



國泰金控

Cathay Financial Holdings

2019 Corporate Sustainability Report

Cathay Financial Holdings



About this Report

Cathay Financial Holding Co., Ltd. (hereinafter referred to as "Cathay FHC") upholds the principle of prudent management in the face of global political and economic changes. We have identified three engines of growth - "Insurance, Banking 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 region."

Reporting Period

Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2019 Corporate Sustainability (CS) Report issued in July 2020 presents Cathay FHC's economic and environmental (E), social (S), and governance (G) performance in 2019 (1/1-12/31). The report allows all stakeholders interested in Cathay'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 June 2019.

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 TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, and Regulations Governing Preparation and Filing of CSR Reports by TSEC and GTSM Listed Companies, and Sustainability Accounting Standards Board, SASB. The financial data in this report is audited by Deloitte & Touche (Taiwan) and published in Cathay FHC 2019 Annual Report. The non-financial data is based on the declared information to competent authorities or audited by external management system accreditations authorities.

Report Verification and Assurance

The Company entrusted BSI Taiwan to verify its report based on the GRI Standard - Core Options and AA1000 AS Type 2 High Assurance. Its independent assurance statement is published as an appendix to this report.

The Company has engaged PwC Taiwan to corroborate its indicators of sustainability performance 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 ISAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendices of this report.

Standard	Inspection/assurance institution
Sustainability Data	
AA1000AS: 2008 with 2018 Addendum Type 2 high-level assurance	BSI Taiwan
Statement of Assurance Principles No. 1, Audit and Review of Non-financial Information	PwC
Financial Data	
Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards	Deloitte & Touche (Taiwan)
Environmental Data	
ISO 14064-1:2018 Greenhouse Gas Inventory	BSI Taiwan
ISO 20400:2017 Sustainable Procurement	
ISO 14001:2015 Environmental Management Systems	SGS Taiwan
ISO 50001:2018 Energy Management Systems	

Cathay Financial Holding Co., Ltd.

Date of Incorporation	December 31, 2001
Brand Spirit	Rediscovering Happiness
Core Values	Integrity, Accountability, Innovation
Headquarters Address	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
Contact Department	Corporate Sustainability Office, Cathay FHC
Mail	cscathay@cathayholdings.com.tw
Tel	+886-2-27087698
Full Time Employees	47,223 people
Total Assets	NT\$ 10.1 trillion
Capital	NT\$ 147.02 billion
Corporate Sustainability Website	https://www.cathayholdings.com/en/holdings/csr

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Message from the Chairman

Sustainable Cathay : What if We Could

When facing the risks and opportunities brought by extreme climate conditions, an aging population, and the rise of FinTech, I encourage our employees to bear in mind the spirit of "What if We Could," and I hope that everyone will open their minds and think outside the box: "If we could do something different, what would we do? If we are willing to change the status quo and challenge ourselves, what would the future be like?" Cathay FHC fully supports the concept of sustainability from the top down starting with our Board of Directors. We have a strong sense of responsibility that drives us to contribute to society and the environment. We strive to utilize our core competencies in financial services to benefit all our stakeholders.

Exerting Every Effort to Make Progress in Both EPS and CS

Cathay FHC completed the election of our 7th Board of Directors in 2019. In order to increase the diversity and independence of our board, we added a woman as an independent director and increased the total number of independent directors to four. Our business performance set a new record and our total assets surpassed NT\$10 trillion; our net profit of NT\$63.86 billion was a record high. We were selected as a constituent stock of the DJSI World Index for the second consecutive year and the DJSI Emerging Markets Index for the fifth consecutive year, and were rated by the CDP at the leadership level (A-), the highest among financial institutions in Taiwan.

We upgraded our organization structure to generate greater synergy from the group's promotion of sustainability. Specifically, Cathay FHC established a dedicated Corporate Sustainability (CS) Office directly reporting to the President of Cathay FHC, and each of our subsidiaries have dedicated departments promoting sustainability. We believe this further strengthens cross-subsidiary communication and integration of sustainability-related affairs.

Creating a Win-Win Situation for the Environment and Economy for the Next Generation

Cathay FHC has taken the lead when facing climate change. Our Chief Risk Officer leads the Task Force on Climate-Related Financial Disclosures (TCFD) in incorporating climate risk in the group's risk management. Our Chief Investment Officer leads the development of responsible investments. Cathay Life is the first in the industry to verify the carbon footprint of listed equity assets, corporate bonds, and non-corporate bonds, so as to manage the climate risk of investment portfolios. Furthermore, the group is actively participating in international climate change engagement actions, and is the only financial institution in Taiwan to participate in the CDP's Non-Disclosure Campaign (NDC) for three consecutive years. So far the NDC has successfully made 16 Taiwan enterprises disclose their carbon emissions. As a result, in 2019 Taiwan ranked 9th worldwide in terms of its NDC engagement success rate. We have organized a Climate Change Forum for three consecutive years, and co-organized the AIGCC with the Taiwan Stock Exchange Corporation in 2019, which was attended by over half of the companies in the FTSE TWSE Taiwan 50 Index.

Cathay FHC's subsidiaries lead the industry in investing in the low carbon economy under the leadership of the President of Cathay FHC. Cathay United Bank is the first bank in Taiwan to provide solar power station financing and offshore wind power financing, and also served as the arranger of the syndicated loan for the largest offshore wind farm in the Asia-Pacific in 2019. Cathay United Bank also announced that it will stop providing loans to all coal-fired power plants. Cathay Life is actively promoting mobile insurance services and utilization by customers has reached 96%. All of Cathay Life's products have obtained carbon footprint certification and have a carbon footprint of 3.37 Kg CO₂e, the best in Taiwan's life insurance industry. Cathay Life is the first insurance company in Taiwan to obtain the carbon reduction label. Cathay Century Insurance also established rules on carbon footprint product categories for the property insurance industry in 2019, and became the first property insurance company to obtain the Environmental Protection Administration's carbon label.

Thoughtful Services Make Life Better

Corporations gain greater social influence as they grow larger. Cathay Life was the first in the industry to offer small amount whole life insurance in response to the aging population, allowing the elderly or people with a limited budget to also have insurance coverage. As of the end of 2019, Cathay Life provided approximately 200,000 policyholders with basic economic security, the highest number in the industry. Furthermore, we hope that everyone can stay healthy in their old age, and so in 2018 we developed the "Cathay Walker" platform to encourage policyholders to get into the habit of walking 7,500 steps every day by providing incentives for reaching weekly and monthly goals. We believe this habit will lower the occurrence of illness among policyholders. The number of steps walked by participants by the end of 2019 was enough to walk to the moon and back 142.6 times.

After the financial crisis, countries around the world became more concerned about financial consumer protection and looked to rebuild the confidence of consumers in the financial service industry. Cathay Life was the first in the industry to establish a Treating Customers Fairly Promotional Committee, and Cathay United Bank established a Consumer Dispute Review Committee. In the first Financial Industry Treating Customers Fairly Evaluation announced by the Financial Supervisory Commission in 2019, Cathay Life and Cathay United Bank both won first place, and Cathay FHC became the only financial holdings company to have two subsidiaries win first place.



Embracing Digital Transformation Towards the Future

We actively embrace the changes arising from the digital era and have become more agile in every aspect. Cathay FHC established the Digital, Data & Technology Center (DDT) in 2016 to drive the group's digital transformation. In 2019, we used our "reward point donation function" on our My Rewards platform to work with Teach For Taiwan (TFT) in crowdfunding to support education in rural areas. Furthermore, we integrated the resources of Cathay Life and hospitals, and worked together with the US-based insurance company Clover Health in developing a chronic illness risk prediction model. We launched the "Cathay At Your Side Health Project" on this basis, using AI and big data analytics to screen policyholders with chronic illnesses and high health risks, and work together with healthcare institutions to actively assist policy holders in managing their health. As a result, we seek to transform the role of insurance companies and become a partner in protecting the health of our policyholders.

Cathay FHC will soon be celebrating its 60th anniversary. It is at this crucial time that we use the spirit of "What if We Could" to bring sustainability into our daily operations and to make breakthroughs. We hope to become a company that allows employees to fully utilize their talents, is trusted by customers, provides investors with long-term returns, and is respected by society.

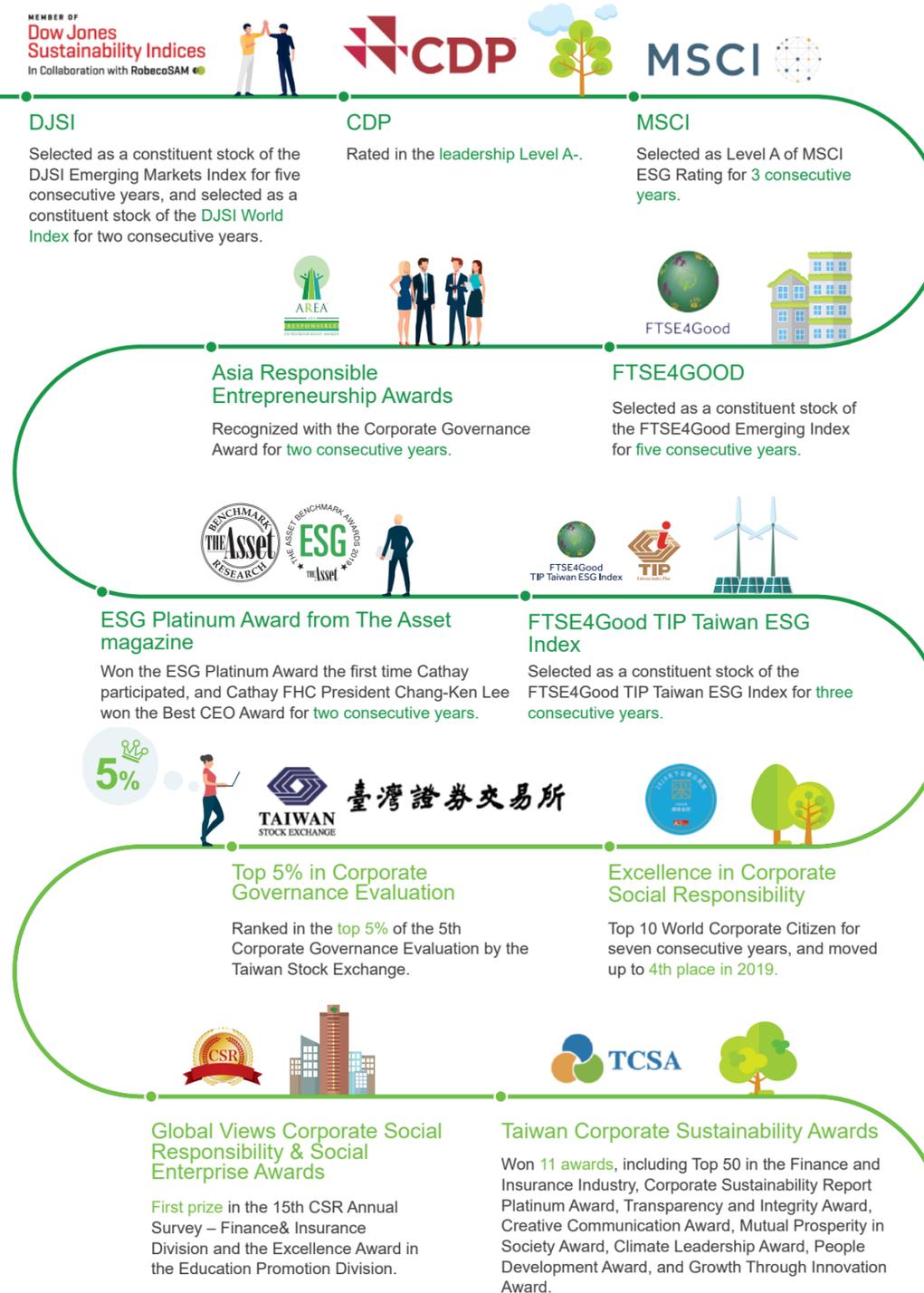


蔡若園
Chairman



Sustainability Awards and Recognition

Cathay FHC has been recognized for its efforts in sustainability, and the real and priceless feedback we have received continues to drive us towards excellence. The following are honors received by Cathay for efforts in sustainability in 2019:



Sustainability Highlights and Breakthroughs

A Trustworthy Enterprise CH1 Finance and Integrity Capital

- Outsourced an external unit to complete external board performance evaluation.
- Added 1 female independent director and increased the number of independent director seats from 3 to 4.
- Included emerging risks in the Risk Management Policy and established Emerging Risk Management Guidelines.



A Responsible Financial Service Provider CH2 Intellectual Capital

- Established "Climate Change" and "ESG" as the main engagement strategies for more in-depth engagement with invested companies.
- Arranger of the syndicated loan for wind turbines in the largest offshore wind farm in the Asia Pacific.
- Cumulative number of steps on Cathay Walker enough to walk to the moon and back 142.6 times.
- Established Cathay Financial Innovation Lab and selected 9 elite startup teams to work together with Cathay's business and technology teams.



An Appealing Recruiter CH3 Human Capital

- CIP reinstatement rate reached 21%.
- Strives to develop employees into digital citizens, and recognized with 13 major awards for the implementation of digital transformation.
- The employee health promotion plan effectively lowered the ratio of the high risk group by 3%, and we became the first and only financial institution to win the Corporate Health Responsibility (CHR) Award.
- Published the "Cathay Father's Manual," which was jointly designed with Cathay General Hospital, lifting the pressure on new parents. The manual is available to the public.



A Leader of Climate Change Management CH4 Natural Resources Capital

- The first in Taiwan's financial industry to carry out climate scenario analysis to evaluate the financial impact of climate change.
- Cathay Life's life insurance policy is the first in the industry to be recognized with the carbon reduction label, and Cathay Century is the first property insurance company to establish Product Category Rules(PCR).
- The only financial institution in Taiwan to participate in the CDP Non-Disclosure Campaign. Taiwan now ranks 9th globally in NDC success rate according to CDP Report.



A Corporate Citizen that Actively Contributes CH5 Social and Relationship Capital

- Cathay Life and CUB both won first place in the first Financial Industry Treating Customers Fairly Evaluation.
- Use of the chatbot "Alpha" accounts for over 30% of overall customer services. The ratio of customers transferred by "Alpha" to a customer service representative decreased from 4.5% when the chatbot was first launched to 1.5%.
- Offered diverse volunteer service opportunities, and the number of volunteer service hours grew by 61% in 2019.



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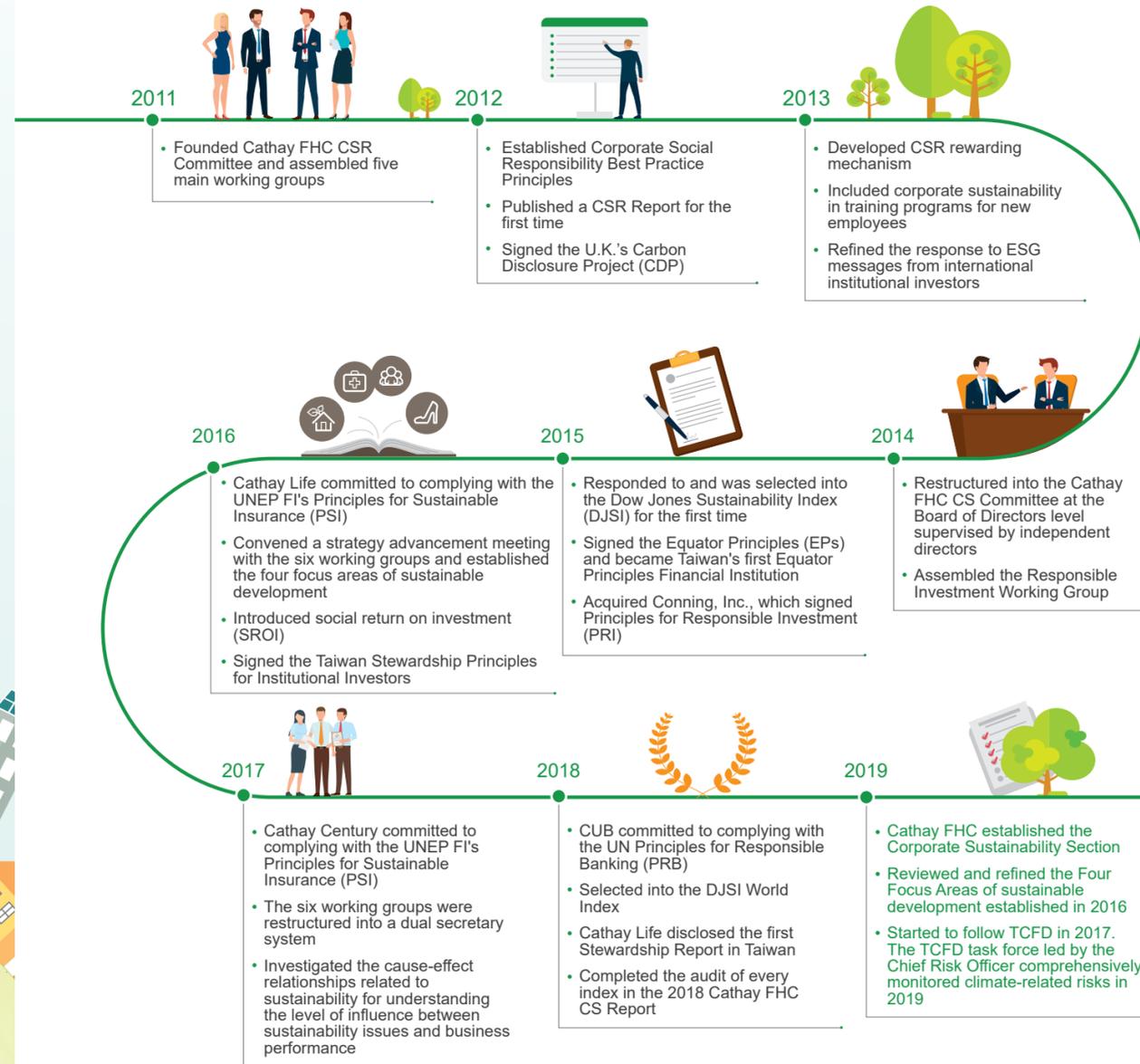
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Managing Sustainability

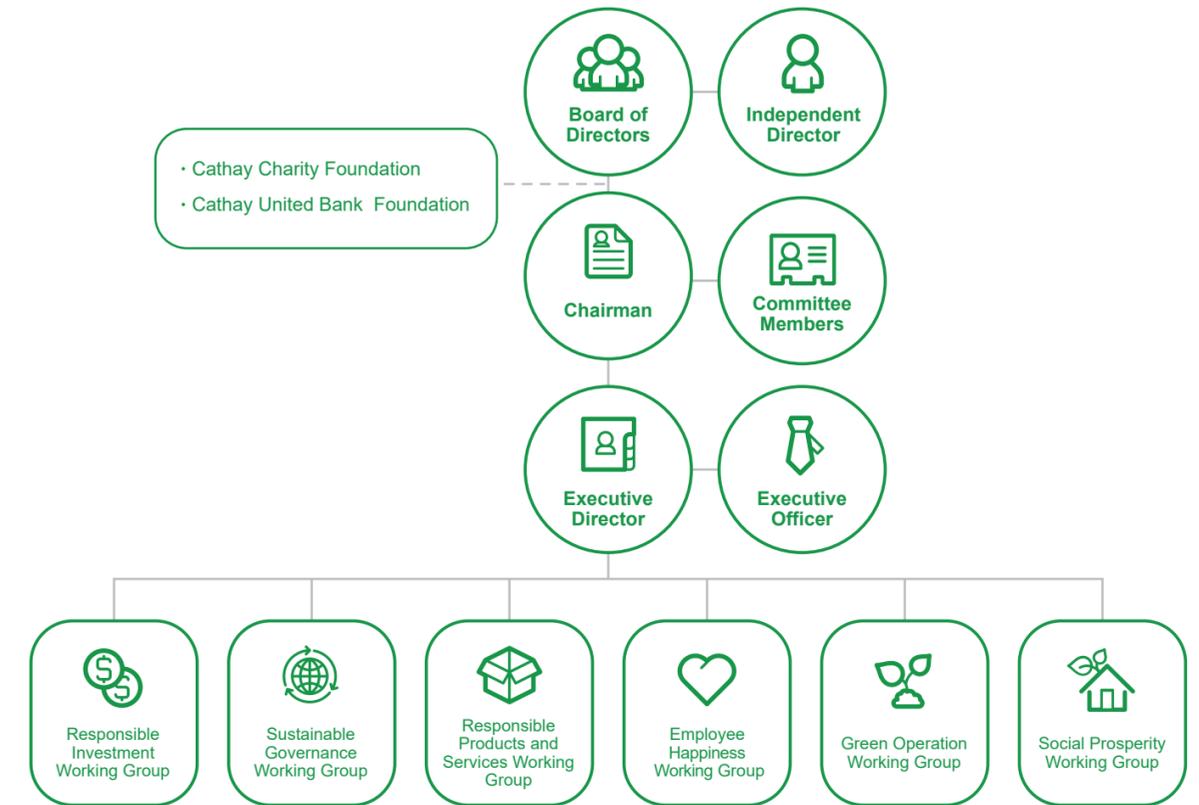
Cathay FHC has established well-rounded management mechanisms and communication channels through the Cathay CS Committee, in order to address the complex and rapidly changing social and environmental challenges. Cathay FHC implemented the following action plans under the four focus areas of sustainability, which are based on areas where we can contribute our core competencies in finance after considering the 17 Sustainable Development Goals (SDGs) of the United Nations. We established sustainability goals based on issues of concern to the 8 types of stakeholders, and explain capital inputs and outputs from the sustainable value creation process. Finally, we tracked the impact of Cathay FHC's business activities on society and the environment from a monetary approach, in hopes of achieving our vision of becoming a leading financial institution in the Asia-Pacific region.

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:



Organization of Cathay FHC CS Committee



Cathay's Declaration of Sustainability Values

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.



Four Focus Areas for Sustainability and Response to SDGs

The UN proposed 17 SDGs in 2015 in hopes of resolving crises worldwide through solutions proposed by governments, enterprises, and organizations. Cathay FHC seeks a balance between economic development, social inclusion, and environmental sustainability from the perspective of its subsidiaries' financial competencies.

Cathay ESG Four Focus Areas

Cathay FHC established the four focus areas for sustainability through the following procedures, and focus on 10 SDGs to achieve sustainability.



Cathay's Contribution to the SDGs

Climate Action

Take the impact of climate change on operations and business development into consideration during strategy planning, and actively take action

- Low carbon investment/lending amount reached NT\$165.2 billion.
- The only financial institution in Taiwan to participate in the CDP Non-Disclosure Campaign, and successfully engaged 16 Taiwanese companies since 2017.
- CUB no longer provides loans to any coal-fired power plants, and Cathay Life lists coal-fired power companies that are not actively transitioning to renewable energy as not eligible for investment.
- Co-organized the Climate Change Forum with Taiwan Stock Exchange and AIGCC.
- Facilitate low carbon products, reduced paper use by nearly 100 million sheets in 2019, which is equivalent to over 12,000 trees.

Corresponding Capital: Finance and Integrity Capital, Intellectual Capital, Natural Resources Capital
Four Focus Areas: Renewable Energy and Infrastructure

Sustainable Cities and Communities

Provide financial products and services when developing sustainable cities

- Cumulative premium income from green vehicle insurance reached NT\$493.16 million.
- Cumulative insured amount of bicycle insurance reached NT\$8.67 million.
- Cumulative insured amount of public bicycle insurance reached NT\$4.53 million.
- Obtained green building certificates for 2 buildings, bringing the total to 15 green buildings.

Corresponding Capital: Finance and Integrity Capital, Intellectual Capital, Natural Resources Capital
Four Focus Areas: Renewable Energy and Infrastructure

Industry, Innovation and Infrastructure

Provide growing companies with basic capital and protection, and develop new financial products to increase financial inclusion

- Infrastructure investment/lending amount reached NT\$658.6 billion.
- Cumulative balance of SME loans reached NT\$209.4 billion.
- Cathay Sustainability PE Fund committed to providing NT\$8.03 billion to key industries to Taiwan's sustainable development.
- Cumulative insured amount of Cathay Century crop insurance reached NT\$41.04 million.
- Supported 8 social enterprises with loans reaching NT\$21.32 million and made procurements in the amount of NT\$2.7 million from social enterprises.
- CUBC worked together with the second largest telecom operator in Cambodia in developing first micro financing project to use telecom data as the basis for credit ratings.

Corresponding Capital: Intellectual Capital, Social and Relationship Capital
Four Focus Areas: Renewable Energy and Infrastructure, Community and Financial Inclusion

Decent Work and Economic Growth

Plan career paths for employees and the youth and protect the work rights of different groups

- The average margin of raises in the past three years was 3.32%.
- In 2019, CIP and CAP trained 133 interns and cumulative reinstatement rate reached 21%.
- Average salary of non-managerial full-time employee increased 9.8% compared to last year.
- Amount of assets in CUB's CPBL Gambling Prevention Trust exceeded NT\$132 million.
- Established a complete education and training system and employees on average received 164 hours of training.
- Cathay employees come from a total of 15 countries, 315 employees are indigenous, and 466 employees are persons with disabilities.

Corresponding Capital: Finance and Integrity Capital, Intellectual Capital, Human Capital
Four Focus Areas: Renewable Energy and Infrastructure, Women Empowerment, Community and Financial Inclusion



We began discussing adjustments to focus areas at the end of 2019 to become more aligned with international trends and utilize our core abilities. We expect to complete adjustments in 2020.



Cathay's ESG four focus areas
We matched them to 10 SDGs and worked together with partners to support sustainable development goals.

No Poverty Promote financial inclusion and help the underprivileged get out of poverty

- Community and inclusive finance investment/lending reached NT\$9.2 billion.
- Promoted micro insurance and cumulative insured amount reached NT\$89.5 billion with a total of 279,000 insured persons, in which 679 disadvantaged households received insurance payouts.
- Amount of assets in CUB's Charitable Trust reached NT\$37.63 billion.
- Cumulative balance of loans provided by CUB to microfinance institutions (MFIs) in Southeast Asia reached US\$58.6 million.
- The Elevated Tree Program made cumulative donations reaching NT\$172 million in Taiwan and overseas, and were used to help over 100,000 underprivileged students pay their tuition and miscellaneous fees.

Corresponding Capital: Intellectual Capital, Social and Relationship Capital
Four Focus Areas: Community and Financial Inclusion

Good Health and Well-being Encourage the public to actively implement health management under the theme of health promotion

- Aging society and health investment/lending amount reached NT\$415.6 billion.
- Approximately 220,000 people participated in Cathay Walker and walked a cumulative 175.4 billion steps. 8 health-promoted insurance policies are available for applying to Cather Walker project.
- Cathay Life small amount whole life insurance provides basic economic security to over 200,000 policy holders.
- Amount of assets in the Disability & Retirement Trust (for elderly and disabled people) reached NT\$1.265 billion.
- The employee health promotion plan lowered the ratio of employees with high health risks by 3%.
- Implemented the EAP to care for employees' physical and mental health, and over 90% of users were highly satisfied.
- Developed a chronic disease risk prediction model and assisted the public in starting to manage their health as soon as possible.
- Promote safety risk prevention and SROI of Accident-Free Riders was NT\$3.3.

Corresponding Capital: Intellectual Capital, Human Capital, Social Relationship Capital
Four Focus Areas: Aging Society and Health, Community and Financial Inclusion

Quality Education Utilize core competencies to combine financial products and services and provide suitable education measures

- Cathay Life provided student group insurance to jointly protect 3 million students with the Ministry of Education, and implemented the Sustainable Campus Project.
- Provided approximately 220 children of new residents with risk and financial management courses.
- My Rewards app reward points donation provided 350 students in rural areas with teaching resources for one year.
- Cathay's Dream Come True Program has helped 1,948 students fulfill their dreams.

Corresponding Capital: Intellectual Capital, Social and Relationship Capital
Four Focus Areas: Community and Financial Inclusion

Gender Equality Set different examples of women to create a culture that does not limit career development due to gender

- Encouraged female managers to become role models for female employees: Ms. Li-Ling Wang was appointed as an independent director, and Chief Investment Officer Sophia Cheng was recognized as "Asia's Top Sustainability Super Women."
- Provided gender friendly measures better than regulatory requirements, and provided male employees 7 days paternity leave, more than the requirement in the Labor Standards Act.
- Organized "Love Yourself" women empowerment event with a total of nearly 800 participants.
- Trained 61 female basketball players who have been the reigning champion of WSBL for 26 consecutive years.
- Trained 35 female table tennis players on the national team that qualified for the 2020 Tokyo Olympics.

Corresponding Capital: Finance and Integrity Capital, Human Capital, Social and Relationship Capital
Four Focus Areas: Women Empowerment

Affordable and Clean Energy Provide cash flow to help lower the cost of renewable energy

- Total installed capacity from offshore wind power financing in Taiwan and overseas reached 768 MW.
- Renewable Energy Contractors' & Erection All Risks Insurance coverage reached NT\$91.32 billion.
- Total installed capacity from solar power financing in Taiwan and overseas reached 517 MW.
- Cathay's building in Wuri, Taichung has the highest installed capacity of solar panels in the financial industry in Taiwan, with 183 kW panel installed. The solar panels are expected to generate about 200,000 kWh of electricity a year.

Corresponding Capital: Intellectual Capital, Natural Resources Capital
Four Focus Areas: Renewable Energy and Infrastructure



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Appendix

CS Issue Materiality Analysis

Stakeholder Engagement



Stakeholder Engagement

Cathay FHC listens to the needs of stakeholders, makes immediately adjustments to its approaches to achieving corporate sustainability, and takes stakeholders' opinions into consideration when formulating its corporate sustainability strategy. Cathay identifies 8 groups of stakeholders based on four indicators: "Cathay's form of business management," "levels of interaction with stakeholders," "levels of influence on Cathay," and "levels of influence by Cathay." We uphold four principles of engagement: materiality, effectiveness, flexibility, and respect and followed Cathay FHC Stakeholder Engagement Strategy on this basis. We disclose engagement results through a variety of communication channels which from the perspective of issues of concern to stakeholders.

Engagement methods include: Issuing reports and press releases; holding shareholders' meetings, investor conferences, forums, and charitable events; responding to investor ESG questionnaires and participating in international initiatives; conducting employee and customer satisfaction surveys.

Cathay FHC's stakeholder communication channels, engagement frequency, engagement feedback mechanisms, and 2019 communication results are disclosed on the official website of Cathay FHC.



Identification and Response to Material Sustainability Issues

Cathay FHC conducted the CS Issue Materiality Analysis in 2019, and the process for identifying material sustainability issues is described below.

Identification

- 1 **Collect information and identify issues**
Identify issues that stakeholders are concerned about, and analyze global regulations on CSR disclosures, benchmark companies in the industry, international trend reports, and Cathay FHC's vision for sustainability and organizational development goals.
- 2 **Identify potential issues**
Find 9 economic issues, 3 environmental issues, and 8 social issues related to Cathay.

Prioritize

- 3 **Understand the materiality of issues**
Issued materiality analysis questionnaires in 2017 to survey the level of concern about sustainability issues among 155 stakeholders, and 15 senior executives each year determined the impact of sustainability issues on operations.
- 4 **Prioritize issues**
Take stakeholders' opinions into consideration when ranking the material issues by level of concern and analyzing their impact.
- 5 **Adjust the priority of issues**
Senior executives and the sustainability team discuss results of the materiality analysis.

Actions

- 6 **Draw the matrix**
Generate the 2019 Material Issue Matrix.
- 7 **Set sustainability goals**
Set short-term, mid-term, and long-term goals for material issues, and actively manage and track the goals to respond to stakeholders' expectations. Please see the relevant chapters for details on sustainability goals.

Cathay FHC 2019 Material Topic Matrix



Description of changes in material issues in 2019:

Note 1: "Human Rights" and "Employee Diversity/Inclusion" were merged into "Human Rights and Employee Diversity" with consideration to the contents and overlap between the issues, so the number of material issues in 2019 decreased by 1 compared to 2018.

Note 2: Compared with material issues in 2018, "Green Finance" was included as a material issue and "Loss Control" and "Attracting and Retaining Talents" were excluded.

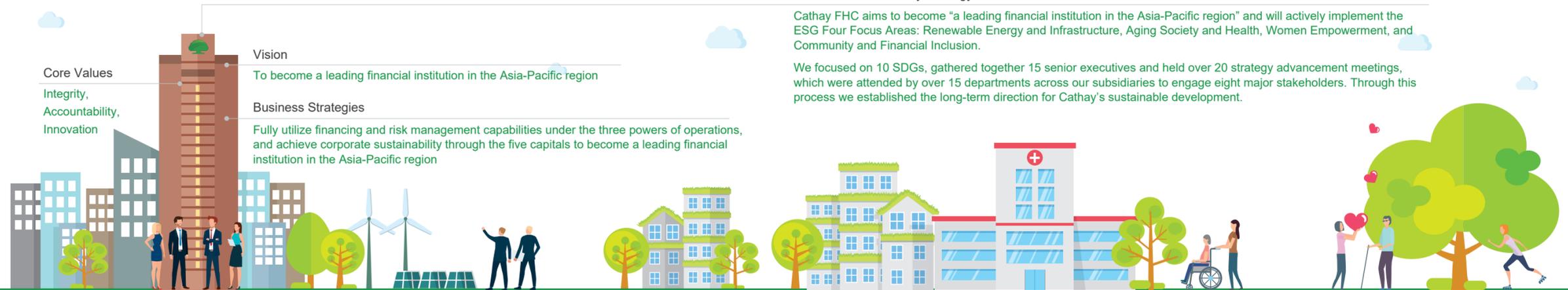
Response to the GRI

This report has been prepared based upon the scope of the consolidated financial statements. It encompasses Cathay FHC and its subsidiaries: Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), Cathay Venture and Cathay Futures, and discloses information that is relevant to Cathay's core region of operations, Taiwan. This report provides information on important investment and lending counterparts, suppliers, and customers based on the disclosure requirements of each type of capital.

Note : Items marked with ☆ are material topics of Cathay FHC in 2019

Cathay's Sustainability Issues	Materiality to Cathay	GRI Standards	Page
Finance and Integrity Capital			
☆ Business Performance	While taking steady strides towards becoming the leading financial institutions in the Asia Pacific region, Cathay also gives consideration to corporate sustainability to create greater value for shareholders and other stakeholders.	• Economic Performance	21
☆ Corporate Governance	Corporate governance is the cornerstone of corporate sustainability, and Cathay actively implements corporate governance based on the core values of "Integrity, Accountability, and Innovation," in order to effectively manage its business risks and improve its business performance.	• Material Topics Identified by Cathay	24
☆ Compliance	The global regulatory environment has grown strict and there have been rapid changes in the financial environment in recent years. Cathay has adopted a risk-based approach to strengthening compliance management, and ensures that all employees comply with related laws and regulations.	• Anti-corruption • Socioeconomic Compliance	31
☆ Risk Management	Cathay FHC attaches equal importance to the management of conventional risks and emerging risks, in which the Board of Directors is the highest level supervisory unit for implementing risk management and internal control.	• Material Topics Identified by Cathay	27
☆ Information Security	Cathay established the information security policy in response to the trend of digitalization, and carefully protects key systems by strengthening information security capabilities.	• Material Topics Identified by Cathay	30
Intellectual Capital			
☆ Responsible Investment and Lending	Cathay integrated ESG in the investment and lending process in response to the rise of institutional investor activism, and strengthened engagement with investment and lending subjects, using the influence of cash flow to achieve sustainable finance.		38
☆ Green Finance	As the leading brand of green finance, Cathay invests in renewable energy and provides green energy related financial products and services to stimulate the renewable energy market.		42
Financial Inclusion	Cathay provides new forms of financial products and services for the financially underprivileged, and lowers the cost of accessing financial services to realize financial inclusion.	• Indirect Economic Impacts • Local Communities • Product Portfolio • Equity Owners	47
☆ Changes in Demographic Structure	Aging society will have a major impact on the financial market and individual risk plans. Cathay designed related products and services to the financial needs of the elderly.		45
☆ Digital Finance	Cathay FHC's DDT collaborated with subsidiaries to address the rapid developments in the digital finance environment and technologies, in hopes of creating maximum synergy to improve the digital finance service experience of customers.		51
Loss Control	Cathay Century utilizes its expertise in loss control to effectively lower the frequency and severity of accidents.	• Material Topics Identified by Cathay	50
Human Capital			
Attracting and Retaining Talents	Employees are important assets of companies. Cathay provides excellent salaries and benefits to attract outstanding talent, and designed a job rotation mechanism for employees to gain different abilities.	• Employment	63
Employee Learning and Development	Cathay has exerted great effort to providing a wide range of education and training courses in response to digital transformation. We hope that creating a work environment where employees can continue to learn and be creative will improve their competencies and bring out their potential.	• Training and Education	63
Occupational Health and Safety	Cathay has processes for occupational safety and health as well as employee health risk management. The company also offers related courses, and has implemented the EAP to protect employees' physical and mental health.	• Occupational Health and Safety	67
Human Rights and Employee Diversity	Cathay implements human rights protection and established the Cathay FHC Human Rights Policy based on the Universal Declaration of Human Rights, in order to create a workplace culture of equality and diversity, helping employees work with peace of mind and contribute their different perspectives.	• Human Rights Assessment • Non-Discrimination • Diversity and Equal Opportunity	58
Natural Resources Capital			
Green Operations	Cathay implemented energy and environmental management systems to identify relevant risks in an effort to effectively manage and reduce the impact of operations on the environment.	• Energy • Emissions	72
Climate Change	The top five risks in the Global Risk Report 2020 are climate-related. Cathay has a cross-company, multidisciplinary TCFD Task Force that analyzes and responds to opportunities and risks brought by climate change.	• Indirect Economic Impacts	72
Responsible Procurement	Procurements are able to influence suppliers to a certain extent. Hence, we established the Cathay FHC Sustainable Procurement Policy and conduct supplier evaluations to manage suppliers and jointly promote sustainability.	• Procurement Practices	81
Social and Relationship Capital			
☆ Customer Relationship Management	One out of every two people in Taiwan is a customer of Cathay. We listen to what our customers need and have optimized the service process to provide complete and thoughtful financial services.	• Customer Privacy	82
Community Involvement	Cathay upholds the spirit that "Happiness is giving happiness." We established the Cathay Public Welfare policy on this basis, and work together with key partners for public welfare.	• Local Communities	89
Loss Control	Cathay Century promoted risk prevention education based on the goal of "comprehensive identification of risks for all ages."	• Material Topics Identified by Cathay	90

Cathay's Sustainable Value Creation Process



Business Sustainability Strategy

Cathay FHC aims to become "a leading financial institution in the Asia-Pacific region" and will actively implement the ESG Four Focus Areas: Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion.

We focused on 10 SDGs, gathered together 15 senior executives and held over 20 strategy advancement meetings, which were attended by over 15 departments across our subsidiaries to engage eight major stakeholders. Through this process we established the long-term direction for Cathay's sustainable development.

