



國泰金控  
Cathay Financial Holdings

Cathay Financial Holdings

# Corporate Sustainability Report 2017





## About this report

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

## Reporting period

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

## Basis for this report

This report is compiled in accordance with the core options of the GRI Standards of the Global Reporting Initiative (GRI), and discloses the five capitals using the integrated reporting framework established by the International Integrated Reporting Council (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.

## Scope

This report has been prepared based upon the scope of the consolidated financial statements. It encompasses Cathay FHC and its subsidiaries: Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), Cathay Venture, and Cathay Futures, and discloses information that is relevant to Cathay's core region of operations: Taiwan. Please refer to "Summary of Subject Matter Assured" for the scope and boundary of subject matter assured.

## Report assurance

The Company has engaged PwC Taiwan to corroborate its report compiled based on the GRI Standard using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, "Audit and Review of Non-financial Information" and ISAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendix of this report.

	Standard	Inspection/assurance institution
<b>Sustainability data</b> <small>(See the appendix "Cathay Financial Holding Co., Ltd. 2017 Corporate Social Responsibility Report Summary of Information Assured" for details)</small>	Statement of Assurance Principles No. 1, Audit and Review of Non-financial Information	PwC
<b>Financial data</b>	Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards	Ernst & Young (EY)
<b>Environmental data</b>	ISO 14064-1 Greenhouse Gas Inventory ISO 14000 Environmental Management Systems ISO 50001 Energy Management Systems Water consumption and carbon emissions from business trips are in accordance with the Audit and Review of Non-financial Information	SGS Taiwan PwC



<b>Company Name</b>	Cathay Financial Holding Co., Ltd.
<b>Date of Incorporation</b>	December 31, 2001
<b>Brand Spirit</b>	Rediscovering Happiness
<b>Core Values</b>	Integrity, Accountability, Innovation
<b>Headquarters Address</b>	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
<b>Contact department</b>	Public Relations Dept., Cathay FHC
<b>Mail</b>	<a href="mailto:hpr@cathayholdings.com.tw">hpr@cathayholdings.com.tw</a>
<b>Tel</b>	+886-2-27087698
<b>Full Time Employees</b>	44,445
<b>Total Assets</b>	NT\$8.8 trillion
<b>Capital</b>	NT\$133.97 billion

Corporate sustainability website:  
<https://www.cathayholdings.com/holdings/web/csr/csr.aspx>



# CONTENTS

- 02 Message from the chairman
- 04 Cathay Corporate Sustainability(CS) Committee
- 04 Cathay's Sustainability Strategies
- 06 Cathay's 2020 Sustainability Vision
- 08 Materiality Analysis
- 10 Cathay's Sustainability Performance Highlights in 2017
- 12 Impact Measurement and Valuation
- 14 Cathay's sustainable value creation process

## 16 Finance and Integrity Capital

- 18 Business Performance
- 19 Advancing Corporate Governance
- 21 Strengthening Risk Management and Internal Control
- 22 Promoting Ethics and Integrity
- 23 Implementing Tax Governance

## 24 Intellectual Capital

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

## 44 Human Capital

- 46 Employee Structure
- 46 Attracting Talents
- 47 Employee Learning and Development
- 50 Employee Retention
- 53 Healthy Workplace
- 54 Innovation and Diversity

## 56 Natural Resources Capital

- 58 Climate Change
- 60 Environmental Performance Indicator and Implementation Results
- 60 Green Operations
- 62 Sustainable Real Estate
- 63 Sustainable Supply Chain
- 63 Green Initiatives

## 64 Social Relations Capital

- 66 Achieving Premium Customer Service Quality
- 68 Providing Customers with a Happy Experience
- 69 Protecting Customers' Personal Information and Information Security
- 71 Happiness is Giving Happiness
- 75 Key Charity Performance

## 76 APPENDIX

## Message from the Chairman

# Sustainable Cathay, contributing to the community

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

## Complying with highest international standards

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

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

## Reinforcing our corporate governance

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

## Actively responding to climate change

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

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

## Promoting inclusive financing

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

## Caring for society and contributing to the community

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

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

Chairman

蔡其國





## Cathay Corporate Sustainability(CS) Committee

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

**2017**

- Cathay Century committed to complying with the UN Principles of Sustainable Insurance (PSI)
- The six working groups were restructured into a dual secretary system
- Strengthened Cathay's material analysis in 2017, and illustrated Causal Relationship of Sustainability

**2016**

- Cathay Life committed to complying with the UN Principles of Sustainable Insurance (PSI)
- Convened a strategy advancement meeting with the six working groups and established the four focus areas of sustainable development
- Introduced the Social Return on Investment (SROI)
- Signed the Taiwan Stewardship Principles for Institutional Investors

**2015**

- Cathay FHC was selected into the DJSI for the first time
- Signed the Equator Principles (EP) and became Taiwan's first Equator Principles Financial Institution
- Acquired Conning, Inc., which adopted UN's Principles for Responsible Investment (PRI) initiatives

**2014**

- Restructured into the Cathay FHC CS Committee at the Board of Directors level supervised by an independent director
- Assembled the Responsible Investment Working Group

**2013**

- Developed CSR rewarding mechanism
- Included corporate sustainability in training programs for new employees
- Began actively responding to ESG request from international institutional investors

**2012**

- Established Corporate Social Responsibility Code of Practice
- Published a CSR Report for the first time
- Signed the U.K. Carbon Disclosure Project (CDP)

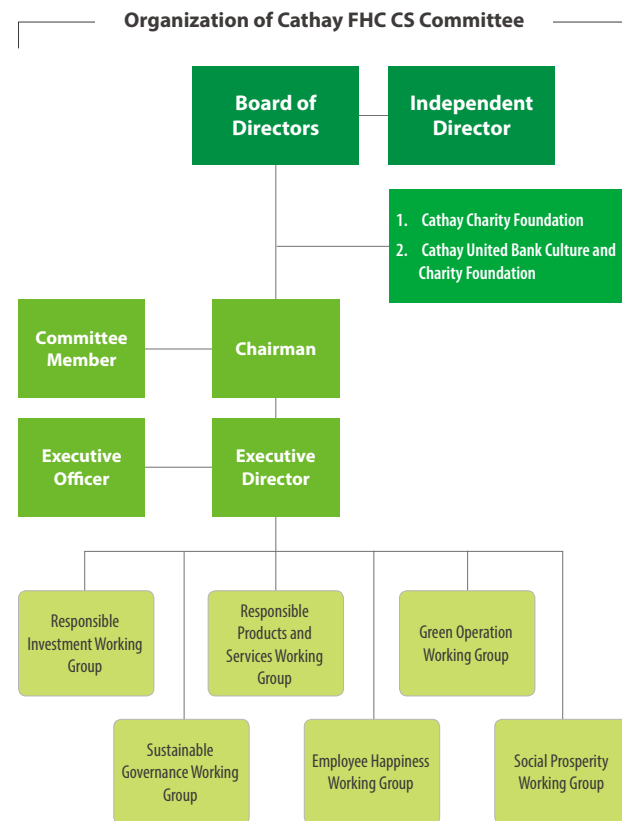
**2011**

- Founded "Cathay FHC CSR Committee" and assembled five main working groups

## Cathay's Sustainability Strategies

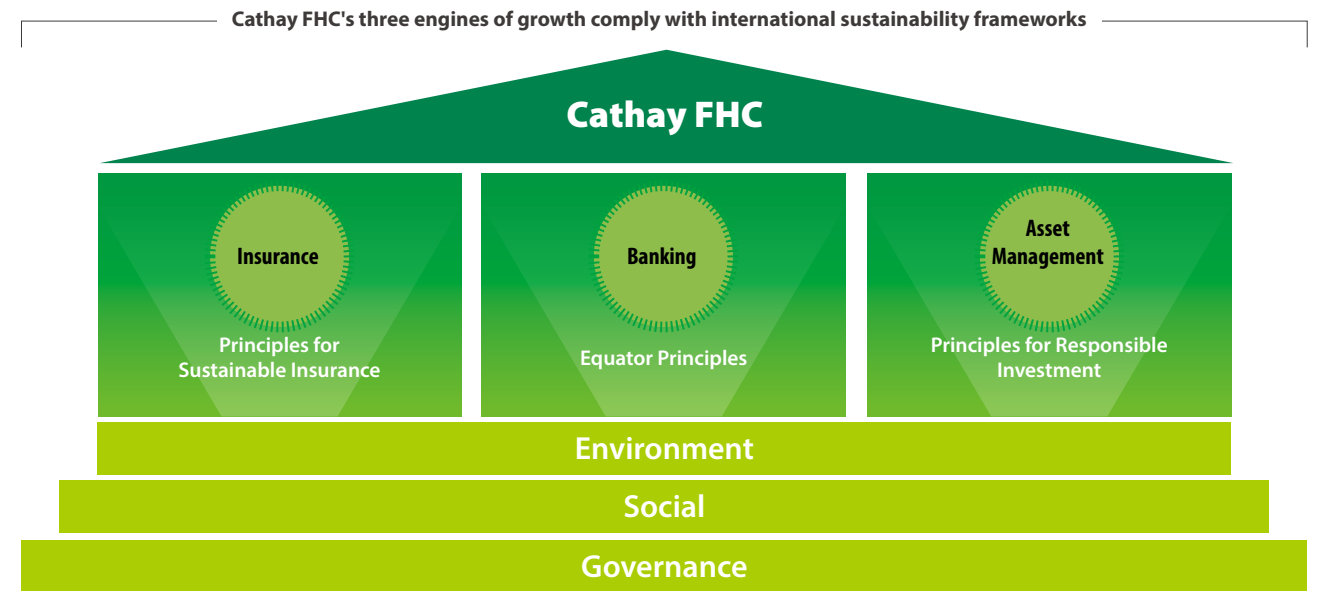
### Cathay's Sustainability Policy

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



### Cathay's Sustainability Framework

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



**Integrating ESG issues into all the business processes**

Business Processes	Risk Management	Product & Service	Operation	After-Sales Management	Investment
<b>Integrating ESG into Business Process</b>	<ul style="list-style-type: none"> <li>Consider ESG emerging risks</li> <li>Improve the management of climate risk and opportunity by following with TCFD framework</li> <li>Set investment/ lending limits and management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Fintech and one-stop service</li> <li>Strengthen the green finance and inclusive finance services</li> <li>Integrate ESG issues to the underwriting and lending processes</li> </ul>	<ul style="list-style-type: none"> <li>Paperless operations and Fintech</li> <li>GHG inventory and carbon emission reduction</li> <li>Water and waste control</li> </ul>	<ul style="list-style-type: none"> <li>Review the product details and offer flexibility to customers when significant ESG incidents occur</li> <li>Trigger critical disaster claims mechanism when significant ESG incidents occur</li> <li>Disclose EPs projects</li> </ul>	<ul style="list-style-type: none"> <li>Exclusion policy</li> <li>ESG integration</li> <li>Sustainability themed investing</li> <li>Corporate engagement and shareholders' actions</li> <li>Investment mandate management</li> </ul>
<b>Monitor and Management</b>	✓	✓	✓	✓	✓
<b>Relevant Pages in the Report</b>	<ul style="list-style-type: none"> <li>Risk map <a href="#">p.22</a></li> <li>TCFD <a href="#">p.58-59</a></li> </ul>	<ul style="list-style-type: none"> <li>Cathay ESG product/ service integration <a href="#">p.33-40</a></li> <li>Digital finance <a href="#">p.40-43</a></li> <li>Corporate loan application &amp; review process <a href="#">p.27-28</a></li> </ul>	<ul style="list-style-type: none"> <li>GHG and resource management <a href="#">p.60-62</a></li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Critical disaster claims mechanism</a></li> <li>Equator principles <a href="#">p.27-29</a></li> </ul>	<ul style="list-style-type: none"> <li>Our efforts of responsible investment <a href="#">p.29-33</a></li> </ul>

Cathay located the most relevant aspects of its core capabilities to align our efforts with the UN SDGs effectively. With consideration to the needs of Taiwan's society and business trends, Cathay identified four focus areas in which we invest our efforts to achieve sustainability. Cathay FHC screened key expectations of external parties for the six working groups through the strategy advancement meeting. Over 15 departments across Cathay FHC's subsidiaries participated in over 20 discussion sessions. Chang-Ken Lee, Chairman of the CS Committee and President of Cathay FHC, personally met with the six working groups and established the four focus areas of sustainability, specifically Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion.

**Cathay FHC's Four Focus Areas for Sustainability**

- Renewable Energy and Infrastructure** (SDGs 7, 9, 11, 13)
- Aging Society and Health** (SDG 3)
- Women Empowerment** (SDGs 5, 8)
- Community and Financial Inclusion** (SDGs 1, 4, 8, 10)

[Report on Cathay's Four Focus Areas for Sustainability](#)



# Cathay's 2020 Sustainability Vision

## Goals for 2018-2020

Cathay's Material Issues	Short-term (2018)	Mid-term (2019)	Long-term (2020-)
<b>Information Security</b>	<ul style="list-style-type: none"> <li>The group's major subsidiaries (assets reaching NT\$1 trillion) all have an independent information security department</li> <li>Establish information security monitoring mechanisms, and monitor information security implementation</li> <li>Strengthen the information security reporting process and emergency response measures</li> </ul>	<ul style="list-style-type: none"> <li>Plan a mechanism for the perpetuation of digital evidence and ensure the validity of the evidence</li> <li>Establish an intelligence sharing mechanism for the Group's information security data and threats</li> </ul>	<ul style="list-style-type: none"> <li>Establish an information security monitoring dashboard for monitoring system, network, and external website security</li> </ul>
	<ul style="list-style-type: none"> <li>Completion of the competent authority's information security requirements for the year: 100%</li> </ul>		
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Complete the group's risk map</li> </ul>	<ul style="list-style-type: none"> <li>Update the risk map and submitted it to the Risk Management Committee annually to continue strengthening the group's risk management</li> </ul>	
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Include the national risk assessment report in the AML institutional risk assessment report of subsidiaries</li> <li>Complete the group and subsidiaries' AML/CFT risk appetite</li> <li>Complete the group's whistleblower system</li> <li>Complete the group's "compliance risk assessment policy"</li> </ul>	<ul style="list-style-type: none"> <li>Complete the performance assessment of the Board of Directors by an external independent institution</li> <li>Complete the election of the 7th Board of Directors to increase the diversity of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Continue to follow international trends in corporate governance and improve the company's corporate governance system</li> </ul>
<b>Green Finance</b>	<ul style="list-style-type: none"> <li>Further explore Green Finance (in either Corporate Finance or Project Finance) related products and opportunities, including Solar PV and offshore wind power projects</li> </ul>	<ul style="list-style-type: none"> <li>CUB will continue to follow EPs and ESG guidance, and to explore Green Finance (in either Corporate Finance or Project Finance) related products, including the space of Solar PV power projects, OWFs, Biomass Energy, Hydro Power, Geothermal Energy etc., either domestically or regionally</li> </ul>	
<b>Digital Finance</b>	<ul style="list-style-type: none"> <li>Complete the real-time decision-making platform</li> <li>Complete the group's customer journey</li> <li>Complete the development of a digital platform system for overseas branches</li> </ul>	<ul style="list-style-type: none"> <li>Provide a consistent omni-channel experience, including digital, ATM, branches, direct sales, and customer services; use FinTech to make services an integral part of customers' daily life</li> <li>Strengthen online services (e.g. Account opening appointment, Chatbot consultation) to simplify branch operations; use apps and digital services to optimize customer relationship management and integrate online and offline channel experiences</li> <li>Complete information security assessments for the digital platforms of overseas branches and complete applications to the competent authority</li> </ul>	<ul style="list-style-type: none"> <li>Digital plays a key role in customer acquisition and transaction services</li> <li>Launch more cross-platform digital services and accumulate more digital data to create value for the group</li> </ul>
<b>Customer Relationship Management</b>	<ul style="list-style-type: none"> <li>Cathay Life's satisfaction reached 93%</li> <li>Cathay United Bank's satisfaction reached 89%</li> <li>Cathay Century's satisfaction reached 95%</li> <li>Cathay Securities' satisfaction reached 85%</li> <li>Cathay SITE's satisfaction reached 80%</li> </ul>	<ul style="list-style-type: none"> <li>Continue to expand the scope of transactional NPS (tNPS)<sup>Note 1</sup> surveys through subsidiaries to identify and improve customer experience at key touchpoints, which will increase service value created by distribution channels</li> </ul> <p>Note 1: tNPS stands for transactional Net Promoter Score, which measures the willingness of customers to recommend products or services to others.</p>	<ul style="list-style-type: none"> <li>Introduce relationship NPS (rNPS)<sup>Note 2</sup> surveys to long term brand loyalty, make a good use as a management tool for customer experience blueprint change</li> </ul> <p>Notes 2: rNPS stands for relationship Net Promoter Score, which measures customers' overall willingness to recommend a brand in considering the overall experience and satisfaction they have with a company.</p>
<b>Financial Inclusion</b>	<ul style="list-style-type: none"> <li>Endeavor to develop 1-2 new agricultural insurance products</li> <li>Total premium income from micro insurance reaches NT\$5.59 million</li> </ul>	<ul style="list-style-type: none"> <li>Continue to offer products that can enhance inclusive financing, such as micro insurance, crop insurance, charity trust, CPBL gambling prevention trust, SME loans, and social enterprise preferential loans, to increase the accessibility of financial services</li> <li>Develop the consumer banking business using a digital model, and provide a wide variety of financial products to increase financial inclusion in Southeast Asia</li> </ul>	
<b>Attracting and Retaining Talents</b>	<ul style="list-style-type: none"> <li>Maintain key talents retention rate at above 90%</li> <li>Selection into the Taiwan High Compensation 100 Index</li> <li>The group's engagement survey reaches 4 points and above (inclusive)</li> <li>Response rate of the group's engagement survey reaches 70%</li> </ul>		

Cathay's Material Issues	Short-term (2018)	Mid-term (2019)	Long-term (2020-)
<b>Employee Learning and Development</b>	<ul style="list-style-type: none"> <li>Establish a training ROI calculation mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate the training ROI mechanism in major projects of each company</li> </ul>	
	<ul style="list-style-type: none"> <li>Execution of the Talent Pool Program: 100%</li> </ul>		
<b>Responsible Investment and Lending</b>	<ul style="list-style-type: none"> <li>Disclose compliance reports based on the PRI framework</li> <li>Verify the low-carbon industry investment/lending identification process</li> <li>CUB establishes more detailed ESG risk guidelines beyond the scope of EPs for sensitive industries</li> </ul>		
	<ul style="list-style-type: none"> <li>Strengthen ESG information systems to improve the integration of ESG into the internal decision-making process</li> <li>Participate in Climate Action 100+ and complete the engagement policy and strengthen engagement</li> </ul>		
<b>Participation in charity and welfare</b>	<ul style="list-style-type: none"> <li>Increase sales revenue from the ShoJio platform by 100%</li> <li>Complete Cathay's Excellence and Happiness Project SROI</li> <li>65,000 volunteer hours</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with Teach For Taiwan to support 100 teachers in remote areas in 2017-2019</li> <li>Identify other major projects to incorporate SROI and adjust the project's constitution</li> <li>Increase contact points for employee participation in charity through volunteer work, and develop a "professional volunteer" program</li> </ul>	
<b>Green Operations</b>	<ul style="list-style-type: none"> <li>Complete the group's waste inventory</li> <li>Set long-term goals for water conservation and waste reduction</li> <li>Complete external assurance for the 2017 water use inventory</li> <li>Increase the installed capacity of solar panels on buildings owned by Cathay to 3,500kW</li> </ul>	<ul style="list-style-type: none"> <li>Complete assurance for the 2018 waste inventory</li> <li>Increase the installed capacity of solar panels on buildings owned by Cathay to 5,200kW</li> </ul>	<ul style="list-style-type: none"> <li>By 2021, the basic goal is 1% GHG reduction each year using 2016 as the baseline year; the ideal goal is 2% GHG reduction</li> </ul>

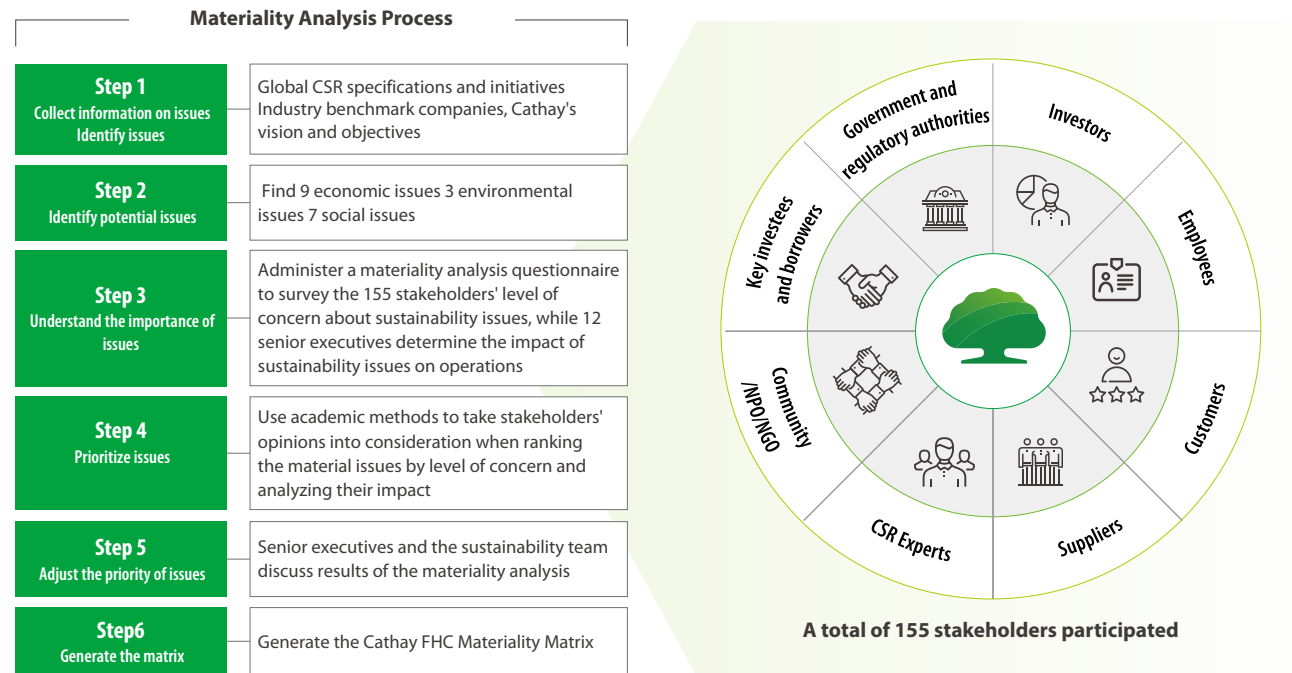
## 2017 Goal attainment

Progress of goals achieved in 2017	
<b>Finance and Integrity Capital</b>	<ul style="list-style-type: none"> <li>Established the "Tax Governance Policy"</li> <li>Continued to strengthen risk-based training, e.g. AML/CFT</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>Cathay Life issued the first PSI Disclosure Report assured by third party verification in Asia</li> <li>Cathay Century became the first property insurance company in Taiwan to voluntarily comply with the PSI</li> </ul>
	<ul style="list-style-type: none"> <li>Utilization of Cathay Life's mobile insurance app reached 98% in 2017, which ranked No.1 in the industry</li> <li>CUB actively expanded its influence in elderly protection through children's protection trusts, equity planning trusts, inheritance trusts, and insurance benefits trusts</li> <li>Cathay Securities' "Open Account APP" is the first in the industry that does not require a natural person certificate to open an account</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>Completed 4 ESG Academy training courses</li> <li>Completed the group's pressure indicator measurement and organized stress release courses</li> <li>Organized Cathay Pregnancy Club</li> </ul>
<b>Natural Resource Capital</b>	<ul style="list-style-type: none"> <li>GHG emissions were reduced by 2.4% compared with 2016</li> <li>Increased the installed capacity of renewable devices by over 1,900 kW</li> <li>Completed the group's water use inventory</li> </ul>
<b>Social Relations Capital</b>	<ul style="list-style-type: none"> <li>The Excellence and Happiness Project International Conference on New Immigrants attracted about 120 NPO workers, new immigrant native language teachers, and curriculum promoters</li> <li>Cathay's Dream Come True Program for Students was expanded to 16 schools to help students fulfill their dreams</li> <li>ShoJio Platform generated over NT\$1 million in revenue</li> </ul>

# Materiality Analysis

## Stakeholder Engagement

Cathay has dedicated years of effort in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders on a regular basis to understand their issues of concern. Senior executives use their experience to examine the impact of material issues on our core business, in hopes of creating a mutually beneficial situation in which shareholders profit, customers are satisfied, and employees are committed. Cathay analyzed material issues to the group's corporate sustainability in 2017, and used stakeholder engagement to identify material issues to Cathay's sustainability; the materiality analysis process is as follows:



Potential Issues	Significant Issues
<ul style="list-style-type: none"> <li>Compliance</li> <li>Occupational Safety and Health</li> <li>Human Rights</li> <li>Climate Change</li> <li>Employee Diversity and Inclusion</li> <li>Responsible Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Information Security</li> <li>Green Finance</li> <li>Responsible Investment and Lending</li> <li>Business Performance</li> <li>Digital Finance</li> <li>Attracting and Retaining Talents</li> <li>Financial Inclusion</li> <li>Participation in Charity and Welfare</li> <li>Customer Relationship Management</li> <li>Corporate Governance</li> <li>Risk management</li> <li>Employee Learning and Development</li> <li>Green Operations</li> </ul>

12 issues were defined as significant issues based on materiality analysis results. Cathay set short-term, mid-term, and long-term goals for the issues as the cornerstone for implementing sustainable management. At present, the connection between non-financial issues and financial impacts has become the framework of this integrated report. The special focus of this analysis was the connection between ESG issues and business goals so that we may better align ourselves with this emerging international trend and orientation. We further identified how ESG issues affect revenue, profit, customer relationship management, and employee commitment goals, allowing corporate sustainability to become an integral part of our core business.

The connections between the five capitals, Cathay's material sustainability issues, and four focus areas are as follows:

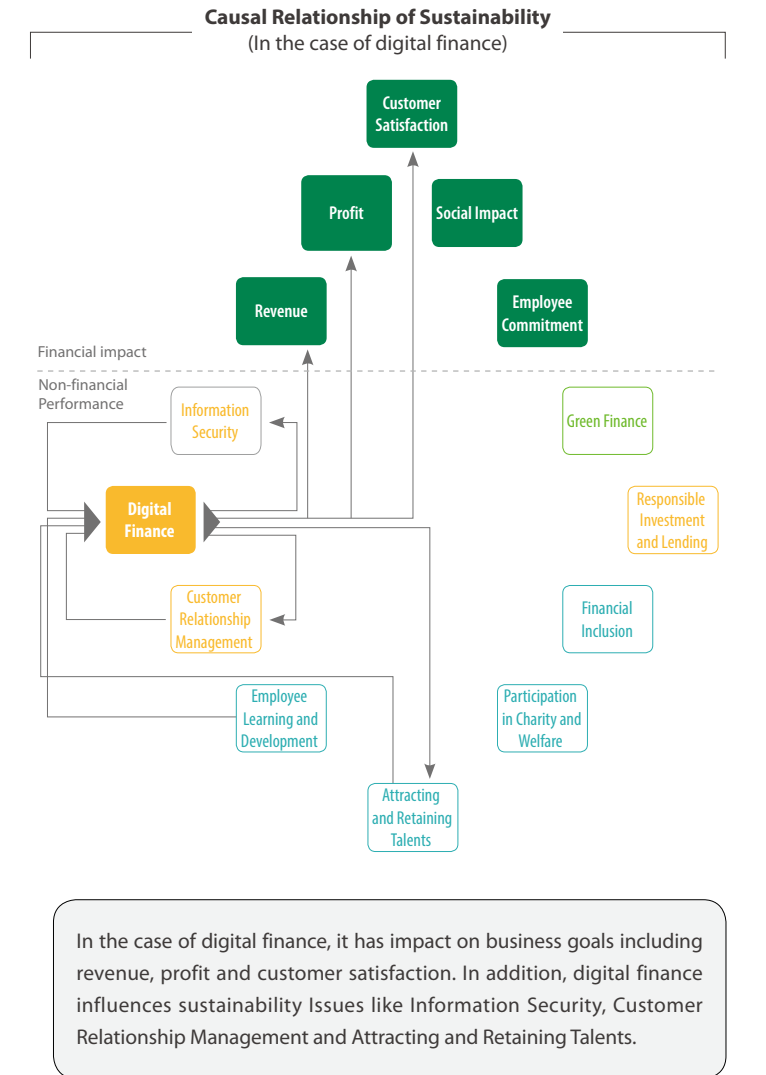
	Cathay's Significant Issues and Potential Issues	GRI Standards	Cathay's Four Focus Areas
Finance and Integrity Capital	Corporate Governance, Risk Management, Compliance	Anti-corruption	Renewable Energy and Infrastructure Aging Society and Health
Intellectual Capital	Green Finance, Responsible Investment and Lending, and Financial Inclusion	Customer Privacy	Renewable Energy and Infrastructure Aging Society and Health Women Empowerment Community and Financial Inclusion
Human Capital	Attracting and Retaining Talents, Employee Learning and Development, Human Rights, Employee Diversity and Inclusion, Occupational Safety and Health	Employment, Training and Education	Women Empowerment
Natural Resource Capital	Green Operations, Climate Change, Responsible Procurement	--	Renewable Energy and Infrastru
Social Relations Capital	Customer Relationship Management, Participation in Charity and Welfare, and Information Security	Product Portfolio, Local Communities	Women Empowerment Community and Financial Inclusio

## Cathay's Sustainable Management Model

Sustainable development brings mutual prosperity to companies, society, and the environment. Cathay hopes that its performance in sustainability issues will have a positive effect on business goals, thereby further enabling us to achieve both sustainability and profitability. According to Cathay's materiality analysis results for sustainability issues, 12 material sustainability issues were identified, in which "business performance", "corporate governance" and "risk management" are the result of operations. After

excluding the three issues, 12 of Cathay's senior executives participated in the causal relationship questionnaire survey, and used DEMATEL to illustrate causal relationships of Cathay's sustainable management model. This provides us with an effective way to understand the impact of sustainability issues on business performance.

