



國泰金控

Cathay Financial Holdings

2021

# SUSTAINABILITY REPORT

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# Message from the Chairman

Cathay Financial Holdings will celebrate its 60th anniversary in 2022, which is a significant milestone. Over the past sixty years, we have realized that a company has to take care of its customers, employees, and shareholders in order to sustain its operation and development, and we have to value society and the environment in order to become a company with both "sustainable performance" and "corporate profitability" and demonstrate our long-term competitiveness. The business environment has changed rapidly compared to the previous decade. To tackle the associated challenges, Cathay upholds the spirit of "What if We Could" and believes that "You are braver than you think." Cathay is creating a forward-looking business vision and moving forward steadily with two major aspects as part of our DNA: technological innovation and ESG corporate sustainability.

In 2021, despite the severity of the COVID-19 pandemic, Cathay FHC demonstrated its strong operational resilience and achieved a record high performance with total assets exceeding NT\$11 trillion and after-tax profits of NT\$140.89 billion for the year, doubled from the previous year. Cathay has been selected for inclusion in the Dow Jones Sustainability Index (DJSI) for four consecutive years and as a constituent stock of its Emerging Markets Index for seven consecutive years, and was ranked first in its industry worldwide in sustainable finance and financial inclusion. Cathay regards corporate sustainability and ESG as crucial missions, and promotes the concepts of "No ESG, No Business" in the global supply chain as well as "No ESG, No Money" in financial institutions. Not only is Cathay FHC trying to be the best, the company also hopes to use the influence of the group as a driving force to attract more enterprises to the cause, so that all industries in Taiwan can prosper, attain sustainability, and reduce carbon emissions together. In particular, earthquakes and typhoons are very common in Taiwan, and Taiwan is especially venerable to the impact of climate change. Therefore, the concept of "No ESG, No Taiwan" is even more important here. As the largest institutional investor in Taiwan, Cathay aims to fulfill the spirit of "performing well and then performing even better." It will continue to shoulder its responsibility as a pioneer in sustainable development and focus on the three main themes of ESG—climate, health and empowerment—to exert its influence on the financial industry.



Chairman

蔡安元



## Climate

In the face of the worsening extreme weather threat caused by global warming, reducing carbon emissions is the most important way to mitigate the threat of global warming. In terms of climate initiatives, Cathay FHC announced in June 2021 that it will follow the guidelines of the RE100 global renewable energy initiative and became the first RE100 member in Taiwan's financial industry in April 2022. By implementing renewable energy plans, zero-coal plans, and fossil fuel investment, Cathay has pledged that all locations of the group in Taiwan will use only renewable energy by 2030 and all global locations of the group will use only renewable energy by 2050, so as to realize the goal of net-zero carbon emissions. Cathay is the only financial institution in Taiwan that participates in a number of international initiatives including Climate Action 100+ and CDP NDC, and was selected as one of the top 10 best practice examples and honored as the leader of Asia investment organizations by the Investor Agenda in 2022. Cathay hopes, on the road to net-zero carbon emissions, to develop innovative solutions, transform business models, and find new development opportunities through cross-disciplinary cooperation.



## Health

Taiwan is expected to enter a super-aged society in 2025 and has the fastest aging rate in the world. We care about the physical and mental health of the general public, and accordingly we are focusing on the future aging issue as well as any shortcomings in the protections offered to our customers. We are strengthening the financial security of people through our core competencies. Cathay Life launched the upgraded version of "Cathay Walker Plus (CWP) Health Plan" and combined the system with usage-based insurance to provide greater coverage or premium discounts, thus encouraging policy holders to develop healthy habits. Meanwhile, we actively promote the concept of protecting assets with a trust to improve the financial autonomy of the elderly and ensure the security of their property. Cathay also provides affordable financial products and services to small and medium-sized enterprises, young people, and female customers through digitalization to achieve financial inclusion.



## Empowerment

"People" have always been the most important key to the success of a business. This includes aspects such as how personnel perform their work, how they think about problems and find solutions, and how they can maintain their enthusiasm and ambition. In the process of digital transformation, Cathay values employees' skill development and workplace experiences, creates a flexible mobile office with digital technology to shape a culture of independent learning and strengthen employees' professional skills, and also combines the three powers of transformation to optimize employees' soft power and enhance their competitiveness. Cathay's vision is to foster a generation that will bring positive changes to society, and uses diverse channels to build a learning and participation platform for children and young people. In 2021, Cathay collaborated with the International Climate Development Institute (ICDI) and jointly held youth forums and promoted industry-academic cooperation so as to build a climate talent pool in Taiwan and empower young people to tackle the challenges associated with environmental and social sustainability.

Cathay Financial Holdings will celebrate its 60th anniversary in 2022. In the next decade, Cathay will continue to uphold its determination and convictions towards sustainable operations, embrace opportunities, take responsibilities, and provide better financial services. For Cathay, serious challenges also represent infinite opportunities.



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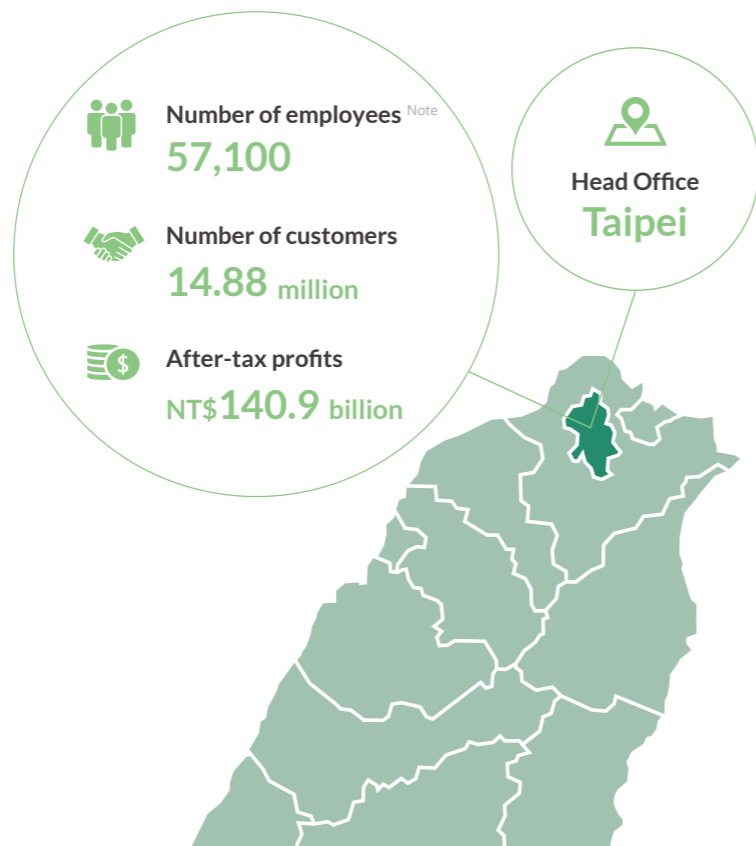
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# About Cathay FHC

## Overview of Operations

Cathay FHC upholds the core values of "Integrity, Accountability, and Innovation" for steady business operations. We strive to provide customers with one-stop and warm financial services. At the same time, we continue to expand overseas operations, integrate resources within the group, and utilize digital technology to provide better customer experiences. With "Insurance + Banking + Asset Management" as our three core engines of growth, we will continue to strive toward our vision of becoming "a leading financial institution in the Asia-Pacific region." Cathay FHC once again delivered record-high business performance in 2021 with consolidated after-tax profit climbing 85% to NT\$140.9 billion. Earnings per share reached NT\$10.34, setting a new record for the third consecutive year.



## Greater China

- Cathay Lujiazui Life Insurance currently operates **12** offices (headquarters and branch offices) and **53** sales and service agencies across China.
- CUB currently operates a wholly-owned subsidiary in China, owning **7** sales and service agencies. Additionally, CUB has one branch in Hong Kong.
- Cathay Century Insurance (China) integrated the technologies and big data analytics capabilities of Ant Financial Services Group, and vigorously developed eCommerce-related financial services, which contributed substantial premium income growth.

- 1 Liaoning Cathay Lujiazui Life Insurance
- 2 Beijing Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China) \ CDBS Cathay Asset Management Company
- 3 Tianjin Cathay Lujiazui Life Insurance
- 4 Shandong Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China) \ Cathay United Bank
- 5 Henan Cathay Lujiazui Life Insurance
- 6 Jiangsu Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China)
- 7 Sichuan Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China)
- 8 Hubei Cathay Century Insurance (China)
- 9 Shanghai Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China) \ Cathay United Bank
- 10 Zhejiang Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China)
- 11 Fujian Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China)
- 12 Xiamen Cathay Lujiazui Life Insurance
- 13 Guangdong Cathay Lujiazui Life Insurance \ Cathay Century Insurance (China)
- 14 Hong Kong Cathay United Bank \ Cathay Securities \ Conning Asia Pacific Limited

## Taiwan

Established a total of **667** sales and service agencies.

## Southeast Asia

- Cathay Life Insurance (Vietnam) Co., Ltd. currently operates **7** offices (headquarters and branch offices) and **146** sales and service agencies across China.
  - CUB operates a total of **59** sales and service agencies, and has overseas offices in nine of the ten ASEAN member states, the highest number of offices in the ASEAN market out of all Taiwanese banks.
- 15 Myanmar Cathay United Bank
  - 16 Laos Cathay United Bank
  - 17 Philippines Cathay United Bank
  - 18 Thailand Cathay United Bank
  - 19 Vietnam Cathay Life, Cathay Century Insurance, Cathay United Bank
  - 20 Cambodia Cathay United Bank
  - 21 Malaysia Cathay United Bank
  - 22 Singapore Cathay United Bank
  - 23 Indonesia Cathay United Bank

Note: The number of employees includes directors (outside directors are included), managers, general employees, and contract employees, but excludes supervisors, temporary workers and staff under service contracts and outsourcing contracts. In addition, the number of part-time employees that have been counted repeatedly is subtracted from the number of employees.

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**Financial Performance in the Last Three Years**

	2019	2020	2021
Consolidated total assets (NT\$ billion)	10,065	10,950	11,594
Consolidated shareholder equity (NT\$ billion)	782	905	914
Consolidated after-tax profits (NT\$ billion)	63.9	76.0	140.9
Consolidated after-tax EPS (NT\$)	4.76	5.41	10.34
Consolidated return on equity (%)	9.74	9.01	15.49
Average revenue per employee (NT\$ thousand)	10,011	10,984	10,865
Average earnings per employee (NT\$ thousand)	1,150	1,324	2,445
Consolidated return on assets (%)	0.86	0.85	1.34
Outstanding shares (million)	14,703	14,703	14,703
Cash dividends per share (NT\$)	2	2.5	3.5
Stock dividends per share (NT\$)	0.0	0.0	0.0
Book value per share (NT\$)	51.6	60.8	61.5
Economic Value Retained (NT\$ billion)	42.3	46.2	104.6

Note: Economic value retained = "Direct economic value generated" - "Economic value distributed" Direct economic value generated is revenue, and direct economic value distributed is: Operating costs, employee salaries and benefits, payments to investors, payments to governments of each country, and community investments.

Cathay FHC and its subsidiaries all comply with laws and regulations in the sale of products and services. No products or services were prohibited from being sold in Taiwan in 2021.

Cathay Life	Highlights	Profit Performance
Life insurance, accident insurance, health insurance, annuity insurance, and investment-linked insurance	Ranked first in the industry in terms of its market share in total premium income, first-year premium income, and first-year premium equivalent	NT\$ <b>113.2 billion</b>
Cathay United Bank	Highlights	Profit Performance
Wealth management, consumer banking, corporate banking, international finance, e-banking, trust services, investments, and sales of financial products	Second largest private-owned bank in Taiwan and the Taiwanese private-owned bank with the most extensive locations in ASEAN countries.	NT\$ <b>23.8 billion</b>
Cathay Century	Highlights	Profit Performance
Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance	Ranked second in the industry in terms of premium income	NT\$ <b>2.2 billion</b>
Cathay Securities (Cathay Futures included)	Highlights	Profit Performance
Securities underwriting, proprietary/consigned trading of local and foreign securities, margin trading, securities lending, share administration, wealth management, and auxiliary futures services	Continues to lead the market in sub-brokerage business	NT\$ <b>2.2 billion</b>
Cathay SITE	Highlights	Profit Performance
Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts	Largest securities investment trust company in Taiwan	NT\$ <b>1.4 billion</b>
Cathay Venture	Highlights	Profit Performance
Investing in unlisted companies with growth potential and assisting in the development of those companies to maximize return on investment	Second largest FHC venture capital in terms of capital	NT\$ <b>0.4 billion</b>

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**Tax Management**

Cathay FHC established its [Tax Governance Policy](#) with the Board of Directors as the highest-level decision-maker for tax risk management mechanisms to effectively control tax risks. The Tax Management Unit is the accounting department within the Finance Division and is responsible for delivering reports to the Risk Management Division on a regular basis. The Risk Management Division is responsible for delivering reports on tax governance matters to the Board of Directors on an annual basis to ensure effective operation of the tax management mechanism.



**Compliance**

We are committed to comply with the spirit as well as the letter of the tax laws and regulations of each jurisdiction in which we operates, and we accurately calculate all tax charges and file tax returns prior to legal deadlines so as to fulfill our obligations to pay taxes.




**Risk Management**

We established a sound tax risk management structure and organizational culture, and carefully evaluate tax risks and response measures with consideration to the optimization of our overall tax burden and the impact on our reputation, risk management, and sustainability values under globalized operations.