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Appendix

	Finance and Integrity Capital	Intellectual Capital	Human Capital	Natural Resources Capital	Social and Relationship Capital																																																																
Capital Investment	<ul style="list-style-type: none"> Capital 147 billion Total assets 10.1 trillion 	<ul style="list-style-type: none"> Invested NT\$ 741 million in product development Number of responsible investment team member 51 	<ul style="list-style-type: none"> Number of employees 47,223 people Training cost per employee: NT\$ 15,559 dollars 	<ul style="list-style-type: none"> Green procurements amounted to NT\$ 521 million Spent NT\$ 7.81 million on an environmental data inventory, energy and environmental management system, sustainable procurement management system, and carbon footprint on products system 	<ul style="list-style-type: none"> Completion of personal information protection training reached 100% Public welfare expenditure NT\$ 400 million 																																																																
Capital Output	<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Net Profits and Economic Value Retained</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net profit (NT\$ billion)</td> <td>56.7</td> <td>51.8</td> <td>63.9</td> </tr> <tr> <td>Economic value retained (NT\$ billion)</td> <td>31.5</td> <td>18.5</td> <td>42.3</td> </tr> </tbody> </table> <p>Note 1: Economic value retained = "Direct economic value generated" - "Economic value distributed" Direct economic value generated is revenue, and direct economic value distributed is: Operating costs, employee salaries and benefits, payments to investors, payments to governments of each country, and community investments.</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Average Board Meeting Attendance Rate</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Attendance rate (actual and proxy)</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Actual attendance rate (only actual attendance is calculated)</td> <td>83%</td> <td>88%</td> <td>90%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>2017 (3rd year)</th> <th>2018 (4th year)</th> <th>2019 (5th year)</th> </tr> </thead> <tbody> <tr> <td>Corporate Governance Evaluation</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Ranking</td> <td>6-20%</td> <td>Top 5%</td> <td>Top 5%</td> </tr> </tbody> </table>		2017	2018	2019	Net Profits and Economic Value Retained				Net profit (NT\$ billion)	56.7	51.8	63.9	Economic value retained (NT\$ billion)	31.5	18.5	42.3		2017	2018	2019	Average Board Meeting Attendance Rate				Attendance rate (actual and proxy)	100%	100%	100%	Actual attendance rate (only actual attendance is calculated)	83%	88%	90%		2017 (3rd year)	2018 (4th year)	2019 (5th year)	Corporate Governance Evaluation				Ranking	6-20%	Top 5%	Top 5%	<ul style="list-style-type: none"> Low carbon investments amounted to NT\$ 165.2 billion Infrastructure investments amounted to NT\$ 658.6 billion Aging society and health investments amounted to NT\$ 415.6 billion Community and inclusive finance investments amounted to NT\$ 9.2 billion Developed 229 new insurance products Mobile insurance utilization reached 99.15% Digital banking users reached 4.22 million 	<ul style="list-style-type: none"> Employee engagement score 4.14 (5 points in total) Average revenue per employee NT\$ 10,011,000 dollars Human capital ROI: 9.18 Key talent retention rate 98% 	<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Environmental Performance</td> <td></td> <td></td> <td></td> </tr> <tr> <td>GHG emissions (Scope 1 + 2) metric tons CO2e</td> <td>58,523.28</td> <td>55,759.80</td> <td>54,769.75</td> </tr> <tr> <td>Average power consumption per capita kWh</td> <td>2,251.25</td> <td>2,142.6</td> <td>2,052.83</td> </tr> <tr> <td>Installed capacity of solar panels kW</td> <td>1,979</td> <td>3,400</td> <td>5,600</td> </tr> </tbody> </table> <p>Note 1: Scope 1 and 2 GHG and power consumption inventories have been conducted in compliance with ISO14064-1 and received third-party certification; the certification organization was SGS in 2017 and 2018 and BSI in 2019.</p> <p>Note 2: Scope 1 and 2 inventories cover: All 434 business locations and 44,445 employees of Cathay FHC and its subsidiaries in 2017; 45,961 employees in 2018, and 46,990 employees in 2019.</p> <p>Note 3: For more information, please see the chapter on natural resource capital.</p>		2017	2018	2019	Environmental Performance				GHG emissions (Scope 1 + 2) metric tons CO2e	58,523.28	55,759.80	54,769.75	Average power consumption per capita kWh	2,251.25	2,142.6	2,052.83	Installed capacity of solar panels kW	1,979	3,400	5,600	<ul style="list-style-type: none"> Cathay Life and CUB both placed first in the first "Financial Industry Treating Customers Fairly Evaluation" Cathay Life's average NPS of online nodes increased 10.8 points Cathay FHC and its subsidiaries were not fined for any infringements on personal information Procured NT\$ 2.7 million in products and services from social enterprises Dream Come True Program has helped 1,948 students fulfill their dreams Worked with Teach For Taiwan for 3 years and allowed 164 teachers to create dreams for 4,920 students
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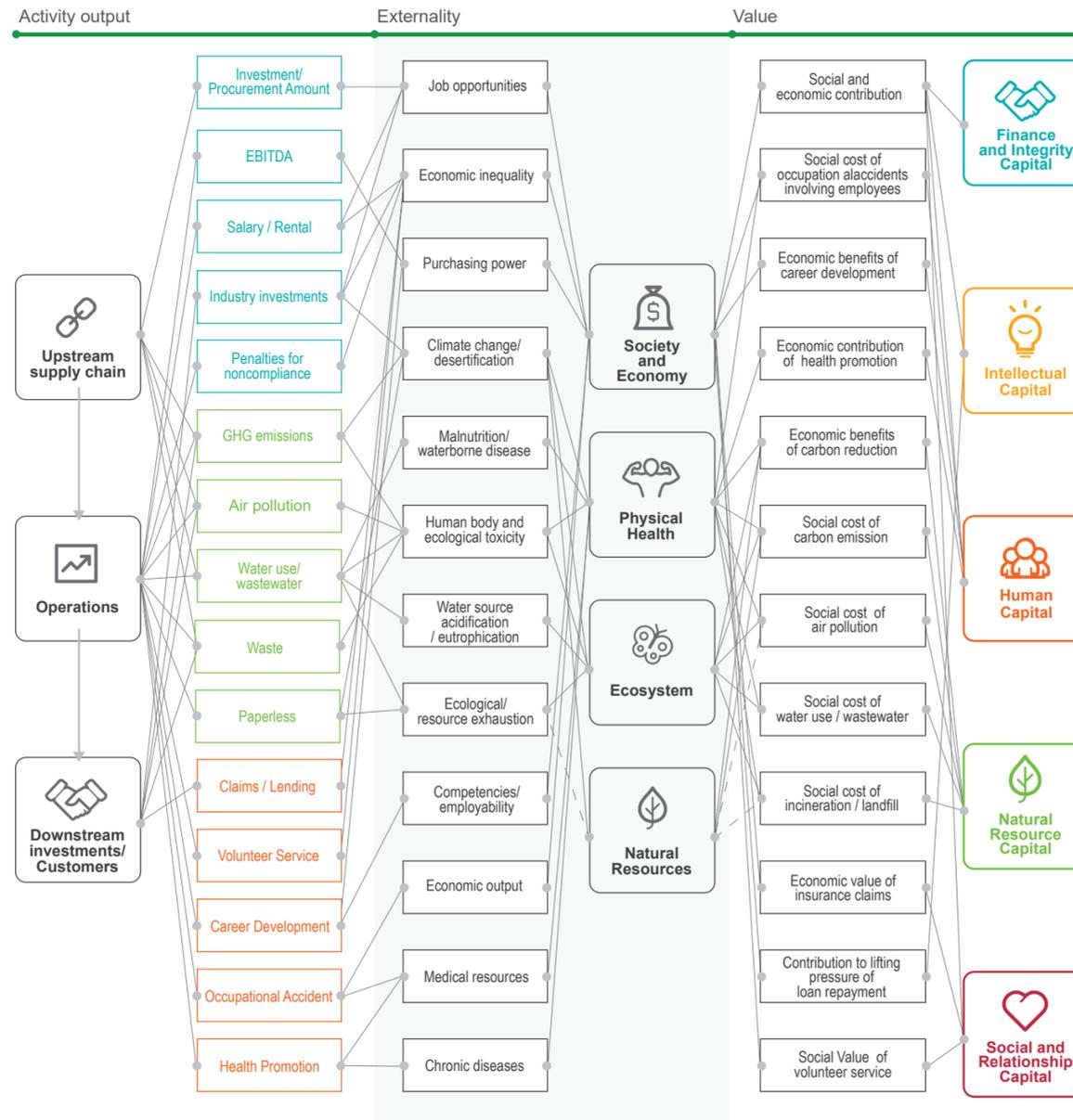


Sustainable Impact

Cathay FHC understands that in addition to pursuing business growth, a company must also consider the positive and negative effects of its business activities on the environment and society. In order to create sustainable value in the long term, we collaborated with academic institutions in developing the 5 Capital Profit & Loss (5C P&L) evaluation method based on the triple bottom line (TBL) of economy, environment, and society. We used 2017 as the baseline year and outlined the value chain's effect on sustainability in monetary terms, driving more effective management decisions. This also allows stakeholders to more easily understand the real value we create on the path to corporate sustainability.

We further applied the evaluation of natural resource capital in 2019 to make our analysis results more complete and reasonable. This included taking the damage to the ecosystem into consideration in externality evaluations, and developing localized factors suitable for business locations in Taiwan. We also began developing valuation factors suitable for each region based on local economic conditions and environmental characteristics to evaluate the impact of our investments all over the world. Furthermore, we covered all of our investments in 2019 instead of only the 10 major industries selected in 2017.

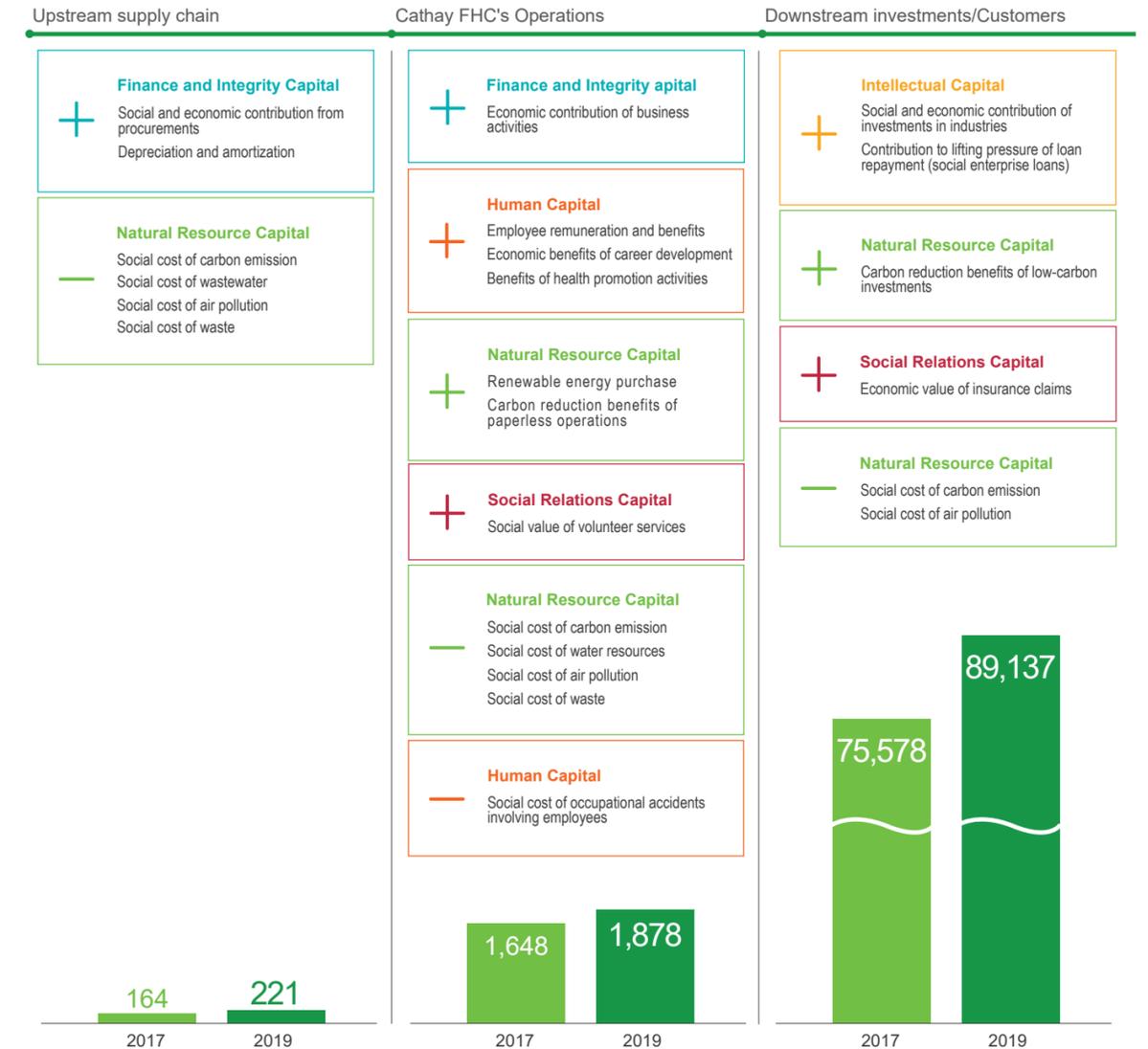
The externality impact pathway of Cathay's value chain activities is determined based on ESG and the 5 capitals



--- Methodology under development and not yet included in assessments

Analysis results show that the positive effects created by Cathay FHC in 2019 were worth approximately NT\$9 trillion, in which 98% were from investments in downstream industries in our value chain. This also shows the importance of positive and negative effects that industrial chain development driven by investments has on the environment and society. We established a strict ESG risk supervision mechanism through the Responsible Investment Working Group, and continued to increase our investments in low carbon industries, which is estimated to have generated carbon reduction benefits worth over NT\$20 billion in 2019. Cathay FHC hopes to achieve more comprehensive corporate sustainability management through its tireless efforts, and prepare for the risks and opportunities brought by the macro environment in advance, in order to gain the trust of stakeholders and achieve shared values.

Cathay FHC's 5C P&L (Unit: NT\$100 million)



Note: The figures for 2017 were changed due to revision of factors used in calculations. Entries marked with a "+" in the figure represent a positive financial impact; entries marked with a "-" represent a negative financial impact.
Description of calculation basis:
1. Social and economic contributions from procurements are calculated based on the 2011 Input-Output Table of the Directorate-General of Budget, Accounting and Statistics.
2. We referenced the 2018 Green National Income and Energy Balances in Taiwan, R.O.C. when calculating external environmental costs from procurements.
3. Social and economic contributions from industry investments are calculated based on the Input-Output Table of the OECD.
4. We referenced data in Exiobase2 when calculating the external environmental costs from industry investments.
5. Economic contribution of business activities, employee remuneration and benefits, and depreciation and amortization data are from the Annual Report.
6. Natural resource capital related coefficients reference US EPA (2016), LC-Impact (2016), OECD (2012), and Eco-indicator 2010 Database, and are estimated by this study.
7. We referenced Jiune-Jye Ho (2005) and the Journal of Occupational Safety and Health (2013) when calculating the social cost of occupational accidents involving employees.
8. We referenced Chieh-Hsien Lee (2009) and the WHO (2008) when calculating the benefits of health promotion activities.
9. The calculations of AkzoNobel (2017) were referenced for economic benefits of career development.
10. The economic value of insurance claims is the economic value created by the claims for the policy holder.
11. When calculating the social value of volunteer services, the number of service hours is converted into employee salary amounts.
12. The contribution of lifting the pressure on social enterprises to repay loans is the difference in the amount paid by the borrower, which is calculated using the difference in preferential rates and regular rates.
13. Monetary value conversion takes into consideration inflation and exchange rates of the NTD in 2017.

Leader in Sustainable Finance

Cathay believes pursuing corporate sustainability contributes social stability which can bring virtuous cycles in the society and also improves the companies' long-term value. Corporate sustainability development requires systematic actions, therefore we incorporate sustainability into Cathay's core competencies in accordance with the international sustainability framework and promote sustainable finance. Especially as the largest financial institution in Taiwan with total assets more than NT\$ 10 trillion, serving half of Taiwanese population, Cathay has the responsibility to lead the industry towards sustainability.

Cathay FHC Integrates International Framework into Three Core Businesses and Implementation Status

Cathay FHC	Key initiatives	Dedicated Team	Disclosure
Insurance Principles for Sustainable Insurance	<ul style="list-style-type: none"> In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI. Cathay Century Insurance also followed PSI framework in 2017 	Set up Corporate Sustainability (CS) Team in Cathay Life and Cathay Century in 2016	<ul style="list-style-type: none"> Cathay Life Insurance Corporate Sustainability Report Cathay Century Insurance PSI Disclosure Reports 
Banking Equator Principles Principles for Responsible Banking	<ul style="list-style-type: none"> CUB was the first Taiwanese bank signing the Equator Principles (EPs) in 2015. In 2018, CUB commits to self-comply with PRB to strengthen corporate sustainability. 	Set up Sustainable Finance Team in Cathay United Bank in 2016	<ul style="list-style-type: none"> CUB's Equator Principles website 
Asset Management Principles for Responsible Investment	<ul style="list-style-type: none"> Conning Inc., fully owned by Cathay FHC, is the PRI signatory. Conning's subsidiary Octagon Credit Investors has signed PRI in 2020. 	Set up Taiwan's first Responsible Investments working group under Cathay FHC CS committee in 2014	<ul style="list-style-type: none"> Conning Inc.'s PRI Transparency Report 

Principles for Sustainable Insurance (PSI)

Principle for Sustainable Insurance (PSI) is an international framework launched by UN. It requires insurance companies to integrate ESG into business. Cathay Life became Asia's first life insurance company self-complying with the Principles for Sustainable Insurance (PSI) in 2016. Cathay Life completed the CS Strategic Blue Print in 2018 to enhance the implementation of sustainable strategies. We also have been adopting strategic focuses, CARE (Commitment, Accountability, Richness, Eco-living), to set short/medium/long-term goals and continuously monitor the progress. Cathay Century Insurance also self-complies PSI in 2017.

Cathay Life has incorporated ESG into our operations in accordance with PSI and its CARE strategy. We actively engage with stakeholders through a variety of channels and publishes PSI annual self-compliance reports to disclose PSI achievements and our sustainable actions. Cathay Century also integrates ESG into core business and published PSI Disclosure Report every year.

Cathay Life's Major Achievements on Four PSI Principles in 2019

- Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.**
 - Regularly reported CS progress to the board of directors
 - Included CS into the employees' mandatory annual courses
- Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.**
 - Enhanced paperless services and promote electronic insurance policies; calculated insurance service carbon footprints and reduced carbon emissions by 14% in 3 years, and was awarded a carbon reduction label
 - Advocate for health promotion with over 200,000 people participating in Cathay Walker; Social Return in Investment (SROI) = 6.3
- Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.**
 - Worked with the K-12 Education Administration of the Ministry of Education in anti-drug campaigns on campus
 - Responded to government policies and actively invested in sustainable industries
- Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.**
 - Upgraded the PSI Disclosure Report to CS Report
 - Upgraded the CS website with CARE website structure

Equator Principles (EPs), United Nations Principles for Responsible Banking (PRB)

The "Equator Principles" (EPs) is an international risk management framework for financial industry. It categorises risks in large project finance based on their potential environmental and social impact and initiates varying levels of review for different categories. It requires lenders to include human rights and engagement mechanisms, establish an environmental and social management system, and establish action plans in accordance with risks disclosed in environmental assessments. These items are listed in credit contracts for compliance and execution. Banks shall implement continuous monitoring of project construction and operations after funding loans and regularly disclose information on the implementation status.

As of the end of 2019, more than 100 financial institutions from 38 countries have signed the Equator Principles and become Equator Principles Financial Institutions (EPFIs). Cathay United Bank (CUB) became the first EPFI in Taiwan in March 2015. As of the end of 2019, there are five EPFIs in Taiwan, which has more EPFIs than China (3 EPFIs) and trails only behind Spain, the Netherlands, Canada (each with 7 EPFIs) and the United Kingdom, France, Japan (each with 6 EPFIs), and is tied with the United States, Australia, Sweden, and Brazil. CUB's EPs projects are most in Taiwan.

After becoming the first EPFI bank in Taiwan, CUB announced its voluntary adoption of the United Nations Principles for Responsible Banking (PRB) in December 2018, and became the first PRB bank in Taiwan. CUB established a task force in early 2019 to inventory its core competencies and plan to gradually implement the six major PRB principles: "alignment, impact and target setting, clients and customers, stakeholders, governance and culture, and transparency and accountability". Through the implementation of the aforementioned principles, the Bank will integrate its own business strategies with the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

Principles for Responsible Investment (PRI)

Principles for Responsible Investment (PRI) is an international framework launched by UN, requiring investors to integrate ESG into investing process. Cathay believes institutional investors have responsibility to exercise its positive influence to investee companies. Cathay was the first Taiwanese financial institution establishing the Responsible Investment Working Group in 2014. The Working Group is led by the Chief Investment Officer of the Cathay FHC and it works together with senior investment executives of subsidiaries. Cathay Life and Cathay SITE have also respectively established their Responsible Investment Task Force with total of 51 members and 3 dedicated employees. Cathay Life and Cathay SITE have voluntarily adopted PRI in 2015. The key results of Cathay's responsible investment following the PRI principles are explained in the table below:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes**
 - Established the "Responsible Investment and Lending Policy" and "Investment and Lending Exclusion Policy" for the group
 - Established the ESG risk review procedure
 - Incorporated external ESG databases into the investment decision-making system
 - Hold two responsible investment training courses every year for the investment team
 - Defined the industries under sustainable themed investing and strengthen sustainable investments



- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices**
 - Established the Group's Engagement Policy and defined main engagement strategies
 - Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities have signed Taiwan Stewardship Principles for Institutional Investors
 - Interacting with investee companies by having the dialogue, engagement and exercising voting rights to demonstrate Cathay's active stewardship duty
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest**
 - Participated in CDP Non-Disclosure Campaign encouraging the investee companies to disclose their carbon emission data and climate change management measures by responding to CDP questionnaires
 - Participated in Climate Action 100+ initiative to encourage investee companies strengthening governance and disclosure on climate risks
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry**
 - Actively participated in various activities to share Cathay's responsible investment actions and has been urging financial peers to strengthen their actions on responsible investment
 - Actively engage with the government by sharing the global practices and trends of responsible investment. Aiming to encourage government agencies to be aware of the importance of responsible investment and deepen the growth of responsible investment in Taiwan
 - Requested mandate asset managers to comply with the Investment and Lending Exclusion Policy and integrate ESG into investment process. We also ensure the asset managers have signed the PRI and local stewardship principles
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles**
 - Participated in AIGCC(Asia Investor Group on Climate Change) and Climate Action 100+ to increase international investors' awareness of risks and opportunities in climate change and low-carbon investments and cooperate to strengthen investor engagement.
- Principle 6: We will each report on our activities and progress towards implementing the Principles**
 - Cathay Life and Cathay SITE publishes a Stewardship Report every year
 - Cathay FHC publishes a RI Progress Report every year
 - Cathay FHC published the ESG Integration Report
 - Conning publish PRI Progress Report every year.

Cathay Financial Holdings Integrates ESG into Business Processes

Cathay adopts international frameworks and integrates environment, social, and governance (ESG) into each business segment. The ESG integration framework is shown below. For more information, please refer to Cathay ESG Integration Report.

Risk Management Information security risk management , Climate risk management, Human rights risk management	
Products and Services Consider ESG in product design and development , Consider ESG in underwriting procedures , Consider ESG in lending procedures	
Operation Management Green house gas management , Water resources management , Waste management	
After-sales Management After-sales services and claim settlement , Post-loan management	
Asset Management Consider ESG in investment procedures , Corporate Engagement and shareholder actions , Asset Manager Mandating and Monitoring	



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1 FINANCE AND INTEGRITY CAPITAL

- 1.1 Business Performance
- 1.2 Corporate Governance
- 1.3 Risk Management and Internal Control
- 1.4 Information Security
- 1.5 Ethical Corporate Management
- 1.6 Tax Governance

Capital at Risk and Opportunities

The financial industry is strictly supervised by the competent authority. The impact of risks from emerging issues has gradually increased in a rapidly changing financial environment with frequent law amendments. How companies effectively manage their risks and seize opportunities through well-rounded organization management and mechanisms is the key to achieving sustainable development. Corporate governance is the foundation of corporate sustainability. Cathay FHC will continue to enhance its corporate governance, enhance its competitiveness of core competencies, and implement various risk controls to create a virtuous cycle for sustainable development.



Added 1 female independent director

- The Company completed the election of the 7th-term Board of Directors, added 1 female independent director, and increased the number of independent director seats from 3 to 4, in order to increase Board diversity and independence.

Completed an external Board Performance Evaluation

Cathay FHC has commissioned the "Taiwan Institute of Ethical Business and Forensics" to conduct the external performance evaluation of the company's Board of Directors, and discusses and implements enhancement measures in accordance with the Institute's optimization recommendations.

Included emerging risks in the risk management policy

Established a risk management framework based on sustainability concepts, included emerging risks in the risk management policy, and established the Emerging Risk Management Guidelines.

Established systematic management of compliance risks

Introduced tools and technologies to continue optimizing compliance governance related mechanisms and improve the group's compliance management.

Key association:



Potential association:



Sustainability Vision for Finance and Integrity Capital

▲ Goals unattained ★ Goals attained

Key Performance Indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Corporate Governance					
Improve the composition, operations, and supervision function of the Board of Directors	<ul style="list-style-type: none"> Increase the diversity of the 7th-term Board of Directors Complete an external Board Performance Evaluation 	★	<ul style="list-style-type: none"> Strengthen the Board's supervision of the Company's intellectual property management system Maintain results of internal Board performance evaluations "above standard" Disclose the president's individual remuneration and the remuneration structure 	<ul style="list-style-type: none"> Increase the diversity of the 8th-term Board of Directors Complete the second external Board Performance Evaluation Strengthen the connection between professional managers' performance and remuneration 	
Participate in an external Corporate Governance Evaluation	Participate in the 5th Corporate Governance Evaluation	★	<ul style="list-style-type: none"> Rank in the top 5% in the 6th Corporate Governance Evaluation for TWSE-listed companies Refer to evaluation/assessment results and continue to strengthen corporate governance mechanisms and operations 	Actively participate in corporate governance evaluation indicators of professional domestic and foreign institutions, so as to deeply embed the culture of corporate governance.	
Risk Management					
Improve the Group's risk management system and mechanisms	<ul style="list-style-type: none"> Strengthen emerging risk management, include it in the risk management policy, and establish emerging risk management guidelines for Cathay's healthy operations Actively respond to climate related risks, carry out financial risk quantitative assessments, and periodically monitor the physical risks of real estate Establish emerging market risk indicators in response to more severe fluctuations in the financial market, and improve the management mechanism for stressed value at risk 	★	<ul style="list-style-type: none"> Adjust market risk indicators and improve the methodology Strengthen credit risk reporting mechanisms Develop systematic ESG rating mechanisms Analyze real estate physical climate risk scenario simulation results 	<ul style="list-style-type: none"> Integrate the group's risk management framework to ensure the group's strategy is aligned Establish emerging risk control mechanisms and establish connections with operations Respond to climate related risks, develop a model for quantifying financial risks, and periodically monitor the risks 	
Refine the group's risk map	Update the annual risk heat map and use the connection between the risk heat map and operations to strengthen the management of conventional and emerging risks; the risk heat map serves as a tool for communicating and managing risks	★	<ul style="list-style-type: none"> Continue to update the annual risk heat map, improve risk control measures, and use the connection between the risk heat map and operations to strengthen the management of conventional and emerging risks Besides examining the risk map on an annual basis, extend the evaluation period to predict the effect of risk trends, and propose response measures to mitigate the impact of risk and ensure the continuity of company operations 	<ul style="list-style-type: none"> Continue to refine the risk heat map and use it as a tool for the Board of Directors to communicate and manage risks Improve quantified risk assessment methods for early analysis of potential risks and changes in risk trends, and establish corresponding response plans to effectively respond to the impact of risks 	
Compliance					
Build a sound group-level compliance governance and performance management based on risk-based approach	Group-level compliance risk assessment and management mechanisms	★	<ul style="list-style-type: none"> Optimize group-level compliance risk assessment and management mechanisms and overseas compliance governance Strengthen compliance management for digital transformation 	<ul style="list-style-type: none"> Improve Cathay FHC's front line compliance enforcement results Improve the compliance digital management system Deeply embed the compliance culture based on the core values of "Integrity, Accountability, and Creativity" 	
Build a sound group-level AML/CFT compliance governance and performance management based on risk-based approach	Enhance Cathay FHC's AML/CFT data sharing and management mechanisms	★	<ul style="list-style-type: none"> Strengthen the application of digital technologies in the group's AML/CFT management Number of subsidiaries that exceeded the Group's ML/TF risk appetite: 0 	<ul style="list-style-type: none"> Utilize digital technology to improve AML/CFT management results Number of subsidiaries that exceeded the Group's ML/TF risk appetite: 0 Build a sound group-level AML/CFT risk management and improve its performance based on risk-based approach 	
Cultivate and enrich the group's compliance (including AML/CFT) talent and internationalization	Promote Group compliance courses and cultivate diverse talent	★	Cultivate comprehensive compliance and (AML/CFT) talent by training projects	Enrich AI talent pool of compliance (and AML/CFT)	
Information Security					
Establish information security and threat intelligence sharing mechanism for Cathay FHC	Complete establishing the mechanism	★	(Goals are no longer set)		
Formulate information security incident reporting and emergency response management guidelines	Complete formulating the guidelines	★	(Goals are no longer set)		
Organize information security training and e-mail social engineering drills	Complete organizing the training and drills	★	Completion of training reached 100%	Completion of training reached 100%	
Establish FHC-level information security incident emergency response team	Establish task force mechanisms and periodically organize drills	★	Organize drills	Organize drills	
Implement computer information security assessment	Complete computer information security assessments	★	Complete assessment	Complete assessment	
Security Operation Center (SOC) service	Goals are set in 2020	-	Major subsidiaries such as CUB and Cathay Life complete implementation	Continue monitoring the information security mechanisms	

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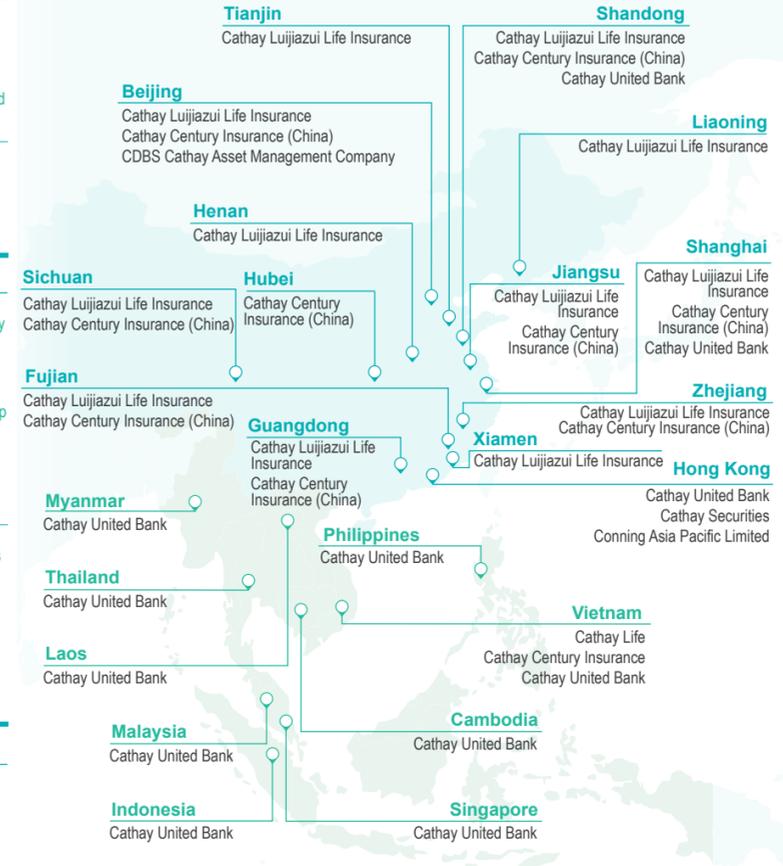
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Appendix



1.1 Business Performance

Cathay FHC adopts a customer-centric approach and utilizes smart technologies and online to offline integration to provide customers with a full range of high quality financial services, as it takes strides towards the vision of becoming "a leading financial institution in the Asia-Pacific region". By focusing on our three engines of growth, "Insurance + Banking + Asset Management", as our core growth strategy, we aim to create greater value for our shareholders.



Taiwan

- Established a total of **631** sales and service agencies.

Greater China

- Cathay Lujiazui Life Insurance currently operates **12** offices (headquarter and branch offices) and **51** sales and service agencies across China.
- Cathay United Bank (CUB) currently operates a wholly-owned subsidiary in China with **7** locations. Additionally, CUB has **one** branch in Hong Kong.
- Cathay Century Insurance (China) has integrated the technologies and big data analytics capabilities of Ant Financial Services Group, and aggressively developed eCommerce-related financial services, which contributed substantial premium income growth.

Southeast Asia

- Cathay Life Insurance (Vietnam) Co., Ltd. has established **7** headquarter and branch offices and **80** sales and service agencies across China.
- CUB operates a total of **59** locations, and has overseas offices in **nine** of the ten ASEAN member states, the most extensive network in the ASEAN markets among Taiwanese banks.

Financial performance in the last three years

	2017	2018	2019
Consolidated total assets (NT\$ billion)	8,842	9,224	10,065
Consolidated shareholder equity (NT\$ billion)	608	529	782
Consolidated after-tax profits (NT\$ billion)	56.7	51.8	63.9
Consolidated after-tax EPS (NT\$)	4.47	3.95	4.76
Consolidated return on equity (%)	9.96	8.83	9.74
Average revenue per employee (NT\$ thousand)	11,517	8,828 ^{Note}	10,011
Average earnings per employee (NT\$ thousand)	1,117	967	1,150
Consolidated return on assets (%)	0.84	0.77	0.86
Outstanding shares (million)	13,397	14,097	14,703
Cash dividends per share (NT\$)	2.5	1.5	2
Stock dividends per share (NT\$)	0.0	0.0	0.0
Book value per share (NT\$)	43.7	34.0	51.6

Note: adjustments were made to the categories of the income and expenditures of the Company's subsidiaries.

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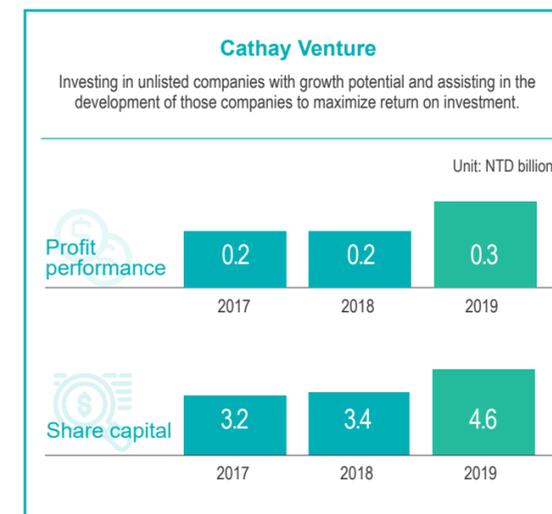
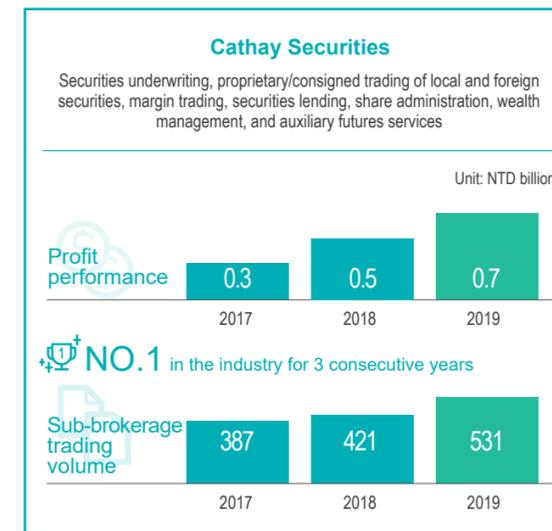
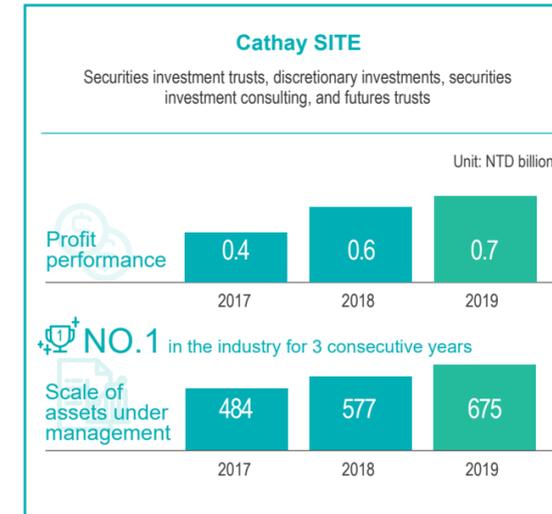
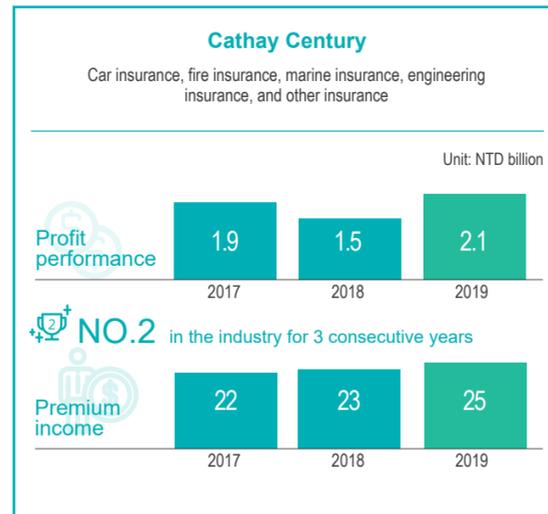
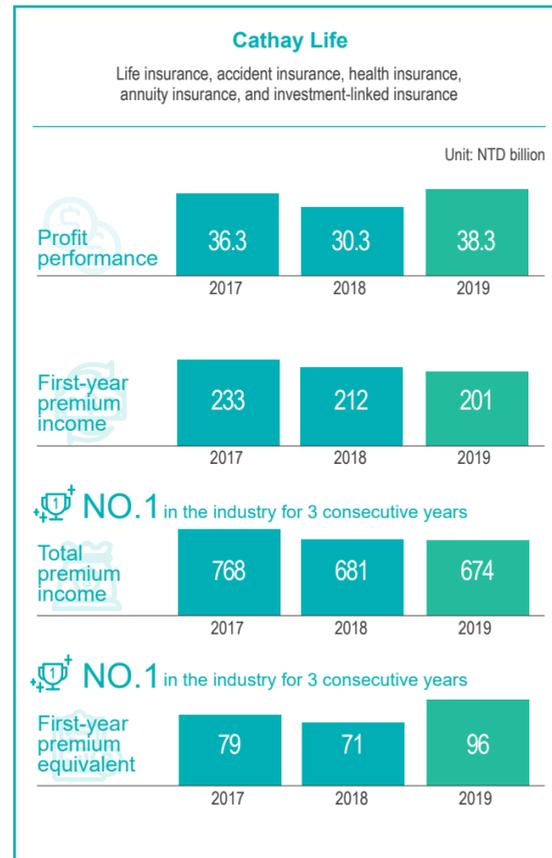
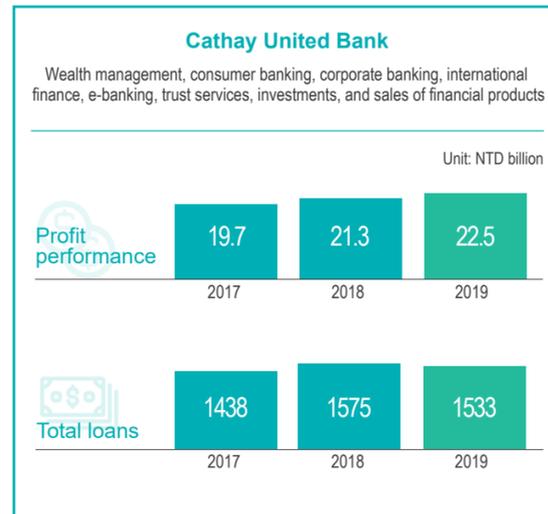
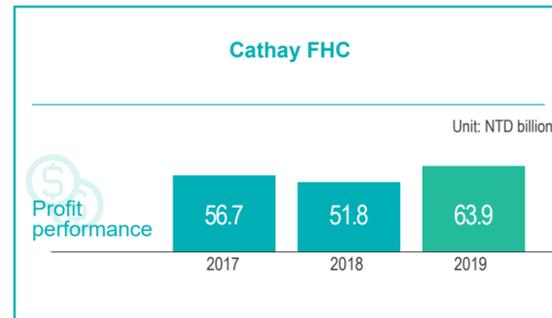
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Businesses of Cathay FHC and Business Performance of Subsidiaries

Cathay FHC and its subsidiaries all comply with laws and regulations in the sale of products and services. No products or services were prohibited from being sold in Taiwan in 2019.



