the security of internal and external services.
- Continue to strengthen the anti-attack mechanism of information security and information security training programs.
- Implement on-site and remote backup drills as well as information security event response drills to ensure the continuity of corporate operations.
- Strengthen the information security protection mechanisms of overseas offices and implement information security inspections for overseas offices.

Cathay FHC compiles emerging risks of its subsidiaries and identifies emerging risks at group-level to build a risk map that covers all emerging risks of Cathay FHC.

Shaping Cathay’s Risk Management Culture

As the global financial market becomes more complex and involved in increasingly varying types of risks, Cathay ensures that all of our businesses are under risk control via comprehensive risk management that protects asset security, improves operating efficiency, and increases value for shareholders. All directors and managers of Cathay FHC are required to take relevant training courses in corporate governance or risk management to raise the awareness of all Cathay FHC employees while shaping Cathay’s risk management culture. We also implement general management to raise the risk awareness of all Cathay FHC employees while shaping Cathay’s risk management culture. In addition, Cathay FHC provides a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

Governing to the geographical location, Taiwan has been particularly prone to tremendous losses occasioned by extreme weather as a result of global climate change. To this end, Cathay Century offers corporate natural disaster risk assessments, reasons for identifying potential risks of natural disasters using catastrophe modeling software, and keeps the results as references for subsequent risk management measures. Furthermore, the risk management and control capabilities of Cathay Century are continuously expanding. For instance, Cathay Century offers corporate training courses on offshore projects and relevant advice on the improvement of group’s risk management. For instance, Cathay Century has tailored corporate training courses to improve the skill of employees in engineering and construction. Further, Cathay Century offers a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

Promoting Ethics and Integrity

Cathay FHC upholds the core values of “Integrity, Accountability, and Innovation” and established the Code of Operation Integrity, Code of Ethics, and Code of Conduct for Employees. All employees are required to comply with ethical standards during daily operations and in the performance of their duties to achieve integrity and sustainable operations. Mechanisms for the above mentioned codes are already in place and under implementation. Furthermore, all of our employees have completed our annual training on the Code of Conduct for Employees, with a 100% completion rate.

Cathay FHC established the Code of Conduct for Reporting Illegal, Unauthorized, or Sensitive Cases to ensure ethical conduct and integrity in its operations. The regulations establish reporting channels, specify procedures for handing cases, and protect the legal rights of the involved parties. The regulations also specify that the identity of all involved parties, including the whistleblower and investigation personnel, shall remain confidential and be protected to prevent unfair treatment or retaliation.

Enhancing Risk Prevention and Forming Security Awareness

Loss control is a main focus of risk management. Cathay Century, a subsidiary of Cathay FHC, has established the “comprehensive identification of risk and prevention action” strategy based on the vision of “injury-free people and accident-free happiness,” ensuring loss control as one of our core competencies to actively promote knowledge of risk management and prevention, as well as providing professional examinations for the purposes of the frequency and scale of disasters. Thus, we strive to achieve sustainable operations on the basis of the safety of Cathay and its customers.

Cathay Century established its loss control department in 1993, which obtained ISO 5001 certification in the following year, and has acquired professional, efficient and accurate in its service quality policy. Cathay Century employs various professionals to provide corporate customers with advice and inspection on loss control, as well as risk improvement services, thereby reducing the probability of accidents. Cathay Century provides corporate industrial safety training courses and safety handbooks to fulfill proper establishment of safety in employees and workplace management. It has also signed technological upgrade projects or co-organized training courses with professional organizations such as the Industrial Technology Research Institute and the Taiwan Professional Civil Engineers Association. In addition, Cathay Century provides a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

In addition, in accordance with the guidelines of the National Police Agency, the number of injuries due to traffic accidents have increased year by year; thus, it is apparent that there is room for improvement in Taiwanese people’s awareness of traffic safety. In order to improve their awareness and consciousness, Cathay Century has also committed to promoting concepts of safe driving to its customers and the general public, in order to reduce the frequency of traffic accidents and improve social security. Events chronicling Cathay Century’s progress in promoting traffic safety are as follows:

1. Promoting Ethics and Integrity

- In addition, we have implemented a variety of educational and interpersonal events for employees. We have also signed technological upgrade projects or co-organized training courses with professional organizations such as the Industrial Technology Research Institute and the Taiwan Professional Civil Engineers Association. In addition, Cathay Century provides a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

- Cathay Century offers corporate training courses on offshore projects and relevant advice on the improvement of group’s risk management. For instance, Cathay Century offers corporate training courses to improve the skill of employees in engineering and construction. Further, Cathay Century offers a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

- Promoting Ethics and Integrity

- Cathay FHC upholds the core values of “Integrity, Accountability, and Innovation” and established the Code of Operation Integrity, Code of Ethics, and Code of Conduct for Employees. All employees are required to comply with ethical standards during daily operations and in the performance of their duties to achieve integrity and sustainable operations. Mechanisms for the above mentioned codes are already in place and under implementation. Furthermore, all of our employees have completed our annual training on the Code of Conduct for Employees, with a 100% completion rate.

- Cathay FHC established the Code of Conduct for Reporting Illegal, Unauthorized, or Sensitive Cases to ensure ethical conduct and integrity in its operations. The regulations establish reporting channels, specify procedures for handing cases, and protect the legal rights of the involved parties. The regulations also specify that the identity of all involved parties, including the whistleblower and investigation personnel, shall remain confidential and be protected to prevent unfair treatment or retaliation.

- Cathay FHC established the Code of Conduct for Reporting Illegal, Unauthorized, or Sensitive Cases to ensure ethical conduct and integrity in its operations. The regulations establish reporting channels, specify procedures for handing cases, and protect the legal rights of the involved parties. The regulations also specify that the identity of all involved parties, including the whistleblower and investigation personnel, shall remain confidential and be protected to prevent unfair treatment or retaliation.

- Cathay FHC established the Code of Conduct for Reporting Illegal, Unauthorized, or Sensitive Cases to ensure ethical conduct and integrity in its operations. The regulations establish reporting channels, specify procedures for handing cases, and protect the legal rights of the involved parties. The regulations also specify that the identity of all involved parties, including the whistleblower and investigation personnel, shall remain confidential and be protected to prevent unfair treatment or retaliation.
Compliance

In response to the rapid changes to the global supervisory trends and financial environment, Cathay FHC is committed to development of our compliance culture centring on our core values of "Integrity, Accountability, and Innovation". Our Guidelines for Implementing Compliance Policies have been established to ensure that all employees comply with the laws and regulations applicable to their businesses. The Chief Compliance Officer of Cathay FHC is in charge of the management and implementation of group-level compliance policies, the planning and supervision of matters regarding Cathay FHC’s compliance, as well as semiannual reports on compliance implementation to the Board of Directors and the Audit Committee. We also convene group-level Compliance Committees, which have met in recent years. We are committed to implementing our compliance self-assessments and self-evaluations and ensuring that all business units comply with and effectively implement relevant laws and regulations. In 2018, no major or significant violation was found in Cathay FHC or any of its subsidiaries.

In response to the rapid changes to the global supervisory trends and financial environment, Cathay FHC is committed to effectively implement risk management and enhance the monitoring of risk control across the group’s businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism in order to effectively implement risk management and enhance the monitoring of risk control across the group's businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We actively organize a diversity of compliance training courses, ranging from basic to advanced level, and different types of compliance training for different business units. In doing so, we seek to shape a culture of compliance across the group and increase the awareness and knowledge of compliance among all employees.

Besides, we actively participate in anti-corruption and anti-bribery summits in Asia and have analyzed issues in relation to ROC's ROC’s Risk Management and Compliance Forum, an internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism in order to effectively implement risk management and enhance the monitoring of risk control across the group’s businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism in order to effectively implement risk management and enhance the monitoring of risk control across the group’s businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism in order to effectively implement risk management and enhance the monitoring of risk control across the group’s businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism in order to effectively implement risk management and enhance the monitoring of risk control across the group’s businesses. Cathay FHC established its Guidelines for Information Sharing on Anti-Money-Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT officer and convenes committees for Cathay FHC’s AML/CFT. In 2018, 6 meetings have taken place. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems based on the risk-based approach; we have also included relevant SOPs in the terms of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring processes in terms of high risk.
Capital at Risk and Opportunities

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 45% 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 Robo was formally launched
Cathay Robo reduces the weakness of human nature in investments, and uses more scientific methods for financial management

The proactive Real Time Decision Management (RTDM)
Apply the RTDM on credit card services and develop a new business model which enhanced customer stickiness to the CUB significantly

FIRST-EVER public bicycle accident insurance
Offered the first-ever public bicycle accident insurance policy in Taiwan and provided coverage for 3.4 million people

100,000 people participated in the health promotion activity-Cathay Walker
Offered health-promoted usage-based insurance and the Cathay Walker platform, in which 100,000 participants has joined

Collected 2,360 questionnaires in a survey on the financial independence of women, and strengthened the connection of product design to social needs

Collected 2,360 questionnaires to accommodate needs of women to become financially independent

100,000

Cathay FHC 2018 Corporate Sustainability Report
Cathay FHC 2018 Corporate Sustainability Report

Insurance Product Development and After-Sales Management Process

Cathay FHC attaches great importance to the development and design of insurance products, and takes ESG risks into consideration during the initial development stage, in hopes of responding to the challenges from environment and society. The amount of NT$645 million was invested in 2018. Cathay Life and Cathay Century continue to follow ESG trends, to assess ESG issues into company policies and employee education and training, so the spirit of ESG can be complied properly. Insurance Product Management process is divided into product launch, product evaluation, product management, and product policy. The enterprise sets an awareness committee consisting of business leaders and the marketing department, and establishes an external ESG issue feedback channel. Cathay FHC's Insurance Energy business has established a stakeholder engagement process for capacity allocation. CUB's ESG awareness is also enhanced every year. The insurance sector has been actively involved in environmental protection trends as we drive the development of green energy together with customers to create a sustainable home. The offshore wind farm is expected to reduce carbon absorption of 426.29 metric tons per year. Furthermore, with its extensive project finance experience, CUB was mandated to serve as the financial advisor for the Hai Long 2 and Hai Long 3 Offshore Wind Farms in 2016, and successfully assisted Hai Long 2 in receiving a 360MW allocation from the Bureau of Energy, Hai Long 2 and Hai Long 3 subsequently won the bidding for capacity allocation of 232 MW and 512 MW, respectively. At the end of the 2016, the world’s largest offshore wind power development project showcased that CUB is preparing to serve as one of the most important lenders of its syndicated loans, and would jointly arrange a 5-year NT$25 billion Revolving Credit Facility (RFC) together with other two banks (one domestic, one foreign).

Cathay FHC 2018 Corporate Sustainability Report

Cathay's Sustainable Value Creation Process

Cathay's Key Sustainability Breakthroughs

Recognition from Sustainability Awards

Message from the Chairman

Cathay Corporate Sustainable (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay’s Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Green Finance

Green environment and green energy-saving enterprises (EPC) insurance business has become a new business for CUB since 2016. We utilize our financial core competencies and monitor environmental protection trends as we drive the development of green energy together with customers to create a sustainable home. The offshore wind farm is expected to reduce 426.29 metric tons of CO2 per year. Furthermore, with its extensive project finance experience, CUB was mandated to serve as the financial advisor for the Hai Long 2 and Hai Long 3 Offshore Wind Farms in 2016, and successfully assisted Hai Long 2 in receiving a 360MW allocation from the Bureau of Energy, Hai Long 2 and Hai Long 3 subsequently won the bidding for capacity allocation of 232 MW and 512 MW, respectively. At the end of the 2016, the world’s largest offshore wind power development project showcased that CUB is preparing to serve as one of the most important lenders of its syndicated loans, and would jointly arrange a 5-year NT$25 billion Revolving Credit Facility (RFC) together with other two banks (one domestic, one foreign).

Renaissance Energy Contractors’ & Ejection All Risks Insurance

Cathay Century provides construction insurance products suitable for the green energy industry and its projects. Furthermore, with its extensive experience in providing construction insurance for hydroelectric power plants and solar power generation equipment since 2010, offshore wind farm has high construction risk due to natural disasters and technical challenges. Cathay Century became the first provider of EPC insurance for hydroelectric power construction. Cathay Century has been utilizing its risk assessment and loss prevention to protect the environment through its financial operations. CUB financed the offshore wind power plants (The Formosa I Phase I Project) in 2016. The two turbines in Phase 1 with the total capacity of 8MW were financed by the Equator Principles and is the first offshore wind farm in Taiwan. The Formosa I Offshore Wind Project consists of two phases, CUB served as the Mandate Lead Arranger, Facility Agent, Account Bank, and Security Agent for the Formosa I Phase I syndicated loan. The two turbines in Phase I with the total capacity of 232MW were installed in 2016. Financing for the Phase II (totalling 22 turbines) was completed in 2018, in which CUB served as the Documentation Bank, Security Agent, and Guarantee Facility Agent for the syndicated loan. The offshore wind farm has a total installed capacity of 477MW and is expected to generate 232 MW of electricity annually. The carbon absorption of 426.29 metric tons per year. Furthermore, with its extensive project finance experience, CUB was mandated to serve as the financial advisor for the Hai Long 2 and Hai Long 3 Offshore Wind Farms in 2016, and successfully assisted Hai Long 2 in receiving a 360MW allocation from the Bureau of Energy, Hai Long 2 and Hai Long 3 subsequently won the bidding for capacity allocation of 232 MW and 512 MW, respectively. At the end of the 2016, the world’s largest offshore wind power development project showcased that CUB is preparing to serve as one of the most important lenders of its syndicated loans, and would jointly arrange a 5-year NT$25 billion Revolving Credit Facility (RFC) together with other two banks (one domestic, one foreign).