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



In the case of digital finance, it has impact on business goals including revenue, profit and customer satisfaction. In addition, digital finance influences sustainability Issues like Information Security, Customer Relationship Management and Attracting and Retaining Talents.



## Cathay's Sustainability Performance Highlights in 2017

### Recognition from external parties

<p><b>DJSI</b> Selected into DJSI for three consecutive years</p> <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p><b>CDP</b> Upgraded from level C to level B</p> <p><b>CDP</b> DISCLOSURE INSIGHT ACTION</p>	<p><b>Vigeo Eiris</b> Selected into the Vigeo Eiris Emerging related Ranking for two consecutive years</p> <p><b>vigeo eiris</b> BEST EM PERFORMERS</p>	<p><b>FTSE4GOOD</b> Selected into FTSE4GOOD for three consecutive years</p> <p><b>FTSE4Good</b></p>	<p><b>FTSE4Good TIP Taiwan ESG Index</b> Selected into the FTSE4Good TIP Taiwan ESG Index, which was released for the first time in 2017</p>	<p><b>Global Views Monthly's corporate social responsibility award</b> Received the financial industry award and education promotion division award</p> <p>2017 CSR 獎 <b>CSR</b> 企業社會責任獎</p>	<p><b>Asia Responsible Entrepreneurship Awards</b> Received the Green Leadership Award and Responsible Business Leadership Award</p> <p><b>AREA</b></p>	<p><b>World Corporate Citizen</b> Top 10 World Corporate Citizen for five consecutive years</p>	<p><b>Taiwan Corporate Sustainability Awards</b> Received the Top 50 Corporate Sustainability Awards for the financial and insurance industry in the corporate sustainability report, and Best Performance of Specific Category: seven awards including Innovation Growth Award, Creative Communication Award, Social Inclusion Award, and Talent Development Award</p> <p><b>TCSA</b> Taiwan Corporate Sustainability Awards</p>
--	--	---	---	--	--	---	---	---

### Internal breakthroughs

<p><b>Governance</b></p>	<p>Cathay Life issued the first PSI Disclosure Report assured by third party verification in Asia</p>	<p>Cathay Century became the first property insurance company in Taiwan to voluntarily comply with the PSI</p>	<p>List top 5% among all companies participated in the 4th Corporate Governance Evaluation</p>	<p>Established the Tax Governance Policy</p>	<p>Established the Corporate Governance and Nomination Committee</p>	<p>Cathay Life, Cathay Century, and Cathay SITE signed and disclosed their compliance with the Taiwan Stewardship Principles for Institutional Investors and voting results</p>		
	<p><b>Environment</b></p>	<p>Organized the highest level Climate Change Roundtable Forum in the history of Taiwan</p>	<p>Cathay Life completed the first renewable energy certificate transaction in Taiwan</p>	<p>KOKO Lab became branch with 100% green power</p>	<p>Taiwan's only participant in the CDP non-discloser engagement campaign</p>	<p>CUB is one of the largest bank financing solar power stations in Taiwan. As of the end of 2017, CUB has provided loans to over 1,500 solar power stations in Taiwan with a total installed capacity reaching 318.5 MW</p>	<p>Cathay Life established the sustainable real estate responsible investment and management policy, and established the largest solar-powered roof, which is expected to generate 2.09 million kwh green power annually</p>	
		<p><b>Society</b></p>	<p>Cathay Life introduced the first whole life micro insurance in the industry, and sold the most insurance policies in the industry</p>	<p>Cathay Life has the highest market share in Taiwan's micro insurance market</p>	<p>CUB was the first in the industry to offer preferential loans for social enterprise</p>	<p>The score for Cathay's Employee Engagement Survey reached 4.2 (5 point scale) with a 77% response rate</p>	<p>Training per employee reached 143 hours</p>	<p>53% of Cathay's supervisors are female</p>

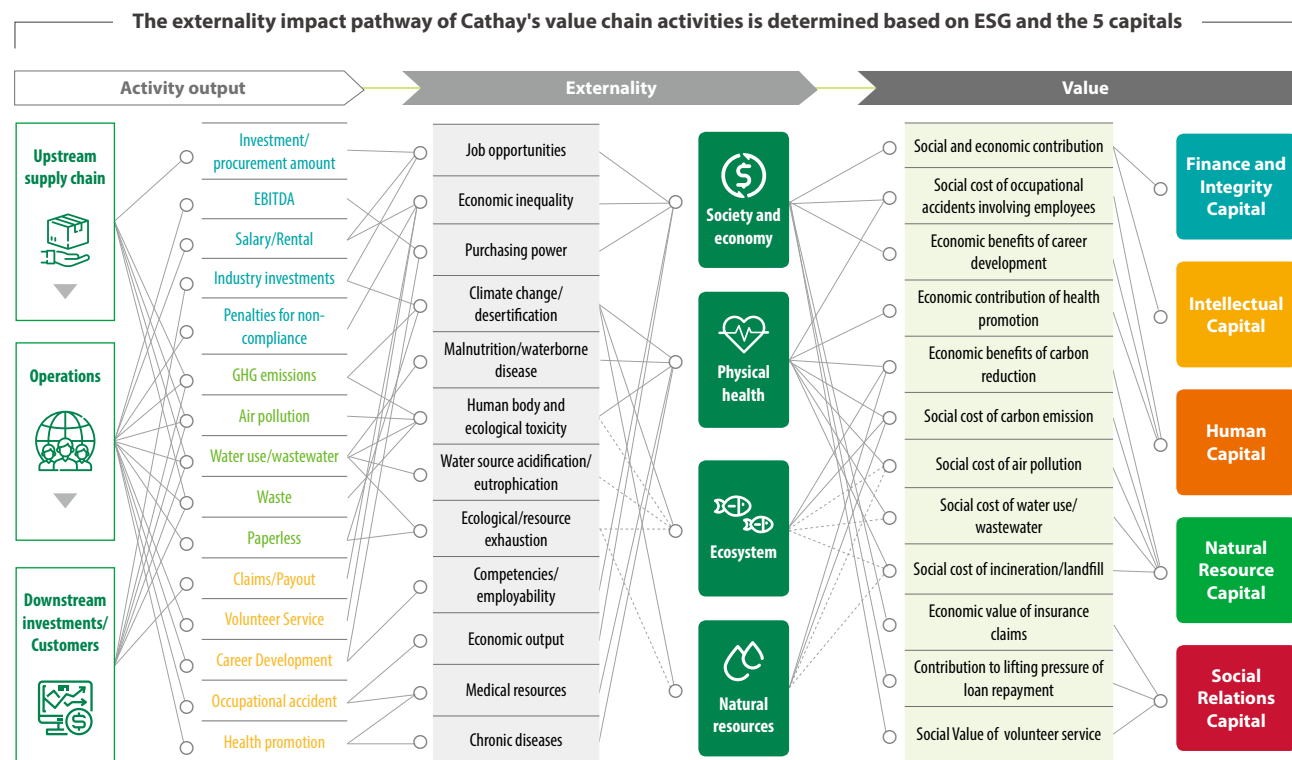
# Impact Measurement and Valuation

## 5 Capital Profit & Loss

Cathay assesses 5C P&L based on impact valuation to enhance the effectiveness of our management decision-making. We use the impact pathway approach to analyze the impact of outputs from over 20 activities in our value chain on the externality of society, economy, physical health, ecosystem, and natural resources. This includes the economic value and environmental impact created by upstream procurements and downstream investments along the industry chain, GHG emissions from company operations, air pollution, water resource use, waste incineration and landfill, social cost of occupational accidents involving employees, and the social benefits brought by tax payment, rental, employee salaries, career development, health promotion activities, insurance claims, and preferential loans. Level of impact is converted into a consistent and comparable monetary value to identify the interdependence between different activities, increase positive effects, and minimize negative risks. In the future, we will continue to take part in methodology development, expand the scope of assessment, and strive to create long-term sustainability value.

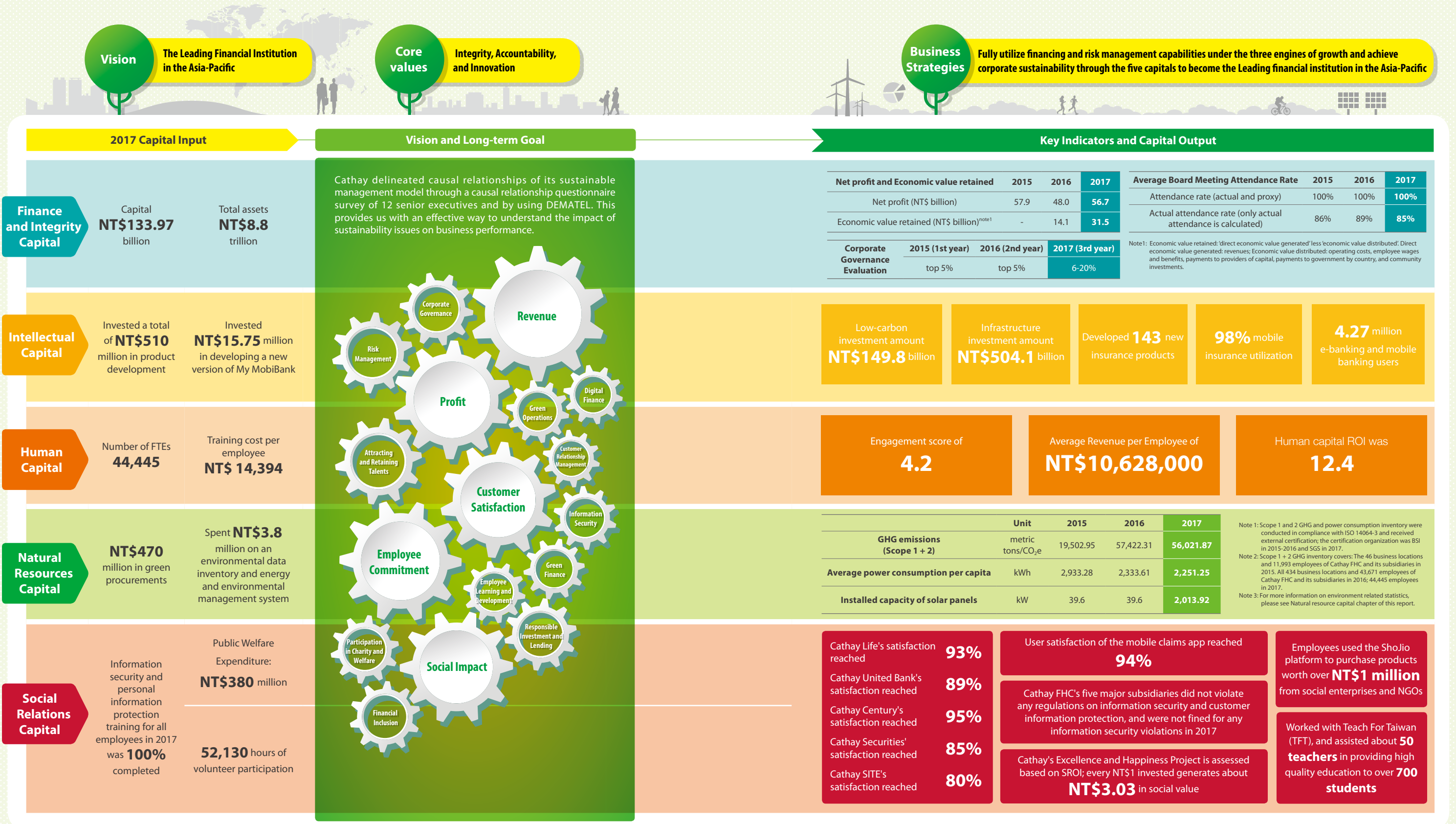
### Methodology description:

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





# Cathay's sustainable value creation process





## Finance and Integrity Capital

1

- 18 Business Performance
- 19 Advancing Corporate Governance
- 21 Strengthening Risk Management and Internal Control
- 22 Promoting Ethics and Integrity
- 23 Implementing Tax Governance



### The Corporate Governance and Nomination Committee

Cathay FHC established the Corporate Governance and Nomination Committee.



### The ratio of electronic voting reached 90%

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



### Tax Governance Policy

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

#### Capital at risk and opportunities

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



## Business Performance

With the strategic vision of becoming "the leading financial institution in the Asia Pacific", Cathay Financial Holdings ("Cathay FHC") continues to refine its business through a customer-centered business model, incorporate innovation into its core business activities, and endeavor to provide customers with better financial services by utilizing new technologies. Cathay FHC's total assets exceeded US\$298.30 billion as of the end of 2017, and consolidated after-tax profit in 2017 was US\$1.91 billion at earnings per share of NT\$4.47. Our subsidiaries, Cathay Life Insurance ("Cathay Life") and Cathay United Bank ("CUB"), were the primary contributors.

By leveraging years of experience in steadily providing comprehensive financial services in Taiwan, Cathay FHC has ventured into China, Southeast Asia, and other overseas markets and engaged in regional integration to complete its overseas business platform. As of the end of 2017, Cathay FHC has 181 overseas offices, among which over 90% are located in Asia. CUB, a Cathay FHC subsidiary, continues to expand its presence with the vision of becoming "the leading regional bank in the Asia Pacific." As of the end of 2017,

### Business Performance of Cathay FHC in 2017

Company	Business performance	Primary Products and Services
<b>Cathay Life</b>	Cathay Life generated consolidated after-tax profit of NT\$36.3 billion for the year. In addition to continuous improvements in its investment performance and adequate control over its hedging cost, Cathay Life also maintained its position as the market leader in terms of business revenue. The FYPE, which truly reflects on the value of insurance policies, reached NT\$233.2 billion while total premium income reached NT\$768.3 billion, which is the highest in the industry.	Life insurance, accident insurance, health insurance, annuity insurance, and investment-linked insurance.
<b>Cathay United Bank</b>	CUB set a record high consolidated after-tax profit of NT\$19.7 billion for the year. Meanwhile, loans balance exceeded NT\$1.4 trillion while maintaining sound asset quality.	Wealth management, consumer banking, corporate banking, international banking, e-banking, trust services, investments, and sales of financial products.
<b>Cathay Century Insurance</b>	Secured its position as the second largest non-life insurance company in Taiwan in terms of written premium income.	Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance.
<b>Cathay Securities</b>	Cathay Securities was ranked first in the market in terms of sub-brokerage service, and all of its digital services, provided based on investors' needs and showed steady growth.	Securities underwriting, proprietary/consigned trading of local and foreign securities, margin trading, securities-backed lending, share administration, wealth management, and futures introducing broker service.
<b>Cathay SITE</b>	With Assets Under Management (AUM) totaling NT\$586.7 billion, Cathay SITE is the largest securities investment trust company in Taiwan.	Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.
<b>Cathay SICE</b>	Cathay SICE focuses on companies with development potential and competitive advantages in their respective industries in Taiwan, Southeast Asia, and China. It also follows FinTech closely and healthcare developments and investment opportunities in the United States.	The subsidiary is a venture capital company that invests and assists non-listed companies by realizing their potentials to create investment benefits.

CUB has 67 overseas branches and offices in most ASEAN member states except Brunei. CUB has the most extensive footprints among Taiwanese banks in the ASEAN countries. CUB will strengthen its local operations and develop new business through innovative FinTech applications in keeping pace with future trends.

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

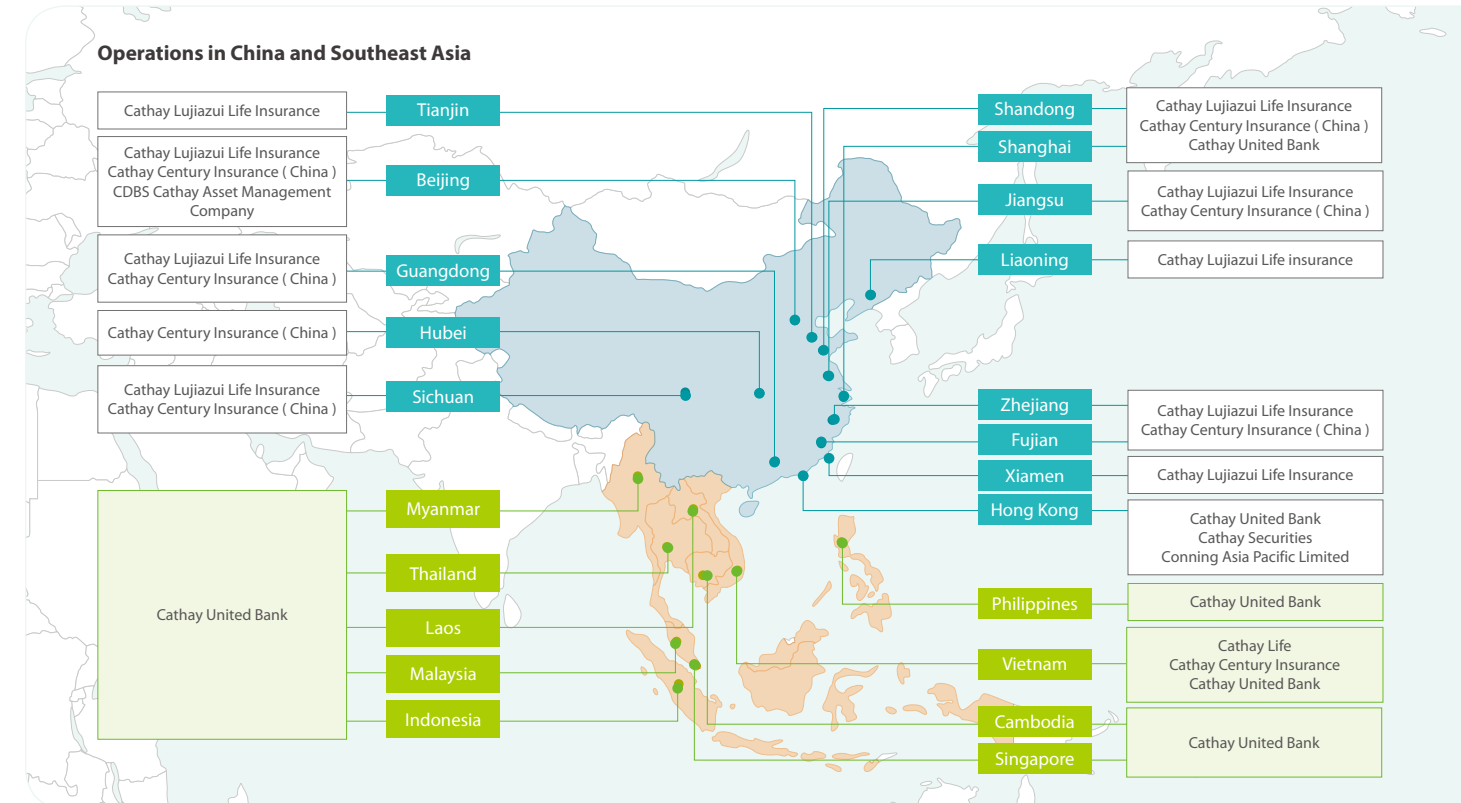
Regarding the footprints in Southeast Asia, Europe, and America, Cathay FHC has expanded its presence throughout the Asia Pacific region. Cathay FHC is optimistic about Vietnam's insurance business growth potential, Cathay Life and Cathay Century have established 42 branch offices and have been exhibiting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

### Financial performance in the last three years

Year	2015	2016	2017
<b>Total assets (NT\$ billion)</b>	7,569	8,135	8,842
<b>Shareholder equity (NT\$ billion)</b>	461.1	529.8	608.4
<b>After-tax profits (NT\$ billion)</b>	57.9	48.0	56.7
<b>After-tax EPS (NT\$)</b>	4.58	3.79	4.47
<b>Return on equity (%)</b>	12.86	9.70	9.96
<b>Average revenues per employee (NT\$ thousand)</b>	9,463	10,542 (Note 1)	10,628
<b>Average earnings per employee (NT\$ thousand)</b>	1,241	939	1,030
<b>Return on assets (%)</b>	0.99	0.77	0.84
<b>Outstanding shares (million)</b>	12,563	13,397	13,397
<b>Cash dividends per share (NT\$)</b>	2.0	2.0	2.5
<b>Stock dividends per share (NT\$)</b>	0.0	0.0	0.0
<b>Book value per share (NT\$)</b>	36.22	39.06 (Note 2)	44.72

Note 1: Financial statements for 2016 were restated due to an adjustment to the categories of Cathay Life's underwriting commission and Cathay Century's integrated marketing expenses.

Note 2: Now rounded up to the second decimal point (originally rounded up to the first decimal point)



## Advancing Corporate Governance

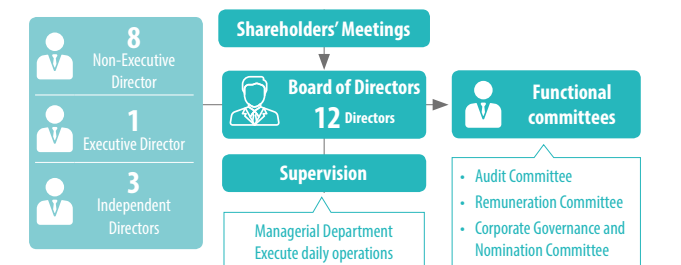
### Actively implementing corporate governance

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

### Professional qualifications, independence, and attendance of the board

Cathay FHC features a Corporate Governance and Nomination Committee and adopts the candidate nomination system. All director candidates are nominated and their qualifications are reviewed by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed during the shareholders' meeting. According to Paragraph 3, Article 30 of Cathay FHC's Corporate Governance Best Practice Principles, the members of the Board of Directors shall possess the knowledge, skills, and experience necessary for

performing their duties. The current Board of Directors has 12 directors, all well-experienced and in possession of professional knowledge in various fields such as finance, commerce, and business administration. Directors of the Board are on average 71 years in age. As of December 31, 2017, Cathay FHC's 6th-term Board of Directors had convened 8 meetings with an average attendance rate of 85%. Cathay FHC held a by-election during the general shareholders' meeting on June 16, 2017, in which Mr. Edward Yung Do Way, former president of Deloitte Taiwan, was appointed as an independent director. Directors on average serve 9 year terms (independent directors on average serve 4.5 year terms).



### Professionalism of the Board of Directors

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

Leadership	Ability to make policy decisions	Ability to conduct management administration (including ability to conduct management subsidiaries)
Ability to make operational judgements	Knowledge of the industry	An international market perspective
Ability to perform accounting and financial analysis	Risk management knowledge and skills	Ability to handle crisis management

## Board diversity

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

Core Item Name of Director	Basic Composition			Industrial Experiences						Professional Knowledge/Abilities										
	Nationality / Place of Registration	Gender	Age			Financial Holding	Banking	Insurance	Securities	Asset Management	Third-party Payment	Information Industry/Technology Industry/Others	Business	Finance/Accounting	Law	Banking	Math / Actuarial Science	Information Technology	Overseas Markets / Merger and Acquisition	Risk Management
			51 to 60	61 to 70	71 to 75															
Hong-Tu Tsai	R.O.C.	M	●		●		●					●		●	●				●	
Tsu-Pei Chen	R.O.C.	M		●	●	●						●			●				●	
Cheng-Ta Tsai	R.O.C.	M	●		●	●						●			●				●	
Cheng-Chiu Tsai	R.O.C.	M	●		●	●						●			●				●	
Chi-Wei Joong	R.O.C.	M		●	●	●		●		●		●	●		●				●	
Andrew Ming-Jian Kuo	R.O.C.	M	●		●	●	●	●	●	●	●	●	●		●				●	
Tiao-Kuei Huang	R.O.C.	M		●	●	●						●			●	●			●	
Ming-Ho Hsiung	R.O.C.	M		●	●	●						●	●		●	●			●	
Chang-Ken Lee	R.O.C.	M	●		●	●	●	●				●	●		●				●	●
Tsing-Yuan Hwang	R.O.C.	M		●	●	●	●	●	●	●	●	●	●		●				●	●
Feng-Chiang Miao	R.O.C.	M			●	●	●	●	●			●	●				●		●	
Edward Yung Do Way	R.O.C.	M			●	●	●					●	●						●	

The composition of the Board of Directors shall be determined by giving due consideration to operational structure, business development direction, future trends and other needs, and it is advisable to assess aspects of diversity including but not limited to: basic composition (e.g. gender, age, nationality and race), professional experience (e.g. financial holding, banking, insurance, securities, industry and technology) and professional knowledge and skills (e.g. business, finance, accounting, law, marketing and digital technology). Directors shall also possess the general knowledge, skills, and competencies required to perform incumbent duties.

Cathay FHC also emphasizes gender equality in the composition of its Board of Directors. As of the end of December 2017, 78% of Cathay FHC's subsidiaries in Taiwan have female directors or supervisors as board members, up 18% compared with 2016. Besides, Cathay Securities has a female independent director.

## Evaluation of board performance and third party certification

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

evaluation was "above standard", demonstrating the success of the Company's efforts in improving board performance.

To strengthen the independence and effectiveness of the board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the board performance evaluation once every three years, starting from 2017. Evaluation results will be submitted to the Board of Directors for discussion and disclosed in the annual report or on the company website. The commissioning of an external professional independent institution for conducting external evaluations of board performance is expected to be completed before the end of 2019.

Since 2007, Cathay FHC has purchased liability insurance for its directors, supervisors, and key staff members, including those from its subsidiaries. This is in line with the legal requirements during their terms in office. Contents of the insurance policy are reviewed annually, and the insured amount, coverage, premium rate, and other major contents are reported in the next board meeting after the policy is renewed each year starting in 2017. We hope to thus lower the risks taken on by directors, supervisors, and the Company, and establish a well-rounded corporate governance mechanism.

## Establishing comprehensive functional committees under the Board of Directors

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

each functional committee are as follows:

Committee	Job Description	Operations in 2017
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Formed by all independent directors (3).</li> <li>Establishes or revises the internal control system and assesses the system's effectiveness, determines if the Company's financial statements are properly expressed, supervises the procedures of material financial and business dealings, reviews directors' conflicts of interests, ensures the Company's regulatory compliance, and appoints (dismisses) CPAs.</li> </ul>	Committee meetings are convened at least once each quarter, and a total of 6 meetings were convened in 2017; attendance rate averaged 100%.
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>Formed by all independent directors (3).</li> <li>Improves the director and manager remuneration policy and system, and establishes remunerations for directors and managers.</li> </ul>	Committee meetings are convened at least twice a year, and a total of 4 meetings were convened in 2017; attendance rate averaged 100%.
<b>Corporate Governance and Nomination Committee</b>	<ul style="list-style-type: none"> <li>Formed by 3 directors (including 2 independent directors).</li> <li>The Committee is responsible for nominating director candidates and reviewing their qualifications, evaluating board operation rules and the Corporate Governance Best Practice Principles, and establishing the organizational frameworks of the various functional committees.</li> </ul>	The Committee was established on December 22, 2017. The Committee may convene a meeting at any time it deems necessary, and resolve to engage lawyers, accountants, or other professionals to provide consultations so as to assist the Committee in performing its duties. No meetings were convened in 2017.

## Valuing the Rights and Interests of Shareholders

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

**67%**  
Director attendance rate in the general shareholders' meeting

The chairman, president, functional committee members, and board members were all in attendance, and the presidents of major subsidiaries were also in attendance to answer interpellation.

**44%**  
Attendance in the general shareholders' meeting other than directors, supervisors and major shareholders

The venue and procedures for convening shareholders' meetings are for the convenience of shareholders' attendance

**90%**  
General Shareholders' Meeting Electronic voting rate

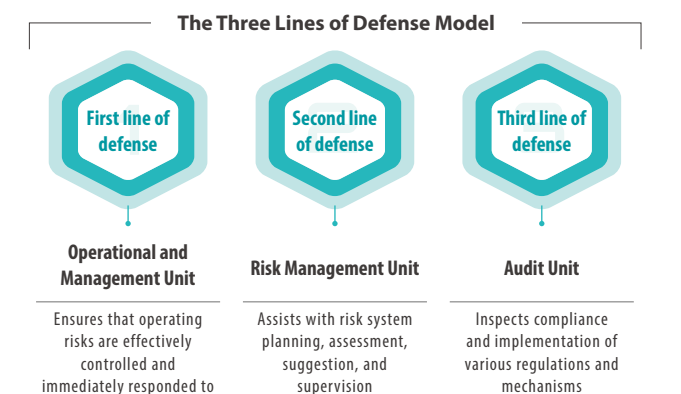
The highest among private financial holdings companies, and also higher than the average of 49% of TWSE/TPEx listed companies according to statistics provided by the Taiwan Depository & Clearing Corporation.

## Strengthening Risk Management and Internal Control

### Complete Risk Management Policy and Organizational Structure

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

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



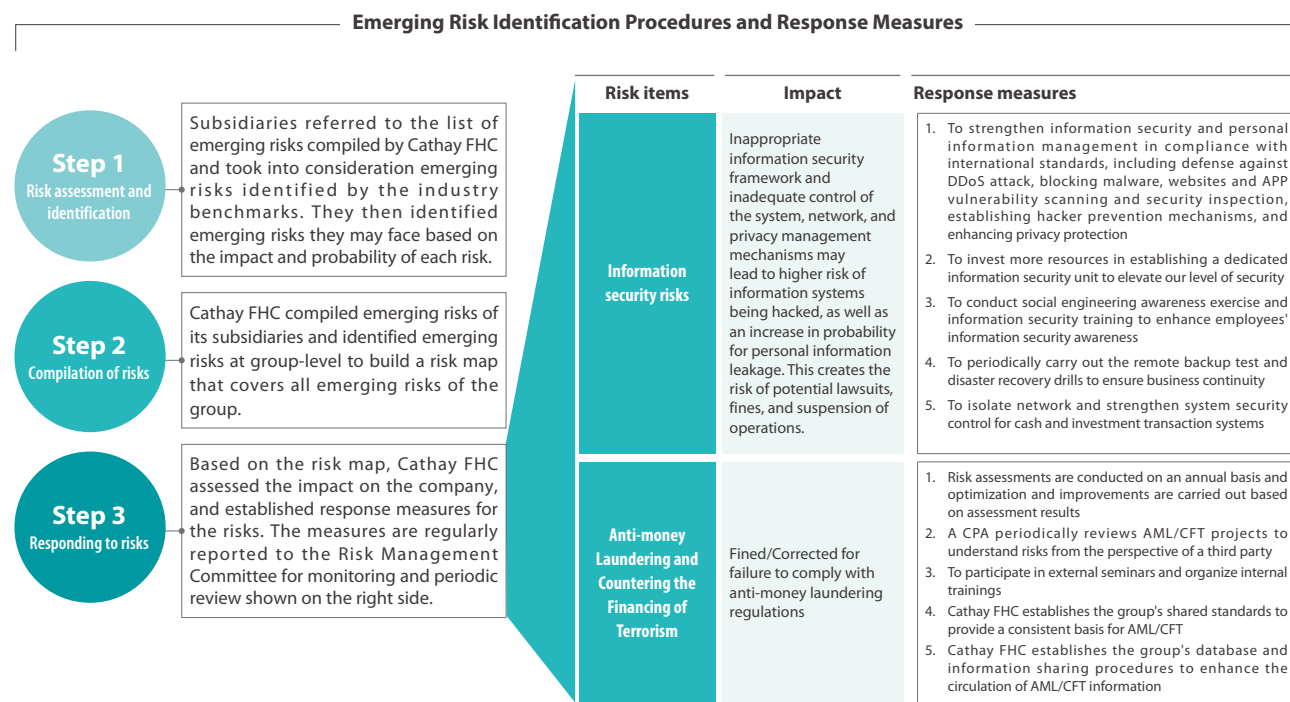


## Shaping Risk Management Culture

Cathay FHC's directors regularly participate in corporate governance or risk management training courses, so that the risk management mechanisms can operate more smoothly within the group. Besides offering general education courses on risk management, we also provide risk management training according to the business characteristics of subsidiaries and needs of trainees, so as to ensure employees are able to effectively control risks. For example, CUB provides 3 hour personal information management training for all personnel. Furthermore, performance evaluation indicators for all employees of Cathay FHC include "Performance on Compliance" and "Performance on Internal Controls."