Emergency Response Measures for COVID-19

Cathay FHC established an epidemic prevention emergency response team to address the COVID-19 pandemic in January 2020. The team is assembled by Cathay FHC President, Chang-Ken Lee, and consists of supervisors of related units in each subsidiary, who jointly plan group-wide response measures and resource allocation. The measures are implemented in operations management, information security, and customer services to lower the risk of business suspension and protect employees' health and customer rights.

Routine management

- Prepare masks and alcohol for sterilization.
- Strengthen cleaning and access control of office buildings.
- Initiate remote backup and divide personnel of operations that cannot be suspended into different office buildings and prohibit them from visiting each other.
- Encourage video conferencing or reduce the number of participants in each meeting.
- Establish telework and work from home mechanisms.

Information security

- The Board of Directors resolved to hire an external consultant to comprehensively inspect the network security, equipment security, data protection, and confidentiality of the entire platform, in order to strengthen information security of the telework mechanism.

Customer services

- Strengthen customer trading services, e.g., policy holders can enjoy 33 insurance policy services after joining the member center on the official website, and the chatbot Alpha.
- Allow customers who are impacted by the pandemic to defer premium payments or loan payment and provide medical personnel with consolation money.



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The result of Cathay FHC's Board and functional committees performance evaluation (Chinese only)

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 and the Guidelines for Directors' Remuneration. Performance indicators, such as compliance, corporate governance, risk management, 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 2019, the result of Cathay FHC's Board and functional committee performance evaluation was "above standard."

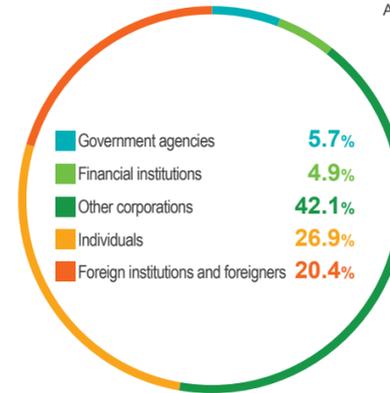
To strengthen the independence and effectiveness of the Board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the Board performance evaluation once every three years, starting from 2017. Cathay FHC has commissioned the "Taiwan Institute of Ethical Business and Forensics" to conduct the external performance evaluation of the company's Board of Directors in 2019, and discusses and implements enhancement measures in accordance with the Institute's optimization recommendations. For the results of Cathay FHC's internal and external Board and functional committee performance evaluations in 2019, please see official website.

In order to lower the risks taken on by directors, supervisors, and the Company in general, Cathay FHC has purchased liability insurance since 2007 for its Directors, supervisors, and key staff members, including those from its subsidiaries. This is in line with the legal requirements during their terms in office. The contents of the insurance policy are reviewed annually and reported to the Board after the policy is renewed each year.

Shareholder Structure and Communication

Shareholder Structure (Common Stock)

Settlement date:
April 14, 2020



Contact Us

We take shareholder communication very seriously, and organized 4 investor conferences and 4 online investor conferences in 2019. Shareholders can express their opinions at any time through communication channels, including the spokesperson system, investor services, and the "Contact Us" mailbox.

83% Director attendance rate in the general shareholders' meeting

Board, functional committee members and president all demonstrated proactive attendance.



46% Attendance rate excluding directors, supervisors and major shareholders

The venue and procedures for convening shareholders' meetings were convenient for shareholders' attendance.



74% Electronic voting rate in the general shareholders' meeting

The ratio of electronic voting at the 2019 shareholders' meeting was far higher than the average of 52.54% of TWSE/TPEX listed companies according to statistics provided by the Taiwan Depository & Clearing Corporation.



1.3 Risk Management and Internal Control

Facing the growingly complex global financial environment with more diverse risks, Cathay FHC continues to improve the group's risk management, and carefully evaluates the potential impact of risks on the group in order to be prepared. Our businesses include life insurance, banking, property insurance, securities, and asset management. This scope involves a wide variety of risks, including price fluctuations, credit default, negligence, insufficient liquidity, and numerous emerging issues. The Company has an independent risk management organization with well-rounded mechanisms and immediate risk reporting and control, making risk management a part of routine operations and decision-making to lower the frequency and impact of risks.

Risk Management Framework

The Cathay FHC Board of Directors is the highest decision-making authority among our risk management organizations, and is in charge of the supervision and approval of the Risk Management Policy as well as other major risk management systems. We established a Risk Management Committee and independent risk management units. The Chief Risk Officer is the highest level supervisor of risk management units; the Risk Management Committee meets on a monthly basis.



Risk Management Policy and Reporting Process

Cathay FHC established the risk management policy to provide the basis for risk management, and established individual management guidelines to controls major risks. We included emerging risks in our risk management policy and established the Emerging Risk Management Guidelines in 2019. Cathay FHC and major subsidiaries periodically submit reports on the implementation of risk management to the Risk Management Committee and Board of Directors, in order to fully disclose the group's risk exposure and examine the compliance with the risk management system.

Cathay FHC Risk Management Policy



Risk Management Measures and Reporting Mechanisms

We established risk assessment indicators for major risks. All of the indicators were reviewed and approved by the Board of Directors, and are periodically assessed and monitored to determine if the risk exceeds our risk appetite, so that further management measures can be implemented. This risk appetite is subjected to stress-testing to ensure that it remains appropriate given changes in the business environment.

Risk Reporting Mechanism

We established Regulations for Reporting Operational Risk Events, Regulations for Reporting Emergency Credit Risk Events, and Regulations Governing the Handling of Major Incidents to improve our risk management performance, and established corresponding reporting systems. When a risk event occurs, units or subsidiaries shall immediately report it to the Risk Management Division to open a case for management. The units or subsidiaries inspect the progress of risk events and implementation of improvement plans each month, and report progress to the Risk Management Division.



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Emerging Risk Management

Facing the growingly complex financial environment, and in light of the impact brought by technological developments, extreme weather, and aging population, we included emerging risk management into our risk management policy in 2019. We clearly defined emerging risks, established Emerging Risk Management Guidelines, and prepare emerging risk reports each year for review by the Risk Management Committee. The reports are submitted to the Board of Directors to explain our current risks and the risk management system. The group's emerging risks in 2019 include FinTech, climate-related, information security, and law amendments. We assessed the impact of the risks on our operations and established response measures.

Emerging Risk Identification Procedures and Response Measures



Risk identification

Subsidiaries refer to the list of emerging risks compiled by Cathay FHC, take into consideration emerging risks identified by the industry's benchmark company, and then assess the impact and probability of the risks they may face.



Risk assessment

Cathay FHC compiles emerging risks of its subsidiaries, identifies emerging risks at the FHC-level to compile the group's risk map, and assesses the impact on operations



Responding to risks

Cathay FHC establishes response measures after assessing the impact of risks on operations. The measures are reported to the Risk Management Committee for monitoring and periodic review.



Risk reporting

Cathay FHC's Risk Management Division periodically reports emerging risks to the Board of Directors, and explains the implementation of risk management

Two emerging risks and their response measures are described below:

FinTech risk

Refers to the risk that a company will need to adjust its business model or change distribution channels due to emerging technologies (such as: blockchains, mobile payment, and new APIs) or emerging needs of consumers brought by the trend of FinTech.

Impact on operations

FinTech is a global trend that has brought innovative technology applications, such as big data, blockchains, and AI. Combined with mobile payment and insurance technology, this has changed the way consumers behave and impacted the financial industry's business model. As such, we need to adjust the Group's business model and business processes, and also recruit/cultivate interdisciplinary talent. Furthermore, as we are developing innovative FinTech, changes in FinTech-related laws and regulations will also bring the risks and challenges of avoiding and lowering fines for violations.

Response measures

Cathay FHC is implementing digital transformation throughout the Group to address the rise of FinTech, and has thus established the Digital, Data & Technology Center (DDT). The DDT compiled the Group's digitalization requirements, examined FinTech-related innovative technologies, and evaluated the applicability of technologies. The DDT then formed task forces for selected technologies to step up innovation in digital financial services.

While developing innovative FinTech, we constantly collect information on regulatory changes related to our FinTech business, and effectively communicate the changes to ensure that operations and management activities of Cathay FHC and its subsidiaries are in compliance with the law.

The appearance of new financial scenarios has gradually changed the way consumers behave. We planned digital platforms and strategies for product development to standardize the user interface, and further improve the customer experience. Furthermore, we examined and planned a data structure and data warehouse for better application of big data. We reviewed the business logic for products of our subsidiaries to improve our data analysis abilities, and further reduce the operating cost of decisions made by our subsidiaries. We also created the Group's data ecosystem through new business models.

We value the cultivation of interdisciplinary digital finance talent to face the changes in our business model, and we adopted a bi-modal approach to transformation and optimization, so that new data concepts, talent, technologies, and processes will improve the Group's overall performance. We will also continue to cultivate finance talent who are well versed in innovative technologies.

Climate-related risks

Global temperature rises have caused sea levels to rise and more frequent incidents of extreme weather, as well as stronger atmospheric circulation. Such developments have not only brought extreme weather to locations hitherto unaffected by climate disasters, but may also impact our business.

Impact on operations

Cathay mainly operates in Taiwan, which is an island located at the boundary of Asia and the Pacific Ocean, and is often threatened by physical risks such as typhoons and extreme rainfall. As the largest financial holdings group in Taiwan, Cathay has massive investment assets and lending positions. When the revenue of investment targets or borrowers are impacted by physical risks or transition risks, it may cause our return on investments to decrease or credit risk to increase. Furthermore, we are investing even more operational costs and taking active measures to comply with regulatory requirements related to climate change and also fulfill our commitment to CSR.

Response measures

Cathay FHC complies with the TCFD for climate risk management, and established a cross-company task force to measure the impact of climate risks on our core business and operations. The task force carries out periodic monitoring and reports results.

We simulate scenarios to better assess the impact of climate risks on our real estate and mortgages. We integrated climate-related risks into our current loan management process, and calculate the carbon emissions of investment portfolios. This allows us to monitor the exposure of our investment portfolios to climate-related risks, and engage high risk targets.

As regulations on GHG emissions become increasingly strict, companies are required to disclose and limit their GHG emissions. We implemented a low carbon development strategy and developed low carbon insurance products in response to future regulatory requirements, focusing on using renewable energy and improving energy efficiency to reduce the Group's carbon emission. Besides taking a rolling inventory of equipment, we continue to replace energy consuming equipment and evaluated self-owned buildings for the installation of solar panels.



Establishment of a Risk Management Culture

We adopted the three lines of defense model for risk management and internal control, and continue to enhance the model's effects. In 2019, the audit used the three lines of defense as the direction for future optimization of the group, and offered recommendations for business units, management units, and audit units. Units on the second and third lines of defense continue to strengthen internal risk management. Besides publishing monthly law, risk and audit periodicals, sharing information of relevant issues and actual cases of regulatory compliance, risk management and auditing, units conduct compliance and internal control self-evaluations and self-inspections every six months, in order to identify potential risks of each unit and verify that operations are in compliance with related systems. Units are required to implement improvement measures for non-compliant matters.

First line of defense

Operational and Management Unit

Identification and management of business risks to ensure that operating risks are effectively controlled and immediately responded to



Second line of defense

Risk Management and Compliance Units

Assists with risk system planning, and carries out risk assessments, suggestions, and supervision



Third line of defense

Audit Unit

Assesses the compliance and implementation of various regulations, mechanisms, and internal procedures, and verifies improvements made by related units



The Board of Directors and management of Cathay FHC are required to take corporate governance or risk management courses to raise the risk awareness of all employees. All employees in the group are also required to take general education courses on risk management. Training completion rate reached 100% in 2019, and a variety of risk training courses are provided to different subjects based on the business of each subsidiary, so that employees are able to effectively control risks.

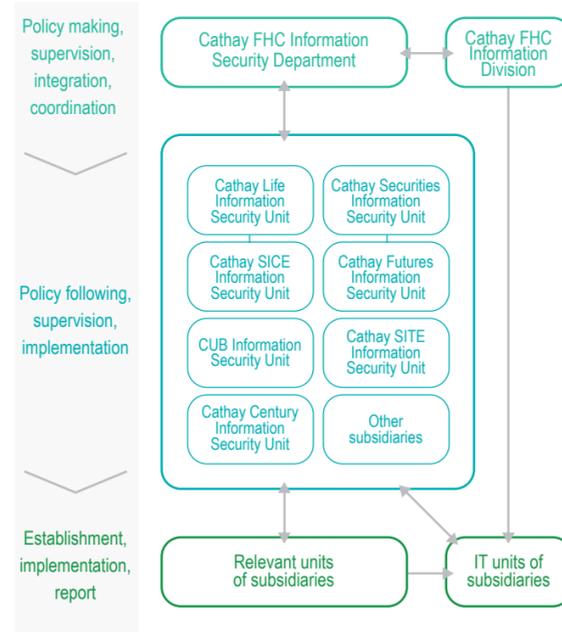
We have included a "risk management" indicator in the criteria of Board and functional committee performance evaluation to increase a sense of responsibility in the Board of Directors towards risk management. Meanwhile, Cathay FHC also has included internal control implementation results and compliance implementation results among the categories of performance management development (PMD) for managers and all employees, so as to maintain effective operation of the risk management system.

1.4 Information Security

Information Security Organization and Mechanisms

Cathay FHC has an Information Security Committee that formulates the group's information security policy and implements the information security management system. Cathay FHC, Cathay Life, CUB, and Cathay Century each have an independent information security unit and departmental head responsible for planning, monitoring, and implementing information security management. The implementation and management status of information security in the previous year is reported to the Board of Directors in the first quarter of each year. Cathay FHC has a cross-company FHC-level Information Security Communications Committee and FHC-level information security incident response team, which fully dedicated to information security management and quality improvement.

Cathay FHC Information Security Organizational Chart



Cathay FHC and its subsidiaries have all separately established information security policies, which are subject to approval by their respective board of directors. These policies, reviewed annually, secure the confidentiality, completeness, availability, and compliance of information assets. Cathay FHC's subsidiaries including Cathay Life, CUB, and Cathay Century have all obtained the international certification ISO 27001:2013 Information Security Management System. As of the end of 2019, coverage of ISO 27001:2013 reached 98.44% of the group's information system. In addition, reinforced information security incident warning, reporting, and response procedures are in place to provide customers with safe financial services.

Information Security Education and Training

Cathay FHC takes information security and customer information protection as high priority, and has improved employees' understanding of information security by regularly organizing education and awareness training. These measures aim to raise our employees' awareness of information security, protect information assets from interference, damage, intrusion, or any unfavorable actions and intents, and properly implement information security management. Cathay FHC and its subsidiaries provide all employees with 3 hours of information security education and training each year, and the completion rate of information security training at all subsidiaries was 100% in 2019. Furthermore, personnel of dedicated information security units must receive at least 15 hours of professional information security training annually.

Furthermore, Cathay FHC and its subsidiaries established the information security and threat intelligence sharing mechanism. Cathay FHC summarizes and generates information security newsletters monthly on an ad hoc basis, and provides the newsletters to the information security units of Cathay FHC and its subsidiaries, raising information security awareness and increasing their sensitivity to information security events.

Information Security Incident Management

In the event if Cathay FHC and its subsidiaries discover a cyber attack or malware, the information security incident reporting and response mechanism is initiated. The highest level responder to an emergency information security incident is the President in all companies, and the incident is handled in accordance with the Information Security Incident Reporting and Emergency Response Management Guidelines. Cathay FHC shall summarize severe information security incidents of all subsidiaries and present it to the Information Security Committee.

Cathay FHC and its subsidiaries all periodically analyze and continue to make improvements to system vulnerabilities of important systems or equipment, so as to achieve the goal of reducing information security risks. Cathay Life and CUB have invited vendors to perform red-team test service each year to strengthen their information security. Different hacking methods are used to analyze vulnerabilities and scenarios that may be attacked by real hackers, including connection status management, access control testing, elevated privilege access and escape. Remediation measures are made for high risk items in test results, and reinforcement measures are taken to improve the quality of information security. Improvements were completed for 100% of severe risk and high risk items in the test results. Furthermore, Cathay FHC and its subsidiaries all had external independent consultants to conduct information security assessments in 2019, including the IT infrastructure review, network activity review, security configuration review, and IT compliance review. Follow-up and improvement measures are carried out based on the remedial measure. Improvements for severe risk and high risk items were all completed to ensure security in place.

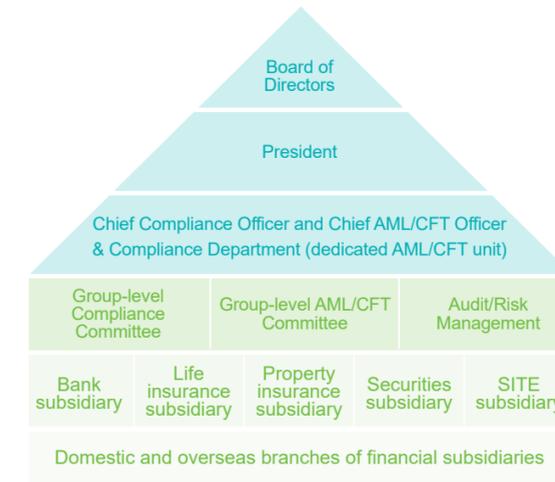
1.5 Ethical Corporate Management

We revised the Policy and Code of Operation Integrity and established the Procedures and Guidelines of Integrity Management Operation in 2019, in order to create a corporate culture of ethical corporate management. We require employees to comply with internal regulations when performing their duties, to participate in public affairs in a lawful way, and to ensure that related measures are disclosed in accordance with the law. Please see the company website for our involvement in trade associations and organizations.

Furthermore, Cathay FHC established the Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases, which establishes reporting channels, specifies procedures for handling cases, and protects 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. We were not involved in any immoral or unethical conduct in 2019.

Compliance

Cathay FHC has closely followed the changes to the global financial and regulatory environments for years, and strengthened compliance management and culture continuously, to ensure that all operations comply with the regulation. The group's compliance and AML/CFT is managed as a whole on the group-level, and implemented by level and region. The Chief Compliance Officer holding concurrent post as the Chief AML Compliance Officer appointed by the Board of Directors is in charge of the management of group compliance, as well as semiannual reports on compliance implementation to the Board of Directors and Audit Committee in 2019. Subsidiaries and second-tier subsidiaries (including overseas) have the same management framework based on their industry laws, management requirements, and scale.



Systematic Management of Compliance Risks



The company takes compliance as one of the key points of internal control. We conduct compliance evaluations every year, and implement compliance self-assessment and self-inspections semiannually to evaluate compliance effectiveness, which are included in the performance evaluations of managers.

In response to the supervisory trends and to strengthen internal control, we convened a total of 4 group-level Compliance Committee meetings in 2019. We supervised major subsidiaries in establishing a quantified compliance risk assessment mechanism based on characteristics of operational risks in the current phase. We will continue to review implementation results in hopes of optimizing our compliance governance system. We also keep researching global supervisory trends to promote the globalization of group compliance. We planned a digital platform for group-level compliance, and are looking into the use of new technologies to link the management mechanisms of subsidiaries, in order to enhance information sharing.

We established a regulation amendment management system to know well and transmit the latest development of regulation immediately. Depending on the level of risk, we implement different management measures that take into consideration both control and efficiency, so that we can respond to the requirements of the competent authority and stay in touch with global supervisory trends rapidly and properly. We conducted a total of 13 compliance inspections overseas in 2019 to determine the compliance performance through on-site inspection procedures and strengthened the compliance governance of domestic and overseas units through two-way interactions.

Cathay FHC implements a corporate culture of integrity and transparency and promote sound operations by establishing the whistleblower system. We have taken protection measures to encourage whistleblowers to voice out. The whistleblowing mailbox received 7 reports from internal whistleblowers and 1 report from an external whistleblower in 2019. Investigation reports were completed for all cases and all cases were closed without finding any illegal activities.

We are also studying domestic and overseas anti-corruption and anti-bribery laws and international trends, including the key points and compliance risks of the US Foreign Corrupt Practices Act (FCPA), and issues related to the domestic Commercial Bribery Prevention Act and Draft Whistleblower Protection Act. Besides promoting the laws and trends to raise employee awareness of anti-corruption and anti-bribery, we were invited by other organizations to share our research results.

Furthermore, we established the External Compliance Incident Reporting and Management Guidelines for the effective supervision of our subsidiaries. The Guidelines contain risk warning indicators applicable to major violations of the law and downgrading by the financial authority, and establishes reporting procedures for the Board of Directors and managers to rapidly obtain warning information, evaluate, and take improvement measures in response to the group's compliance risks. We also established mechanisms for reviewing penalties imposed on our competitors and the group, and we established group-level and subsidiary-level review standards to monitor the latest changes in supervision and compliance self-inspections. Major penalties imposed on subsidiaries and improvement measures in 2019 are as follows, please see P.116-122 of 2019 Annual Report for more details.



Our involvement in trade associations and organizations (Chinese only)

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Major Disciplinary Cases for Cathay FHC's Subsidiaries and Improvement Measures in 2019

Cathay United Bank

Fine of NT\$2 million and issued correction notification
Main deficiencies include personnel and operations management.

All aforementioned deficiencies have been remedied. We added warnings and stepped up education and promotion.

Fine of NT\$1 million.
Main deficiencies include verification of the remitter and actual provider of funds.
All aforementioned deficiencies have been remedied. We adjusted remittance inspections.

Cathay Century

Fine of NT\$1.8 million and issued 4 correction notifications
Main deficiencies were found in investment related evaluations and controls.

All aforementioned deficiencies have been remedied. We revised the code of conduct for traders, and adjusted the risk control procedures.

Fine of NT\$3.6 million and issued 2 correction notifications
Main deficiencies include insurance extension, form control, notification letters, and transaction monitoring.

All aforementioned deficiencies have been remedied. We adjusted related management, operations, and system settings.

Developing AML/CFT Mechanisms

Cathay FHC established the AML/CFT Management Guidelines, group-level risk methodologies, risk factors, and important internal control mechanisms, as well as risk warning mechanisms and monitoring indicators, in response to international AML/CFT trends and domestic and overseas supervision requirements. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems by adopting the risk-based approach; we have also included relevant SOPs in the categories of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring measures in terms of high risks.

We convened a total of 4 group-level AML/CFT meetings in 2019. The meetings mainly promoted and improved the group-level AML/CFT management system and implementation results, optimized the group-level AML/CFT standard operations, and strengthened information sharing and cross-business risk management by subsidiaries. We will continue to keep pace with the times and improve our AML/CFT management performance in coordination with Taiwan's APG Report published in October 2019, financial supervision, and actual implementation status. The Group began to step up the application of technologies and big data in 2016 through external technologies and internal R&D. We took the lead in promoting and looking into the use of new technologies, such as RPA, AI, and big data analytics, to improve the Group's AML/CFT performance.

Enhance AML/CFT Data Sharing and Management Mechanisms

We referenced FATF recommendations and the practices of the Bankers Association of the Republic of China, and established group-level information sharing regulations and platform, so as to improve the synergistic effects of group-level management. There are numerous types of information that are shared to achieve sharing and collective learning of technical knowledge and risk warnings. Types of information include group-level lists, types of suspicious transactions, information on suspicious customers/transactions, and exchange of risk data between subsidiaries. We hope to deploy a group-wide defense network through these efforts. We continued to carry out periodic reviews and optimization, improve information sharing results, and strengthen cross-business risk management between subsidiaries in 2019 to improve overall AML/CFT results at the group-level.



Compliance Training Courses of Cathay FHC and its Five Major Subsidiaries

We arranged a wide range of compliance education and training sessions for different subjects in 2019 in response to the Group's developments and regulatory trends. The sessions took the forms of case sharing, movie appreciation, and group discussions, and covered basic knowledge, including financial supervision, information security, and digital technology.

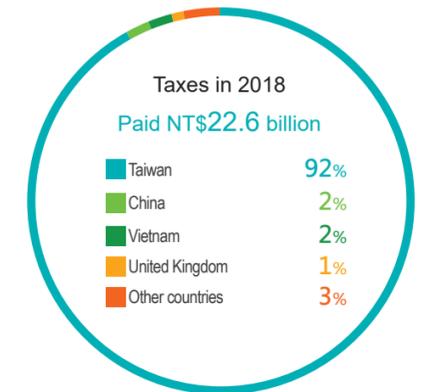
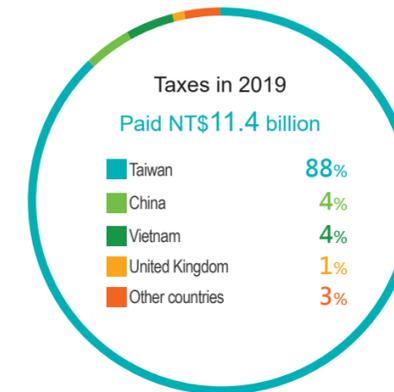
259	General compliance courses	
27	Compliance courses for new recruits	
77	Group AML/CFT in-depth training courses	
8	Group compliance Sharing Club courses	
472 hours	Senior executive compliance courses	
493 hours	Director (supervisor) compliance courses	

1.6 Tax Governance

Cathay FHC established its Tax Governance Policy with the Board of Directors as the highest level decision-maker for tax risk management mechanisms. The policy was established in response to international trends in tax governance, to effectively control tax risks and implement corporate sustainability, and to increase value for shareholders. The tax management unit periodically submits reports to the Risk Management Division, which in turn submits annual tax management reports to the Board of Directors to ensure effective operation of the tax management mechanism, and that tax governance is properly implemented.

Cathay FHC paid a total of NT\$11.4 billion in taxes worldwide in 2019; major tax categories included corporate income tax, undistributed profits tax, business tax, and house and land tax. The amount of taxes paid in Taiwan account for 88% of taxes paid worldwide due to the fact that Taiwan is our main country of operation.

Breakdown of taxes paid worldwide in 2017-2019 by country



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- 2.2 Green Finance
- 2.3 Financing for the Elderly
- 2.4 Financial Inclusion
- 2.5 Financial Innovation

Capital at Risk and Opportunities

The 2019 Global Climate Risk Index pointed out that over 11,000 extreme weather events occurred in the 20 years between 1998 and 2017, and caused economic losses of approximately US\$3.47 trillion. Taiwan's government plans to increase the percentage of power generation accounted for by renewable energy to 20% by 2025, in order to promote environmental sustainability and develop a green economy. This will result in financing needs reaching NT\$1.8 trillion to achieve the abovementioned goal. According to the report published by IPCC (Intergovernmental Panel on Climate Change), the amount of investment need to reach 2.76 trillion dollars each year from 2015 to 2035 to achieve the goal to restrict the global temperature increase below 1.5°C.

Furthermore, the World Bank put forward an ambitious goal of Universal Financial Access by 2020, hoping that financial services will no longer be inaccessible to the one billion financially underprivileged people worldwide due to their identity, geographic region, or industry. Since the first phase of providing access to open data of banks was formally implemented, banks are no longer merely locations, and have become involved in every part of daily life. The trend of openness and sharing will accelerate the development of scenario-based finance, and provide consumers with a wider range of value-added financial services.

Phase out investing and lending in coal-fired power generation

CUB has stopped approving new loans to coal-fired power plants, and Cathay Life's exclusive list of investment/lending has included the coal-fired power plants which don't actively transit to renewable energy.



Highest low-carbon investment amount among Taiwan financial institutions

Cathay defined six low carbon industries based on its experience from participating in the Low Carbon Investment Registry (LCI Registry). The total investment amounted to NT\$1,652 as of end 2019.



Acted as Mandated Lead Arrangers in the largest offshore wind transaction financed in Asia Pacific to date

CUB acted as Mandated Lead Arranger for the Yunlin offshore wind transaction. The project has a total of 80 wind turbines and is the largest offshore wind transaction financed in the Asia Pacific to date.



Accumulated number of steps on "Cathay Walker" project was enough for 142.6 round trips to the moon

As of the end of 2019, the total number of steps on Cathay Life's Cathay Walker project reached 175.4 billion approximately, enough for 142.6 round trips to the moon.



Launch of Cathay Financial Innovation Lab

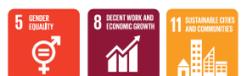
DDT in Cathay FHC has launched the "Cathay Financial Innovation Lab" and shortlisted 9 startups from all over the world to collaborate with Cathay's various business units.



Key association:



Potential association:



Sustainability Vision for Intellectual Capital

▲ Goals unattained ★ Goals attained

Key Performance Indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Responsible Investment and Lending					
Improve the integration of ESG into the internal decision-making process, improve corporate lending ESG risk management mechanisms, and enrich employees' ESG knowledge	Improve the integration of ESG	★	Determine ESG issues to study and improve or establish management mechanisms	Obtain more comprehensive ESG information	Revise and keep improving management mechanisms in accordance with international trends
	Enhance education and training	★	Hold 2 education and training	Keep improving internal education and training	Keep improving internal education and training
Define themed investing/lending	Define investing/lending procedures for industries related to "Aging and Health"	★	Define investing/lending procedures related to "Community and Inclusive Finance"		
Improve engagements	Determine engagement themes.	★	Hold an engagement activity according to engagement strategies	Keep engaging in the five-year Climate Action 100+	Keep improving or adjusting engagement strategies
	Strengthen the proxy voting process	★	Study international voting standards and strengthen the proxy voting decision-making	Improve voting principles	Improve voting disclosures

Green Finance

Installed capacity of the solar power plants financed by CUB	527MW	▲ Note1	<ul style="list-style-type: none"> Continue to lead the Taiwan market in providing renewable energy green financing including to over 2,000+ solar power sites and the largest offshore wind farm (640MW) in Asia-Pacific region. 	<ul style="list-style-type: none"> With the implementation of EPs and ESG guidelines, CUB will continue to expand green finance business opportunities, including solar PV, offshore wind, biomass energy, hydro power and geothermal energy in Taiwan and Southeast Asia. CUB will lend, invest and facilitate green financing for renewable energy power plants with accumulated total installed capacity of over 2,000MW (2GW) by the end of 2021.
Installed capacity of the offshore wind farms financed by CUB	768MW	★	<ul style="list-style-type: none"> The accumulated total installed capacity for renewable energy (including solar, onshore and offshore wind power plant) which CUB is financing is expected to reach 1,500MW (1.5GW) by the end of 2020. 	

Changes in Demographic Structure

Number of new products offered for the elderly	5	★	<ul style="list-style-type: none"> Offer 5 products, including protection, investment-linked, or convertible types, annually. Provide more than 5 elderly-friendly exclusive services. 	<ul style="list-style-type: none"> For the elderly, To develop products every year that meet the needs of senior citizens. To provide integrated services by combining different resources from diverse industries and Cathay FHC, in order to expand the scope of services. To work with other external groups to organize charity events.
Number of new health promoted insurance products	1-2	★	Offer 1-2 health promoted insurance products and expand the function of prevention of insurance.	<ul style="list-style-type: none"> Continue to communicate the idea that "happiness requires sufficient insurance", instill the right concepts of insurance planning, and raise citizens' awareness towards planning for retirement at an earlier age, so that they can calmly face the impact of aging. Develop insurance products with spill-over effects every year to mitigate the impact brought by the aging society, as well as extend and deepen the scope of health-promoted services by combining different resources from industries and Cathay FHC.
Closing the gap in coverage	Better protection in six aspects	★	Goals are no longer set	

Note1: Due to the gradually maturing solar power financing market in Taiwan and the consideration of risks and rewards, we are more selective in providing the financing to the clients.



▲ Goals unattained ★ Goals attained

Key performance indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Financial Inclusion					
Number of products for financial inclusion	10 or more	★	Offer more than 5 financial inclusion products to meet the demands for accessibility and usability.		Financial inclusion products that are developed every year to expand the accessibility of financial services, such as: micro insurance, standard insurance, crop insurance, and charitable trust.
Loss Control					
Shaping Cathay's risk awareness	N/A	N/A	Hold 1 loss control seminars to strengthen the risk awareness of companies		Reinforce loss control concepts or risk management on natural disasters or major human-instigated disasters suffered by Cathay FHC or corporate customers. In addition to the current loss control seminars, Cathay also holds 8 corporate loss control workshops every year.
Digital Finance					
Growth rate of people transacting through MyRewards app (including the number of reward points transactions (redemption) and the number of members)	20% ^{Note2}	★	<ul style="list-style-type: none"> Number of reward points transactions (redemption): 600,000 Number of members: 2,400,000 	<ul style="list-style-type: none"> Growth rate of number of reward points transactions (redemption): 20% Growth rate of number of members: 20% 	<ul style="list-style-type: none"> Growth rate of number of reward points transactions (redemption): 20% Growth rate of number of members: 20%
Note: The indicator for 2019 was the number of users who have redeemed or donated bonus points using MyRewards app.					
Growth rate of Cathay Life's online insurance customers	20%	★	130%	18%	10%
Note: The indicator for 2019 was the growth rate of cases of Cathay Life online insurance.					
Growth rate of people transacting through CUB's digital services platforms	9%	★	26%	10%	10%
Note: CUB's digital service platforms include MyBank, My MobiBank, and KOKO.					
Growth rate of people transacting through Cathay Century's digital services platforms	45%	★	69%	25%	6%
Note: Cathay Century's digital services platforms include bobe online insurance purchase, and Line claims application and approval.					

Note2: The original goal data contained a clerical error. The 2019 goal for growth rate of digital services transactions has been corrected to 20%.

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2.1 Responsible Investment and Lending

The responsible investment and lending is a stabilizing force with positive impact on society, and it is also one of the core competencies to increase long-term value for the assets. Cathay has established responsible investment/lending policies and management procedures and actively developed its capacity for ESG analysis to assist investment and lending decisions. Cathay aims to use ESG to provide broader and more profound perspectives for decision-making. Refer to Cathay ESG Integration Report for more information on how Cathay integrates ESG and investment/lending decisions.

Establish a Leading Responsible / Lending Team in Taiwan

Cathay FHC was the first Taiwanese financial institution establishing the Responsible Investment Working Group in 2014. The Working Group is led by the Chief Investment Officer of the Cathay FHC and comprises 7 members of senior executives from the investment teams of Cathay's subsidiaries. The working group is responsible for supervising Cathay FHC's responsible investment strategies, setting up policies, and reviewing implementation performance.

Cathay Life and Cathay SITE have also respectively established their Responsible Investment Task Force which comprises the front/mid/back-offices of the investment team. The task force continuously learns the best international practices, and exchanges ideas with global peers on trends, methodologies and practices in order to establish action plans to refine and improve the ESG integration process. As of the end of 2019, the task force of Cathay Life and Cathay SITE had around 40 and 11 members, in which 2 and 1 members are dedicated to responsible investment.

CUB established the Sustainable Finance Loan Management Section in 2016, which is responsible for reviewing EPs-related cases, and has renamed it as the Sustainable Finance Section in 2017. The Section is now the dedicated unit in charge of promoting corporate sustainability and ESG risks management within the bank.

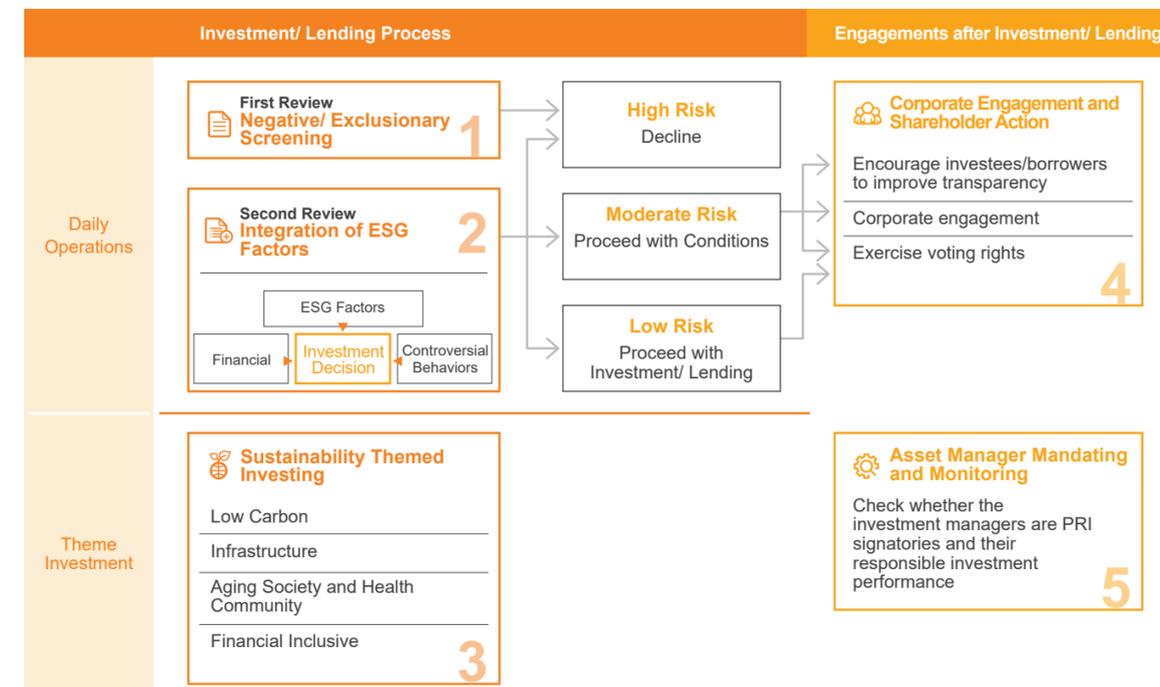
Delivering ESG Training to Strengthen Capability of ESG Risks Management

Cathay has actively learned international responsible investment practices from external industrial, governmental and academic institutions. We invited international experts to Taiwan for ESG analysis training since integrating the ESG databases and establishing the investment/lending task forces in 2018. In 2019, a total of 656 employees from Cathay FHC, Cathay Life, CUB, Cathay SITE, and Cathay Century participated in the training courses as well as the external conferences; the average training hours per participant was 1.4 hour in 2019. Besides, training lessons and materials of EPs (Equator Principles) project financing regulations and ESG Regulations for Corporate Loans are also available and updated on an ad-hoc basis.

Provide Investment Teams the ESG Analysis Tools to Build Comprehensive ESG Investment Environment

ESG data is one of the basis for continuous improvement of Cathay's ESG analysis ability. Cathay purchased multiple international ESG databases to provide the investment team comprehensive ESG data and analytical information. Cathay also provides ESG investment analysis tools to support the investment team.