**Economic Substance**

We do not use tax structures intended for tax avoidance, do not transfer value created to low tax jurisdictions, or use secrecy jurisdictions (known as tax havens) to avoid taxes. Related-party transactions shall comply with arm's length principles and we are committed to complying with the transfer pricing rules in each jurisdictions where we operate, so as to fulfill our tax obligations in the jurisdictions where value is created.



**Information Transparency**

Tax-relevant information will be disclosed publicly to stakeholders on a regular basis to ensure transparency.



**Integrity and Communication**

We will foster a mutually trustworthy and honest relationship with tax authorities in each jurisdictions where we operate. Where possible, we will provide practical industry views and market insights to improve the tax environment and tax system.

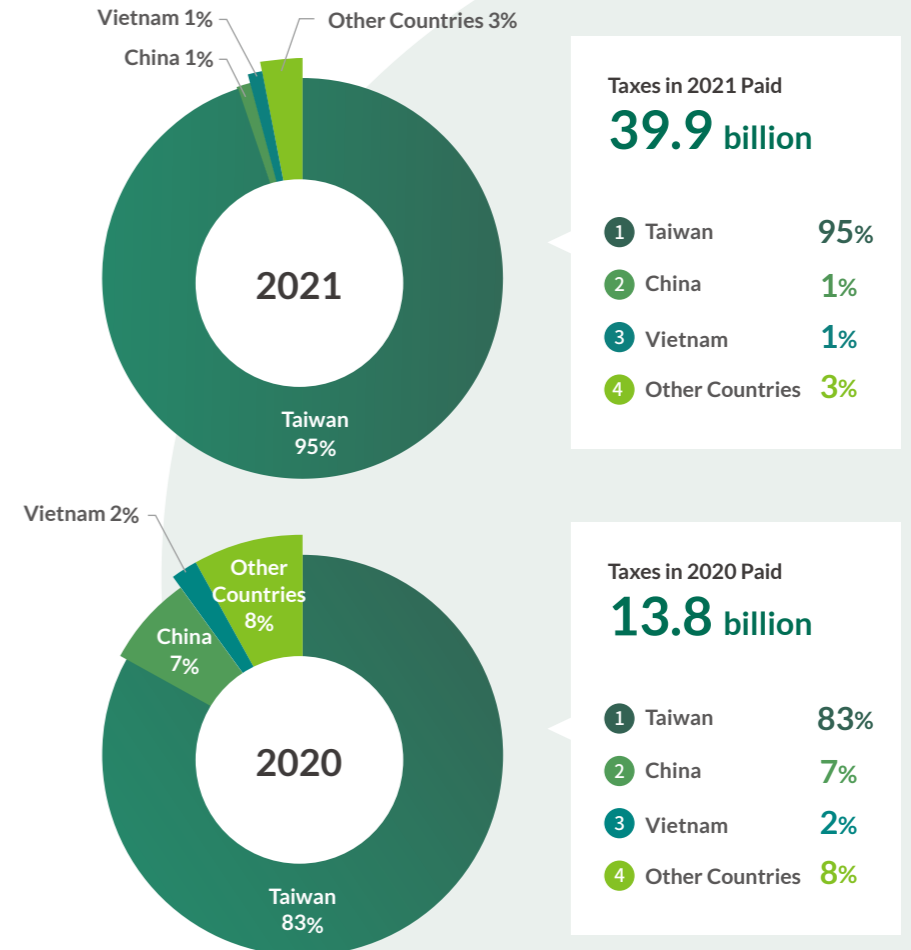


**Talent Cultivation**

We shall ensure that our employees receive regular domestic and foreign training in order to enhance their competencies with regard to tax governance. We manage tax-related affairs based on principles of good faith and integrity and effectively manage tax risks in order to implement corporate sustainability, maintain shareholder equity, and fulfill our corporate social responsibility.

Cathay FHC paid a total of NT\$39.9 billion in taxes worldwide in 2021; major tax categories included corporate income tax, undistributed profits tax, business tax, and house and land tax. The amount of taxes paid in Taiwan account for 95% of taxes paid worldwide due to the fact that Taiwan is our main country of operation.

**Breakdown of taxes paid worldwide in 2020-2021 by country**



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Sustainability Awards and Recognition



DJSI

Selected as a constituent stock of the DJSI Emerging Markets Index for seven consecutive years, and selected as a constituent stock of the DJSI World Index for four consecutive years.



CDP

Rated in the leadership Level A-



MSCI

Rated in AA Level.



FTSE4GOOD

Selected as a constituent stock of the FTSE4Good Emerging Index for seven consecutive years.



Sustainalytics

Ranked 5th in the global life insurance industry



Bloomberg Gender-Equality Index

Included in Bloomberg Gender-Equality Index for the first time



FTSE4Good TIP Taiwan ESG Index

Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for five consecutive years



Corporate Governance Evaluation

Ranked in top 5% in the 8th Corporate Governance Evaluation in 2021



CommonWealth Magazine Excellence in Corporate Social Responsibility

Received the third prize in the Excellence in Corporate Social Responsibility from *CommonWealth Magazine*.



Taiwan Financial Award Corporate Social Responsibility Award

Won the 2021 Taiwan Financial Award Corporate Social Responsibility Award



Buying Power

Won first place in Buying Power – Social Innovation Products and Services Procurement Award from the Small and Medium Enterprise Administration



Global Views Monthly Corporate Social Responsibility & Social Enterprise Awards

Won the First Prize in the "CSR Annual Survey - Finance and Insurance Category Division" and the Exemplary Award in the "Environmental Considerations Division", "Education Promotion Division" for three consecutive years.



Taiwan Corporate Sustainability Awards

Received the "Top Ten Sustainable Companies Award - Third Place in the Service Industry" and "Corporate Sustainability Report Platinum Award" in the "2021 Taiwan Corporate Sustainability Awards" as well as 6 sustainability performance awards, including the "Climate Leader Award," "Growth through Innovation Leader Award," "Information Security Award," and "Talent Development Leader Award."

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Sustainability Performance and Breakthroughs



Sustainable Finance

- Cathay is the first financial company that includes investments in the coal value chain in management planning.
- CUB established the goal and schedule for zero-coal fired power generation loans in 2021.
- Three engaged companies of Climate Action 100+ has committed to zero net emissions or carbon neutrality by 2050.
- Cathay has organized the Cathay Sustainable Finance and Climate Change Forum for 5 consecutive years. In 2021, the companies that participated in the forum accounted for 76% of the total stock market value and 51% of the total carbon emissions in Taiwan.
- Cathay's engagement results were selected into the world's top ten best practice examples.



Climate

- Cathay FHC became the first financial institution in Taiwan to commit to RE100 in 2021, and aims for locations in Taiwan to use 100% renewable energy in 2030.
- Planned the goals for the reduction of operational carbon emissions by referencing the SBTi methodology.
- CUB participated in wind farm investments and loans of Ørsted, the world's largest offshore wind farm developer, to a drive low carbon economy and energy transition.



Health

- Cathay Life actively promotes the implementation of Cathay Walker Plus to make it the health plan with the most participants in the industry and with a cumulative total of 566.58 billion steps.
- Cathay Life is the first life insurance company in Taiwan to be approved for remote insurance enrollment on a trial basis, and CVX achieved satisfaction above 96%.
- Cathay Century utilizes loss control competencies and raises the fire accident risk awareness of the general public through utility model patents.
- Cathay Securities offered the first regular savings plan in Taiwan's stock market through an app. The amount debited has reached NT\$14.93 billion, which increased 14 times compared to 2019.



Empowerment

- Included in the Bloomberg Gender-Equality Index (GEI) in 2021.
- Focus on digital empowerment and cultivate seeds of agility to spread the culture of agility and drive Cathay's digital transformation.
- Encourage youth participation in climate change action and organized the Cathay Climate Change Youth Forum for 2 consecutive years.
- Worked together with National Taipei University to publish the most comprehensive report in Taiwan on sustainable investments to increase the visibility of Taiwan's sustainable investments.



Sustainable Operation Management

- Continued to be recognized for corporate governance with the "Outstanding Company on Corporate Governance" for the second consecutive year.
- Linked manager remuneration to sustainable performance to enhance sustainability management.
- The first financial holding company in Taiwan to obtain BSI BCM System certification.
- Achieved the best treating customers fairly performance in the financial industry.



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# 01 Sustainability Governance and Strategies

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- 1.2 Sustainability Strategy and Fulfillment of SDGs
- 1.3 Blueprint of Sustainability Strategies
- 1.4 CS Issue Materiality Analysis and Stakeholder Engagement
- 1.5 Sustainability Value Creation Process

Companies are facing massive impacts and challenges from the COVID-19 pandemic, the threat of extreme weather, and volatile global political and economic situations. Cathay is actively implementing ESG and enhancing risk management in its operations to effectively respond to the challenges brought by the environment and society. We are utilizing our core competencies to provide positive value to society and the environment.

With regard to the implementation and promotion of sustainability, Cathay FHC has established well-rounded management mechanisms and communication channels through the operations of the CS Committee, and actively looked into the 17 Sustainable Development Goals (SDGs) of the United Nations to find areas where it can make contributions through its core financial business. Furthermore, Cathay internalized ESG to become a part of its corporate DNA, and also incorporated ESG factors into the operations management of its three engines of growth, thus ensuring that sustainability concepts are incorporated in business management practices and strategies. In 2020, Cathay established the three focus areas of its sustainability strategy, "climate, health, and empowerment," for long-term development. We further laid out a sustainability strategy blueprint in 2021 based on the three focus areas of sustainability strategies, implementing key action plans based on the diverse financial core competencies of subsidiaries, and establishing the direction for implementing sustainability strategies, while showing Cathay's resilience and sustainability governance abilities.



Key Developments 1

## Leader in Sustainable Finance

Highlights

- **The DJSI ranks Cathay first among global industries for sustainable finance and financial inclusion**  
Selected as a constituent stock of the DJSI Emerging Markets Index for seven consecutive years, and selected as a constituent stock of the DJSI World Index for four consecutive years.



Key Developments 2

## Sustainability Strategy Management

Highlights

- **Blueprint of Sustainability Strategies with Three Focus Areas "Climate, Health, and Empowerment"**  
We laid out a blueprint for the three focus areas of sustainability strategies "climate," "health," and "empowerment," and built a consensus to focus on the way for implementing sustainability strategies, while also improving communication with stakeholders. We will publish the blueprint in 2022.
- **The CS Committee Focuses on Communication in the Three Focus Areas of Sustainable Development**  
Cathay FHC CS Committee focused on improving communication in the three focus areas of sustainable development in 2021.



Key Developments 3

## Transparent Disclosure of the Sustainability Management Process

Highlights

- **Climate-Related Financial Disclosures Report**  
Cathay FHC monitors the overall impact of climate change and formulates management policies, while preparing a comprehensive climate risk management report to show resilience towards climate issues. It was published in 2022.
- **Cathay FHC Compiled the First ESG Integrated Report**  
Cathay FHC discloses results of integrating ESG factors with Cathay's management mechanisms in the ESG Integrated Report.

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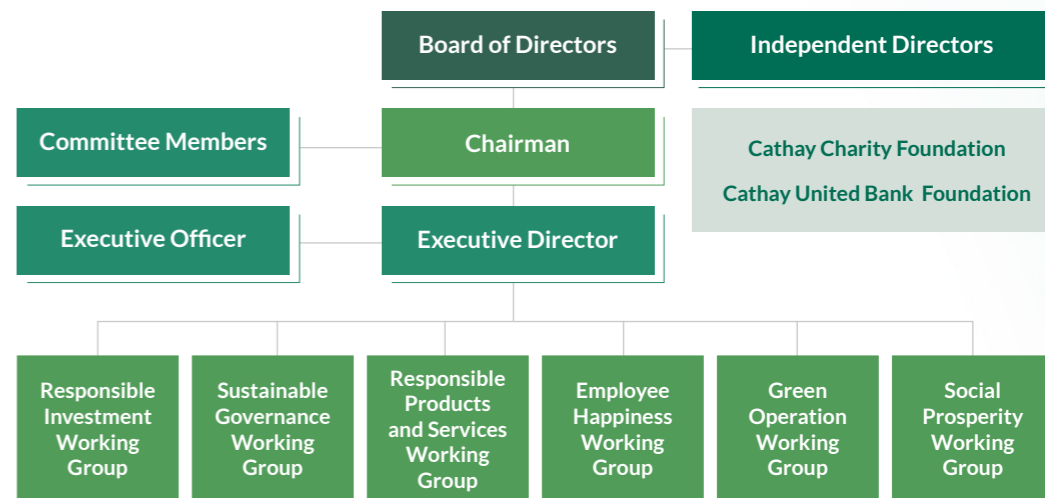
# 1.1 Corporate Sustainability Committee

Cathay FHC's CS Committee is subordinate to the Board of Directors and is the core unit for promoting corporate sustainability. The CS Committee is supervised by independent directors, and chaired by the President of Cathay FHC. The committee comprises 6 main working groups, each headed by a senior executive. The Committee convenes its meeting once every quarter and reports its significant matters and subsequent progress to the board semiannually.