## Managing Emerging Risks

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



## Promoting Ethics and Integrity

Cathay FHC upholds the core values of "Integrity, Accountability, and Innovation" and established the "Code of Operation Integrity," "Code of Ethics," and "Code of Conduct for Employee." All employees are required to comply with ethical standards during daily operations and in the performance of their duties to achieve integrity and sustainable operation. Mechanisms for the above mentioned codes are already in place and are in implementation. Furthermore, 90% of all employees completed the annual training on the Code of Conduct for Employee.

Cathay FHC established the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases" to ensure ethical conduct and integrity in its operations. The Regulations establish whistleblowing channels, specify procedures for handling cases, and protect the legal rights of the involved parties. The Regulations also specify that the identity of all involved parties, including the whistleblower and investigation

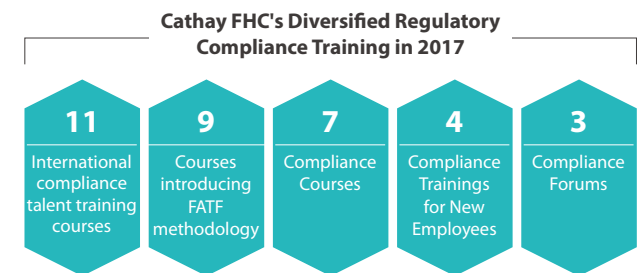
personnel, shall remain confidential and protected to prevent unfair treatment or revenge.

Cathay FHC has already begun strengthening current whistleblowing mechanisms in coordination with the amendment to articles of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" at the end of 2017. Furthermore, we revised current mechanisms and standards based on the group-wide management, so that we can handle internal misconduct more immediately and effectively. This strengthens the group's culture of transparency and impartiality. We expect to complete planning and adjustments of the whistleblowing mechanisms in 2018.

## Compliance

After establishing the Compliance Department in 2015, Cathay FHC continued to deepen the group's compliance system while striving to elevate the group's compliance culture. We organized training activities to ensure compliance in all aspects of operations, and report to the Board of Directors and Audit Committee semiannually.

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



- We held 11 international compliance talent training courses within the group on topics such as international financial regulatory frameworks and supervision, financial regulation systems and trends in China/Hong Kong/Singapore/Philippines, and FinTech innovation and regulatory sandbox. Lecturers include CPAs and professors from Singapore.
- We organized 9 courses introducing FATF methodology for assessing technical compliance and effectiveness, including guided reading in English, focus review and discussions.
- We offered 7 compliance courses, including topics of APG mutual evaluation, AML/CFT in movies and FinTech.
- We held 4 compliance trainings for new employees.
- We held 3 compliance forums focused on key concerns of regulator in Taiwan and overseas as well as cases in which severe penalties were imposed.

We also invited external consultants to talk about the international developments and trends in anti-corruption and anti-bribery in recent years, thus improving the group's understanding of important issues, developments and trends.

## Effectively Enhancing AML/CFT

In response to global AML/CFT trends and Taiwan's upcoming APG mutual evaluation in 2018, Cathay FHC adopted a risk-based approach to strengthening its AML/CFT system in accordance with the Group's pace of overseas expansion and aligning the Group's AML/CFT practices with international standards.

Subsidiaries began establishing dedicated units and committees in 2015, and convened 9 liaison meetings within the group in 2017 to discuss important issues. Numerous working groups have been established to optimize AML/CFT risk assessment methodology and policy, provide assistance to overseas projects, establish the group's internal information sharing mechanism, examine the validity of external databases, and continue to enhance monitoring system. Additionally, for the purpose of developing and promoting compliance culture through a top-down approach, achieving better effectiveness of AML/CFT enhancement, and reinforcing the consensus and recognition for AML/CFT among all employees, Cathay FHC arranged AML/CFT training for directors, supervisors, and senior executives within the group, offered diverse training courses,

provided the latest updates on laws and regulations, periodically propagandized and reviewed the concepts of the hot issues from the momentous incidents and news.

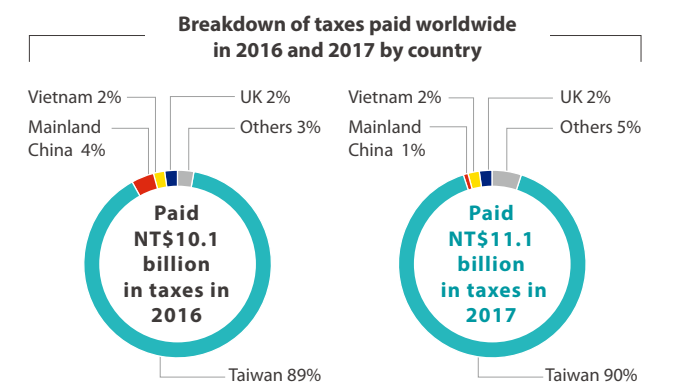
## Implementing Tax Governance

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

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

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

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





# Intellectual Capital

## 2

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



### The first Sustainability PE Fund

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



### Support the green bond

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



### Improve carbon disclosure

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



### The first whole-life micro insurance

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



### Increase financial inclusion in Cambodia

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



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

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



### Receive the first ESG investment mandate in Taiwan

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



### First Social Enterprise Preferential Loan Projects

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

#### Capital at risk and opportunities

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

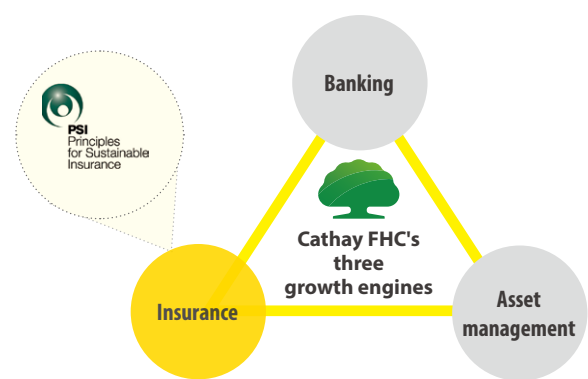
Climate change and population structure change pose the greatest global risks, forcing industries to face the ensuing environmental impact and the shifting needs of society. Financial products and services are an integral part of daily life. The World Energy Outlook 2017 issued by the International Energy Agency pointed out that renewable energy will account for 40% of global power generation in 2040, while the World Bank Group(WBG) established the goal of Universal Financial Access by 2020 (UFA2020) in hopes that an additional 1 billion people around the world will have the opportunity to enjoy financial services by the year 2020: FinTech has engendered social trends in the digital era, and customers have changed their behavior after using digital financial services. Cathay FHC's primary mission when developing financial products and services is to gain insight into risks, follow trends, and seize opportunities.



## Leader in Sustainable Finance

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

### Principles for Sustainable Insurance (PSI)



<p><b>The First</b></p> <p>The first life insurance company in Taiwan self-complies with PSI</p>	<p><b>The Only</b></p> <p>Cathay Life issued the first PSI Disclosure Report assured by third party verification in Asia</p>	<p><b>Comprehensive</b></p> <p>Incorporating ESG factors into the internal operating process</p>
--	--	--

### Reviewing ESG issues regularly by dedicated team

Cathay Life and Cathay Century Insurance announced their self-compliance with the Principles for Sustainable Insurance (PSI) in 2016 and 2017 respectively. Cathay Life is the first life insurance company in Taiwan self-complying with the PSI. The CS teams formed by these two companies are the key units to implement PSI and incorporate environmental, social and governance (ESG) elements into the decision-making and operating process, including insurance products design, underwriting, claims, investment, risk management, working environment, and local community engagements. Furthermore, the CS team is also responsible for integrating Cathay FHC's CS strategy and consists of six working groups, including responsible investment, sustainable governance, responsible products and services, employee happiness, green operation, and social prosperity. The CS team meets on a quarterly basis and senior managements oversee the implantation progress. Cathay Life reports its PSI implementation progress to the Board semi-annually.

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

Cathay Life and Cathay Century integrate ESG into key operating processes, such as employee hiring, product development, sales and promotion, claims, and investment management.

- Cathay Life reviews 100% of our new products. To improve policy holders' retirement life quality, Cathay Life designs the policies for the elderly, and enables the policy holders who meets certain criteria having the rights to shift life insurance policies to annuity or healthcare policies. Cathay Life is also the first insurance company in Taiwan offering whole-life micro-insurance, satisfying the general public's need for basic protection with low thresholds, low premiums, and highly flexible product design. Micro insurance is also provided to disadvantaged groups to reinforce the social safety net.
- Cathay Century utilized the core competencies of insurance, specifically loss prevention, reduction, and sharing, to implement

various loss prevention projects in 2017, and incorporated ESG issues into the product development, underwriting, and service processes, such as the enhanced Accident-free Riders Project, providing commercial fire accident insurance and construction insurance to the renewable energy industry (e.g. offshore wind power and solar power), and offering the government disaster relief-linked mango insurance policy.

### PSI Principle 2 & 3: Raising all stakeholders' ESG awareness

Cathay Life and Cathay Century raise ESG awareness among business partners through supplier engagement, and work together with stakeholders, including government agencies, industry associations, academic organizations, and mass media, in the promotion of ESG issues in joint support of sustainable development.

- Cathay Life assists suppliers with the management of ESG issues through the "Supplier CSR Principles" and "Corporate Sustainability Checklist," and by organizing supplier corporate sustainability sharing events. We promote paperless services that encourage customers to participate in ESG practices and improve service efficiency. Moreover, we co-organize anti-drug and environmental protection campaigns in campus from preschool to high schools in collaboration with the K-12 Education Administration of the Ministry of Education.
- Cathay Century takes the commitment of reinsurance companies to corporate sustainability and related measures into consideration. Out of all the insurance companies and reinsurance companies Cathay Century is working with, 21 companies are PSI signatories. Cathay Century furthermore provides members of the general public who ride public bicycles provided by county/city governments and bona fide third parties with protection from the risk of traffic accidents in response to the government's green transportation transition policy. To this end, Cathay Century in 2017 planned the first "national" public bicycle insurance product at the request of the Non-life Insurance Association of the Republic of China.

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

Cathay Life fulfills its corporate social responsibility by providing student group insurance in the 2017 academic year, thereby offering protection to the 3.08 million students enrolled in high schools and under (including preschool) around Taiwan. Cathay Life furthermore worked together with the K-12 Education Administration in organizing an anti-drug stage show tour around Taiwan<sup>Note 1</sup>, as well as energy conservation and carbon reduction lectures<sup>Note 2</sup> to raise students' awareness of sustainability, bringing knowledge and information on new drugs and environmental protection concepts into campuses through vivid and lively interactions.

Note 1: The anti-drug stage show "Braving the Dark Forest Once Again" is performed by Apple Theater, and live recordings are also provided for campus screenings.

Note 2: Energy conservation and carbon reduction lectures are given by professional lecturers from the Society of Wilderness, and environmental protection measures are explained using the APP "Save earth" jointly developed by Cathay Life and Professor Hou Huei-Tse at the National Taiwan University of Science and Technology.

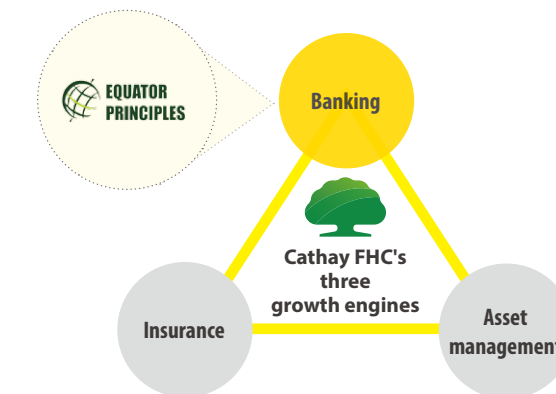
**Cathay Century's Enhanced "Accident-Free Rider" Project**

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

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

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

### Equator principles (EPs)



<p><b>The First</b></p> <p>CUB was the first Equator Principles Financial Institution in Taiwan</p>	<p><b>The First</b></p> <p>CUB completed the first Offshore Wind-Power Financing Project in Taiwan</p>	<p><b>Comprehensive</b></p> <p>Extended EPs and define ESG guideline to all the corporate loans</p>
---	--	---

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

As the leading financial institution in the field of renewable energy in Taiwan, CUB has invested considerable resources over the years into the development and research on green energy themes such as solar power and wind power. CUB adopted the Equator Principles

in 2015 to examine its project financing processes with even higher standards, and became the first Equator Principles Financial Institution in Taiwan.

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

- In accordance with the spirit of the EPs, in cases of refinance and cases traded on the secondary market, review procedures

set forth by "Rules Governing Project Finance under Equator Principles" must apply. Not only do we take into consideration if the borrower fulfills its responsibility towards environmental and social protection, and we engage the customer's external consultant to conduct due diligence when appropriate. We ensure action plans proposed by the external consultant is duly executed, and perform regular monitoring; should the customer show unwillingness to comply, we terminate financing for the project.

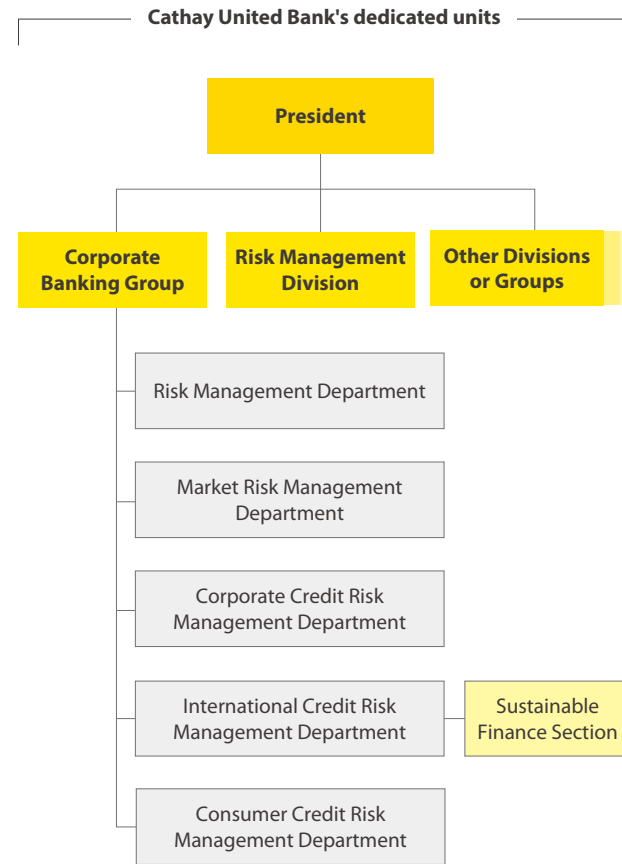
- All CUB loans also comply with the "Rules Governing Sustainable Corporate Loans Adhering to ESG Principles" so that corporate borrowers participate in the practice of environmental and social risk management and adopt approaches compatible with sustainable governance. In doing so, CUB incorporates sustainable risk/emerging risk management in its risk management framework and sets it as the basis for credit reviews, as well as defining the industries ineligible for loan granting. CUB will establish even more detailed "ESG Risk Guidelines" for sensitive industries in 2018, so as to enhance employee awareness and help them identify ESG risks. The guidelines list key ESG issues in all aspects of operations for certain industries, provide employees with a basis for KYC, so that they can assist customers in adopting better ESG practices in their business operations.

**Corporate loan application & review process**



**Training and forming professional teams**

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



**Review and management**

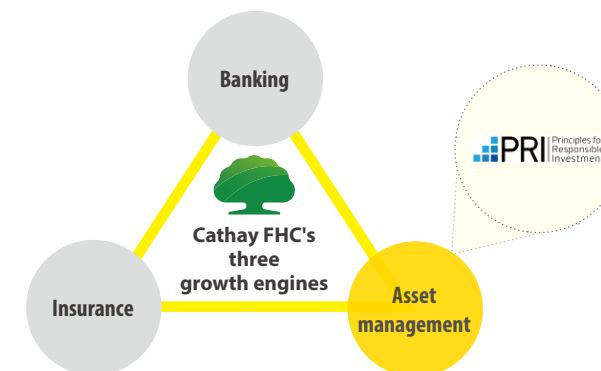
- EPs: 520 cases out of all corporate loan applications in 2017 passed preliminary filtering by the EPs system's screening mechanism. 7 applications met the scope of EPs project financing requirements and proceeded to EP review; of which 2 applications have been terminated and the remaining 5 applications received approval. The 5 applications were categorized in reference to EPs risks classification: 1 project for Category A, 1 project for Category B, and 3 projects for Category C. In 2017, Cathay United Bank undertook two Category C Project Finance cases that have reached financial close according to the Equator Principles as of year end.
- ESG Principles: In the total of 4,393 new credit applications from May to December 2017, of which 207 applications with ESG concerns (e.g. sensitive industry, pollution issues, environmental protection within the group, and management integrity) were subject to approval with the detailed reasons of underwriting/maintaining business relationships. The 3,490 current credit cases were sent for ESG assessment, of which 45 cases having ESG concerns (such as pollution issues, environmental protection within the group, and management integrity) were documented with the detailed reasons of maintaining business relationships and carry on follow-up management. As of the end of 2017, 5 applications with ESG concerns were escalated for further discussion and then rejected.

- 2011**
  - The first in Taiwan to offer solar power financing in 2011; approved loans for over 1,000 power plants since then with cumulative installed capacity of nearly 300MW.
  - Currently is one of the largest bank in Taiwan in terms of solar power financing with over 20% market share.
- 2014**
  - CUB partnered with the Tainan City Government in building the first and largest solar powered community paid for by its residents—the Ren Jian Qing Jing Community in Annan District, Tainan.
  - Continued to introduce world class solar power station facilities in coordination with government policies and to provide assistance in financing plans.
- 2015**
  - Became Taiwan's first Equator Principles Financial Institution.
  - Adjusted lending procedures in compliance with the Equator Principles.
- 2016**
  - Led the first Offshore Wind-Power Financing Project in Taiwan, setting a new milestone and paradigm for green energy.
- 2017**
  - CUB established the "Rules Governing Sustainable Corporate Loans Adhering to ESG Principles" in 2017 to expand the scope of "responsible lending" to all corporate borrowers.

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

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

**Principles for Responsible Investment (PRI)**

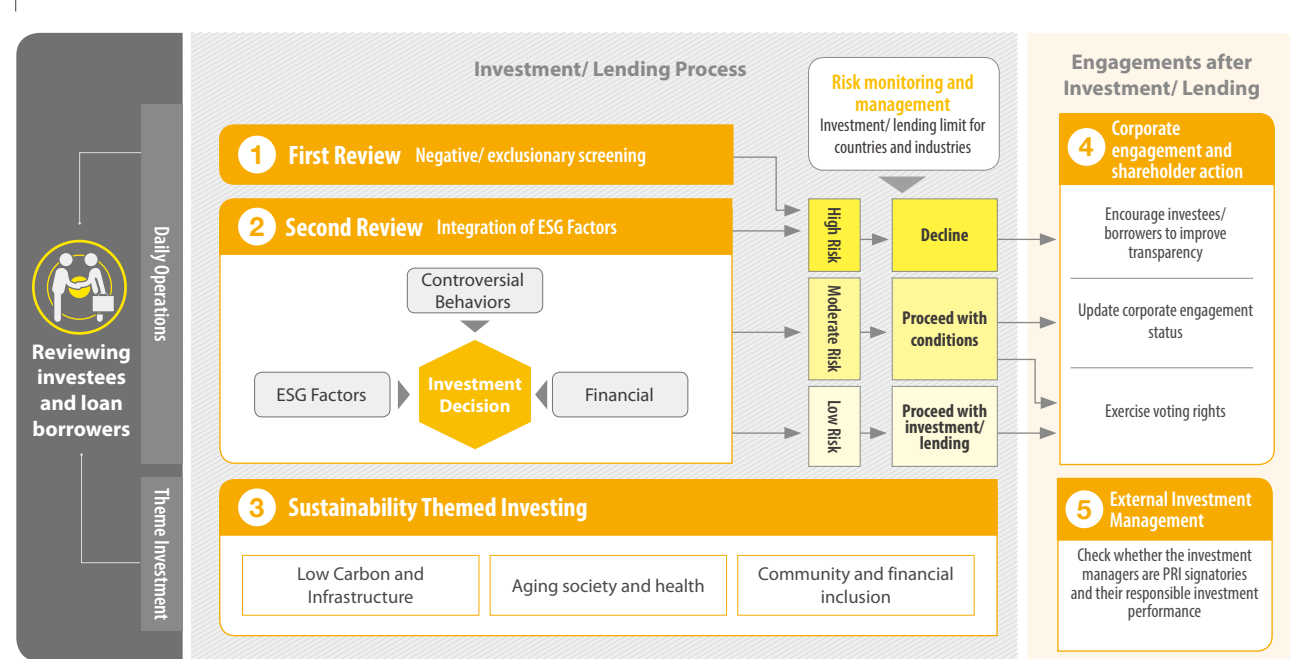


Cathay FHC defined its responsible investment and lending policy by following the PRI, EPs, and Taiwan Stewardship Principles for Institutional Investors. We also formalized the following investment and lending process by integrating the seven approaches of responsible investment defined by GSIA report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

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



The ESG integration flowchart of Cathay FHC's responsible investment and lending



**Negative/Exclusionary Screening**

Cathay FHC defined the group-level "Investment/ Lending Exclusion Policy" in 2017, which includes high risk industries (e.g. controversial weapons) and countries (e.g. countries that severely violate human rights or are sanctioned). The Responsible Investment Working Group reviews the exclusion list regularly. Cathay believes that ESG integration is the best way to provide greater value to investors and the investee companies, and which will drive these companies continuously improve themselves and strive for corporate sustainability. Therefore, we would like to emphasize that Negative/Exclusionary Screening is not our major focus for responsible investment.

**ESG Integration**

Cathay believes that ESG information can create long-term value, and therefore focuses on ESG integration into the investment decisions. The subsidiaries have integrated ESG factors based on their business nature and size of asset under management in accordance with Cathay FHC's responsible investment policy.

**1. Defining ESG integration policies and mechanism:**

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

**2. Robust ESG information system and dedicated ESG task force:**

In addition to procuring a ESG research database, Cathay Life organize the Responsible Investment Task Force, which consists of colleagues from various investment departments in the end of 2016. Members of the Task Force continuously study best responsible investment measures and practices adopted by international benchmark companies and actively engage in exchanges and learning. Furthermore, Cathay Life establishes action plans each year to optimize their ESG integration process. In 2017, Cathay SITE also organized its ESG Task Force Team with representatives from every investment department including Taiwan equity, global equity, fixed-income, and quantitative investment department. With systematic ESG research, investment managers and analysts are able to incorporate ESG factors into their investment decision-making process.

**3. Education and training:**

Cathay continues to carry out internal ESG training to improve our employees' understanding of responsible investment practices. In 2017, Cathay Life provided a total of 513 hours of training to 256 participants; Cathay Century provided a total of 44 hours of training to 42 participants; Cathay SITE organized four sessions of ESG training for the entire company in the fourth quarter, and a total of 247 employees discussed the contents of CSR and feasible plans with lecturers and members in 7 hours of meetings.

**4. Cathay will incorporate ESG integration capabilities into our core competitiveness:**

Cathay SITE's ESG integration efforts are highly recognized. In March 2018, Cathay SITE officially received the Bureau of Labor Funds' first ESG investment mandate in Taiwan, managing assets in the amount of NT\$6 billion; the FTSE4Good TIP Taiwan ESG Index will be used as the benchmark for investment performance.

**Sustainability Themed Investing**

**1. Low-carbon investments:**

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

<p><b>Energy</b> Solar, wind, biomass energy etc.</p>	<p><b>Buildings</b> Green buildings, energy efficiency technologies of products</p>	<p><b>Waste pollution control &amp; carbon sequestration</b></p>
<p><b>Transportation</b> Passenger and freight mode switching and efficiency, mass transit</p>	<p><b>Industry</b> Energy efficiency, non-energy-generated GHG reduction, cleaner production</p>	<p><b>Multi-channel financial measures</b> The business public and private equity with carbon weighting, fixed income and carbon markets or related instruments</p>

**2. Green bonds:**

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

Cathay Securities also underwrote NT\$500 million in 10-year Taipower Green Bonds. It was Taipei Exchange's largest offering of green bonds ever, and will be used to accelerate the development of green energy in the current power generation structure by replacing coal-fired power generation with wind power, solar power, or natural gas, the last of which has lately garnered great public attention.

**3. PE Fund for sustainable industries:**

Cathay Private Equity Co., Ltd was established in 2017 to raise its first Cathay Sustainability PE Fund with maximum fund size of NT\$10billion. It's the first PE Fund in Taiwan that focuses on industries crucial to sustainable development. The professional investment team is supported by the group's resources, and the PE fund's strategy is to set up a limited partnership to professionally manage investment target, in much the same way that such partnerships are used in foreign PE fund structures.

**Cathay Sustainability PE Fund's investment target**

- The government's priority sectors and industries with high barrier to entry
- The corporates have the characteristics of long-term market cycle, counter cycle, and stable investment returns
- Devotion to green environment and CSR

**4. Infrastructure investments:**

Renewable energy and infrastructure is one of Cathay's ESG four focus areas. Besides low carbon investment, we also attach great importance to infrastructure. We hope our investment can boost infrastructure development in different countries, and improve people's life quality. As of the end of 2017, Cathay's investments in infrastructure reached NT\$504.1 billion. Cathay Life has invested in domestic wastewater treatment, and investment amount increased by 39% yoy to NT\$455 million in 2017. Cathay Life also announced that it will be investing NT\$300 million in preferred shares of Taishan Investment and Management Co., Ltd. (accounts for 7.5% of the amount raised) to aid the development of smart cities by investing in IoT and smart machinery. Cathay Life is the first insurance company in Taiwan to announce its investment in the national investment company and has contributed NT\$150 million in the company as of the end of 2017.

**Corporate engagement and shareholder action**

**1. Climate Change:**

Cathay FHC is the pioneer of Taiwanese financial institutions participating in CDP initiative since 2012. Out of all the companies in which Cathay FHC and its subsidiaries have engaged in bond investments or extended loans exceeding NT\$10 billion over the years, nearly 70%-80% are targets of CDP surveys. Cathay FHC therefore began sponsoring CDP activities in Taiwan since 2013 promoting CDP to more Taiwanese companies. Also, Cathay was the only institutional investor in Taiwan participating in the CDP Non-discloser Engagement campaign in 2017. Cathay invited other international investors engaging with the non-responding companies to respond CDP questionnaires. 19% of the companies have responded to CDP questionnaire in 2017. The response rate is higher than 11% of CDP overall response rate.



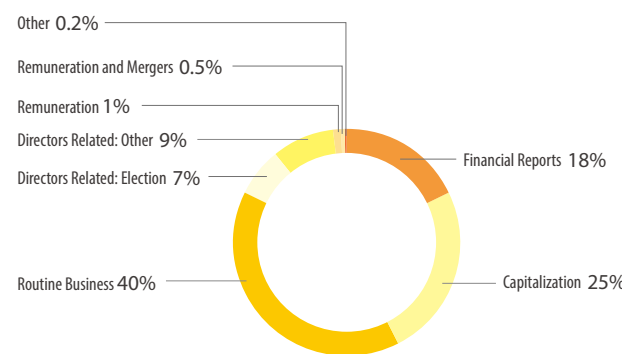


Furthermore, Cathay FHC also organized the “Taiwan Climate Change Roundtable” in November 2017 as COP 23 was unveiled in Germany. The roundtable invited the top managements from Taiwan significant industries to share their opinions on climate change and their climate actions. Over 20 leading industries and institutions in Taiwan attended the event, including the semiconductor, electronics, telecommunications, transportation, marine, and insurance industries, government departments, government funds, and consulting companies. Cathay’s senior executives also showed strong support as Frederick Chien, Chairman of Cathay Charity Foundation, led Lee Chang-Ken, President of Cathay FHC, Shang-Chi Liu, President of Cathay Life, Jeff Chang, Chairman of Cathay SITE, and Andy Chang, President of Cathay SITE in attending the event, demonstrating how greatly Cathay values corporate sustainability.

**2. Taiwan Stewardship Principles for Institutional Investors:**

To exercise the active owners’ responsibility, Cathay Life, Cathay Century, and Cathay SITE have been the signatories of Taiwan Stewardship Principles. The companies have all publicly disclosed their implementation progress in their websites.