Cathay FHC Investment and Lending ESG Integration Procedures

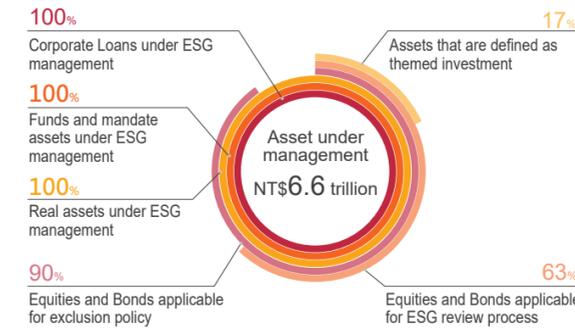


Scope of Responsible Investment/Lending

The scope of Cathay's responsible investment/lending merely excludes the assets (e.g., cash) which are not applicable for responsible investment approaches. Considering the characteristics of the assets, we apply different management policies such as exclusion, ESG integration, and themed investment for the different assets.

Asset Category	Applicable Management Policy
Securities (including proprietary and mandate)	100% applicable under the Responsible Investment and Lending Policy
Real estate	100% applicable under the Responsible Property Investment and Management Policy
Corporate loans	100% applicable under the ESG Regulations for Corporate Loans

Responsible Investment and Lending Percentage



Investment and Lending Exclusion Policy of the Group

Cathay screens high-risk industries (e.g., controversial weapons and pornography) and countries (e.g., countries that severely violate human rights or are sanctioned) to define of the exclusion list of the group. The Responsible Investment Working Group reviews the exclusion list every year.



ESG Integration under Responsible Investment Management Mechanisms

Cathay leverages the ESG investment team, professional ESG database, training, and the establishment of responsible investment policies to include ESG factors for the screening of the list of eligible investments. Cathay established comprehensive ESG integrated investment procedures and interacts with investee companies to reduce ESG risks of the investment portfolio and protect the rights and interests of stakeholders. Cathay SITE has established the ESG research information system and regularly provides ESG investment portfolio analysis reports to help the investment team integrate ESG into investment procedures. Cathay Life is the first Taiwanese insurance companies creating the ESG risk review process and also established Investment Management Principles for Sensitive Industries to focus on industries with high ESG risks (e.g., power producers whose main source of revenue is coal-fired power generation and have not actively switched to renewable energy are listed as not eligible for investments). Cathay Life established a watchlist of investment targets with potential ESG risks (e.g., low ESG ratings or sensitive industries). When adding a new investment target, Cathay Life starts by conducting ESG risk review process before internal discussions and assessments for reaching decisions of either "Observe," "Stop investing temporarily," or "Underweight." The existing targets are regularly reviewed each year.

2019 Results of ESG Risk Review for Investee Companies

Cathay Life reviewed a total of 246 investments with potential risks, including listed equity and fixed income(non-corporate bonds and corporate bonds) in 2019.

TCFD and Investment Carbon Footprint

To actively address the impact of climate change, Cathay established Group TCFD task force led by Group Chief Risk Officer. We has calculated investment carbon footprint to identify high-risk investment and manage the risks with responsible investment mechanism. The investment carbon footprint was 313 tCO₂e/m\$revenue as of the end of 2019. Please refer to Chapter 4 for more information on TCFD and p.78 for investment carbon footprint.

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Responsible Lending and ESG Integration Management Mechanisms

Expanding the spirit of EPs for Environmental & Social (E&S) post-loan management

CUB follows EPs spirits for focus and management in the project planning and construction stage. For non-EPs loans for which credit limits reach a considerable scale and the purposes of whose funds meet the definition of sensitive industries such as mining/oil refining/metallurgy, hydro/oil-fired power generation, and forestry, CUB lending approval review process must include evaluation of the E&S impact of credit application cases, proposals of post-loan management solutions, and examination and management of follow-up E&S performance through regular E&S reviews.

ESG Regulations for Corporate Loans fully reject coal-fired power plants

Starting from 2017, CUB complies with its ESG Regulations for Corporate Loans in all of its corporate lending cases so that ESG risk management is included in all corporate loan screening, evaluation, and post-loan management. In 2018, CUB added coal-fired power plants with higher greenhouse gas emission to the list of ineligible borrowers (e.g., tobacco products and pornography). It also completely stopped new loans to any coal-fired power plants in October 2019 to demonstrate to customers CUB's increased focus on environmental protection and corporate social responsibility and that they must improve their performance to obtain loans from financial institutions.

Establishing ESG risk guidelines for sensitive industries

In April 2018, CUB established ESG Guidelines targeting the power generation, paper, chemical materials, general manufacturing, mining and metal industries to further strengthen its ESG risk management mechanism. The Guidelines consider many ESG risks that industries faced in the different operation cycles such as the risks involving water resources, dust, and noise posed by the paper industry in the materials production period, production and processing period, and sales period. The Guidelines specify best-practice principles, provide customers with practical advice on mitigation, and help employees recognize ESG risks in KYC procedures.

2019 ESG Integrated Mechanism Review and Control Outcomes

Project Financing EPs Review and Control

During 2019, a total of 2 applications reached financial close (1 project was classed as Category A and 1 projects as Category C), and were disclosed accordingly.

Corporate Loan ESG Review and Control

Among the total of 9,043 corporate loan applications reviewed and closed in 2019, 320 applications with ESG concerns (e.g., sensitive industry, pollution issues, and management integrity) were subject approval with detailed reasons for granting or maintaining business relationships, and 1 were rejected because of Integrity issue of the owner. A total of 3,148 current credit reviews underwent ESG assessment, of which 88 cases exhibiting ESG-related concerns (such as pollution issues and management integrity) were documented with detailed reasons for maintaining business relationships and post-loan management.

Themed Investing

Cathay defined four types of themed investing to strengthen sustainable investment aiming to exercise our core competencies to help toward the sustainable society. Total amount is approximately NT\$1.2 trillion. Please see p.42, 45, 47 for detailed information.



Engagements and International Initiatives

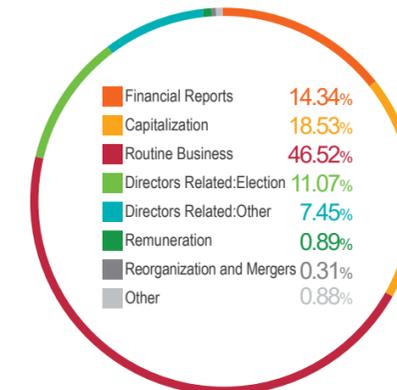
One of the key spirits of responsible investment is to accompany the investee companies toward sustainable growth. Cathay therefore actively takes investor engagement actions and expect ourselves being the engagement leader in Taiwan. Cathay is the only one Taiwanese financial institution participating in the CDP Non-Disclosure Campaign and Climate Action 100+ initiative and also one of the founding member of AIGCC. Cathay's active efforts in responsible investment has received international recognition. Sophia Cheng, Chief Investment Officer of Cathay FHC, was appointed Chair of AIGCC in 2018 and a member of Climate Action 100+ Asia Advisory Group in 2019. Cathay also collaborate with global investors to urge world government leaders to limit average global temperature rise to no more than 1.5 degrees Celsius. To deepen the engagement with investee companies, Cathay has set up the Engagement Policy in 2018 and defined "climate change" and "ESG" as the main engagement strategy in 2019. Refer to p.79 for more information regarding Cathay's engagements and initiatives.

Taiwan Stewardship Principles for Institutional Investors

Five subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) have been signatories to the Taiwan Stewardship Principles for Institutional Investors. In particular, Cathay Life has published the first stewardship report among Taiwanese financial institutions. In 2019, Cathay Life, Cathay SITE and Cathay Century were selected by TWSE as "Signatories with better practices and compliances". Cathay accounted for 3 out of 5 selected domestic investors.

In 2019, Cathay attended a total of 1,437 shareholders meetings and voted on 9,997 proposals. Cathay voted in support for 9,495 proposals and against 51 proposals. Cathay abstained from voting on 451 proposals due to the compliance with government regulations^(Note).

Cathay also communicates with the top management of investee companies in the forms of telephone conferences, forums, investor meetings, or attending shareholders' meetings. In 2019, a total of 6,581 delegates from Cathay Life, Cathay Century and Cathay SITE visited 1,982 companies.



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



Asset Manager Mandating and Monitoring

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 2019, 99% of Cathay Life and Cathay Century's external asset managers are either PRI signatories or have followed the government stewardship code, 1% higher than the previous year.

Note: According to Articles 146-2 and 146-5 of the Insurance Act, Insurance companies may not vote in director and supervisor elections of domestic companies and public utilities and social welfare enterprises they have invested in, hence the abstention votes for proposals related to the appointment of directors and supervisors.

ESG Investment Products and Services

PE Fund for Sustainable Industries

Cathay PE fund has signed limited partnership contracts, with promised investment totaling NT\$8.03 billion. The fund mainly invests in key sustainable industries in Taiwan, including circular economy (e.g., sewage treatment and waste processing and reuse), renewable energy (e.g., solar energy, geothermal energy, hydropower, and energy storage), as well as the "5 + 2" innovative industries promoted by Taiwanese 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 Funds' investment mandate for the first ESG fund in Taiwan in March 2018. The assets under management amounted to NT\$6 billion. The ESG mandate fund benchmarks investment performance against the FTSE4Good TIPTaiwan ESG Index which is the index combining environmental, social, and corporate governance (ESG) and financial indicators.

2.2 Green Finance

CUB is the first bank in Taiwan to become a signatory to the Equator Principles, and adopted the Principles for Responsible Banking (PRB) on its own initiative, taking concrete actions to fulfill its corporate social responsibility as a financial institution. Cathay is the leading brand in green finance in the Asia Pacific, and fully utilizes its core competencies to respond to global climate risk, working together with the industrial sector and customers in developing green energy and creating a sustainable homeland.



Themed Investing/Lending

Low-Carbon Investing / Lending

- Cathay utilized its experience from participating in the GIC Low Carbon Investment Registry (LCI Registry) and established the Group's definition of the low carbon industry in 2017, including: **energy (excluding nuclear power and fossil fuel), architecture, waste recycling, transportation, (high efficiency) industry, and finance (e.g. green bonds).**
- Total low carbon investing/lending amount reached **NT\$165.2 billion in 2019.**

Infrastructure Investing / Lending

- Cathay established the scope of infrastructure after referencing government regulations in 2017, including: **transportation, public facilities, social housing, and environmental remediation facilities.**
- Total infrastructure investing/lending amount reached **NT\$658.6 billion in 2019.**

Investment in the Renewable Energy Industry

Solar Power Financing

- Financed **over 2,000** solar power stations to total installed capacity reaching **517MW**
- Reduced carbon emissions by over **300 thousand** metric tons each year, equals to approximately **780 times** the carbon absorption of Da'an Forest Park

2016
Provided financing to **Taiwan's first** large-scale rooftop solar power development project in compliance with the EPs and spirit of project financing.

2017
Provided a loan to **Taiwan's first** large-scale ground-mounted solar power development project with limited recourse project financing and complies with the EPs.

- Served as the lead arranger for the syndicated loan extended to Indonesia's geothermal power plant Star Energy. The total installed capacity of 277MW of the geothermal power plant made it the **largest syndicated loan in Indonesia that year.**

2019

- Won the **Top Solar Awards - Top Solar Financier** from the Bureau of Energy for the third time.
- Won the **Taiwan Banking and Finance Best Practice Awards - Best Green Project Financing Award** from the Taiwan Academy of Banking and Finance.

Offshore Wind Farm Financing

- Financed offshore wind farms with a total installed capacity reaching **768MW**
- Reduced carbon emissions by over **1.3 million** metric tons each year, equals to approximately **3,500 times** the carbon absorption of Da'an Forest Park

2015
Established the Project Finance & Advisory (PF&A) Department, the **first Project Finance specialized team in Taiwan.**

2016
Completed financing for **Taiwan's first** offshore wind farm project, a syndicated loan that complies with the EPs.

2018

- Served as the **financial advisor** for an offshore wind farm project, assisted Hailong No. 2 in obtaining installed capacity of 300 MW from the BOE, and assisted Hailong No. 2 and No. 3 in respectively obtaining 232 MW and 512 MW of installed capacity in the bidding stage.
- Won the **Taiwan Banking and Finance Best Practice Awards - Best Corporate Banking Award** from the Taiwan Academy of Banking and Finance.

2019

- Mandated Lead Arranger of the syndicated loan for 80 wind turbines of the Yunlin wind farm, the **largest offshore wind farm in the Asia Pacific to date.**
- Served as the **Mandated Lead Arranger of the first green loan facility in Taiwan market** initiated by Ørsted, a global offshore wind power company.

Solar Power Financing	Offshore Wind Farm Financing
<ul style="list-style-type: none"> CUB has supported Taiwan's move to renewable energy since as early as 2011 when CUB began to finance solar power projects across the island. CUB has formally implemented the lending management mechanism of the EPs, established the first project finance specialized team in the domestic financial industry, and built a dedicated power plant evaluation model for financing assessment since 2015. In 2019, CUB has financed 118 solar sites in Taiwan with a total installed capacity of 39,567.07 kW. As of the end of 2019, CUB has provided to over 2,000 sites with a total of 517MW solar PV power capacity, reducing CO₂ emissions for more than 300 thousand metric tons, which is roughly 780 times the carbon absorption of Da'an Forest Park. 	<ul style="list-style-type: none"> Formosa I Offshore Wind Project (the first offshore wind-power financing project in Taiwan): CUB served as the Mandated Lead Arranger for the Phase I syndicated loan and continued to participate in the Phase II financing (totaling 22 turbines). This offshore wind farm has a total installed capacity of 128MW and is expected to generate enough electricity for 380,000 households each year. Yunlin Offshore Wind Power Project: CUB acted as the Mandated Lead Arranger, Documentation Bank, LC Issuing Bank, Onshore Security Agent, Offshore Commercial Facility Agent and Guarantee Facilities Agent for the syndicated loan in 2019. The project has a total of 80 wind turbines and is the largest offshore wind farm in the Asia Pacific to date. The first green loan revolving facility in Taiwan Market: CUB together with two other banks secured the mandate with Ørsted and co-arranged a 5-year NT\$25 billion green loan revolving facility in 2019 to provide capital for the "Greater Changhua Offshore Wind Power Project." Formosa II Offshore Wind Power Project: CUB served as Guarantee Facilities Agent, actively participates in the offshore wind transaction in different roles and methods, contributing to Taiwan's environmental protection and sustainable development. As of the end of 2019, CUB accumulated total installed capacity for offshore wind is 768MW, reducing CO₂ emissions by approximately 1.30 million metric tons, which is roughly 3,500 times the carbon absorption of Da'an Forest Park.

Note 1: Taiwan Power Company - Each 1,000 kW of installed capacity of solar panels in Taiwan on average generated 1,101 kWh in 2019; according to the household electricity consumption volume announced by Taiwan Power Company in 2018, the average monthly electricity consumption per household is 292 kWh.

Note 2: According to the electricity emission factor announced by the Bureau of Energy in 2018, approximately 0.533 kg of CO₂ is emitted per kWh. Calculated based on Bureau of Energy, MOEA, data which indicates that Da'an Forest Park absorbed 389 metric tons of CO₂ in 2011. (https://www.moea.gov.tw/mns/populace/news/News.aspx?kind=1&menu_id=40&news_id=80260).

Note 3: According to operational data from 2 offshore wind turbines that have begun commercial operation, the average capacity factor from May to December 2017 was 23%, 28%, 11%, 34%, 14%, 66%, 62%, and 68%, respectively. The average capacity factor of 38% is used, and power generation is calculated using the formula "actual power generation = installed capacity x capacity factor". (https://www.moea.gov.tw/mns/populace/news/News.aspx?kind=1&menu_id=40&news_id=80260).

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Promoting Green Transport Transition

Bicycle Insurance

The first in the industry to provide bicycle insurance	
Cathay Century began offering bicycle insurance in 2016, and had sold 1,413 policies as of the end of 2019 with cumulative insured amount reaching NT\$8.67 million.	
First Public Bicycle Insurance in Taiwan	
Cathay Century offered the first Public Bicycle Accident Insurance and Public Bicycle Third-Party Liability Insurance in Taiwan in 2018. As of the end of 2019, Kaohsiung City, Tainan City, Taipei City, New Taipei City, Taoyuan City, Miaoli County, and Pingtung County were covered by Public Bicycle Accident Insurance, providing coverage to over 17.24 million people. The insurance eliminates the risk of public bicycle riders not having any insurance coverage.	

Supporting Promising Environmentally Friendly Startups

Environmentally Friendly and Green Energy-Saving Enterprise IPO Guidance

Guiding Ever-Clear Environmental Eng. Corp. through IPO	
Cathay Securities actively assists environmentally friendly and green energy-saving enterprises with raising capital. Cathay Securities assisted Ever-Clear Environmental Eng. Corp., a major industrial wastewater treatment company in Taiwan, with its successful IPO in 2019, which raised NT\$115 million in capital.	
PM Group IPO Guidance Project	
The PM Group, which Cathay Securities is currently assisting, has also initiated an IPO plan. The PM Group is an iconic solar power company and the leading solar power EPC (Engineering, Procurement, Construction) company in Taiwan. The PM Group plans to become an emerging stock in 2020 and formally enter the capital market.	

Performance of Green Financial Products/Services over the Years

	2017	2018	2019
Themed Investing/Lending			
Low-carbon investing/lending (NT\$100 million)	1,498	1,511	1,652
Infrastructure investing/lending (NT\$100 million)	-	5,915	6,586
Note: Cathay defined the infrastructure industry in 2018, so there are no statistics for the industry's investing/lending amount before 2018.			
Investment in the Renewable Energy Industry			
Accumulated total installed capacity for solar power (both Taiwan and overseas) (MW)	361	477	517
Accumulated total installed capacity for offshore wind power (both Taiwan and overseas) (MW)	8	128	768
Cumulative insured amount of Renewable Energy (Hydroelectric Power, Solar Power, Wind Power) Contractors' & Erection All Risks Insurance (NT\$100 million)	92.4	265.8	913.2

	2017	2018	2019
Promoting Green Transport Transition			
Cumulative premium income from green vehicle insurance (NT\$10,000)	29,185	31,672	49,316
Bicycle insurance cumulative insured amount (NT\$10,000)	284	561	867
Public bicycle insurance cumulative insured amount (NT\$10,000)	-	74	453
Note: Public bicycle insurance was offered in 2018.			
Supporting Promising Environmentally Friendly Startups			
Amount of funds raised for green and environmentally friendly enterprises (NT\$100 million)	6.89	4.24	1.15
Amount of investments in promising environmentally friendly startups (NT\$100 million)	4.69	4	3.52

2.3 Financing for the Elderly



Taiwan only has six years before it transitions from an aged society to a hyper-aged society, and the economic pressure and healthcare demands of the elderly population are set to become potential issues. Cathay has made a breakthrough in the ex-post compensation function of insurance in recent years, and instead achieves ex-ante prevention by encouraging customers to independently manage their own health, thereby maintaining social stability in an era of rapid demographic changes.

Themed Investing / Lending

The rapidly changing demographic structure will have a massive impact on the social welfare system, pension system, and healthcare system. Cathay defined the aging society and health industry as a subject for themed investing/lending, upholding the concept of sustainability when investing in the future.



Responding to Aging Society and Health Promotion

Statistics show that Taiwan citizens on average lived up to 9 years of the end of their lives in poor health, and the number of people requiring long-term care will exceed one million by 2026. Cathay provides a wide variety of insurance products to resolve the pain points that people may face when they grow old.

Themed Investing / Lending

Aging Society and Health Investment / Lending

- In 2019, Cathay referenced the definitions of related industries made by the National Development Council and PRI, and included aging society and health service, product, and facility supply industries into the scope of the aging society and health industry.
- Aging society and health investing/lending amount reached NT\$415.6 billion in 2019.

Responding to Aging Society and Health Promotion

Developing a platform for health promotion -Cathay Walker

- Cathay Life developed the platform "Cathay Walker" to help policyholders acquire the habit of walking 7,500 steps daily by providing incentives for reaching weekly and monthly goals. Insurance can gain a new function of "Prevention" by helping policyholders to stay in good physical condition.
- As of the end of 2019, the 220,000 participants on Cathay Walker walked approximately 175.4 billion steps, enough for 142.6 round trips to the moon.



Cathay Walker accompanies policyholders in maintaining good physical health through rewards for reaching goals.

The first in the industry to provide small amount whole life insurance

- Cathay Life was the first to offer small amount whole life insurance, which has low enrollment requirements and low premiums, in 2017. Small amount insurance allows the elder, who may have difficulty to apply insurance because of age, to easily obtain basic insurance coverage.
- As of the end of 2019, Cathay Life provides basic economic security for approximately 200,000 policyholders, the highest in the industry.

Health-promoted insurance creates a new function for insurance products - Prevention

- Cathay Life led the industry in combining insurance with health management in 2014, and added the prevention function to insurance.
- Since 2018, Cathay Life has expanded the coverage of health-promoted insurance to encourage people to enroll in health-promoted insurance with their family and friends, so that they can develop the habit of regular exercise while enjoying insurance coverage.
- 8 health-promoted insurance policies are available for applying to Cather Walker project. Among them, two major illness products are exclusively in the industry that allow customers to receive claims with a NHI major illness certificate, providing greater coverage compared with conventional dread disease insurance policies.

- Cathay Life further designed a special underwriting mechanism for unhealthy customers, so that sub-health policyholders can improve their health and gain greater coverage through the insurance policy. Cathay Life aims to lead Taiwanese towards a healthy life by policyholders all citizens to participate in.

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The first in the industry to provide long-term care insurance with in-kind benefits

- Cathay Life led the industry in offering 2 long-term care insurance products with in-kind benefits. Customers' needs for long-term care services are met by service providers when the need arises, helping lift the burden of long-term care on policyholders.
- Cathay Life was the first to work with an external long-term care institution "Chunghwa Senior Care" in offering an insurance with in-kind benefits that pre-orders long-term care services. When policyholders require long-term care services, they may freely choose between services or pay-outs in cash, thus creating a more flexible long-term care safety net and improving the quality of life for the elderly.



Cathay at Your Side Health Project

Cathay integrated the resources of Cathay Life and its hospitals, and worked together with an US-based unicorn insurance company, Clover Health, in developing a chronic illness risk prediction model. We launched the "Cathay at Your Side Health Project" on this basis, using AI and big data analytics to screen policyholders with chronic illnesses as high health risks, and worked together with healthcare institutions to actively assist and thoughtfully accompany policyholders in managing their health. We hope to prevent greater risks from occurring, and transform the role of insurance companies from passively providing insurance claims to actively and thoughtfully staying at the side of policyholders for staying healthy.

Health advisors play an important role in the "Cathay at Your Side Health Project". This project is backed by Cathay General Hospital with the concept of "patient-centered". The project tracks and cares for high risk policyholders with chronic diseases, caring for them one-to-one like family and friends to help them achieve their health management goals.

Furthermore, Cathay will jointly establish a health risk index prediction model together with the startup Knowtions Research. Besides providing insurance coverage and payout, it will also help each customer understand his/her own health score, promoting regular physical health management rather than seeking an insurance payout after getting sick. This will instill the values of health promotion and disease prevention among policyholders.



Cathay General Hospital is patient-centered. Health advisors actively provide services to policyholders and accompany policyholders to achieve true health management.

Target Date Fund

Cathay SITE realized that many Taiwanese people were insufficiently prepared for retirement and offered the "Cathay Target Date 2029/2039/2049 Fund of Funds" in 2019. Target date fund of funds are the most popular among Europeans and Americans for retirement planning, as they provide investors with the easiest to understand investment method. All investors need to do is think about when they plan on retiring and choose the fund with the closest target date, while asset allocation is handled by a team of professional fund managers, who adjust the ratio of stocks and bonds based on the fund's life cycle.

Cathay SITE is constantly optimizing the Cathay Retirement Plan Platform for more people to better achieve their pension planning. It only takes five simple steps to calculate the amount needed to retire, and takes into consideration the individual's labor insurance, labor pension, and national pension, clearly calculating any gaps in their pension, so that they can prepare for retirement in advance.



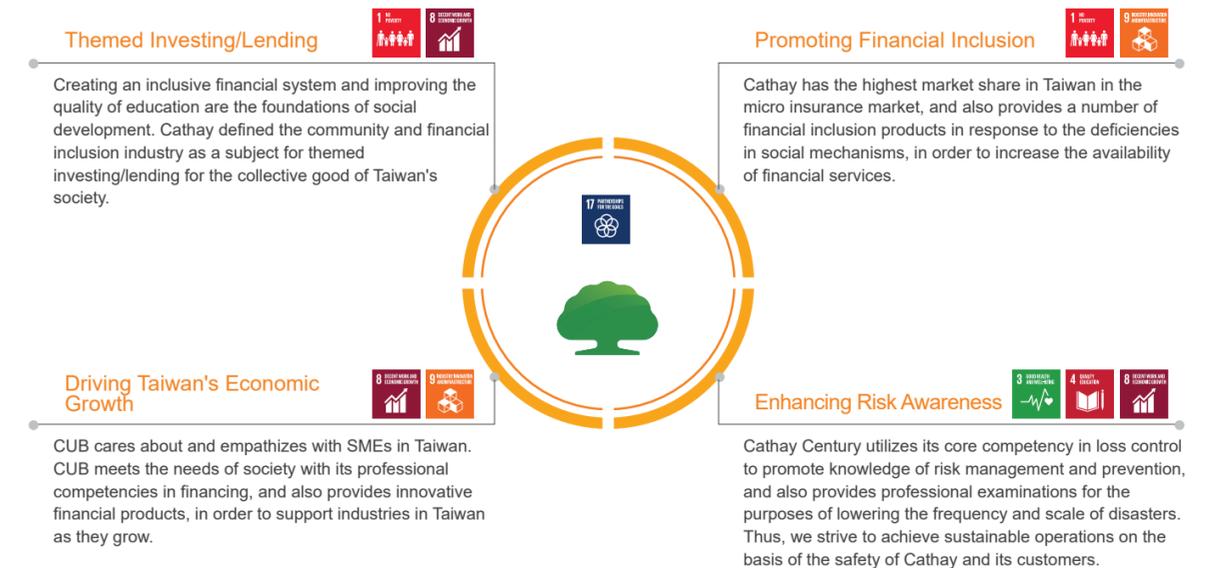
"Cathay Retirement Plan Platform" allows people to prepare for retirement in advance.

Performance of Financial Products/Services for the Elderly over the Years

	2017	2018	2019
Themed Investing/Lending			
Aging society and health investing/lending (NT\$100 million)	-	3,580	4,156
Note: Cathay defined the aging society and health industry in 2019, so there are no statistics for the industry's investing/lending amount before 2018.			
Responding to Aging Society and Health Promotion			
Cathay Life small amount whole life insurance policies (number of policies)	157,929	178,521	200,791
Cathay Life Cathay Walker cumulative participants (10,000 people)	-	10	22
Note: Cathay Walker was launched in 2018.			
Amount of assets in the Disability & Retirement Trust (for elderly and disabled people) (NT\$100 million)	9.41	12.05	12.65

2.4 Financial Inclusion

Cathay FHC cares for the needs of Taiwanese people. We use our core competencies to provide solutions for society's potential risks and issues, and realize inclusive finance by creating a strong insurance safety net that increases the accessibility of financial services to different groups.



Themed Investing/Lending

Community and Inclusive Finance Investing / Lending

- Cathay established the scope of the Community and Financial Inclusion Industry, which includes education and micro finance industries, after referencing PRI definitions of related industries in 2020.
- Total community and inclusive finance investing/lending amount reached NT\$9.2 billion in 2019.

Promoting Financial Inclusion

Micro Insurance

Maintaining the highest market share in micro insurance

- Cathay Life and Cathay Century were both commended by the Financial Supervisory Commission in 2019, in which Cathay Life was recognized for the sixth consecutive year for its micro insurance and also won an award of Taiwan Insurance Excellence Performance – Micro Insurance Promotion Excellence Award.
- Cathay Life ranked first in the domestic micro insurance market. From product launch to the end of 2019, Cathay Life and Cathay Century's cumulative insured amount reached NT\$89.5 billion with over 279,000 insured persons, and timely economic support provided to 679 disadvantaged households.



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Student Group Insurance

Providing student group insurance for the third consecutive year

- Cathay Life provides student group insurance to cover three million students with the total insured amount at approximately NT\$3 trillion.



Jointly implementing the Sustainable Campus Project with the K-12 Education Administration

- Cathay Life's 5,500 student group insurance service personnel serve as "campus sustainability promotion ambassadors," and provide activities and teaching materials on sustainability issues, such as "anti-drug campaign" and "knowledge of wealth management and insurance." The project upgrades the function of group insurance from compensation services to prevention, from ex-post to ex-ante, and instills students with important sustainability concepts, creating a mutually beneficial cycle.



Cathay Life offers student group insurance and jointly implemented the Sustainable Campus Project with the K-12 Education Administration. Volunteers of Cathay go into campuses and introduce anti-drug knowledge through games.

- The project has reached 18 counties and cities with approximately 130,000 participants online and offline since 2017. The satisfaction rate exceeds 99%.



- Cathay Life and the well-known online learning platform PaGamO collaborated in 2019, and used an innovative model to educate students with information about drugs so that they will say "No" to drugs, hoping to help more students stay away from drugs and grow up healthily and happily.



Digital and Data Ecosystem in Southeast Asia

Digital, Data & Technology Center (DDT) in Cathay FHC is jointly developing overseas markets with subsidiaries and local partners, in order to create a data ecosystem that meets local requirements

- In Cambodia, DDT and CUB (Cambodia) worked together with the second largest telecom company Cellcard and provided financing loan services to high quality customers figured out by using data. It is the first micro loan project in Cambodia to use telecom data as the basis for credit ratings.
- In Vietnam, DDT assisted the Indovina Bank (IVB) in working with the local e-commerce platform iCare Benefits, which linked employee salary accounts from companies to the platform. And the IVB provides financial services such as installment payments and loans starting in September 2019. The services were used by nearly 30,000 local customers as of the end of the year.
- Also, Cathay Insurance Vietnam is collaborating with the largest online travel platform iVIVU, and became the first to provide one-stop travel insurance services to online travel agencies (OTA). This significantly shortened the waiting time of insurance enrollment or claims.



Friendly and Convenient Claims Services

The first "Claim Payments Automatically Deducted from Hospitalization Expenses" service

- Cathay Life's "claim payments automatically deducted from hospitalization expenses" service is an one-stop service that actively shows concern for hospitalized policyholders, actively handling claims by directly paying their medical expenses when they are discharged from hospital.
- As of the end of 2019, Cathay Life provides this service with 9 hospitals around Taiwan, 1.55 million policyholders have participated, and over NT\$290 million in medical expenses has been paid using this service, which can effectively save policyholders from complex claim application and discharged process for hospitalization.



Establishing a benefits pre-payout mechanism

- Cathay Life has a benefits pre-payout mechanism that allows policyholders to collect benefits, up to 7 days, without needing to be discharged. This mechanism allows policyholders to receive medical care with complete basic medical coverage in time.



Establishing a comprehensive major catastrophe claims mechanism

- Cathay Life would initiate the Procedure for Major Catastrophe Claims when a major catastrophe occurs. Please refer to the QRcode on the right side for details.



Driving Taiwan's Economic Growth

SME loans

CUB's long-term partnership with the SME Credit Guarantee Fund

- CUB offers a number of SME financing projects and had provided loans to 87 SMEs as of the end of 2019; the loans totaled NT\$279 million.
- CUB has been recognized with the "Credit Guarantee Loan Growth Award" from the SME Credit Guarantee Fund of Taiwan for three consecutive years, and also the "Award for Assisting Regional Development" in 2019.



CUB utilizes its financing expertise to aid the growth of SMEs

- As of the end of 2019, the balance of SME loans provided by CUB reached NT\$209.4 billion, and the balance is expected to grow 5% in 2020.



Social Enterprise Loans

The first in the industry to offer preferential loans for social enterprises

- CUB, Taipei City Government, and the SME Credit Guarantee Fund jointly implemented the Social Enterprise Preferential Loan Project, providing direct guarantee and low-interest preferential loans to qualified enterprises.
- Loans for 8 social enterprises were approved as of the end of 2019; the loans totaled NT\$21.32 million.



Investment under Regular Savings Plan

Newly launched service of regular digital investment plan

- Cathay Securities launched a new service on its mobile platform in 2019 for clients to invest in a fixed sum of money listed in Taiwan with a regular plan. Cathay Securities provides a platform for clients to easily participate in the capital market, especially for those who are just about to accumulate their assets yet too busy to monitor the financial market, by lowering the single stock minimum subscription amount from NT\$3,000 to NT\$1,000.
- Aiming to promote financial inclusion, Cathay Securities shares more profits with these types of clients by charging them NT\$1 for every subscription amount under NT\$10,000.
- Until end of December 2019, more than 16,000 investors used this service and the AUM grew to NT\$155 million within just 3 months since the launch of the service.



Crop Insurance

Mango Crop Insurance

- Cathay Century's "Mango Crop Insurance Linked to Government Disaster Relief Efforts" and "Mango Crop Insurance Linked to Regional Harvests" provide farmers with flexibility when enrolling in insurance, thereby protecting farmers' asset safety. As of the end of 2019, the total insured amount reached NT\$34.27 million.



Guava Crop Insurance

- Cathay Century began offering Guava Crop Insurance in Changhua, Tainan, and Kaohsiung in 2019. Data from local weather stations are used as the basis for filing claims. The "typhoon wind speed and rainfall" linked product was tailored for the areas, using fair and objective data to not only improve claims speed because there is no need to conduct a disaster investigation, but also avoid claims disputes.



- Total insurance coverage reached NT\$6.77 million as of the end of 2019.



Investment in an Anti-Fraud Software Company

Investment in Gogolook, the anti-fraud software company that developed Whoscall!

- The Cathay Sustainability PE Fund of Cathay SITE invested in Gogolook, the company that developed the telephone fraud filtering software Whoscall, in 2019. The company utilizes a database of over one billion telephone numbers worldwide to develop anti-fraud technology, and analyzes and simulates the behavior of fraud groups through data of malicious calls detected by users, in hopes of creating a zero fraud environment in Taiwan.



Preventing financial fraud and raising awareness of fraud

- Fraud cases never seem to stop in Taiwan. There have been over 23,000 fraud cases in Taiwan each year in recent years. The NPA is thus working with the financial industry to prevent fraud and has been quite successful. Cathay Life and CUB were successively recognized by the NPA for contributing to the interception of fraud cases.
- Cathay utilized its financial competencies in fraud prevention, and worked together with the Criminal Investigation Bureau (CIB) and the Smart Aging Alliance of National Taiwan University in developing the board game "Fraud Prevention Team" in 2019. The board game uses real world cases to help the elderly learn anti-fraud knowledge in an entertaining way.



Cathay and the CIB jointly promoted the board game "Fraud Prevention Team" in Xinglong Elderly Day Care Center, allowing the elderly to learn anti-fraud knowledge through a game.

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Enhancing Risk Prevention Awareness

Providing corporate customers with loss control risk assessment and improving services

• Cathay Century utilizes its core competency in loss control to provide enterprises with the knowledge of risk management and prevention, and also provides professional inspections to reduce the frequency and severity of disasters. Thus, Cathay strives to achieve sustainable operations on the basis of Cathay and its customers.



• To strengthen the corporate loss control services, Cathay Century reinforced electrical equipment inspections in 2019 by establishing ultrasonic electrical inspection service to solve the blind spot of infrared equipment detecting high voltage discharge, and improving the ability to inspect the electrical equipment inspection service.



Providing companies with specialized courses, including information security risks and corporate sustainability management, to help them formulate business continuity plans

• Cathay Century holds loss control seminars every year to strengthen customers' risk awareness. In 2019, Cathay Century held 2 seminars with a total of 121 corporate customers participating.



Cathay Century utilized its core competencies in organizing the Information Security Risk Seminar in response to global information security risks in 2019, calling on companies to take information security risk seriously and establish effective risk management mechanisms.



Performance of Financial Inclusion Products/Services over the Years

	2017	2018	2019
Themed Investing/Lending			
Community and financial inclusion investing/lending (NT\$100 million)	-	-	92
Note: Cathay defined the community and financial inclusion industry in 2019, so there are no statistics for the industry's investing/lending amount before 2019.			
Promoting Financial Inclusion			
Cumulative insured amount of micro insurance (NT\$100 million)	584.2	751.0	895.0
Cumulative insured cases of micro insurance (10,000 persons)	18.9	24.5	27.9
Cumulative insured cases of Cathay Life student group insurance (10,000 persons)	308	300	300
Amount of assets in CUB's Charitable Trust (NT\$100 million)	379.2	378.17	376.3
Amount of assets in CUB's CPBL Gambling Prevention Trust (NT\$100 million)	1.5	1.35	1.32
Cumulative balance of loans provided by CUB (including branches) to MFIs (US\$1 million)	27.9	34.5	58.6
Driving Taiwan's Economic Growth			
Cumulative balance of SME loans provided by CUB (NT\$100 million)	1,519	1,781	2,094
Cumulative balance of preferential loans for social enterprises provided by CUB (NT\$10,000)	1,600	2,005	2,132
Cumulative number of social enterprises that received preferential loans from CUB (companies)	4	6	8
Cumulative insured amount of Cathay Century crop insurance (mango and guava) (NT\$10,000)	1,175	2,867	4,104
Enhancing Risk Prevention Awareness			
Number of companies reached by the Loss Control Seminar hosted by Cathay Century	92	174	121

2.5 Financial Innovation

Cathay FHC established Digital, Data & Technology (DDT) in 2016. DDT regards "data-driven" as culture. With "Digital, Data, and Technology" as its three pillars, DDT builds the infrastructure for big data analysis and application, utilizes new technologies in financial operations to create a data ecosystem, and creates an environment for creative talent from diverse backgrounds. Furthermore, DDT is in hopes of making Cathay FHC become the leading brand in the domestic digital and data ecosystem, and assists Taiwan to take a leap onto the international stage through the digital transformation process.

DDT has recruited over 550 interdisciplinary talents to promote the digital transformation in the nearly four years since it was established. Utilizing group resources, DDT gathers strategic partners to collaborate with startups around the world in expanding overseas markets.

Data

Establish infrastructure for data-driven decision-making to provide a basis for business development, risk management, product sales, and business performance related decisions.

Digital

Extensively penetrate digital ecosystems, combine online and offline channels and application scenarios to create the friendliest and most effective customer experience.

Technology

Utilize technologies, strategic alliances, and cross-industry collaboration to create new business models.



Digital

MyRewards app

MyRewards app enables rapid response to market demands through agile development, and provides an excellent digital user experience

• MyRewards app owns over 2 million members in 2019, an increase of 30% from the previous year.



• MyRewards app actively worked together with third party service providers in 2019, and provided a complete experience and excellent one-stop services via API, without redirection. Such services include e-commerce, cuisine collective buying, entertainment, gas and parking, and restaurant reservation, providing diverse financial services to meet customers' needs in daily life scenarios. Users of the selected services on average make 30% more transactions than overall users. Furthermore, users that begin to use gas and parking services on average made nearly three more transactions each month, effectively increasing the total number of transactions.

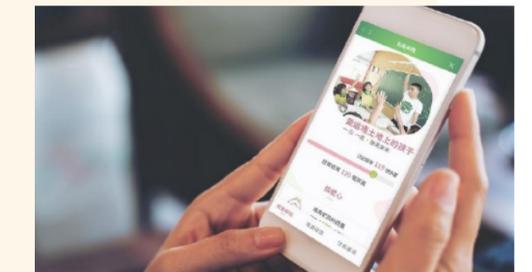


MyRewards app provided the exclusive "reward point donation" function through collaboration between enterprise, social enterprise, and NGO

• MyRewards app further worked together with Teach For Taiwan (TFT) in 2019, caring for education and teacher training in rural areas of Taiwan.