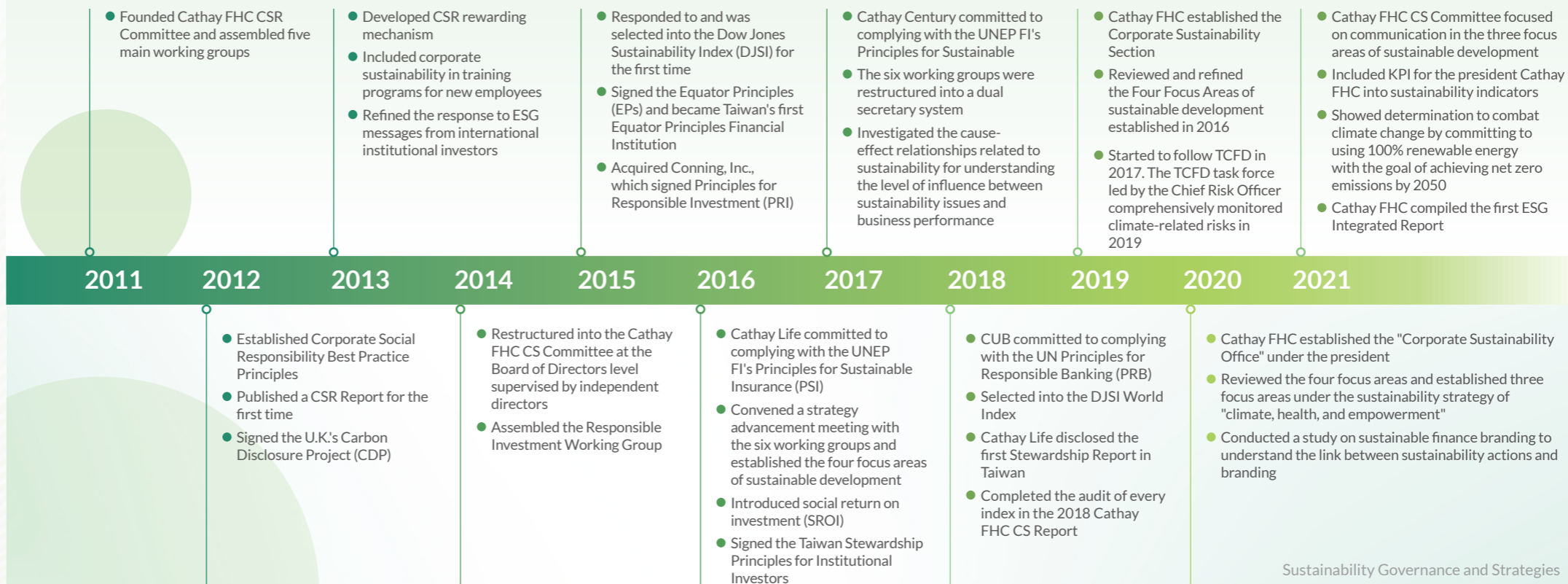
## Cathay's Declaration of Sustainability Values

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

## Organization of Cathay FHC CS Committee



The CS Committee began making advancements every year since 2011 in order to achieve breakthroughs. Our milestones over the years are as follows:



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# 1.2 Sustainability Strategy and Fulfillment of SDGs

Cathay aims to be the leading financial institution in the Asia-Pacific region. In terms of the three main engines of growth — insurance, bank, and asset management, we incorporated ESG into the decision-making process and made good use of fund usage and risk management capabilities to implement sustainable finance. Based on the development of diverse financial services of subsidiaries, we focused on the three focus areas of "climate, health, and empowerment" for our long-term strategies to effectively respond to environmental and social challenges.

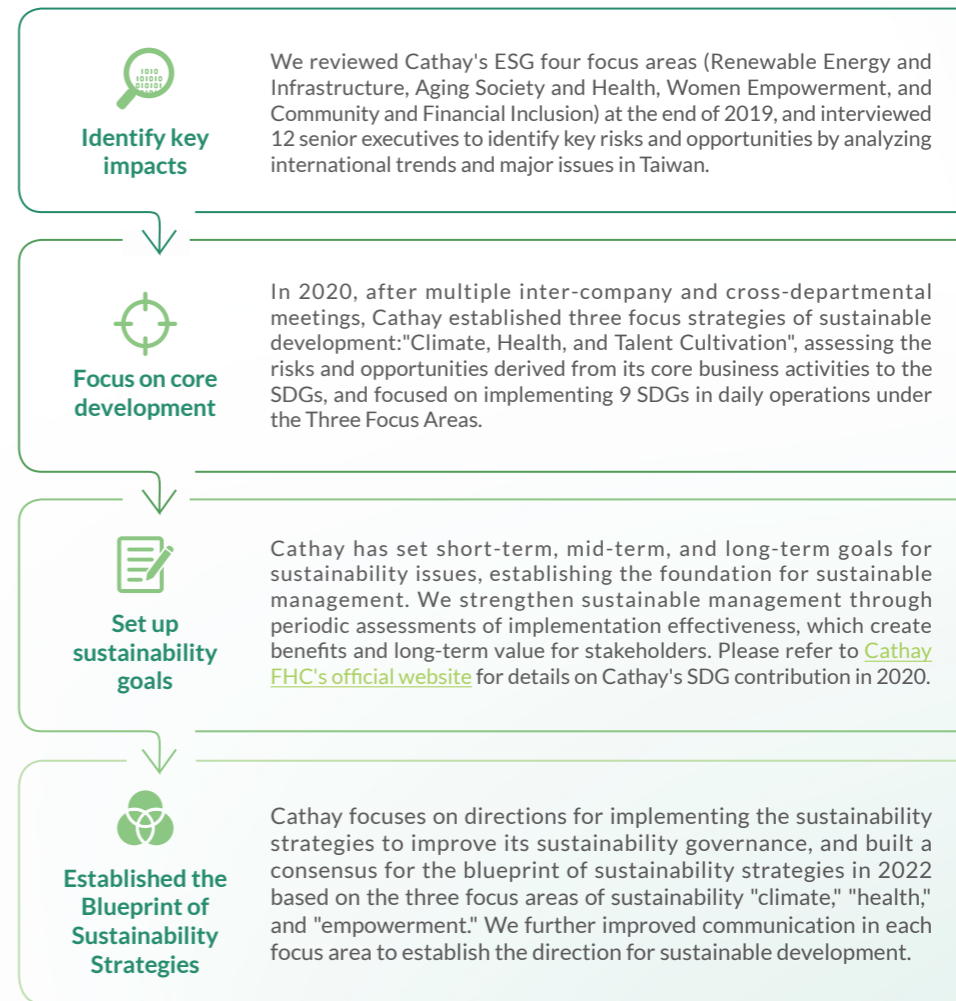


**SDGs that Cathay is focused on**

Cathay FHC established the 3 focus areas for sustainability through the following procedures, and focuses on 9 SDGs to achieve sustainability.



Cathay's Contribution to the SDGs



# 1.3 Blueprint of Sustainability Strategies

## • Climate - Low Carbon Economy

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Goal 1  
**Net zero emissions from financial assets by 2050**

#### Ambitious Goal

Implement financial asset transformation by setting SBTs to achieve net zero emissions.

#### Stakeholders that are Affected

- Enterprise Customers
- Government

#### Action Plans

- **Set SBTs :**  
Use emission-base and impact-base to set the carbon reduction methods for investment and loan portfolios.
- **Coal-Exit Action :**
  - ① Suspend loans to coal-fired power plants, focus on loans for carbon reduction transformation and loans for renewable energy, and set the goal to reduce the credit facility for the coal industry to zero by the end of 2027 Q1.
  - ② Withdraw investments in coal-fired power generation companies that do not actively engage in transformation and the coal value chain.
- **Plan investments and loans in low carbon transformation plans :**  
Monitor industries with high climate risk and gradually lower the carbon footprint of investments and loans each year.



Goal 2  
**Leader of climate engagement actions**

#### Ambitious Goal

Utilize the influence of dialogue to communicate and cooperate with stakeholders in the financial value chain, so that companies will take actions in response to climate change and strengthen their climate resilience.

#### Stakeholders that are Affected

- Enterprise Customers
- Government
- Associations

#### Action Plans

- Communicate with investees and borrowers and encourage them to disclose their carbon survey results, set more concrete mid- and long-term carbon reduction goals, or join international carbon reduction organizations such as SBT/RE100.
- Continue to expand participation in international initiatives, and jointly exert influence together with international investors (CDP NDC, CA 100+, and AUEP).



Goal 3  
**Comprehensive financial solutions provider for climate change**

#### Ambitious Goal

Support companies and industries in creating low carbon transformation opportunities or mitigating/adapting to climate change through funds or financial products and services, so that industries will become more competitive and society will develop towards a green economy in an orderly manner.

#### Stakeholders that are Affected

- Customers

#### Action Plans

- **Green Capital :** Increase low-carbon investments.
- **Green Product :**
  - ① Green lending and sustainability-linked loans
  - ② Personal sustainable financial services
  - ③ Develop low-carbon economy or sustainable development related funds
  - ④ Green insurance (Renewable energy industry insurance/ solar power/offshore wind power)
  - ⑤ Issue green bonds and provide green warrants and structural products
- **Green Service :** Provide companies with natural disaster loss control services, low carbon investment research information, raise stakeholders' climate awareness, and promote the concept of zero carbon.

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• Climate – Environmental Sustainability

 Goal  
**Zero carbon operations by 2050**

Ambitious Goal

**Green Operation :**  
Implement mobile operations, digital services, and shared workplace, and incorporate the concepts of sharing and circulation into workplace planning to create a low carbon workplace.

**Green Energy :**  
Promote energy transition so that business locations in Taiwan will use 100% renewable energy , and business locations worldwide will use 60% renewable energy in 2030.

**Green Real Estate :**  
Create a low carbon building ecosystem and encourage industries to participate in energy transition.

Stakeholders that are Affected

- Employees
- Customers

- Employees
- Customers

- Employees
- Customers

Action Plans

- Internal and external workplace transformation plan: Create a flexible, shared office space through new ways for renovating complex spaces, and increase the efficiency of office space through measures such as remote work.
- Paperless operations/services: Reduce carbon footprint through digital/paperless services and operating procedures. (Carbon Reduction Label/Carbon Label)

- Business locations use 100% renewable energy : Optimal arrangement of renewable energy types and volume inquire for purchasing renewable energy from different sources, and plan the renewable energy procurement strategy for each business location.
- Digital management of energy data: Manage electricity use for gray energy and renewable energy and optimize energy usage.

- **Green landlord project :**  
Utilize renewable energy to meet sustainability goals of corporate customers, encourage customers to engage in transformation, and make it convenient to use local renewable energy.
- **Build low carbon buildings :**  
Construct buildings with even lower carbon emissions through the development of an onsite self-use PV system, purchase of renewable energy, and construction of green buildings.

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● Health – Health Promotion



Goal 1

Expand the health ecosystem to encourage people to maintain physical and mental health

Ambitious Goal

Promote physical and health promotion and accident prevention concepts, encourage citizens' self-awareness and management, increase the value of ex-ante prevention and ex-post compensation of insurance, and utilize the industry's influence to promote wellness.

Stakeholders that are Affected

- Customers
- Employees
- Suppliers

Action Plans

- **Implementation of Cathay Walker Plus (including health-promoting products) :**  
Introduce diverse health missions, work with different industries to create a health ecosystem, and utilize health-promoting insurance to provide additional coverage or premium discounts.

Stakeholders that are Affected

- Employees

Action Plans

- **Implement the employee health service plan :**  
Provide diverse health-promoting activities, employee stress test and counseling project, and occupational safety maintenance measures, and create a happy workplace for physical and mental health and safety.

Stakeholders that are Affected

- Customers
- Employees

Action Plans

- **Increase the insurance amount of health insurance for citizens :**  
Visit customers with insufficient coverage to ensure that customers have adequate protection.

Stakeholders that are Affected

- Youth
- Communities

Action Plans

- **Traffic safety plan :**  
Raise students and citizens' awareness of traffic safety and loss control through websites of Accident-free Bicycles, Accident-Free Riders, and Zero-Accident Academy.
- **Anti-drug campaign on campus :**  
Utilize the e-learning platform PaGamO to promote anti-drug education on campuses in an entertaining way, increase the anti-drug knowledge of students, and further prevent students from harming their physical health through drug abuse.



Goal 2

Become a supporter of sub-health reablement

Ambitious Goal

Collaborate with the health and medical industry in helping customers actively restore their abilities and quality of life, in hopes of reducing the overall burden and cost of healthcare.

Stakeholders that are Affected

- Customers
- Suppliers

Action Plans

- **Care for sub-health customers :**  
Collaborate with the health or medical industry in providing exclusive medical check-ups, health care, and health promotion resources of Cathay Walker Plus.



Goal 3

Develop age friendly services and create a safety net for elderly people to live lifestyles of health and sustainability

Ambitious Goal

Utilize financial products and services to create an age-friendly safety net with solutions for both the physical and mental health of elderly policy holders before 2030, and allow elderly people to live a life of health and dignity.

Stakeholders that are Affected

- Customers
- Employees
- Suppliers

Action Plans

- **Create a blueprint for elderly services :**  
Explore the needs of elderly people, combine financial core competencies with care activities, and provide solutions for the physical, mental, and financial health of elderly people.