Promotion of Green Public Infrastructure

Preferential Loans for Green Buildings

Note: According to the data from the 2 offshore wind farms that have been operational, the carbon absorption of 426.29 metric tons per year. Furthermore, with its extensive project finance experience, CUB was mandated to serve as the financial advisor for the Hai Long 2 and Hai Long 3 Offshore Wind Farms in 2016, and successfully assisted Hai Long 2 in receiving a 360MW allocation from the Bureau of Energy, Hai Long 2 and Hai Long 3 subsequently won the bidding for capacity allocation of 232 MW and 512 MW, respectively. At the end of the 2016, the world’s largest offshore wind power development project showcased that CUB is preparing to serve as one of the most important lenders of its syndicated loans, and would jointly arrange a 5-year NT$25 billion Revolving Credit Facility (RFC) together with other two banks (one domestic, one foreign).
Supporting Development of the Electric Vehicle and Scooter Industries

Following the rise of environmental awareness, increasing numbers of car drivers and scooter riders are choosing to buy environmentally-friendly electric vehicles. Cathay Century launched the first green vehicle insurance in Taiwan in 2011, and has insured a total of 19,863 green vehicles as of the end of 2018. The insurance was offered in coordination with government initiatives to support the green energy industry, and also aided Taiwan’s transportation transition by encouraging drivers to support environmentally-friendly vehicles.

Furthermore, CUH continued collaborating with Gogoro, the highest market share owner of domestic electric scooter and Acum Tranquil Technology Inc., a world-renowned manufacturer of electric vehicle components in 2018, and will consider adopting electric motor vehicles in the future to support Taiwan green energy development.

Bicycle Insurance

Cathay Century started to offer bicycle insurance in 2016, and the total number of underwritten cases reached 1,166 as of the end of 2018. Furthermore, Cathay Century offered the first Public Bicycle Accident Insurance and Public Bicycle Third-party Liability Insurance in Taiwan in June 2018, which encourages more people to join the ranks of bicycle riders. As of the end of 2018, Kaohsiung City, Taichung City, Tainan City, New Taipei City, and Kaoyuan City were covered by Public Bicycle Accident Insurance, protecting 3.4 million people. The insurance examines the risk of bicycle riders not having any insurance coverage, and satisfies the wide range of needs of green consumers.

- Premium income from bicycle insurance (NT$18.7 million)
- Cumulative business premium income (NT$18.7 million)

Investing in Promising Environmentally Friendly Startups

Cathay Securities continues to invest in green environmentally-friendly enterprises that are not yet publicly traded. As of the end of 2018, Cathay Venture’s investment in environmentally friendly enterprises is nearly NT$400 million. The amount of Cathay Venture’s investments in environmentally friendly businesses out of total investments in 2018 is listed as below:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Amount Invested (NT$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Energy</td>
<td>7.76</td>
</tr>
<tr>
<td>Water Processing</td>
<td>1.22</td>
</tr>
<tr>
<td>Charcoal Manufacturing</td>
<td>1.97</td>
</tr>
<tr>
<td>(Sludge Treatment)</td>
<td></td>
</tr>
</tbody>
</table>

In light of the immense pressure of the rapidly aging population on Taiwan’s society and people, Cathay FHC continues to offer a variety of products and services to resolve the pain points people may encounter at old age, keeping people from the threat of economic and health risks when they grow old.

- Social Inclusion
  - Provided an insurance safety net.
  - About 80% of cancer patients can be covered. 818 cancer patients were assisted, accompanying policyholders in the fight against cancer as a series of promotion activities and lectures to provide care and support, accompanying policyholders in the fight against cancer as they strive to live a new life.
  - Cathay FHC offers the most timely support and companionship to those who have been diagnosed with cancer. The insurance gained wide approval in society and inspired industry peers to follow suit.
  - Cathay Life also won the 2018 Taiwan Corporate Sustainability Awards – Social Inclusion Award for the insurance product by this provider.

Supporting Promising Environmentally Friendly Startups

Assisted Environmentally Friendly and Green Energy-saving Enterprises with Raising Capital

Cathay Securities actively assists environmentally friendly and green energy-saving enterprises with raising capital. Besides assisting the solar power company Anti Technology Co., Ltd. raise NT$244 million in capital in 2018, Cathay Securities formally signed an agreement with the PM Group to assist with its IPO. The PM Group is an iconic solar power company in Taiwan with a total installed capacity of approximately 277.16 MW in all of its domestic solar power plants, holding 17.3% market share. It is the leading solar power EPC (Engineering, Procurement, Construction) company in Taiwan, taking care to keep the company’s facilities and grid connection through feeders, and has immense future potential. Cathay Securities will assist Solar Master Energy Co., Ltd. and Cias Side Corporation Technology Ltd., which are six members of the PM Group, with EPC business planning for public listing, the PM Group plans to become an emerging stock in 2019 and formally enter the capital market.

- Products and Services Inputs
  - New small amount whole life insurance.
  - Asia’s first insurance policy exclusively for cancer patients (Accompany policyholders to face the challenges from cancer)
  - Health-promoted insurance and health promoting activities actively improve.
  - Disability and Retirement Trust: Trust property principal reached NT$13.205 billion.

Promotion of Gender Equality

- Questionnaire on female financial independence: a total of 2,530 effective responses collected.
- Female financial management seminar: 415 people participated.

Inclusion of Diverse Groups

- Mass insurance provided: 1.041 billion.
- Student group insurance: 1.041 million insurance holders.
- Private group insurance: 20,100 people.
- Medical insurance: 224,490 people.

Supporting Mutual Industry Prosperity

- Project finance to SMEs: Balance of loans reached NT$232.8 million.
- Preferential loans for social enterprises: Balance of loans reached NT$20.05 million.

Prosper with the Community

In light of the immense pressure of the rapidly aging population on Taiwan’s society and people, Cathay FHC continues to offer a variety of products and services to resolve the pain points people may encounter at old age, keeping people from the threat of economic and health risks when they grow old.

Small Amount Whole Life Insurance

Cathay Life was the first to offer small amount whole life insurance, which has low application requirements and low premiums, in 2017, allowing more low-income families who have difficulty obtaining required insurance to easily get basic coverage. As of the end of 2018, Cathay Life’s small amount whole life insurance has provided basic economic security to nearly 160,000 policy holders, providing an insurance coverage of approximately NT$51.6 billion against personal risks for society. This was the highest amount of total coverage in the industry, and will benefit social stability to a certain extent.

- Provided basic economic security to 160,000 policy holders.
- Provided an insurance to NT$511.6 billion against personal risks for society.

In Response to Aging Society and Health Promotion

- Cross company prevention trust reached 260,000.
- CPBL Gambling Prevention Trust benefited 7.76 million.
- CPBL Gambling Prevention Trust benefited 514 families.
- MFI loans provided to 416,000.
- FHC provided a total of 21,140.
- Project finance to SMEs: Balance of loans reached NT$232.8 million.
- Preferential loans for social enterprises: Balance of loans reached NT$20.05 million.

- Provided an insurance to NT$511.6 billion against personal risks for society.
- In response to aging society and health promotion.

Post-cancer Care Insurance

The number of Taiwanese cancer patients increases with each passing year, and it is becoming increasingly common for people to find out that they cannot gain any more coverage since they are diagnosed with cancer. Cathay Life introduced Asia’s first exclusive Medical Insurance for Cancer Patients in 2016, as the product allows patients who have been diagnosed with cancer to gain considered coverage. This product provides coverage for the top 12 common primary cancers in Taiwan, which means that about 85% of cancer patients can be covered. 915 cancer patients were able to get medical assistance within one year after diagnosis. Cathay Life and the Hope Foundation for Cancer Care jointly offered a series of promotion activities and incentives to provide care and support, accompanying policyholders in the fight against cancer as they strive to live a new life.

Cathay Life provides the most timely support and companionship to cancer patients who are unable to apply for commercial medical insurance after being diagnosed with cancer. The insurance gained wide approval in society and inspired industry peers to follow suit.

Cathay Life also won the 2018 Taiwan Corporate Sustainability Awards – Social Inclusion Award for the insurance product by this provider.
Cathay Life was the first in industry to promote that the influence of insurance can be extended from compensation to prevention by providing services of health management, as a solution to cope with the aging society. and to enhance healthy lifestyle by keeping the habit of routine exercise through this product.

Cathay Life developed a platform for health-promoted activity—"Catholy Walker" to help policymakers to acquire the habit of walking 7,500 steps a day within five years by providing incentives for reaching weekly and monthly goals. Similarly, this platform opens to public as a vehicle for health-promotion activity to encourage that every participants can improve their physical and mental health. The number of participants reached a total of approximately 34.3 billion steps, which is enough to walk to the moon and back 27.9 times.

Cathay Life developed a platform for health-promoted activity—"Catholy Walker" to help policymakers to acquire the habit of walking 7,500 steps a day within five years by providing incentives for reaching weekly and monthly goals. Similarly, this platform opens to public as a vehicle for health-promotion activity to encourage that every participants can improve their physical and mental health. The number of participants reached a total of approximately 34.3 billion steps, which is enough to walk to the moon and back 27.9 times.

Cathay Life began offering micro insurance in 2009 to provide basic life and health insurance coverage, as well as business continuity and protection, campus safety, and financial management and insurance education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay Life hopes to fully utilize its core competencies in insurance and in influence for becoming a force for social equality and bringing happiness to Taiwan. Cathay Life provided student group insurance to students in 2017 and 2018 with total insured amount NT$1.5 billion, protecting 3 million students of high/vocational school around Taiwan. Meanwhile, Cathay Life continues to ponder on how to provide students with more thoughtful services, and thus worked with the K-12 Education Administration in implementing the Sustainable Campus Project. The project expands services of students’ group insurance and upgrades “claims services afterwards” to “accident prevention beforehand”. Students can have important concepts of sustainability to form a virtuous cycle. While helping the education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay FHC conducted the “survey on financial independence of women in collaboration with Women’s Taiwan’s first social media influencer, Ms. Xiao. A total of 2,332 effective questionnaires were conducted, and nearly 94% of respondents were female, and the purpose of this survey was to understand the current economic condition and consumption habits, and financial independence: “awareness of financial independence”, “current economic condition and consumption habits”, and “understanding of and expectations for financial planning”. This will help Cathay FHC to better understand the expectations and needs of female consumers. The survey will serve as a basis for improving product design and service planning and establishing strategies and business development with socially in issues of increasing the financial independence of women. Cathay FHC won 2018 Taiwan Corporate Sustainability Awards – Gender Equality Award for this endeavor. Furthermore, Cathay FHC organized 4 financial management seminars for women with Smart Financial in 2018 and achieved 56.03% participant satisfaction. In the future, Cathay FHC will continue investing in resources and working together with key partners in hopes of eliminating gender inequality in workplaces and financial products.

Cathay FHC was the first financial institution to include the Empowerment of Women as a theme for sustainability, and advocates gender equality in the workplace, services, and society through “care” and “empowerment” to create a “gender friendly ecosystem.”

Cathay Life has limited the reach of consumer finance services provided by financial institutions. Locals are highly dependent on the MFIs in each town for loans. Statistical data showed that donations of high/vocational school students reached NT$27.2 billion in the first half of 2018, up 34.2% compared with 2017 Q1. The CPBL gambling prevention trust was established to ensure the benefits of young athletes. CUB was the first bank to set up such a trust and currently has the most players as an active member. At the end of 2018, 218 active players joined Cathay CPBL Gambling Prevention Trust, and trust property principal has reached NT$313.5 million, allowing both players and fans to truly enjoy the game.

Cathay FHC 2018 Corporate Sustainability Report Intellectual Capital Charitable Trust

The cumulative amount of donations through Charitable Trust has reached NT$3.22 billion

Trust property principal of CUB’s Charitable Trusts NT$3.22 billion

Cathay Life hopes to fully utilize its core competencies in insurance and in influence for becoming a force for social equality and bringing happiness to Taiwan. Cathay Life provided student group insurance to students in 2017 and 2018 with total insured amount NT$1.5 billion, protecting 3 million students of high/vocational school around Taiwan. Meanwhile, Cathay Life continues to ponder on how to provide students with more thoughtful services, and thus worked with the K-12 Education Administration in implementing the Sustainable Campus Project. The project expands services of students’ group insurance and upgrades “claims services afterwards” to “accident prevention beforehand”. Students can have important concepts of sustainability to form a virtuous cycle. While helping the education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay Life was the first in industry to promote that the influence of insurance can be extended from compensation to prevention by providing services of health management, as a solution to cope with the aging society. and to enhance healthy lifestyle by keeping the habit of routine exercise through this product.

Cathay Life developed a platform for health-promoted activity—"Catholy Walker" to help policymakers to acquire the habit of walking 7,500 steps a day within five years by providing incentives for reaching weekly and monthly goals. Similarly, this platform opens to public as a vehicle for health-promotion activity to encourage that every participants can improve their physical and mental health. The number of participants reached a total of approximately 34.3 billion steps, which is enough to walk to the moon and back 27.9 times.