• As of the end of 2019, approximately 35 million reward points were donated, providing resources to help the underprivileged and allowing digital finance to create greater social value.



MyRewards app gathers small amounts of reward points on the digital platform based on the concept of crowdfunding, and provides resources to help the underprivileged, allowing digital finance to create greater social value.

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Cathay Robo

Cathay Robo integrates the group's asset management teams, which developed an algorithm using the smart algorithm technology of the Hong Kong-based FinTech company Quantifeed, and helps customers steadily achieve goals in each stage of life through "target-based investing" on the basis of science-based wealth management.

- Cathay Robo significantly reduces investor's misjudgments caused by psychological factors through the use of scientific financial management methods. It also lowers the threshold for initial investors who are unfamiliar with the market or those have no time to study the investment target. Cathay Robo's "scientific financial management" continuously optimize the algorithm and investment portfolio through the collaboration of experts and data models, so that customers can keep focusing on long-term investment with worry free.



- Cathay Robo further launched the industry's first "strategic investment portfolio" in 2019, offering four new investment assortments for different strategies. Customers can choose a strategy based on their own risk attributes and appetite. Even beginners can easily figure out what is best for them.



- Data shows that 99.52% of users that utilized robo investment services for at least 9 months averaged a positive return, and the average ROI after investing for 1 year reached 4.73%.

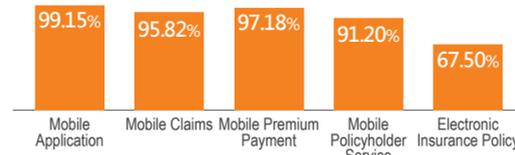


Cathay Robo also introduced a new function "Check what others are buying," which divides investors into eight groups by age and gender, providing beginners with more options when investing.



Cathay Life "Digital and Omni-channel Business Plan"

Cathay Life led the industry in offering the patented service process "Mobile Insurance," significantly shortened the time required for underwriting and claims



Note: The above-mentioned statistics are the utilization rate of each service.

Online insurance enrollment and recommendation service

- The number of Cathay Life's online insurance members surpassed one million in 2019. Cathay Life ranks number one in the industry in terms of the three major indicators of online insurance enrollment, specifically the number of registered members, insurance policies, and cumulative insurance premiums. Cathay Life has a 50% share of the market with premium revenue growing by over 300%.



- The industry's first insurance consultant website "My insurance buddy - ProAdvisor" provides guidance to customers who need insurance consulting or need to apply insurance, so that they are able to immediately and freely choose an excellent salesperson.



Cathay Life created a new insurance enrollment experience and improved the completeness of online to offline omni-channel services.

- The first in the industry, Cathay Life took the initiative by upgrading the functions of chatbot "Alpha", allowing customers to apply travel insurance through three simple steps.



Cathay Life upgraded the functions of "Alpha." Customers only need to enter the travel date, destination, and duration to complete travel insurance application.

- Cathay Life also worked with ezTravel, the number one platform for independent domestic travel, and completed the first supervision sandbox case in Taiwan, providing a one-stop travel service experience. When people are applying travel insurance products in the future, they only need to complete 4 procedures, in 1 minute, to meet their insurance needs.



The app exclusive for policyholders is able to directly integrate all of the customers' insurance policies at Cathay Life

- The app was downloaded 850,000 times as of the end of 2019, the most among life insurance companies.



- The percentage of policyholders who used their policies to apply for a loan online significantly increased from 5% in 2017 to 20% in 2019.



CUB creates an experience economy through omni-channel services

CUB promotes "from omni-channel to omni-customer" services to provide customers with a whole new digital service experience

- CUB aims to create an excellent customer experience without any break points, in order to create a new digital finance system. The services are provided via brick-and-mortar branches and digital channels through online to offline integration involving front-end offices, middleware platforms, and back-end offices.



- As of the end of 2019, CUB already has 4.22 million digital user accounts (including MyBank, My MobiBank, and KOKO users), accounting for 45% of all customers, and an increase of more than 17% compared with the previous year.



My MobiBank "Flexible Loan" service

CUB's KOKO began offering "Freestyle" personal loans that meet the needs of the younger generation in 2018, featuring "drawdown in tranches" and "interest incurred after drawdown" to tear down the barriers between age and financial service use. CUB was also the first in the industry to offer a fully automated, one-stop online loan service "Flexible Loan" on the app My MobiBank in 2019. Application, drawdown, and repayment can be rapidly completed by tapping on the My MobiBank app. Online loan applications can be approved in as fast as 5 minutes, and users do not need to immediately take out the loan once their application is approved. Customers can drawdown or repay their loan at any time, preparing them for family, financial, and medical expenses that may suddenly occur. With this app, customers can access emergency funds to meet any financial needs using their mobile phone.



"Flexible Loan" service on My MobiBank has a fully automated loan process, allowing customers to easily make the best preparations for any sudden expenses.

KOPlay

KOKO and Cathay Century in 2019 launched the innovative "KOPlay," which significantly improves the customer experience by allowing customers to complete travel insurance enrollment, inquiry, and receiving notices on their claims through the KOKO app. Customers can rapidly purchase travel insurance as late as 2 hours before departure. If customers need to file claims, all they need to do is upload a photo to the app to complete the notification of an incident for claims. Customers can monitor the progress of claims at any time, and do not need to handle it at a service counter or mail an application. This resolves the issue of long enrollment procedures for travel insurance that need to be completed at a service counter, providing customers with a whole new financial service experience.



Data

Improving service efficiency by understanding what customers need

CUB leads the industry in implementing Data Management Platform (DMP) and Real-Time Decision Management (RTDM)

- CUB was the first in the industry to launch the customer-centered DMP and RTDM with an emphasis on "immediacy" and "personalization," creating a big data ecosystem based on the customer journey. The two platforms link together online, offline, internal, and external data of customers, and take the initiative to immediately provide services when customers most need it. This satisfies the diverse and immediate needs of digital users for financial services.



Data collaboration, jointly developing the global data ecosystem

DDT cooperates with subsidiaries of Cathay FHC and domestic enterprises to analyzes data and builds new business models, in order to provide customers with new financial services and solutions

- Integrating group's resources, DDT partners with different enterprises in Taiwan and overseas to create new digital experiences and services without any break points. It has not only created a financial ecosystem for different scenarios in travel, telecommunications, housing, and e-commerce in Taiwan, but also helped expand the business development of Cathay FHC in Southeast Asian markets, and furthermore, gradually developing a complete global data ecosystem.



- CUB and T-Star offered the innovative loan project, and applications for one of specific rate plans increased nearly 15% month over month during the trial period.



- CUB and Sinyi Realty Inc. co-organized the "Happy Neihu by Cathay & Sinyi" event to revitalize communities. The event provides scenario-based financial services through online to offline to stimulate local districts.



- DDT assisted Cathay Century and Cola Tour in providing "Travel Insurance" service, which allows customers to also purchase travel insurance when they book a trip on Cola's platform. Powered by two entities' API linkage, the insurance purchase process been accelerated significantly.



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Technology

Open API and Middle-End Micro Services

Cathay actively participates in operations of Financial Information Service Co., Ltd., and serves as the convener of a task force. Besides, Cathay assists the competent authority and all peers in the field of open banking in order to ramp up the global presence of Taiwan's FinTech innovation

- CUB was the first to develop 18 open APIs for accessing open data in the first phase in compliance with regulations of the FSC and Financial Information Service, and completed interfacing with multiple third-party service providers (TSP) through the Open API platform.



- DDT in Cathay FHC is actively promoting the middleware platform and the micro-services architectures for banks. All internal systems are interfaced using the APIs, which is also the interface for providing services externally. The implementation of a robust platform system allows innovations in digital products to be more flexible, more agile, allows services to be more rapidly provided to customers, and provides greater information security.



- The middle-end supports automatic expansion and has an automatic load balance mechanism, with transaction processing performance reaching 4,000-5,000 TPS; daily transaction volume surpassed 5 million transactions, higher than the market average.



Cathay Life was the first to release an API for Internet banking identity verification in coordination with CUB's Internet banking. Customers can adjust their coverage online and create a form of insurance with the value that best suits them, providing customers with safer and more convenient services.



DDT led the industry in adopting the DevOps culture

- DDT actively adopted the DevOps culture, and extensively applied it to numerous digital financial products, such as KOKO, MyRewards app, Cathay Robo, and My MobiBank.



- DDT accelerates digital software development through agile development, software testing, Continuous Integration/Continuous Delivery (CI/CD), as well as operations maintenance and monitoring, laying a solid foundation that can integrate front, middle, and back end resources and innovation momentum for the development of FinTech and open banking.



DDT was also involved with technology communities in Taiwan. For example, Cathay shared how to build a DevOps culture during the DevOps Days Taipei 2019. This was also the first time a financial institution from Taiwan shared its DevOps experience in this event.



Robotic Process Automation (RPA)

Cathay FHC implements robotic process automation (RPA) to drive the digital transformation of the company

- Cathay FHC implemented RPA for employees to revisit the necessity of every business process. Employees can schedule a specific robot to perform a specific task at a specific time, or manually enable the robot when necessary. Employees can perform other tasks while the robot is working, and verify the execution results of the robot later on. This human-robot collaboration has transformed operations to become more flexible, effective, and agile, leading the financial industry into the digital era.



- DDT has assisted in the successful application of RPA in Cathay Life, CUB, and Cathay Century in 2019, which has optimized the companies' business processes. As of the end of 2019, 50 RPA application scenarios were available. We will further expand to Cathay Securities, Cathay FHC, and even non-financial businesses to accelerate Cathay's digital transformation.



- Cathay Life utilized RPA to shorten the time required for processing external correspondence to one-tenth of what it used to be. CUB utilized RPA to shorten the convenience store collection part of the credit card payment and write off process to one-sixth of what it used to be.



Cathay Financial Innovation Lab



DDT in Cathay FHC has launched the Cathay Financial Innovation Lab to broaden its global perspectives of data, digital, and technology, and to obtain the latest innovative technologies. The lab focuses on six fields, namely FinTech, InsurTech, MedTech, RegTech, PropTech, and artificial intelligence (AI). With an innovative approach, Cathay Financial Innovation Lab selected 9 startups out of over 400 teams through an open audition. With the assistance of DDT, the shortlisted startups will then work closely with Cathay's business units such as Cathay Life, CUB, and Cathay Century, to resolve pain points in various business scenarios and improve operational performance.

Cathay Financial Innovation Lab also allows the world's well-known startups to collaborate with Cathay, and gain first-hand experience with Taiwan's unique FinTech scenarios. The collaboration will also raise the international visibility of Taiwan's outstanding FinTech innovation.



Data Science Lab

DDT established the Data Science Lab

- The Data Science Lab stays up-to-date on the latest data science theories and practical technologies worldwide, and uses tools with open source code to aid the innovation of key technologies, ensuring R&D momentum to create more financial application services.



- The Data Science Lab in 2019 published technology projects in the Data Conference Taiwan (DataCon.TW), Feng Chia University, and Taiwan's data science communities. It engages in exchanges with members of the tech industry using real world examples and developments of technologies and practices rarely seen in the FinTech industry, laying the foundation for technology leadership in the field of FinTech.



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- 3.2 Human Rights Protection
- 3.3 Human Capital Development and Digital Transformation
- 3.4 Employee Happiness and Healthy Workplace

Capital at Risk and Opportunities

From automation and artificial intelligence to big data, technology has become the most important force driving changes in the financial service industry, and Cathay FHC has begun to develop towards the FinTech service industry. The outcome of human resource transformation is closely related to the future development of a company. With the rapid pace of changes in a digital era, as well as structural changes in the employment population, studies show that the main risks of human resource digital transformation are inadequate skills and a workplace culture that lacks innovation and autonomy.

Cathay is actively involved in the field of data analysis, predictive insight, and artificial intelligence in response to digital transformation, and aims to develop employees' learning ability, agility, and dialogue ability. We implemented the digital citizen development plan to strengthen employees' innovation ability and digital thinking, seize new business opportunities, and develop into the leading brand in technology and finance. Furthermore, we have improved employees' experience through optimization of the operating system, flexible work hours, and dress code adjustments, and created a new workplace culture of What if We Could.



Scored 4.35 points (5 points in total) in employee commitment for two consecutive years

Scored 4.35 points (5 points in total) in the item "I am proud to be a member of Cathay" in the group's Employee Engagement Survey for two consecutive years.

The most CFP® certificates in the financial industry

Cathay Life and CUB both had the highest number of new and total CFP® certificates in the financial industry in Taiwan.



Recognized as one of the "Best Companies to Work for in Asia" for the second consecutive year

Cathay FHC was recognized as one of the "Best Companies to Work for in Asia" by HR Asia Magazine for the second consecutive year in 2019 under the theme "Steady and Sustainable, Towards Becoming a Leading Financial Institution in the Asia-Pacific".

The ratio of employees with high health risk decreased by 3% compared with the previous period

Cathay FHC continues to implement the health promotion plan, and the most recent employee medical check-up results show that employees with high health risk decreased by 3% compared with the previous period.



Key association:



Potential association:



Sustainability Vision for Human Capital

▲ Goals unattained ★ Goals attained

Key Performance Indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Attracting and Retaining Employees					
Employee Engagement Survey	<ul style="list-style-type: none"> Satisfaction reaches 4 points and above (5 points in total) Response rate reaches 70% and above Conduct employee experience surveys 	★	<ul style="list-style-type: none"> Satisfaction reaches 4 points and above (5 points in total) Response rate reaches 70% and above Continue to conduct employee experience surveys and implement at least 2 employee experience improvement measures each year 		
Key talent retention	Retention rate reaches 90% and above	★	Retention rate reaches 90% and above		
Compensation	Continue to be selected into the Taiwan High Compensation 100 Index	★	Continue to be selected into the Taiwan High Compensation 100 Index		
Employee learning and development					
Online learning hours	Employee online learning reached 1,000,000 hours	★	<ul style="list-style-type: none"> Implement learning leave Employee online learning reached 1,150,000 hours 	Employee online learning reached 1,200,000 hours	
Occupational Health and Safety					
Employee mental health survey	Response rate reaches 70% and above	★	Response rate reaches 70% and above		
Occupational safety management	Obtain ISO 45001 Occupational Health and Safety Management System certification	★	Maintain ISO 45001 Occupational Health and Safety Management System certification		

3.1 Employee Composition and Diversity

Cathay attaches importance to and respects the individual differences of every employee, and believes that a corporate culture with diversity and tolerance will increase the value created by the uniqueness of individuals, allow employees to self-identify and gain a sense of belonging at work, and further enhance the company's competitiveness. Therefore, we strictly abide by the local laws and regulations as well as local culture and customs of our business locations worldwide, and also comply with 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 other factors. Furthermore, we are actively implementing various projects to achieve talent internationalization and help international talent assimilate into local society. We hope that this will expand our talent pool and assist the operation and development of overseas businesses.

Composition of Employees

Cathay FHC had 47,223 full-time employees in 2019; part-time employees numbered at 282, accounting for 0.6% 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 locally reaches 99.5%. 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

	Female	Male	Total	Female	Male	Total	Total
Taiwan				Overseas			
Manager	2,656	2,231	4,887	Manager	10	34	44
General Staff	30,358	11,745	42,103	General Staff	65	124	189
Total	33,014	13,976	46,990	Total	75	158	233

Note 1: This table only includes full-time employees.

Note 2: There are a total of 282 informal employees, including part time employees, interns, hourly employees, and contractors.

Number of Employees by Gender/Age

	Age 30 and under	Age 31-49	Age 50 and above	Total	Age 30 and under	Age 31-49	Age 50 and above	Total	Total
Female					Male				
Manager	110	1,291	1,265	2,666	Manager	152	1,349	764	2,265
General Staff	5,122	15,199	10,102	30,423	General Staff	3,712	6,563	1,594	11,869
Total	5,232	16,490	11,367	33,089	Total	3,864	7,912	2,358	14,134

Note 1: The average age of Cathay employees is 41 years old; the formula for calculation = (age group * number of employees)/total number of employees.

Note 2: Definition of managers: Employees who assume managerial roles and administrative duties.

Creating a Workplace with Diversity and Inclusion

Cathay provides indigenous employees with indigenous holiday leave. Indigenous employees may choose to take leave during any day of their tribe's holiday. Cathay had a total of 315 indigenous employees in 2019. Furthermore, Cathay has 466 employees with disabilities, accounting for 1.06% of all employees. Cathay's office buildings have barrier-free facilities to help employees with disabilities to adapt to the work environment. Finally, Cathay employees come from a total of 15 countries. We encourage employees to participate in volunteer activities that serve new immigrants, indigenous people, and people with disabilities, and communicate ideas through e-newsletters or special topic lectures, in order to improve employees' understanding and identification with a workplace culture of diversity and tolerance. We will continue to implement the strategy of developing overseas markets using local talent with the goal of recruiting 85% of all overseas employees from local communities.



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Southeast Asian Talent Development

Cathay is implementing various projects for talent internationalization and diversification. We are expanding into other countries, but also look forward to talent from different countries to become a part of Cathay, in order to achieve the goal of becoming the leading financial institution in the Asia Pacific. Cathay FHC's GMA (Global/Group Management Associate) project provides overseas job rotation opportunities. Among our two largest subsidiaries, Cathay Life implemented the VMMA Vietnam Office Reserve Talent Program and Vietnamese Actuarial MA Program, and CUB implemented the Southeast Asia Financial Market Pilot Program.

VMMA Vietnam Office Reserve Talent Program and Vietnamese Actuarial MA Program

Cathay FHC's subsidiaries Cathay Life, Cathay Century, and CUB have expanded into Vietnam. Thus, Cathay Life implemented the VMMA Vietnam Office Reserve Talent Program and Vietnamese Actuarial MA Program, and engaged in industry-academia collaboration with higher education institutions, in order to find outstanding Vietnamese talent to assist in the business operations of subsidiaries in Vietnam.

The VMMA Vietnam Office Reserve Talent Program recruits Vietnamese students who graduate in Taiwan, provides them with practical training in Taiwan and Vietnam, and hires them as sales supervisors in Vietnam. Through the training program, 13 graduates were selected to join the ranks of MAs; 6 have completed training and were appointed as sales supervisors in Vietnam as of the end of 2019.

Additionally, the Vietnamese Actuarial MA Program was implemented in 2018 to help subsidiaries in Vietnam cultivate actuarial talent. Cathay Life recruited local students from Vietnam to study at Feng Chia University's Graduate Institute of Statistics and Actuarial Science, and also serve internships at the actuarial department of Cathay Life in Taiwan. One student has currently completed the first year of graduate school.

Southeast Asia Financial Market Pilot Program

CUB is the first financial institution in Taiwan to cooperate with the government's New Southbound Policy, integrate resources of industry, government and academia, and independently cultivate professional financial talent. CUB thus implemented the Southeast Asia Financial Market Pilot Program to cultivate outstanding Southeast Asian financial experts who are familiar with local markets.

Starting in mid-January 2019, 23 students from Vietnam, Cambodia, and Laos began a one-year internship that rotates between front, middle, and back offices under the Southeast Asia Financial Market Pilot Program, which provides training to fill in the gap in future talent demand of overseas branches. Mentors in the internship process set different topics for students from different countries to implement projects and prepare reports. Students are also encouraged to form teams and participate in bank-wide events, such as the table tennis tournament and road runs, conveying our corporate culture and core values through soft activities. We hope that once they are appointed to positions in our overseas branches, they will be able to immediately contribute and also facilitate communication between the head office and overseas branches.



Gender Friendly

Cathay makes a commitment in its Human Rights Policy to not treat employees differently in promotions, salaries, and conduct due to gender or sexual orientation. Women Empowerment is one of our four focus areas for achieving sustainability. We strive to provide equal opportunity and to level the playing field to bring out the full potential of our female employees. We provide many gender friendly measures that goes beyond the regulatory requirements to create a gender friendly workplace, and hope that all employees will make an active effort to achieve work-life balance without any constraints.

Furthermore, Cathay encourages female executives to become role models and inspire female employees to utilize their abilities to become outstanding leaders. Accordingly, Cathay FHC's Chief Investment Officer Sophia Cheng was selected as one of Asia's Top Sustainability Superwomen.



Cathay's gender friendly measures that goes beyond the regulatory requirements

- Menstrual Leave/Sick leave**
Full pay leave for 5 days each year.
(Note: Taiwan's laws require companies to provide half salary.)
- Miscarriage Leave**
Employees that have served for less than six months are also eligible for fully paid leave.
(Note: Taiwan's laws require companies to provide half salary.)
- Paternity Leave**
Increased to 7 days.
(Note: Taiwan's laws require companies to provide 5 days leave.)

Statistics of Female Managers

	Office Staff	Insurance Sales Agent
Female employee	60.68%	76.15%
Females in management positions	39.67%	59.85%
Females in junior management positions	46.42%	59.85%
Females in top management positions ^{Note}	27.52%	-
Females in the revenue generation department	58.72%	

Note: Based on the DJSI's definition, top management positions are Senior VP or higher positions (inclusive) and there is no relevant positions for the insurance sales agent.

Comparison of Male and Female Managers' Annual Salaries (Male: Female)

	2017	2018	2019
High-level manager	100:90	100:78	100:91
Mid-level manager	100:109	100:109	100:106
Entry-level manager	100:110	100:110	100:112
General Staff	100:94	100:93	100:96



3.2 Human Rights Protection

Human Rights Policy and Grievance/Reporting Mechanism

Cathay FHC's business locations all comply with local human rights protection related laws and regulations. Furthermore, we established the Cathay Financial Holdings—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 UN Global Compact and International Labour Organization related regulations, to ensure the adequate protection of human rights; the scope of protection is available on our official website. Cathay employees are required to abide by the Code of Conduct for Employee and the conduct prohibit employee from any form of discrimination or other acts that violate human rights. We provide education and training related to the Code of Conduct for Employee and legal compliance on an annual basis, so that all of our employees understand and abide by the abovementioned policy. In 2019, the coverage and completion of education and training related to the Code of Conduct for Employee both reached 100%.

Cathay FHC established a whistleblower system so that any person who discovers crimes, frauds or violation of laws by Cathay may report the misconducts via the system. The system is overseen by an independent director and is planned by the head of compliance. The system's implementation results are reported to the board of directors and Audit Committee at least once every six months. 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" to prevent sexual harassment and violations of gender equality. We also set up an e-mail account and established the Sexual Harassment Grievance and Investigation Committee to investigate sexual harassment cases. If a sexual harassment complaint is found to be true, the offender will be brought before the Personnel Evaluation Committee, which will decide on the appropriate disciplinary measures, 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. Moreover, Cathay accepts cases regarding employees harassed by outsiders and we help the employee fight for rights by appeal to external units. Finally, employees can report other issues not mentioned above to the audit or administration department. In 2019, the whistleblowing system received 7 reports from internal whistleblowers and 1 report from an external whistleblower. Investigation reports were completed for all cases and all cases were closed without any finding evidence of violations of the law. Moreover, the group received 4 cases of sexual harassment or violations of gender equality and 2 labor-management disputes. All cases were disposed properly according to relevant regulations and policies.

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Human Rights Risk Management

Cathay established a human rights risk investigation process to periodically evaluate the impact of persons of interest and improve management. We took into consideration international human rights frameworks, the company's development strategy, and external trends, and selected risk issues after inquiring the opinions of stakeholders, including Cathay FHC's CS Committee, employees, and external consultants. We then examined the risk rating of each issue and identified high risk groups for management.

Cathay human rights risk investigation and management process



Salient human rights risks issues identified by Cathay and management measures

Stakeholders	Risk Issues	Risk Mitigation Measures	Impact Compensation Measures
Employees	Prolonged working hours	<ul style="list-style-type: none"> Promote and implement daily/monthly overtime restrictions Establish a flexible work hours system Conduct mental health questionnaire surveys 	<ul style="list-style-type: none"> Provide overtime pay or overtime leave as desired by employees Implement a management mechanism for employees with high risk of illness induced by abnormal workload
	Occupational safety and health (please see P.70 of this report for details)	<ul style="list-style-type: none"> Implement occupational safety and health education and training. Free employee medical check-ups Conduct skeletal muscle injury questionnaire surveys Conduct workplace safety and health inspections Set up first aid equipment (AED) Organize health promotion activities 	<ul style="list-style-type: none"> Implement the occupational accident reporting and handling mechanism Assist applications for group insurance and labor insurance Provide professional consulting
	Diversity, inclusion and equal opportunity	<ul style="list-style-type: none"> The Code of Conduct for Employee and Code of Ethics explicitly prohibits violations of human rights, such as discrimination and sexual harassment Promote diversity and inclusion through e-newsletters and lectures Install barrier-free facilities and provide assistive devices in office buildings Implement the Southeast Asia Talent Cultivation Program Set local employment goals for overseas markets 	<ul style="list-style-type: none"> Establish reporting and compliant handling mechanisms After review by the committee, employees found in violation are punished Provide consultation and care to victims
Customers (please see P.85 of this report for details)	Customer Right (please see P.85 of this report for details)	<ul style="list-style-type: none"> Establish a Service Quality Committee Implement employee education and training Embed the principle of treating customers fairly into our corporate culture 	<ul style="list-style-type: none"> Establish diverse grievance channels Establish a dedicated unit Establish regulations and the highest principle of "actively handling issues and actively showing concern" that requires our staff to immediately contact customers and propose solutions
	Personal information protection (please see P.88 of this report for details)	<ul style="list-style-type: none"> Establish a Personal Information Management Committee Establish a comprehensive personal information protection system Obtain the BSI 10012:2017 Personal Information Management System certification Implement personal information education and training 	<ul style="list-style-type: none"> Establish the "Emergency Response Procedure for Personal Information Infringement Events" Establish a periodic drill mechanism for emergency response
Investing and lending subjects	Labor rights	<ul style="list-style-type: none"> Establish ESG Regulations for Corporate Loans, list high risk customers at not eligible for loans, and use the ESG checklist to evaluate the human rights risk of customers Establish ESG risk guidelines for sensitive industries for salespeople to evaluate the human rights risks of borrowers Comply with the EPs in pre-review and continue to monitor major cases after loan approval 	<ul style="list-style-type: none"> Continue to examine ESG records after approving general corporate loans, and require customers with a specific risk level to take improvement measures Comply with the EPs in supervising engagement between the developer and related parties, and manage the developer's action plan progress after loan approval
	Local communities		
Suppliers	Occupational Safety and Health	<ul style="list-style-type: none"> Establish the Cathay FHC Sustainable Procurement Policy and implement the ISO 20400 Sustainable Procurement Guidelines Implement supplier sustainability self-assessment and management Require suppliers to sign the Sustainability Value Declaration (contains the commitment to human rights protection) Implement sustainability training for suppliers Organize annual supplier conferences 	<ul style="list-style-type: none"> Require suppliers to comply with CSR and regulatory requirements in the procurement contract, and make suppliers liable for breach of contract Periodically evaluate suppliers, violations will affect suppliers' score, and suppliers with low scores will be rejected
	Personal information protection		
Joint ventures	Diversity, inclusion, and equal opportunity	<ul style="list-style-type: none"> Require suppliers to sign the Sustainability Value Declaration (including commitment to human rights protection), and conduct a questionnaire survey on its implementation 	<ul style="list-style-type: none"> Require improvements based on questionnaire survey results

3.3 Human Capital Development and Digital Transformation

The era of the digital economy has arrived, and cultivating and recruiting talent with interdisciplinary and digital skills will be the key to companies' competitiveness. Cathay is not only stepping up its efforts in developing e-learning, but also strives to establish a complete talent supply chain from school education, internships, to on-the-job training. We are also training the interdisciplinary and digital skills of general staff, basic level, mid level, and high level managers, so that they provide strong support for our digital transformation.

Diverse Potential Talent Recruitment and Cultivation Program

Cathay FHC attaches great importance to the cultivation of digital, technology, and interdisciplinary talent, and has worked together with National Taiwan University (NTU) and the social enterprise "City Wanderer" for 3 years, providing students with opportunities to show their creativity, for self-exploration, and understand FinTech. Furthermore, we began to focus on recruiting elite digital talent of the new era in response to the group's digital transformation in 2019.



For Cathay FHC's talent recruitment website

Three Highlights of Cathay's On-Campus Recruitment Activity

New Facebook fan page, collaborations with Youtubers

Cathay's talent recruitment Facebook fan page has transitioned towards interactive posts with social media managers. A single post reached over 130,000 people in 2019, and the number of resumes received in a single day was triple that of the same period last year!

Furthermore, Cathay also used the YouTube channel of "Brian," an online talk show celebrity for talent recruitment, and Cathay Life President Shan-Chi Liu shared the Cathay Internship Program during a live broadcast of the Internet anchor "Retina."



Cathay FHC & National Taiwan University: "Make NTU"

Cathay FHC worked together with "MakeNTU" for three consecutive years, which is one of the few hackathons in Taiwan that feature both software and hardware.

Cathay not only sent numerous data engineers and data analysts to provide technical resources and guidance at the site, but also provided the Cathay Award with a total prize of NT\$60,000 in 2019, encouraging students to apply big data and AI technology in innovative smart finance applications.



Cathay Life & City Wanderer "Career Diary"

Cathay Life and the social enterprise "City Wanderer" co-organized the "Career Diary" for three consecutive years, creating an exploratory challenge event that combines self-exploration with introductions to different occupations.

Invitations were extended to 67 enterprises and 60 members of dozens of industries in 2019. The event was recommended by the Ministry of Education and nearly 90% of students provided feedback that they tried out new fields due to "Career Diary."



★ **Results** Cathay FHC recruited about 150 digital talents in 2019, and plans to recruit another 100 digital talents in 2020.

Cathay's Two Major Programs for Talent Cultivation

Cathay Summer Internship Program (CIP)	Cathay Agile Internship Program (CAP)																		
Program Features																			
<ul style="list-style-type: none"> One of the first summer internship programs in the financial industry in Taiwan that has been implemented since 2005 Introduces students to financial practices and improves their practical abilities 	<ul style="list-style-type: none"> Implemented in 2018 and cultivates talent with financial and IT expertise Applicable to internship programs during the semester; makes students responsible for projects, and the students are evaluated after six months the same as a formal employee 																		
Training Mechanisms																			
<ul style="list-style-type: none"> Dual track of "research projects" and "department practices" Exclusive mentor Events that bringing together CSR and social ability development Pre-offer (priority for interview) 	<ul style="list-style-type: none"> Produce the project product prototype and provide an opportunity for the project to be realized Exclusive mentor Pre-offer (priority for interview) 																		
Program Results																			
<table border="1"> <tr> <th colspan="3">Number of applicants</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>1,587</td> <td>1,827</td> <td>1,724</td> </tr> </table>	Number of applicants			2017	2018	2019	1,587	1,827	1,724	<table border="1"> <tr> <th colspan="3">Number of applicants</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>-</td> <td>287</td> <td>346</td> </tr> </table>	Number of applicants			2017	2018	2019	-	287	346
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Number of admissions																			
2017	2018	2019																	
120	121	117																	
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2017	2018	2019																	
-	17	16																	
<table border="1"> <tr> <th colspan="3">Cumulative number of employees recruited</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>127</td> <td>153</td> <td>185</td> </tr> </table>	Cumulative number of employees recruited			2017	2018	2019	127	153	185	<table border="1"> <tr> <th colspan="3">Cumulative number of employees recruited</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>-</td> <td>-</td> <td>4</td> </tr> </table>	Cumulative number of employees recruited			2017	2018	2019	-	-	4
Cumulative number of employees recruited																			
2017	2018	2019																	
127	153	185																	
Cumulative number of employees recruited																			
2017	2018	2019																	
-	-	4																	
<table border="1"> <tr> <th colspan="3">Cumulative reinstatement rate (Note 1)</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>20%</td> <td>20%</td> <td>21%</td> </tr> </table>	Cumulative reinstatement rate (Note 1)			2017	2018	2019	20%	20%	21%	<table border="1"> <tr> <th colspan="3">Cumulative reinstatement rate (Note 2)</th> </tr> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>-</td> <td>-</td> <td>24%</td> </tr> </table>	Cumulative reinstatement rate (Note 2)			2017	2018	2019	-	-	24%
Cumulative reinstatement rate (Note 1)																			
2017	2018	2019																	
20%	20%	21%																	
Cumulative reinstatement rate (Note 2)																			
2017	2018	2019																	
-	-	24%																	

New Employee Statistics

Gender			Age			%	
Female	Male	Total	Age 30 and under	Age 31-49	Age 50 and above	Total	% of new recruits
870	843	1,713	1,066	624	23	1,713	9.82%

Note 1: Salespeople and marketing specialists are excluded in the table above due to their special characteristics.
 Note 2: If personnel in Note 1 are taken into consideration, then the total number of new employees is 7,019 and the ratio of new employees is 14.86%.
 Note 3: This table only includes full-time employees, part-time employees are not included due to difficulty of data collection.

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Optimizing the e-Learning Environment

Cathay is constantly optimizing the way knowledge is disseminated, and uses more convenient and interesting ways to provide employees with different learning resources, encourage employees to engage in two-way learning, and learn double the amount through sharing. We developed a digital life app based on employees' lifestyles, and optimize their routines at work for them to enjoy a digital life.

Cathay e-Learning Network

Cathay e-Learning platform is a website exclusive for Cathay employees. Employees can use the multimedia teaching materials on the website for education and training, and take proficiency tests after completing each course. Course contents include risk management, information security, and digital transformation.



Cloud Library

Cathay integrated books and magazines that the group subscribes to into the cloud, and uses an app to provide employees with convenient and immediate access to learning resources. The new book make a wish event organized in 2019 allows employees to propose new books they want to gain access to.



FACIL Learning App

We use the social co-learning platform - FACIL to provide a learner-centric, work support-oriented platform with problem-solving at its core. Employees only need to turn on their phone to immediately share their practical experience.



★ Results Total online training hours of Cathay employees: 1,056,465 hours.
Average online training hours of Cathay employees: 22.37 hours, up 41% compared to 2018.

Cathay Talent Transformation Plan

Facing the rise of FinTech and rapid changes in society, the financial industry must improve the professional service abilities of salespeople to ensure the company's stable growth and high customer satisfaction. Using the two major subsidiaries of Cathay FHC as an example, we implemented a number of talent transformation plans for salespeople to gain key knowledge and skills, so that salespeople will be able to face the threat of being replaced by robots in a digital era. The plans make them more agile at work through the proper use of technology, which increases their productivity and the retention rate of new recruits.

Cathay Life's Agency 2.0 Sales Force Transformation Plan	CUB Financial Consultant Transitional Program												
Project Goals													
Strengthen the competencies and digital abilities of salespeople to raise customer satisfaction and improve professional marketing abilities	Assist bank tellers with the transition into financial consultants, and thereby lower the impact of technology on employees												
Training Mechanisms													
<ul style="list-style-type: none"> Implement the digital management tool "Cathay Box" Tiered Courses for Salespeople Worksite Marketing Training Managerial Competencies Training Talent recruitment and optimize new recruit training 	<ul style="list-style-type: none"> Complete Two-year Training Program Strengthen wealth management competencies Guaranteed bonus and lower sales volume quota requirement 												
Subjects													
All insurance agents	Bank employees who intend to transition to financial consultants												
Operating Performance													
<ul style="list-style-type: none"> Improve the performance of salespeople to increase revenue Increase the retention rate of new recruits to lower recruiting costs 	<ul style="list-style-type: none"> Increase employee output value to increase revenue Improve the competencies of current bank employees and reduce the recruiting cost of financial consultants 												
Program Results													
Return on investment L5: ROI	Return on investment L5: ROI												
<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>48.5</td><td>48.2</td><td>56.3</td></tr> </table>	2017	2018	2019	48.5	48.2	56.3	<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>21.5</td><td>20.0</td><td>25.6</td></tr> </table>	2017	2018	2019	21.5	20.0	25.6
2017	2018	2019											
48.5	48.2	56.3											
2017	2018	2019											
21.5	20.0	25.6											
Results assessment L4: FYPE, First Year Premium Equivalent (Unit: NT\$ billion)	Results assessment L4: Increase in output value per employee												
<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>78.6</td><td>71.4</td><td>96.3</td></tr> </table>	2017	2018	2019	78.6	71.4	96.3	<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>2047%</td><td>1682%</td><td>1127%</td></tr> </table>	2017	2018	2019	2047%	1682%	1127%
2017	2018	2019											
78.6	71.4	96.3											
2017	2018	2019											
2047%	1682%	1127%											
Conduct evaluation L3: Retention rate of new recruits	Conduct evaluation L3: Number of bank tellers that transitioned to financial consultants												
<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>63.7%</td><td>64.6%</td><td>67.8%</td></tr> </table>	2017	2018	2019	63.7%	64.6%	67.8%	<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>66</td><td>76</td><td>73</td></tr> </table>	2017	2018	2019	66	76	73
2017	2018	2019											
63.7%	64.6%	67.8%											
2017	2018	2019											
66	76	73											
Learning assessment L2: Number of trainees that passed	Learning assessment L2: Passing rate (Including tutoring)												
<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>25,920</td><td>26,867</td><td>28,108</td></tr> </table>	2017	2018	2019	25,920	26,867	28,108	<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>100%</td><td>100%</td><td>100%</td></tr> </table>	2017	2018	2019	100%	100%	100%
2017	2018	2019											
25,920	26,867	28,108											
2017	2018	2019											
100%	100%	100%											
Response assessment L1: Satisfaction	Response assessment L1: Satisfaction												
<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>94.90%</td><td>90.62%</td><td>98.64%</td></tr> </table>	2017	2018	2019	94.90%	90.62%	98.64%	<table border="1"> <tr><th>2017</th><th>2018</th><th>2019</th></tr> <tr><td>95.5%</td><td>97.5%</td><td>98.1%</td></tr> </table>	2017	2018	2019	95.5%	97.5%	98.1%
2017	2018	2019											
94.90%	90.62%	98.64%											
2017	2018	2019											
95.5%	97.5%	98.1%											

Cathay Digital Citizen Development Plan

Cathay FHC has focused on allowing employees to maintain curiosity and take on challenges in response to changes brought by the digital era, and empowers employees to create momentum for innovation in the company. Cathay FHC understands the key role of talent in the digital transformation process, and proposed the spirit of "What if We Could" for transformation in 2019. We implemented organizational change and provided training in hopes that every member of Cathay will become a digital citizen who embraces the DNA of creativity, while driving the company's business growth.

Five Cores of Cathay's Digital Citizen Development Plan

- Develop a data team with self-learning and growth ability**
 - Find talent that are seeking growth and widely recruit information, engineer, business administration, social science, and communications talent from the financial, retail, consulting, technology, startup, investment banking, and e-commerce industries.
- Break down barriers between subsidiaries**
 - Gather together data analysis teams within the group in the same workplace to strengthen the exchange of analysis skills and business knowledge between subsidiaries.
- Establish a data team training system**
 - The preparation of training documents and digitalization of courses allows knowledge to be passed on, and also helps new recruits more quickly gain a structural understanding of their work. Implement projects and continue to invite external lecturers to teach courses to improve employees' technical abilities.
- Application of big data technologies in business**
 - Utilize big data technologies to more quickly see the whole picture of customers, comprehensively improve operational efficiency, and increase employees' productivity and output value. For example, integrating and visualizing data in a customer view system will improve the customer service experience and increase sales opportunities.
- Train data seed instructors to expand influence**
 - Train seed data instructors to further spread data concepts and analysis abilities from data teams to each department in the company, and establish employees' independent analysis ability to create a data driven culture, contents include: Cross-departmental data science education and training, rotation of seed data instructions between locations, situation room, and data concepts and project results sharing.