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• Health – Financial Health



Goal 1  
The best guardian of customers' assets

Ambitious Goal	Stakeholders that are Affected	Action Plans
Provide a wide range of financial products to help customers formulate a well-rounded financial plan, so that they can gain a sense of security and happiness in life.	<ul style="list-style-type: none"> <li>● Customers</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to develop or select high quality financial products that can meet the financial planning needs of customers in every stage of life.</li> </ul>
Use a wide range of financial services and risk management tools to stably increase the value of customers' assets so that they can enjoy their lives.	<ul style="list-style-type: none"> <li>● Customers</li> </ul>	<ul style="list-style-type: none"> <li>● Provide analysis or calculation tools for different customer groups to determine their own financial planning needs.</li> <li>● Promote systematic investment plans and the concept of stop loss and take profit and help customers develop the habit of making long-term investments, so that they can accumulate wealth for retirement.</li> </ul>
Improve employees' understanding of elderly needs, help customers identify investment and fraud risks and protect the safety of elderly people's assets.	<ul style="list-style-type: none"> <li>● Customers</li> <li>● Employees</li> </ul>	<ul style="list-style-type: none"> <li>● Improve employees' understanding of elderly needs and raise their risk awareness and help customers maintain a healthy asset allocation plan.</li> <li>● Protect the assets of elderly people through friendly financial services for the elderly.</li> </ul>



Goal 2  
Taiwan's benchmark for financial inclusion

Ambitious Goal	Stakeholders that are Affected	Action Plans
Realize financial inclusion by providing innovative financial products and methods that meet the needs of the underprivileged, thus helping customers enjoy basic coverage while accumulating assets.	<ul style="list-style-type: none"> <li>● Government</li> <li>● Customers</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to offer inclusive financial products and take care of the underprivileged in social, environmental, and insurance aspects.</li> <li>● Lower the investment threshold for small investors to use financial products to achieve their financial goals.</li> </ul>
Leading digital services and tools extended into finance increases acceptance and usage of digital finance.	<ul style="list-style-type: none"> <li>● Government</li> <li>● Customers</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to optimize digital platform functions, so that citizens will use financial services and instruments to properly manage their personal finances.</li> <li>● Expand into areas with relatively insufficient financial service locations, and provide residents of rural areas with financial knowledge consulting and digital finance education.</li> </ul>
Expand financial education tools and channels to instill citizens with the right financial and investment concepts and raise their living standards.	<ul style="list-style-type: none"> <li>● Government</li> <li>● Customers</li> </ul>	<ul style="list-style-type: none"> <li>● Use easy-to-understand contents and tools for different groups, and help citizens gain the right investment concepts.</li> <li>● Plan cross-industry collaboration to jointly promote financial knowledge and products, and improve citizens' financial literacy.</li> </ul>

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**• Empowerment – Workplace Empowerment**



**Goal 1**  
**Train employees with the knowledge and skills they need**

**Ambitious Goal**

Identify skills needed by employees in the future, in order to respond to the digital transformation of companies and future changes in work patterns.

**Stakeholders that are Affected**

- Employees

**Action Plans**

- Promote the reskilling plan to increase the coverage of employees' professional skills.
- Train managers' management methods and concepts, so that managers will have the management skills needed for future work patterns.
- Train employees' digital skills and provide employees with the tools and usage methods needed for future work patterns.



**Goal 2**  
**Provide corresponding resources for training employees in different stages of development in order to continue improving their work ability.**

**Ambitious Goal**

Utilize a wide range of external resources to provide a stage for sharing and encourage employees to learn and attempt work in different fields.

**Stakeholders that are Affected**

- Employees

**Action Plans**

- Provide suitable learning resources for each occupation/job level to strengthen employees' work skills.
- Continue to bring in e-learning resources to meet employees different learning needs.
- Implement different levels of cultivation plans to satisfy the talent needed for Cathay's operations.
- Organize diverse learning activities and provide employees with a stage for sharing their learning results.



**Goal 3**  
**Increase the pool for different levels of management talent to ensure there is sufficient talent for sustainable development.**

**Ambitious Goal**

Increase the pool for different levels of management talent, and increase the depth of the talent pool to ensure the organization's sustainable development.

**Stakeholders that are Affected**

- Employees

**Action Plans**

- Formulate talent cultivation plans at each level in Cathay and international finance management talent cultivation plans, in order to provide management talent needed for Cathay's operations.



**Goal 4**  
**Creating a Workplace Environment with Diversity and Tolerance**

**Ambitious Goal**

We have created a workplace environment with diversity and tolerance, in order to bring out the full potential of talent with different expertise and enhance our organizational competitiveness.

**Stakeholders that are Affected**

- Employees

**Action Plans**

- Create a culture of diversity and tolerance and continue to prevent unequal conduct brought by unconscious biases.
- Create a co-learning group for the empowerment and development of women, eliminating differences between genders and strengthening bonds with communities.
- Plan a flexibility program for employees to slow down but stay on board. The program supports employees in different stages of their life to facilitate work-life balance.



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• Empowerment – Social Empowerment




Goal 1  
**Youth Empowerment**

Ambitious Goal	Stakeholders that are Affected	Action Plans
<p><b>Youth x Revolutionizing Education</b> Work with an education startup team to provide children with diverse learning resources, close the gap between urban and rural areas and the wealth gap, and help students change their lives.</p>	<ul style="list-style-type: none"> <li>● Youth</li> <li>● Communities</li> </ul>	<p>Support teachers and children in rural areas, jointly develop teaching materials or diverse learning platforms with startup teams, and help achieve flipped education in Taiwan.</p>
<p><b>Youth x Sustainability</b> Help youth gain perspective, independent thinking, and innovation abilities, and provide resources to encourage young entrepreneurs to take action to resolve social/environmental issues.</p>		<p>Guide the youth to understand and take action to resolve emerging sustainability, ESG, and climate change issues through industry-academia collaboration or forums.</p>
<p><b>Youth x Workplace Skills</b> Help youth understand themselves, think about their careers, and develop skills, so that young people can close the gap between education and employment and gain soft/hard power in the workplace.</p>		<p>Provide internship programs and engage in industry-academia collaboration to give the youth an opportunity to adapt to the workplace and explore their careers.</p>



Goal 2  
**Development in Women Empowerment**

Ambitious Goal	Stakeholders that are Affected	Action Plans
<p><b>Independence</b> Combine existing products and services based on Cathay's core competencies to help women continue to grow in their careers and in life.</p>	<ul style="list-style-type: none"> <li>● Customers</li> <li>● Youth</li> <li>● Communities</li> </ul>	<ul style="list-style-type: none"> <li>● Plan future financial management courses for women</li> </ul>
<p><b>Self-actualization</b> Cathay sees the unfair treatment women receive in society, and hopes to give women equal opportunities.</p>		<ul style="list-style-type: none"> <li>● Plan future projects to support women's career development</li> </ul>



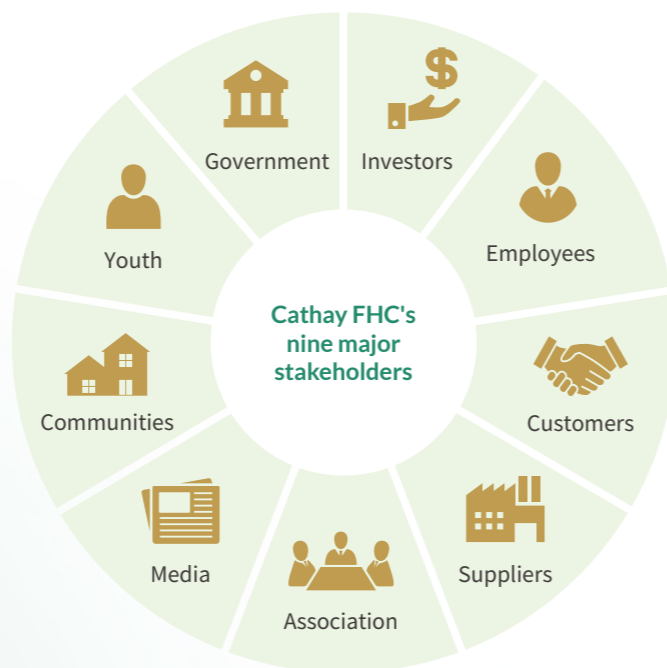
Goal 3  
**Supporting the underprivileged**

Ambitious Goal	Stakeholders that are Affected	Action Plans
<p><b>Self-affirmation</b> Eliminate inequalities in society so that everyone can improve their quality of life through their own endeavors.</p>	<ul style="list-style-type: none"> <li>● Youth</li> <li>● Communities</li> </ul>	<p>Help the youth and children realize their dreams by providing resources and substantial support, so that they will gain greater confidence and achieve self-actualization.</p>
<p><b>Community involvement</b> Provide learning, participation, and cooperation resources to help specific groups gain the resources, confidence, and skills to become a contributing member of society and demonstrate their strengths.</p>		<ul style="list-style-type: none"> <li>● Communities</li> </ul> <p>Attempt to change the stereotypes of elderly people and underprivileged groups in society through volunteer actions or by providing resources, and increase their social participation.</p>

# 1.4 CS Issue Materiality Analysis and Stakeholder Engagement

## • Stakeholder Engagement

Cathay values stakeholder expectations, and adheres to AA 1000 SES to identify 9 major stakeholders, upholding the four fundamental engagement principles: Materialness, Effectiveness, Flexibility, and Respectfulness to formulate the "Cathay FHC Stakeholder Engagement Strategies", set up multiple channels for communication and feedback of stakeholder engagement results, including reports and press releases; shareholders' meetings, investor conferences, forums, and charitable events; respond to investor ESG questionnaires and participating in international initiatives; conduct employee and customer satisfaction surveys.



Cathay FHC's stakeholder communication channels, engagement frequency, engagement feedback mechanisms, and 2021 communication results are disclosed on the official website of Cathay FHC.

**Stakeholder Engagement**



## • CS Issue Materiality Analysis

In terms of non-financial information disclosure, Cathay FHC adopted the GRI standard and AA1000 Accountability Principles, focusing on the four principles of Inclusivity, Materiality, Responsiveness and Impact, in order to establish a management structure for ESG information disclosure, identify major ESG issues, respond to stakeholder requirements on transparency, and internally set a sustainability blueprint.



### 1. Collect information and identify issues

We identified issues that stakeholders are concerned about and analyzed global standards for sustainability disclosures, industry benchmarks, international trend reports, Cathay FHC's sustainability vision, and organizational development goals.

### 2. Identify potential issues

We determined 23 sustainability issues of Cathay, including governance (6 issues), economic (6 issues), environmental (5 issues), and social (6 issues).

### 3. Understand the materiality of issues

- Cathay FHC invited nine major stakeholders for questionnaire surveys to provide feedback on their degree of concern for 23 sustainability issues. A total of 20,985 stakeholders gave feedback, including customers (20,281 questionnaires), employees (565 questionnaires), the media (6 questionnaires), government (5 questionnaires), public associations (10 questionnaires), communities (5 questionnaires), youth (61 questionnaires) and suppliers (52 questionnaires).

- We distributed questionnaires on material issues to identify the impact of ESG issues on the Company's operations. A total of 26 senior managers, including the presidents and senior managers of Cathay FHC and its subsidiaries, were asked to assess the impact of sustainability issues on operations.



### 4. Prioritize issues

Take stakeholders' opinions into consideration when ranking the material issues by level of concern and analyzing their impact.

### 5. Adjust the priority of issues

Senior executives and the sustainability team discuss the results of the material issue analysis.

### 6. Draw the matrix

- Senior managers and the sustainability team verified identification and ranking results, and drew a material issue matrix for Cathay FHC, which was reported to the CS Committee.

### 7. Set sustainability goals

- Contents of material issues that correspond to the GRI Standards are disclosed, while short-term and long-term goals corresponding to the material issues are set and disclosed in the Cathay FHC Sustainability Report. Please see the [official website of Cathay FHC](#) for goal attainment in 2021.



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• Cathay FHC 2021 Material Issue Matrix

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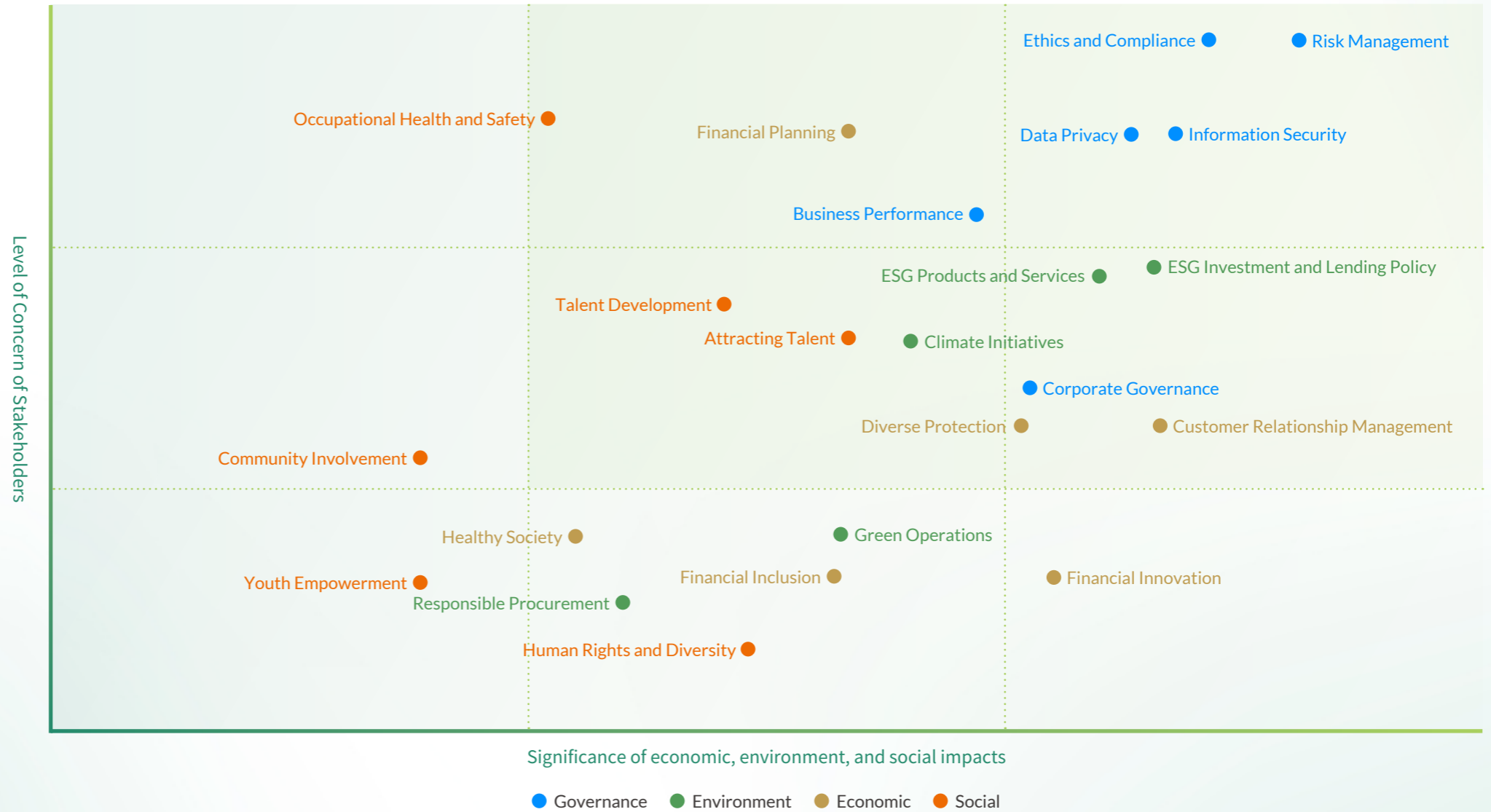
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Changes made to material issues in 2021