Cathay Life began offering micro insurance in 2009 to provide basic life and health insurance coverage, as well as business continuity and protection, campus safety, and financial management and insurance education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay Life hopes to fully utilize its core competencies in insurance and in influence for becoming a force for social equality and bringing happiness to Taiwan. Cathay Life provided student group insurance to students in 2017 and 2018 with total insured amount NT$1.5 billion, protecting 3 million students of high/vocational school around Taiwan. Meanwhile, Cathay Life continues to ponder on how to provide students with more thoughtful services, and thus worked with the K-12 Education Administration in implementing the Sustainable Campus Project. The project expands services of students’ group insurance and upgrades “claims services afterwards” to “accident prevention beforehand”. Students can have important concepts of sustainability to form a virtuous cycle. While helping the education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay Life was the first in industry to promote that the influence of insurance can be extended from compensation to prevention by providing services of health management, as a solution to cope with the aging society. and to enhance healthy lifestyle by keeping the habit of routine exercise through this product.

Cathay Life developed a platform for health-promoted activity—"Catholy Walker" to help policymakers to acquire the habit of walking 7,500 steps a day within five years by providing incentives for reaching weekly and monthly goals. Similarly, this platform opens to public as a vehicle for health-promotion activity to encourage that every participants can improve their physical and mental health. The number of participants reached a total of approximately 34.3 billion steps, which is enough to walk to the moon and back 27.9 times.

Cathay Life began offering micro insurance in 2009 to provide basic life and health insurance coverage, as well as business continuity and protection, campus safety, and financial management and insurance education for next generation, Cathay Life can benefit self, others, and whole society, the spirit of insurance.

Cathay Life was the first in industry to promote that the influence of insurance can be extended from compensation to prevention by providing services of health management, as a solution to cope with the aging society. and to enhance healthy lifestyle by keeping the habit of routine exercise through this product.
We invest in people. To meet digital changes and employee career development, we are dedicated in creating an environment suitable for subsidiaries, including Cathay Life, CUB, Cathay Securities, and Cathay Century. Cathay FHC established the Digital, Data & Technology (DDT) practice in 2016 to kick off digital transformation via “data-driven culture.” Cathay Digital Finance Living Circle

CUB (NT$100 million) 2017 and 2018 consecutively.

Growth Award” from the SME Credit Guarantee Fund of Taiwan in SMEs meanwhile reaches NT$178.1 billion. CUB was furthermore, balance of loans reaching NT$299 million; the balance of loans to enterprises”, and “working capital for SME suppliers”. As of the end insurance purchase, electronic insurance

MyRewards MyRewards app was created through agile development with customers at the core, and integrates offline and mobile applications. A new version was launched in 2018 to improve the customer experience through key functions, such as optimizing the login process and re-balancing products that can be exchanged with bonus points. This helps consumers more conveniently use their bonus points to exchange products. As a result, the number of members in 2018 grew 57.4% compared with the previous year.

The second “bonus point donation” activity was launched on MyRewards app in 2018, and is another example of cooperation between enterprises, social enterprises, and NGOs. The activity invites customers to donate their credit and bonus points for charity. Of the customers that made donations: 80% (about 23,000 people) are MyRewards members that have used their own CUB bonus points in the past six months. This gives bonus points a sense of warmth and maximizes the social value of donations to charity.

Cathay Life

Cathay Life is actively implementing the “Digital Omnichannel Operation Project”. A pilot team was established and has obtained 79 insurance technology patents as of 2018. Meanwhile, big data analysis is applied to online service platforms and offline sales management tools. This enables salespeople to more quickly realize customer needs by analyzing big data. Furthermore, to provide comprehensive services, Cathay Life also released 3 new digital services on official website, Line and insurance recommendation platform to improve customers’ experience. Cathay Life won the Best Insurer; Technology Award and the highest honor given at the Asia Insurance Technology Awards (AITA) in 2017. Continuously, Cathay Life got the Best Digital & Omnichannel Technologies Award in 2018, becoming the only Taiwanese insurance company to win the award for two consecutive years.
CUB Provides Omni-channel Services Fitting Customers’ Daily Needs

Cathay FHC and CUB jointly apply the Real-Time Decision Management (RTDM) on credit card services and develop a new business model together. When customers pay with the credit card but the transaction fail due to the credit limit, the internal system will notify customers and give a one-time extension for customer to pay after the system check. In addition, the extension time will not affect the credit limit after they pay. The system has successfully enhanced customer satisfaction and significantly increased CUB’s business volume. The system’s development is also a reflection of CUB’s digital transformation and technology innovation strategy. CUB is actively developing financial services for the younger generation, who are characterized by their high stickiness, in a form of mobile banking called “KOKO”. Mobile banking allows the 70% of the younger generation under the ages of 20 and 35, KOKO, the first mobile banking app in Cathay FHC, and is also creating a cashless campus environment in collaboration with Feng Chia University, and is working with Cathay Life in providing MoneyBox, small amount savings insurance, breaking down the barriers of age and financial service to create greater financial convenience for the younger generation.

CUB implemented the “Quick Cash” program using new technologies based on its understanding of what enterprises need. After Buyer applies for irrevocable advanced payment service on line and receive loan after buyer, the bank would automatically assess their credit status and raise the credit limit for buyer. Cathay United Bank launched a new business model with micro-credit services and the bank is working with factory owners to provide payroll transfer service on line, allowing local residents to apply for credit loans. In the future, CUBC will continue to work with factory owners to provide payroll transfer service on line for the younger generation, who are characterized by their high stickiness, in the form of a digital bank called “KOKO”.

CUB’s Corporate Sustainability (CS) Committee

Cathay FHC 2018 Corporate Sustainability Report

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Cathay Securities and CUB integrated their operations through the Open-Account app in 2017. The app allows customers to open a securities trading account and submit bank account online, without needing to visit any service counter. It is the only online account opening app in Taiwan. The Open-Account app had attracted 68,000 customers to the Duman Branch of Cathay Securities between August 2017, when the app was officially launched, and the end of 2018. It was higher than the total amounts of accounts opened at all physical branches and the highest within the entire industry. The Service Level Upgrades due to Meeting Customers’ Needs

Cathay had built a system for Single Customer View to know all contact points with the bank from every customer. After the system launch, customer service personnel and bank tellers would immediately know customers’ status and act to solve problems, making them satisfied with brilliant experiences.

Payroll Transfer Service

Cathay FHC’s mobile phone penetration is 135%, but only 21.76% of the population has bank accounts. Cathay United Bank Cambodia (CUBC) is working with local payment service provider Ly Hour in establishing new channels for payroll transfer to local residents who are used to cash transactions. CUBC connects account information for payroll transfer with factory information, and helps factory workers collect their salaries from an offline location of Ly Hour, making it more convenient for locals while reducing the risk of miscalculating salaries.

From January 2018, when the payroll transfer service was offered, to the end of 2018, the number of offline networks has increased to 4,000 which extended our service from urban residents (about 30% of Cambodia’s population) to rural residents. Furthermore, CUBC launched payroll loan services in October 2018. By using the payroll as a sort of collateral, payroll loan lowers the threshold for locals to apply for credit loans. In the future, CUBC will continue to work with different industries to link customer’s daily life services and build up the ecosystem, increase local residents’ access to financial services, and thereby achieve inclusive finance.

The Data Science Lab in DDT aims to research into the edge technologies and drive IMD innovation in Cathay FHC since it was established in 2017. Members in the lab would collaborate with Data Science team and Business Analysis team to projects to develop new business models jointly.

The Data Science Lab in DDT is researching into the latest technologies and developing new financial services.
Human Capital

Human Capital at Risk and Opportunities

Financial innovator Brett King predicted that embedded banking will bring the next wave of financial innovation in the book Bank 4.0. Financial institutions must fully utilize big data and blockchain technology to accelerate innovation if they are to gain an advantage in new forms of competition. Workers in the financial industry must acquire new concepts and abilities; otherwise they will face the risk of unemployment within five years. Facing these challenges, Cathay FHC keeps enriching its human capital. Besides actively recruiting cross-disciplinary and digital talent, we are equipping employees with a digital perspective through education and training. Furthermore, we analyzed potential risks in long-term talent development through employees who are familiar with the Southeast Asian market, and implemented a project for Southeast Asia talent development, in hopes of enabling Cathay FHC to become “a leading financial institution in the Asia-Pacific region.”

The PwC 2018 Workforce of the Future Report pointed out that six of the top ten human resource functions at risk are related to employees’ experience, and recommended that corporations fully utilize data analysis to make human resource-related decisions. The workforce is changing, and Cathay FHC continues to understand what employees need, enhance employee education and training, and improve salaries and benefits through employee engagement surveys, mental health questionnaires, and ROI mechanisms.

The 2018 Cathay employee engagement survey response rate reached 85% with overall employee satisfaction reaching 4.14 points (5 points in total).

The approximately 41,000 participants (including employees, dependents, and policy holders) lost a total of 70,000 kg in weight over four years of Cathay weight loss contests. The contests combining with charity and the donations totaling NT$5 million for the installation of solar panels will bring income for NGO for 20 years.

The Best Companies to Work for in Asia in 2018
Cathay FHC was selected one of the Best Companies to Work for in Asia in 2018 by HR Asia. Cathay provided better paid miscarriage leave for female employees and 7 days paternity leave for male employees. Both of them are beyond what the law requires.

Employee Benefits beyond What the Law Requires
Employee Structure and Diversity

Employee Structure
Cathay FHC had 43,961 full-time employees in 2018, part-time employees (non-FTE) numbered at 230, accounting for 0.5% of all employees. We give local residents priority when recruiting at our various business locations, which are currently mostly in Taiwan. Hence, the ratio of employees hired in Taiwan reaches 99%. We abide by the government's labor-related laws and regulations, and have never used child labor. Our employment of foreign nationals complies with the Employment Service Act and Regulations on the Permission and Administration of the Employment of Foreign Workers.

Number of full-time employees/distribution by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Manager</th>
<th>General Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>2,650</td>
<td>29,878</td>
<td>32,528</td>
</tr>
<tr>
<td>Female</td>
<td>2,261</td>
<td>11,151</td>
<td>13,412</td>
</tr>
<tr>
<td>Total</td>
<td>4,911</td>
<td>40,029</td>
<td>44,940</td>
</tr>
</tbody>
</table>

Overseas

<table>
<thead>
<tr>
<th>Region</th>
<th>Manager</th>
<th>General Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>7</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>101</td>
<td>171</td>
</tr>
<tr>
<td>Total</td>
<td>4,981</td>
<td>40,980</td>
<td>45,961</td>
</tr>
</tbody>
</table>

Note 1: Only FTEs are included in above statistics.
Note 2: Managers include division managers, departmental managers, and assistant managers.

Diversified Workplace

We believe that a corporate culture which embraces equality, diversity, and open communication lets employees feel at ease at work, and will further increase our human capital. We have always strictly abided by the local laws and regulations of our business locations worldwide as well as international conventions on human rights. We fully comply with our human rights policy and do not discriminate against race, class, language, ideology, religion, political party, nationality, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, disabilities, or any other factors.

In fact, Cathay has 233 employees of indigenous descent. We offer “indigenous holiday leave” to employees of indigenous descent, who may choose to take one day off during an indigenous festival. For the disabled employees, our office buildings have barrier-free facilities to help them adapt to the working environment. Moreover, we conduct 22 recruitment orientations and group interviews for people with disabilities together with socially-responsible foundations and schools in 2018 and we hire excessively disabled employees. Besides, Cathay encourages employees to participate in public welfare activities that serve new immigrants, indigenous peoples, and people with disabilities. We also advocate for diversity and inclusion through e-newsletters sent to employees for the establishment of an equal and friendly workplace.

Corresponding to Cathay’s expanding into other Asian markets, we aim to fulfill talent internationalization and help international talent acclimate into local society. We hope that this will expand our talent pool and assist the operation and development of overseas businesses. Cathay FHC offers employees the opportunity to rotate to overseas positions through the Group/Global Management Association (GMA) Program. Efforts made by our two largest subsidiaries to recruit and develop Southeast Asian talent include the VAMK-Vocational Office Reserve Talent Program of Cathay Life and the Southeast Asia Financial Market Pilot Program of CUB. As of 2018, we have hired 85% of all overseas employees from a total of 14 different countries, and we will continue to implement the strategy of developing overseas markets with local talent with the goal of recruiting 85% of all overseas employees from local communities.

Cathay FHC plans to invite employees of different nationalities to share their native culture during Shamir Club classes starting in 2019. We hope this will create a workplace that embraces cultural diversity.

Employee Structure and Diversity

Note 1: Only non-FTEs, including part-time, temporary workers, discharged employees, offenders, and retired employees are included in above statistics.

Note 2: Division managers who may delegate management responsibilities are included in the general staff.

Manager | General Staff | Total
---|---|---
Male 30 and under | 102 | 5,168 | 5,270
Female | 1,260 | 14,967 | 16,227
Male 30 and above | 1,275 | 9,544 | 10,819
Female | 2,657 | 29,878 | 32,535
Male 30 and under | 143 | 3,621 | 3,764
Female | 1,387 | 6,215 | 7,602
Male 30 and above | 834 | 1,455 | 2,289
Female | 3,234 | 11,271 | 14,505
Male | 4,981 | 40,980 | 45,961

Note 1: The average age of employees is 31 years old. A calculation of age group (16 years + 10 years) x 100.
Note 2: Division managers who may delegate management responsibilities are included in the general staff.