Results in Each Phase of the Cathay Digital Citizen Development Plan

Commercial benefits and quantified effect in 2019 ★ Project coverage rate 100%

- Created a Digital Finance Talent Pool**
 - The Digital, Data & Technology Center (DDT) has been established for nearly four years and has recruited over 550 digital data, technology, and interdisciplinary talents that conforms to the spirit of transformation.
 - Established a data alliance that comprises three subsidiaries (Cathay Life, CUB, Cathay Century) with over 180 data talents.
 - The data team of CUB was expanded from 16 members in 2015 to over 80 members in 2019.
 - Improved Digital Innovation Abilities**
 - Cathay Life completed the first supervision sandbox case in the insurance industry in Taiwan, and provides one-stop services for travel insurance in collaboration with ezTravel.
 - CUB was the first in the industry to develop 18 open APIs for accessing open data.
 - KOKO and Cathay Century launched the innovative "KOPlay," the first in the industry to allow customers to complete insurance enrollment, inquiry, and receive notices on their claims through the KOKO app.
 - Improved the Profitability of Digital channels**
 - The number of Cathay Life's online insurance members surpassed one million in 2019. Cathay Life ranks number one in the industry in terms of the three major indicators of online insurance enrollment, specifically number of registered members, insurance policies, and cumulative insurance premiums. Cathay Life has a 50% share of the market with premium revenue growing by over 300%.
 - Increased the Coverage of Digital Services**
 - My Rewards membership surpassed 2 million in 2019, an increase of 30% from the previous year.
 - As of the end of 2019, CUB already has 4.22 million digital user accounts, accounting for 45% of all customers, and an increase of more than 17% compared with the previous year.
 - Optimized the Company's Operating Processes**
 - The DDT successfully applied RPA to three major subsidiaries in 2019, and a cumulative 50 RPA application scenarios were launched by the end of the year.
- Note : Please see P.X Financial Innovation of this report for details.
- The number and categories of Cathay's digital and data related awards gradually increased each year as the data driven culture was formed. We received a total of 13 awards for data analysis, channel integration, innovation, and talent cultivation in 2017-2019.

Cathay Life was the Only Winner of the Celent Model Insurer Award Digital & Omnichannel Technologies in Taiwan

In 2019, Cathay Life was the only winner of the Celent Model Insurer Award Digital & Omnichannel Technologies in Taiwan.



CUB was the only winner of the IDC DX Awards 2019 for Taiwan Talent Accelerator

In 2019, CUB was the only winner of the IDC DX Awards 2019 for Taiwan Talent Accelerator.



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Complete On-the-job Training Mechanism

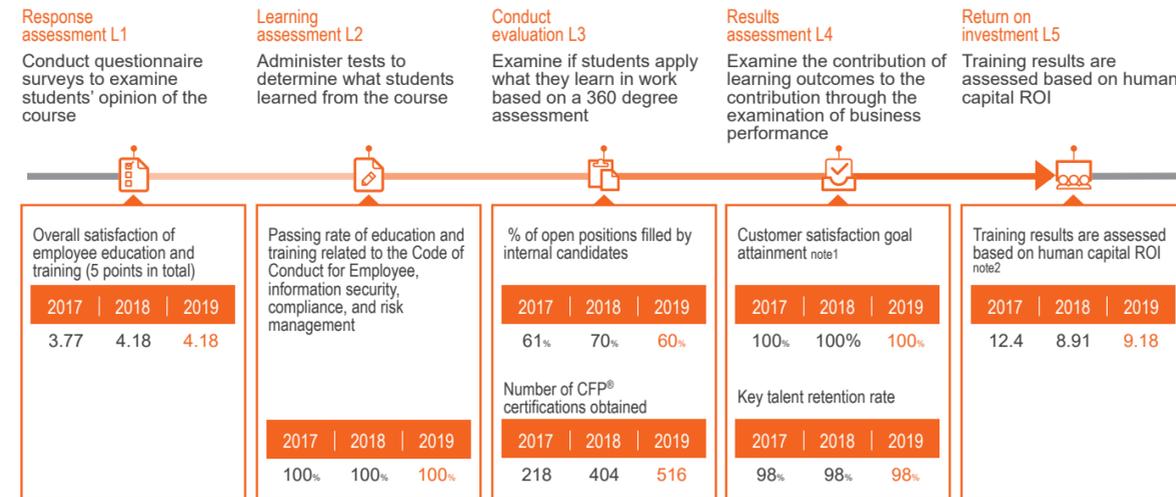
Cathay takes employee training and development very seriously. Besides designing different training contents for new employees, key talents, supervisors, and managers, we implemented the digital citizen development plan and talent transformation plan in response to the era of the digital economy. Meanwhile, in response to global and local sustainability trends, we organized corporate sustainability training, which aim to enhance employees' competencies, literacy, and competitiveness.

Training for New Hires	Specialized Training	Key Talent Training	Other Training
Target Help new employees adapt to the corporate culture	Target Enhance employees' professional competencies and increase employee productivity	Target Enhance management competencies and facilitate the company's strategy transformation	Target Enhance employees' digital, sustainability, and ethics abilities to shape the corporate culture
Contents Corporate perception, promotion of laws and regulations, occupational health and safety, corporate sustainability, and team building activities	Contents Case study and professional certification training	Contents Talent Pool Program (MA Program), Talent Transformation Program, and Leadership Course	Contents Digital citizen development plan, corporate sustainability education, compliance, risk management, and training related to the Code of Conduct for Employee

Overall Evaluation of Employee Training

Cathay continues to organize training and periodically tracks related data. We used the Kirkpatrick Model and human capital ROI to examine the learning outcomes of the training we provide, so that we will be able to improve the contents of education and training and respond to the financial market's rapid changes.

Evaluation of Overall Benefits from Employee Training



note1: Please see P.86 of this report for details on customer satisfaction performance
note2: Human Capital ROI = Return - (Operating expense - (Salary cost + Benefits cost)) / (Salary cost + Benefits cost)

Statistics of Employee Training Hours

	Number of Active Employees	Total Training Hours					Training Hours per Person					Training Cost per Employee
		Total	Female	Male	Manager	Other	Total	Female	Male	Manager	Other	
2019	47,223	5,748,622	1,991,416	799,383	6,940,655	7,740,038	174	141	162	164	164	15,559
2018	45,961	5,331,416	1,878,344	697,398	6,512,362	7,209,760	165	138	140	159	157	15,033
2017	44,445	4,786,631	1,584,024	669,791	5,700,864	6,370,655	152	123	141	144	143	14,394

Note: Cathay FHC's training hours include the number of course hours subsidiary employees complete at the company, number of hours employees participated in external conferences and forums, number of hours learning on CLN, and number of hours watching CSN.

3.4 Employee Happiness and Healthy Workplace

Milestones of Cathay's External Recognition as One of the Best Companies to Work for

2014
Cathay FHC has been selected as a constituent stock of the Taiwan High Compensation 100 Index since 2014



2018
Cathay FHC was selected one of the Best Companies to Work for in Asia, which is one of the most prestigious awards in human resources management in Asia, for consecutive years starting in 2018

2019
Cathay FHC is the only financial institution to receive the first CHR Corporate Citizenship Award from Common Health Magazine



Cathay FHC is the only financial institution to receive the CHR Corporate Citizenship Award

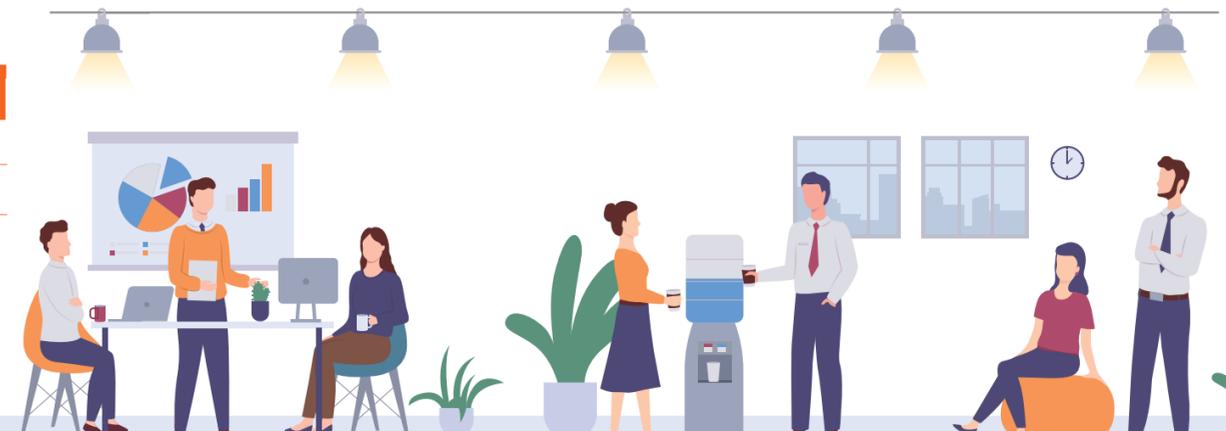
Performance Management Development (PMD) Mechanism

Cathay believes that employees want a career that will allow them to utilize their abilities and contribute their value. Besides a satisfactory salary, they hope to find meaning, exert their influence, and continue to grow through their work. Cathay thus established the Employee Performance Management and Development Guidelines and Employee Performance Improvement Guidance Plan to provide employees with a fair and reasonable performance management, development, and improvement system. Employees and supervisors can communicate work goals and individual career development through the two evaluations each year, linking together employee performance with company strategy. Employees' overall performance for the year is used as the basis for adjusting salaries and positions and distributing bonuses. Supervisors report employees with poor performance and provide guidance on a case-by-case basis. If employees have any questions regarding their annual performance evaluation results, they may file a grievance and the Administration Department will convene a performance evaluation grievance review meeting. The employee and his/her supervisor (department or division head) will be invited to the meeting for the review. There were 3 grievances in 2019 and all of them were reviewed and dealt based on the guidelines.

Reporting of Full-time Non-managerial Employees Salary Information

	2018	2019	Difference
Average No. of full-time non-managerial employees (persons)	19,710	19,924	+214
Mean salary of full-time non-managerial employees (NT\$1,000)	1,229	1,350	+121
Median salary of full-time non-managerial employees (NT\$1,000)	-	1,045	-

Note: The numbers were calculated according to "Notes on Reporting of Full-time Non-managerial Employees Salary Information" and "FAQ" published by Taiwan Stock Exchange Corporation.



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Long-term Incentives and Internal Job Rotation

All full-time office staff are reviewed annually for determining whether raises should be given; average raises over the last three years were about 3.32%. We encourage employees to have the Company's long-term interests in mind, and reward employees who have made contributions to the Company over a long period of time. In addition to the Guidelines on Incentives for Senior Employees, we issue service bonuses for senior employees and encourage employees to subscribe for shares during cash capital increase. Cathay FHC retained 10% of shares for employee subscription during each cash capital increase, including the issuance of preferred stock A for cash capital increase in 2016, issuance of preferred stock B for cash capital increase in 2018, and issuance of ordinary shares for cash capital increase in 2019. The number of shares subscribable is determined based on the employee's position, performance over the last three years, and years of service, sharing the Company's business results to encourage employees.

Cathay FHC and its subsidiaries engage in a wide range of financial services, including life insurance, banking, property insurance, securities, securities investment trust, venture capital, futures, and investment consulting. This is why we are able to provide an abundance of opportunities for inter-department and inter-company rotation and transfer. We encourage employees to take part in job rotation or internal transfer, and established the "LinYuan Group Employee Rotation Regulations" and "Talent Exchange and Development Guidelines," in hopes that employees of the group will continue to take on new challenges based on their individual interests and career planning, and gain interdisciplinary abilities as well as diverse development opportunities. In 2019, 60% of Cathay's job openings were filled by internal employees.

Employee Turnover Statistics

	Voluntary Turnover (does not include retirement)	Voluntary Turnover (includes retirement)	Involuntary Turnover	Total Turnover
Female	841	921	5	926
Male	643	722	11	733
Age 30 and under	717	717	3	720
Age 31-49	717	760	8	768
Age 50 and above	50	166	5	171
Total	1,484	1,643	16	1,659
Turnover rate	8.50%	9.42%	0.09%	9.51%

Note 1: Salespeople and marketing specialists are excluded from turnover rates in the table above due to their special characteristics.
 Note 2: If personnel in Note 1 are taken into consideration, the number of employees separated in 2019 was 5,578 and turnover rate was 11.81%.
 Note 3: Total turnover rate was 8.33% and 8.98% in 2017 and 2018, respectively, and voluntary turnover (excluding retirement) was 7.67% in 2018.
 Note 4: Due to the difficulty of collecting data on personnel not employed full-time, such employees are not included in the table.

Employee Communication and Employee Engagement Survey

Cathay FHC has established a number of employee communication and reporting channels, including 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, in order to protect employees' rights and interests, as well as facilitate labor-management communication. Furthermore, 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 28 employee-employer meetings were held in 2019.

Cathay FHC conducts an Employee Engagement Survey every year, and formulates action plans based on data analysis and qualitative feedback and recommendations. Furthermore, we gain an in-depth understanding of employees' needs through employee interviews and questionnaires, and hope to create a better work environment to improve employees' experience. As such, we have achieved the goal of the three-year average engagement score reaching 4 points (5 points in total). Cathay's average engagement score of 4.17 points in 2017-2019 reached the goal we set.

Cathay's engagement survey comprises the following aspects: corporate sustainability, organizational commitment, employee happiness, leadership and management, work commitment, and overall satisfaction. The 2019 survey covers Cathay FHC and all of its subsidiaries. The response rate reached 78% and overall employee satisfaction reached 4.14 points, in which satisfaction was the highest for organizational commitment and the lowest for leadership and management. However, correlation analysis shows that work commitment had the highest correlation with employee's overall satisfaction. Hence, action plans we formulated based on survey results include: hold supervisor communication meetings, conduct employee medical check-up surveys, and optimize the operating system, in order to raise employees' work commitment. Furthermore, we plan to integrate gender analysis in 2020 employee experience survey to determine the cause of differences between genders, and then formulate action plans on this basis.

Employee Engagement Survey Results

	Male	Female
Corporate Sustainability	4.34	4.29
Employee Happiness	4.28	4.22
Engagement	4.34	4.30
Leadership and Management	4.21	4.12
Work Commitment	4.27	4.20
Overall Satisfaction	4.20	4.12



Comprehensive Employee Benefits "Happy Typhoon"

Cathay FHC provides employee benefits in five aspects based on the concept of "Happy Typhoon". Descriptions of important benefits and how to apply for them are available in a dedicated section of the employee website, so that employees can easily understand and enjoy the benefits.

Learning and Development

Employee learning network, cloud library, learning apps, further education subsidies, professional certification subsidies, and job rotation system

Family

Marriage, funeral, and childbirth benefits, childcare services, family activities exclusive for employees, Cathay Pregnancy Club (Maternity Healthcare Protection Program, Gifts for Mothers, Gifts for Fathers, and Breastfeeding Room), and children's education subsidies

Health and Leisure

Travel subsidies, Cathay's employee benefits website, airport drop-off and pick-up discounts, LinYuan Group hotel discounts, massages, health promotion activities, periodic medical check-ups, health subsidies, and Cathay health management discounts

Social Activities

Club subsidies, movie appreciation, singing contest, fun contests

Financial and Asset Management

Preferential fund subscription, premium discount, preferential interbank withdrawal/transfer fee, preferential interest rate for salary account deposits, and preferential loans for purchasing housing from Cathay Real Estate

Cathay Pregnancy Club

The Cathay Pregnancy Club has received good feedback. Besides giving gifts to pregnant employees, gifts for babies, and childbirth benefits, we also arranged a series of courses, family interactions, and professional consulting, and set up an exclusive website to provide employees with comprehensive care during pregnancy and after childbirth. Furthermore, Cathay not only provides male employees with 7 days of paternity leave, which is better than regulatory requirements, but also issued the Cathay Father-to-be Manual, encouraging couples to jointly take part in childcare. Fathers(-to-be) will be eligible for a gift if they complete designated childcare missions.

Comprehensive Care for Mothers

Cathay conducts "Care for Mothers" questionnaires to track the needs of pregnant employees, and provides "Gifts for Mothers" to provide the supplies needed by pregnant women. Gifts for Babies and health education are provided after childbirth.



Easily Become an Excellent Teammate

Cathay Father-to-be Manual contains information on how to alleviate the discomfort of their spouse during pregnancy and how to care for newborns. The easy-to-read descriptions, functions bound to the calendar, and explanations from the perspective of fathers are all reasons why the manual is so popular! Furthermore, the manual is not only provided to Cathay employees, but also to the public for download free of charge, hoping for new fathers to easily become an excellent teammate to the spouse.



Parental Leave Statistics

	Female	Male	Total
Number of parental leave applications in 2019	422	47	469
Expected number of employees reinstated from parental leave in 2019 (A)	371	37	408
Actual number of employees reinstated from parental leave in 2019 (B)	242	25	267
Actual number of employees reinstated from parental leave in 2018 (C)	247	22	269
Number of employees still active 12 months after being reinstated from parental leave in 2018 (D)	207	18	225
Reinstatement rate = B/A	65.23%	65.57%	65.44%
Retention rate = D/C	83.8%	81.8%	83.6%

Note: Reinstatement rate = (number of employees reinstated/number of employees who should be reinstated)*100%

Family Care Related Leave Statistics

	Female	Male
Family care leave (person-times)	2,877	573
Maternity/paternity leave (person-times)	47,648	2,776
Menstrual leave (days)	35,926	-

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Safe, Healthy Workplace

We established the Safety and Health Work Guidelines, Occupational Safety and Health Management Plan, and Occupational Safety and Health Management Guidelines to ensure workplace safety and employee health. The implementation progress of related strategies and plans is reviewed at liaison meetings of the group-level Occupational Safety Task Force. In 2019, there were four meetings. Moreover, responsible departments periodically give occupational accident statistical analysis reports at each subsidiary. If an employee undergoes surgery or becomes permanently disabled due to an occupational accident, medical personnel will follow up on the employee's condition and evaluate if the employee is suitable for working. Lastly, we have an employee health risk management process in place to ensure the mental and physical 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. Accordingly, we implemented the Employee Assistance Program (EAP) and organized healthy promotion activities.

Overview of Cathay Safe and Healthy Workplace Measures

Mental Health

- A mental health evaluation questionnaire is administered every year to identify employees' psychological stress, and stress relief activities are planned based on questionnaire results.
- Implement the Employee Assistance Program (EAP), which provides employees with a comprehensive support system by offering professional consultation services that address a variety of needs around the clock. Employees can seek advice on marriage, family, relationship with their children, and finances.
- Employees at high risk of illness caused by abnormal workload are surveyed every quarter, and interviews with a physician are scheduled, or the Human Resources Department and supervisor adjust their workload.
- Organize stress release courses and seminars.
- Relaxing space and services (such as a relaxation room and massage services).

Physical Health and Ergonomics

- Periodically organize free employee medical check-ups.
- Periodically conduct skeletal muscle injury questionnaire surveys for classified management based on employees' physical condition.
- Implement hardware improvement measures: Includes providing assistive devices and replacing seats.
- Provide numerous types of sports clubs.
- Organize employee road runs, hiking, mountain climbing, and weight loss contests.
- Develop the Cathay Walker app and use group contests and rewards to encourage employees to go hiking.

Flexible Work Hours

- Employees may flexibly choose to go to work at 08:30 or 09:00 based on their individual needs.
- Specific departments (such as underwriting, claims, and financial investment) may flexibly choose different hours based on their business characteristics (such as claims review and information summarization before trading).

Telework

- Except for the basic 6.5 hours of training a week and business promotion time, salespeople can arrange other hours by themselves and use Cathay Box to track and manage business performance.
- Establish "cloud meeting" and "remote backup (work from home)" support systems to ensure the flexibility of employees' work and lower the risk of business suspension due to incidents, such as epidemics.

Workplace Safety

- Arrange for employees to receive qualified first-aid training and provide first-aid supplies in the workplace.
- Employee safety and health education and training.
- Periodically perform indoor lighting and air quality tests. Those that do not meet standards must immediately make improvements and report results to the committee.

Cathay's Healthy and Safe Workplace Implementation Results in 2019

Over 90% of Employees were Highly Satisfied with EAP Services

Employee mental health survey response rate reached 86.3%. Over 90% of employees were highly satisfied with EAP services.



Over 200 Employees Participated in the Occupational Safety Promotion Event

Over 200 employees participated in the occupational safety promotion event held in the head office on World Day for Safety and Health at Work.



Cathay Life is the First Life Insurance Company in Taiwan to Obtain Two Occupational Safety and Health Management System Certifications

Cathay Life is the first life insurance company in Taiwan to obtain both ISO 45001 International Occupational Safety and Health Management System and TOSHMS Taiwan Occupational Safety and Health Management System certifications.



CUB is the First Bank in Taiwan to win National Occupational Safety and Health Award

CUB was recognized by the Ministry of Labor with the National Occupational Safety and Health Award, the first bank to win the award.



Cathay FHC Employee Health Promotion Project

Cathay FHC provides all employees with a free medical check-up once every three years, and analyzes employees' health risks, providing care and planning health promotion activities for high risk individuals. In 2015, we discovered that "obesity" is a key factor that affects employee health, so we began organizing the Weight Loss Contest, which provides employees with rewards, nutrition and exercise courses, in addition to current health promotion activities. We also provided guidance to help employees lose weight in a healthy way, and further combined the contest with charity, donating NT\$100 for every 1 kg of weight lost by employees. The funds were used to purchase solar panels and income from selling electricity generated by the solar panels will be donated to charity organizations. Results of the latest employee medical check-up results show that employees with low health risk increased 2% compared to the previous period, and employees with high health risk decreased 3% compared with the previous period, showing the effectiveness of Cathay's employee health promotion activities.

Absence Statistics

	2017	2018	2019
Occupational Injuries	101	74	85
Occupational Deaths	1	0	1
Disabling Injury Frequency Rate (FR)	1.15	2.00	2.24
Disabling Injury Severity Rate	92.01	27.8	32.14
Days of Absence	153,039	33,332	29,081
Absence Rate	1.47%	0.72%	0.63%

Note 1: Disabling injury frequency rate = Number of cases * (10 to the power of 6)/Total working hours (year).

Note 2: Disabling injury severity rate = Number of days lost * (10 to the power of 6)/Total working hours (year).

Note 3: Absence Rate = Ratio of days of absence to total work days in a period of time. Days of absence = Sick leave + Occupational injury leave; Number of days required at work = Number of work days (special leave not yet deducted) = Number of current employees at the end of the year * Number of work days announced by the Directorate-General of Personnel Administration.

Note 4: Insurance agents are excluded from the statistics in the table above due to their special characteristics. If insurance agents are considered, the number of occupational injuries is 93, occupational deaths is 1, FR is 0.96, SR is 19.19, lost days is 163,747 days, and absence rate is 1.56%.

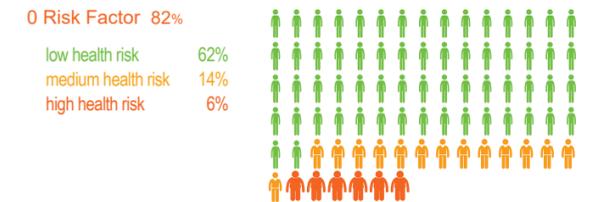
Cathay FHC Employee Health Risk Management Performance

Previous REsult of the Employee Health Risk Analysis



Latest Result of the Employee Health Risk Analysis

Normal BMI Slightly elevated BMI High BMI



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4 NATURAL RESOURCES CAPITAL

- 4.1 Climate and Environmental Governance and Strategies
- 4.2 Climate and Environmental Risk Management
- 4.3 Metrics and Targets
- 4.4 Engagement and Initiatives
- 4.5 Sustainable Procurement

Capital at Risk and Opportunities

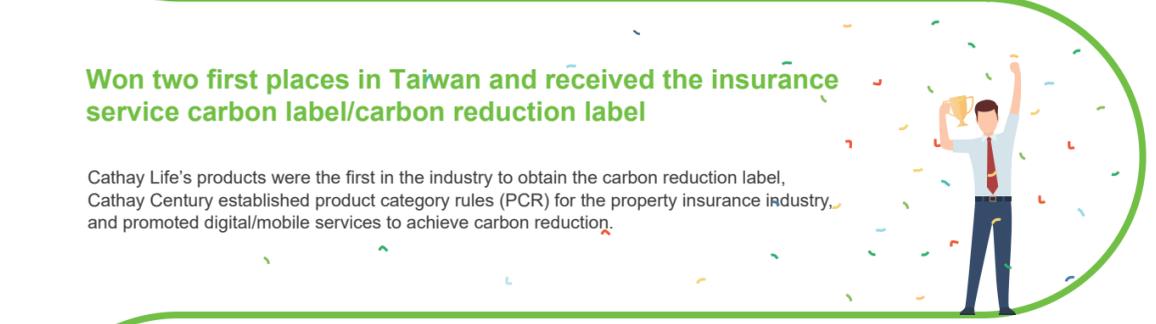
In the Global Risk Report published by the World Economic Forum (WEF) in 2020, the risks with the highest probability in the past four years were brought by extreme weather. Three of the most likely and impactful risks in 2020 were related to the climate and environment, namely "extreme weather," "ineffective policy to mitigate climate change," and "loss of biodiversity." This shows that the risk of climate change and damage to the environment can no longer be overlooked, as it will not only affect the well-being of mankind, but also severely impact the operations and assets of companies.

Cathay established the TCFD task force in response to this trend, and actively identifies and manages climate-related risks and opportunities. We established renewable energy and infrastructure as focus areas for sustainability, and implemented risk adaptation and mitigation measures through the monitoring of carbon emissions from our value chain and installation of solar panels to use renewable energy.



The first in Taiwan's financial industry to carry out climate scenario analysis and management

Cathay's TCFD task force responded to climate-related risks by using a model to simulate scenarios of real estate and mortgages and calculate the carbon footprint on listed equities, in order to manage the financial impact of the risks.



Won two first places in Taiwan and received the insurance service carbon label/carbon reduction label

Cathay Life's products were the first in the industry to obtain the carbon reduction label, Cathay Century established product category rules (PCR) for the property insurance industry, and promoted digital/mobile services to achieve carbon reduction.



The highest installed capacity of solar panels in the financial industry in Taiwan

Cathay's building in Wuri, Taichung has the highest installed capacity of solar panels in the financial industry in Taiwan, and received the LEED Gold Certification for green buildings in recognition of its environmental management performance.



International Climate Change Forum, with leading companies participate

Cathay FHC has organized the Taiwan Climate Change Forum for three consecutive years. Cathay FHC hosted the 2019 Climate Change Forum in co-organized with Taiwan Stock Exchange (TWSE) and Asia Investor Group on Climate Change (AIGCC). More than half of the companies in the FTSE TWSE Taiwan 50 Index took part in the event. And the total attendance increased 80%.

Key association:



Potential association:



Sustainability Vision for Natural Resource Capital

▲ Goals unattained ★ Goals attained

Key Performance Indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Climate change					
Carbon Reduction Goals	Average carbon reduction of 1% each year	★	Achieve carbon reduction goals, reduce carbon emissions by 5% (ideally 10%) from 2017 to 2021	Evaluate the feasibility of becoming a signatory to the Science Based Target (SBT)	
Number of solar panels installed on self-owned buildings	Installed capacity reached 5,500kW	★	Reach an installed capacity of 5,600 kW	Installed capacity reached 6,500kW	
Renewable energy use	-	-	Use 250,000 kWh of renewable energy and increase the amount of renewable energy use		
Implementation of climate change adaptation and mitigation management	Align TCFD recommendations in identifying, evaluating, and managing climate-related risks, subject to periodic supervision by Cathay's TCFD task force	★	<ul style="list-style-type: none"> Accumulate scenario simulation data on the effect of climate change on real estate, and use simulation results to improve climate-related risk management. Continually evaluate the carbon emission of negotiable securities and assets with high climate risks, and formulate response measures. Use internal carbon pricing to evaluate the climate risks of Cathay's corporate lending position in response to the Paris Agreement, and engage customers. Evaluate the climate impact of insurance product, respond to the risk and turn them into opportunities. 		
Green operations					
Number of green buildings established	Obtain two green building certifications	★	Continue to make plans to obtain green building certificates for new buildings	Made plans to obtain six green building certificates and strengthen building energy management performance	
Amount of waste generated per capita	Down 1% compared with last year	★	Down 15% compared with the base year (2017)	Down 20% compared with the base year (2017)	
Recycling ratio	-	-	Recycling ratio of 40% and above		
Water footprint per capita	Down 1% compared with last year	▲ Note	Not over 14.0kWh/person		
Carbon footprint of core products	-	-	The life insurance product and property insurance product carbon footprint reach a 8.5% and 1.06% reduction respectively from 2018 to 2021.		
Energy usage	Electricity usage down 1% compared with last year	★	Not over 200 kWh energy use per million revenue.		
Responsible procurement					
Suppliers commit to the Sustainability Value Declaration	Signing rate reaching 100%	★	100% of suppliers sign Cathay's Sustainability Value Declaration, and continue to provide suppliers with education and training.		
Supplier education and training	100% completed training courses	★	Provide education and training to 100% of suppliers to mutually benefit suppliers.		
Supplier evaluation and risk assessment	-	-	Implement the ISO 20400 Guidelines for Sustainable Procurement in procurement risk assessment and management, and conduct supplier due diligence.		
Local procurement ratio	-	-	Local procurement ratio reaches 90% and above.		

Note: down 0.82% compared with last year; we are still improving the indicators and water-saving device.

Cathay FHC's sustainable development strategy includes climate change and the environment. We view climate change and green operations as material issues to the group, and expanded stakeholders of concern from employees to also include the upstream and downstream stakeholders in our value chain, including raw material purchasers, midstream to downstream product users and clients. We also expanded our influence to investee companies by participating in Climate Action100+ and the CDP's Non-Disclosure Campaign.

Cathay FHC began responding to the CDP questionnaire in 2012, and signed the TCFD in 2018. We established a group-level TCFD task force and cooperated with secretariat under CS Committee to actively manage carbon issues and major energy and environment projects. We were rated at the "leadership level" (A-) in the 2019 CDP questionnaire and became a leading financial institution in the field of climate and environment. Besides, our subsidiaries Cathay Life and CUB were both recognized with the Bronze Medal in the National Enterprises Environmental Protection Award. This year's report referenced the disclosure framework recommended by the TCFD, and includes governance, strategy, risk management, metrics and targets, and key performance. And management process please refer to the Cathay ESG Integration Report.

4.1 Climate and Environmental Governance and Strategies

Climate and Environmental Governance

Cathay FHC has comprehensive climate and environmental governance processes and frameworks. The president is the highest level leader and oversees the measures of Cathay FHC and its subsidiaries. The secretariat under CS Committee and TCFD task force work together and periodically submit supervision results to the Board of Directors. Please refer to P.6-8 for the Corporate Sustainability Committee's operating model. The Committee formulates adaptation and mitigation measures through the identification and evaluation of risks, which is the basis for forming the climate strategy that will enable us to seize opportunities, assisting Cathay FHC and its subsidiaries in developing low carbon businesses.

The Chief Risk Officer (CRO) leads the cross-company TCFD task force, which manages the effect of climate-related risks on real estate, negotiable securities, corporate loans, and insurance product. The TCFD task force reports the supervision situation to the CRO each month, and submits annual reports to the Risk Management Committee and Board of Directors. This strengthens our climate-related risk management and allows risks to be quantified according to stakeholders' requirements.

Climate and Environmental Strategies

Cathay FHC analyzed and identified short-term, mid-term, and long-term risks and opportunities in its daily operations and financial business, and assessed the effect of different risks, such as physical risks, market risks or regulatory risks, on its business.

Scenario Analysis on Operation

Cathay FHC and its subsidiaries all implemented ISO 50001 and ISO 14001 Energy and Environmental Management Systems in daily operations. We assessed operational risks based on the plan to achieve 20% renewable energy generation by 2025 announced by Taiwan's government, as well as the goal of the Paris Agreement for temperature rise to not exceed 2 degrees Celsius. Methods such as increasing the ratio of renewable energy use to slow temperature rise create the risk of electricity price fluctuations. From a long-term perspective, this will impact our operating costs and require us to formulate strategies.



Cathay FHC's climate and environmental strategies are centered on low carbon products and services and digitalization. We not only offer digital services to increase the efficiency of resource use, but also examined GHG emissions and energy consumption in the product design, sales, after-sale service, and waste disposal processes. We then formulated response strategies, such as electronic documents and digital business processes. For example, the Dunnan Branch of Cathay Securities offers fully online account opening services, so that customers do not need to set foot in a branch.

Scenario Analysis on Real Estate and Mortgages

Cathay FHC and its consultants simulated scenarios to evaluate the risk of position of real estate and mortgages. We evaluated the short-term and long-term financial impact of physical risks on real estate caused by typhoons and floods within the near future (~2035) as defined in the IPCC AR5, and determined that overall risk was non-material. Results also showed that typhoons and floods only cause minimal damage to collateral, and will not trigger defaults on mortgages. Furthermore, the group adopted risks by purchasing insurance to lower the financial impact of typhoons and floods on the group.

Scenario analysis on Cathay's real estate in 2019

Region	Use scenario	Target	Average loss per year (NT\$100 million)
Taiwan	IPCC RCP 4.5	Cathay owned real estate	1.11

Note: Cathay have conducted the analysis four specific scenarios, including RCP2.6, RCP 4.5, RCP 6.5 and RCP 8.5.

TCFD Strategy Supplemental Indicators

Banking

- CUB voluntarily complies with the Principles for Responsible Banking (PRB) and Equator Principles (EPs), and referenced the Intended Nationally Determined Contributions (INDC). CUB included high carbon emission industries set forth in the Greenhouse Gas Reduction and Management Act as sensitive industries for supervision, and also established a list of ineligible industries, such as coal-fired power plants. Please refer to P.39-40 for details.
- CUB proactively develops renewable energy lending and assists society in developing towards a low carbon economy. Please refer to P.42-43 for details on low carbon opportunities.

Asset owner

- Cathay Life voluntarily complies with the Principles for Responsible Investment (PRI), establishes investment management regulations for sensitive industries and power producers whose main source of revenue is coal-fired power generation and have not actively switched to renewable energy are listed as not eligible for investments. Please refer to P.39-40 for details.
- Cathay Life further set renewable energy and infrastructure as a focus area for sustainability, and invests in low carbon and infrastructure. Please refer to P.42 for details.

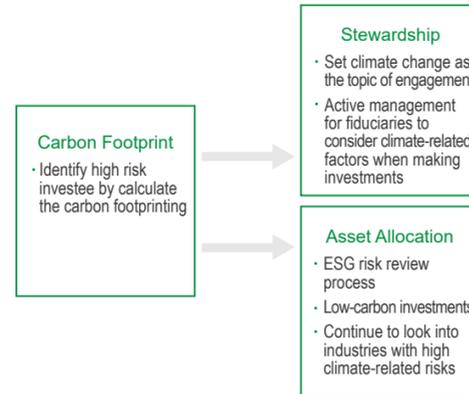
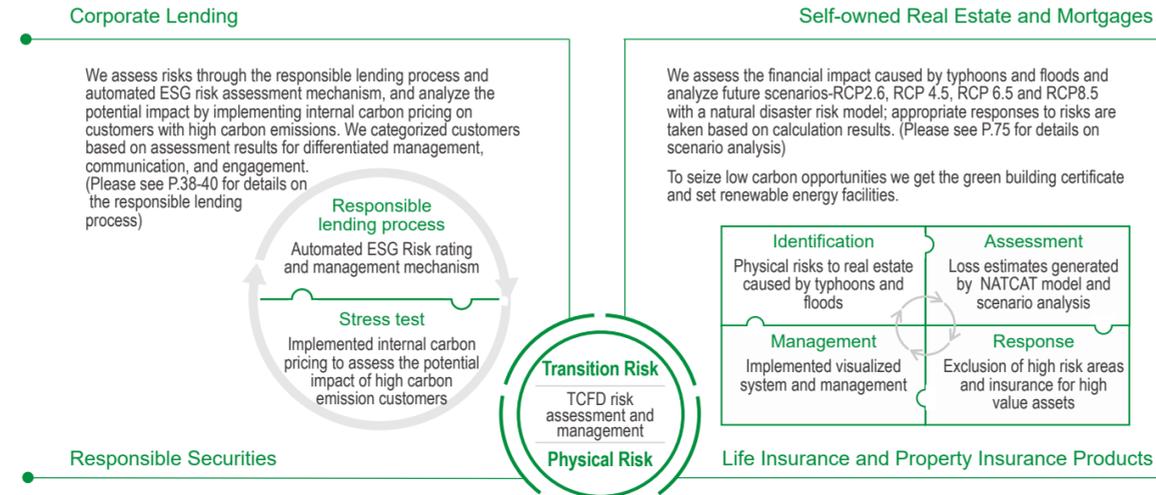
Insurance

- Cathay Life cooperates with experts and plans to use a climate and related database to evaluate the effect of climate-related risks on insurance products. Please see Cathay Life's sustainable report for details.



4.2 Climate and Environmental Risk Management

Cathay FHC uses the ERM framework to include emerging risks, such as climate-related risks, in its risk management policy, and established the Emerging Risk Management Guidelines. On financial business, TCFD task force identify and assess risks and opportunities, and have formulated management principles within business processes. On operational management, Cathay FHC and its subsidiaries all implement energy and environmental management systems in their respective head offices, adopt the PDCA process, and establish an "Energy and Environment Management Policy." For better GHG, waste, and water resources management, we develop low-carbon service and conduct energy and building improvement. Related measures are as follows:



Low Carbon Services

All of Cathay's insurance products are low carbon products, and business developments focus on becoming "mobile" and "electronic." All of Cathay Life's products led the industry in being certified with the carbon reduction label. Besides calculating carbon emissions in the product life cycle, we also compare the margin of carbon reduction compared with three years ago, in which carbon emissions significantly decreased by 14% between 2016 and 2018. Furthermore, Cathay Century led the industry in establishing PCR for property insurance services in November 2019 according to EPA regulations. Cathay Century hopes this will promote the calculation of carbon footprint for property insurance products. Both subsidiaries set important milestones for Taiwan's development towards a low carbon economy. Cathay's low carbon insurance products significantly reduce energy and resource use, and reduced paper use by nearly 100 million sheets in 2019, which is equal to over 12,000 trees.



Cathay Life

Features

- The first insurance company to obtain the carbon reduction label.
- Obtained EPA and ISO carbon footprint certifications.
- Products have the best carbon footprint in the life insurance industry at 3.37 kgCO₂e per policy.

Reduce paper use

- 8,441 million sheets** (conserved about 10,000 trees)

Cathay Century

Features

- The first in the industry to establish carbon footprint PCR.
- Obtained EPA and ISO carbon footprint certifications.
- Products have the best carbon footprint in the property insurance industry at 1.8 kg CO₂e per policy.

Reduce paper use

- 1,898 million sheets** (conserved about 2,000 trees)

CUB and Cathay Securities

Features

- CUB and Cathay Securities are promoting online credit cards and working together to complete online account opening.

Reduce paper use

- 341 million sheets** (conserved about 400+ trees)

Note: The source of data is the Environmental Quality Protection Foundation.
Note: The low carbon products described in this section are defined as satisfying one of the following conditions (i) Obtained the right to use the carbon label issued by the central competent authority, and the carbon footprint is in the top 10% of carbon label products in the same category; (ii) Obtain the right to use the carbon reduction label issued by the central competent authority.