1. Taking into account the core considerations of issues, we included "Lending" in "ESG Investment Policy" and combined them into "ESG Investment and Lending Policy."
2. Compared with material issues in 2020, "ESG Investment and Lending Policy" and "Financial Planning" were included as material issues.

## ● 2021 Material Issue Boundaries and Response to the GRI

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

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Levels of involvement ● Direct impacts ○ Impacts resulting from business relationships

Material issues	Risks and Opportunities	GRI Standards	Management	Value Chain				
				Cathay FHC and its subsidiaries	Customers	Suppliers	Investors	Community
Business Performance	With the strategic vision of becoming "a leading financial institution in the Asia-Pacific region", we improve our business performance and increase shareholder equity while striving to achieve sustainable development.	GRI 201: Economic Performance	Overview of Operations	●	○		○	
Corporate Governance	A sound corporate governance system is the main foundation for Cathay's business operations, as it improves information quality and transparency, and safeguards the rights and interests of shareholders.	Material Issues Identified by Cathay	6.2 Corporate Governance	●				
Risk Management	Cathay emphasizes the management of conventional risks and emerging risks, in which the Board of Directors is the highest level supervisory unit for implementing risk management and internal control, and continue to strengthen the management mechanisms for business continuity.	Material Issues Identified by Cathay	6.4 Risk Management and Internal Control	●	○			
Information Security	Cathay emphasizes customer information security, with cautious maintenance of key systems via policies and group-level information security mechanisms, and improving information security capabilities.	Material Issues Identified by Cathay	6.5 Information Security	●	○			
Ethics and Compliance	Given that the financial industry is under strict supervision by the competent authority, we implement risk-based compliance management, and ensure that all employees comply with related laws and regulations.	GRI 419: Socioeconomic Compliance	6.3 Ethics and Compliance	●	○	○		
Data Privacy	Utilizing big data management to provide products that meet customer needs while strengthening customer data privacy management.	GRI 418: Customer Privacy	6.6 Service Quality and Customer Rights	●	○			
ESG Investment and Lending Policy	Equator Principles, investment in and lending to sensitive industries, review mechanism, engagement policy, education and training.	G4 Financial Services Sector Disclosures - Product Portfolio	2. Sustainable Finance 3. Climate	●	○			
Customer Relationship Management	Given that one out of every two people in Taiwan is Cathay's customer, we adhere to the spirit of treating customers fairly, attaching importance to customer experience to raise customer satisfaction.	GRI 418: Customer Privacy	6.6 Service Quality and Customer Rights	●	○			
ESG Products and Services	As the leading brand of green finance, Cathay invests in renewable energy and provides green energy related financial products and services to stimulate the renewable energy market and promote low-carbon economy.	GRI G4 Financial Services Sector Disclosures - Product Portfolio	2. Sustainable Finance 3. Climate	●	○			○
Financial Planning	Robo investment services, pension fund, trust for the elderly, wealth management forums for women, initiative for financial independence of women, wealth management on campus	GRI 416 : Customer Health and Safety	4.1 Health Promotion	●	○			○
Climate Initiatives	Climate change is one of the world's greatest risks. Cathay set the goal to reduce carbon emission, established a Task Force on Climate-related Financial Disclosures (TCFD) to actively respond to the impact from climate change, and conducted climate engagements to increase its influence.	GRI G4 Financial Services Sector Disclosures - Product Portfolio	2. Sustainable Finance 3. Climate	●	○			○
Diverse Protection	We raise the awareness of accidents and risks by combining insurance products and services with the profession on loss control, upholding the concepts of ex-ante prevention and protection.	GRI 416: Customer Health and Safety	4.1 Health Promotion 6.3 Ethics and Compliance	●	○			○
Talent Development	Cathay implements a digital transformation plan through a variety of education and training mechanisms to strengthen the soft and hard skills of talents.	GRI 404: Training and Education	5.1 Workplace Empowerment	●				
Attracting Talent	Considering that talents are important assets for corporate sustainability, Cathay provides benefits better than legal policies, and creates an innovative workplace environment for the development of interdisciplinary talent.	GRI 401: Employment	5.1 Workplace Empowerment	●				
Occupational Health and Safety	Employee health is an important asset for the stable development of a corporation. Cathay has an employee consultation mechanism, and also organizes courses and activities to help employees lead a healthy life.	GRI 403: Occupational Health and Safety	4.1 Health Promotion 6.1 Response to COVID-19	●				

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• Vision and Goals of Material Issues

Material Issues	Key Performance Indicators	Short-term (2022)	Long-term(2026)
 Corporate Governance	Improve the composition, operations, and supervision function of the Board of Directors	<ul style="list-style-type: none"> <li>Completed the election of the 8th-term board of directors in accordance with the law, and continued to increase board diversity.</li> <li>Completed the second external Board Performance Evaluation and optimized mechanisms for Board operations.</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, such as Board operations.</li> </ul>
	Participate in an external Corporate Governance Evaluation	<ul style="list-style-type: none"> <li>Cathay FHC, Cathay Life, and CUB jointly participate in corporate governance assessment to improve corporate governance evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>Actively participate in corporate governance evaluations of professional domestic and foreign institutions, so as to deeply embed the culture of corporate governance.</li> </ul>
 Risk Management	Improve the Group's risk management system and control mechanisms	<ul style="list-style-type: none"> <li>Continue to implement the market risk value system upgrade project, establish a group-level data platform, and improve product analysis and stress test scenarios to improve risk management capabilities.</li> <li>Analyze the risk of material events, evaluate the potential impact of company assets, and immediately determine the risk.</li> </ul>	<ul style="list-style-type: none"> <li>Integrate the group's risk management framework to ensure the group's strategy is aligned.</li> <li>Continue to improve risk assessment methods for early analysis of potential risks and changes in trends, and establish corresponding response plans.</li> </ul>
	Improve business continuity management	<ul style="list-style-type: none"> <li>Promote ISO 22301 Business Continuity Management certification to ensure that Cathay has well-rounded business continuity management mechanisms, and periodically conduct drills to ensure feasibility and further strengthen the resilience of business operations.</li> </ul>	<ul style="list-style-type: none"> <li>Improve business impact analysis and risk assessment, and examine the completeness of the Business Continuity Plan.</li> <li>Periodically plan drills for different scenarios to test the effectiveness of the Business Continuity Plan.</li> </ul>
	Strengthen climate risk management mechanisms	<ul style="list-style-type: none"> <li>Convene climate governance meetings on a quarterly basis to strengthen cooperation and communication between business units on climate issues.</li> <li>Participate in the projects of the banking/life insurance/property insurance associations, to continue improving Cathay's climate risk management mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen Cathay's climate governance and internal regulations to strengthen Cathay's climate resilience.</li> <li>Improve climate scenario analysis/stress test to accurately determine the financial impact of climate change.</li> </ul>
 Information Security	Organize information security training and e-mail social engineering drills	<ul style="list-style-type: none"> <li>The training completion rate for Cathay FHC and its subsidiaries reaches 100% and we complete social engineering rehearsals for emails.</li> </ul>	<ul style="list-style-type: none"> <li>The training completion rate for Cathay FHC and its subsidiaries remains 100% and we will complete social engineering rehearsals for emails.</li> </ul>
	Establish FHC-level information security incident emergency response team	<ul style="list-style-type: none"> <li>Organize regular drills.</li> </ul>	<ul style="list-style-type: none"> <li>Organize regular drills.</li> </ul>
	Implement computer information security assessment	<ul style="list-style-type: none"> <li>Complete assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Complete assessment.</li> </ul>
 Ethics and Compliance	Implement computer information security assessment	<ul style="list-style-type: none"> <li>Cathay FHC and its subsidiaries continue to use SOC mechanisms to monitor information security risks.</li> </ul>	<ul style="list-style-type: none"> <li>Cathay FHC and its subsidiaries continue to use SOC mechanisms to monitor information security risks.</li> </ul>
	Build a sound group-level compliance governance and performance management based on risk-based approach	<ul style="list-style-type: none"> <li>Improve the Cathay's front-line compliance enforcement results.</li> <li>Improve the compliance digital management system.</li> </ul>	<ul style="list-style-type: none"> <li>Deeply embed the compliance culture based on the core values of "Integrity, Accountability, Innovation", including developing compliance governance based on behavioral risks and developing an ecosystem for sharing internal control digital management practices.</li> </ul>
	Build a sound group-level AML/CFT compliance governance and performance management based on risk-based approach	<ul style="list-style-type: none"> <li>Strengthen the application of digital technologies in Cathay's AML/CFT management.</li> <li>Number of subsidiaries that exceeded the Cathay's ML/FT risk appetite: 0.</li> </ul>	<ul style="list-style-type: none"> <li>Improve Cathay's risk-based AML/CFT risk management and improve its performance, including improving the utilization of digital technology to improve AML/CFT management results, and setting a goal for the number of subsidiaries that exceeded the Cathay's ML/FT risk appetite: 0 subsidiaries.</li> </ul>
	Cultivate and enrich the group's compliance talent and internationalization	<ul style="list-style-type: none"> <li>Gain a full range of compliance (including AML/CFT) talent through training projects.</li> </ul>	<ul style="list-style-type: none"> <li>Enrich Cathay FHC's compliance (including AML/CFT) and AI talent pool.</li> </ul>

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Material Issues	Key Performance Indicators	Short-term (2022)	Long-term(2026)
 Data and Privacy	Completion rate of the "personal information protection training"	● 100%	● 100%
	Implement "personal information infringement exercise" at regular intervals (once every two years)	● Organized as scheduled.	● Organized as scheduled.
	Introduction and set up of exclusive C-Mail for the Group Ensure that email data are not stored on local devices and enhance personal data monitoring	● Implemented by Cathay Securities and Cathay SITE.	● Sequentially implemented by Cathay according to project planning.
 ESG Investment and Lending Policy	Growth of low-carbon investment amount	<ul style="list-style-type: none"> <li>● Cathay Life set the goal to achieve 20% growth by 2025 and 40% growth by 2030.</li> <li>● Continue to make low-carbon investments to assist the transition to a low-carbon economy.</li> </ul>	
	Management of coal investments and loans	<ul style="list-style-type: none"> <li>● Cathay United Bank suspended new loans for coal-fired power generation projects in 2019, and established the policy of "zero coal-fired power generation loans" in 2021, reducing the balance of loans in industries with high carbon emissions.</li> <li>● Cathay Life participated in the Asian Utilities Engagement Program of the AIGCC, and encouraged companies to implement carbon reduction mechanisms to achieve the net zero emissions scenario of the Paris Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>● CUB established a zero coal-fired power generation loan policy, and plans to reduce the credit facility for the coal industry chain to zero by 2027.</li> <li>● Cathay Life will continue to engage and assist coal-fired power plants with transformation, so that they will phase out coal-fired power generation and implement the SBTs.</li> </ul>
 Diverse Protection	Number of new products offered for the elderly	● Offer 10 products of protection or saving types to meet the needs of elderly people, optimize services for the elderly and friendly measures, create an image of providing services to the elderly, and provide citizens with complete protection through "Services x Products."	● Develop products that meet the needs of senior citizens, and provide integrated services by combining different resources from diverse industries and Cathay, in order to expand the scope of services for senior citizens. Moreover, take care of senior citizens by working with other external groups to organize charity events.
	Number of new health promoted insurance products	● Offer 2 or more health-promoting insurance products, expand the scope of ex-ante prevention, promote health management by citizens, and deeply embed health-promoting concepts.	● Develop insurance products with spill-over effect and optimize health-promoting mechanisms, and extend the breadth and depth of health-promoting services by utilizing resources from Cathay as well as other industries, expanding influence by attracting the participation of more stakeholders, and building an ecosystem of health.
	Shaping Cathay's risk awareness	● Organize at least 1 large-scale loss control seminar each year to raise the risk awareness of corporate customers and strengthen their risk management ability.	● Reinforce loss control concepts or risk management measures for natural disasters or major human-instigated disasters faced by Cathay FHC or corporate customers. In addition to the current loss control seminars, promote 8 corporate loss control lectures organized each year.
	Promotion of safety risk prevention	● Organize Accident-Free Riders loss control promotion events, including 50 Accident-Free Riders, Accident-free Bicycles, and Accident-free School events.	● Organize a total of 70 accident-free loss control promotion events; continue to expand the concept of ex-ante prevention to all age groups, from campus safety among students to home fire safety among the general public, in order to realize the vision of "comprehensive identification of risks for all ages."