Human Rights Protection and Grievance/Reporting Mechanisms

We established the Cathay FHC Human Rights Policy in accordance with international frameworks, such as the UN’s Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights as well as related regulations of the UN Global Compact and International Labour Organizations. We take an active role in the protection of human rights, as the policy is available on our official website. Furthermore, all of our business locations comply with local laws and regulations on human rights protection. Cathay employees are required to abide by the Code of Conduct and Grievance/Reporting Mechanisms, which are prohibited from any form of discrimination and other acts that violate human rights. We periodically provide education and training related to the Code of Conduct for Employee and legal compliance, so that all of our employees understand and abide by the aforementioned policies. In 2018, the coverage and completion of education and training related to the Code of Conduct for Employee both reached 100%.

Cathay FHC has a group-level whistle-blower system for crime, corruption, and violations of the law. The system is overseen by an independent director and is supervised by the head of compliance at the head office. The system’s implementation results are reported to the board of directors and Audit Committee at least once every six months. To prevent sexual harassment and violations of gender equality, we established the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" and the "Sexual Harassment Prevention, Grievance and Investigation Policy". We also set up an e-mail account and established the Sexual Harassment Grievance and Investigation Committee to investigate sexual harassment cases. A sexual harassment complaint must be true, the offender will be brought forth by the Personnel Evaluation Committee, which will decide on the appropriate disciplinary measure, while the victim will receive counseling and care. Meanwhile, sexual harassment education and training will be intensified for other employees to prevent further cases of sexual harassment from occurring. Finally, employees can report other issues not mentioned above to the human resources department. In 2018, Cathay FHC and its subsidiaries received 1 report regarding violations of the law or corruption, 1 cases of sexual harassment or violations of gender equality, and 3 labor-management disputes.

We established a human rights risk management process to periodically evaluate the impact of stakeholders and improve management. The Human Rights Risk Assessment and Management framework takes into consideration international human rights frameworks and the Company’s development strategy. In the process, issues are selected after inquiring the opinions of stakeholders including Cathay FHC’s CS Committee, employees, external consultants, experts, and scholars, and the risk rating of each issue is periodically examined, so that high risk groups can be identified for management.
Human Capital

Gender Equality

Women Empowerment is one of Cathay’s four focus areas for achieving sustainability. We strive to provide equal opportunity and service, and to be a role model to lead the full participation of our female employees. During the 2018 cross-company corporate sustainability awareness meeting, which was attended by an independent director, the president of each company, and numerous executive vice presidents, we invited Wei-Shien Chang, co-founder of Womany, to give a speech on Women Empowerment. During the event, numerous executive executives and the independent director responded to the UN’s HeForShe initiative, advocating that "Gender equality is not just a women's issue; it's a human rights issue that benefits us all". Moreover, we decided to go beyond what the law requires by providing female employees with more paid miscarriage leave, and giving male employees more days of paternity leave in 2018.

Statistics of Cathay’s Female Managers

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Female in Management</th>
<th>% of Female in Junior Management</th>
<th>% of Female in Entry-level Management</th>
<th>% of Female in VP or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>54.1%</td>
<td>53.4%</td>
<td>53.3%</td>
<td>26.9%</td>
</tr>
<tr>
<td>2017</td>
<td>57.9%</td>
<td>57%</td>
<td>56.5%</td>
<td>29.6%</td>
</tr>
<tr>
<td>2018</td>
<td>24.1%</td>
<td>25%</td>
<td>26%</td>
<td>28.5%</td>
</tr>
</tbody>
</table>

60.6% of female managers are managers or above.

% of female managers in management positions:

| 2016 | 57.9% |
| 2017 | 57%   |
| 2018 | 56.5% |

57.9% of female managers in management positions are managers or above.

More than 60% of female managers are managers or above.

More than 60% of female managers in management positions are managers or above.

Cathay’s ’It’s Time” Digital Talent Recruitment

Digital talent is a key part of human capital necessary for facing the era of Big Data. This is why Cathay FHC continues to work with colleges and the Institute for Information Industry in recruiting digital talent and also combined major subsidiaries, namely Cathay Life, CUB, Cathay Century, and Cathay Securities, in implementing a large scale talent recruitment project in 2017. The project offers general pay and training conditions, and thoughtfully notifies interviewees of the trial results on the same day, so they will not need to go through the anxiety of waiting.

Features of Cathay’s ’It’s Time”

- Applicants are notified of the result on the same day of their interview
- Applicants can apply for four companies using the same interview
- Once candidates are hired, Cathay provides full-time training

We recruited 175 digital talents in 2018.

Cathay Internship Program (CIP)

Cathay FHC began implementing the Cathay Internship Program (CIP) together with its subsidiaries in 2005. Interns receive a daily wage of NT$1,800-NT$2,000 and are introduced to each department to gain hands-on experience through face-to-face interactions with senior executives and a group proposal contest. The internship program gives students who have not yet graduated an opportunity to gain in-depth understanding of the corporate culture at Cathay FHC and its subsidiaries, and also gain practical experience by working in the fields of finance. The CIP also gives us the opportunity to identify and recruit potential talent early. As of 2018, there have been CIP participants who have received job offers from the program since it was first offered, and almost 150 now own a piece of the Cathay family.

CIP Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of applicants</th>
<th>Number of admissions</th>
<th>Cumulative reinstatement rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,289</td>
<td>113</td>
<td>20.5%</td>
</tr>
<tr>
<td>2017</td>
<td>1,367</td>
<td>120</td>
<td>20%</td>
</tr>
<tr>
<td>2018</td>
<td>1,377</td>
<td>121</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

Note 1: Cumulative reinstatement rate = (Cumulative number of employees recruited through CIP)/Total number of CIP participants.

CUB’s Southeast Asia Financial Market Pilot Program

CUB is actively expanding its sources of overseas talent to meet the human resource demands of its branches in Southeast Asia and to develop overseas management and talent management. CUB is implementing the Southeast Asia Financial Market Pilot Program to provide training to potential Southeast Asian financial experts in Cathay FHC and its subsidiaries with local markets. The program makes CUB the first financial institution in Taiwan to coordinate with the government’s Southbound Policy, integrating industry, government, and academic resources for the development of financial experts.

Through the program, students in Southeast Asia will be recruited to study in Taiwan. Solutions for pain points in the five aspects that students are most concerned about, specifically living, language, internship, further education, and employment have also been devised, including subsidizing tuition and miscellaneous fees, providing a living allowance, advanced placement language courses, internships in enterprises, and employment opportunities when students return to their native countries. Program participants will become seeds sowed by Cathay overseas and become a stable talent pool fueling the company’s future development in Southeast Asia. In 2018, the program was recognized with the Best Talent Development Award of the Banking and Finance Best Practice Awards, which is known as the Oscars of the financial sector in Taiwan.
Cathay FHC, the largest financial holdings company in Taiwan, is committed to responsible corporate management and promoting sustainable development. Cathay FHC is the largest financial holdings company in Taiwan in terms of asset size. On this basis, New Heights Project was implemented in 2018 to meet the talent requirements of expanding overseas with a foothold in Taiwan. The project will thus satisfy the demand on human resources for overseas expansion and business development, and fulfill the requirement of forming a cohesive core development strategy of “Insurance- Banking-Asset Management” as we forge ahead in our bid to become the leading financial institution in the Asia-Pacific region.

In the process of organizational growth, besides investing large amounts of resources into education and training, we used the Kriptakoh Model and human capital ROI to examine the learning outcomes of the training we provide. We hope to align employee development with the company’s goals through an effective talent development mechanism, so that we will be able to respond to the financial market’s rapid changes.

### Level of learning

<table>
<thead>
<tr>
<th>Level of learning</th>
<th>Type of education and training</th>
<th>Evaluation method</th>
<th>Level of response</th>
</tr>
</thead>
</table>
| Level of result  | 1. Average revenues per employee | Examination/Changes in employees’ knowledge, and attitude of employee behavior at work | 1. We use income per employee and human capital ROI to evaluate the amount of benefits generated for every NT$1 invested by the Group in human capital.2. We calculate human capital ROI for all of our major education and training programs, such as the Talent Pool Program and Cathay Life AG2.0 Sales Force Transformation Plan.3. CUB Financial Consultant Transitional Program.
| Level of result  | Average revenues per employee | Satisfaction questionnaire/Employee satisfaction with training | 1. Lectures for employees to learn new knowledge and trends
2. Sharing Club

### Level of conduct

<table>
<thead>
<tr>
<th>Level of conduct</th>
<th>Practice, multi-aspect evaluation, performance evaluation</th>
<th>Results in 2018</th>
</tr>
</thead>
</table>
| 1. General education courses that allow employees to gain necessary competencies. | 1. FinTech Academy: satisfaction reach 4.21 points (5 points in total) | 1. FinTech Academy: satisfaction reach 4.21 points (5 points in total)
| 2. General education courses on risk management | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total) | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total)
| 3. Information security courses | 3. Education and training related to the Code of Conduct for Employee: Passing rate of 100% | 3. Education and training related to the Code of Conduct for Employee: Passing rate of 100%
| 4. Transformation project that will change the employees’ thinking and work | 4. Cathay Life AG2.0 Sales Force Transformation Plan: Year Prior Premium Equity reached about NT$11.5 billion | 4. Cathay Life AG2.0 Sales Force Transformation Plan: Year Prior Premium Equity reached about NT$11.5 billion
| 5. CUB Financial Consultant Transitional Program: A total of 72 employees transferred to financial consultants in 2018 | 5. Average revenues per employee | 5. Average revenues per employee
| Level of result  | 1. Human Capital ROI | Satisfaction | 8.91 | 8.91
| 1. Human Capital ROI | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total) | 1. Lectures for employees to learn new knowledge and trends
2. Sharing Club

### Level of learning

<table>
<thead>
<tr>
<th>Level of learning</th>
<th>Type of education and training</th>
<th>Evaluation method/Level of response</th>
</tr>
</thead>
</table>
| Level of result  | 1. Average revenues per employee | Examination/Changes in employees’ knowledge, and attitude of employee behavior at work | 1. We use income per employee and human capital ROI to evaluate the amount of benefits generated for every NT$1 invested by the Group in human capital.2. We calculate human capital ROI for all of our major education and training programs, such as the Talent Pool Program and Cathay Life AG2.0 Sales Force Transformation Plan.3. CUB Financial Consultant Transitional Program.
| Level of result  | Average revenues per employee | Satisfaction questionnaire/Employee satisfaction with training | 1. Lectures for employees to learn new knowledge and trends
2. Sharing Club

### Level of conduct

<table>
<thead>
<tr>
<th>Level of conduct</th>
<th>Practice, multi-aspect evaluation, performance evaluation</th>
<th>Results in 2018</th>
</tr>
</thead>
</table>
| 1. General education courses that allow employees to gain necessary competencies. | 1. FinTech Academy: satisfaction reach 4.21 points (5 points in total) | 1. FinTech Academy: satisfaction reach 4.21 points (5 points in total)
| 2. General education courses on risk management | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total) | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total)
| 3. Information security courses | 3. Education and training related to the Code of Conduct for Employee: Passing rate of 100% | 3. Education and training related to the Code of Conduct for Employee: Passing rate of 100%
| 4. Transformation project that will change the employees’ thinking and work | 4. Cathay Life AG2.0 Sales Force Transformation Plan: Year Prior Premium Equity reached about NT$11.5 billion | 4. Cathay Life AG2.0 Sales Force Transformation Plan: Year Prior Premium Equity reached about NT$11.5 billion
| 5. CUB Financial Consultant Transitional Program: A total of 72 employees transferred to financial consultants in 2018 | 5. Average revenues per employee | 5. Average revenues per employee
| Level of result  | 1. Human Capital ROI | Satisfaction | 8.91 | 8.91
| 1. Human Capital ROI | 2. Sharing Club: satisfaction reach 4.33 points (5 points in total) | 1. Lectures for employees to learn new knowledge and trends
2. Sharing Club

Cathay FHC launched the “Cathay e-Learning Platform”, an online education platform exclusively for employees, to provide employees with learning resources that are readily available and convenient to access. Employees of Cathay FHC and its subsidiaries can use the learning platform to study online courses according to their own learning needs and schedule, even when they are on leave from work, and taking preference tests after completing each course. Employees can freely choose learning courses from general education courses to specialized courses according to the Core Competency of “Code of Conduct for Employee, Risk management, and information security”, as well as digital transformation courses in response to the era of FinTech.

#### Cathay Life CSN and CUB Channel

Cathay Life utilized its strengths in developing multi-platform teaching materials to develop the “CUB (Cathay Super Net)” education platform, so as to respond to the visible market environment and different levels of training requiring by various business units. CUB 2.0 allows all Cathay Life locations around Taiwan to enjoy the contents of HD education courses. The platform’s on-demand function allows business units to flexibly learn different topics as needed. The platform’s on-demand function allows business units to flexibly learn different topics as needed. Cathay Life is committed to creating a friendly learning environment for helping employees develop their competencies. The CAT (Cathay Academy Network) channel was created based on this core concept. Through the channel, we deliver digital audiovisual teaching materials to branches on a weekly basis, giving employees the right amount of timely and suitable content, thus transforming CUB into an organization that encourages continuous learning.