In 2017, Cathay Life and Cathay SITE attended a total of 398 shareholders’ meetings and voted on 2,202 proposals. Cathay voted in favor of 2,092 proposals and abstained from voting on 110 proposals as following with the government regulation<sup>Note</sup>. The voting status by proposal type is shown as below:



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

<p>2017 Cathay Life Insurance Stewardship Report</p>	<p>Cathay Century’s Statement of Compliance with the Taiwan Stewardship Principles for Institutional Investors and vote disclosure report</p>	<p>Cathay SITE’s Disclosure of Compliance with the Taiwan Stewardship Principles for Institutional Investors</p>
--	---	--

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

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

**External Investment Management**

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

**Pioneer in Green Finance**

<p><b>Pioneer in Renewable Energy</b></p> <p>One of the largest solar power station financing banks; completed the first Offshore Wind Power Financing Project</p>	<p><b>Pioneer in Offshore Wind Power Insurance</b></p> <p>First property insurance company in Taiwan to offer offshore wind turbine insurance</p>	<p><b>Pioneer in Green Transportation</b></p> <p>Launched the first green vehicle insurance and bicycle insurance</p>	<p><b>Pioneer in Sustainability Funds</b></p> <p>Issued the first sustainable development PE fund</p>	<p><b>Pioneer in Industry Guidance</b></p> <p>Provided guidance to environmentally-friendly and green energy industries</p>
--	---	---	---	---

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

<p><b>Supporting Green Energy Development</b></p> <ul style="list-style-type: none"> <li>Solar power station financing</li> <li>Offshore wind-power financing project</li> <li>Renewable energy construction insurance</li> </ul>		<p><b>Linking Customers’ Power</b></p> <ul style="list-style-type: none"> <li>Sustainable development PE fund</li> <li>Green bonds issuance</li> </ul>	
<p><b>Supporting Green Transportation Transition</b></p> <ul style="list-style-type: none"> <li>Public transportation construction insurance</li> <li>Green vehicle insurance</li> <li>Bicycle insurance</li> </ul>		<p><b>Supporting Promising Green Startups</b></p> <ul style="list-style-type: none"> <li>Assisting environmentally-friendly and green energy industries in TWSE/TPEx listing</li> </ul>	

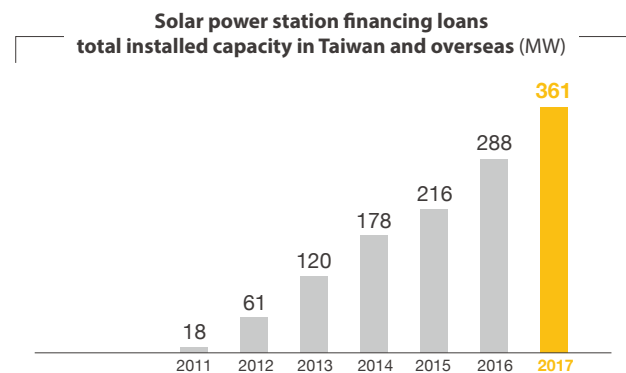


## Supporting Green Energy Development

### CUB is one of the top providers of financing to solar energy projects in Taiwan

CUB has always been a pioneer in green finance and a supporter of environmental sustainability. CUB began engaging in solar power station financing in 2011 ahead of all industry peers. CUB coordinated its resources and established a research team to develop a model that acts as the financing evaluation benchmark. CUB has grown to become one of the top providers of financing to solar energy projects in Taiwan.

At the end of 2017, CUB financed a total installed capacity of 361 MW at home and overseas, including 1,502 solar power stations with 318.5 MW in Taiwan and has over 20% market share. The installed capacity of these domestic and overseas power stations generated nearly 450 million kWh of clean energy a year, equivalent to the supply of 124,000 households. The solar power generated by these stations reduced CO<sub>2</sub> emissions by 238,260 metric tons, which is equivalent to the carbon reduction effect of 612 Da'an Forest Parks.



Note 1: According to the Industrial Technology Research Institute, solar energy equipment in Taiwan generates somewhere between 1,000 kWh and 1,500 kWh per kW of capacity; numbers were calculated using the average of 1,250 kWh produced per kW; according to the household electricity consumption volume announced by Taiwan Power Company in 2016, the average monthly electricity consumption per household is 303 kWh.

Note 2: According to the electricity emission factor announced by the Bureau of Energy in 2015, approximately 0.528 kg of CO<sub>2</sub> is emitted per kWh. Calculated based on MOEA Bureau of Energy data which indicates that Da'an Forest Park absorbed 389 metric tons of CO<sub>2</sub> in 2011.

### CUB Financing Taiwan's First Offshore Wind Farm

CUB's Project Finance & Advisory (PF&A) Department was established in 2015 as the first specialized Project Finance team in Taiwan. The PF&A Department brings together international project finance experts combined with extensive local knowledge to service our customers throughout CUB's network in Asia. Formosa I Offshore wind Project marks an important milestone for the development of renewable energy in Taiwan as the 1st pilot offshore wind farm project in the country and it is also the 1st Equator Principle compliant project in Taiwan. The entire project consists of 2 phases, with the aim to construct 32 turbines in total. Phase I consist of constructing 2 turbines with a capacity of 8MW in total and was financed in May 2016. Phase II construction includes 30 turbines with a total capacity of 128MW and its financing is expected to close in 2018.

The 2 turbines of phase I are estimated to provide 28 million kWh of clean green energy each year, reducing CO<sub>2</sub> emission by about 14,800 metric tons, which is equivalent to the carbon absorption of

38 Da'an Forest Parks. The wind turbines serve as a demonstration site for the future construction of a 5.5GW offshore wind farm.

Note: According to Energy Numbers statistics (<http://energynumbers.info/>) on countries with offshore wind farms, Denmark, Germany, and the UK have each established major offshore wind farms, and the capacity factors of the three countries are 47.4%, 41.6%, and 44.13%, respectively. Power generation is calculated using a capacity factor of 35%-40% and the formula "actual power generation = installed capacity x capacity factor."



CUB assisted Formosa Wind Power, a Swancor subsidiary, with the construction of two offshore wind turbines, located off the coast of Miaoli with a total installed capacity of 8MW.

### Target Southeast Asia's market for a sustainable green energy future

As Indonesia's geothermal power plants increase capacity each year, the Ministry of Energy and Mineral Resources expects Indonesia to become the world's largest producer of geothermal energy by 2021. However, the greatest difficulty associated with geothermal power plants is the high cost of construction.

CUB currently has the most extensive footprint in the ASEAN countries among all privately-owned banks in Taiwan. CUB served as the MLA and Bookrunner for the refinancing transaction of Indonesia's geothermal power plant (Star Energy) in 2017. The total installed capacity of 227MW of the geothermal power plant made it the largest syndicated loan in Indonesia that year and has won numerous international awards. This was an important milestone on CUB's path of promoting renewable energy.

CUB will continue to expand its project finance business in target markets, such as (i) solar and hydro projects in Myanmar and Laos; and (ii) hydro projects in Indonesia. CUB targets to take a lead MLA role together with other international PF players in renewable transactions and become a recognized project finance bank in the region.

### Integrating group resources, Cathay Century provides support through offshore wind turbine construction insurance

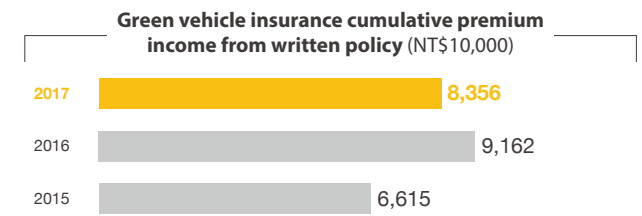
Cathay Century provides construction insurance products suitable for the green energy industry, and has been undertaking construction insurance for hydroelectric power plants and solar power generation equipment since 2010. Because of natural disasters and technical challenge, offshore wind farms entail high construction risks. Cathay Century became the first property insurance company in Taiwan to utilize its risk assessment and loss prevention expertise to provide offshore wind turbine insurance, served as the fronting company for the CUB offshore wind power syndicated loan in 2016. Cathay Century also provided insurance for hydroelectric power plants, solar power stations, and offshore wind farms in the amount of NT\$9.24 billion in 2017.

## Supporting Green Transport Transition

### Cathay Century sees the demand and offers the first ever green vehicle insurance

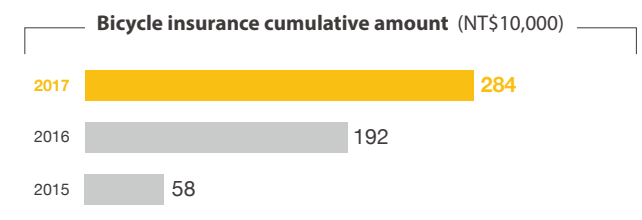
Cathay Century actively offers construction insurance for public transportation systems, providing mass rapid transit and light rail transit systems with protection from the risk of natural disasters and accidents as well as third party liability insurance.

Cathay Century offered the first green vehicle insurance in Taiwan in 2013, and has insured a cumulative total of 18,091 vehicles as of the end of 2017. The insurance was offered in coordination with government initiatives to support the green energy industry, and also aids Taiwan's transportation transition by encouraging drivers to support environmentally-friendly vehicles.



### Cathay Century is the first in the industry to offer bicycle insurance

In 2016, Cathay Century became the first in the industry to implement the bicycle insurance project, providing bicycle riders with much needed, previous available protection. In 2017, the total number of underwritten cases reached 1,244. Cathay Century offered the first Public Bicycle Accident Insurance in Taiwan in 2017 at the request of the Non-life Insurance Association of the Republic of China. The insurance encourages more people to join the ranks of green riders and satisfies the needs of green consumers.



## Linking Customers' Power

### Cathay SITE starts to raise the first sustainable development PE fund in Taiwan

Cathay SITE's subsidiary Cathay Private Equity Co., Ltd. was established in 2017 and is the first company in Taiwan to be approved to establish a PE fund. This first PE fund to be offered in Taiwan will target industries crucial to the nation's sustainable development, e.g. circular economy and green energy technology industries, and is in response to the government's Forward-looking Infrastructure Development Program and 5+2 Emerging Industries Program.

The PE fund's investment strategy is to invest in the circular economy, green energy technology, and other key industries characterized by four major features: long-term investment, stable

return, environmental sustainability, and daily necessity. The actual scope of investments will include water treatment and use and renewable energies such as solar power. The size of the PE fund will be NT\$10 billion.

### Cathay Securities participates in the underwriting syndicate of the largest green bond issuance in Taiwan

The rising awareness of green finance has driven the development of new economic patterns. Taiwan Power Company issued green bonds for the first time in December 2017; at NT\$8.3 billion, it was the largest amount of green bonds to have ever been listed on the Taipei Exchange. The funds raised by the green bonds will be directed toward three types of green investment projects, specifically greenhouse gas reduction, pollution prevention and control, and renewable energy and energy technology development. Taiwan Power Company issued the fourth term of unsecured corporate bonds totaling NT\$14.7 billion in 2017; among them, green bonds amounted to NT\$8.3 billion. Cathay Securities served as the underwriter for NT\$500 million in bonds with a maturity of 10 years.

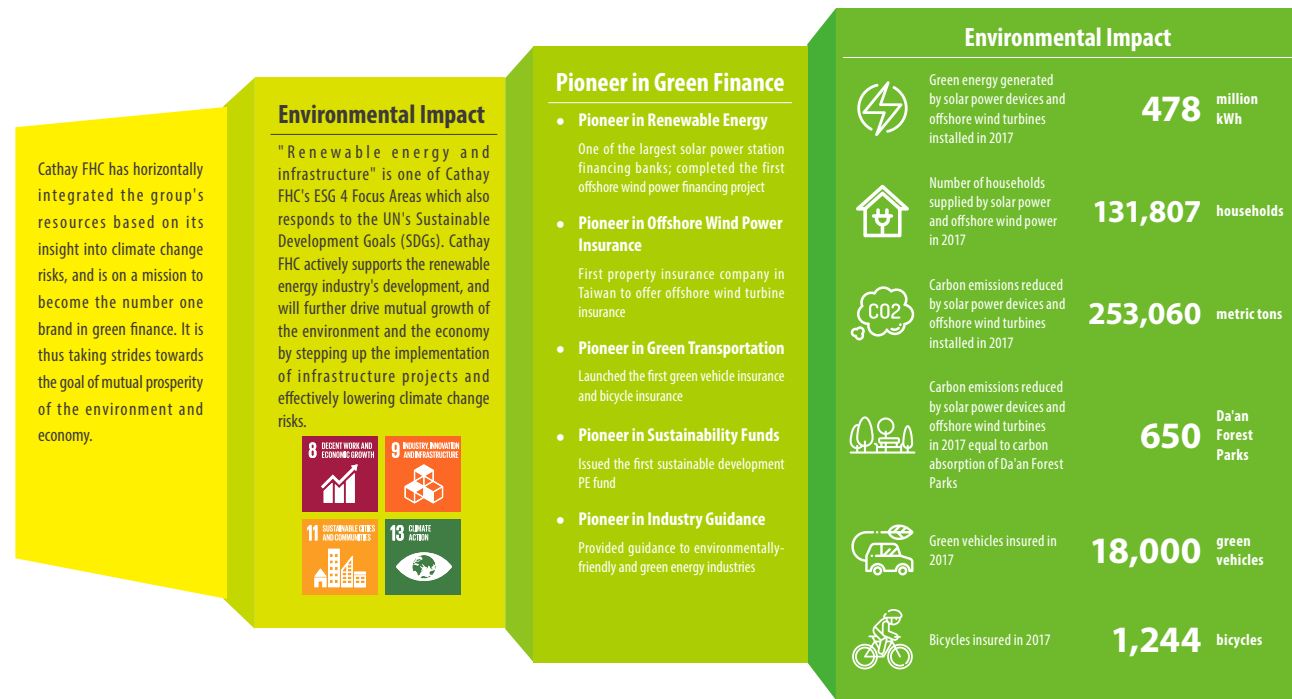
## Supporting Promising Green Startups

### Cathay Securities continuously provides pre-listing consulting to environmentally-friendly and green energy industries enterprises in fund-raising

Cathay Securities actively provides pre-listing consulting to environmentally-friendly and green energy enterprises in fund-raising. Over NT\$700 million was raised in 2015, including for companies that conduct water resource construction and manufacture industrial fluid filtering equipment. Besides providing pre-listing consulting to Anji Technology Co., Ltd., the only company in the energy industry across both photovoltaic modules and power plant operation businesses, Cathay Securities continued its efforts in 2016 by assisting Ever-Clear Environmental Engineering Corporation, which carries out industrial wastewater treatment construction, in fund-raising; the company was successfully registered for trading in the emerging stock market in 2017. Cathay Securities assisted Jetbest Corporation, a world famous OEM of environmentally friendly ink, in its listing on the Taipei Exchange in September 2017. JetBest Corporation supplies to over 80 countries and has over 50% market share in Brazil; its exclusive environmentally friendly ink has an important position in emerging countries. For years Cathay Securities has contributed to helping the green environmental engineering industry access the capital markets.



JetBest Corporation was listed on Taipei Exchange at NT\$55.2 per share and Cathay Securities was the lead underwriter.



## Strongest Supporter of Inclusive Finance



Taiwan's society is constantly under the impact of the widening gap between different age groups and their economic conditions. Cathay FHC realizes the ideal of inclusive finance by responding to current and potential risks of society with a variety of products and services, which it provides in accordance with its mission to create a strong insurance safety net for society.



## Responding to Aging Society and Health Risks

### Diverse products protect elderly health and ensure a life of security and happiness

The Asia Pacific Risk Center pointed out that Asia's population is aging at the fastest rate in the world. On this aging trend, Taiwan will transition from an aged society to a hyper-aged society in eight years. Taiwan will become the world's "oldest" country by 2050. The economic pressure and healthcare demands from the rapid increase of the elderly population will become a potential social issue in the future.

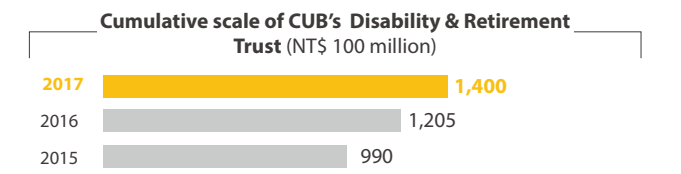
In accordance with its people-oriented business philosophy, Cathay Life actively addresses the social risks of the elderly by providing diversified insurance products to resolve possible problems in later years. In responding to the aging issue, Cathay Life launched 9 new insurance products in 2017 and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

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

According to the latest listing of the ten leading causes of death announced by the Ministry of Health and Welfare in 2015, cancer continued to be the leading cause of death for the 34th consecutive year. In light of this national health risk, Cathay Century utilized its insight into the urgent need of cancer patients for targeted therapy in the development of an innovative product - "Cathay Century Targeted Cancer Therapy Insurance for First Time Cancer Patients." The insurance product provides a lump-sum payout for targeted cancer therapy policy holders diagnosed with cancer for the first time, giving cancer patients the option of choosing to undergo the most effective form of treatment.

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

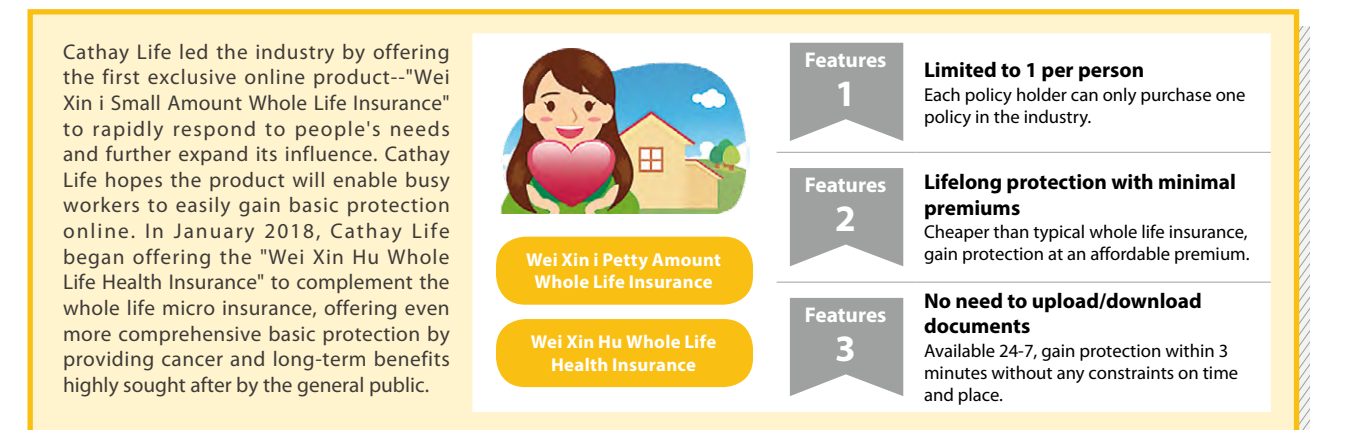
The Trust Department of CUB has always performed professionally in responding to social risks in an innovative way. CUB launched the Disability & Retirement Trust in 2016 to protect the elderly and people with disabilities. The trust allows people to entrust different types of property, and ensures that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



## Integrating group resources, extending care through the Insurance Benefits Trust

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

CUB has accumulated a wealth of experience over the years by closely attending to what customers need, whether it be children's protection trusts, equity planning trusts, inheritance trusts, or insurance benefits trust. CUB provides professional consulting on demand and has helped multitudes of customers make plans in advance, distribute their resources, and carry on their fatherly or motherly love and care.





**Actively helping enterprises engaging in long-term and elderly care raise funds in the capital**

Cathay Securities endeavors to satisfy funding requirements that support the elderly care industry. Cathay Securities successfully assisted MedFirst Healthcare Services Inc. to become listed on the Taipei Exchange in 2014, injecting new energy into the long-term care industry through accessing the capital markets. As the company continued to expand its business and improve its service quality, Cathay Securities again in 2017 assisted the company to raise funds in the capital markets amounting to approximately NT\$320 million. In the future, Cathay Securities will continue contributing to the aging society and elderly care industry by actively supporting enterprises engaging in long-term and elderly care.

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



CUB employees lead students to branches for field surveys and attempt to find the greatest pain points of the elderly when accessing financial services.

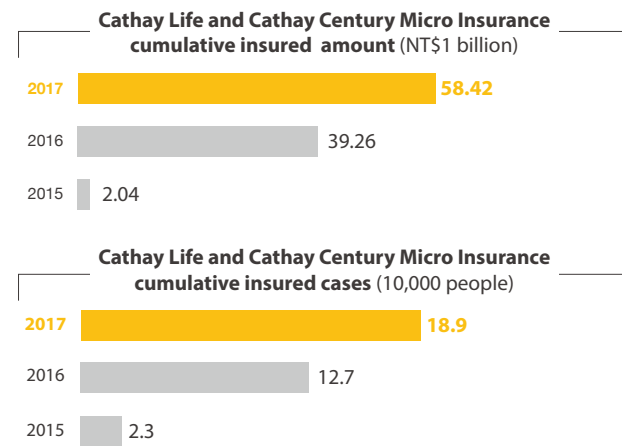
**Extending Financial Inclusion**

**Cathay Life and Cathay Century take care of the economically disadvantaged through Micro Insurance**

Cathay Life currently offers five Micro Insurance products that apply to both individual and group insurance. The insurance products cover accident death, accident disability, accident hospitalization, and life insurance. As of the end of 2017, Cathay Life has provided cumulative insured amount of NT\$46.02 billion, enabling 148,000 disadvantaged citizens to gain basic protection and services with a limited budget. Cathay Life has offered instant economic support for 322 disadvantaged families.

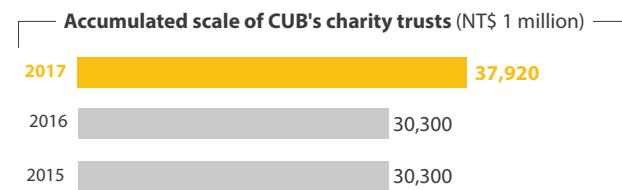
Cathay Century offers Micro Group Insurance to enhance the basic protection of the economically disadvantaged or those with special needs in the event of death, disability and injury, thereby fulfilling its corporate social responsibility as an insurance provider. As of the end

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

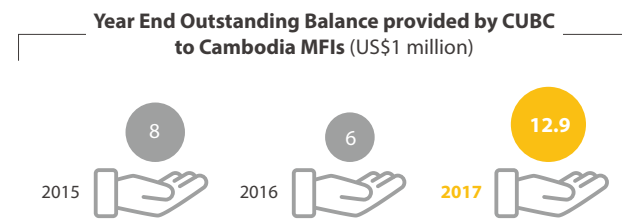


**CUB ensures donations are used for those in need through Charity Trust**

The scale of CUB's Charity Trust, at a total of NT\$37.92 billion, was the largest in the industry as of the end of 2017. The bank has helped several founders and owners of companies listed on TWSE/TPEx and successful individuals in society to establish trusts for the purposes of charity, education, and children's welfare in hopes of enhancing the transparency of charitable donations and ensuring that the donated funds are truly used for those in need.



**CUB Cambodia (CUBC) providing finance to local MFIs**

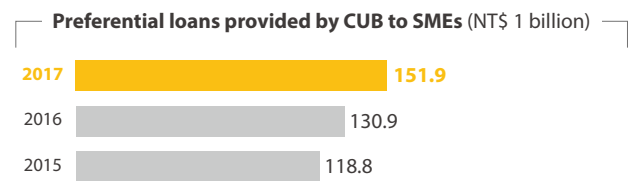


The Cambodian people are generally suspicious of financial institutions. Locals are highly dependent on the MFIs in their area for loans. Statistics of the National Bank of Cambodia show that Cambodia had 64 MFIs at the end of 2016, an increase of 60% from 2014. Cambodia Microfinance Association (CMA) had an outstanding balance of US\$228.5 billion at the end of 2016; these funds are distributed among as many as 1.78 million different accounts and circulated in the MFI system. CUBC provides finance to Cambodia's MFIs to promote the development of inclusive finance, and has approved loans to two MFIs by the end of 2017 with an outstanding balance of US\$12.9 million.

**Expanding Influence**

**CUB instills new energy into the development of social enterprises in Taiwan through preferential loans**

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



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



CUB led the industry by providing preferential loans to social enterprises, and has approved loans to 4 social enterprises up to the end of 2017.

**Cathay Century provides farmers with basic protection from disaster losses through Mango Crop Insurance**

Cathay Century formally began offering Mango Crop Insurance (linked to government disaster relief funds) in November 2016 in light of disasters caused by cold fronts, high temperatures, drought, and torrential rain in recent years due to global climate change. Cathay Century is the only insurance company to provide mango farmers with basic protection. Cathay Century began offering Mango

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

**Government disaster relief-linked insurance**

The insurance is linked to government relief programs for natural disasters and does not require on-site inspection of damages. Insurance premiums for the current year directly reflect records of losses in the previous year with reductions of up to 20%, allowing fruit farmers to gain the same protection as the previous year at a lower premium.

**Regional harvest insurance**

Policy holders will be eligible for claims when the actual harvest announced by the government is lower than the guaranteed harvest. The claims process is simple and fast as inspections of individual losses are not required, providing farmers with greater flexibility when taking out an insurance policy.

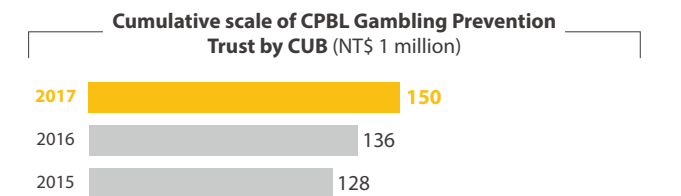
**Filling in Gaps in the Social System**

**Cathay Life provides protection for students around Taiwan through Student Group Insurance**

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

**CUB has become the strongest supporter of professional baseball players through the CPBL Gambling Prevention Trust**

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



**Social Impact**

"Aging society and health" and "Community and financial inclusion" are among Cathay FHC's ESG 4 Focus Areas which also respond to the UN's SDGs. Cathay FHC actively provides the most suitable financial products and services to different groups, and is actively responding to changes in social structure to achieve financial inclusion.

**Strongest Supporter of Inclusive Finance**

- Best Supporter of the Elderly**  
Comprehensive elderly health and affordable care insurances and trust mechanisms
- Best Supporter of the Disadvantaged**  
The largest micro insurance provider in terms of market share
- Best Supporter of Social Enterprises**  
The first in the industry to provide preferential loans for social enterprise enterprise
- Best Supporter of Mango Farmers**  
The only insurance company in the industry to provide mango farmers with basic protection
- Best Supporter of Students**  
The only company to provide Student Group Insurance to fulfill its commitment to society

**Social Impact**

- Protection provided through small amount whole life insurances in 2017: **160,000** cases
- Protection provided through Disability & Retirement Trust in 2017: **314** cases
- Protection provided through micro insurances in 2017: **322** disadvantaged households
- Preferential loans for social enterprises provided in 2017: **4** social enterprises
- Protection provided through mango crop insurance till 2017: **155** mango farmers
- Protection provided through student group insurance in 2017: **308** students
- Protection provided through the CPBL Gambling Prevention Trust in 2017: **234** professional baseball players

## New perspectives in Digital Finance

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

### Cathay FHC takes the lead in digital prospects

**2013** Cathay Life became the largest mobile service team in Taiwan by offering mobile insurance

**2014** CUB established the Digital Banking Department

**2015** CUB launches KOKO digital bank

**2015** Cathay Life established the Customer Relationship Management Department

**2016** Cathay FHC established the Digital, Data & Technology Center

**2016** Cathay Life developed "Scientific customer management model Cathay Box - Customer View"

**2016** Cathay FHC saw the trend and was the first financial holding company in Taiwan to access the Silicon Valley market. We are also the first financial institution in Taiwan to join the world famous accelerator Plug and Play.

**2016** Cathay FHC joined Plug and Play

**2017** Cathay Securities established a digital branch

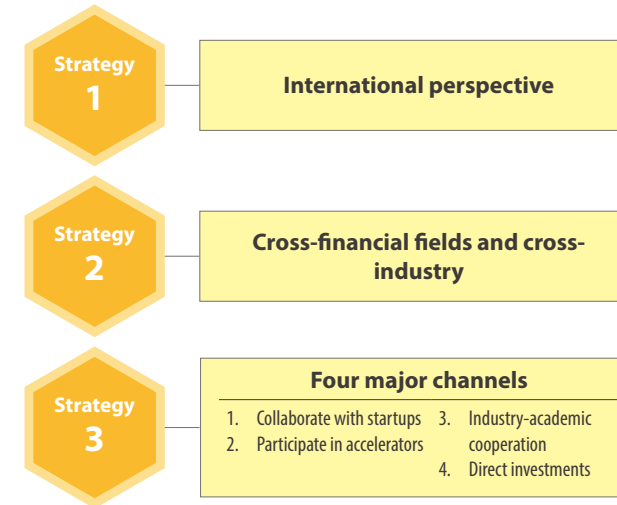
**2018** CUB launches Cathay Robo

**Awards:** Cathay Life won the bronze medal of the 2017 Future Commerce Awards - Best Business Model for "Scientific customer management model Cathay Box - Customer View," and was the only company in the life insurance industry to win the award.

**Team:** The Center has the largest, most complete team of professionals in the widest variety of fields in Taiwan. The team, which was established two years ago and focuses on innovative FinTech applications, such as data analysis, artificial intelligence, and mobile payment, currently has 180 members, over half of whom come from non-financial backgrounds.

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

### Cathay FHC's digital development strategy



Cathay FHC has innovated its business model through the strategy of "simultaneously developing multiple channels, moving steadily forward, integrating group resources, and continuing to improve the big data ecosystem," and continues to explore the unlimited possibilities of financial services. Besides providing customers with a convenient financial experience through comprehensive mobile services, Cathay FHC's Digital, Data & Technology Center (DDT) has extended its reach into all parts of Southeast Asia in the two years since it was established, and is actively increasing the accessibility of financial services. DDT horizontally integrates the group's digital developments. Cathay FHC aims to build meaningful connections with customers utilizing its information integration abilities and data analysis and development, thus becoming the best financial navigator for customers. Cathay FHC is moreover committed to providing friendlier financial scenarios and services, and will continue to offer personalized financial services by engaging in customer digital activity analysis, digital procedure optimization, and digital channel development. It is our mission to actively learn what customers need and use data to drive our decisions.