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Material Issues	Key Performance Indicators	Short-term (2022)	Long-term(2026)
 Financial Planning	Promotion of trust products for the elderly	<ul style="list-style-type: none"> <li>For citizens at the age of 55 and above, we are promoting micro retirement trusts that can be applied for in advance, do not have a threshold, and has a low contract signing fee of only NT\$999, thus providing citizens with more convenient services to help them protect their asset safety after retirement.</li> </ul>	<ul style="list-style-type: none"> <li>Offer financial services for the elderly (such as professional financial planning consultant for the elderly, exclusive products for the elderly, and cross-industry alliance services) to meet their needs for healthy lifestyles after retirement while protecting their financial security.</li> </ul>
	Promotion of investment in a regular savings plan	<ul style="list-style-type: none"> <li>Lower the threshold for investing in a regular savings plan (only NT\$500 required to invest in a fund), and encourage long-term holdings by waiving the processing fee after investing in a regular savings plan for three full years. Respond to social issues of an aging society, low interest rates, and insufficient pensions.</li> </ul>	<ul style="list-style-type: none"> <li>Improve the professional financial knowledge of the younger generation, women, and newly retired. Build a core position through a regular savings plan to realize financial equality.</li> </ul>
	Expand robo investment services to a wider range of products	<ul style="list-style-type: none"> <li>Provide conservative investors with protection so they will have peace of mind</li> <li>Extend characteristics of robo investment services: "Smart processing" and Cathay Life jointly offered the market's first unit link (UL) product that combines AI selected products into long-term products with low entry thresholds. Continue to provide policy holders with rebalance services to rapidly respond to market fluctuations after insurance enrollment, giving consideration to both investment and life insurance coverage.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve financial inclusion</li> <li>Add ETFs and US stocks to the investment portfolio, which has a low investment threshold and also creates even more robo investment products and services. The big data analysis and 24-hour monitoring by robo investment services help young investors with planning and decision-making, while providing the younger generation with a channel for coming in contact with investment and wealth management at a younger age.</li> </ul>
 Customer Relationship Management	Overall customer relationship management of Cathay Life	<ul style="list-style-type: none"> <li>R-NPS reaches 20 points.</li> </ul>	<ul style="list-style-type: none"> <li>R-NPS maintained at 20 points.</li> </ul>
	Overall customer relationship management of CUB	<ul style="list-style-type: none"> <li>NPS improved compared with the previous period, or ratio of 0-6 detractors decreased.</li> </ul>	<ul style="list-style-type: none"> <li>NPS improved compared with the previous period, or ratio of 0-6 detractors decreased.</li> </ul>
	Overall customer relationship management of Cathay Century	<ul style="list-style-type: none"> <li>NPS improved compared with the previous period, or ratio of 0-6 detractors decreased.</li> </ul>	<ul style="list-style-type: none"> <li>NPS improved compared with the previous period, or ratio of 0-6 detractors decreased.</li> </ul>
	Overall customer relationship management of Cathay Securities	<ul style="list-style-type: none"> <li>NPS improved compared with the previous period, or ratio of 0-6 point detractors decreased.</li> </ul>	<ul style="list-style-type: none"> <li>NPS at each business node reaches 60 points or above.</li> </ul>
	Overall customer relationship management of Cathay SITE	<ul style="list-style-type: none"> <li>Keep the NPS score higher than the average score of the top five competitors.</li> <li>Improve online Q&amp;A service performance and optimize the online service interface.</li> </ul>	<ul style="list-style-type: none"> <li>Keep the NPS score higher than the average score of the top five competitors</li> <li>Improve online question and answer service performance.</li> </ul>
 Talent Development	Online learning hours	<ul style="list-style-type: none"> <li>Employee online learning reached 1.2 million hours.</li> </ul>	<ul style="list-style-type: none"> <li>Employee online learning reached 1.25 million hours.</li> </ul>

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Material Issues	Key Performance Indicators	Short-term (2022)	Long-term(2026)
 Attracting Talents	Employees engagement survey	<ul style="list-style-type: none"> <li>● Average engagement score reaches 4 points and above.</li> <li>● Response rate reaches 80% and above.</li> </ul>	<ul style="list-style-type: none"> <li>● Average engagement score reaches 4 points and above.</li> <li>● Response rate reaches 80% and above.</li> </ul>
	Key talent retention	<ul style="list-style-type: none"> <li>● Retention rate reaches 90% and above .</li> </ul>	
	Compensation	<ul style="list-style-type: none"> <li>● Selection into the Taiwan High Compensation 100 Index.</li> </ul>	
 Occupational Health and Safety	Employee mental health survey	<ul style="list-style-type: none"> <li>● Response rate reaches 70% and above.</li> </ul>	
	Occupational safety management	<ul style="list-style-type: none"> <li>● Maintain ISO 45001 Occupational health and safety management systems certification.</li> </ul>	
	Maternal healthcare	<ul style="list-style-type: none"> <li>● According to the Maternity Healthcare Protection Program, maternity protection rate ≥ 85.</li> </ul>	
 ESG Products and Services	Installed capacity of the solar power plants financed by CUB	<ul style="list-style-type: none"> <li>● Continue to develop solar power projects in Taiwan with an emphasis on combined fish farming and solar power projects.</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to develop solar power projects in Taiwan and Southeast Asia, including ground mounted, rooftop, floating, and combined fish farming and solar power projects.</li> </ul>
	Installed capacity of the offshore wind farms financed by CUB	<ul style="list-style-type: none"> <li>● Serve as the financial advisor for one Taiwan offshore wind project and actively support policies through different roles and methods to contribute to environmental protection and sustainable development in Taiwan.</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to participate in offshore wind farm projects in Taiwan and Asia, utilizing our financial consulting and financing experience to contribute to environmental protection and sustainable development across the world.</li> </ul>
	Loan balance of renewable energy as a proportion of loan balance of electricity generation industries	<ul style="list-style-type: none"> <li>● Reach 85% by 2025.</li> </ul>	
 Climate Initiatives	We have joined the RE100 and committed to using 100% renewable energy	<ul style="list-style-type: none"> <li>● We implemented the zero carbon operation transformation plan in 2021, and planned renewable energy purchase, workplace transformation, and operations carbon data management.</li> </ul>	<ul style="list-style-type: none"> <li>● Our goal is for the head office of Cathay FHC, Cathay Life, Cathay United Bank, and Cathay Century to use 100% renewable energy by 2025.</li> </ul>
	Cathay has committed Science Based Target (SBT)	<ul style="list-style-type: none"> <li>● Hold an engagement activity according to engagement strategies.</li> </ul>	<ul style="list-style-type: none"> <li>● Our goal is to reduce Scope 1+2 carbon emissions by 12.5% by 2025, using 2020 as the baseline year.</li> </ul>
	Participate in global climate engagement initiatives and engage investees directly.	<ul style="list-style-type: none"> <li>● Engage directly according to engagement strategies.</li> <li>● Participate in CDP Non-Disclosure Campaign and engage at least 40 investees as a lead investor.</li> <li>● Participate in Climate Action 100+.</li> </ul>	<ul style="list-style-type: none"> <li>● We set Scope 3 reduction plans in accordance with the SBTs, and make rolling adjustments to the engagement strategy and methods.</li> </ul>

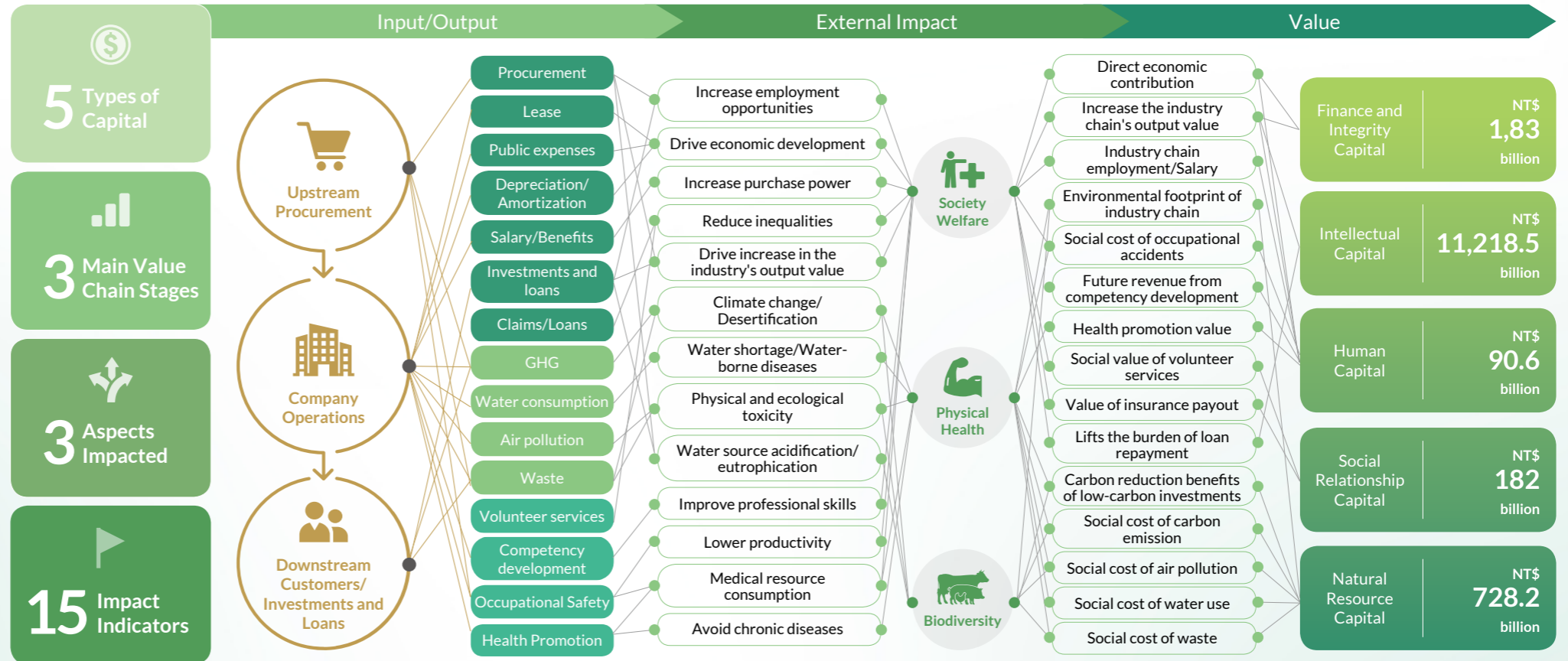


# 1.5 Sustainability Value Creation Process

Cathay FHC has a profound understanding that creating long-term value for stakeholders is the foundation for corporate sustainability. As we pursue business growth, we not only create employment opportunities, increase the output value of the industry chain, and support the government in expanding development and benefits, but also create higher returns for investors. However, this may also result in an increase in our environmental footprint or natural resource consumption, and incur a social cost. Cathay FHC began working with the Center for Corporate Sustainability Impact of Tunghai University in 2018, and developed a 5C P&L assessment method based on the triple bottom line (TBL). The method assesses the social impact derived from Company's value chain activities from an outside in approach every two years, in hopes of minimizing the negative impact and maximizing the positive impact of its operations.

Furthermore, Cathay FHC continues to increase the depth and breadth of the overall methodology, so that the analysis results are more complete and reasonable. We extended considerations of value chain activities from environment externalities to biodiversity issues in 2019 based on the concept of life cycle assessment (LCA). With regard to downstream investments, we expanded the scope of survey in 2019 from investments in only the top ten industries to all industries. We also began developing localized coefficients suitable for each region of investment in order to accurately reflect local economic conditions and environment features. As for the upstream supply chain, starting in 2021, we began using the Input-Output Table announced by the Directorate-General of Budget, Accounting and Statistics in 2016, and retroactively updated historical calculation results. We began further assessing the employment opportunities created by procurements, and the compensation received by employees in our supply chain.

## • From ESG to 5C, Understanding the External Impacts of Cathay's Value Chain Activities



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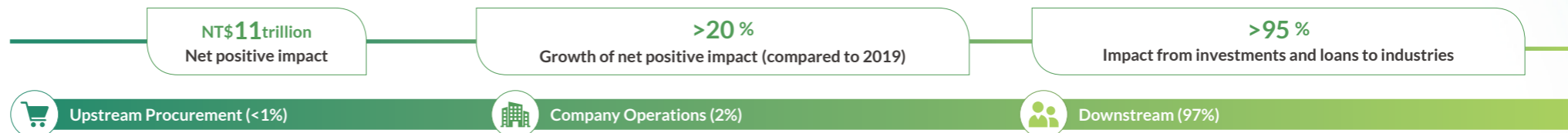
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As a financial holding company, Cathay FHC hopes to become a force for good in society. Cathay FHC's value chain activities created positive effects worth approximately NT\$11 trillion in 2021<sup>1</sup>, in which 97% was from downstream customers and industry investments and loans, 2% was from Cathay's own operations, and less than 1% was from upstream suppliers. Analysis results show the importance of positive and negative effects that industrial chain development driven by investments and loans has on the environment and society. We established a strict ESG risk supervision mechanism through the Responsible Investment Working Group, and continued to increase our investments in low carbon industries, which is estimated to have reduced the social cost of carbon by approximately NT\$17.7 billion in 2021. Cathay FHC hopes to achieve more comprehensive corporate sustainability management through its tireless efforts, prepare for the risks and opportunities brought by macro environment in advance, and more effectively allocate resources, in order to gain the trust of stakeholders and realize shared values.