#### Evaluation Structure of Cathay Employee Training

Cathay FHC began organizing the Sharing Club in 2016, in which senior employees share their experience and wisdom. We believe that innovation comes from exchange and sharing. Hence, Cathay FHC began organizing the Sharing Club in 2016. A total of 72 employees transitioned to financial consultants in 2018. The project will thus satisfy the demand on human resources for overseas expansion and business development, and fulfill the requirement of forming a cohesive core development strategy of “Insurance- Banking-Asset Management” as we forge ahead in our bid to become the leading financial institution in the Asia-Pacific region.

#### CUB: Cathay Super Net

Cathay FHC offers a total of 15 courses themed conferences based on their interests and needs.
Cathay's Sustainability Strategies

Appendix

Talent Retention and Happy Workplace

Cathay FHC views employees as important family and workplace partners with complete care with the aim to create a happy workplace. Cathay FHC has been selected as a constituent stock of the Taiwan High Commission Index 100 Index every year since 2014, and was selected as one of the Best Companies to Work for in Asia in 2018. The award is a major award in Asia in the field of human resource management, and evaluates enterprises in numerous aspects, including working environment, employee management, employee engagement, and work satisfaction. The award invites employees to rate their company based on their overall perception. Such enterprise evaluations were invited to participate in the awards survey for the first time in 2018, and we were thrilled to recognize for our long-term efforts in talent cultivation and employees care, as well as our interpretation of what makes a company desirable to work for.

Comprehensive Performance Evaluation and Improvement Mechanisms

Cathay FHC established the “Employee Performance Management and Improvement Improvement Guidance Plan” to provide employees with a fair and reasonable performance management, development, and improvement system. Employees and supervisors communicate performance grades through semi-annual performance evaluations. These evaluations are based on employees’ goals, personal career development, and performance evaluation. This goals-driven performance management system also helps employees achieve their career goals through systematic guidance. Employees’ overall performance for the year is used as the basis for adjusting salaries and positions and distributing bonuses. At the end of the fiscal year, all employees will be interviewed by their supervisors. The employee and his/her supervisor (department or division head) will be invited to the meeting for the review.

Long-term Performance Incentives

Cathay FHC attaches great importance to employees’ long-term performance, and established the “Guidelines on Incentives for Senior Employees” to encourage employees who have made long-term contributions to the Company. The issue service bonuses to senior employees, and relate shares for employees subscription. Shares the employee is eligible to subscribe for is based on his position, performance over the last three years, and years of service, encouraging employees to continue to face new challenges, and gain cross-disciplinary capabilities and competitiveness.

Employee Turnover Statistics

2017 Employee Turnover Statistics

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>43,621</td>
<td>45,431</td>
<td>45,581</td>
</tr>
<tr>
<td>Training hours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>10,049,275</td>
<td>7,864,831</td>
<td>9,331,416</td>
</tr>
<tr>
<td>Male</td>
<td>2,835,942</td>
<td>1,584,024</td>
<td>1,878,344</td>
</tr>
<tr>
<td>Manager</td>
<td>1,518,503</td>
<td>603,791</td>
<td>679,387</td>
</tr>
<tr>
<td>Other</td>
<td>11,015,340</td>
<td>7,105,864</td>
<td>8,612,362</td>
</tr>
<tr>
<td>Total training hours</td>
<td>12,860,218</td>
<td>8,370,855</td>
<td>10,720,760</td>
</tr>
<tr>
<td>Training hours per person</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>321</td>
<td>152</td>
<td>103</td>
</tr>
<tr>
<td>Male</td>
<td>227</td>
<td>123</td>
<td>138</td>
</tr>
<tr>
<td>Manager</td>
<td>142</td>
<td>141</td>
<td>140</td>
</tr>
<tr>
<td>Other</td>
<td>283</td>
<td>144</td>
<td>159</td>
</tr>
<tr>
<td>Total</td>
<td>294</td>
<td>143</td>
<td>157</td>
</tr>
</tbody>
</table>

Cathay acquired the award of "Best Companies to Work for in Asia 2018"
Employee Communication

Cathay FHC has established a number of employee communication and reporting channels to protect employees’ rights and interests, as well as facilitate labor-management communication. Such channels include the employee forum, internal communication network, the chairperson’s mailbox, reporting mailbox, newsletter for sharing business information, the Cathay Financial Monthly and Cathay FHC town hall meetings. Cathay FHC and its subsidiaries implement employee-employer communication in accordance with the “Guidelines for Implementing Employee-Employer Communication.” Both sides elect representatives to report on, fully discuss, and propose resolutions to major employee-employer issues, which are carried out accordingly. A total of 25 employee-employer issues were held in 2018.

Furthermore, Cathay FHC established the New Heights lecture in 2014. Senior executives at Cathay FHC or subsidiaries give lectures on the Company’s business strategy, the industry’s latest trends, and their personal experience in the lecture, and also hold QA sessions with employees so as to better understand Cathay’s development strategy and gain information that will benefit their personal career development.

Employee Engagement Survey

Cathay FHC conducts employee engagement surveys on an annual basis with the goal to reach a score of 4.14 points in total (in terms of the three-year average satisfaction score). Action plans are formulated based on survey results to create a better working environment. The average score between 2016 and 2018 is 4.14 so our goal is accomplished. The satisfaction survey comprises the following aspects: corporate sustainability, engagement, employee happiness, leadership and management, work commitment, and overall satisfaction. The 2018 survey was administered at Cathay FHC and all of its subsidiaries (100% coverage), and the Group’s overall response rate reached 85% with overall employee satisfaction reaching 4.14 points. Improvements were made in corporate sustainability, engagement, employee happiness, leadership and management, work commitment, showing that our employee benefits and corporate sustainability measures are supported by employees. There was no significant difference between genders in any of the aspects.

Employee Engagement Survey Results of Cathay FHC and Its Subsidiaries in 2018

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Frequency</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate sustainability</td>
<td>4.32</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Employee happiness</td>
<td>4.23</td>
<td>4.21</td>
<td></td>
</tr>
<tr>
<td>Engagement</td>
<td>4.33</td>
<td>4.31</td>
<td></td>
</tr>
<tr>
<td>Leadership and management</td>
<td>4.19</td>
<td>4.16</td>
<td></td>
</tr>
<tr>
<td>Work commitment</td>
<td>4.24</td>
<td>4.22</td>
<td></td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>4.18</td>
<td>4.12</td>
<td></td>
</tr>
</tbody>
</table>

Engagement score: Response rate (%) = (Response number/Total sample number) × 100%

To care for the mental health of our employees, Cathay implements the Mental Health Project, administering a mental health questionnaire to measure the stress index of employees. The group response rate of the mental health questionnaire was 43% in 2018. We organized a series of stress relief courses, such as essential oil massage, preserved flowers class, and seminar, based on analysis and results. Furthermore, we began implementing the Employee Assistance Program (EAP) in 2017. The EAP provides employees with a comprehensive support system by offering professional consultation services that address a variety of needs around the clock. Employees’ stress can be effectively alleviated as they seek professional consultation services, such as emotional support, personal or work-related advice, and skill training. The group response rate of the mental health questionnaire was 43% in 2018. We organized a series of stress relief courses, such as essential oil massage, preserved flowers class, and seminar, based on analysis and results. Furthermore, we began implementing the Employee Assistance Program (EAP) in 2017. The EAP provides employees with a comprehensive support system by offering professional consultation services that address a variety of needs around the clock. Employees’ stress can be effectively alleviated as they seek professional consultation services, such as emotional support, personal or work-related advice, and skill training.

Occupational Safety and Health

Cathay has an employee health risk management process in place to ensure the health of our employees. The results of employee health exams are periodically analyzed and classified for health risk management. We compiled an employee health risk map on this basis with the goal to reach 4 points (5 points in total) in terms of the three-year average satisfaction score. Action plans are formulated based on survey results to create a better working environment. The average score between 2016 and 2018 is 4.14 so our goal is accomplished. The satisfaction survey comprises the following aspects: corporate sustainability, engagement, employee happiness, leadership and management, work commitment, and overall satisfaction. The 2018 survey was administered at Cathay FHC and all of its subsidiaries (100% coverage), and the Group’s overall response rate reached 85% with overall employee satisfaction reaching 4.14 points. Improvements were made in corporate sustainability, engagement, employee happiness, leadership and management, work commitment, showing that our employee benefits and corporate sustainability measures are supported by employees. There was no significant difference between genders in any of the aspects.

Employee Engagement Survey Results of Cathay FHC and Its Subsidiaries in 2018

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate sustainability</td>
<td>4.32</td>
<td>4.3</td>
</tr>
<tr>
<td>Employee happiness</td>
<td>4.23</td>
<td>4.21</td>
</tr>
<tr>
<td>Engagement</td>
<td>4.33</td>
<td>4.31</td>
</tr>
<tr>
<td>Leadership and management</td>
<td>4.19</td>
<td>4.16</td>
</tr>
<tr>
<td>Work commitment</td>
<td>4.24</td>
<td>4.22</td>
</tr>
<tr>
<td>Overall satisfaction</td>
<td>4.18</td>
<td>4.12</td>
</tr>
</tbody>
</table>

Engagement score: Response rate (%) = (Response number/Total sample number) × 100%

To care for the mental health of our employees, Cathay implements the Mental Health Project, administering a mental health questionnaire to measure the stress index of employees. The group response rate of the mental health questionnaire was 43% in 2018. We organized a series of stress relief courses, such as essential oil massage, preserved flowers class, and seminar, based on analysis and results. Furthermore, we began implementing the Employee Assistance Program (EAP) in 2017. The EAP provides employees with a comprehensive support system by offering professional consultation services that address a variety of needs around the clock. Employees’ stress can be effectively alleviated as they seek professional consultation services, such as emotional support, personal or work-related advice, and skill training.

Active employees regularly receive health examinations and safety and health training.

Absence Statistics

- Days of absence: 33,332
- Days of absence: 27,232
- Days of absence: 19,224
- Days of absence: 17,195
- Days of absence: 15,176
- Days of absence: 13,157
- Days of absence: 11,139
- Days of absence: 9,121
- Days of absence: 7,103
- Days of absence: 5,121
- Days of absence: 3,121
- Days of absence: 1,121
- Days of absence: 0

Occupational injuries: 74 (People)
Occupational deaths: 0 (People)
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00
Occupational injury frequency rate: 2.20
Occupational injury severity rate: 7.32
Occupational death frequency rate: 0.00
Occupational death severity rate: 0.00

Capital at Risk and Opportunities

The Global Warming of 1.5°C Report released by the IPCC in October 2018 pointed out that nations and enterprises need to exert considerable effort to keep global warming within 1.5°C, and the impact urgently needs to be mitigated through carbon reduction measures to achieve corporate sustainability. In addition to energy and environmental management systems, Cathay FHC adopted the TCFD’s framework in 2017 and established the task force for TCFD in 2018. The Chief Risk Officer led a review of balance sheets for climate-related risks and opportunities, so that we will be able to respond to potential impacts on the climate and environment.
### Climate Change

#### Low-carbon investments and lending

Cathay FHC actively engages in low-carbon investments and lending in the six following sectors that we have defined: energy (excluding nuclear power and fossil fuel), architecture, waste recycling, transport, (high efficiency) industry, and finance (e.g. green bonds).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>102.8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>17.4%</td>
</tr>
<tr>
<td>Industry</td>
<td>12.6%</td>
</tr>
</tbody>
</table>

The top three fields in which our low-carbon investments and lending increased the most (compared with the same period last year) are as follows:

- Investments in green bonds: 102.8%
- Investments and lending in renewable energy: 17.4%
- Investments and lending in waste recycling: 12.6%

### Cathay’s TCFD Framework

Cathay FHC has set short-term, mid-term, and long-term goals for green finance (solar/wind power generation), digital finance (mobile payments, peer-to-peer services), green operations (reduction of GHG emissions/installed capacity of solar panels), responsible investment (Climate Action 100+), risk management, and loss control based on the framework of working groups of the CS Committee. The CS Committee, with reference to the climate risk and opportunity matrix and stakeholder survey results for major issues. Additionally, we set up a list of relevant indicators on the financial industries with TCFD recommendations on green bonds.

### Recommendation of Task Force on Climate-Related Financial Disclosures (TCFD)

Cathay FHC places great emphasis on its responsibility to its environment, and has combined such responsibility with its core business and operations. We became one of the first signatories of the recommendations and continued to support the TCFD process. Following the Financial Stability Board’s (FSB) publication of the TCFD recommendations in 2017, in response to climate change, Cathay FHC signed a commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures, and established a task force for climate-related financial disclosures in 2018 to manage our financial impact from climate change and formulate responsive strategies. In the same year, we were granted "Management" level of the TCFD assessment framework by the CDP in 2012, and continue to respond to the CDP’s assessments.

**Governance**

- The CS Committee, which is supervised by the Chief Risk Officer, is the main body to supervise the task force and the risk management committee.

**Strategy**

- Our greenhouse gas and renewable energy and sustainable infrastructure is a key engine of growth.

**Physical risks**

Takao’s location on the path of typhoons that strike Asia. As temperatures continue to rise, the chance of physical risk creates more exposure. Cathay FHC created a business continuity plan, which plans to transfer risks to the real estate investment and development business. We will continue to track and thoroughly manage our natural capital and financial business in response to carbon management in 2019.

**Opportunities**

Cathay FHC seized this opportunity to develop low-carbon products and services. For example, we established a project financing team to look into the development of services for renewable energy, such as financing wind farms.