### Cathay Robo improves the customer experience

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

Cathay FHC integrated the group's resources worldwide, including the wealth of professional investment experience possessed by CUB's investment research team, product team, Cathay SITE and Conning Holdings Corporation and the artificial intelligence algorithms developed by Hong Kong startup Quantifeed, in creating

a world class research team. Cathay FHC aims to use the most rigorous algorithms and its world class investment services to help all customers progress steadily toward achieving their financial management goals at each stage of life.



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

### The most heartwarming digital financial service--CUBC Payroll 1.0 salary transfer

A study by the Asian Development Bank (ADB) pointed out that the demand for payments and transfers in 2017 in Cambodia was estimated at US\$8.3 billion, but transactions through formal financial channels was only US\$3.3 billion, a significant gap of US\$5.4 billion.

Payment service, the basic function related to all transactions, is the most important service linked to Cambodian's daily lives. CUBC decided to work with major local payment providers and became the first bank in Cambodia to work with payment service providers in providing salary transfer services. CUBC is connected to the payrolls of factories, and helps factory workers collect their salaries from the offline payment agents CUBC works with as part of its cash flow services. Local workers can collect their salaries from any offline agent that provides the service, which is not only convenient, but also prevents the risk of being robbed when carrying large amounts of cash on payday. Factories can save the trouble of issuing large amounts of cash each month, and also avoid the risk of miscalculating salaries.

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

### Cathay Life builds the industry's leading brand in mobile services






Cathay Life actively predicts the needs of customers in different life stages. In 2017, Cathay Life won both the Best Insurer: Technology Award and the Asia Insurance Industry Awards (AIIA) - Best Digital Insurance Company, again bringing honor to our nation by being the only Taiwanese insurance company to win these awards.

Cathay Life formed a financial insurance patent team and became the first insurance company in Taiwan to obtain a mobile insurance



invention patent in 2014. Cathay Life obtained 43 insurance technology patents by the end of 2017, and led the industry by offering numerous new intelligent services, which allows our customers to have a comprehensive experience and best represents the value of innovation.

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

 <p>Mobile Insurance utilization</p>	<p>The intelligent underwriting mechanism shortens the process from 3 days to 10 minutes. Utilization of mobile insurance in 2017 was the highest in the industry.</p> <p><b>98%</b></p>
 <p>Mobile Claims utilization</p>	<p>The mobile claims APP simplifies the process by reducing the number of required signatures to 1 only. Applications can be completed in just 15 minutes by unique application mechanisms, such as uploaded photo for application and automatic claims approval.</p> <p><b>94%</b></p>
 <p>Papers saved due to Mobile Premium Payment</p>	<p>By integrating the account that policyholder has previously authorized Cathay Life to request payment from and for which payments have been approved by banks, policyholders can complete authorization by signing their name on a tablet simply.</p> <p><b>2850 thousand</b></p>
 <p>Mobile Policyholder Service utilization</p>	<p>Policy holders can apply for mobile policyholder services with salespeople at home, which would be double confirmed by One-Time-Password (OTP) and text message.</p> <p><b>91%</b></p>
 <p>Electronic insurance policies</p>	<p>Without any other electronic download or devices, electronic policies are mailed to the policyholder's mailbox after underwriting, which can significantly save time and prevent the awkward situation of being unable to find insurance policies.</p> <p><b>360 thousand</b></p>

### CUB makes digital finance an integral part of daily life

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

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

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



CUB was among the first grove of banks to support Apple Pay.

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

#### My Rewards

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

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



The reward point donation function of My Rewards connects the boundless love of people who care.

#### KOKO APP

CUB created a new brand KOKO to meet the needs of the younger generations, and to provide customers with the most convenient financial services. The KOKO APP frees customers from the constraints of time and place through simple application procedures. As of the end of 2017, over 29,000 users had opened accounts on the KOKO APP. CUB furthermore launched the KOKO COMBO icash co-branded card in 2017, integrating the KOKO account debit card, credit card, and icash into one single card. Application for the card is completely carried out online through the innovative one-stop financial service, allowing the younger generation to take the first step in financial management with ease and convenience.

#### Smart Go APP

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

#### Open Account APP

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

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



Cathay Securities' Dunnan Branch uses an all new digital business model to remove constraints of personnel, time, and place and to maximize performance.

#### My MobiFund APP

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



# Human Capital

3

- 46 Employee Structure
- 46 Attracting Talents
- 47 Employee Learning and Development
- 50 Employee Retention
- 53 Healthy Workplace
- 54 Innovation and Diversity



**53%**

53% of Cathay's managers are female



**4.2**

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



**143 hours**

Training per employee reached 143 hours



**ROI reached 47**

ROI from AG 2.0 training reached 47

### Capital at risk and opportunities

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

Cathay is actively recruiting FinTech talents and training management associates with high potential with consideration to international trends in the industry, regional development, and the company's business strategy, so that employees will identify with its business philosophy. Cathay moreover provides a work place for employees from diverse backgrounds to grow and develop, thereby facilitating the company's expansion into new markets.



## Employee Structure

Cathay FHC had 44,445 full-time employees in 2017; 197 office staff were part-time employees, accounting for 0.44% of all employees. Furthermore, Cathay FHC employs 445 disabled persons; the group's average appointment rate of 1.00% has reached the legal standard. Cathay prioritizes local employment in main operation sites, 99.5% of employees in Taiwan are locally hired.

	Distribution						Total
	Taiwan			Overseas			
	Female	Male	Total	Female	Male	Total	
<b>Manager</b>	2,534	2,150	4,684	6	60	66	4,750
<b>General Staff</b>	28,977	10,571	39,548	33	114	147	39,695
<b>Total</b>	31,511	12,721	44,232	39	174	213	44,445

Note 1: Only FTEs are included in above statistics.

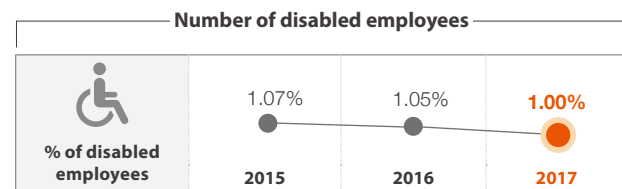
Note 2: Other non-FTEs are 197 part-time office staff; 0 temporary workers; 160 interns; 13 hourly employees; 24 contractor personnels.

	Gender/age						Total
	Female			Male			
	Age 30 and below	31-49	Age 50 and above	Age 30 and below	31-49	Age 50 and above	
<b>Manager</b>	81	1,222	1,237	117	1,338	755	4,750
<b>General Staff</b>	4,955	14,956	9,099	3,412	5,938	1,335	39,695
<b>Total</b>	5,036	16,178	10,336	3,529	7,276	2,090	44,445

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

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

Note 3: Only FTEs are included in Number of employees by gender/age.



Category	Value
<b>Gender</b>	
Female	1,248
Male	908
<b>Age</b>	
Age 30 and below	1,512
31-49	622
Age 50 and above	22
<b>New Employee %</b>	12.81%
<b>Total</b>	2,156

Note 1: Sales agents and marketing specialists are excluded from new employee statistics due to their special characteristics.

Note 2: Take new employee of sales agents and marketing specialists into account, total number are 7,086 people, New Employee percentage is 15.94%.

Note 3: Only FTEs are included in New Employee Statistics, part-time employees are not included due to information collection difficulties.

## Attracting Talents

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

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

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



Figure: Cathay FHC and subsidiaries implement the IT's Time IT Talent Recruitment Program to jointly recruit IT talent.

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

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

## Cathay Internship Program (CIP)

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

Project features are as follows:

<b>Project-based research</b>	Interns carry out project-based research in coordination with the departments' annual business development plans and present results at the end of their internship.
<b>Personal mentor</b>	Department personnel serve as mentors to help interns adapt and provide guidance in their research projects.
<b>Participation in department operations</b>	Interns participate in the department's daily operations to gain an in-depth understanding of the company's business, and apply what they have learned at work.
<b>Developing a sense of social responsibility</b>	Students participate in charity and environmental protection activities that help them develop a sense of responsibility and gratitude and understand the true meaning of social responsibility.
<b>Combining work with pleasure</b>	A variety of "soft" courses or activities provide physical and mental relaxation in the midst of busy work schedules and facilitate interactions and exchanges (e.g. elite camp, dialogue with senior executives, wine tasting, and golf lessons).
<b>Priority for employment</b>	Students that have performed outstandingly are given priority for employment after graduation.

Year	2015	2016	2017
<b>Number of applicants</b>	1,185	1,659	1,587
<b>Number of admissions</b>	89	113	120
<b>Cumulative number of employees recruited</b> <sup>Note 1</sup>	71	106	127
<b>Cumulative reinstatement rate</b> <sup>Note 2</sup>	17.6%	20.5%	20%

Note 1: Cumulative number of employees recruited through CIP.

Note 2: Cumulative reinstatement rate = (Cumulative number of employees recruited through CIP)/Total number of CIP participants.

More information: <https://www.cathaylife.com.tw/bc/web/event/plan99/index.html>

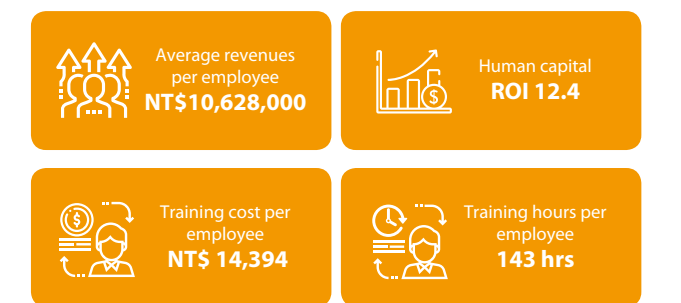
## Employee Learning and Development

Cathay has maintained leadership in the market for over half a century. Cathay implemented Project New Heights, a large-scale organizational change initiative, in 2012 in response to the rapid changes in the financial market and to achieve corporate sustainability. Through the project, we engage in organizational changes that enable us to emulate the advantages of international benchmark companies. We have identified three engines of growth - "Insurance + Banking + Asset Management" - as our core strategy

to become "the leading financial institution in the Asia-Pacific." Cathay established the Cathay Danshui Education Center in 1969 as an exclusive educational institute for Cathay employees, and we have continued to invest considerable resources for establishing CSN (Cathay Super Net) and CAN (Cathay Academy Network) so that we may offer employees an abundance of learning opportunities and resources. In 2017, Cathay's total training spending has reached NT\$640 million.

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

### Key Statistics of Human Capital



### Statistics of Employee Training Hours

		2015	2016	2017
		<b>Total training hours</b>		
	Female	10,213,926	10,004,276	4,786,631
	Male	2,790,284	2,825,942	1,584,024
	Manager	222,391	1,558,509	669,791
	General Staff	12,781,819	11,053,340	5,700,864
	<b>Total</b>	13,004,210	12,830,218	6,370,655
<b>Training hours per person</b>				
	Female	609	321	152
	Male	563	227	123
	Manager	1,120	342	141
	General Staff	590	283	144
	<b>Total</b>	307	294	143
<b>Number of active employees</b>		42,387	43,621	44,445
<b>Training cost per employee</b>		23,710	15,270	14,394

Note 1: Cathay FHC is committed to accommodating the different learning patterns and training needs of each employee. Hence, training hours include 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.

Note 2: In 2017, Cathay Life adjusted how it carried out morning meetings, graded education, and CSN. Some courses were suspended, which resulted in the lower number of training hours.

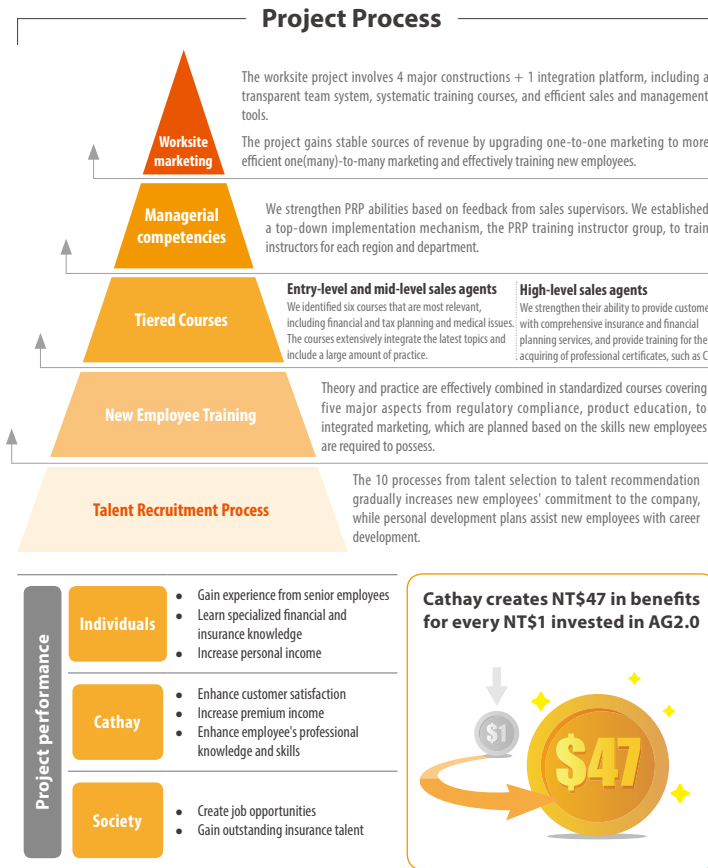
## AG 2.0 Sales Force Transformation Plan

### Project objectives

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

### Project performance

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



## Talent Pool Program

### Project objectives

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

### Project performance

Cathay engages in precisely head hunting, provides comprehensive training, and offers participants with the key knowledge and skills they need to become leaders. We have successfully developed managers of all levels, including specialists in each field, cross-disciplinary talent, and international talent through the Talent Pool Program. Dozens of elite international talents have also been successfully promoted to overseas managerial positions. Participants of the Talent Pool Program receive promotions in a shorter amount of time, and create higher output value and greater contribution than their peers. The program provides higher-paid job opportunities and cultivates international financial talent. Cathay creates NT\$10 in business benefits for every NT\$1 invested in the Talent Pool Program.



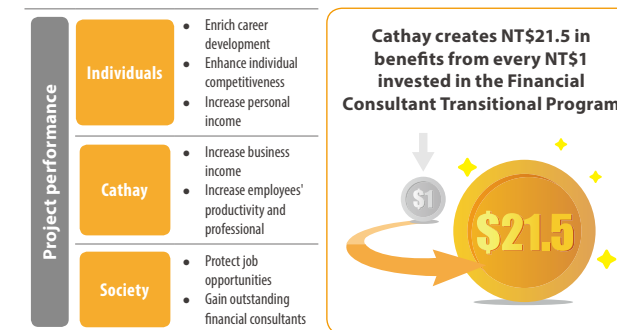
## Financial Consultant Transitional Program

### Project objectives

The Financial Consultant Transitional Program for bank tellers is a CUB training program with great strategic value. Through this two-year training program, CUB helps employees lay the foundation for the financial management business, and lifts the pressure on employees transitioning between jobs by providing a guaranteed bonus and lowering sales volume quota requirement. The program also creates more possibilities for employees' career development.

### Project performance

Successful transition to the new role will not only allow employees to increase their productivity, but also increase their personal income, which will have a positive effect on their family, the organization, and society. On average every NT\$1 invested in financial consultant training for bank tellers can create NT\$21.5 in value.



## Cathay Life's Cathayer to Cathayer Knowledge Acquisition Program

We held the Cathayer to Cathayer Knowledge Acquisition Program in 2017 to extract the wealth of knowledge and experience that employees possess, and to effectively retain and perpetuate these assets within the organization. A total of 118 employees participated in the event to share three categories of knowledge - field-specific knowledge, workplace practices, and personal expertise. We selected 29 employees to participate in the knowledge acquisition workshop, and produced 27 microfilms from the contents for employees to watch and vote on; approximately 2,000 employees watched the microfilms and cast a total of 3,656 votes. This activity allowed us to share knowledge more vividly and rapidly.



## CUB CAN Channel

CUB is committed to creating a friendly environment for learning that helps employees develop their knowledge and competencies. The CAN (Cathay Academy Network) channel was created based on this core concept. Through the channel, we deliver digital audiovisual teaching materials to branches on a weekly basis and provide employees with the right amount of timely and suitable content, thus transforming CUB into an organization that encourages continuous learning.



## Sustainable Talent Development

Cathay provides a variety of sustainability trainings based on different needs of personnel to achieve a deeper understanding of corporate sustainability within the organization.



Deepening our understanding of sustainability

**Sustainability course for new employees**  
The Executive Director of Cathay's Corporate Sustainability Committee personally teaches the course, so that new employees are equipped with knowledge of sustainability concepts on their first day of joining the Cathay family.

**ESG Academy**  
We invite benchmark companies to share their sustainability practices. So far, we have invited HSBC, O'right, and Deloitte to share their practices for green competitiveness, corporate volunteer participation, and regulatory compliance innovation.

**Corporate Sustainability Elite Training Course**  
We have been recommending employees at companies across the Group to attend the Corporate Sustainability Elite Training Course hosted by Taiwan Institute for Sustainable Energy for two consecutive years. Employees learn, in a systematic manner, about sustainability frameworks and issues by rating and observing benchmark companies.

**Sustainability-themed conferences**  
Employees are allowed to participate in various sustainability-themed conferences.

**Corporate Sustainability Committee Meeting**  
We convene quarterly meetings and invite experts and scholars to share the latest trends and best practices within the Group.



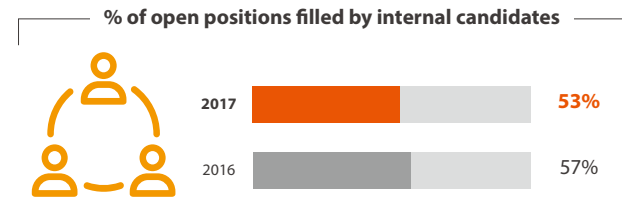
Themes of CS Meeting

- Q1 CS Meeting** New perspectives on low carbon and sustainability
- Q2 CS Meeting** Next generation "energy"
- Q3 CS Meeting** The true value of companies from the capital market's perspective
- Q4 CS Meeting** Redefining and revolutionizing self-supporting care in Taiwan

Job Rotation Mechanism of the Group

Cathay established the "Group Employee Rotation Regulations" and "Talent Exchange and Development Guidelines" to train interdisciplinary leaders and improve communication and understanding between subsidiaries. The regulations and guidelines create a common language and culture for fully utilizing the job rotation mechanism through which we seek to develop a complete array of interdisciplinary talent. Cathay FHC's subsidiaries engage in a diverse variety of financial services including life insurance, banking, property insurance, securities, securities investment trust, venture capital, futures, and investment consulting. We provide cross-department, intercompany rotation opportunities that enable

elite talent to continue undergoing new challenges and developing their interdisciplinary capabilities. In 2017, 53% of open positions were filled by internal candidates, showing the abundance of opportunities within the Group and a culture that encourages employees to embrace challenges and accumulate cross-disciplinary experience.



Individual Performance Appraisal

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

Employee Retention

Valuing human rights

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

Cathay established a human rights risk due diligence process to periodically evaluate the impact of persons of interest and "improve management. The Human Rights Risk Assessment and Management Checklist takes into consideration international human rights frameworks and the company's development strategy. In the process, stakeholders including teams of Cathay FHC's CS Committee, employees, external consultants, experts, and scholars select the issues, and we periodically examine the risk rating of each issue so that high-risk groups can be identified for management.

Issues	Company Status Assessment Method	2016 High Risk Groups (%)	2017 High Risk Groups (%)	Mitigation Actions	
				Policy	Mechanisms
Diversity inclusion and equal opportunity	Number of discrimination cases per year	0%	0%	<ul style="list-style-type: none"> <li>The "Code of Conduct for Employee" specifies care for disadvantaged groups and prohibits discrimination and harassment</li> <li>The "Code of Ethics" provides a work environment with equal employment opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Establish a hotline for reporting discrimination</li> </ul>
Reasonable work hours	Determine high-risk employees by performing mental health and cardiovascular risk assessments for employees working more than 45 hours overtime per month	2%	0.6%	<ul style="list-style-type: none"> <li>The "Code of Conduct for Employee" and Work Rules contains provisions on work hours and extended work hours</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote and implement daily/monthly overtime restrictions</li> <li>Flexible work hours and shift arrangements</li> <li>Implement improvement measures in departments with higher overtime frequency</li> </ul>
Healthy and safe workplace	Screen high-risk employees by assessing results of musculoskeletal injury and illness questionnaires	0.17%	0.19%	<ul style="list-style-type: none"> <li>Establish "Health and Safety Rules"</li> </ul>	<ul style="list-style-type: none"> <li>Periodically implement occupational safety training and education, as well as physical and mental health evaluation and improvement plans</li> <li>Provide Automated External Defibrillators (AED) in the workplace</li> <li>Conduct musculoskeletal risk assessment and improve physical facilities in the workplace</li> </ul>
Freedom of association	Community advocacy rate	0%	0%	<ul style="list-style-type: none"> <li>The "Code of Conduct for Employee" stipulates that employees in the group possess the freedom of association</li> </ul>	<ul style="list-style-type: none"> <li>Encourage employees to join clubs</li> </ul>
Employee employer communication	The employees involvement ratio in dispute	0.029%	0.049%	<ul style="list-style-type: none"> <li>"Guidelines for Implementing Employee-Employer Communication"</li> </ul>	<ul style="list-style-type: none"> <li>Periodically convene employer-employee meetings</li> <li>Establish smooth communication channels</li> <li>Periodically conduct anonymous employee opinion surveys to obtain recommendations from employees</li> </ul>

For details on the Human Rights Risk Assessment and Management Process, please see: <https://www.cathayholdings.com/holdings/-/media/88a7d61131bf434b892b5b77c5e6c3fc.pdf?la=en&hash=0BF893EBAB538921FD5BCF89EA1445E403E08AF4>

Compensation & benefits superior to industry standards

Long-term performance incentives

Cathay FHC increased its capital by cash in 2016 and reserved 10% of preferred stock A for employee stock options in hopes of encouraging employees to work together and share the company's business achievements. Under the company's excellent business performance, the dividend yield ratio within seven years after being issued is fixed at 3.8%, which is higher than the interest rates of time deposits currently available in the market. If stock prices rise, employees can make a profit by selling their shares. Employee stock options is related to performance, position, and years of service. Hence, employees with excellent performance enjoy more stock options and dividends.

Versatile benefits

Cathay believes that company growth is closely related to employee dedication. In 2017, our consolidated net profit reached NT\$56.7 billion, and average employee benefit expense for non-managerial staff was NT\$0.99 million per person. We review all full-time office staff annually for determining whether raises should be given; average rises over the last three years was about 3.76%.<sup>Note</sup> Cathay has for this reason been selected as one of the constituent stocks of the Taiwan High Compensation 100 Index since 2014.

Cathay provides benefits in five aspects, specifically learning and development, family, health and leisure, social activities, and financial and asset management, including health insurance, parental leave and retirement related benefits. Cathay has set up breastfeeding rooms, nursing rooms, workplace massage rooms, and provides regular health examinations, birthday presents, children education

subsidies, further study subsidies to employees as well birth, marriage, and funeral benefits and subsidies. Cathay also offers a wide variety of employee benefits, such as travel, mountain climbing, and club activities, and organizes fun contests, singing contests, and family day on an annual basis.

Note: Salary adjustment rate is calculated as the difference between active employees' salaries at the end of the year compared with the previous year.

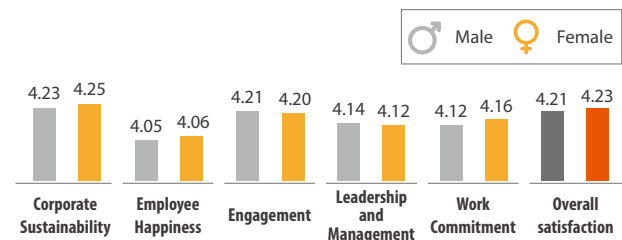
<b>Health and leisure</b>	<ul style="list-style-type: none"> <li>Weight loss contest</li> <li>Cathay Run</li> <li>Walking321</li> <li>Fosters solidarity, enhances work morale, and promotes work-life balance</li> <li>Regular health examinations</li> <li>Workplace massage service</li> <li>Travel, mountain-climbing, and club activities</li> </ul>
<b>Family</b>	<ul style="list-style-type: none"> <li>Breastfeeding room, nursing room, children education subsidies, birth, marriage, and funeral benefits, and family day</li> </ul>
<b>Learning and Development</b>	<ul style="list-style-type: none"> <li>Cathay Learning Network</li> <li>Job rotation system</li> <li>Further education subsidies for employees</li> <li>Foreign language training subsidies for employees</li> </ul>
<b>Social activities</b>	<ul style="list-style-type: none"> <li>Fun contests, singing contests</li> </ul>
<b>Financial and asset management</b>	<ul style="list-style-type: none"> <li>Preferential loans for purchasing housing from Cathay Real Estate</li> <li>Premium discount, preferential interbank withdrawal/transfer fee, and preferential interest rate for salary account deposits</li> </ul>

	2016	2017	Difference	Growth
Total employee Benefit Expense for non-managerial staff (NT\$)	45,227,638,520	39,419,469,693	-5,808,168,827	-12.84%
Number of non-managerial staff (persons)	39,058	39,695	637	1.63%
Average employee Benefit Expense for non-managerial staff (NT\$)	1,157,961	993,059	-164,902	-14.24%

Note 1: Non-managerial staff refers to employees who do not bear the administrative responsibility for managing other employees or units.  
 Note 2: "Employee benefit expense" are all forms of consideration given by an entity in exchange for service rendered by employees, including salary, labor and health insurance, pension and other expenses provided to employees in accordance with IAS 19 "Employee Benefits".  
 Note 3: The decrease in salaries and benefits was mainly due to the amount of commissions issued to sales agents, which is linked to their sales performance. Cathay Life's sales performance in 2017 was relatively low due to the high base in 2016, so the amount of sales bonuses issued was also relatively low. Bonuses for non-sales personnel are periodically adjusted based on market conditions; currently they have been maintained at the same level as 2016.

### Employee Engagement Survey

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



The 2017 Employee Engagement Survey was administered to 100% of employees and had a 77% response rate with engagement reaching 4.2; 86% of employees were satisfied with working at Cathay. The result reached the goal that had been established (engagement scoring 4.0 or above), and Cathay FHC will continue to implement various measures to achieve the long-term goal of averaging 4.0 in employee engagement over a 3-year period.

Employee Engagement	2017	4.2	Response Rate	2017	77%
	2016	4.1		2016	63%

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

	Female	Male	Age 30 and below	Age 31-49	Age 50 and above	Total	Turnover rate
Voluntary turnover (does not include retirement)	738	553	668	581	42	1291	7.67%
Voluntary turnover (includes retirement)	773	609	668	601	113	1,382	8.21%
Involuntary turnover	5	14	1	14	4	19	-
Total turnover	778	623	669	615	117	1,401	8.33%

Note 1: Salespeople and marketing specialists are excluded from turnover rate calculations in the table above due to their special characteristics if included, turnover rate is 13.07%.  
 Note 2: Total turnover rate (does not include retirement) was 8.21% and 7.28% in 2015 and 2016, respectively, and voluntary turnover was 7.24% in 2016.  
 Note 3: Due to the difficulty of collecting data on personnel not employed full-time, such employees are not included in the table.

The group offers diverse learning and development opportunities, a compensation system superior to industry standards, comprehensive benefits, a rich variety of communication channels, and employee-employer communication mechanisms. We hope to thus improve employees' work performance, enhance their professional skills, and raise their work satisfaction. Cathay's overall employee engagement reaches 4.2 and turnover rate is consistently lower than the industry average.

### Healthy Workplace

#### Health Risk Management

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

Frequency	Health Risk	Impact
High Frequency	<ul style="list-style-type: none"> <li>Slightly high cholesterol</li> <li>Slightly high BMI</li> </ul>	Low impact
Medium Frequency	<ul style="list-style-type: none"> <li>Slightly high cholesterol</li> <li>Slightly high BMI</li> <li>Moderately high BMI</li> <li>Moderately high cholesterol</li> <li>Moderately high blood pressure</li> </ul>	Medium impact
Low Frequency	<ul style="list-style-type: none"> <li>Slightly high BMI</li> <li>High blood pressure</li> <li>High blood sugar</li> <li>High cholesterol</li> </ul>	High impact

Cathay established procedures for daily health risk management to lower employees' health risks and ensure their health and safety.

First, we classify employees based on their health examination results for management, and then nurses conduct follow-up on high-risk groups. Employees are referred to resident physicians based on their individual needs and intentions, and then we coordinate with the employees' supervisors to make necessary work adjustments. The health risk map shows that high BMI is a high impact and relatively frequently occurring health issue, followed by high cholesterol and high blood pressure. Hence, for the abovementioned high risk issues, Cathay has actively implemented a series of health promotion plans to help employees keep healthy!

### Cathay Mental Health Project

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

Service method:

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

### Cathay Weight Loss Contest



Cathay has been holding weight loss contests for three consecutive years so that employees can achieve their goals in both work and health. In 2017, 15% of employees that participated in the contest lowered their weight to their standard BMI, while all participating employees lost a total of 17 metric tons. The event was also integrated with a charity campaign in that Cathay pledged to donate NT\$100 to Hondao Senior Citizen's Welfare Foundation for installing solar panels for every 1 kg of weight lost by employees, thus enabling employees to extend care to others while maintaining their personal health. This creative charity model has continued to help Cathay

employees lose weight, reduce carbon emissions, and contribute to the health of the elderly. Cathay FHC set a goal in 2016 specifying that employees must lose a total of 45 metric tons in weight between 2016 and 2018. Cathay FHC has currently reached 70% of the goal, and will continue to work towards the goal in 2018 so as to promote the importance of a healthy workplace.

### Cathay Run

Cathay FHC has been organizing the group's road run event--Cathay Run for three consecutive years in 2015-2017. Runners can choose to participate in either the relay race or the individual fun race, the former of which emphasizes team work. Employees often practiced after work to develop their teamwork skills, which had a positive effect on their daily work. Cathay Run was organized for the first time in 2015; 2017 marked the third year of the event and an increase in number of participants from 1,300 employees to 2,500 employees. Cathay Run also features digital and charity elements. The current position of runners along the route can be monitored using an app, which records the number of kilometers employees have completed. Cathay donates NT\$10 for every 1 km employees complete, and donated a cumulative total of NT\$100,380 to the Elevated Tree Program of Cathay Charity Foundation, helping students in remote areas fulfill their dreams by participating in international sporting events.