Note\*1 : Net Positive Impact = Positive Impact - Negative Impact

● **Cathay's 5C P/L** (Unit: NT\$100 million)



5 Types of Capital	Evaluation Indicator	Impact Valuation			Stakeholders	5 types of capital	Evaluation indicator	Impact valuation			Stakeholders	Value chain	5 types of capital	Evaluation indicator	Impact valuation			Stakeholders
		2017	2019	2021				2017	2019	2021					2017	2019	2021	
Finance and Integrity Capital	Increasing the value chain's output value through procurements	●●●●○	●●●●○	●●●●○	Suppliers	Finance and Integrity Capital	Net profit after tax	●●●●○	●●●●○	●●●●○	Investors	Customers (2%)	Intellectual Capital	Preferential loans lift the burden of loan repayment	●●●●○	●●●●○	●●●●○	Customers
	Asset depreciation and amortization	●●●●○	●●●●○	●●●●○	Suppliers		Public expenses	●●●●○	●●●●○	●●●●○	Government			Social Relationship Capital	Economic value of insurance payout	●●●●○	●●●●○	●●●●○
	Lease expenses	●●●●○	●●●●○	●●●●○	Suppliers	Human Capital	Employee salaries and benefits	●●●●○	●●●●○	●●●●○	Employees	Investments and Loans (95%)	Intellectual Capital	Investments to increase the industry chain's output value	●●●●○	●●●●○	●●●●○	Customers
Income of employees in the supply chain	●●●●○	●●●●○	●●●●○	Suppliers	Employee competency development		●●●●○	●●●●○	●●●●○	Employees	Natural Capital			Investments in low carbon industries to prevent carbon emissions	Investments in low carbon industries to prevent carbon emissions	●●●●○	●●●●○	●●●●○
Natural Capital	GHGs generated by procurement activities	●●●●○	●●●●○	●●●●○	Communities		Employee medical check-ups	●●●●○	●●●●○	●●●●○		Employees	Social Relationship Capital		Pollutant emissions generated by investments and loans	Pollutant emissions generated by investments and loans	●●●●○	●●●●○
	Air pollution generated by procurement activities	●●●●○	●●●●○	●●●●○	Communities	Employees weight loss activities	●●●●○	●●●●○	●●●●○	Employees		Natural Capital		Self-generated or purchased renewable energy		●●●●○	●●●●○	●●●●○
	Water pollution generated by procurement activities	●●●●○	●●●●○	●●●●○	Communities	Employee occupational safety	●●●●○	●●●●○	●●●●○	Employees	Implementation of paperless operation to reduce paper use		●●●●○	●●●●○	●●●●○	Communities		
	Waste generated by procurement activities	●●●●○	●●●●○	●●●●○	Communities	Social value of volunteer services	●●●●○	●●●●○	●●●●○	Communities	GHGs generated by the Company's operations		●●●●○	●●●●○	●●●●○	Communities		
										The Company's water resource use	●●●●○		●●●●○	●●●●○	Communities			
										Air pollution generated by the Company's operations	●●●●○	●●●●○	●●●●○	Communities				
										Waste generated by the Company's operations	●●●●○	●●●●○	●●●●○	Communities				

Positive Impact		Negative Impact	
Monetary Value (NT\$1 million)	Level of Impact	Monetary Value (NT\$1 million)	Level of Impact
>1,000,000	●●●●●●●●	<-1,000,000	●●●●●●●●
100,000~1,000,000	●●●●●●●○	-100,000~-1,000,000	●●●●●●●○
10,000~100,000	●●●●●●○○	-10,000~-100,000	●●●●●●○○
1,000~10,000	●●●●●○○○	-1,000~-10,000	●●●●●○○○
100~1,000	●●●●○○○○	-100~-1,000	●●●●○○○○
10~100	●●●●○○○○	-10~-100	●●○○○○○○
1~10	●●○○○○○○	-1~-10	●○○○○○○○
0~1	●○○○○○○○	0~-1	●○○○○○○○

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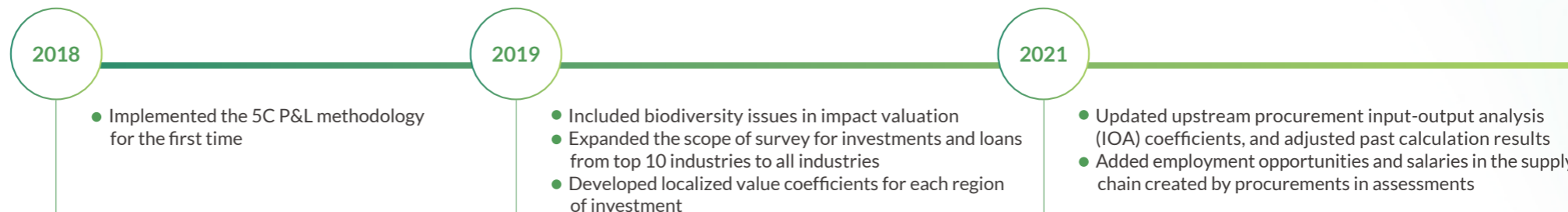
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**• Cathay's 5C P&L Methodology and Update History**



Impact Indicator	Description of Calculation Method	Source
Direct economic contribution	Examines the flow of value created by operations for stakeholders using the gross value-added (GVA) method	VBA (2021), Cathay FHC Annual Report
Social cost of GHG emissions	Assesses the external environmental cost of energy consumption and pollutant emissions in the Company's operations, as well as actions to mitigate the negative impact on society, based on environmental profit and loss (EP&L)	US EPA (2016), US EPA (1996), LC-Impact. (2016), UNEP/SETAC (2017), ILCD (2016), EPA (2017), and Eco-indicator 99
Social cost of air pollution		
Social cost of water use		
Social cost of waste		
Social cost of occupational accidents	Calculated with consideration to loss in productivity due to occupational injuries, compensation for occupational accidents, and price willing to pay to prevent occupational accidents	UK HSE (2017), Jiune-Jye Ho (2005), Journal of Occupational Safety and Health (2013)
Future revenue generated from employee competency development	Employees improve professional skills and knowledge by participating in the Company's operating activities, and further affect the development in expected annual average salary	Ecomatters (2016)
Social value of employee health promotion activities	Achieve early discovery of high blood pressure, high blood cholesterol, high blood sugar, and obesity through periodic medical check-ups, and formulate health promotion plans	Chieh-Hsien Lee (2009) and WHO (2008)
Social value of volunteer services	Calculated based on the number of volunteer service hours and the average hourly wage of finance and insurance personnel	Directorate-General of Budget, Accounting and Statistics – Yearbook of Earnings and Productivity Statistics Republic of China (2021)
Direct economic contribution	Examines the flow of value created by operations for suppliers using the gross value-added (GVA) method	VBA (2021), Cathay FHC Annual Report
Increase in the industry chain's output value by procurements or investments and loans	Uses the IOA model to assess the economic benefit from supply and demand in the industry chain driven by procurements, investments and loans, and calculates the positive/negative social impact from labor that needs to be hired and pollutant emissions per unit output value in each industry	DGBAS Input-Output Table (2020), OECD Input-Output Table (2018), Energy Balance Sheet (2020), Green GDP (2020), and EXIOBASE 2
Environmental footprint from procurements or investments and loans		
Employment opportunities and salaries created by procurements		
Low-carbon investments to avoid the social cost of carbon	Assesses the social cost of carbon that can be avoided by investments in renewable energy, green buildings, LED, waste recycling, and low carbon transportation compared with facilities or technologies with relatively high energy consumption, based on the classification rules of the Low Carbon Investment Registry.	IRENA (2021), Low Carbon Building Alliance (LCBA), Architecture and Building Research Institute (2011), Everlight Electronics Co., Ltd. (2012), and EPA Carbon Footprint Information Platform
Value of insurance payout	Insurance payout directly creates economic value for beneficiaries	Internal statistical data
Lifts the burden of loan repayment	The relatively lower interest rate of preferential loans lifts the burden of loan repayment on social enterprises	Internal statistical data

Note: With consideration to the different economic conditions of each country, we use gross national income (GNI) assessed based on the purchasing power parity (PPP) of each region to adjust value coefficients, and align the time boundary to the monetary value using 2017 as the baseline year. The methodology references the OECD (2012), CE Delft (2018), and PwC UK (2015).

# 02 Sustainable Finance

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- 2.1 Cathay's Responsible Investment and Lending Structure
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- 2.3 Responsible Lending
- 2.4 Responsible Banking
- 2.5 Sustainable Insurance



### Sustainable Finance Trends

According to the information from Climate Watch, until April 2022, eighty-three countries around the world have stated their awareness of the urgency and importance of climate change, and have made a commitment to achieve net zero emissions by 2050. These countries account for 74% of global carbon emissions, showing that net-zero has become an irreversible global trend.

The 26th United Nations Climate Change Conference (COP26) in 2021 focused on "finance", which indicates the key role of the financial sector in the global transition to net-zero. The Glasgow Financial Alliance for Net Zero (GFANZ) unveiled before COP26 unites net-zero financial sector-specific alliances, combining over 450 financial institutions with over US\$130 trillion in assets, which demonstrates the financial sector's net-zero transition momentum.

The structural transformations of the entire society is necessary due to the irreversible trend of net zero emissions, and the government and industries need to accelerate their actions. Financial institutions have already made a commitment to take action. Shareholders' activism will grow further and investors will express their expectations for zero carbon transformations, making more changes happen.

### Key Developments 1

#### Enhance ESG management mechanisms

##### Highlights

- **Setting a Target and Schedule for Zero Coal Loans in 2021**  
Cathay United Bank will reduce the credit facility for the coal value chain to zero by 2027.
- **The First Financial Institution in Taiwan to Include the Entire Coal Value Chain in Investment Management**  
Cathay Life has listed the entire coal value chain as a sensitive industry and is participating in the AIGCC's Asian Utilities Engagement Program to assist the low carbon transformation of coal-fired power plants (a company engaged have already committed to phasing out coal-fired power generation assets before the end of 2040)

### Key Developments 2

#### Empower clients to conduct ESG investing

##### Highlights

- **Cathay Securities ESG research reports for individual stocks**  
Made up for the gaps in the international ESG rating reports on Taiwanese companies, and issued over 200 analysis reports on individual stocks; nearly 600 companies have ESG ratings.

### Key Developments 3

#### Strengthen shareholder actions

##### Highlights

- **Three engaged companies of Climate Action 100+ has committed to zero net emissions or carbon neutrality by 2050**  
Successfully encouraged the 3 companies to make significant commitment, whose total carbon emissions is approximately 50 million metric tons.
- **Cathay Sustainable Finance and Climate Change Summit**  
The enterprises that registered in 2021 accounted for 76% of the total market value of TWSE and 51% of Taiwan's total carbon emissions. Over 1,000 people were online at the same time and over 240 directors, supervisors and corporate governance officers participated in the forum.
- **Supporting Climate Transformation AGM resolutions**  
Cathay Life Insurance actively votes in shareholder meetings and supports climate resolutions aligned with the carbon reduction goals of Paris Agreement. The aim is to guide the companies to take more concrete climate actions. In 2021, Cathay Life supported 100% change-related resolutions.
- **Included in the world's top ten best practice for engagement performance.**  
Cathay FHC is the only asset owner in Asia to be included in the world's top ten best practice by the Investor Climate Action Plans (ICAP) for our corporate engagement and policy advocacy performance.