Energy and Building Management

Cathay Life and CUB focus on renewable energy use and increasing energy efficiency in reducing the group's carbon emission. The real estate management department takes a rolling inventory of equipment to increase energy efficiency, examining the service life and energy consumption of equipment to determine what equipment to replace. Equipment replaced in 2019 are as follows:

Target	Item	Estimated carbon reduction (tCO ₂ e/year)
IT Building	Facility and equipment improvement Light replacement Air conditioning equipment renewal	259
Yuren Building	Air conditioner renewal	34
Taipei International Trade Building	Elevator update	38
19 buildings for self-use	Light replacement	750

In addition to the continued replacement of energy-consuming equipment, in 2019 Cathay Life began using the solar panels (183 kW) installed on the roof of its Education Building in Wuri, Taichung, the largest solar rooftop in the financial industry that generates electricity for self-use. The solar panels are expected to generate about 200,000 kWh of electricity a year. The Pingtung Branch of CUB installed solar panels on its roof. The solar panels not only shade the branch from the sun, but also generate electricity for the branch, creating long-term benefits. Furthermore, Cathay began evaluating and installing solar panels on its own buildings in 2016. The current installed capacity exceeds 5,600 kW and actual electricity generation has exceeded 6 million kWh.



Cathay Life established the Responsible Property Investment and Management Policy, and designs all newly acquired buildings based on green building standards, so that energy use, greening, and waste all reach a certain standard. Two buildings obtained green building certificates this year, specifically the Education Building in Wuri, Taichung (LEED Gold Certification) and Industry Building in Taoyuan THSR Station (EEWH Certificate). At present, Cathay has a total of 15 green buildings and continues to promote sustainable cities.



Figure: The Education Building in Wuri, Taichung has installed solar panels (183 kW) and received the LEED Gold Certification.



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4.3 Metrics and Targets

Energy Metrics

Cathay FHC set the goals on GHG emissions electricity consumption and keep track of the indicators through the Environment and Energy Management System. All the metrics reach the target, among which the carbon emission even reduced up to 4.96% compared with base year. We also set the goal to use at least 250,000 kWh of renewable energy in 2020.

	2017	2018	2019
Electricity consumption (kWh)	100,057,000	98,476,090	96,462,714
Electricity consumption intensity (kWh/person)	2,251.25	2,142.6	2,052.83
Total energy consumption (GJ)	368,332	361,636.90	355,462.52
Energy consumption per capita (GJ/person)	8.29	7.87	7.56
Renewable energy use (kWh)	69,000	77,000	156,000

Note 1: The scope of the inventory is 100% and is mainly calculated based on the control over operations. Cathay FHC and its subsidiaries (second-layer subsidiaries) have a total of 434 business locations.

Note 2: Renewable energy use includes the purchase of Taiwan Renewable Energy Certificates (T-RECs) and electricity generation for self-use, and does not include electricity wholesale.

Domestic Waste and Resource Recycling

	2017	2018	2019
Actual amount of domestic waste ^{NOTE1}	428.65	376.89	572.97
Waste intensity (kg/person)	63.97	39.87	33.78
Recycling	110.66	324.36	479.84
Estimated total domestic waste	2,843.03	1,832.44	1,587.21

Note 1: The scope encompasses the Cathay FHC Head Office and CUB Head Office, all business locations of CUB, and the 29 business locations of Cathay Life and Cathay other subsidiaries head office, which were added in 2019, and included 16,963 staff. The estimate of total domestic waste includes all employees of Cathay FHC and its subsidiaries (second-layer subsidiaries).



Carbon-related Metrics and Goals

Units: tCO₂e

	2017	2018	2019
Category 1	3,091.92	3,272.04	3,438.27
Category 2 (Location-based emissions)	55,431.36	52,487.76	51,414.63
Category 2 (Market-based emissions)	-	-	51,331.48
Category 1+2	58,523.28	55,759.80	54,769.75
Category 1+2 goals	57,049.90	56,473.6	55,897.35
Category 1+2 emission intensity	1.31	1.26	1.17
Category 3 (Transportation)	-	-	38.77
Category 3 (Business trips)	2,588.8	1,178.05	1,029.65
Category 4 (Operational waste)	140	529.51	196.71
Category 4 (Product procurement emissions) ^{NOTE4}		465.63	2,918.12
Category 5 (Product use stage)	53.799	985.1	1,546.69
Category 5 (End of product life emissions)		13.49	9.05
Category 5 (Investment) (unit:tCO ₂ e/m\$revenue)	-	-	313

Note 1: The scope of the inventory is 100% and is mainly calculated based on the control over operations. Cathay FHC and its subsidiaries (second-layer subsidiaries) have a total of 434 business locations.

Note 2: The number of employees at locations in the scope of inventory was 44,445 (2017), 45,961 (2018), and 46,990 (2019).

Note 3: The Bureau of Energy adjusted the electricity emission factor for Category 2 Electricity Emissions, so the calculation uses the updated factor, which is 0.533 (2018, 2019) and 0.554 (2017)g CO₂e/kWh.

Note 4: Category 4 - Product procurement emissions include emissions from using tap water (161 tCO₂e), raw materials of insurance policies (2,347 tCO₂e), and procurement of raw materials for credit cards (409 tCO₂e).

Note 5: The scope of calculation included Cathay Life's equities and bonds with the method recommended by TCFD. Because Cathay can't guarantee the completeness and verification on some of the data from our investee companies, this figure is not verified by the third-party.

Note 6: Please see the Appendix for other notes.

Direct Water Consumption

	2017	2018	2019
Direct water consumption (m ³)	643,859	619,271	627,950
Direct water consumption intensity (m ³ /person)	14.49	13.47	13.36

Note 1: The scope encompasses all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries)

4.4 Engagement and Initiatives

Cathay has expanded risk identification to encompass the entire value chain, and includes the climate risks of partners on the value chain in our considerations. Furthermore, investee enterprises, clients, suppliers, employees etc. are all included among the engagement targets. Cathay leverages its influence to address climate risks and opportunities together with our partners in the value chain, and actively contributes to the issue of climate change mitigation.

Investee Engagement

CDP Non-Disclosure Campaign (NDC)

• Successfully engaged 16 Taiwanese companies since 2017

• The response rate of companies engaged by Cathay was 14.3% in 2019, which was twice as high as the 6.9% response rate of companies without investor engagement

• Taiwan now ranks 9th globally in NDC success rate according to CDP Report



CDP Non-Disclosure Campaign is an investor-led engagement initiative with the aim of urging the companies to disclose environmental information on climate change, deforestation and water security. Cathay FHC has been participating in the CDP Non-Disclosure Campaign for three consecutive years since 2017, and is the only one Taiwanese financial institution joining the campaign. In 2019, Cathay engaged with 49 Taiwanese companies who have never responded to CDP questionnaires. Cathay respectively communicated with these companies by emphasizing the issues such as climate change, deforestation and water security may bring significant impact to the business operation. Cathay also urge the companies to publicly disclose related information and management measures so the investors can assess aforementioned risks.



Investee Engagement

Climate Action 100+ initiative

• Launched by international organizations such as the Asia Investor Group on Climate Change (AIGCC) and Principles for Responsible Investment (PRI)

• The initiative engaged 161 companies including the top 100 companies represent at least two thirds of global greenhouse gas emissions

• More than 450 global investors, who collectively manage more than USD \$40 trillion in assets under management, have joined the initiative



Cathay Life and Cathay SITE are the only two Taiwanese financial institutions participating in the Climate Action 100+ initiative since 2017. The initiative identified 161 focus companies of high carbon emitters and we have been respectively engaging with all three Taiwanese focus companies since December 2017. We met the top management of these three companies and have been collaborating with international investors to urge the companies integrate climate risks into business strategy. We also detail the investor expectations on climate reduction and the carbon actions their peers have been taken. Ultimately, we are aiming to urge the companies to reduce the carbon emission align with Paris Agreement.

Borrower Engagement

Expanding the Spirit of EPs for E&S (Environmental & Social) Post-loan Management

CUB follows EPs requirements for focus and management in the project planning stage. For non-EPs loans for which credit limits reach a considerable scale and the purposes of whose funds meet the definition of sensitive industries such as mining/oil refining/metallurgy, hydro/oil-fired power generation, and forestry, CUB lending approval review process must include evaluation of the E&S impact of credit application cases, proposals of post-loan management solutions, and examination and management of follow-up E&S performance through regular E&S reviews.

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Investee Engagement
Climate Change Forum

Cathay FHC has organized the Taiwan Climate Change Forum for three consecutive years aiming to urge investee companies to take actions against climate impact. We invited, Mr. Al Gore, former U.S. Vice President in 2017 to discuss climate change issues with more than 20 Taiwanese business leaders. In 2018, we also invited the international organization such as GDP and PwC to share the practices of climate actions in the form of workshops. A total of 86 individuals and 55 companies participated in the event in 2018.

Cathay FHC hosted the 2019 Climate Change Forum in co-organized with TWSE and AIGCC, and we broadened the target audience to all the listed companies besides our investee companies. We invited the Director of AIGCC to share the progress of TCFD implementation in Asian countries and other regions. We also hosted two parallel panel discussions which invited the leaders from the corporates, government and academia to share their observations on implementation of TCFD and carbon reduction. Besides the insightful forum, we simultaneously organized the exhibition to showcase the feasible solutions on renewable energy and circular economy. The number of participants in 2019 jumped significantly with a total of 154 participants from 91 companies joined the event. More than half of the companies in the FTSE TWSE Taiwan 50 Index took part in the event.



Supply chain engagement
Sustainable supply chain management

Cathay periodically organizes supplier conferences each year, and organized 2 supplier conferences in 2019. During the supplier conferences, we shared sustainability concepts, trends, and best practice casestudy, so that suppliers will step up their sustainability measures. We also communicated with and engaged supply chain partners in specific industries through keynote speeches.



Other stakeholder engagement
Beach cleaning

Cathay takes stakeholders and environmental issues very seriously. The "Act! Yilan Beach Cleaning Event" co-organized by Cathay and Lanyang Museum in 2019 not only invited employees and their dependents to serve as volunteers, but also invited suppliers to take part in the beach cleaning event, which cleared over 500 kg of trash. This event corresponds to SDG 14 Life Below Water and protects marine resources.



4.5 Sustainable Procurement

Sustainable Procurement Strategy

Cathay FHC and its subsidiaries implemented the ISO 20400: Sustainable Procurement Guidelines in 2018 to influence our upstream suppliers who provide paper, uniform and equipments and so on by incorporating concepts of sustainability into procurement practices. Cathay FHC is the first financial institution worldwide to obtain the certification. We established the Cathay FHC Sustainable Procurement Policy after identifying and assessing risks and understanding their demand in our procurement process, and adopted the procurement strategy to "create local employment opportunities and a low carbon supply chain."

Sustainable Procurement Measures and Performance

Sustainability Training for Suppliers 100%	
Local procurement ratio 95% Cathay gives priority to local enterprises when making procurements to drive local economic development.	
Green procurement amount NT\$ 521 million Cathay was recognized with the Green Procurement Enterprise Award from Taipei City Government for 10 years from 2010 to 2019.	

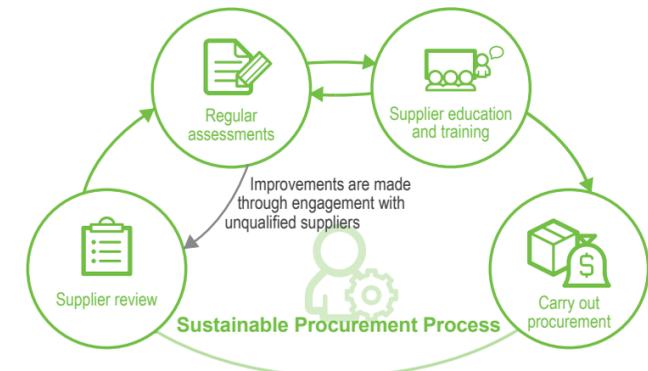
Note 1: Cathay FHC and its subsidiaries give priority to local suppliers where their business locations are located, provided that it does not affect safety and the fairness of procurements, in order to support related industries and drive local economic activity.

Risk Assessment and Management

We identified risks in the procurement process and established a comprehensive sustainable procurement procedure based on the seven core principles of sustainable procurement via an online procurement platform, self-assessment and management of sustainability by suppliers, and the Sustainability Value Declaration signed by 100% of suppliers. Contents of the declaration include our Code of Conduct, Human Rights Policy, and Environmental Policy. Suppliers are required to complete sustainability training before becoming eligible for transactions. Furthermore, annual supplier conferences are held for supply chain management. We categorized 100% of our suppliers by procurement amount, and evaluated their ESG measures. If those suppliers with great amount or specific merchandise, we will conduct due diligence, like on-site audit or interview. We also reviewed current procurement items and contents and used them as indicators for evaluating suppliers. The procurement contract we sign with suppliers requires suppliers to fulfill their corporate social responsibility and comply with regulatory requirements. Furthermore, we engage our supply chain through holding Supplier Conference. For more details please refer P.80 and Cathay Website.



Cathay's Supplier Management



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5 SOCIAL AND RELATIONSHIP CAPITAL

- 5.1 Principles of Treating Customers Fairly
- 5.2 Excellence in Customer Service Quality
- 5.3 Customer Experience Innovation
- 5.4 Customer's Personal Information Protection
- 5.5 Happiness is Giving Happiness
- 5.6 Projects Implemented under the Four Public Welfare Strategies

Capital at Risk and Opportunities

Financial consumer protection is an indicator of how advanced a country is in terms of financial regulation. The Financial Supervisory Commission (FSC) announced the principles of treating customers fairly in 2015, and organized the first Treating Customers Fairly Evaluation in 2019. Financial institutions ranked in the top 20% of the Treating Customers Fairly Evaluation are announced to urge financial institutions to take consumer protection seriously, and also to increase consumers' confidence in financial institutions. Furthermore, the digital era has changed how consumers and financial service providers interact, and financial institutions can use innovative models to provide customers with better services that what they had previously experienced.

In the report titled "Home, Social and Welfare Issues: Inequality" issued by the Organisation for Economic Co-operation and Development (OECD) in 2019, the OECD pointed out that the wealth gap between OECD countries is at a peak in the past half a century. Cathay developed the conviction that "Happiness is giving happiness," and utilizes its core competencies in finance along with key partners in creating greater opportunities, so that everyone will dare to dream and have the courage to make changes.

Number 1 in Treating Customers Fairly

Cathay Life and CUB both placed first in the inaugural "Financial Industry Treating Customers Fairly Evaluation," making Cathay FHC the only financial holding company with two subsidiaries both winning first place.



1.5%



The ratio of customers transferred by chatbot to a customer service representative decreased to 1.5%

On average over 20,000 people use the chatbot "Alpha" every day, accounting for over 30% of overall customer services. The ratio of customers transferred by "Alpha" to a customer service representative decreased from 4.5% when the chatbot was first launched to 1.5%.

90% of customers drawn by digital access

Cathay Securities aims to become a leading digital securities firm in Taiwan, and developed 6 apps in response to the needs of its customers, which have successfully attracted over 90% of new customers.



Number of group-wide volunteer hours grew 61%

Actively promoted volunteer leave, which totaled 96,284 hours for the year, up 61% compared to 2018.



The 50th Anniversary of Cathay Women's Basketball

Cathay Women's Basketball sets the record of being the reigning champion for 26 consecutive years on the 50th anniversary of its establishment.



Key association:



Potential association:



Sustainability Vision for Social and Relationship Capital



▲ Goals unattained ★ Goals attained

Key Performance Indicators	2019 Goals	2019 Goal Attainment	Short-term (2020)	Mid-term (2022)	Long-term (2024)
Customer Relationship Management					
Overall satisfaction of Cathay Life's customers	90%	★	R-NPS reaches 15 points	R-NPS reaches 20 points	R-NPS maintains at 20 points
Overall satisfaction of CUB's customers	90%	★	1.Maintain overall customer satisfaction at 90%. 2.NPS improves compared with the previous period, or ratio of 0-6 detractors decreases. 3.TNPS : Complete automated and visualized analysis. 4.RNPS : Work together with a consulting firm to optimize the survey method.	NPS improves compared with the previous period, or ratio of 0-6 detractors decreases.	NPS improves compared with the previous period, or ratio of 0-6 detractors decreases.
Overall satisfaction of Cathay Century's customers	90%	★	1.T-NPSContinue to deploy T-NPS at important services and transaction nodes 2.Improvement in R-NPS (outsourced customer satisfaction survey)	1.Continue to deploy T-NPS at important services and transaction nodes 2.Improvement in R-NPS (outsourced customer satisfaction survey)	
Overall satisfaction of Cathay Securities' customers	85%	★	Establish important NPS nodes for futures and re-consigned trading business	NPS at each business node reaches 50 points or above	1.NPS at each business node reaches 60 points or above 2.Establish R-NPS
Overall satisfaction of Cathay SITE's customers	85%	★	To surpass the average score of top five competitors	To surpass the average score of top five competitors	To surpass the average score of top five competitors
Completion rate of training at treating customers fairly subsidiaries	100%	★	(Goals are no longer set)		

Community Involvement

Amount of procurements from creative social enterprises	NT\$2.7 million or more	★	NT\$2.75 million	NT\$2.8 million
Number of group-wide volunteer hours	66,000 hours	★	95,000 hours	100,000 hours
Social influence projects are managed under the SROI and LBG framework	Complete SROI calculation and LBG education and training	★	Continued management of public welfare projects based on the LBG structure; Improvement of project contents based on SROI results	
Support education in rural areas	Subsidize training expenses of 100 teachers at Teach for Taiwan	★	Collaborate with key partners and continue to focus on the educational resources of rural area	

Loss Control

Promotion of safety risk prevention	30 accident-free loss control events	★	Organize 30 accident-free loss control events, including 2 accident-free bicycle events held on a trial basis. The 2 events promote bicycle safety and raise awareness of traffic safety among students.	Organize 30 accident-free loss control events; continue to expand the concept of ex-ante prevention to all age groups, from campus safety among students to home fire safety among the general public, in order to realize the vision of "comprehensive identification of risks for all ages."
	Calculate the SROI from Accident-free Riders events in higher education institutions	▲ Note		

Note: SROI certification was completed in mid-February 2020.

5.1 Principles of Treating Customers Fairly



Cathay FHC values every opinion of our customers. We have a variety of customer complaint channels and a dedicated unit that handles customer complaints. Meanwhile, we establish regulations by the highest principle of "actively making response and spontaneously showing concern" that requires our staff to immediately contact customers and propose solutions.

Cathay FHC's subsidiaries Cathay Life and CUB both won first place in the inaugural Financial Industry Treating Customers Fairly Evaluation in 2019. Cathay FHC's subsidiaries all completed the 3 hours of treating customers fairly education and training required by law.

Cathay Life was the first in the industry to establish the Treating Customers Fairly Committee in 2018 to establish a corporate culture based on the principles of treating customers fairly. The president is the chairperson of the committee and sets out from customers' perspectives. The nine principles of treating customers fairly were divided into "System Development before Sales," "Sales Management During Sales" and "Quality Control After Sales," in order to implement the principles of treating customers fairly in daily operations and services. Independent directors are invited to participate in semi-annual meetings of the Treating Customers Fairly Committee, fully showing that the principles are taken seriously from top to bottom, while facilitating cross-departmental collaboration and discussion of solutions. As such, we have successfully made the principles of treating customers fairly a part of Cathay's service DNA. Thanks to operations of the Treating Customers Fairly Committee, Cathay Life won first place in the Treating Customers Fairly Evaluation in 2019, and also had the lowest customer complaint rate among the major peer companies in 2019.

CUB views the principles of treating customers fairly as important principles for business development. Besides periodically checking internal operating procedures, the Service Quality Team was also established, which is led by directors and senior executives. Efforts to improve service quality were made in three aspects in 2019, specifically "feedback from customer satisfaction survey," "improvement of customer service and customer complaint handling performance," and "development of digital finance," optimizing and adjusting systems and processes for each product and responsible unit. CUB regularly organizes education and training courses on consumer protection to ensure that all employees implement the principles of treating customers fairly during routine work. Six employees were recognized as model employees of CUB in 2019 for their outstanding performance in handling customer complaints and consumer protection. The employees were commended during the meeting of managers, and their performance was shared with all employees of CUB.

NO. 1

Cathay FHC's subsidiaries Cathay Life and CUB both won first place in the inaugural Financial Industry Treating Customers Fairly Evaluation in 2019.



100%

Cathay FHC's subsidiaries all completed the 3 hours of treating customers fairly education and training required by law.



Mechanisms for Treating Customers Fairly

Subsidiary	Customer Complaint Channels and Dedicated Units	Organization / Regulations	Future Plans
Cathay Life	The Customer Relationship Enhancement Testablished the "Cathay life Insurance Consumer Dispute Resolution Procedures" and "Cathay life Insurance Guidelines for Handling Customer Complaints" to protect consumer rights. It also set up a customer complaint hotline at 02-2162-6205 to optimize the efficiency of handling customer complaints.	In addition to establishing the treating customers fairly policy, we established the Treating Customers Fairly Committee Charter and established a Treating Customers Fairly Committee, which convenes semi-annual meetings to improve the root cause of issues that do not comply with the principles of treating customers fairly. Results are then submitted to the Board of Directors.	Continue to optimize friendly financial services, implement inclusive finance, strengthen mechanisms for checking and controlling improper sales conduct of salespeople, and establish key performance indicators to measure the implementation of principles for treating customers fairly.
CUB	The Financial Service Department is responsible for handling complaints and set up a 24-hour customer service hotline at 02-2383-1000, or call 0800-818-001 on a landline; the official website also allows customers to file complaints.	Supervision and management of the policy of treating customers fairly along with matters requiring review are submitted to the Board of Directors every six months. The Board of Directors and senior management jointly lead the implementation of principles of treating customers fairly.	Emphasize the effectiveness of practices to ensure that customers are treated fairly, including the operations of mechanisms for the process from discovering deficiencies to making improvements.
Cathay Century	The Policy Holder Service Center is responsible for handling consumer disputes and operates according to the Cathay Century Insurance Consumer Dispute Settlement Procedures to protect consumer rights. Customers can call the customer service hotline at 0800-212-880 to provide their name and describe the cause to Cathay Century.	Established the Treating Customers Fairly Promotion Team with quarterly meetings to review the implementation of treating customers fairly. Relevant units propose measures to improve the customer experience, and the proposals are submitted to the Board of Directors.	Building a corporate culture that "treats customers fairly" and is "customer experience-oriented," in order to improve the customer experience.
Cathay Securities	The Policy Holder Service Center is responsible for handling customer complaints and operates according to the Financial Consumer Dispute Settlement Procedures. To file a complaint, customers can call the customer service hotline at 02-7732-6888.	Established principles for treating customers fairly, reviews the implementation summary of its nine major principles, and reports the implementation status to the board of directors.	Promoted the active implementation of the principles of treating customers fairly among all units, with progress reports during quarterly meetings.
Cathay SITE	The Customer Service Department is the dedicated unit that receives complaints. Customers can use their real name to make the complaint to the Company via the customer service hotline 02-7713-3000, e-mail: net080@cathaysite.com.tw, fax: 02-2382-0437, or visit 6F, No. 39, Sec. 2, Dunhua S. Rd., Taipei City in person.	Established the principles for treating customers fairly, and periodically reports the implementation status to the board of directors each year.	Implement financial consumer protection, personal information protection regulations, and the policies of the competent authority to protect customer rights.



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5.2 Excellence in Customer Service Quality

Cathay FHC has a Service Quality Committee that sets the Group's service guidelines based on the principles of protecting customer rights and treating customers fairly. The committee periodically reviews service strategies and projects together with each subsidiary. Meanwhile, the Service Quality Team assembled by each subsidiary plans, implements, and follows up on service quality improvement plans, and listens to the voices of our customers so that Cathay would continue to improve customer satisfaction and create customer value.

Cathay FHC's subsidiaries commission large, reputable market survey companies to conduct satisfaction surveys based on their business attributes. Aspects of survey include sales personnel, customer services, claims services, counter services, and online services, while outcomes provide us with a basis for further improving our service quality.

Customer Satisfaction Performance

Subsidiary	2017 Satisfaction	2018 Satisfaction	2019 Satisfaction	2019 Satisfaction Goal	Satisfaction Performance Description/Improvement Measures
Cathay Life	91.7%	94.0%	94.3%	90%	Provides a one-stop solution to insurance policy issues via the chatbot, and also provides a convenient consultation service via Internet phone. Users can call the Contact Center via Internet phone as long as they have WiFi and Internet access, so they are not restricted by region.
CUB	90.3%	90.9%	91.5%	90%	Upgraded the questionnaire survey system to widely collect more accurate data, and added indicators for monitoring competitors and customer experience. Conducted cross-analysis to find factors that affect customer satisfaction, in order to provide more suitable products and services.
Cathay Century	96.5%	96.3%	96.8%	90%	Continue to optimize the insurance enrollment process with the primary mission to make it more convenient and simple to change policies. Dedicated personnel work together with the chatbot Alpha to provide customers with more immediate and efficient services.
Cathay Securities	85.1%	91.3%	98.3%	85%	Gradually improved personnel, platform, and marketing services based on the feedback from cross-selling personnel at CUB.
Cathay SITE	86.2%	87.1%	89.1%	85%	Under the premise of maintaining a suitable contact frequency, satisfy customers' needs on products and services, immediately provide investment strategies in response to market changes, and also provide a greater variety of customized products for different types of customers.



5.3 Customer Experience Innovation

Net Promoter Score

We began implementing the net promoter score (NPS) since our 2016 satisfaction survey for examining customer service records and feedback from important points of contact with customers. We hope to continue improving the customer service experience through quantified and qualified analyses, as well as cross-departmental communication and collaboration.

NPS Framework Deployment

Cathay Life

Cathay Life's NPS Customer Experience Management System was completed in 2018. Cathay Life values every point of contact with customers, and deployed 15 service nodes in the customer journey from online to offline for testing. It also established an automated monitoring panel and customer response management back-end. Departments work together during quarterly service quality meetings to optimize service quality.

2019 Major Breakthroughs

The average tNPS of online nodes increased by 10.8 points in 2019, showing a significant growth in the number of customers who are so satisfied with Cathay Life's digital services, which were offered in response to its digital transformation, that they are willing to recommend it to others.

CUB

Established the digital platform NPS mechanism, and used NPS along with customer interviews or ease of use testing to help enhance the user experience of the platform that better meets users' needs and expectations. The Customer Service Center began conducting tNPS surveys during customer calls each day starting in September 2019, and analyzed the correlation between feedback from questionnaires, the reasons for the calls, and products purchased by customers; this served as the basis for exploring deficiencies in the customer experience, providing feedback to relevant units each month for formulating strategies to better meet customers' needs.

2019 Major Breakthroughs

The tNPS of the surveys conducted by the Customer Service Center in December 2019 was 56.2%, an increase of 17.3% compared to the surveys done for the first time in September of the same year. The overall services are supported and recommended by customers.

Cathay SITE

Combined satisfaction surveys with the NPS mechanism to understand what customers truly need from its products, services, and brand. Customer suggestions collected from the surveys provide feedback for making adjustments to business items, maintaining customer satisfaction with their service experience.

2019 Major Breakthroughs

Customers' recognition of Cathay SITE's efforts in products and services is clear from tNPS, which significantly increased from 32 points in 2018 to 40 points in 2019. In the future, Cathay SITE will continue to meet customers' potential demand based on customer feedback.

Cathay Century

Completed the deployment of 21 nodes at digital channels and physical channels, and established an NPS customer experience management mechanism that attempts to depict the customer experience at each node through the NPS opinion management back-end, visualized report forms, and periodic meetings along with qualitative and quantitative multidimensional analysis. This is performed daily, monthly, and quarterly to find the core issues and potential solutions that can optimize the service experience at each node.

2019 Major Breakthroughs

The average NPS of individual insurance claims settlement nodes in 2019 was 79, showing that most policy holders are loyal customers who are satisfied with and recommend claims services. The average NPS of online insurance enrollment nodes is 37, and the average NPS of digital service platforms is 38, both higher than the insurance industry's international average of 34, showing that the digital low carbon services of Cathay Century have gained customers' approval.

Cathay Securities

Adopted NPS in 2019, reviewed customer service records, and established 6 service nodes for testing. An NPS questionnaire is issued after customers experience services, customer service representatives make calls in response to recommendations customers make on the NPS questionnaire, so as to understand the usage of service nodes by each customer. Cathay Securities continues to optimize the customer service experience through cross-departmental communication and collaboration.

2019 Major Breakthroughs

Customers recommendations are collected from regular savings plan NPS nodes, and investment targets continue to be increased to optimize purchase cost. This has increased the market share of debits for regular savings plans from 20% (NT\$150 million) in December 2019 to 26% (NT\$230 million) in February this year.



Chatbot

Cathay FHC's Digital, Data & Technology Center collaborated with the customer service teams of Cathay Life and CUB, to release "Alpha", a chatbot, in September 2018. Customer services can direct and divert customers through "Alpha" to effectively and immediately complete services for simple and common issues. As of the end of 2019, on average over 20,000 people use "Alpha" every day, accounting for over 30% of overall customer services; satisfaction reached 4.7 stars (5 stars in total). Thanks to the help of "Alpha," the ratio of customers transferred to a customer service representative decreased from 4.5% when "Alpha" was first launched to 1.5%. "Alpha" was awarded the Bronze Medal for Best Experience Innovation in the 2019 Future Commerce Awards of BusinessNext, as well as Best Private Bank - Digital Client Communication in the Global Private Banking Innovation Awards of The Digital Banker.

In the past, customers often needed to press the numbers on their phone several times to transfer their call to a customer service representative. "Alpha" allows customers to enjoy personalized services at any time of the day by inputting their ID number and using SMS OTP verification. Furthermore, Alpha utilizes human-robot collaboration and a multi-task model to handle simple issues, and pass difficult issues to customer service representatives, effectively improving the customer experience.

After the chatbot was launched, the Alpha Training Team carried out semantic model training that increased the chatbot's accuracy and comprehension. The team's chatbot tag trainer tags sentences that Alpha was unable to recognize or understand each day, and optimizes Alpha's natural language learning model on this basis, making Alpha more human-like and become customers' best assistant.

Three major advantages of Alpha

- NLU** Uses new generation NLU technology to easily identify user intentions
- Provides a one-stop solution for customer's experience
- Function design based on data driven analytics

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Developing AI-driven property insurance services

- 2017**
 - Led the industry in working with KPMG, China Airlines, and Eva Air in flight delay claims, which combines blockchain with smart contracts. The service has been used by over 10,000 people in the six months since it was offered, and has already been patented.
 - Became the first property insurance company to openly use AI for claims, and uses the supervised learning approach and lets AI read large amounts of claims data, determine the best decision for each case, and shorten claim processing from 3 days to as fast as the same day.
 - Led the industry in launching the customer-centric, service-based "LINE digital service platform," which provides insurance services through LINE, using the friendliest way to the exact information needed by customers. This service has already been patented. The service received good reviews for customers, such as: "an innovative application method with an intuitive and easy-to-use interface offered by a major corporation with an established brand."
- 2018**
 - Established the Digital Development Department to establish digital and data infrastructure, and utilize the work model of startups, such as agile development, service design, and workshops, to create an excellent customer-centric digital experience.
- 2019**
 - The digital service platform features a completely digital process, easy-to-use operations, proprietary automobile insurance smart analysis, and one-stop claims services. The platform attracted 220,000 users in the first year since it was launched, and reduced paper use by approximately 10,000 sheets, while also reducing phone calls by 900,000 calls. The number of LINE friends surpassed 280,000 as of the end of 2019, and usage rate was up 105% compared to 2018.

Providing customers with the most convenient investment process

- 2015**
 - Establishing the Digital Securities Department
- 2017**
 - Established the Centralized Payment Service Center and the industry's first digital branch - Dunnan Branch, which created the digital business model of brokers in Taiwan's stock market.
 - Cathay Securities and CUB integrated their operations through the Open Account app. The app allows customers to open a securities trading account and settlement bank account online without needing to visit any service counter. It is the only online account opening app in Taiwan. In only two and a half years since the app was released in August 2017, the app successfully drew a large number of customers to the Dunnan Branch of Cathay Securities, which is now in the top 8% of securities company branches in Taiwan's stock market, an achievement that is the best in the industry.
- 2018**
 - Established a digital CEO to directly integrate brick-and-mortar branches with the team of experts in digital technology, achieving online-to-offline integration.
- 2019**
 - Cathay Securities has become a market leader with over 95% of customers placing orders online as of the end of 2019. Furthermore, Cathay Securities listened to customers' needs and provides digital services differentiated from other securities companies, directly resolving customers' pain points in the investment process. This led to the development of six apps, which have been downloaded over a million times since the services were offered, in which 90% of new customers were drawn in through online tools.

5.4 Customer's Personal Information Protection

Sound Personal Information Management System

Cathay FHC established a Personal Information Data Management Committee and a sound personal information management system. In the face of the rapid change in new technologies and new attacks, international certification institutions are transitioning between international standards in-line with international privacy protection trends, in order to comply with the EU's General Data Protection Regulation (GDPR). Cathay Life, CUB, and Cathay Century successively obtained the BSI 10012:2017 Personal Information Management System certification to actively protect customer rights. Provisions of the new version are being incorporated into the personal information protection process. Cathay continues to upgrade its personal information protection mechanisms to provide customers with secured services and system environment. Cathay FHC and its subsidiaries declare that they respect customers' personal information in accordance with the law in the Privacy Policy on their official website and explain how they collect, use, and protect the information.

Complete Personal Information Protection Education and Training

Cathay FHC organizes annual campaigns, education, and training for raising all employees' awareness towards personal information protection, so that they understand the regulatory requirements, the scope of their responsibilities, and the various mechanisms, procedures, and measures related to the protection of personal information. The completion rate of personal information training of Cathay FHC and its subsidiaries was 100% from 2017 to 2019.

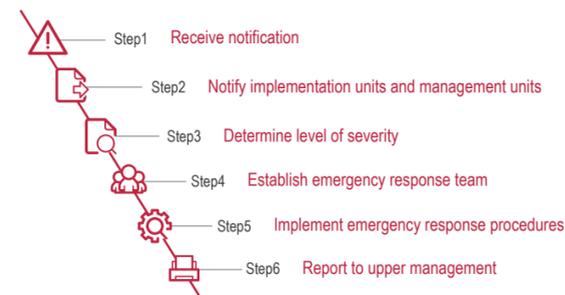
Note: The completion rate above excludes employees due to characteristics of their duties and leave plans (temporary dispatch, parental leave, maternity leave, etc.).

Infringement Incident Management

Cathay FHC and its subsidiaries collect, process, and use personal information in accordance with the Personal Information Protection Act and related laws and regulations, and do not exceed the scope necessary for specific purposes. Customers' rights to access, request to view, make a copy, correct, supplement, cease the collection, processing, and use, or request the deletion of personal information are explicitly stated. Customers are informed of the purpose for collecting personal information and who the information will be shared with, and all third parties are required to comply with company policies. Cathay FHC has aligned its personal information management mechanism with international standards in response to the EU's GDPR, and monitors the optimization and implementation of protection measures, as well as emergency response procedures and drills. Cathay FHC is able to provide more considerate and complete services through these layers of protection for customer data and rights, so that customers and partners can rest assured when they provide their personal information.

Cathay FHC and its subsidiaries have all established emergency response procedures and periodic drill mechanism for infringement incidents, and established the cross-departmental emergency response team and regulations for reporting and handling. Periodic drills improve employees' response and protection abilities, prevent infringement incidents, and minimize the damages caused to parties involved in incidents. Cathay FHC and its subsidiaries were not fined for any infringements on personal information in 2019.

Cathay FHC Flowchart for Reporting and Handling Personal Information Infringement Incidents



5.5 Happiness is Giving Happiness

Cathay upholds the value that "Happiness is giving happiness," and integrated internal resources and external demand, established four strategies for charity, and utilized its core competencies in finance to jointly implement projects with partners. These efforts aim to reduce the gap in resources and respond to society's needs.

Focusing on the Four Topics for Mutual Prosperity in Society

Inclusive Care

Targets Resolve problems of students, organizations, the elderly, and communities

Method Student Care, Second generation of new residents empowerment
Deeper collaborations with social enterprises
Loving Yourself Starts from You, Women empowerment
Promotion of risk prevention education

Tracking Indicators Financial inclusion products, amount invested, number of beneficiaries

Sporting Activities

Targets Train sports talent and promote health concepts

Method Student Group Insurance – Anti-Drug Education
Sports Talent Cultivation Plan

Tracking Indicators Health promotion products, principal of trust assets, amount invested, number of participants

Arts and Culture

Targets Develop Cathay Arts and Culture, and humanities accomplishment

Method Grounded aesthetics : National Children's Drawing Contest/New Century New Age Arts Exhibition
Venue provision : CUB Art Center/Cathay Life Concept Store/Art Exhibition/Art Talk Lecture Series
Cultural Feast : Cathay Art Festival

Tracking Indicators Art property insurance, amount invested, number of participants

Environmental Considerations

Targets Promotion of Environmental Considerations

Method Plant saplings of hope and create shades for future generations
Student Group Insurance - Carbon Reduction Summit
Promote green and carbon reduction businesses in response to World Earth Day

Tracking Indicators Green finance products, amount invested, number of events, reached

Public Welfare Expenditure (Unit: NTD)

Year	2017	2018	2019
Expenditure	380 million	450 million	400 million



Charity Investment Categories and Amount (Unit: NTD)

Year	Cash Donation	Time Contributed	Supplies Donation	Management Expenses	Total
2019	377,777,449	51,971,215	7,027,080	16,134,077	452,909,821
2018	424,256,888	44,462,961	12,360,090	16,131,576	497,211,515
2017	357,293,091	26,130,573	1,203,300	9,576,804	394,203,768

Public Welfare Activity Investment Ratio Description

Year	Business Promotion	Community Engagement	Charity Donations
2019	54%	45%	1%
2018	48%	44%	8%
2017	54%	45%	1%

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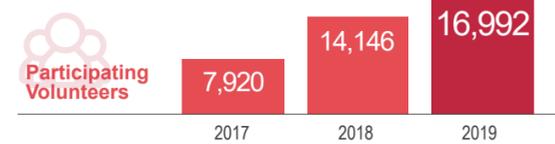
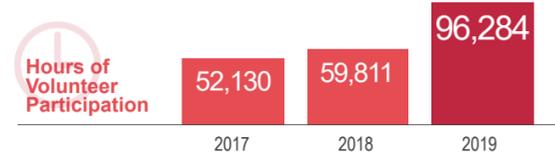
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Employees, Important Members in the Promotion of Community Engagement

Employees are important members in the promotion of community engagement. They wear yellow vests when they walk into communities, where they show their enthusiasm and thoughtfulness, and take action to jointly face challenges with partnering communities. Cathay provides one day of volunteer leave each year to encourage employees to serve local communities. The number of volunteer hours reached 96,284 in 2019, up 61% compared with 2018, accounting for 14% of overall inputs in public welfare, up 47%. Cathay Charity Foundation commended the 72 volunteers for their enthusiastic participation, showing the Company's recognition and appreciation of employees' enthusiasm for charity.



Cathay Century focuses on long-term care and senior management responded to the volunteer activity "Show love through long-term care." The volunteer activity will be combined with long-term care institution liability insurance and loss control services in 2020.



CUB established volunteer associations in northern, central, and southern Taiwan, and encourages departments to combine activities with volunteers, which led to over 150 volunteer activities being held.

5.6 Projects Implemented under the Four Public Welfare Strategies

Public Welfare Strategy 1 | Inclusive Care



Social Issue
The needs of the marginalized are ignored.



Cathay's Solution
Helping second generation immigrants achieve their dreams.

Helping Students Pursue their Dreams

"Education is one soul awakening another soul." Cathay accompanies students in learning how to face frustration and pursue their dreams, supports teachers in creating influence of education venues, and invites customers to take part in promotion.