### Occupational safety management

With regard to occupational safety management, a physician examines the condition of injuries suffered by employees in an occupational accident, and the occupational safety supervisor collects information on the needs of employees that have encountered occupational accidents; the Occupational Safety Department is then notified and the employee's department shows care and provides assistance needed by the employee. Nurses continue to follow up on employees' conditions and evaluate if employees are suitable for reinstatement. The case is closed once the employee is reinstated.

The responsible department gives an analysis report on occupational accident statistics during quarterly Occupational Safety Committee meetings. Cathay also established the following measures to create a safe work environment:

- First-aid personnel receive qualified first-aid training and first-aid supplies are available at the workplace.
- Operating environment tests, such as lighting and CO<sub>2</sub> concentration, are regularly performed.
- New employee health examinations, and safety and health orientation training.
- Active employees regularly receive health examinations and safety and health training.

For more information, please visit:

[https://www.cathayholdings.com/holdings/csr/intro/co-prosperity/workplace?sc\\_lang=zh-TW#first-tab-04](https://www.cathayholdings.com/holdings/csr/intro/co-prosperity/workplace?sc_lang=zh-TW#first-tab-04)



Absence Statistics			
	2015	2016	2017
Occupational injuries	64	66	101
Occupational deaths	0	0	1
Lost Days	1,030	1,811	153,039
Disabling injury frequency rate	3.39	0.86	1.15
Severity of disabling injuries	154.91	23.6	92.01
Absence Rate	-	0.0189%	1.47%

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: 2017 Absence Rate = Ratio of lost days to total work days in a period of time. Lost Days = [Sick leave (including tocolysis leave) + Menstrual leave + Occupational injury leave]; Number of required work days = Total work days - Special leave days; Total work days was calculated using (number of employees on 2017/12/31) \* (number of days in 2017 minus Saturdays, Sundays, and national holidays = 248). The scope of statistics was changed in 2017. The number of lost days in 2015 and 2016 was the number of lost days from disabling injury reported by the Company to the Ministry of Labor, and number of required work days did not exclude special leave days.

Annual compensation by gender (Male : Female)			
	2015	2016	2017
High-level manager	100:90	100:51	100:90
Mid-level manager	100:84	100:114	100:109
Entry-level manager	100:91		100:110
General Staff	100:88	100:106	100:94

### Cathay Pregnancy Club

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



Statistics of Reinstatement after Parental Leave			
	Female	Male	Total
Number of parental leave applications in 2017	424	42	466
The number of employees expected to be reinstated from parental leave in 2017 (A)	428	49	477
Actual number of employees reinstated from parental leave in 2017 (B)	310	24	334
Actual number of employees reinstated from parental leave in 2016 (C)	252	18	270
The number of employees retained 12 months after being reinstated from parental leave in 2016 (D)	229	14	243
Return to work rate = B/A	72%	49%	70%
Retention rate = D/C	91%	78%	90%

## Innovation and Diversity

### Cathay's Empowerment of Women

According to the BCG diversity and innovation survey, companies with diverse management perform better and are more creative than their peers are. In the 21st century, women are becoming ever more competitive and achieving brilliant performance in each field as they become better educated and more economically independent. The rising power of women is a trend that cannot be overlooked. Female labor force participation in Taiwan increased to a record high of 51% in 2016. 71% of Cathay's employees are female, which is why Women Empowerment has such great meaning as one of Cathay's four focus areas for achieving sustainability. Cathay provides equal opportunity and a stage for female employees to realize their maximum potential; in 2017, as much as 53.4% of Cathay's managers were female. Cathay provides comprehensive support to working women who experience changes and challenges in life such as marriage, childbirth, and family care. For example, Cathay introduced the Cathay Pregnancy Club and provides family care leave, maternity/paternity leave, and menstrual leave.

Statistics of female managers			
	2015	2016	2017
% of Females in management positions	53.8	54.1	53.4
% of Females in junior management positions	57.32	57.9	57
% of Females in top management positions	25.05	24.1	25
% of female managers in the Revenue generation department	--	60.6	57

Note 1: Annual compensation= basic salary and remuneration (e.g. overtime or bonuses)

Family Care Related Leave Statistics				
Family care leave		Maternity/paternity leave		Menstrual leave
Female	Male	Female	Male	Female
1,859	334	1,854	443	21,019

### Cathay Dreamer

Cathay Life implemented the Cathay Dreamer project to encourage employees in the pursuit of their dreams. During the course of the activity, we collected 175 seeds of dreams, 728 people contributed their ideas, and 2,768 people showed support by clicking Like; finally, we selected 3 teams as winners of the NT\$500,000 prize, helping the teams fulfill their dreams. We raised a total of approximately NT\$330,000 through the crowdfunding mechanism for charity, and donated the full amount to Cathay Charity Foundation's KITURU for children in remote areas. We hope that even more dreams can be fulfilled by amplifying every little force of support toward the pursuit and realizing of dreams.

### Cathay Talents Challenge

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



### Southeast Asia Talent Program

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

### Insurance experience camp for Vietnamese students

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

### CUB International Industry-academic Collaboration Master's Program

CUB's International Industry-academic Collaboration Master's Program cooperates with universities and recruits students from Vietnam, Cambodia, and Laos to study in Taiwan. The students take Chinese language courses before the semester starts, and CUB covers living expenses, tuition, and miscellaneous fees so that students may focus on their studies. CUB furthermore provides internship opportunities so students can make an early transition into the workplace. Students that acquire master's degrees are moreover given the opportunity to work at CUB's overseas branches. CUB launched the CMA Asian Banker Program in 2005, and also recruits graduates from China, Cambodia, and Vietnam.





# Natural Resource Capital

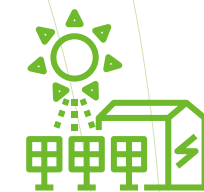
4

- 58 Climate Change
- 60 Environmental Performance Indicators and Implementation Results
- 60 Green Operations
- 62 Sustainable Real Estate
- 62 Sustainable Supply Chain
- 63 Green Initiatives



## Two ISO certifications

Cathay FHC and all of its subsidiaries achieved ISO 14001 Environmental Management System and ISO 50001 Energy Management System certifications.



## The largest solar-power roof for insurance company in Taiwan

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



## Sustainable real estate

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



## The first renewable energy certificate transaction

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



## 1400 tones carbon emissions reduction

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

### Capital at risk and opportunities

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

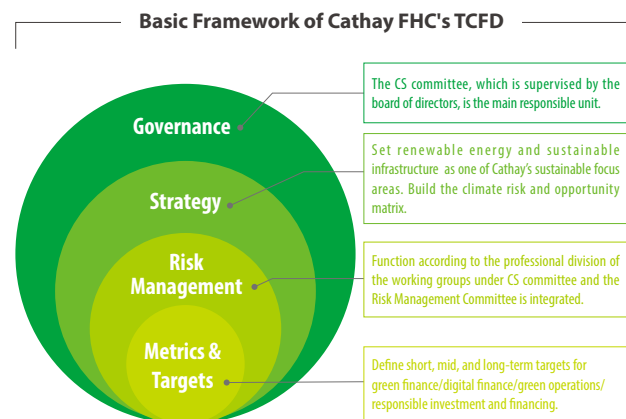
Understanding climate risks and opportunities will help the transformation of financial institutions and drive the development of a low-carbon economy. The Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) and announced the Recommendations of the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



## Climate Change

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

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



### TCFD - Governance

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

### TCFD - Strategy

In 2016, Cathay FHC convened "strategy improvement meetings" that were attended by 25 senior executives (vice president and above) from 15 departments in different subsidiaries. After fully discussing issues in over 20 meetings, Chang-Ken Lee, Chairman of

the Corporate Sustainability Committee and Director and President of Cathay FHC, convened meetings of the CS Committee's six working groups, and finally narrowed down Cathay's sustainability strategy to four focus areas for improving strategies and restructuring indicators. Among the focus areas, renewable energy and sustainable infrastructure respond to the Sustainable Development Goal (SDG) 13: Climate Action and Taiwan's energy transition issues.

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

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

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

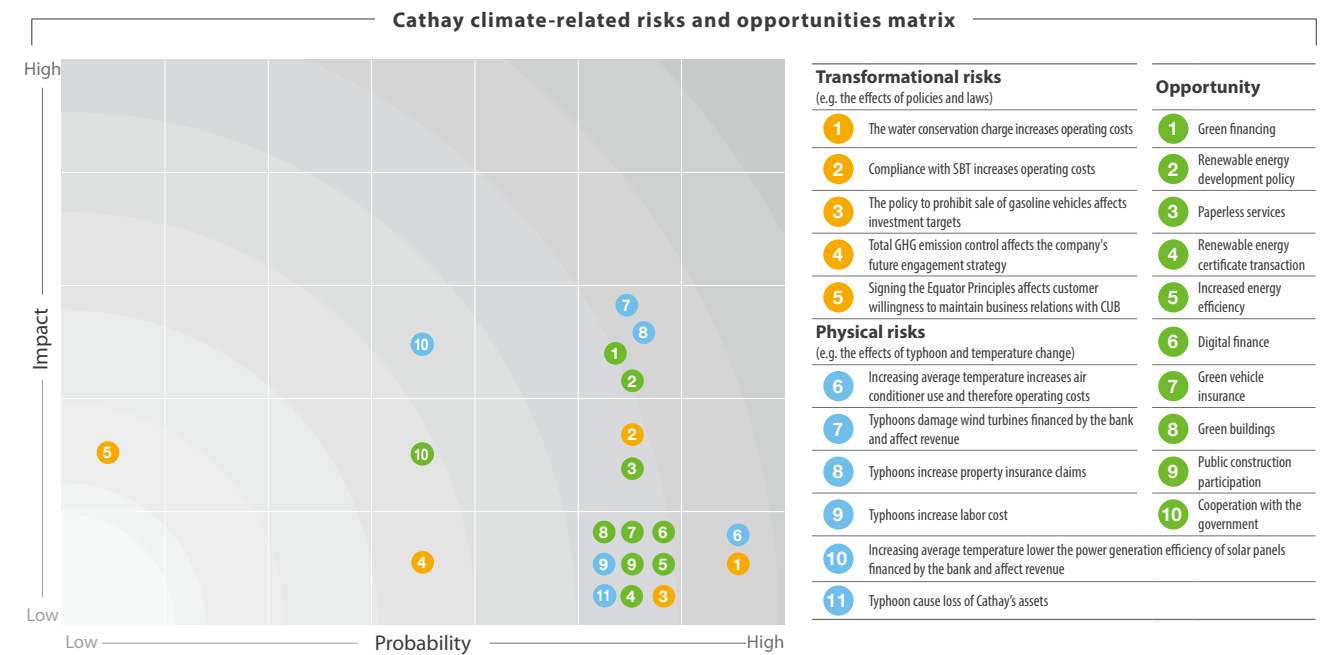
After identifying major risks by analyzing the climate change risk matrix, Cathay carried out scenario analysis for three types of scenarios, namely restricting temperature rise within 2°C, following National Determined Commitment and Business as Usual. Parameters taken into consideration include temperature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

### TCFD - Risk Management

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

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

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



### TCFD - Indicators and Goals

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

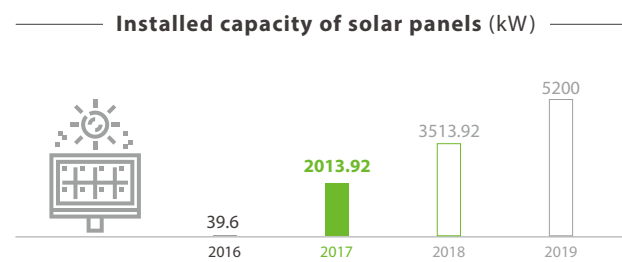
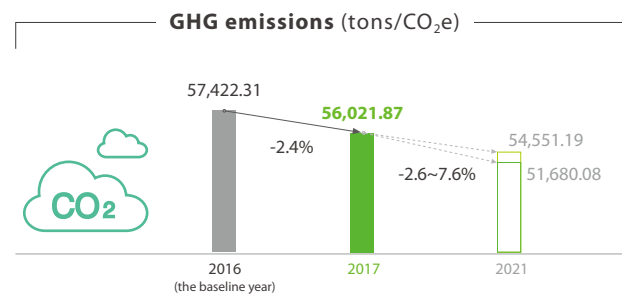
### TCFD - Additional Indicators

	Strategy	Risk Management	Indicators and Goals <sup>Note 1</sup>
<b>Bank</b>	Establishing a complete loan control mechanism: Equator Principles + ESG Regulations for Corporate Loans, see P.27-28 for details	Review and control: See P.28, 30 for details	<ul style="list-style-type: none"> <li>CUB is the largest bank financing solar power stations in Taiwan, see P.29 for details</li> <li>CUB completes the first offshore wind power financing project in Taiwan, see P.34 for details</li> <li>Corresponding goal: responsible investment and lending, green finance</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>Principle 1: Incorporating ESG issues into the insurance company's decision-making process, see P.26 for details</li> <li>Principle 2 and Principle 3: Raising awareness of ESG issues among all stakeholders, see P.26-27 for details</li> </ul>	Integration of ESG Factors, see P.30 for details	<ul style="list-style-type: none"> <li>Integrating group resources, Cathay Century provides support through offshore wind turbine construction insurance, see P.34 for details</li> <li>Supporting green transport transition, see P.35 for details</li> <li>Corresponding goal: responsible investment and lending, green finance</li> </ul>
<b>Asset ownership</b>	<ul style="list-style-type: none"> <li>Principle 1: Incorporating ESG issues into the insurance company's decision-making process, see P.26 for details</li> <li>Principle 2 and Principle 3: Raising awareness of ESG issues among all stakeholders, see P.26-27 for details</li> </ul>	<ul style="list-style-type: none"> <li>Negative/Exclusionary Screening, see P.30 for details</li> <li>Integration of ESG Factors, see P.30 for details</li> <li>Outsourcing Management, see P.33 for details</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability Themed Investing, see P.31 for details</li> <li>Corresponding goal: responsible investment and lending, green operations</li> </ul>
<b>Asset management</b>	Sustainability Themed Investing, see P.31 for details	Integration of ESG Factors, see P.30 for details	<ul style="list-style-type: none"> <li>PE Fund for Sustainable Industries, see P.31 for details</li> <li>Corresponding goal: responsible investment and lending goals, green finance</li> </ul>

Note 1: For information on short-term, mid-term, and long-term goals, please see P.6-7 of this report.

## Environmental Performance Indicators and Implementation Results

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



## Green Operations

Cathay FHC established "the Environment and Energy Policy" as the guiding principles for the maintenance of natural resource capital. Cathay FHC adequately manages its direct effect on the environment by comprehensively adopting the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. For the two ISO systems, Chang-Ken Lee, Director and President of

Cathay FHC, is the top management representative and our GHG emission reduction goal is aligned with the goal for ISO 50001. Moreover, we strengthen the sustainable operation of our suppliers and have been awarded for embracing green procurement by Taipei City Government for eight years, with the amount of green procurement exceeded 470 million in 2017. We also participate in various green initiatives to expand our influence and to do our best for the sustainability of Earth's environment.

## Energy usage and GHG emissions

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

### The first renewable energy certificate transaction in Taiwan

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

Item	Unit of measurement	Coverage	2015	2016	2017
Electricity consumption	kWh	Cathay FHC Head Office Building	6,207,089	6,776,918	6,378,109
		Cathay Financial Center Building	3,317,601	2,913,777	4,001,868
		Cathay FHC and its subsidiaries	-	101,911,131	100,057,000
Electricity consumption intensity	kWh/person		2933.28	2333.61	2251.25
Green power purchase	kWh	Cathay FHC and its subsidiaries	0	0	69,000
Installed capacity of solar panels	kW		39.6	39.6	2013.92

Item	Unit of measurement	Scope	2015	2016	2017
Scope 1 emissions	tons CO <sub>2</sub> e		1174.82	3613.23	3091.92
Scope 2 emissions	tons CO <sub>2</sub> e		18,328.14	53,809.08	52,929.94
Scope 1+2 emissions	tons CO <sub>2</sub> e		19,502.95	57,422.31	56,021.87
Scope 1+2 emission intensity	tons CO <sub>2</sub> e / person	Cathay FHC and its subsidiaries	1.63	1.31	1.26
Total energy consumption	GJ		132,684.07	378,600.69	368,443.33
Energy consumption per capita	GJ/person		11.06	8.67	8.29
Scope 3 (Business travel emissions)	tons CO <sub>2</sub> e	Note 4	-	2,157	2588.8
Scope 3 (Emissions from disposal of waste generated by operations)	kg CO <sub>2</sub> e	Note 5	-	249,907	140,167
Scope 3 (Downstream transportation and distribution emissions)	kg CO <sub>2</sub> e	All credit cards	-	47,264	50,519
Scope 3 (Emissions from final disposal of products sold)	kg CO <sub>2</sub> e	All credit cards	-	5,379	3,280

Note 1: Scope 1 and 2 GHG inventory is conducted in compliance with ISO14064-1 and received external ISO14064-3 certification; the certification organization was BSI in 2015-2016 and SGS in 2017. (Certification is include in the end of this report).

Note 2: Scope 2 emissions are from electricity use; the coefficients are 0.521 (2015), 0.528 (2016), 0.529(2017) kg CO<sub>2</sub>e/kWh.

Note 3: Scope 1 + 2 GHG inventory coverage: The 46 business locations and 11,993 employees of Cathay FHC and its subsidiaries in 2015. Since 2016, it has covered all 434 business locations of Cathay FHC and its subsidiaries with 43,671 employees in 2016 and 44445 employees in 2017.

Note 4: Business travel emissions: The aviation part currently only counts the flights for Cathay FHC, Cathay Life, CUB and Cathay Century. Based on the corporate members data collected from China Airlines and Evergreen and it is calculated according to GHG protocol Transport\_Tool\_v2\_6. The High-speed rail part covers Cathay FHC and all of its subsidiaries. Based on the corporate members data collected from Taiwan High Speed Rail and it is calculated according to carbon footprint: 38 gCO<sub>2</sub>e/person-per-kilometer (announced by Taiwan High Speed Rail) (Besides, new carbon footprint announced by Taiwan High Speed Rail on 16 December 2017 will be used in 2018 report) Moreover, the 2017 business travel was 62,366,999km.

Note 5: Emissions from disposing waste generated by operations are carbon emissions from disposal of the company's office waste, including the Cathay FHC Head Office building, CUB Head Office buildings and CUB's Ruihu, Tongde, Central Taichung, and Duxing branches.

Note 6: Downstream transportation and distribution emissions refers to carbon emissions generated from the process of mailing credit cards that are issued and reissued.

Note 7: Emissions from final disposal of products sold refers to carbon emissions generated from the disposal of credit cards.

## Resource consumption and recycling

Cathay FHC and its subsidiaries are dedicated to water conservation and waste reduction, and utilize dual flush toilets and automatic sensors in our office buildings for water conservation. We completed a water consumption inventory at all business locations in 2017, and also began implementing the Bottled Water Elimination Project. According to 2016 procurement statistics, we reduced 17,130 bottles.

Item	Unit of measurement	Scope	2015	2016	2017
Water consumption	m <sup>3</sup>		1,191,922	1,343,000	643,859
Water consumption intensity	m <sup>3</sup> /person	Cathay FHC and its subsidiaries	28.12	30.75	14.49

Note 1: The 2015 and 2016 water consumption inventories were both taken at the head office buildings. Hence, total water consumption for these two years is estimated using the water consumption per capita at the head office buildings multiplied by the group's total number of employees. Water consumption began to rise abnormally in July 2016. After investigating, we determined that the increase in water consumption may be the result of the building's water chiller unit and water cooling tower being too old. Hence, we replaced the equipment at the end of 2016, and the Head Office's water consumption significantly decreased after February 2017.

Note 2: Water consumption in 2017 was obtained based on the data from water bills of the 434 locations including all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries) disclosed in the annual report as well as official website and four office of Cathay FHC. The result has been attested by Accounting firm PwC.

Item	Unit of measurement	Scope	2015	2016	2017
Actual amount of waste	Metric tons	2015 numbers include the Cathay FHC Head Office and CUB Head Office buildings; CUB's Ruihu, Tongde, Central Taichung, and Duxing branches were added in 2016.	129.32	412.39	428.65 (Note 1)
Estimated total waste	Metric tons	Cathay FHC and its subsidiaries	-	2884.43	2843.03

Note 1: The coverage of the inventory is the same for 2016 and 2017 but the employee increased. Thus, the actual amount of waste increased but the estimated amount, which was calculated by the per capita, decreased.

Item	Unit	Scope	2015	2016	2017
Paper			54.523	68.613	76.688
Plastics			0.797	1.673	2.673
Aluminum Cans			0.538	0.549	0.915
Glass			-	2.624	3.101
Kitchen waste	Metric ton		-	21.031	26.520
Batteries			-	0.713	0.306
CDs			-	0.709	0.076
Mobile phones			-	0.034	0.026
3C products			-	-	0.359



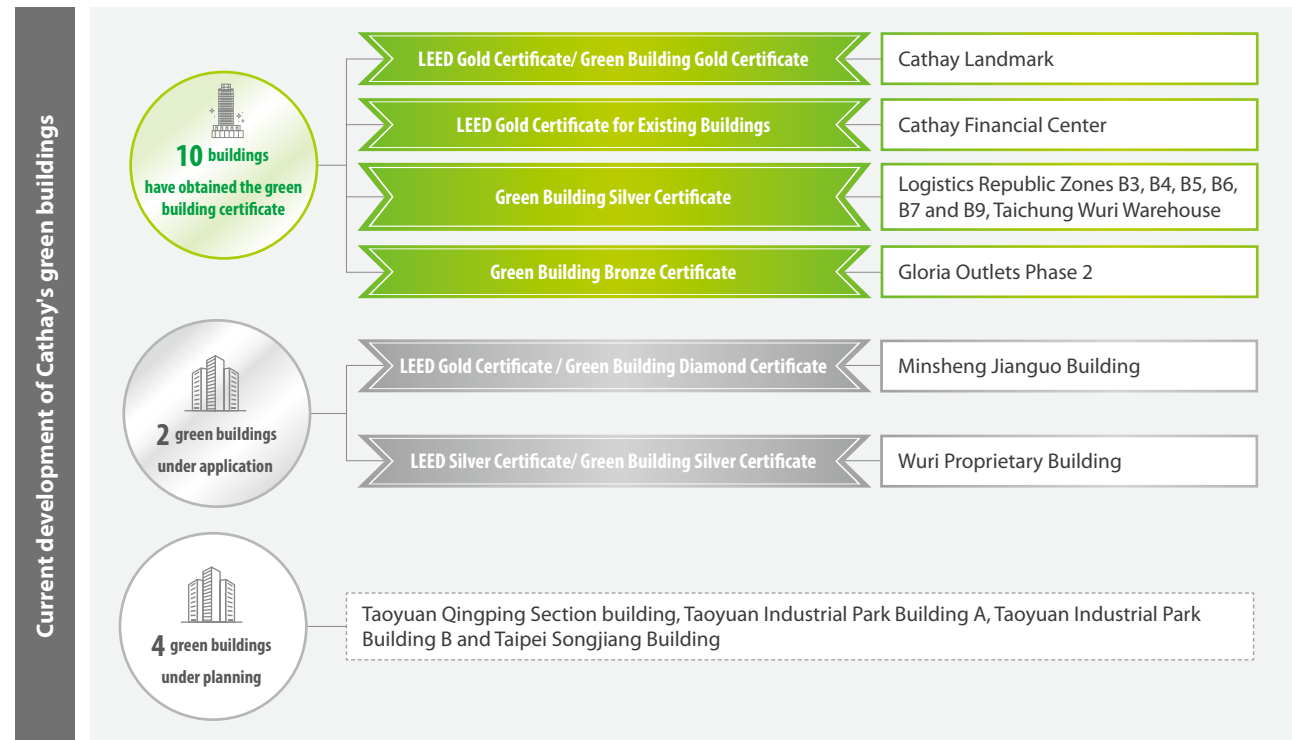
## Sustainable Real Estate

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

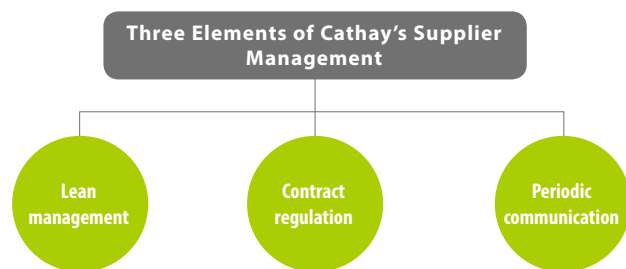
### Cathay's Solar Farm Project

Cathay Life's first real estate solar farm project was on the roof of Taoyuan Logistics Park. The project was completed and began generating electricity at the end of 2017. The solar panels of the project cover an area of about 4,890 ping (approx. 174,000 square feet) and have a total installed capacity of about 1.9MW. The panels are expected to generate up to 2.09 million kWh and reduce carbon emissions by 1,335 metric tons annually, which is equal to the carbon absorption of about 3.4 Da'an Forest Parks.





## Sustainable Supply Chain



### Lean management

Lean management is implemented through "the Guidelines on Purchasing Practices", supplier management system, supplier evaluations, and supplier human rights and environmental risks questionnaire surveys. Suppliers are required to sign Cathay FHC's "Sustainability Value Declaration", which contains a "Code of Conduct for Employee", "the Human Rights Policy", and "the Environment Policy". As of the end of 2017, 100% of new and current suppliers have signed Cathay FHC's "Sustainability Value Declaration".

## Contract regulation

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

### Contents of the CSR clause in Cathay FHC's supplier contract

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

- The parties understand that laborers have the freedom to choose their occupation and job; no party may use force, threats, or imprisonment as a means to force laborers to work. The parties may not violate the law by requiring employees to make a deposit or detaining their identification documents.
- The parties shall provide equal opportunity to employment, and may not discriminate or provide differential treatment in terms of labor conditions based on race, skin color, religion, political orientation, nationality, social status, or other identifiable characteristics.
- If the parties employ disabled people, disabled people shall enjoy the same labor rights as regular employees and their salaries shall at least meet the minimum wage.
- If sheltered employment is provided to disabled people in a sheltered workshop, the persons in principle shall enjoy the same labor rights as regular employees, but their salaries may be lower than the minimum wage if approved by the competent authority of labor of the special municipality or county (city).
- Raw materials, products, or services that are provided shall meet reasonable expectations based on current technologies, and shall comply with regulations on environmental protection and food safety. The parties should use local materials and renewable materials that have a low impact on environmental load whenever possible, and should exert every effort to reduce any adverse effect on human health and the environment. The parties should adopt the most feasible pollution prevention measures and control technologies, and reduce GHG emissions so that Earth's resources will be sustainable.

## Periodic communication

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



In 2017, Cathay FHC held workshop for 35 Printing suppliers to share cooperate sustainability ideas and to introduce PAS7000 (supply chain risk management system).

## Green Initiatives

Cathay hopes to preserve the environment through rising citizens' awareness of environmental protection. We began engaging the public in caring for the ocean in 2017, adopted three beaches in Miaoli Longfeng, Chiayi Budai, and Pingdong Donggang, and also invited local organizations, schools, customers, and suppliers to join us in beach cleaning; a total of 10 beach clean-ups were organized that year at which we and our partners cleaned over 1,200 kg of trash; the event achieved ISO 20121 Event Sustainability Management Systems certification.





## Social Relations Capital

5

- 66 Achieving Premium Customer Service Quality
- 68 Providing Customers with a Happy Experience
- 69 Protecting Customers' Personal Information and Information Security
- 71 Happiness is Giving Happiness
- 75 Key Charity Performance



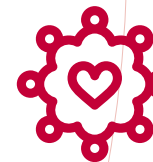
### Continuing winning first place in service quality awards

Cathay Life won first place in the life insurance category of the Top Service Award for 13 consecutive years, while CUB placed first in the banking category of the Top Service Award for 6 consecutive years.



### Providing customers with the best experience

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



### Generated 3 times social impact

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



### Launched the first VR Hazard Perception System

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



### Donated more than NTD\$10 million for students' breakfast

CUB encouraged customers to participate in Food and Happiness Campaign to fund breakfast for students in remote areas, which had raised NT\$14,501,705.

#### Capital at Risk and Opportunities

Cathay FHC has always attached utmost importance to the voices of our customers. Every service agent in each subsidiary of Cathay FHC expects and aims to provide customers with the highest quality services.

The Insurance Banana Skins and Banking Banana Skins issued by PwC both list Internet and technology risks among the industries' top five risks. Following the digitalization of the domestic financial environment, Cathay FHC has not only provided customers with an innovative and thoughtful customer experience through the use of FinTech, but moreover offers customers comprehensive protection. It is our mission to protect the lives and assets entrusted to us by our customers, and we insist on protecting their information security and personal information.

Cathay FHC listens to what society needs carefully, and gives much thought to utilizing our financial core competencies for jointly solving problems with our partners. We share knowledge with each other in hopes of jointly building a social support network, and that all members of society are safely supported by this network.