**Risk management**

- We implemented the Real Estate Responsible Investment and Lending Policy in response to climate change and the development towards a low-carbon economy, and we aim to seize market opportunities created by renewable energy, green investing, and low-carbon economy.
Environmental Performance

Cathay FHC responds to national policies by promoting renewable energy and implementing green operations, and seeks to thereby achieve its carbon reduction goal. Under related environmental goals, our first goal is to reduce GHG emissions. With 2016 as the base year, our goal is to reduce total carbon emissions by 5-10% in 2021.

<table>
<thead>
<tr>
<th>Year</th>
<th>Operational electricity consumption (GJ)</th>
<th>Planned for the installed capacity of solar panels (kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>101,911,134</td>
<td>5,500</td>
</tr>
<tr>
<td>2017</td>
<td>100,057,000</td>
<td>5,138</td>
</tr>
<tr>
<td>2018</td>
<td>98,476,090</td>
<td>4,767</td>
</tr>
</tbody>
</table>

Cathay’s electricity consumption decreases annually and we gradually reach our GHG reduction goal. We also seek to achieve a 5% reduction in water consumption and a 10% reduction in general waste per employee in 2018.

Green Actions

We are not a manufacturing company, therefore our operations mainly incur the consumption of electricity and generation of domestic waste. Hence, we have tackled the issue through the adjustment of our consumption habits. We organized an electricity saving competition among the various business units, and the event led to a decrease of 95,000 kWh in electricity consumption compared with our year-on-year performance. On the other hand, we purchased eco-friendly meal boxes to replace the disposable lunch boxes used by employees for lunch every day. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.

Cathay FHC utilized its core competencies to develop electronic and mobile business operations, which significantly reduced the amount of paper used for printing and has a turn driven business development. We reduced paper use by 68.26 million sheets of paper and reduced the equivalent to 411 tons of carbon emission.

Paper use reduced by electronic processes

<table>
<thead>
<tr>
<th>Paper use reduced by electronic processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced the use of 62.06 million pieces of paper</td>
</tr>
<tr>
<td>Reduced the use of 72 million pieces of paper</td>
</tr>
<tr>
<td>Reduced the use of 1.78 million pieces of paper</td>
</tr>
</tbody>
</table>

Green Operations

Cathay FHC established the Environment and Energy Management Committee and Cathay FHC Group Environment and Energy Policy in 2017 to manage its natural capital. The President offers guidance on related operations and periodically convenes meeting to discuss energy and environmental management to support policy implementation. Furthermore, Cathay FHC and all of its subsidiaries implemented both the ISO 14001 Environmental Management System and ISO 50001 Energy Management System, and integrated management goals with GHG emission reduction goals.

We purchased the first batch of Taiwan Renewable Energy Certificates (T-RECs) in 2017 in response to the government’s promotion of renewable energy use. We continued to purchase T-RECs in 2018 and purchased 7 T-RECs as a group. Using environmental friendly equipment, Cathay Life’s Zhongxiao Store and Century provides support through offshore wind turbine construction insurance, see P.37 for details.

Integrating group resources, Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.

Environmental Protection

Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.

Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.

Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.
Cathay's Sustainable Value Creation Process

Cathay's Key Sustainability Breakthroughs

Materiality Analysis

Cathay's Sustainable Value Creation Process

Chapter 2  Intellectual Capital

Appendix

 pipeline in Taoyuan and Taichung Wuri and have a total installed capacity of about 3.5MW. The panels are expected to generate in operations) Note 5

Cathay's Sustainability Strategies

Leader in Sustainable Finance

Message from the Chairman

Recognization from Sustainability Awards

Green Initiatives

We hope to see our influence in every corner of Taiwan with our partnership, and fear our responsibility to the environment and society through initiatives and actions.

422 National Park beach clean-up

Over 7,000 Cathay employees, family members, and suppliers gathered to clean 22 beaches around Taiwan, including offshore islands, on April 22, and cleaned a total of 11 tons of trash. This event was recognized by the Water Resource Agency and the Environmental Protection Administration with the Responsible Coastline Award and Coastline clean Engagement Award.

Campus water conservation education

We trained 550 student teachers via the Water-Saving Trip program organized 35 water conservation events on campus, which had a total of over 3,000 participants. Through the events, we taught children the importance of water resources and assisted 21 elementary schools with setting up water bars, and were for these efforts connected with the Water-saving Society Award from the Water Resource Agency MOTC.

WWF Earth Hour

We participated in Earth Hour, an event organized by the WWF in response to energy conservation and carbon reduction initiatives, and have influenced even more people through social media by encouraging public engagement in carbon reduction measures. Statistics of Taiwan Power Company show that power consumption around Taiwan decreased by 100,000 kWh that day.

ISO 20400: 2017 Sustainable Procurement Guidelines

first financial institution to obtain the certification

ISO 24001: 2016

Green Procurement Enterprise Award

green procurement amounted to NT$316 million

Sustainable Real Estate

Cathay Life paved the Real Estate Responsible Investment and Management Policy in 2017, which emphasizes that real estate investments must be aligned with sustainable development issues, and that due consideration must be given to the sustainability and value of assets, while improving energy efficiency and building environmental responsibilities. Related departments submitted applications to obtain the LEED Green Building Certification for main buildings. The Mingsheng Jianguo Building obtained the EEWH Gold Certification and LEED Gold Certification, meeting all standards for building greening, water resources, energy conservation, CO2 reduction, waste reduction, and indoor environment. Solar panels and the water recycling system were taken into consideration in the building evaluation stage.

As of the end of 2018, 13 buildings have obtained green building certifications, among which 2 buildings have obtained Energy Performance Certificates in the UK, and 3 buildings have obtained LEED Certification. Cathay Landmark A3, Cathay Financial Center (head office of Cathay Life) and Mingsheng Jianguo Building. The Minsheng Jianguo Building obtained the EEWH Gold Certification and LEED Gold Certification, meeting all standards for building greening, water resources, energy conservation, CO2 reduction, waste reduction, and indoor environment. Solar panels and the water recycling system were taken into consideration in the building evaluation stage.

Sustainable Procurement

Cathay Life obtained the following certifications in recognition of its sustainable procurement practices, and became the first financial institution in Taiwan to obtain the certification. The Cathay Life Sustainable Procurement Policy and a complete sustainable procurement procedure based on risks identified in the procurement process and the seven core principles of sustainable procurement. We are systematically working with our suppliers in corporate sustainability via an online procurement platform, self-assessment and management of sustainability by suppliers, the Sustainability Value Declaration signed by 100% of suppliers, attention on sustainability-related education and training, and annual supplier conferences, emphasizing the mandatory compliance of suppliers, protection of human rights, and creation of local employment opportunities.

Furthermore, we have won the Green Procurement Enterprise Award conferred by the Taipei City Government for nine consecutive years (2010-2018). In 2018, our green procurement amounted to NT$316 million with the goal of giving environmentally certified products procurement priority, which is an example of how we put our environmentally-friendly concepts into action.

Green Procurement

Green Initiatives

We hope to see our influence in every corner of Taiwan with our partnership, and fear our responsibility to the environment and society through initiatives and actions.

422 National Park beach clean-up

Over 7,000 Cathay employees, family members, and suppliers gathered to clean 22 beaches around Taiwan, including offshore islands, on April 22, and cleaned a total of 11 tons of trash. This event was recognized by the Water Resource Agency and the Environmental Protection Administration with the Responsible Coastline Award and Coastline clean Engagement Award.

Campus water conservation education

We trained 550 student teachers via the Water-Saving Trip program organized 35 water conservation events on campus, which had a total of over 3,000 participants. Through the events, we taught children the importance of water resources and assisted 21 elementary schools with setting up water bars, and were for these efforts connected with the Water-saving Society Award from the Water Resource Agency MOTC.

WWF Earth Hour

We participated in Earth Hour, an event organized by the WWF in response to energy conservation and carbon reduction initiatives, and have influenced even more people through social media by encouraging public engagement in carbon reduction measures. Statistics of Taiwan Power Company show that power consumption around Taiwan decreased by 100,000 kWh that day.

ISO 20400: 2017 Sustainable Procurement Guidelines

first financial institution to obtain the certification

ISO 24001: 2016

Green Procurement Enterprise Award

green procurement amounted to NT$316 million

Sustainable Real Estate

Cathay Life paved the Real Estate Responsible Investment and Management Policy in 2017, which emphasizes that real estate investments must be aligned with sustainable development issues, and that due consideration must be given to the sustainability and value of assets, while improving energy efficiency and building environmental responsibilities. Related departments submitted applications to obtain the LEED Green Building Certification for main buildings. The Mingsheng Jianguo Building obtained the EEWH Gold Certification and LEED Gold Certification, meeting all standards for building greening, water resources, energy conservation, CO2 reduction, waste reduction, and indoor environment. Solar panels and the water recycling system were taken into consideration in the building evaluation stage.

As of the end of 2018, 13 buildings have obtained green building certifications, among which 2 buildings have obtained Energy Performance Certificates in the UK, and 3 buildings have obtained LEED Certification. Cathay Landmark A3, Cathay Financial Center (head office of Cathay Life) and Mingsheng Jianguo Building. The Minsheng Jianguo Building obtained the EEWH Gold Certification and LEED Gold Certification, meeting all standards for building greening, water resources, energy conservation, CO2 reduction, waste reduction, and indoor environment. Solar panels and the water recycling system were taken into consideration in the building evaluation stage.

Sustainable Procurement

Cathay Life obtained the following certifications in recognition of its sustainable procurement practices, and became the first financial institution in Taiwan to obtain the certification. The Cathay Life Sustainable Procurement Policy and a complete sustainable procurement procedure based on risks identified in the procurement process and the seven core principles of sustainable procurement. We are systematically working with our suppliers in corporate sustainability via an online procurement platform, self-assessment and management of sustainability by suppliers, the Sustainability Value Declaration signed by 100% of suppliers, attention on sustainability-related education and training, and annual supplier conferences, emphasizing the mandatory compliance of suppliers, protection of human rights, and creation of local employment opportunities.

Furthermore, we have won the Green Procurement Enterprise Award conferred by the Taipei City Government for nine consecutive years (2010-2018). In 2018, our green procurement amounted to NT$316 million with the goal of giving environmentally certified products procurement priority, which is an example of how we put our environmentally-friendly concepts into action.

Green Initiatives

We hope to see our influence in every corner of Taiwan with our partnership, and fear our responsibility to the environment and society through initiatives and actions.

422 National Park beach clean-up

Over 7,000 Cathay employees, family members, and suppliers gathered to clean 22 beaches around Taiwan, including offshore islands, on April 22, and cleaned a total of 11 tons of trash. This event was recognized by the Water Resource Agency and the Environmental Protection Administration with the Responsible Coastline Award and Coastline clean Engagement Award.

Campus water conservation education

We trained 550 student teachers via the Water-Saving Trip program organized 35 water conservation events on campus, which had a total of over 3,000 participants. Through the events, we taught children the importance of water resources and assisted 21 elementary schools with setting up water bars, and were for these efforts connected with the Water-saving Society Award from the Water Resource Agency MOTC.

WWF Earth Hour

We participated in Earth Hour, an event organized by the WWF in response to energy conservation and carbon reduction initiatives, and have influenced even more people through social media by encouraging public engagement in carbon reduction measures. Statistics of Taiwan Power Company show that power consumption around Taiwan decreased by 100,000 kWh that day.

ISO 20400: 2017 Sustainable Procurement Guidelines

first financial institution to obtain the certification
Cathay FHC has always attached the utmost importance to customer feedback and the needs of society. We uphold the philosophy of being people-oriented, and have provided customers with excellent service quality and robust information security through the establishment of efficient mechanisms and strategic alliances with key partners. We will continue to promote solutions that enable all members of society to gain equal footing in hopes of becoming a pillar of society that brings happiness to others.

Social Relations Capital

Capital at Risk and Opportunities

Cathay FHC launched "Alpha," and from September to December, 2018, the average number of daily users of the chatbot "Alpha" doubled. Corporate recognition and willingness to recommend of Cathay Life’s customers have increased with the NPS, increasing 11.1 points for each node on average. Cathay Life provided student group insurance coverage to about 3 million students around Taiwan, implemented the Sustainable Campus Project, and instilled students with notions of environmental protection and anti-drug awareness.

Through low minimum requirement reward point donations, over 20.08 million reward points were collected and provided food to around 3,000 disadvantaged families.

Cathay Life provided student group insurance coverage to about 3 million students around Taiwan, implemented the Sustainable Campus Project, and instilled students with notions of environmental protection and anti-drug awareness.

NPS increased by 11.1 points

Corporate recognition and willingness to recommend of Cathay Life’s customers have increased with the NPS, increasing 11.1 points for each node on average. Cathay Life provided student group insurance coverage to about 3 million students around Taiwan, implemented the Sustainable Campus Project, and instilled students with notions of environmental protection and anti-drug awareness.

The average number of daily users of the chatbot "Alpha" has doubled

Cathay launched "Alpha," and from September to December, 2018 the average number of daily user doubled.

Instilling the concept of sustainability in about 3 million students

Cathay Life provided student group insurance coverage to about 3 million students around Taiwan, implemented the Sustainable Campus Project, and instilled students with notions of environmental protection and anti-drug awareness.