The Wind that Moves the Trees



Video - The Wind that Moves the Trees, explain Cathay's vision for education.

Elevated Tree Program

Cumulative donations in Taiwan and overseas surpassed NT\$172 million, and were used to help over 108,000 underprivileged students pay their tuition and miscellaneous fees.

Dreams Come True Program

Held for 6 years, supported 1,948 children, and participated by 81 schools.

Excellence Scholarship Program

A total of 79 groups of high-school/college students received awards in 2019; 15 groups were charity action plans.

Scholarships for Customers' Children

A total of 5,766 customer's children received scholarships in 2019. Students learned to not only pursue excellence, but also to give to others, and had the option of donating 10% of their scholarships. Approximately NT\$3.5 million were donated to the underprivileged over three years.

Talent Training Program for New Residents Develops a Variety of Abilities for the Future

There are currently over 200,000 second generation immigrants in Taiwan. Cathay collaborated with professional education partners in providing courses to develop a variety of abilities of second generation immigrants, training new southbound talent of the future. Furthermore, 2,100 Cathay volunteers worked together with Eden Social Welfare Foundation, Taichung YMCA, and Kaohsiung YMCA in organizing 3 charity bazaars. The NT\$3.6 million of earnings from the bazaar were all donated to care for second generation immigrants and their families.

Diverse Smart Empowerment Courses for Second Generation Immigrants

Courses were designed for 100 second generation immigrants of different ages. Lecturers from the Group offered a "Financial Investment and Wealth Management" course, which covered six sessions for two classes; approximately 60 people took the course. The "Industry Competency Exploration" course was jointly offered with Cathay Hospitality Management four times; approximately 50 people took the course.

Second Generation Talent Empowerment Program

Assisted second generation immigrants who are in high school or above with self-identification through projects, including: Forum on the Advantages of Second Generation Immigrants, Risk and Financial Management, and Soft Power Cultivation, and allowed them to understand their advantages, risk prevention ability, and improve their expertise. Six courses were designed in 2019. Approximately 120 people took the courses and 90% of student felt that the courses were very practical.

English-Vietnamese Camp

Invited 20 high school students from Vietnam to Taiwan and offered a real-life situation course, which allowed 78 Vietnamese and Taiwanese students to understand each other's culture and learn English and Vietnamese, building a platform for exchanges between Vietnam and Taiwan. 98% of students felt that they learned more about the history and culture of Taiwan and Vietnam; Nearly 98% of students liked the course.

Cathay's Dream Come True Program Lets Children Take their Abilities with Them

Cathay encourages elementary school teachers in rural areas to set goals for projects to improve children's problem-solving abilities. The program is now in its sixth year, and a total of 1,948 children from 81 schools have participated. Cathay also integrated resources of CUB, Cathay General Hospital, Cathay Women Basketball Team, and Cathay Century Iron Man Team to organize children growth camps. Cathay will build deeper relationships with elementary schools and fulfill its long-term commitment and vision to support rural areas, which will have a positive effect on society.

Dreams-Come-True Elementary School - Minzu Daai Elementary School Mountain Climbing Team searches for its roots

Children of the Bunun Tribe took on the challenge of climbing to Jiaming Lake at an altitude of 3,300 m. They set out on the 10th anniversary of the flooding brought by Typhoon Morakot with the belief that "one must find one's own hunting grounds" in search of their ancestor's migration path.



Credit card bonus points light up sparks of hope, bringing resources to rural areas

For every 100,000 bonus points, Cathay donates "teaching resources required for one child in one year." This project provided 350 students with teaching resources for one year. More information: Intellectual Capital p.51

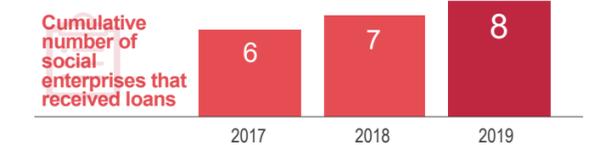
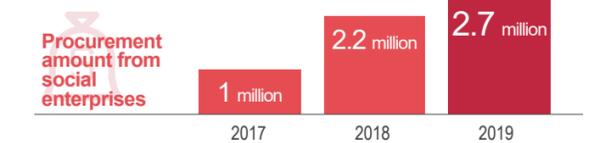
Deeper Collaborations with Social Enterprises

Cathay assembled supervisors with different backgrounds into a social enterprise mentor team that will help social enterprises grasp concepts of Corporate Sustainable, and also create cooperation opportunities. The team mentored two social enterprises and provided recommendations for finances, operations, and marketing. After mentoring and visiting the social enterprises four times, the team generated 11 plans for collaboration between Cathay FHC and social enterprises, and also invited Cathay Healthcare Management, Cathay Hospitality Management, and Cathay IT Group to take part. This project was recognized by the SMEA with the Buying Power Special Award.

Opportunities for social enterprises to make contact with Cathay employees were designed to let Cathay employees understand the actions of social enterprises, eg: Cathay employees learned about the philosophy of social enterprises through the ShoJio platform and provided catalogs of social enterprises for the Cathay FHCs consideration during Chinese New Year, Cathay; invited social enterprises to participate in various markets and the purchases reached NT\$2.7 million for the year.



9 social enterprises, 3 CUB financing project clients included, participated in the social enterprise market organized by CUB.



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Loving Yourself Starts from You, Women Empowerment

Cathay FHC and its partners Reebok, EVA Air, and StanShih Foundation organized the event "Loving Yourself Starts from You" for the first time in 2019 to promote female empowerment and help women find their value. Female executives of Cathay FHC strongly supported the event and showed their confidence and power together with nearly 800 women at the event.

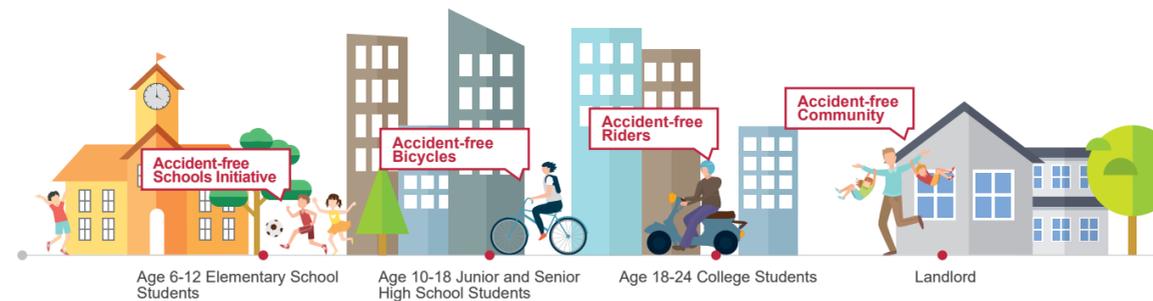
Yoga and aerobics, which modern women are the most interested in, are combined with lectures to help participants break free from any constraints and show their confidence. We also hope that participants will use this to find a balance between their career and lives. Satisfaction survey results for the event show that up to 86% of participants agreed that the event allowed women to understand more ways to love themselves; 89.8% of participants agreed that "Cathay strongly supports women empowerment and provides a platform for women to seek different developments and voice their opinion."



Promotion of Risk Prevention Education

Cathay Century promotes risk prevention education and seeks to make breakthroughs every year under the vision of "comprehensive identification of risks for all ages." Accident-Free Riders completed a tour of 94 campuses and reached 11,850 people in 2019. Campus risk map, a sub-project of Accident-Free Riders, assisted Asia University in identifying and surveying the risk of roads surrounding its campus, which found 12 locations that are prone to traffic accidents. The project provided a risk map recommendation report, and the university improved the traffic facilities at 3 locations on this basis. The risk map was used to raise the traffic safety awareness of freshmen during orientation, and reached a total of 2,500 freshmen.

Comprehensive Identification of Risks for All Ages



Cathay Century collaborated with PwC in calculating the social return on investment (SROI) of the Accident-free Riders Project, quantifying the project's social impact. The SROI value was determined to be 3.30 (i.e., the project will generate a return of NT\$3.30 in social benefits for every NT\$1 invested) and was certified by the UK-based Social Value International in February 2020.

Accident-free Riders **SROI = 3.30**



Cathay Century designed "Asia University Road Safety for Dummies," using an easy-to-understand way to raise awareness of risks on the road.

Public Welfare Strategy 2 | Sporting Activities

Social Issue
Develop a culture of exercise, health life and sporting talent.

Cathay's Solution
The Sustainable Campus Project and promoting exercise among students.

Sustainable Campus Project Launches Anti-drug Campaign on Campuses

Cathay Life continued to work with the K-12 Education Administration in implementing the Sustainable Campus Project in academic year 2019, launching an anti-drug campaign on campuses with online games to introduce anti-drug knowledge to students. To increase the depth and breadth of the campaign, the project is divided into Air Force, Army, and Navy, and is implemented through both online and offline channels.



Air Force
The question bank approved by the K-12 Education Administration is available on the PaGamO platform. **Cumulative number of users reached 99,841.**

Army
Cathay Life's anti-drug volunteer entered classrooms and organized small gaming tournaments. **Entered a total of 180 schools with 10,984 participants.**

Navy
The first "2020 Cathay Anti-drug Hero Championship" in Taiwan will be held in 2020, and **accumulated 6,400 students registered.**

Note: Number of participants is calculated up to 2020/3/6.

Training Sports Talent to Create Future Stars for Taiwan

Cathay has provided long-term support and training for athletes, and not only raised the health awareness of citizens, but also invited players back from overseas to share their experience, so that others can learn from the players and pursue their dreams.

WISH Campaign Plan
Cathay sponsored the weightlifting team of Tainan Municipal Danei Junior High School and hockey team of National Chushan Senior High School in 2019 to encourage students to enhance their competitiveness in sports, training students to fully prepare them for the future.

The 9th Cathay United Sunrise Village Cup National Junior Soccer Game
CUB encourages Taiwan's soccer to become competitive in the world. There were 32 teams around Taiwan to compete in the tournament. CUB also assists in integrated marketing. The tournament successfully drew attention with digital media exposure near 2.45 million times.

Scouting New Stars

Cathay Youth Day - 3-on-3 High School Basketball Tournament
Held 6 preliminaries and 1 finals with approximately 3,800 players joining the tournament.

Cathay NBA3x
Added a high school division in 2019 and held a total of 6 preliminary rounds of the 3-on-3 basketball tournament for college and high school students. Invited NBA stars to Taiwan to pass on basketball knowledge and skills to young players.

Professional Athlete Training

Cathay Women's Table Tennis
Established for 18 years; The 35 active players represented the R.O.C. in winning 3rd place in the adult division of the 2019 Team World Cup, and gained the qualification to represent the nation in the 2020 Tokyo Olympics.

Sharing Experience

Cathay X Chen Wei-Yin Chen Baseball Training Camp
The camp was held in Chia Nan University of Pharmacy & Science in Tainan for the eighth year in 2019. Wei-Yin Chen passed on his MLB experience to college students to promote baseball among Taiwanese students. A total 60 Division B athletes from 10 universities participated in the camp.

Cathay Century Iron Man Team
Trained 20 team members to participate in 11 domestic and overseas events in 2019. The team won a total of 19 first places, 20 second places, and 10 third places, and organized 4 aerobics, yoga, and jogging events in the Company. A total of 234 employees participated in the events.

Cathay Baseball MY WAY Tzu-Wei Lin Baseball Improvement Project
Tzu-Wei Lin, who is currently playing in the MLB, teaches children basic knowledge on batting and fielding, and has visited rural areas for 3 consecutive years. The baseball team of Yzu Yu Elementary School, which is located in a rural area in Taichung City, was invited to participate in 2019, allowing children to learn the world class skills and perseverance of Tzu-Wei Lin up close.

Cathay Women's Basketball
50th anniversary; the 61 players in 2019 won the championship of WSBL for the 26th consecutive year.

Cathay Baseball Carnival
Wei-Chung Wang led Jen-Ho Tseng and Wen-Hua Sung and engaged in exchanges with 42 players in the baseball teams of National Taichung Second Senior High School and Feng Chia University. Invited the baseball teams of Taichung Municipal Li Sing Elementary School and Taichung Municipal Hsiang Shang Junior High School to participate in the "baseball protection classroom."



Cathay X Jeremy Lin - Jeremy Lin Basketball Training Camp
Held in Taipei Heping Basketball Gymnasium, where 60 students between the ages of 6 and 12 came from around Taiwan to be coached by Jeremy Lin. A forum was also organized with Professor Yeh Ping-Cheng at NTU to share how to find a balance between hobbies and studies. Approximately 456 people participated in the forum.



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Public Welfare Strategy 3 | Arts and Culture



Social Issue
Modern busy lifestyles leave no time to savor beauty.



Cathay's Solution
Cathay promotes art events over the long term and invites people to participate in art.

Art is Life

Create Contact

Cathay National Children's Drawing Contest (children)

- Held for 44 years, the largest children's drawing contest in Taiwan.
- There were a total of 71,287 participants in 2019.



New Century New Age Arts Exhibition (Youth)

- Discovers new artists for the art world in Taiwan. The exhibition has been held for 19 years.
- There were a total of 229 participants in 2019.



Cathay Art Festival (public)

- The world's largest outdoor dance event - Outdoor Performance of Cloud Gate attracted more than 2.2 million viewers.
- 12 Campus and Community Tours have been held each year for 20 consecutive years, and approximately 8,500 people participated in 2019.



Platform Provision

Cathay Life Service Store

Invited the intellectually disabled at Taipei Happy Mount to display artworks in the store, proceeds from sale of the artworks reached NT\$10,260, and 16 people volunteered at the store.



Cathay United Art Center

- Organized 7 art exhibitions and invited famous Taiwanese artists to participate in the "Love and Hope - Charity Art Exhibitions," which donated the proceeds to the Elevated Tree Program.
- Organized 9 arts and culture lectures.



Cathay Century Artwork Insurance

- Premiums totaled NT\$4.84 million in 2019.
- 310 policies were signed in 2019.

Cathay United Bank builds art bank

- Approximately 1.26 million art passbooks.
- Approximately 53,000 calendars containing the artworks of domestic artists were printed and given to customers as gifts.

Cathay Art Festival - Organized by Cathay, Served by Cloud Gate

Cathay has sponsored Cloud Gate in co-organizing Cathay Art Festival for 24 consecutive years. Citizens can appreciate the beautiful rhythm of professional dancers from Cloud Gate up close free of charge through campus, community, and large outdoor performances. The event has accompanied Taiwan through ups and downs and brought people together. Cathay and Cloud Gate brought dance out of theaters and into public cultural spaces, including art museums, communities, and the lobby of county governments, in 2019. Public places are now venues for dancers to dance, customers and citizens are invited to appreciate the dance up close and interact with each other; approximately 8,500 people participate in 10 events.

The 2019 outdoor performance will be a farewell tour led by Cloud Gate Artistic Director Hwai-Min Lin

A person who traveled from Taichung to Nantou said: "Arts and culture are an important indicator of an advanced country. I commend Cathay from the bottom of my heart for being willing to work with Cloud Gate to show Taiwan's soft power to the world!"



Hwai-Min Lin invited to talk about the history of Cloud Gate during the 30th anniversary of the Cathay Plaza talk series

The 600th Cathay Plaza talk invited Hwai-Min Lin to share the story of founding Cloud Gate under the title "A Country Child in Jianghu."



Public Welfare Strategy 4 | Environmental Considerations



Social Issue
Environmental protection is neglected during economic development.



Cathay's Solution
Environmentally-friendly concepts are integrated into the sales process.

Plant Saplings of Hope and Create Shades for Future Generations

Countries have taken climate change and ecological conservation issues seriously in recent years. Cathay Charity Foundation upholds the Group's spirit in practices for corporate and social sustainability, and has dedicated long-term efforts into environmental care activities for greening communities. The foundation also responded to the government policy of energy conservation and carbon reduction, promoting the Group's mobile insurance service process during activities. Four tree planting events held in Shulin, Zhushan, Jinshan, and Keelung planted approximately 9,300 trees in 2019. The Cathay volunteers cleared 620 kg of Minute-a-Mile weed in Toucheng Township, Yilan County, giving Taiwan's native plants a suitable environment to grow in. These green actions protect our beautiful homeland.



Organizer - Cathay Life Manager Wu-Chun Tsai

Participation in planting seeds of hope combines culture with ecology and allows campuses to thrive. This has turned New Taipei Municipal Shulin Senior High School into the most beautiful campus in New Taipei City with respect to native plant ecology.

Partner - Taiwan Native Plant Society

Cathay is grateful for the enthusiastic participation of the public in planting precious native tree saplings in school campuses, thus preserving these species.

Carbon Reduction Summit Raises Students' Environmental Protection Awareness

Environmental education is an important part of the Ministry of Education's 12-year basic education. It is also a key issue in Cathay Life's Sustainable Campus Project, which worked with social enterprises in the promotion of carbon reduction in life on campus. Students learn how to put themselves in the shoes of others and take responsibility for their decisions by playing the role of leader in game scenarios, which give them a new perspective of carbon reduction issues to better understand the importance of environmental protection. The event was promoted in 19 schools and participants included 725 teachers and students and 93 salespeople.

Changes in the actions of students that participated in the event can last for

2.52 Years



90%

of students recognize Cathay's efforts in carbon reduction.



Promote Green and Carbon Reduction Businesses in Response to World Earth Day

CUB has sponsored National Geographic's World Earth Day Road Run for two consecutive years, and over 20,000 people participated in the event this year to contribute to environmental protection. CUB is the exclusive sponsor of the program "Hostile Planet" in hopes that citizens will take climate change more seriously. The program shows how wild animals face severe challenges and dilemmas for survival, and reached 139,912 people through Facebook. The 2020 project continued to sponsor the event, and integrated the promotion of CUB's green and carbon reduction businesses, inviting the public to exert influence through action.



CUB Chairman leads colleagues in the World Earth Day Road Run.

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Cathay FHC 2019 Material Issue Boundaries

Levels of involvement:

★ Direct impacts ▲ Impacts resulting from business relationships

Cathay FHC 2019 Material Topics	Value Chain			
	Upstream Suppliers	Operations Cathay FHC and its Subsidiaries	Downstream Customers	Downstream Industry Investments
Business Performance		★	▲	
Corporate Governance		★		
Compliance		★		
Risk Management		★		
Information Security		★	▲	
Responsible Investment and Lending		★	▲	▲
Green Finance		★	▲	▲
Changes in Demographic Structure		★	▲	▲
Digital Finance		★	▲	
Customer Relationship Management		★	▲	

Natural Resource Capital Supplemental Table

Energy

- Energy activity data is gathered based on ISO 14064-1:2018 and verified by a third party inspection institution.
- Factors are calculated based on the Greenhouse Gas Index Management Solution (version 6.0.4) published by the EPA.

GHG Inventory

- The base year for setting carbon reduction goals is 2016, and is mainly because the scope of inventory reached 100%.
- The new ISO 14064-1:2018 standard was used for our GHG inventory in 2018; ISO 14064-1:2006 was used before 2017. We commissioned SGS to conduct the inspection in 2018, and commissioned BSI to conduct the inspection in 2019. Due to the different terminology in the new and old versions, Category 1 is Scope 1, Category 2 is Scope 2, and Categories 3-5 are Scope 3.
- Category 1 fuel use does not include coal and brown coal.
- GHG inventory Category 2 includes carbon dioxide, methane, nitrous oxide, HFCs, PFCs, sulfur hexafluoride, and nitrogen trifluoride. However, Cathay is not a manufacturing company, so carbon dioxide is the only major source of emissions. We emit little any other gases or particulate matter.
- Category 3 - Transportation includes upstream procurement (procurement of raw materials for insurance) and downstream delivery (insurance policy delivery).
- Category 3 - Business trip emissions: Includes carbon footprint from THSR rides and flights taken by employees of Cathay FHC in 2018; figures were verified by a third party. Emissions from flights are calculated according to data from the ICAO and Taiwan High Speed Rail (34 gCO₂e/person-km).
- Category 4 - Operational waste in 2018 is the carbon emissions from domestic waste, recycling, and kitchen waste generated by Cathay FHC and its subsidiaries calculated according to ISO14064-1:2018.
- Carbon emission is the emissions from credit cards, the product use stage, and end of product life.

Water Resources

We used ISO 14064-1 for calculation in 2019, and figures were verified by BSI. The 2018 water consumption inventory was taken based on the ISO 14046 Water Footprint and was inspected by the SGS; 2017 and 2016 data were verified by a CPA. We directly compiled the water consumption inventory based on the principle of materiality, and do not use any ground water, salt water, recycled water, process water, cooling water, or industrial wastewater.

Waste

Cathay is in the financial service industry, so our waste only includes domestic waste and recyclables. We do not generate any hazardous waste.

Cathay Financial Holding Co., Ltd. 2019 Corporate Sustainability Report Summary of Subject Matter Assured

No.	Subject Matter Assured	Applicable Criteria	Page
1	Cathay FHC had 47,223 full-time employees in 2019; part-time employees numbered at 282	Number of active full-time / part-time employees as of December 31, 2019.	58
2	Table "Statistics of Employee Training Hours", 2019 Training hours per person (Total average)	The Group's total employee external and internal training hours in 2019 divided by the Group's total number of employee as of December 31, 2019. Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions. Hours of morning sharing session is calculated by taking the total number of employees as of December 31, 2019, and multiplied by the annual attendance rate (1-(total number of leave days taken divided by total number of working days of the year) of sales department, multiplied by the total sharing duration in hours.	66
3	Table "Statistics of Employee Training Hours", 2019 Training cost per employee (Total average)	The Group's total spending on employee trainings in 2019 divided by the Group's total number of employee as of December 31, 2019. The Group's total spending on employee trainings in 2019 includes directly attributable costs (ex: course fee, instructor fee, stationary, etc.) and allocated cost (ex: classroom rental, training department cost, internal instructor cost, etc.).	66
4	Table "Reporting of Full-time Non-managerial Employees Salary Information", 1. Average No. of full-time non-managerial employees 2. Mean salary of full-time non-managerial employees 3. Median salary of full-time non-managerial employees	Please refer to the content.	67
5	Table "Comparison of male and female managers' annual salaries (male:female)", Ratios of annual salaries (male:female) for each employee category in 2019.	"Employee" is defined as individuals who provide services to Cathay FHC under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers; nor do they include directors and supervisors. The scope of statistics only covers full-time employees in 2019. Definitions: "High-level manager" is equivalent to vice presidents of Cathay FHC (including) or above. "Mid-level manager" is equivalent to senior managers of Cathay FHC (including). "Entry-level manager" is equivalent to managers of Cathay FHC (including). "General Staff" refer to employees who do not bear the administrative responsibility for managing other employees or business units, including project managers who do not manage other employees. Annual salaries= basic salary and remuneration The annual salaries ratio for male to female refers to the ratio calculated on the basis of the average annual salaries of male as 100, for example, 100:88 (that is, 100 for male and 88 for female).	61
6	Table "Absence Statistics", 2019 Days of absence : 2019 Absence Rate If insurance agents are considered, days of absence is 183,747 days, and absence rate is 1.56%.	Please refer to the content.	71
7	The number of new employees by gender and age group and the ratio of new employees on "New Employee Statistics" table.	The Group's total number of new employee: the number of new full-time employee by gender and age group per each company's human resource systems in 2019. The Group's ratio of new employees: The Group's total number of new employee divided by total number of full-time employee as of December 31, 2019.	63
8	The number of employees separated by gender and age group and employee turnover on "Employee Turnover Statistics" table.	The Group's total number of separated employee: the number of separated full-time employee by gender and age group per each company's human resource systems as of December 31, 2019. The Group's employee turnover: The Group's total number of separated employee divided by total number of full-time employee as of December 31, 2019.	68
9	During 2019, a total of 2 applications reached financial close (1 project was classed as Category A and 1 projects as Category C), and were disclosed accordingly.	The total number and category of cases that have reached financial close, according to the Equator Principles, undertaken by Cathay United Bank in 2019.	40
10	Among the total of 9,043 corporate loan applications reviewed and closed in 2019, 320 applications with ESG concerns (e.g., sensitive industry, pollution issues, and management integrity) were subject to approval with detailed reasons for granting or maintaining business relationships, and 1 were rejected because of Integrity issue of the owner. A total of 3,148 current credit reviews underwent ESG assessment, of which 88 cases exhibiting ESG-related concerns (such as pollution issues and management integrity) were documented with detailed reasons for maintaining business relationships and post-loan management.	1. New corporate loan: The number of corporate loan applications reviewed and closed recorded in the electronic approval system and the number of applications with ESG concerns. 2. Current credit review: The number of current credit review recorded in lending system and the number of applications with ESG concerns.	40

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United Nations Global Compact Principles

	Human Rights Businesses should support and respect the protection of internationally proclaimed human rights. P58, 61 Corresponding Section Employee Composition and Diversity, Human Rights Protection Make sure that they are not complicit in human rights abuses. P58, 61 Corresponding Section Employee Composition and Diversity, Human Rights Protection Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. P61, 67 Corresponding Section Human Rights Protection, Employee Happiness and Healthy Workplace
	Labor Standards The elimination of all forms of forced and compulsory labor. P61 Corresponding Section Human Rights Protection The effective abolition of child labor. P58 Corresponding Section Employee Composition and Diversity The elimination of discrimination in respect of employment and occupation. P58, 61 Corresponding Section Employee Composition and Diversity, Human Rights Protection
	The Environment Businesses should support a precautionary approach to environmental challenges. P72 Corresponding Section Natural Resources Capital Undertake initiatives to promote greater environmental responsibility. P72 Corresponding Section Natural Resources Capital Encourage the development and diffusion of environmentally friendly technologies. P42 Corresponding Section Green Finance
	Anti-Corruption Businesses should work against corruption in all its forms, including extortion and bribery. P27, 31 Corresponding Section Risk Management and Internal Control, Ethical Corporate Management

ISO 26000 Index

Category	Corresponding Section	Page
Organizational Governance	Finance and Integrity Capital	18
Human Rights	Human Capital	56
Labor Practices	Human Capital	56
Environment	Natural Resource Capital	72
Fair Operating Practices	Finance and Integrity Capital	18
Consumer Issues	Social and Relationship Capital	82
Community Involvement and Development	Social and Relationship Capital	82

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

	Overall Corresponding Provisions Article 3 P10 Main Issues The content of the Corporate Social Responsibility Report shall cover the relevant assessments of risks in environmental, social, and corporate governance issues, and establish relevant performance indicators to manage material issues that have been identified. Corresponding Section CS Issue Materiality Analysis
	Environment Corresponding Provisions Article 4 P42 Main Issues The products and services designed by individual operating units to create benefits for the environment. Corresponding Section Green Finance Corresponding Provisions Article 4, Paragraph 1, Subparagraph 4, Item (2) P72 Main Issues The implementation of corporate governance toward climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, evaluate, and manage climate-related risks, and indicators and goals for the evaluation and management of climate-related issues. Corresponding Section Natural Resources Capital
	Society Corresponding Provisions Article 4 P45, 47 Main Issues The products and services designed by individual operating units to create benefits for the society. Corresponding Section Financing for the Elderly, Financial Inclusion
	Employee Corresponding Provisions Article 4, Paragraph 1, Subparagraph 4, Item (1) P58, 67 Main Issues The number of full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the 3 figures from the previous year. Corresponding Section Employee Composition and Diversity, Employee Happiness and Healthy Workplace

Sustainability Accounting Standards Board

Category	Corresponding Section	Page
Environment	Natural resource capital	72
Social Capital	Human Capital, Social and Relationship Capital	56, 82
Human Capital	Human Capital	56
Leadership & Governance	Intellectual Capital	18, 72
Business Model & Innovation	Finance and Integrity Capital, Natural Resource Capital	34

Code	Accounting Metric	Corresponding Data
SASB—Insurance 2018		
FN-IN-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	Cathay Life Insurance Official Website-Information Disclosure-Disposal by the competent authority (Chinese Only) https://bit.ly/3fq7e0
FN-IN-270a.2	Complaints-to-claims ratio	Cathay Century Insurance Official Website-Information Disclosure-Business Overview-Insurance Application Review Statistics (Chinese Only) https://bit.ly/2Z7T0w9
FN-IN-270a.3	Customer retention rate	2019 Fourth Quarter Briefing (p.29) Cathay Life – Operational indicators :Persistency ratio https://bit.ly/2LzFzbl
FN-IN-270a.4	Description of approach to informing customers about products	<ul style="list-style-type: none"> Cathay Financial Holding Co.,Ltd. 2019 Annual Report (5)Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?(p.95) https://bit.ly/3b1AXu1 2019 Cathay Century Insurance PSI Disclosure Report, Aspect 5: Sales and Marketing (p.16) https://bit.ly/3fYY07e Cathay Century Insurance Official Website- Information disclosure- Corporate Governance-16.CathayCentury Insurance Consumer Dispute Settlement Procedures https://bit.ly/2Ta5YAD
FN-IN-410a.1	Total invested assets, by industry and asset class	<ul style="list-style-type: none"> 2019 Fourth Quarter Briefing (p.24)Cathay Life - Investment Portfolio https://bit.ly/3cHMCKY Cathay Century Insurance Official Website- Information disclosure-Financial Status/Funds Usage Statement (Chinese Only) https://bit.ly/2ZaCKFD
FN-IN-410a.2	Description of approach to incorporation of environmental, social, and governance(ESG) factors in investment management processes and strategies	<ul style="list-style-type: none"> Cathay FHC 2019 Corporate Sustainability Report- Intellectual Capital(p.34) https://bit.ly/3fYY07e 2019 Cathay Century Insurance PSI Disclosure Report,Aspect 6: Investment Management(p.17) https://bit.ly/2AvhccA Cathay Century Insurance Official Website- Information disclosure- Corporate Governance/24. Cathay Century Insurance Proxy Voting Report (Chinese Only) https://bit.ly/2X1X0GR Cathay Century Insurance Official Website- Information disclosure- Corporate Governance/26. Cathay Century Insurance Stewardship Report(Chinese Only) https://bit.ly/2X1X0GR
FN-IN-410b.1	Net premiums written related to energy efficiency and low carbon technology	Cathay FHC 2019 Corporate Sustainability Report- Intellectual Capital:Green Finance(p.42)
FN-IN-410b.2	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	<ul style="list-style-type: none"> Cathay FHC 2019 Corporate Sustainability Report- Intellectual Capital(p.34) https://bit.ly/3fYY07e 2019 Cathay Century Insurance PSI Disclosure Report, Aspect 3: Product and service development(p.9-13), Aspect 7: Clients and Suppliers(p.19-20) https://bit.ly/3fYY07e



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Code	Accounting Metric	Corresponding Data
FN-IN-450a.3	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	<ul style="list-style-type: none"> 2019 Cathay Life Insurance Corporate Sustainability Report-Commitment-Support Initiatives and Expand Influence(p.15) <ul style="list-style-type: none"> (1)the underwriting process for individual contracts 2019 Cathay Century Insurance PSI Disclosure Report, Aspect 2: Risk Management and Underwriting (p.6-7) https://bit.ly/3fY07e Cathay Century Insurance Official Website- Corporate Sustainable- Sustainable Governance-Risk Management-ESG risk identification and assessment (Chinese Only) https://bit.ly/2Z7teDr (2)the management of firm-level risks and capital adequacy 2019 Cathay Century Insurance PSI Disclosure Report, Aspect 2: Risk Management and Underwriting (p.7-8) https://bit.ly/3fY07e Cathay Century Insurance Official Website- Corporate Sustainable- Sustainable Governance-Risk Management-Climate / Catastrophe Risk Management Mechanism (Chinese Only) https://bit.ly/2yWALdE
FN-IN-550a.1	Exposure to derivative instruments by category: (1)total potential exposure to non-centrally cleared derivatives, (2)total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	<ul style="list-style-type: none"> Cathay Life Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report (p.41) https://bit.ly/3dRVHB7 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS Cathay Century Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements For The Years Ended 31 December 2019 and 2018 With Independent Auditors' Report https://bit.ly/2Lzlvtx 7. FINANCIAL INSTRUMENTS AT FVTPL
FN-IN-550a.3	Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities	<ul style="list-style-type: none"> Cathay Life Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report (p.131-132) 3) Liquidity risk analysis https://bit.ly/3dRVHB7 Cathay Century Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements For The Years Ended 31 December 2019 and 2018 With Independent Auditors' Report https://bit.ly/2Lzlvtx 3) Liquidity risk
FN-IN-000.A	Number of policies in force, by segment: (1)property and casualty, (2)life, (3)assumed reinsurance	<ul style="list-style-type: none"> Cathay Century Insurance Official Website- Information disclosure- Business Overview-Premium income by type of insurance / retention premium(Chinese Only) https://bit.ly/3cHdUkL Cathay Century Insurance Official Website- Information disclosure- Business Overview-Reinsurance business overview by insurance(Chinese Only) https://bit.ly/3dT4BOM

SASB- Commercial Bank 2018

FN-CB-230a.2	Description of approach to identifying and addressing data security risks	Cathay FHC 2019 Corporate Sustainability Report- Financial and Integrity Capital:Information security(p.30)
FN-CB-240a.1	(1)Number and (2)amount of loans outstanding qualified to programs designed to promote small business and community development	Cathay FHC 2019 Corporate Sustainability Report- Intellectual Capital:Financial Inclusion (p.47)
FN-CB-210a.1	Commercial and industrial credit exposure, by industry	Cathay United Bank Co., Ltd. and Subsidiaries Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report (p.94) (5) Credit concentration risk of the Company https://bit.ly/3cDUCwN
FN-CB-210a.2	Description of approach to incorporation of environmental, social, and governance(ESG) factors in credit analysis	Cathay FHC 2019 Corporate Sustainability Report (1)Leader in Sustainable Finance (p.16) (2)Intellectual Capital:Responsible Investment and Lending(p.38)
FN-CB-510a.2	Description of whistleblower policies and procedures	Cathay Financial Holding official website-Corporate Governance-Related regulations- "Cathay Financial Group Whistle-blowing Program"(Chinese Only) https://bit.ly/2LBI3uQ
FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	Cathay United Bank is not a G-SIB is a D-SIBs (Domestic Systemically Important Banks), so this indicator is not applicable.
FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Cathay United Bank Official Website--Announcement Area- Risk Disclosure Zone (Chinese Only) https://bit.ly/3dTjyF
FN-CB-000.B	(1)Number and (2)value of loans by segment: (a)personal, (b)small business, and (c)corporate	2019 Fourth Quarter Briefing(p.12) Cathay United Bank - Loan & Deposit breakdown https://bit.ly/3cEHLub



bsi. **INDEPENDENT ASSURANCE OPINION STATEMENT**

Cathay Financial Holdings 2019 Corporate Sustainability Report

The British Standards Institution is independent to Cathay Financial Holding Co., Ltd. (hereafter referred to as Cathay FHC in this statement) and has no financial interest in the operation of Cathay FHC other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of Cathay FHC only for the purpose of assuring its statements relating to its corporate social responsibility (CSR) more particularly described in the Scope below. It was not prepared for any other purposes. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be used.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Cathay FHC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Cathay FHC only.

Scope

The scope of engagement agreed upon with Cathay FHC includes the following:

- The assurance scope is consistent with the description of Cathay Financial Holdings 2019 Corporate Sustainability Report.
- The evaluation of the nature and extent of the Cathay FHC's adherence to AA1000 Accountability Principles (2018) and the reliability of specified sustainability performance information in this report as concluded in accordance with topic 4 of AA1000 Assurance Standard (2008) with 2018 Addendum sustainability assurance engagement.

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

Opinion Statement

We conclude that the Cathay Financial Holdings 2019 Corporate Sustainability Report provides a fair view of the Cathay FHC CSR programmes and performance during 2019. The CSR report subject to assurance is materially correct without voluntary omissions based upon testing within the limitations of the scope of the assurance, the information and data provided by the Cathay FHC and the sample taken. We believe that the 2019 economic, social and environmental performance information are correctly represented. The CSR performance information disclosed in the report demonstrate Cathay FHC's efforts recognized by its stakeholders. Our work was carried out by a team of CSR report assurance in accordance with the AA1000AS (2008) with 2018 Addendum. We planned and performed the part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Cathay FHC's description of their exposure to AA1000AS (2008) with 2018 Addendum and their self-declaration in accordance with GRI Standards: Core option were fairly stated.

Methodology

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

- a top level review of issues raised by external parties that could be relevant to Cathay FHC's policies to provide a check on the appropriateness of statements made in the report
- discussion with managers on Cathay FHC's approach to stakeholder engagement. Moreover, we had sampled two external stakeholders to conduct interview
- interview with 10 staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the extent and maturity of the relevant accounting systems for financial and non-financial reports
- review of the findings of internal audits
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data
- review of the processes for gathering and ensuring the accuracy of data, followed data trails to initial aggregated source and checked sample data to greater depth during site visits
- the consolidated financial data are based on audited financial data, we checked that this data was consistently reproduced
- review of supporting evidence for claims made in the reports
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018)

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and sustainability performance information as well as GRI Standards is set out below.

Independent Assurance Opinion Statement by BSI

AA1000
Licensed Assurance Provider
2020-05-29

Statement No: SRA-TW-2019042
2020-05-29

For and on behalf of BSI: *Peter Pu, Managing Director BSI Taiwan*

...making excellence a habit™

Independence: 2nd Floor, No. 37, 3-4th Rd., Neihu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.

Independent Assurance Opinion Statement by BSI

pwc 資誠

Independent Limited Assurance Report PWCMA0000085

To Cathay Financial Holding Co. Ltd.

We have been engaged by Cathay Financial Holding Co. Ltd (the "Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2019 Corporate Sustainability Report (hereinafter referred to as the "CS Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "Summary of Subject Matter Assured" on page 97 to 98 of the CS Report.

Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the CS Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the CS Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, and the relevant internal controls relating to the preparation of the aforementioned information to identify

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the areas where there may be risks of material misstatement; and

- Based on the above identifying and the areas identified, performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the CS Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria.

Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan
Li Yi-Huah
Li Yi-Huah
Partner
July 23, 2020

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Message from the Chairman

Sustainability Awards and Recognition

Sustainability Highlights and Breakthroughs

Managing Sustainability

Leader in Sustainable Finance

1 Finance and Integrity Capital

2 Intellectual Capital

3 Human Capital

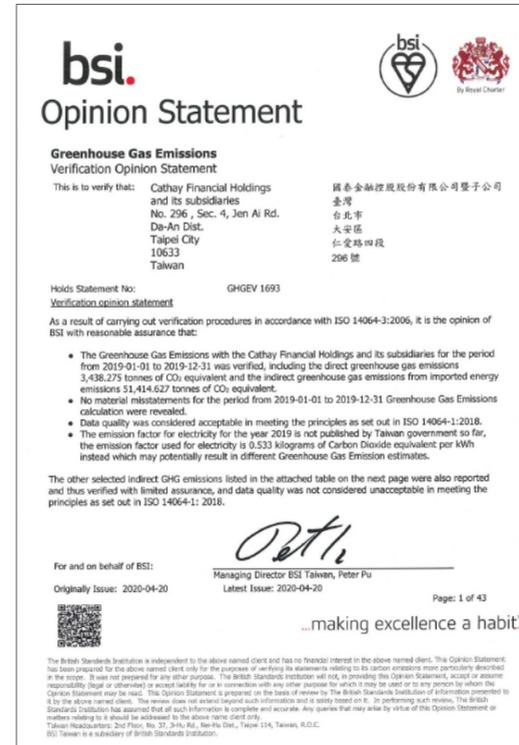
4 Natural Resources Capital

5 Social and Relationship Capital

Appendix



ISO 20400



ISO 14064-1:2018



ISO 14001:2015



ISO 50001:2018



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