## Achieving Premium Customer Service Quality

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

**Excellent Service Quality Being Highly Recognized**

 <b>Cathay Life won first place in the life insurance category of the Top Service Award for 13 consecutive years</b>	 <b>CUB won first place in the banking category of the Top Service Award for 6 consecutive years</b>	 <b>Cathay Century won Silver Medal in Excellence in Insurance Service for further innovation of services</b>	 <b>Cathay Securities first place in the National Brand Yushan Award for its Open Account APP</b>	 <b>Cathay SITE achieved 93% satisfaction for the "SHE - Defining the New Woman seminar series"</b>
<ul style="list-style-type: none"> <li>First insurance company in Taiwan to provide an APP with complete customer services, thus transforming salespeople into mobile counters.</li> <li>Recognized by SGS quality control consultants as the only insurance company in Taiwan to achieve both ISO 10002 &amp; 9001 certifications.</li> </ul>	<ul style="list-style-type: none"> <li>First bank to win the Top Service Award for innovating customer experience through the use of smart services.</li> <li>Awarded Gold Medal in the banking industry category of the Taiwan Service Sector Evaluation for the second consecutive year in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Won the "Excellence in Insurance Service - Silver Medal" at the 2017 Insurance Excellence Award as well as first place in "Outstanding Enterprise" and "Best Product" categories at the National Brand Yushan Award in 2016; the only property insurance company to win first place since the inception of the awards.</li> </ul>	<ul style="list-style-type: none"> <li>Recognized by experts for digital service quality and won first place in "Best product category" at the 14th National Brand Yushan Award in 2017 for the Open Account APP.</li> </ul>	<ul style="list-style-type: none"> <li>Held 4 sessions of the "SHE - Defining the New Woman seminar series" around Taiwan in May 2017, achieved 93% customer satisfaction; live streaming acquired as many as 17,000 views.</li> </ul>

### Achieving High Customer Satisfaction through Heartfelt Services

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

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

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

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

Cathay FHC's subsidiaries' performance on customer satisfaction

Company	2015 performance on customer satisfaction (%)	2016 performance on customer satisfaction (%)	2017 performance on customer satisfaction (%)	2017 satisfaction goal (%)
Cathay Life	92.9	94.4	91.7	93
CUB	87.2	87.2	90.3	87.5
Cathay Century	95.3	96.7	96.5	95
Cathay Securities	93.7	92.6	85.1	80
Cathay SITE	83.68	84.85	86.23	80

Survey results show that satisfaction declined in 2017. This was mainly due to policy holders feeling that salespeople did not actively provide the information policy holders were concerned about. Some policy holders noticed a longer waiting time when calling our 0800 customer service hotline, which was due to an increase in incoming calls. In the future, we will continue to strengthen training for salespeople and optimize the customer service center's call rerouting service, so as to improve policy holders' service experience.

Despite the slight decline in satisfaction in 2017, it did not reach a level of significance, which is a testament to our overall stable service quality. In the future, we will continue to make further improvement in indicators in which we have already achieved high satisfaction, such as service attitude and expertise. Besides periodically examining operating procedures and further improving our expertise and service attitude through training, we will continue to optimize our system tools to improve our operating efficiency.

Investors were more involved due to Taiwan's booming stock market in 2017, and we began providing online account opening services. Hence, the number of incoming calls of our customer services center grew by a considerable 83% compared with 2016. This led to the decline in satisfaction as we were unable to immediately expand our service personnel within a short amount of time. In the future, we will optimize our processes and increase the number of self-service items for customers. We also implemented our talent recruitment mechanism at the end of 2017 to raise customer satisfaction.

### Perfecting the customer complaint mechanism

Cathay FHC and its subsidiaries value the opinions of all customers. We established multi-channel and dedicated units to process complaints and formulate internal regulations for the monitoring of customer service quality. We immediately contact customers and propose solutions under the highest principle of "actively handling issues and actively showing concern." Cathay Life's financial ombudsman center received 505 ombudsman cases in 2017, a complaint rate (number of complaints to total number of insurance policies) lower than the industry average. Cathay Life will also establish a Treating Customers Fairly Promotional Committee in 2018, which will be tasked with establishing strategies and methods based on the principle of treating customers fairly, solving problems from the source, and increasing customer satisfaction. Cathay FHC will continue to examine its service channel, strengthen internal training, optimize online and offline processes, and lower the recurrence rate of customer complaints. It is our goal to provide customers with a friendly environment for financial services.

Dedicated customer complaint units of Cathay FHC's subsidiaries

Company	Complaint Channel and Dedicated Unit
Cathay Life	The Customer Relationship Enhancement Department is responsible for processing complaints and improvements to the quality of internal controls through telephone interviews.
CUB	Customers can leave messages on the official website or dial the 24-hour customer service line if they have any questions or in the event of consumer disputes.
Cathay Century	The Insurance Customer Service Department is responsible for processing consumer disputes and the establishment of the "Cathay Century Insurance Consumer Dispute Settlement Procedures" to safeguard consumer interests.
Cathay Securities	Customer Service Center is responsible for dealing with complaints and executing "Financial Consumer Dispute Settlement Procedures" to increase the efficiency and quality of processing consumer disputes.
Cathay SITE	The Insurance Customer Service Department is responsible for processing customer complaints and reports while prioritizing the protection of financial consumers.

### Adopting Net Promoter Score for Better Management of Customer Satisfaction

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

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

### Insurance brokers and agencies management

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

## Providing Customers with a Happy Experience



### Closing the gap between financial services and customers

#### Building the first insurance concept store in Taiwan

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

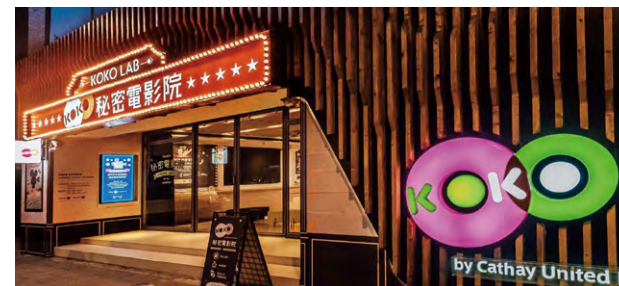
Cathay Life opened the first insurance concept store in Taiwan in 2017. This transformed the traditional concept of serving policy holders into a whole new way of providing people with insurance consulting in a brick-and-mortar store. Starbucks was invited to open a café within the insurance concept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



#### KOKO Lab, designed exclusively for the younger generations

CUB launched the KOKO APP in 2015 to fulfill the financial management needs of young people, and further established KOKO

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



### Shortening service wait time so waiting is no longer an issue

#### Virtual queues reduce customer service wait time

Cathay Life is the first in the industry to adopt virtual queuing technology. Customers that call the customer service center and are put on hold can choose to draw a number and wait offline. This way they can stay in queue without needing to stay on hold and listen to music, and service personnel will call them back when it is their turn.

The 0800 customer service center updates the number of customers waiting and estimated waiting time every second, and provides the information through announcements over the phone, on the Cathay Life APP, and on the official website. Customers can check queuing status via these channels, or listen to the estimated call back time on the phone or by enabling the website's queuing function. This innovative service not only reduces the gap between customers' expectations and spreads incoming calls apart, but also increases customer satisfaction by shortening customer service wait time.

### Leaning claims services to reduce the burdens that customers bear

#### Pioneering "Claim Payments Automatically Deducted from Hospitalization Expenses" service improves hospitalization and discharge service quality and efficiency

Cathay Life is the first life insurance company to offer "Claim Payments Automatically Deducted from Hospitalization Expenses" in cooperation with Chang Gung Memorial Hospital, the largest hospital in Taiwan. It has also obtained a utility model patent from the Intellectual Property Office for the offset service process and concept. Starting in September 2017, when a policy holder is hospitalized in any branch of Chang Gung Memorial Hospital, the hospital will actively notify Cathay Life, and the policy holder's medical expenses will be directly deducted from claim payments upon discharge. This one-stop claims service achieves active care by the hospital, automatic payment upon discharge, and active claims notification. Up to the end of 2017, about 30,000 policy holders have participated in the service, and a total of over NT\$5 million has been deducted from their claim payments. The ratio of policy holders using "Claim Payments Automatically Deducted from Hospitalization Expenses" reached over 80% after being hospitalized. We strive to provide policy holders with the best medical and claims services by not only simplifying the payment and claims process when policy holders are discharged from the hospital, but also shortening the discharge process.

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

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

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

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

### Enhancing financial inclusion to offer accessible financial services

### Accessible e-banking and ATM provide disabled persons with extra consideration

Cathay Life and CUB have both established disability-friendly websites to provide friendly financial services to and popularize financial services among disabled persons. Both websites are certified with an AA Grade by the Research, Development, and Evaluation Commission. CUB redesigned its e-banking website in 2017 in compliance with Web Content Accessibility Guidelines 2.0. The website offers positioning points, easy to read content, and keyboard operation of cursor position to meet the needs of the visually impaired. The website also features Access Key settings so that persons with physical disabilities are able to use form components. The new design allows all customers access to convenient online financial services.

CUB was the first to provide a dedicated accessible ATM at the Taipei School for the Visually Impaired in Tienmu, Taipei City in 2011. CUB also led the industry by setting up a total of 122 accessible ATMs at mass transport stations by the end of 2017. CUB will continue to replace existing ATMs or install new accessible ATMs in areas often visited by visually impaired persons, so that even more visually impaired persons can enjoy automated financial services.

## Protecting Customers' Personal Information and Information Security

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



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



### Establishing an information security mechanism to ensure comprehensive protection of information security and customer personal information

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

### Perfect information security and personal information employee training

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

Contents of Cathay FHC and its main subsidiaries' information security training					
	Course Name	Course Subjects	Course Frequency (times/year)	Course Hours (hours)	Completion (%)
Cathay Life	Information security and personal information protection training	All employees	1	1	100
	Social engineering rehearsal	All employees of the head office	1	1	100
CUB	Information security promotion course	All employees	2	1	100
	Social engineering defense promotion	All employees	2	0.5	100
Cathay Century	Social engineering drills and training	All employees	1	0.5	100

### Jointly protect information security with customers and suppliers

Cathay FHC attaches great importance to protecting personal information and information security while developing digital

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

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



Cathay Life complies with requirements of audits by mandated institutions according to the "Cathay Life Insurance Co., Ltd. Outsourcing Guidelines," and conducts on-site audits of the physical environment, network structure, computer system, access control, end point security, and data processing security of suppliers with whom we have data connections. CUB conducts semi-annual information security audits of all suppliers (6 in total) that have data connections with the bank, using internal and external audits to achieve audit requirements; audit coverage reached 100%.

### Information security emergency response and management

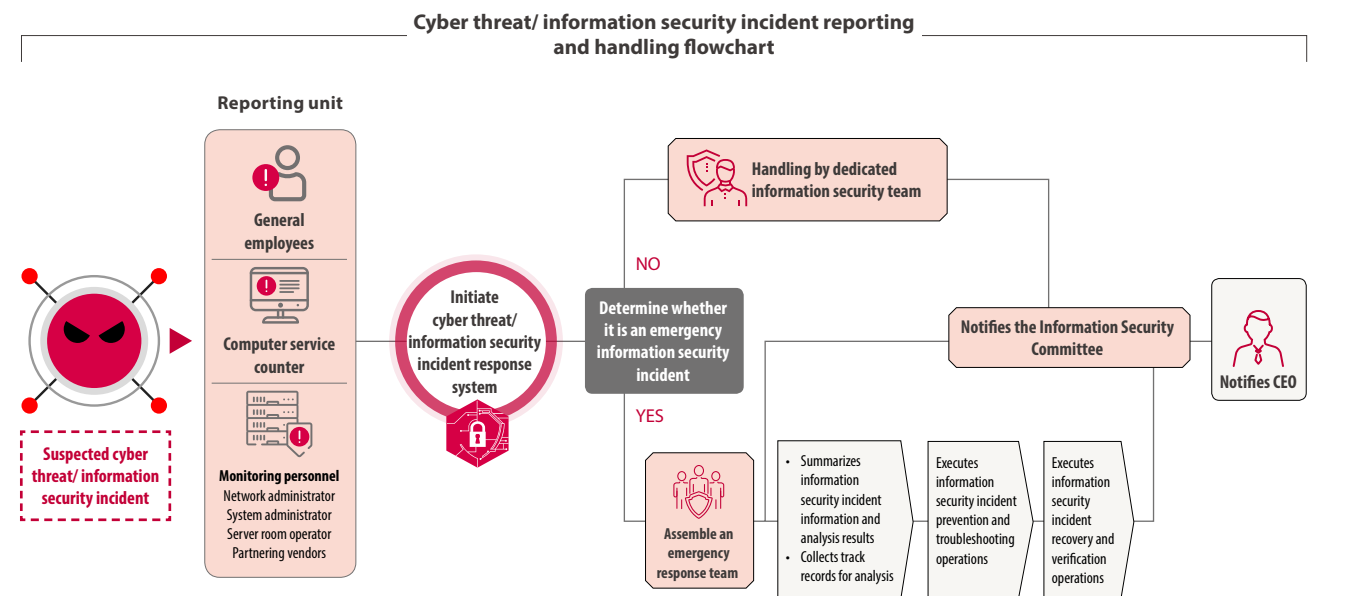
The ransomware WannaCry and NotPetya ravaged all corners of the world in 2017. By encrypting computer data so computers can no longer function, they caused severe economic damage as even harbors and factories were forced to suspend operations. Cathay FHC has always treated potential information security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

Cathay FHC and its subsidiaries initiate their information security incident response system when discovering a cyber threat or information security incident. An emergency response team is assembled to handle the threat or incident if it is determined there is an emergency incident based on the situation. Members of the emergency response team include the incident decision-making committee, business continuity response team, computer system

recovery team, applications system recovery team, business recovery team, communications team, administrative and general affairs team, and center recovery team. The CEO has the highest level of authority over emergency response in each company.

When employees suspect an information security event, Cathay Life provides the "Cathay Life Regulations for Information Security Event Reporting and Response," CUB provides the "Cathay United Bank Regulations for Information Service Incident Management" and "Cathay United Bank Guidelines for Information Service Incident Management" for employees to clearly understand reporting procedures. Any suspicious employees have are reported via the Operating Risk Reporting System.

Cathay FHC's subsidiaries did not have any information security events, violate any regulations on customer information protection, and were not fined for violations of information security between 2015 and 2017.



### Happiness is Giving Happiness

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




Cathay FHC established the four focus areas of its public welfare policy in 2016, which include Inclusive Care, Sporting Activities, Arts and Culture, and Environmental Considerations. We take into consideration different aspects of society's needs, and formulate different public welfare projects to link the core competencies of the financial industry to social issues. In doing so we hope to establish the value of sharing and happiness. We use "core competencies of financial education," "reward points donation on My Rewards APP," "loss prevention expertise," and "charitable trust" to satisfy society's needs.

- Core competencies of financial education: We provide financial education to improve the financial literacy of children in remote areas and second-generation immigrants, help teenagers


learn the correct approaches to money management and risk awareness, and hope to thereby enhance their ability to deal with all kinds of risks in the future.

- Reward points donation on My Rewards APP: Credit card reward points can be redeemed products of social enterprises by lowest threshold and the products were donated to children or solitary elderly people in remote areas.
- Loss prevention expertise: Cathay Century is promoting the concept of loss prevention to prevent elementary school playground accidents and fatal traffic accidents involving college students. Cathay Century helps students learn campus safety concepts as well as traffic accident prevention and safe driving concepts.
- Charity trust: A trust that was founded for public welfare, such as charity, culture, and academics, so that wealth is used on things people care about. We are also working with CPBL and SBL players, our long-term partners, in providing charitable trust services. We also organized training camps with Chen Wei-Yin and Jeremy Lin to promote sports atmosphere in society.

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

Focus areas of charity	Needs of Society	Project implementation	Type of charity donated to
Inclusive Care	Gap in education resources of remote areas	<ul style="list-style-type: none"> <li>Dream Come True Program</li> <li>Collaborated together with Teach For Taiwan</li> <li>Elevated Tree Program</li> </ul>	 <p>Business promotion</p>
	Inadequate resources in remote areas	<ul style="list-style-type: none"> <li>Food and Happiness Campaign</li> <li>Donate reward points</li> <li>The Kids from Shezidao</li> </ul>	
	Diverse cultural power of new or second-generation immigrants	<ul style="list-style-type: none"> <li>Excellence and Happiness Project</li> <li>Dedicated Empowerment Program</li> <li>English and Vietnamese Camp</li> <li>After-school Care Program</li> </ul>	
	Learning and growth of children in remote areas and indigenous children	<ul style="list-style-type: none"> <li>Elevated Tree Program in Vietnam</li> <li>Eastern Taiwan Paramedic Training Program</li> </ul>	
Sporting Activities	Safety awareness	<ul style="list-style-type: none"> <li>Accident-free Schools Initiative</li> <li>Accident-free Riders</li> </ul>	 <p>Community engagement</p>
	Gap in sports talent	<ul style="list-style-type: none"> <li>Cathay NBA Youth Madness</li> <li>2017 Sporting with Neighbors</li> <li>Cathay Women's Basketball and Table Tennis</li> </ul>	
	Regular exercise for all	<ul style="list-style-type: none"> <li>Chen Wei-Yin Baseball Training Camp, Jeremy Lin Basketball Training Camp</li> <li>Cathay weight loss, carbon reduction, healthy aging</li> <li>Running Buddy Project</li> </ul>	
Arts and Culture	Value of domestic art	<ul style="list-style-type: none"> <li>Cathay National Children's Drawing Contest</li> <li>Cathay New Century New Age Arts Exhibition</li> <li>Art Talk Lecture in Cathay United Art Center</li> <li>Cathay Art Festival-Cloud Gate</li> <li>Support for the culture &amp; creative industries</li> </ul>	 <p>Charity donations</p>
	Art creativity	<ul style="list-style-type: none"> <li>Charity Exhibition of Mental Disability Art</li> <li>Taitung Street Corner Name Card Project</li> </ul>	
	Products of social enterprises/NGOs lack market momentum	<ul style="list-style-type: none"> <li>ShoJio Charity Platform</li> <li>Weight loss contest</li> </ul>	
Environmental Considerations	Environmental education	<ul style="list-style-type: none"> <li>Community Story-tree Planting Campaign</li> </ul>	

The following takes the four major public welfare principals of Cathay FHC as the framework to illustrate that in the face of different social needs, Cathay FHC and its strategic partners in various fields work together to solve the project contents:



### Inclusive Care

Project Name and Description

#### Eliminating the gap in education resources for remote areas

- Students: Dream Come True Program**  
Provided the prize money and supplemented their lack of learning resources and cultural stimulus to encourage teachers and students in remote areas in pursuing their dreams. Organized Children Development Camp with courses related to professional competencies pertaining to the group's resources, including a Cathay Life's risk tournament, Cathay Century Insurance's Triathlon Team, Cathay Women Basketball Team, and Cathay General Hospital.
- Teachers: Collaborated with Teach For Taiwan**  
We worked together with Teach For Taiwan in training young professionals with multiple fields of expertise and a sense of mission to become educators in remote areas, thereby creating equal and high quality educational environments for all.
- Elevated Tree Program (Junior high and elementary school)**  
Subsidizes children who are from low income households or are unable to pay tuition and fees due to major difficulties each semester so they can receive an education with peace of mind.

Business and Social Impact

- As of the end of 2017, Dream Come True Program had supported **44** elementary schools and helped about **1,100** students in remote areas fulfill their dreams; **355** teachers and students benefited from Cathay Development Camp in the last three years.
- Supported **13** teachers of TFT in using innovative teaching methods for students in Yunlin, Tainan, Pingtung, and Hualien, and benefited a total of **390** families.
- Invested a cumulative **NT\$140 million** that benefited approximately **93,000** beneficiaries at **2,090** schools in **320** townships.



### Inclusive Care

Project Name and Description

#### Eliminating resources inadequacies in remote areas

- Food and Happiness Campaign**  
Cathay united bank encourage customers to solve the issue of insufficient breakfast for students in remote areas. They made a donation to student breakfast through foundation.
- Million Reward Points for People who needed**  
Make two worlds better with one donation by supporting social enterprises and satisfying the needs of beneficiaries. Reward points can be donated anywhere using the My Rewards APP. Every 3,000 reward points donated are redeemed for handmade dumplings made by disabled persons or rice grown by friendly farming farmers in Tainan. The dumplings or rice are accumulated and given to the Hualien City Halfway House for children in remote areas or solitary elderly people.
- The Kids from Shezidao**  
The micro movie "The Kids from Shezidao" is a touching unforgettable story of interactions between kids on Shezidao and their teacher Zaizai. The story not only portrays what happiness is, but also exemplifies the perseverance of the Taiwanese people. It delivers the message of Cathay FHC's brand proposition that "Happiness is giving happiness," and that you will have happiness as long as you are willing to lend a helping hand.

Business and Social Impact

- As of February 2018, a total of **NT\$14,501,705** has been donated to 4 elementary schools in Yilan County's Datong Township as well as 3 elementary and junior high schools in Nantou County's Xinyi Township to fund children's breakfasts.
- Over 20,000 people participated and **6.6 million** reward points were received in donations. Over 60% of donors were members who had never used the reward point exchange function within the past six months.
- The film was viewed over **2 million** times in the first week and touched the hearts of a total of **5.6 million** viewers. It was also winner of the Social Care and Eco-Friendly Award bestowed by Shopping Design. The Department of Technological and Vocational Education, Ministry of Education, issued a letter to schools in Taiwan listing the film as supplementary teaching material.

#### Strengthening new or second-generation immigrants empowerment, and promoting diverse cultural power

- Excellence and Happiness Project**  
Recruited 8 groups of parents, teachers and students to visit their grandparents' houses in Southeast Asia for an international experience, and organized teacher workshops to exchange teaching plans and promote ideas. Organized an international conference and invited international scholars to discuss the competitiveness of second-generation immigrants and teaching in their native language.
- Dedicated Empowerment Program**  
Courses designed exclusively for second-generation immigrants in which their dual culture backgrounds are tapped into to improve their skills and expertise.
- English and Vietnamese Camp**  
Invited high school volunteers from Vietnam to offer courses in Taiwan and increase cultural exchanges with second-generation immigrants.
- After-school Care program**  
Began offering the insurance and financial literacy course in 2017 to help teenagers learn the correct approaches to money management and risk awareness.

Business and Social Impact

- Excellence and Happiness Project: This project is assessed based on SROI; every NT\$1 invested generates about **NT\$3.03** in social value. The international conference attracted about 120 NPO workers, new immigrant native language teachers, and curriculum promoters.
- About **540** new immigrants and second-generation immigrants benefited in 2017.



#### Continued concern for the learning and growth of children in remote areas and indigenous children and development of their professional skills

- Elevated Tree Program in Vietnam**  
Cathay United Bank and Cathay United Bank Foundation find local students who require financial assistance through the Vietnam Association for Promoting Education, and also implement donation plans together with the Lawrence S. Ting Memorial Fund. The donations help local impoverished students continue their education.
- Eastern Taiwan Paramedic Training Program (Junior High School - Junior College)**  
Increases nursing resources in Eastern Taiwan and helps indigenous peoples obtain employment. Five-year scholarships are provided to junior high school graduates whose permanent address is registered in Hualien. Once they graduate and obtain a registered nurse license, they are guaranteed a job at Hualien's Mennonite Christian Hospital.

Business and Social Impact

- We donated **VND588 million** in 2017 to provide scholarships to **980** students. Over the last 10 years, we have provided over **13,000** scholarships and donated a cumulative amount of nearly VND7,700 million.

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



#### Strengthening public safety awareness

- Cathay Century guards over children from childhood to adulthood. The concept of loss prevention should be promoted to help policyholders and the general public prevent accidents instead of simply compensating losses after an accident occurs.

Students	Accident-free Schools Initiative
College students, adults	Accident-free Riders
Enterprises	VR Hazard Perception Test
	Accident-free Workshop
	Loss Prevention Forum

Business and Social Impact

- Accident-free Schools Initiative: Completed safety inspections in **76** elementary schools and reached over **16,000** elementary school and kindergarten students in **14** counties and cities.
- Accident-free Riders: This program has improved conception of defensive driving of **4,200** students in **26** universities until 2017.





## Sporting Activities

### Project Name and Description

#### Training the Star Athletes of Tomorrow

- Cathay NBA Youth Madness**  
 Held for all college students in Taiwan. We introduced the NBA style Coach Clinic in 2017 to teach young players professional basketball knowledge and skills through interactions and exchanges with coaches from universities around Taiwan.
- 2017 Sporting with Neighbors**  
 Sponsored the 2017 National Indigenous Games, a major sports event among indigenous peoples, and the Sunrise Village Cup National Junior Soccer Game, an important tournament in Taitung, to elevate sports competition and develop the next generation of outstanding athletes.
- Cathay Women's Basketball, and Cathay Women's Table Tennis**  
 Cathay has sponsored and promoted sports for over half a century in the spirit of "giving back to the society in which we make our living," and aims to train athletes and coaches for the national women's basketball and table tennis teams by supporting their tournaments through a diverse range of games and events.

### Business and Social Impact

- A total of **69,010** participants entered the four tournaments held in Northern, Central and Southern Taiwan and the finals.
- Subsidized 10 schools and 2 national sports events.
- Cathay's women's basketball team has been the reigning champion of WSBL for **24** consecutive years.



#### Advocating the Importance of Regular Exercise for All

- Chen Wei-Yin Baseball Training Camp, Jeremy Lin Basketball Training Camp**  
 We organize annual baseball and basketball training camps. Players overseas personally provide instructions and pass on their experience to young players with dreams, allowing the sport of baseball and basketball to take root in Taiwan.
- Cathay weight loss, carbon reduction, healthy aging**  
 Cathay FHC donates NT\$100 to senior baseball teams for every 1 kg of weight that employees or policyholders lose in hopes of bringing elderly people go out of their homes and enabling them to regain their youth, confidence, and health through playing baseball.
- Running Buddy Project**  
 Cathay Securities employees and personnel of Taiwan Vision Defective Road Run Association can be seen running with visually impaired persons at NTU Sports Center or Da'an Forest Park every morning. Employees are able to improve their own health as they engage in public welfare activities.

- About **9,500** people participated in training camps. By the end of 2017, the number of trustee trusts reached **NT\$37.92 billion**, of which the scale of charitable trusts related to athletes was approximately **NT\$890,000**.
- Donated **NT\$1.7 million** to **11** Honda Senior Baseball Teams.
- The Running Buddy Project has provided **114** hours of service to **50** people; 2 of our employees obtained guide runner licenses.



## Arts and Culture

### Project Name and Description

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

- Cathay National Children's Drawing Contest (children)**  
 The theme of the 42nd drawing contest was "Love to be Healthy." We hope to deliver the message that children not only need a healthy diet and good exercise habits, but also need to learn to say no to drugs which have become an increasingly prevalent and accessible.
- Cathay New Century Arts Exhibition (high/vocational school to college)**  
 We seek to encourage talented students in art related departments in colleges and high/vocational schools to create art works by providing them with the opportunity to display their works in public, so that young artists in Taiwan can fulfill their boundless potential.
- Art Talk Lecture in Cathay United Art Center (public)**  
 The Art Talk Lecture Series, primarily comprising talks on Western art history, showcases to the public a wide variety of fine art genres. The lectures not only offer participants a historic view of paintings but also an abundance of knowledge.
- Cathay Art Festival- Cloud Gate (public)**  
 Cathay Art Festival sows the seeds of art in Taiwan. Every year we sponsor Cloud Gate outdoor performances and tours in China, as well as free admission performances of Cloud Gate 2 in Taiwan, so that art can enrich people's lives.
- Cathay Century began offering Artwork Insurance, covering collections, exhibited artwork, and artwork delivery to provide protection for precious artwork.
- We have sponsored culture and creative industries for many years, and let Taiwan's abundant culture can be seen.

### Business and Social Impact

- The children drawing contest collected **66,204** works.
- Cathay New Century New Age Arts Exhibition collected 185 works.
- Up to the end of 2017, Cloud Gate has made a total of **312** performances, visited dozens of campuses, and performed for over **NT\$ 2.35 million** viewers.
- Provided coverage for a total of 297 works of art with a total premium of **NT\$4.85 million**.
- In 2017, CUB printed about **1,320,000** copies art deposit book.
- Cathay FHC invested a total of **340 million** to sponsor cultural and creative industries in 2017.



## Arts and Culture

### Project Name and Description

#### Art creativity

- Charity Exhibition of Mental Disability Art**  
 Through painting, disabled persons with a gift in art can show their talent and increase their confidence. We provide assistance by arranging exhibitions so that their works will have the opportunity to interact with the public.
- Taitung Street Corner Name Card Project**  
 CUB joined in the post-disaster recovery efforts after Typhoon Nephartak, and sponsored the Street Corner Name Card Project started by De Tai Dang, a local social enterprise of Taitung, for fund raising. We called over 50 designers from around Taiwan to design signboards that suited the city's local features for stores in Taitung.

### Business and Social Impact

- Benefited over **50** designers and **26** local stores in Taitung.
- Won Award of Excellence in the social inclusion category of the 2018 Taipei Golden Eagle Micro-movie Festival held by the Taiwan Institute for Sustainable Energy.
- Exposure in digital magazines and media and social media reached **1,046,937** times; the film had 92,000 views.



## Environmental Considerations

### Project Name and Description

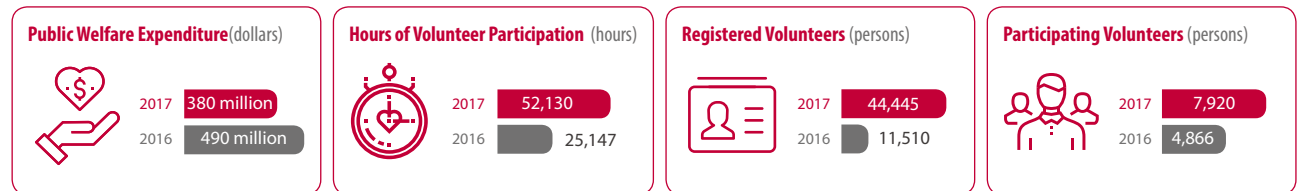
#### Making eco-friendliness an integral part of daily life

- ShoJio Charity Platform - Supporting eco-friendly social enterprises**  
 Cathay FHC integrates on-line and off-line platforms, such as ShoJio Charity Platform and Christmas charity sales, to invited employees and customers to support eco-friendly social enterprises by purchased and marketed their products.
- Community Story-tree Planting Campaign**  
 Cathay volunteers participated in tree planting and mountain cleaning activities in Nantou, Yilan, and Taipei City, co-organized a tree planting carnival with Taiwan Native Plant Society, and built a Noah's Ark on campus.

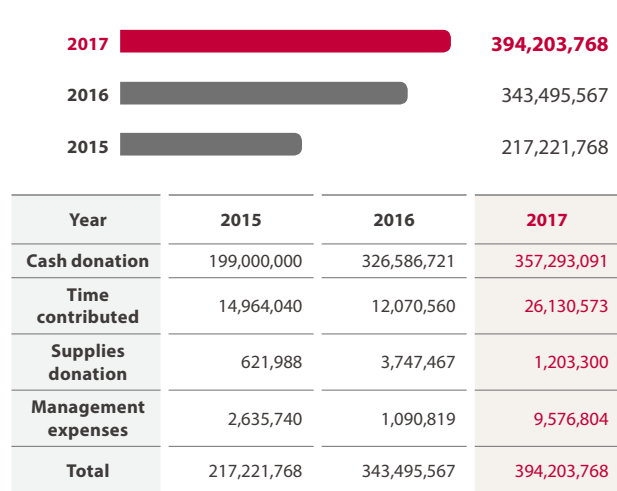
### Business and Social Impact

- Collaborated with over **10** eco-friendly social enterprises with procurements exceeding **NT\$1 million**.
- Participated in 4 green actions in 2017, planting over **5,000** saplings and clearing about **1,700** kg of green cancer with community residents.