Providing 3,523 food boxes

Through low minimum requirement reward point donations, over 20.08 million reward points were collected and provided food to around 3,000 disadvantaged families.
Achieving Excellent Customer Service Quality

It is the thought that enables services to touch people's heart. Cathay FHC has approximately 14 million customers and adopts a customer-centered business model to provide each and every customer with thoughtful 24-hour service. We have become a part of customer's daily lives and have access to even more thoughtful service experience.

Customer Satisfaction

Customer Satisfaction Rate

Cathay FHC’s Service Quality Committee makes service policies based on the principle of protecting customer rights and treating customers fairly. The committee periodically reviews service strategies and works together with each subsidiary. Meanwhile, the Service Quality Team assembled by each subsidiary plans, implements, and follows up on service quality improvement action plans, and listens to the voices of customers so that we can continue to improve customer satisfaction and create customer value.

Cathay FHC’s subsidiary commission large, reputable market survey companies to conduct satisfaction surveys each year. Aspects of survey include sales personnel, customer services, claim services, counter services, and online services, while outcomes provide us with a basis for further improving our service quality.

Cathay strives to create highly professional customer service centers. Cathay Life is the only insurance company in Taiwan to be accredited by the ISO 9001 and ISO 10002 certifications, and also winner of the Stevie Awards For Sales & Customer Service. Cathay FHC also established the ICMI Global Contact Center Awards - Best Large Contact Center awarded by the International Customer Management Institute (ICMI) in 2018, becoming the only company in Asia to ever win the award.

Customer Rights

Treating Customers Fairly

Cathay FHC values the opinions of all customers. We have a number of customer complaint channels and a dedicated unit that handles customer complaints. We also published regulations and the highest principle of ‘actively handling issues and actively showing concern’ that requires our staff to instantly connect customers and propose solutions.

Cathay FHC association specific strategies and measures based on the principle of treating customers fairly to resolve issues at the source, and periodically provides related personnel with education and training on treating customers fairly. We hope to make the spirit of treating customers fairly a part of the organizational culture while resolving customer complaints through cross-departmental collaboration, so that we can comprehensively protect customer rights.

Customer Experience

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 service. Regulated by the Insurance and Securities Regulatory Commission, the guidelines serve to maintain the quality of insurance and securities sales and services. The guidelines address the quality of services provided by distribution agencies and control the number of improper sales. In 2018, 68,045 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 renewing such contracts.

Cathay Life provides a comprehensive framework for customer service culture integration. We will incorporate service design concepts into products and services to ensure our products are high-quality and good experiences of our products to satisfy customer’s needs.
Protecting Customers’ Personal Information and Information Security

Data "hurt and theft" and "cyberattacks" were among the worst threats in 2018. On the 2018 Global Risks Report by the World Economic Forum, showing that information security and personal information protection are the most eminent risks for business sustainability. We believe that information protection and personal information protection are the most eminent risks for business sustainability.

Information Security Organization and Mechanisms

Cathay FHC has an Information Security Committee that oversees the group’s information security governance framework, information security management system through the international certifications ISO 27001 and BS 10012, and "Personal Information Management System", and "ISO 15022:2017 Personal Information Management System", and "BS 25999:2006 Business Continuity Management Standard". Cathay strives to implement information security measures and ensure information security control and quality improvement.

Information Security Education and Training and Promotion

Cathay FHC provides information security and personal information protection by enhancing employees’ awareness of information security and regularly organizing education and training courses and holding promotion events. These measures aim to raise our employees’ awareness of information security and Internet security, protect information assets from any sort of interference, damage, intrusion, or any unauthorized access and intent, and properly implement information security and personal information management systems. Cathay has a dedicated information security unit and a chief information security officer to handle all the company’s information security incidents, and its subsidiaries have a total of 122 information security officers to handle all the company’s information security incidents

Linking together Core Competencies

While Cathay FHC forges an even deeper presence in Taiwan, it is also looking towards the future. Besides doing everything in our power to help customers accumulate tangible wealth, we will also fulfill our role as a leading corporate citizen to help lead our society to a brighter future. The cooperation of the chief information officer and business continuity and risk management teams ensures that all business units are handled in a proper way.

Supplier Participation

Cathay Life has explicit policies and procedures for information and personal information protection. If an employee infringes personal information, the employee can be fined for an amount exceeding the amount of damage to the persons involved. If an employee has received a report regarding the infringement of personal information, the employee can be fined for an amount exceeding the amount of damage to the persons involved.

Social Impact

In 2018, Cathay FHC officially launched a chatbot named "Alpha", one of its digital customer services. The chatbot uses NLU (Natural Language Understanding) for semantic analysis, which enables it to determine customers’ intentions and contexts to provide solutions more accurately. Through chatbot work design, the chatbot is able to resume to previous conversation with the customer even when the chat terminated or switched suddenly. The chatbot is rapidly calibrated throughout daily operation with the Customer Service Center to make the conversation flow smoother and interaction more reasonable and human-like.

We are committed to providing the smoothed one-stop customer experience for our customers. "Alpha" provides a highly personalized experience. The chatbot shows intuitive intentions that are able to respond to a customer's online inquiry on the mobile application. It can instantly and automatically transfer the case to human customer service personnel in behavior between "Alpha". Now you can access the information on the mobile application, website, or call centers. Cathay Life and Cathay PlayLogos allow customers to manage and implement information security in the first quarter of 2019.

Cathay FHC, Cathay Life, and CUB have an independent and dedicated information security unit and a chief information security officer to monitor and implement information security operations, and act as a cross-company information security unit (meeting) and an emergency response team, reporting every incident to the information security unit of Cathay Life and Cathay PlayLogos. Cathay FHC and its subsidiaries have a total of 122 information security officers to handle all the company’s information security incidents.

Cathay FHC has an Information Security Committee that oversees the group’s information security governance framework, information security management system through the international certifications ISO 27001 and BS 10012, and "Personal Information Management System", and "BS 10012:2017 Personal Information Management System", and "ISO 15022:2017 Personal Information Management System", and "BS 25999:2006 Business Continuity Management Standard". Cathay strives to implement information security measures and ensure information security control and quality improvement.

Cathay FHC provides information security and personal information protection by enhancing employees’ awareness of information security and regularly organizing education and training courses and holding promotion events. These measures aim to raise our employees’ awareness of information security and Internet security, protect information assets from any sort of interference, damage, intrusion, or any unauthorized access and intent, and properly implement information security and personal information management systems. Cathay has a dedicated information security unit and a chief information security officer to handle all the company’s information security incidents, and its subsidiaries have a total of 122 information security officers to handle all the company’s information security incidents.
Cathay's Social and Economic development has not only been dealing with the challenges of global economic turmoil and special political circumstances over the past few years, but also faces a looming emigration crisis. Besides actively engaging in industrial transformation, it is also crucial to promote social progress and the enhancement of living standards. The company has strived to maintain a positive balance between economic growth and social development, thus creating greater possibilities for all stakeholders.

Cathay FHC has closely followed society's needs for a long period of time, and hopes to build a bridge of communication for the "common good" based on the spirit of "Rediscovering Happiness", thereby contributing to the sustainable development of society. Over the past few years, Cathay FHC has been actively engaging in various social responsibility initiatives, including cultural heritage preservation, education, health care, and environmental sustainability. As a leading financial institution, Cathay FHC is committed to playing a positive role in society and contributing to the betterment of the community.

Cathay FHC has been actively engaging in various social responsibility initiatives, including cultural heritage preservation, education, health care, and environmental sustainability. As a leading financial institution, Cathay FHC is committed to playing a positive role in society and contributing to the betterment of the community.

Cathay FHC has been actively engaging in various social responsibility initiatives, including cultural heritage preservation, education, health care, and environmental sustainability. As a leading financial institution, Cathay FHC is committed to playing a positive role in society and contributing to the betterment of the community.

Cathay FHC has been actively engaging in various social responsibility initiatives, including cultural heritage preservation, education, health care, and environmental sustainability. As a leading financial institution, Cathay FHC is committed to playing a positive role in society and contributing to the betterment of the community.

Cathay FHC has been actively engaging in various social responsibility initiatives, including cultural heritage preservation, education, health care, and environmental sustainability. As a leading financial institution, Cathay FHC is committed to playing a positive role in society and contributing to the betterment of the community.
Health is the foundation and core competitiveness of a country, so we focused on “health promotion” and have made long-term efforts to promote sports and raise the health awareness of Taiwanese citizens. We used the influence of NBA and MLB stars, sponsored ball games, and cultivated future star athletes to promote sports and exercise. We raise anti-drug awareness among students around Taiwan by providing student group insurance coverage, and strive to reduce citizens’ health risks.

Anti-Drug Education Protects the Mental and Physical Health of Future Leaders

Cathay Life brought Han Dong Art, the winner of Cathay Youth Excellence Scholarship, into junior high schools and senior high schools for engaging in anti-drug awareness campaigns. Cathay Life also provided student group insurance coverage to about 3 million high (vocational) school and under (including independent) school students around Taiwan in the 2017/18 school year and jointly implemented the “Sustainable Campus Project” together with the K-12 Education Administration, Ministry of Education. The project focuses on four focus areas of sustainability, namely anti-drug education, environmental protection, campus safety, and financial literacy. In the anti-drug education, we invited Apple Theater to organize 24 anti-drug stage shows across 15 counties in Taiwan, with a holy way to teach students how drugs may provide and how to refuse. We hope to establish students the concept of how to say no to drugs. Cathay Life and Cathay Charity Foundation furthermore actively campaigned against drug use, and Cathay Charity Foundation was recognized by the Executive Yuan in 2018 for its contribution to preventing drug abuse.

Cathay’s Long-term Commitment Lights Up Taiwan’s Star Athletes

Cathay provides new and upcoming participants with growth for, so that every athlete with a dream of success can find a solid foothold. We will organize even more events for interacting with star athletes to pass on the spirit of healthy exercise to the general public. CUB has established the CBLP Player Trust so players can truly enjoy the game.

1 Discovering new stars
2 Focusing on young talents
3 Cultivating national-level athletes
4 Sharing experiences
5 Training the Star Athletes of Tomorrow for Taiwan

Cathay’s Jersey Line: Dynamic On-Basketball

The training camp was held in Cathay’s Basketball Development Centre and was attended by 12 students between the ages of 9 and 12 selected from around Taiwan.

Cathay’s Chen Wei-Yin-Chen Wei-Yin Basketball Training Camp

The two-day training camp was held at Cathay’s Basketball Development Centre and was attended by 10 students between the ages of 9 and 12 selected from around Taiwan.

Cathay Women’s Table Tennis

Trained 31 players and social group players win the 2018 National President Cup group women’s team championship

Cathay Century Iron Man Team

Cultivated 10 team members that have participated in national and international events, and held 5,000 in challenges for employees nearby.

Cathay’s Youth Day 3-on-3 high school basketball tournament

A total of 37 amateur players donated 141 paintings as gifts for donors to the Elevated Tree Program, encouraging people to take the first step to becoming art collectors. This event increased the amount of scholarships the Elevated Tree Program was able to provide by NT$1 million in the second half of 2018 compared with the first half of 2018, and Cathay United Art Center in 2018 donated a total of NT$13.9 million as tuition and other school-related miscellaneous fees, benefiting 7,620 students in Hsinchu County, Miaoli County, Yunlin County, Chiayi County, Taitung County, and Yilan County.

Cathay’s Corporate Sustainability (CS) Committee

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay’s Sustainability Strategies

Materiality Analysis

Cathay’s Key Sustainability Breakthroughs

Cathay’s Sustainable Value Creation Process

Cathay's Sustainability Strategies

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Cathay FHC 2018 Corporate Sustainability Report
Social Relations Capital

Cathay Life Sustainable Campus Project – Anti-Drug Stage Show
Win the Award of Innovation in the 2nd CSR Influence Awards co-organized by PwC Sustainable Development Service Company and the official representative of Cannes Lions in Taiwan

Cathay Life Foundation / Invitations

Cathay United Art Center

Public Welfare Strategy 2 - Sporting Activities

We aim to make arts an integral part of daily life. Based on the concept that "deep cultural roots are necessary for a tree to grow tall and prosper," we organized the children drawing contest and New Century New Age Arts Exhibition for so aesthetics can become an everyday part of life, and offered the public a variety of channels through which they can participate in the arts, such as large outdoor performances given by Cloud Gate and Cathay United Art Center, hoping to promote Taiwan’s arts and culture by supporting domestic artists.

Children’s Drawing Contest

New Century New Age Arts Exhibition

Up to the end of 2018, Cloud Gate has made a total of 338 performances

Visited dozens of campuses, and performed for about 2.2 million viewers

Total premium income from artwork insurance

CUB printed textbook with an artistic cover

510 Thousands of publications

Charity Painters Participating in the Elevated Tree Program, Bring Art Closer to Life

We aim to foster students’ love of painting and bring art to the public. To this end, we support the Elevated Tree Program, which encourages people to make the first step to becoming art collectors. This event increased the amount of scholarships the Elevated Tree Program was able to provide by NT$1 million in the second half of 2018 compared with the first half of 2018, and Cathay United Art Center in 2018 donated a total of NT$13.9 million as tuition and other school-related miscellaneous fees, benefiting 7,620 students in Hsinchu County, Miaoli County, Yunlin County, Chiayi County, Taitung County, and Yilan County.