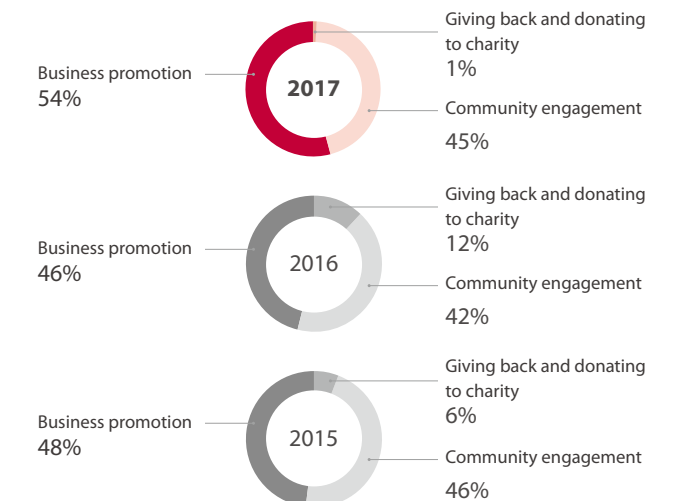
## Key Charity Performance



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



#### 2015-2017 Public Welfare Activity Investment Ratio Description



## APPENDIX

## Cathay Financial Holding Co., Ltd. 2017 Corporate Sustainability Report Summary of Subject Matter Assured

No.	Assured Item	Subject Matter Assured	Page	Applicable Criteria
1	Code of Conduct for Employee	Cathay FHC established the Code of Conduct for Employee. The Code is already in place and is in implementation.	<a href="#">22</a>	Refer to page 22 for details.
2	Board performance indicator	Cathay Financial Holdings has a set of "Guidelines for Evaluation of Directors' Performance" and "Regulations Governing the Evaluation of the Board's Performance" in place. The "Guidelines for Evaluation of Directors' Performance" and "Regulations Governing the Evaluation of the Board's Performance" include CSR indicators.	<a href="#">20</a>	Refer to page 20 for details.
3	Performance on internal controls	The performance evaluation indicators for all Cathay Financial Holdings employees include performance on internal controls.	<a href="#">22</a>	Refer to page 22 for details.
4	Number of users of MyBank and My MobiBank	MyBank had 3.17 million users and My MobiBank had 1.10 million users as of the end of 2017.	<a href="#">42</a>	As of the end of 2017, the number of users have logged in to Cathay United Bank MyBank and the number of users have logged in to Cathay United Bank My MobiBank.
5	Insurance brokers and agencies management	Cathay Life has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place. The Guidelines serve to maintain the quality of new insurance contracts made by insurance brokers and agencies and control the number of improper sales conduct. In 2017, 57,431 sales cases were reviewed during regular inspections.	<a href="#">67</a>	The total number of sales cases reviewed per Cathay Life's Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in 2017.
6	Disability & Retirement Trust	In 2017, CUB engaged in 34 cases of the Disability & Retirement Trust.	<a href="#">37</a>	The total number of Disability & Retirement Trust contracts accepted and signed by Cathy United Bank during 2017.
7	Solar Energy Financing	The bank financed a cumulative amount of 1,502 solar power stations with a total installed capacity of 318.5 MW in Taiwan.	<a href="#">34</a>	Solar power stations: As of December 31, 2017, the total number of stations approved by Bureau of Energy. Domestic financed capacity: As of December 31, 2017, the sum of capacities from the lower of the projects with approval documents issued by Bureau of Energy or Taipower Electricity Purchase Contract and financed by CUB head office and all domestic branches.
8	Low-carbon Investments	Low-carbon investments/loans of Cathay FHC and subsidiaries totaled NT\$149.8 billion as of the end of December 2017.	<a href="#">31</a>	Cathay FHC and subsidiaries' low carbon investments/loans consist of investments from the following three categories: 1. Industries which are classified into the six major categories, including energy, buildings, recycling, transportation, industry and finance measures. 2. Companies where the business lines include the above six categories. 3. The investment included in the following three lists: Low Carbon Investment Registry, Carbon Clean 200 List and Green bond listing within Bloomberg.  The low-carbon investment includes real estate, equity and debt, which are calculated according to the book value as included in the audited financial statements as of December 31, 2017 of each subsidiary; The low-carbon loans are calculated using the original loan amount minus the loan repayment amount (without considering subsequent credit risk).
9	Equator Principles (EP)	In 2017, Cathay United Bank undertook two Category C Project Finance cases that have reached financial close according to the Equator Principles as of year-end.	<a href="#">28</a>	The total number and category of cases that have reached financial close, according to the Equator Principles, undertaken by Cathay United Bank in 2017.



No.	Assured Item	Subject Matter Assured	Page	Applicable Criteria
10	Average employee benefit for non-managerial staff	Table "Employee Benefit Expense for Non-Managerial Staff"; the average employee benefit expense for non-managerial staff was NT\$993,059 per person in 2017.	<a href="#">52</a>	The Group's 2017 employee benefit expense for non-managerial staff divided by the Group's total number of non-managerial staffs as of December 31, 2017. "Employee" is defined as individuals who provide services to Cathay FHC under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers; nor do they include directors and supervisors.
11	Training spending	In 2017, Cathay's total training cost has reached NT\$640 million.	<a href="#">47</a>	The Group's total spending on employee trainings in 2017, including directly attributable costs (ex: course fee, instructor fee, stationary, etc.) and allocated cost (ex: classroom rental, training department cost, internal instructor cost, etc.).
12	Total number of new employees and resigned employees	New employee: the number of new employees by gender and age group on page 46, "New Employee Statistics" table. Employee turnover: the "Total turnover" by gender and age group listed on page 52, "Turnover statistics" table.	<a href="#">46, 52</a>	The Group's total number of new and resigned employee: the number of new and resigned full-time employee by gender and age group per each company's human resource systems as of December 31, 2017. Note: The new and resigned employee statistics do not include the sales agents and marketing specialists of Cathay Life, Cathay United Bank and Cathay Century.
13	Training hours per person	Table "Statistics of Employee Training Hours", 2017 Training hours per person :143 hrs.	<a href="#">47</a>	The Group's total employee external and internal training hours in 2017 divided by the Group's total number of employee as of December 31, 2017. Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions. Hours of morning sharing session is calculated by taking the total number of employees as of December 31, 2017, and multiplied by the annual attendance rate (1-(total number of leave days taken divided by total number of working days of the year) of sales department, multiplied by the total sharing duration in hours.
14	Absence Rate	Table "Absence Statistics", 2017 Absence Rate: 1.47%.	<a href="#">54</a>	Absence Rate = Ratio of lost days to total work days in a period of time. Lost Days = [Sick leave (including tocolysis leave) + Menstrual leave + Occupational injury leave]; Number of required work days = Total work days - Special leave days; Total work days was calculated using (number of employees on 2017/12/31) * (number of days in 2017 minus Saturdays, Sundays, and national holidays = 248).
15	Cumulative reinstatement rate	The "Cumulative reinstatement rate" listed on page 47, table "CIP Statistics".	<a href="#">47</a>	Cumulative reinstatement rate = The cumulative number of employees recruited through Cathay internship program from 2011 to December 31, 2017 / The total number of Cathay internship program participants from 2011 to December 31, 2017
16	Ratio of annual compensation of women to men for each employee category	Table "Annual compensation by gender (Male : Female)"; Ratio of annual compensation of male to female for each employee category for 2017.	<a href="#">54</a>	"Employee" is defined as individuals who provide services to Cathay FHC under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers; nor do they include directors and supervisors. Definitions: "High-level manager" is equivalent to vice presidents of Cathay FHC (including) or above, "Mid-level manager" is equivalent to senior managers of Cathay FHC (including), "Entry-level manager" is equivalent to managers of Cathay FHC (including), and "General Staff" refer to employees who do not bear the administrative responsibility for managing other employees or units, including project managers who do not manage other employees. Annual compensation= basic salary and remuneration The annual compensation ratio for male to female refers to the ratio calculated on the basis of the average annual compensation of men as 100, for example, 100:88 (that is, 100 for men and 88 for women).
17	Number of employees	Cathay FHC had 44,445 full-time employees in 2017; 197 office staff were part-time employees.	<a href="#">46</a>	Number of active full-time / part-time employees as of December 31, 2017.

No.	Assured Item	Subject Matter Assured	Page	Applicable Criteria
18	Parental Leave	Table "Statistics of Reinstatement after Parental Leave"; in 2017, parental leave return to work rate was 70% and retention rate was 90%.	<a href="#">54</a>	Return to work rate= Cathay FHC Total number of employees that did return to work after parental leave in 2017/ Total number of employees due to return to work after taking parental leave in 2017. Retention rate= Cathay FHC Total number of employees retained 12 months after returning to work in 2016/ Total number of employees returning from parental leave in 2016.
19	Public Welfare Expenditure	Public welfare expenditure in 2017: NT \$380 million.	<a href="#">14</a>	The Group's total amount of public welfare related cash donations and promotional activities' expenditures in 2017.
20	Scope3 GHG emissions	Table "GHG emissions and total energy use", 2017 Scope 3(Business travel emissions): 2588.8 tons CO <sub>2</sub> e. Note 4: Business travel emissions: The aviation part currently only counts the flights for Cathay FHC, Cathay Life, CUB and Cathay Century. Based on the corporate members data collected from China Airlines and Evergreen and it is calculated according to GHG protocol Transport_Tool_v2_6. The High-speed rail part covers Cathay FHC and all of its subsidiaries. Based on the corporate members data collected from Taiwan High Speed Rail and it is calculated according to carbon footprint: 38 gCO <sub>2</sub> e/person-per-kilometer (announced by Taiwan High Speed Rail) (Besides, new carbon footprint announced by Taiwan High Speed Rail on 16 December 2017 will be used in 2018 report) Moreover, the 2017 business travel was 62,366,999km.	<a href="#">61</a>	Business travel emissions: The aviation part currently only counts the flights for Cathay FHC, Cathay Life, CUB and Cathay Century. Based on the corporate members data collected from China Airlines and Evergreen and it is calculated according to GHG protocol Transport_Tool_v2_6. The High-speed rail part covers Cathay FHC and all of its subsidiaries. Based on the corporate members data collected from Taiwan High Speed Rail and it is calculated according to carbon footprint: 38 gCO <sub>2</sub> e/person-per-kilometer (announced by Taiwan High Speed Rail).
21	Water Usage	In 2017, Water consumption was 643,859 degrees which was obtained based on the data from all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries) disclosed in the annual report as well as official website and four office of Cathay FHC.		The scope of the report covers the total annual water consumption that was obtained based on the data from all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries) disclosed in the annual report as well as official website and four office of Cathay FHC. (Headquarters in Renai Rd. Daan District, Information Div. in Yangguang St. Neihu District, Direct Marketing Planning Dept. in Nanjing E. Rd. Zhongshan District, Digital, Data & Technology Center in Songren Rd. Xinyi District) (Below referred to as the business location). There are three major categories of water consumption calculations: independent self-owned water bills, shared building public water bills, and some business location that were unable to obtain water bills. For those business locations that were unable to obtain water bills, they were calculated by taking the average per capita water consumption of the group and applying it to the number of people in those business locations. The public water consumption of each building were calculated by taking the monthly public water consumption bills from the building management committee and pro-rated based on the percentage of floor space occupied.

## GRI Standards

GRI Standards	Main issues	Corresponding Section	Page
<b>General Disclosures</b>			
102-1	Name of the organization	About this report	<a href="#">0</a>
102-2	Activities, brands, products, and services	Business Performance	<a href="#">18</a>
102-3	Location of headquarters	About this report	<a href="#">0</a>
102-4	Location of operations	Scope Business Performance	<a href="#">0</a> <a href="#">19</a>
102-5	Ownership and legal form	About this report	<a href="#">0</a>
102-6	Markets served	Business Performance	<a href="#">19</a>
102-7	Scale of the organization	About this report	<a href="#">0</a>
102-8	Information on employees and other workers	Employee Structure	<a href="#">46</a>
102-9	Supply chain	Sustainable supply chain	<a href="#">62</a>
102-10	Significant changes to the organization and its supply chain	Sustainable supply chain	<a href="#">62</a>
102-11	Precautionary Principle or approach	Cathay's Sustainability Strategies/ Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">5/21</a>
102-12	External initiatives	Leader in Sustainable Finance	<a href="#">26-33</a>
102-13	Membership of associations	--	-- Cathay FHC and its subsidiaries participate in industry associations and interact with other financial institutions.
102-14	Statement from senior decision-maker	Message from the Chairman	<a href="#">2-3</a>
<b>GRI 102: General Disclosures</b>	102-16 Values, principles, standards, and norms of behavior	Cathay's Sustainability Strategies	<a href="#">5</a>
	102-18 Governance structure	Advancing Corporate Governance	<a href="#">19</a>
	102-40 List of stakeholder groups	Materiality Analysis	<a href="#">8</a>
	102-41 Collective bargaining agreements	N/A	N/A We haven't had collective bargaining agreements
	102-42 Identifying and selecting stakeholders	Materiality Analysis	<a href="#">8</a>
	102-43 Approach to stakeholder engagement	Materiality Analysis	<a href="#">8</a>
	102-44 Key topics and concerns raised	Materiality Analysis	<a href="#">8</a>
	102-45 Entities included in the consolidated financial statements	About this report	<a href="#">0</a>
	102-46 Defining report content and topic Boundaries	About this report	<a href="#">0</a>
	102-47 List of material topics	Materiality Analysis	<a href="#">8</a>
	102-48 Restatements of information	N/A	N/A
	102-49 Changes in reporting	N/A	N/A
	102-50 Reporting period	About this report	<a href="#">0</a>
	102-51 Date of most recent report	About this report	<a href="#">0</a>
	102-52 Reporting cycle	About this report	<a href="#">0</a>
	102-53 Contact point for questions regarding the report	About this report	<a href="#">0</a>
	102-54 Claims of reporting in accordance with the GRI Standards	About this report	<a href="#">0</a>
	102-55 GRI content index	Appendix	<a href="#">76-</a>
	102-56 External assurance	About this report	<a href="#">0</a>

GRI Standards	Main issues	Corresponding Section	Page
<b>Material topics</b>			
<b>Anti-corruption</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">21-23</a>
	103-2 The management approach and its components	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">21-23</a>
	103-3 Evaluation of the management approach	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">21-23</a>
<b>GRI 205: Anti-corruption</b>	205-1 Operations assessed for risks related to corruption	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">21-23</a>
<b>Customer Privacy</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries	Protecting Customers' Personal Information and Information Security	<a href="#">69-71</a>
	103-2 The management approach and its components	Protecting Customers' Personal Information and Information Security	<a href="#">69-71</a>
	103-3 Evaluation of the management approach	Protecting Customers' Personal Information and Information Security	<a href="#">69-71</a>
<b>GRI 418: Customer Privacy</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Protecting Customers' Personal Information and Information Security	<a href="#">69-71</a>
<b>Employment</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries	Employee Retention	<a href="#">50-53</a>
	103-2 The management approach and its components	Employee Retention	<a href="#">50-53</a>
	103-3 Evaluation of the management approach	Employee Structure Employee Retention	<a href="#">46</a> <a href="#">50-53</a>
<b>GRI 401: Employment</b>	401-1 New employee hires and employee turnover	Employee Structure Employee Retention	<a href="#">46</a> <a href="#">52</a>
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Retention	<a href="#">51</a>
<b>Training and Education</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries	Employee Learning and Development	<a href="#">47-49</a>
	103-2 The management approach and its components	Employee Learning and Development	<a href="#">47-49</a>
	103-3 Evaluation of the management approach	Employee Learning and Development	<a href="#">47-49</a>
<b>GRI 404: Training and Education</b>	404-1 Average hours of training per year per employee	Employee Learning and Development	<a href="#">47</a>
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee Learning and Development	<a href="#">48-50</a>
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee Learning and Development	<a href="#">50</a>



GRI Standards	Main issues	Corresponding Section	Page
<b>Local Communities</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries	Happiness is Giving Happiness	<a href="#">71-75</a>
	103-2 The management approach and its components	Happiness is Giving Happiness	<a href="#">71-75</a>
	103-3 Evaluation of the management approach	Happiness is Giving Happiness	<a href="#">71-75</a>
<b>GRI 413: Local Communities</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Happiness is Giving Happiness	<a href="#">71-75</a>
	FS14 INITIATIVES TO IMPROVE ACCESS TO FINANCIAL SERVICES FOR DISADVANTAGED PEOPLE	Strongest Supporter of Inclusive Finance	<a href="#">36-40</a>
<b>Product portfolio</b>			
<b>GRI 103: Management Approach</b>	103-1 Explanation of the material topic and its Boundaries		<a href="#">33-40</a>
	103-2 The management approach and its components	Strongest Supporter of Inclusive Finance Pioneer in Green Finance	<a href="#">33-40</a>
	103-3 Evaluation of the management approach		<a href="#">33-40</a>
<b>GRI-G4-Financial-Services-Sector-Disclosures</b>	FS7 MONETARY VALUE OF PRODUCTS AND SERVICES DESIGNED TO DELIVER A SPECIFIC SOCIAL BENEFIT FOR EACH BUSINESS LINE BROKEN DOWN BY PURPOSE	Strongest Supporter of Inclusive Finance	<a href="#">36-40</a>
	FS8 MONETARY VALUE OF PRODUCTS AND SERVICES DESIGNED TO DELIVER A SPECIFIC ENVIRONMENTAL BENEFIT FOR EACH BUSINESS LINE BROKEN DOWN BY PURPOSE	Pioneer in Green Finance	<a href="#">33-36</a>

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

## United Nations Global Compact Principles

Category	Main issues	Corresponding Section	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.		
	Make sure that they are not complicit in human rights abuses	Employee Retention	<a href="#">50-53</a>
Labor Standards	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		
	The elimination of all forms of forced and compulsory labor.	Employee Retention	<a href="#">50-53</a>
	The effective abolition of child labor.	Employee Retention	<a href="#">50-53</a>
	The elimination of discrimination in respect of employment and occupation.	Employee Retention Innovation and Diversity	<a href="#">50-53</a> <a href="#">54-55</a>
The Environment	Businesses should support a precautionary approach to environmental challenges	Natural Resource Capital	<a href="#">56-63</a>
	Undertake initiatives to promote greater environmental responsibility	Natural Resource Capital	<a href="#">56-63</a>
	Encourage the development and diffusion of environmentally friendly technologies.	Pioneer in Green Finance	<a href="#">33-36</a>
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	<a href="#">21-23</a>

## ISO 26000 Index

Category	Corresponding Section	Page
Organizational Governance	Finance and Integrity Capital	<a href="#">18</a>
Human Rights	Human Capital	<a href="#">26</a>
Labor Practices	Human Capital	<a href="#">26</a>
The Environment	Natural Resources Capital	<a href="#">58</a>
Fair Operating Practices	Finance and Integrity Capital	<a href="#">18</a>
Consumer Issues	Social Relations Capital	<a href="#">64</a>
Community involvement and development	Social Relations Capital	<a href="#">64</a>

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

Category	Main issues	Corresponding Section	Page
The Environment	Environmental policies on financial products or services	Pioneer in Green Finance	<a href="#">33-36</a>
Social	Social policies on financial products or services	Strongest Supporter of Inclusive Finance	<a href="#">36-40</a>
Human Rights	Number of non-managerial staff, amount of employee welfare expenses, and differences from the previous year	Employee Retention	<a href="#">50-53</a>
Supplier	Incentives to customers or other counterparties for accommodating environmental requirements of a financial/insurance company	Leader in Sustainable Finance	<a href="#">26-33</a>
	Incentives to customers or other counterparties for accommodating social requirements of a financial/insurance company	Leader in Sustainable Finance	<a href="#">26-33</a>



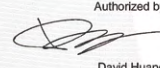
Statement TW18/00091GG

## Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2017 of  
**Cathay Financial Holding Co., Ltd.**  
No.296, Sec.4, Renai Rd., Daan Dist., Taipei, Taiwan

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of  
**ISO 14064-1:2006**

Direct emissions  
3,091.9243 tonnes of CO<sub>2</sub>e  
Energy indirect emissions  
52,929.9449 tonnes of CO<sub>2</sub>e  
Direct emissions and energy indirect emissions  
56,021.868 tonnes of CO<sub>2</sub>e

Authorized by  
  
David Huang  
Director  
Date: 02 May 2018  
Version 1

TOP 5615A-1 1801  
SGS Taiwan Ltd.  
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,  
New Taipei City 24603, Taiwan  
T: (02) 22993279 F: (02) 22999453 www.sgs.com

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 1 of 6

Statement TW18/00091GG, continued

- Title or description activities: GHG verification for Cathay Financial Holding in year 2017.
- Location/boundary of the activities:

Unit	Address
Cathay Financial Holdings	No.296, Sec.4, Renai Rd., Daan Dist., Taipei, Taiwan
Cathay Life Insurance	No.296, Sec. 4, Renai Rd., Daan Dist., Taipei, Taiwan
Cathay Century Insurance	SF, 7F & 11F, No.296, Sec. 4, Renai Rd., Daan Dist., Taipei, Taiwan
Cathay Securities Investment Trust	6F., No.39, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei, Taiwan
Cathay United Bank	No.7, Songren Rd., Xinyi Dist., Taipei, Taiwan
Cathay Venture Inc.	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei, Taiwan
Cathay Futures	19F., No.333, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei, Taiwan
Cathay Securities Investment Consulting	6F., No.108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei, Taiwan
Cathay Securities	20F., No.333, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei, Taiwan

- Physical infrastructure, activities, technologies and processes of the organization: Composed of insurance, securities, banking and other diversified financial institutions.
- GHG sources, sinks and/or reservoirs included: Sources as presented in the inventory spreadsheet provided by Cathay Financial Holding
- Types of GHGs included: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>
- The IPCC 2007 AR4 GWP values are applied in this inventory.
- Electricity emission factor: 0.529 kgCO<sub>2</sub>e/kwh (Announced by Bureau of Energy, Ministry of Economic Affairs in 2017)
- Directed actions: NA
- GHG information for the following period was verified: 01 January 2017 to 31 December 2017
- The version of inventory sheet: 19 April 2018
- The version of GHG assertion: 19 April 2018
- Intended user of the verification statement: Private

**Objective**  
The purposes of this verification exercise are, by review of objective evidence, to independently review:

- Whether the GHG emissions are as declared by the organization's GHG assertion

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 3 of 6

Statement TW18/00091GG, continued

SGS's approach is risk-based, drawing on an understanding of the risks associated with reporting GHG emissions information and the controls in place to mitigate these. Our examination includes assessment, on a test basis, of evidence relevant to the amounts and disclosures in relation to the organization's reported GHG emissions.

We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a reasonable level of assurance that the GHG emissions for the period 01 January 2017 to 31 December 2017 are fairly stated.

We conducted our verification with regard to the GHG assertion of Cathay Financial Holding which included assessment of the GHG information system, monitoring and reporting plan/protocol. This assessment included the collection of evidence supporting the reported data, and checking whether the provisions of the protocol reference, were consistently and appropriately applied.

In SGS's opinion the presented GHG assertion

- is materially correct and is a fair representation of the GHG data and information, and
- is prepared in accordance with ISO14064-1:2006 on GHG quantification, monitoring and reporting.

**Confidentiality**  
The reports and attachments may contain relevantly confidential information of the clients. In addition to being submitted as governmental application or certification documents, the reports and attachments are not allowed to be edited, duplicated, or published without the clients' agreement in written form.

**Avoidance of Conflict of Interest**  
The reports and attachments are completely complied with the standards and procedures that related-authorities established. The reports and attachments of auditing process are conducted with fairness and honesty. If not, the auditing institution not only has to bear the relevant compensation duties, but also to receive legal charge and punishment.

This statement shall be interpreted with the GHG assertion of Cathay Financial Holding as a whole.

**Verifier Group**  
Above statements coincide with auditing process with fairness and impartiality, and aim at the emission of year 2017 of clients.

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 5 of 6

**pwc 資誠**  
Independent Limited Assurance Report  
PWCML800071

To Cathay Financial Holding Co., Ltd.

We have been engaged by Cathay Financial Holding Co., Ltd. ("Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2017 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 77 to 79 of the CS Report. The scope of the aforementioned Subject Matter Information is set out in the "Scope" section of "About this report" of the CS Report.

The respective applicable criteria above are Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, the latest edition of the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI) and the other criteria referred to or designed by the Company based on the Company's industry characteristics and sustainability performance information reported.

**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 Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, the latest edition of the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI) and the other criteria referred to or designed by the Company based on the Company's industry characteristics and sustainability performance information reported, 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 for the preparation of the Subject Matter Information, in all material aspects, to be 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 for those areas, designing and implementing procedures. 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.

元誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan  
11012 台北市信義區基隆路一段 333 號 27 樓  
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan  
T: +886 (2) 2799 6666, F: +886 (2) 2799 6688, www.pwc.tw

Statement TW18/00091GG, continued

SGS has been contracted by Cathay Financial Holding Co., Ltd. (hereinafter referred to as "Cathay Financial Holding"), No.296, Sec.4, Renai Rd., Daan Dist., Taipei, Taiwan for the verification of direct and indirect Greenhouse Gas emissions in accordance with

**ISO 14064-3: 2006**

as provided by Cathay Financial Holding Co., Ltd. (hereinafter referred to as "Cathay Financial Holding"), No.296, Sec.4, Renai Rd., Daan Dist., Taipei, Taiwan, in the GHG Assertion in the form of GHG report covering GHG emissions of the period 01 January 2017 to 31 December 2017.

**Roles and responsibilities**  
The management of Cathay Financial Holding is responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information and the reported GHG emissions.

It is SGS's responsibility to express an independent GHG verification opinion on the GHG emissions as provided in the GHG Assertion for the period 01 January 2017 to 31 December 2017.

SGS conducted a third party verification of the provided GHG assertion against the principles of ISO 14064-1:2006, ISO 14064-3:2006 in the period 02 March 2018 to 03 April 2018. The verification was based on the verification scope, objectives and criteria as agreed between Cathay Financial Holding and SGS on 16 January 2018.

**Level of Assurance**  
The level of assurance agreed is that of reasonable assurance.

**Scope**  
Cathay Financial Holding has commissioned an independent verification by SGS Taiwan of reported GHG emissions of Cathay Financial Holding arising from composed of insurance, securities, banking and other diversified financial institutions activities, to establish conformance with ISO 14064 principles within the scope of the verification as outlined below.

This engagement covers verification of emission from anthropogenic sources of greenhouse gases included within the organization's boundary and is based on ISO 14064-3:2006.

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 2 of 6

Statement TW18/00091GG, continued

- The data reported are accurate, complete, consistent, transparent and free of material error or omission.

**Criteria**  
Criteria against which the verification assessment is undertaken are the principles of ISO 14064.

**Materiality**  
The materiality required of the verification was considered by SGS to 5%, based on the needs of the intended user of the GHG Assertion.

**Conclusion**  
Cathay Financial Holding provided the GHG assertion based on the requirements of ISO14064-1:2006. The GHG information for the period 01 January 2017 to 31 December 2017 disclosing emissions of 56,021.868 metric tonnes of CO<sub>2</sub> equivalent and 0.0000 metric tonnes of direct CO<sub>2</sub> emissions from the combustion of biomass are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

The emission of each site is described as below: Unit: tonnes of CO<sub>2</sub>e

Unit	Direct emissions	Energy indirect emissions	Direct emissions and energy indirect emissions
Cathay Financial Holdings	75.3754	485.1439	560.519
Cathay Life Insurance	2,096.3395	32,667.3204	34,773.660
Cathay Century Insurance	200.0648	2,515.2939	2,715.379
Cathay Securities Investment Trust	11.9353	378.8716	390.807
Cathay United Bank	633.0516	15,534.3175	16,167.369
Cathay Venture Inc.	4.9900	24.7298	29.720
Cathay Futures	8.6072	73.6088	82.216
Cathay Securities Investment Consulting	4.2885	73.0720	77.361
Cathay Securities	57.2511	1,167.5870	1,224.838

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 4 of 6

Statement TW18/00091GG, continued

Lead Verifier: *Kyle Lu*

Verifier: *Linying Tang* *Kain Heah*  
*Andy Hsu* *Chris Peng*

Note: This Statement is issued on behalf of Client, by SGS Taiwan Ltd. ("SGS") under its General Conditions for Greenhouse Gas Verification Services available at [http://www.sgs.com/terms\\_and\\_conditions.htm](http://www.sgs.com/terms_and_conditions.htm). The findings recorded herein are based upon an audit performed by SGS. A full copy of this statement, the findings and the supporting GHG Assertion may be consulted at Cathay Financial Holding Co., Ltd., No.296, Sec.4, Renai Rd., Daan Dist., Taipei, Taiwan. This Statement does not relieve Client from compliance with any bylaws, federal, national or regional acts and regulations or with any guidelines issued pursuant to such regulations. Stipulations to the contrary are not binding on SGS and SGS shall have no responsibility vis-à-vis parties other than its Client.

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 6 of this Statement. Page 6 of 6

**pwc 資誠**

The procedures we performed were based on the identification of risk areas and materiality level. Given the circumstances of the engagement, we performed the following procedures:

- Made enquires of personnel responsible for the Subject Matter Information to understand and evaluate the processes, information systems (if any) relating to the preparation of the aforementioned information, and its design and implementation of relevant internal controls; and
- Based on the above understanding and evaluation, performed analytical procedures on the Subject Matter Information and, if deemed necessary, performed selective testing 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 maintains 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 Limitation**  
Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial information. 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 for the preparation of the Subject Matter Information, in all material aspects, to be in accordance with Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, the latest edition of the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI) and the other criteria referred to or designed by the Company based on the Company's industry characteristics and sustainability performance information reported.

**Other Matter**  
The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or related 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 13, 2018





**國泰金控**

Cathay Financial Holdings



This report is printed with recycled paper meeting Forest Stewardship Council certification standards and non-toxic soy ink.