Charity Painters

37 amateur painters

141 paintings

Elevated Tree Program – Charity Painters

Donators

Influences

Public exhibitions

Charity painters as gifts

CUB printed textbook with an artistic cover

510 Thousands of publications

Elevated Tree Program

Sponsored by PwC Sustainable Development Service Company

Win the Award of Innovation in the 2nd CSR Influence Awards

Invitations

Donators

CUB printed textbook with an artistic cover

510 Thousands of publications
Cloud Gate Event Series

“Cathay Art Festival – Outdoor Performance of Cloud Gate” is an event that has been held since 1998, and has won the seeds of art all over Taiwan for 20 performances in 21 locations over the past 23 years. The cumulative number of viewers has exceeded 2 million, and the outdoor performance has been praised by foreign media as “the largest outdoor dance event on the face of the Earth.”

We began organizing “Cathay Art Festival – Cloud Gate 2 Campus and Community Tour” with Cloud Gate in 2001 to cultivate young choreographers and dancers around Taiwan and allow art education to strike root. The tour has reached communities and campuses around Taiwan for promoting the art of dance, and a total of 180 performances had been given in communities and high school and above campuses as of the end of 2018, initiating young students into the art of dance.

Large Outdoor Performances

Regarding the performance of Liu Hui-Mei’s work “Forehead”, where in Europe and America, “Forehead” is a love letter written by Liu Hui-Mei to her beloved Taiwan.

Public Welfare Strategy 4 - Environmental Considerations

Humankind’s survival is inseparable from the state of the natural environment. Facing the rapid deterioration of Earth’s environment and the impact of climate change, the World Economic Forum listed environmental risks as the most urgent risk of all. As a citizen of Earth, we have developed new approaches to public welfare under our vision for a “sustainable Taiwan, clean homeland”, and are seeking to expand our influence from employees to customers and the general public in hopes of raising their awareness regarding the importance of environmental protection.

Employee Eco-friendly Lunch Boxes x Plastic Reduction in the Environment x Public Welfare

In the face of the issue of waste reduction, the employees voluntarily ordered eco-friendly lunch boxes, and after four months of trial, they found that the results were excellent. We encouraged employees to order lunch boxes through this approach, we achieved both “mutual prosperity in society” and “employee care”. We selected “Sweetheart Sheltered Workshop”, which is operated by an organization for people with intellectual disabilities, and the results were excellent. We encouraged employees to order lunch boxes, through this approach, we achieved both “mutual prosperity in society” and “employee care”.

Before Cathay began purchasing lunch boxes, the number of orders we received daily varied, on some days it would be less than 100, and on others it would be more than 700-800, a demand we couldn’t possibly meet. Cathay’s eco-friendly lunch box project provided us with stable purchase orders.

Chairperson Chen of Sweetheart Sheltered Workshop

Making charity lunch boxes

Allocating NT$10 per lunch box for buying eco-friendly rice

Lunch Box form Organizations for people with mental disabilities

Total amount of purchasing rice from farmers in Taiwan

NT$ 165,010

Organizations for people with mental disabilities

Planting eco-friendly rice

Cathay

2016-2018 Charity Investment Categories and Amount (unit: NTD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Business promotion</th>
<th>Community engagement</th>
<th>Charity donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>54%</td>
<td>45%</td>
<td>1%</td>
</tr>
<tr>
<td>2017</td>
<td>45%</td>
<td>44%</td>
<td>8%</td>
</tr>
<tr>
<td>2018</td>
<td>46%</td>
<td>44%</td>
<td>8%</td>
</tr>
</tbody>
</table>

2016-2018 Public Welfare Activity Investment Ratio Description

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Welfare Expenditure (NTD)</th>
<th>Hours of Volunteer Participation</th>
<th>Participating Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>305,467,292</td>
<td>1,599,360</td>
<td>213</td>
</tr>
<tr>
<td>2017</td>
<td>362,456,788</td>
<td>2,190,937</td>
<td>271</td>
</tr>
<tr>
<td>2018</td>
<td>424,256,888</td>
<td>2,919,734</td>
<td>380</td>
</tr>
</tbody>
</table>

Public Welfare Expenditure (NTD)
Cathay FHC 2018 Corporate Sustainability Report
Appendix

GRI Standards

General Disclosures

GRI Standards | Main Issues | Corresponding Section | Page
--- | --- | --- | ---
102-1 Name of the organization | About the Report | 02
102-2 Activities, brands, products, and services | Business Performance | 24
102-3 Location of headquarters | About the Report | 02
102-4 Location of operations | Response to the GRI / Business Performance | 1024
102-5 Ownership and legal form | About the Report | 02
102-6 Markets served | Business Performance | 24
102-7 Scope of the organization | About the Report / Business Performance | 02/04
102-8 Information on employees and other workers | Employee Composition and Diversity | 48
102-9 Supply chain | Sustainable Procurement | 65
102-10 Significant changes to the organization and its supply chain | N/A, there were no significant changes to the organization and its supply chain. | -
102-11 Precautionary principle or approach | Strengthening Risk Management and Internal Control | 28
102-12 External initiatives | Leader in Sustainable Finance | 08
102-13 Membership of associations | Active Engagement to Guide Industrial Development | 25
102-14 Statement from senior decision-maker | Message from the Chairman | 02
102-15 Key impacts, risks, and opportunities | Strengthening Risk Management and Internal Control | 28
102-16 Values, principles, standards, and norms of behavior | About the Report / Cathay’s Declaration of Sustainability Value / Advancing Corporate Governance | 00/12/26
102-17 Mechanisms for advice and concerns about ethics | The Group’s Whistle-blowing Program | 32
102-18 Governance structure | Advancing Corporate Governance, Organization of Cathay FHC CS Committee | 24/25
102-22 Composition of the highest governance body and its committees | Board Diversity | 27
102-24 Nominating and selecting the highest governance body | Professional Qualifications, Independence, and Attendance rate | 28
102-28 Evaluating the highest governance body’s performance | Board Performance Evaluation and Third Party Certification | 27
102-30 Effectiveness of risk management processes | Strengthening Risk Management and Internal Control | 28
102-33 Communicating critical concerns | Materiality Analysis | 14
102-40 List of stakeholder groups | Stakeholder Engagement | 14
102-41 Collective bargaining agreements | N/A, there were no collective bargaining agreements | -
102-42 Identifying and selecting stakeholders | Stakeholder Engagement | 14
102-43 Approach to stakeholder engagement | Stakeholder Engagement | 14
102-44 Key topics and concerns raised | Materiality Analysis | 14
102-45 Entity included in the consolidated financial statements | Response to the GRI | 15
102-46 Defining report content and topic boundaries | Response to the GRI | 15
102-47 List of material topics | Materiality Analysis | 14
102-48 Restatements of information | N/A, there were no restatements of information | -
102-49 Changes in reporting | N/A, there were no changes in reporting | -
102-50 Reporting period | About the Report | 02
102-51 Date of most recent report | About the Report | 02
102-52 Reporting cycle | About the Report | 02
102-53 Contact point for questions regarding the report | About the Report | 02
102-54 Claims of reporting in accordance with the GRI Standards | About the Report | 02
102-55 GRI content index | Appendix | 79
102-56 External assurance | About the Report | 02

Material Topics

GRI Standards | Main Issues | Corresponding Section | Page
--- | --- | --- | ---
103-1 Explanation of the material topic and its boundaries | Business Performance, Task Force on Climate-related Financial Disclosures (TCFD) | 24/30
103-2 The management approach and its components | Cathay’s Corporate Sustainability Vision, Business Performance, Task Force on Climate-related Financial Disclosures (TCFD) | 18/24
103-3 Evaluation of the management approach | Business Performance, Task Force on Climate-related Financial Disclosures (TCFD) | 24/30
103-1 Directive economic value generated and distributed | Business Performance | 24
103-2 Financial implications and other risks and opportunities due to climate change | Task Force on Climate-related Financial Disclosures (TCFD) | 24/30
103-3 Evaluation of the management approach | Compliance | 32
103-4 Operations assessed for risk related to corruption | Compliance | 32
103-1 Explanation of the material topic and its boundaries | Compliance | 32
103-2 The management approach and its components | Cathay’s Corporate Sustainability Vision, Compliance | 18/22
103-3 Evaluation of the management approach | Compliance | 32
103-4 Operations assessed for risk related to corruption | Compliance | 32
103-1 Explanation of the material topic and its boundaries | Leader in Sustainable Finance, Intellectual Capital | 08/24
103-2 The management approach and its components | Leader in Sustainable Finance, Cathay’s Corporate Sustainability Vision, Intellectual Capital | 08/20
103-3 Evaluation of the management approach | Leader in Sustainable Finance, Cathay’s Corporate Sustainability Vision | 08/18
103-1 Explanation of the material topic and its boundaries | Sustainability Themed Investing/Lending | 06
103-2 The management approach and its components | N/A, there were no significant changes to the organization | -
103-3 Evaluation of the management approach | Business Performance, Task Force on Climate-related Financial Disclosures (TCFD) | 60
103-4 Operations assessed for risk related to corruption | Compliance | 32
103-1 Explanation of the material topic and its boundaries | Response to the GRI / Business Performance | 15/50
103-2 The management approach and its components | Cathay’s Corporate Sustainability Vision, Talent Retention and Happy Workplace | 15/50
103-3 Evaluation of the management approach | Talent Retention and Happy Workplace | 54
103-4 Operations assessed for risk related to corruption | Talent Retention and Happy Workplace | 48/54
103-1 Explanation of the material topic and its boundaries | Protecting Customers’ Personal Information and Information Security | 70
103-2 The management approach and its components | N/A, there were no significant changes to the organization | -
103-3 Evaluation of the management approach | Protecting Customers’ Personal Information and Information Security | 70
103-4 Operations assessed for risk related to corruption | Protecting Customers’ Personal Information and Information Security | 70
103-1 Explanation of the material topic and its boundaries | N/A, there were no significant changes to the organization | -
103-2 The management approach and its components | N/A, there were no significant changes to the organization | -
103-3 Evaluation of the management approach | N/A, there were no significant changes to the organization | -
103-4 Operations assessed for risk related to corruption | N/A, there were no significant changes to the organization | -

Appendix

Message from the Chairman
Cathay Corporate Sustainability (CS) Committee
Recognition from Sustainability Awards
Leader in Sustainable Finance
Cathay’s Sustainability Strategies
Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Chapter 1 Finance and Integrity Capital
Chapter 2 Intellectual Capital
Chapter 3 Human Capital
Chapter 4 Natural Resources Capital
Chapter 5 Social Relations Capital
Material Topics

<table>
<thead>
<tr>
<th>GRI Standards</th>
<th>Main Issues</th>
<th>Corresponding Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 419: Sustainability Accounting Standards Board</td>
<td>United Nations Global Compact Principles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ISO 26000 Index

<table>
<thead>
<tr>
<th>Category</th>
<th>Corresponding Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Governance</td>
<td>Finance and Integrity Capital</td>
<td>22</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Human Capital</td>
<td>46</td>
</tr>
<tr>
<td>Labor Practices</td>
<td>Human Capital</td>
<td>46</td>
</tr>
<tr>
<td>Environment</td>
<td>Natural Resources Capital</td>
<td>56</td>
</tr>
<tr>
<td>Fair Operating Practices</td>
<td>Finance and Integrity Capital</td>
<td>22</td>
</tr>
<tr>
<td>Consumer Issues</td>
<td>Social Relations Capital</td>
<td>66</td>
</tr>
<tr>
<td>Community Impacts and development</td>
<td>Social Relations Capital</td>
<td>66</td>
</tr>
</tbody>
</table>

Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"

<table>
<thead>
<tr>
<th>Category</th>
<th>Main Issues</th>
<th>Corresponding Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>The products and services designed by individual operating units to create benefits for the environment</td>
<td>Finance and Integrity Capital</td>
<td>36</td>
</tr>
<tr>
<td>Society</td>
<td>The products and services designed by individual operating units to create benefits for the society</td>
<td>Prosper with the Community</td>
<td>39</td>
</tr>
<tr>
<td>Employee</td>
<td>The number of full-time employees who are not in a managerial position, the average and figures from the previous year</td>
<td>Talent Retention and Happy Workplace</td>
<td>54</td>
</tr>
</tbody>
</table>

Sustainability Accounting Standards Board

<table>
<thead>
<tr>
<th>Category</th>
<th>Corresponding Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Natural Resources Capital</td>
<td>56</td>
</tr>
<tr>
<td>Social Capital</td>
<td>Human Capital, Social Relations Capital</td>
<td>46/56</td>
</tr>
<tr>
<td>Human Capital</td>
<td>Human Capital</td>
<td>46</td>
</tr>
<tr>
<td>Business Model &amp; Innovation</td>
<td>Finance and Integrity Capital, Natural Resources Capital</td>
<td>22/56</td>
</tr>
<tr>
<td>Leadership &amp; Governance</td>
<td>Intellectual Capital</td>
<td>34</td>
</tr>
</tbody>
</table>
Message from the Chairman
Cathay Corporate Sustainability (CS) Committee
Recognition from Sustainability Awards
Leader in Sustainable Finance
Cathay’s Sustainability Strategies
Materiality Analysis
Cathay’s Key Sustainability Breakthroughs
Cathay’s Corporate Sustainability Vision
Cathay’s Sustainable Value Creation Process
Chapter 1  Finance and Integrity Capital
Chapter 2  Intellectual Capital
Chapter 3  Human Capital
Chapter 4  Natural Resources Capital
Chapter 5  Social Relations Capital
Appendix
This report is printed with recycled paper meeting Forest Stewardship Council certification standards and non-toxic soy ink.