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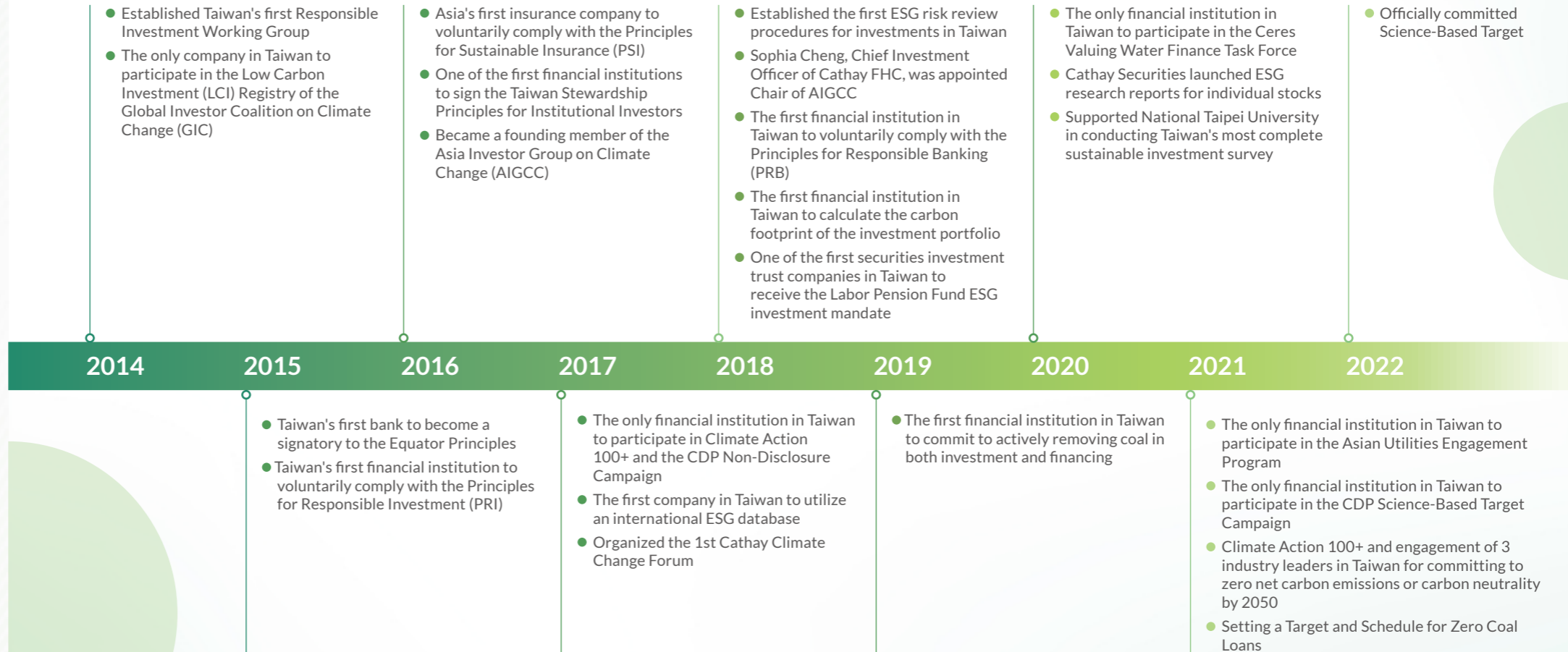
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• Milestones over the years



● **Leader in Sustainable Finance**

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

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**Insurance**







Principles for Sustainable Insurance

**Banking**

Equator Principles  
Principles for Responsible Banking

**Asset Management**

Principles for Responsible Investment

<p><b>Key initiatives</b></p>	<ul style="list-style-type: none"> <li>● Cathay Life became the first insurance company in Taiwan to adopt of its own initiative the Principles of Sustainable Insurance (PSI) in 2016.</li> <li>● Cathay Century Insurance became compliant with the PSI in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>● Cathay United Bank became the first Taiwanese financial institution to sign the Equator Principles in 2015.</li> <li>● CUB became the first financial institution in Taiwan to adopt of its own initiative the Principles for Responsible Banking (PRB) in 2018.</li> </ul>	<ul style="list-style-type: none"> <li>● Cathay Life became the first financial institution in Taiwan to adopt of its own initiative the Principles for Responsible Investment (PRI) in 2015.</li> <li>● Cathay completed the merger of Conning Holdings Corp. in 2015. The subsidiary Conning Inc. is a signatory of the Principles for Responsible Investment (PRI).</li> </ul>
<p><b>Dedicated Team</b></p>	<ul style="list-style-type: none"> <li>● The Cathay Life Corporate Sustainability (CS) Team was created in 2016.</li> <li>● The Cathay Century Corporate Sustainability (CS) Team was created in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>● CUB established the Sustainable Finance &amp; Credit Risk Management Section in 2016, and renamed it to the Sustainable Finance Section in 2017</li> </ul>	<ul style="list-style-type: none"> <li>● Cathay created the first Responsible Investment Working Group under the jurisdiction of the Cathay Financial Holdings Corporate Sustainability Committee in 2014.</li> </ul>
<p><b>Disclosure</b></p>	<ul style="list-style-type: none"> <li>● Cathay Life Corporate Sustainability Report</li> <li>● Cathay Century Insurance PSI Disclosure Report</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Cathay Life Corporate Sustainability Report</p> </div> <div style="text-align: center;">  <p>Cathay Century Insurance PSI Disclosure Report</p> </div> </div>	<ul style="list-style-type: none"> <li>● Cathay United Bank Equator Principles website</li> <li>● Cathay United Bank PRB Implementation Report</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Cathay United Bank Equator Principles website</p> </div> <div style="text-align: center;">  <p>Cathay United Bank PRB Implementation Report</p> </div> </div>	<ul style="list-style-type: none"> <li>● Conning Inc. PRI Transparency Report</li> <li>● Cathay Life Responsible Investment and Stewardship Report</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Cathay Life Responsible Investment and Stewardship Report</p> </div> <div style="text-align: center;">  <p>Conning Inc. PRI Transparency Report</p> </div> </div>

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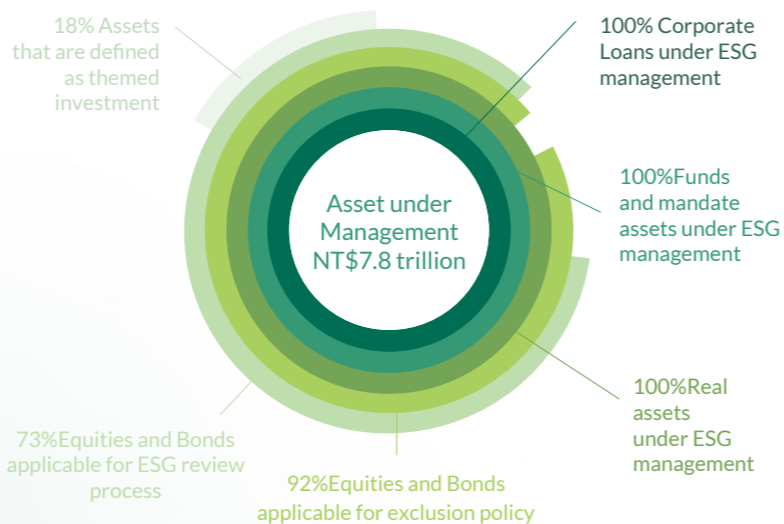
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## 2.1 Cathay's Responsible Investment and Lending Structure

### 2.1.1 Responsible Investment and Lending Scope Includes Diversified Asset Class

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

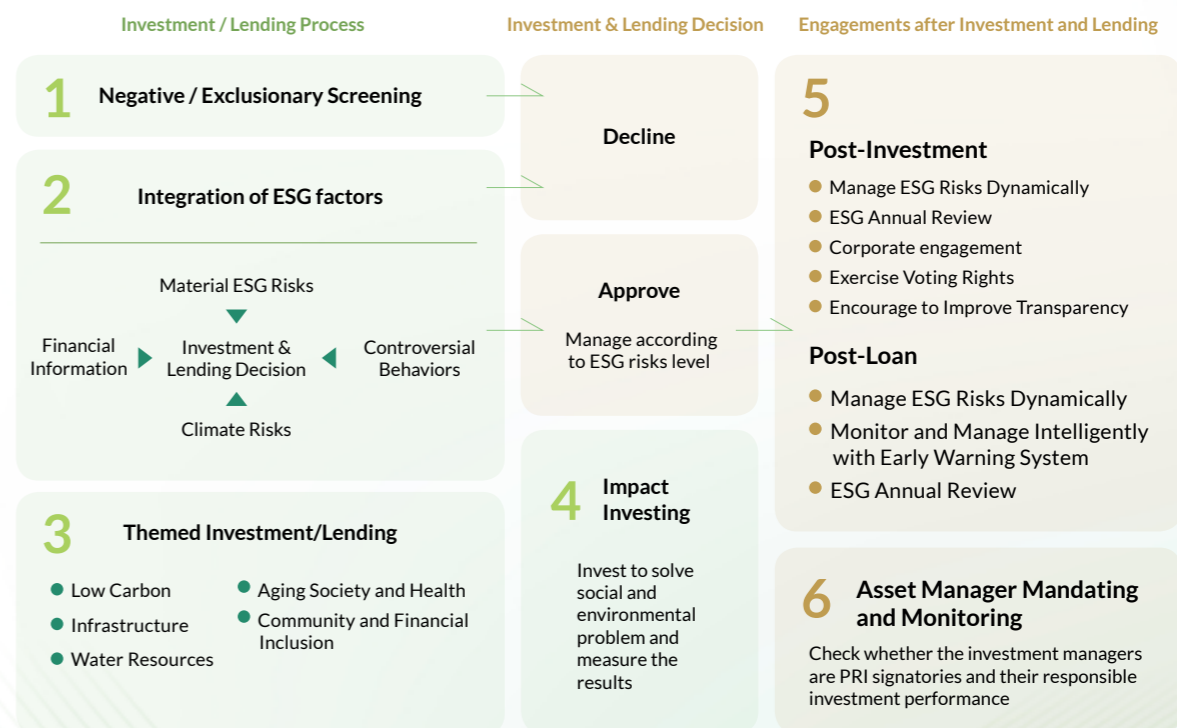


Management Policy	Asset Category	Applicable Percentage
Responsible Investment and Lending Policy	Securities (including proprietary and mandate)	
Responsible Property Investment and Management Policy	Real estate	100%
Principles Governing Corporate Loans Based on Environmental, Social, and Governance (ESG) Criteria	Corporate loans	

### 2.1.2 Cathay's Responsible Investment and Lending Management Structure

Cathay believes that responsible investment and lending must incorporate ESG into the existing investment and lending procedures in order to protect long-term interests. Therefore, we have implemented exclusion screening, and more crucial, integrated ESG factors into comprehensive investment decisions in daily operations. We also managed investment and lending based on the risk level, and actively implemented post-investment/post-loan management after the investment and lending to better manage ESG risks. Cathay has also implemented themed investing/lending and impact investing to maximize the financial influence and promote sustainable development. In addition to proprietary assets, Cathay also incorporated mandate assets into the scope of responsible investment management. Please refer to [Cathay FHC ESG Integration Report](#) for more information.

#### Cathay FHC Investment and Lending ESG Integration Procedures



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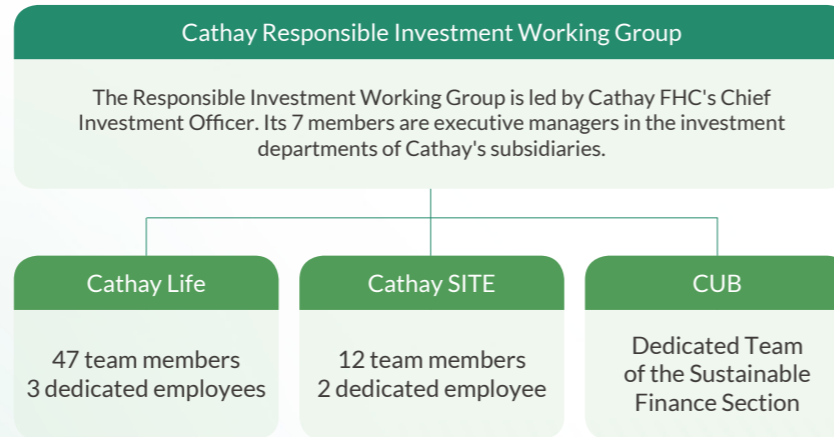
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### 2.1.3 Establish a Leading Responsible / Lending Team in Taiwan

Cathay fully recognized the impact financial sector can bring through responsible investment/lending. Cathay has established a Responsible Investment Working Group in 2014, which supervises Cathay FHC's responsible investment strategies and sets up policies. Cathay Life and Cathay SITE have also respectively established their Responsible Investment Task Force, which comprises the front/mid/back-offices of the investment team. The task force continuously learns the best international practices, trends and methodologies to establish action plans to refine and improve the ESG integration process. Cathay Life has established responsible investment department to further improve the responsible investment management.

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

#### Responsible / Lending Team

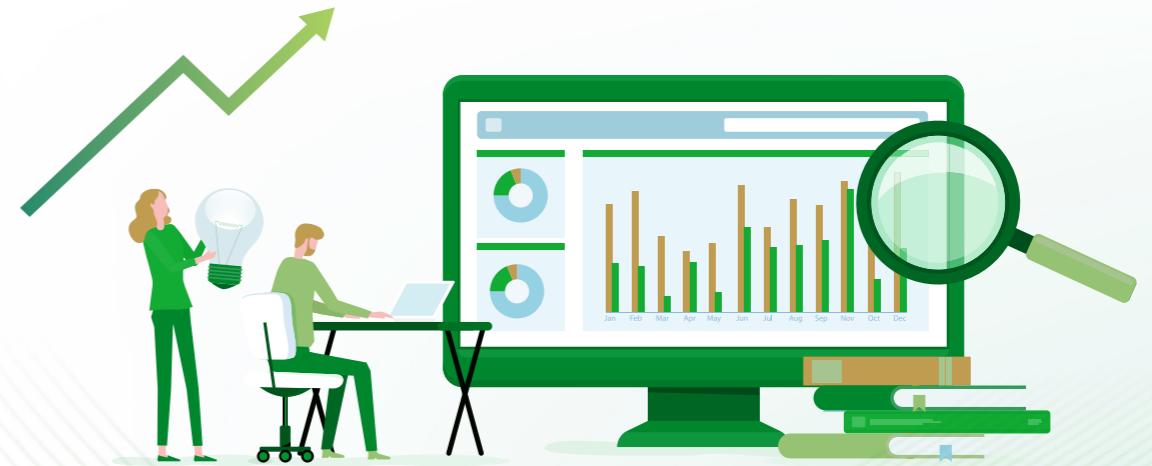


### 2.1.4 Provide Teams with ESG Analysis Tools and Build a Comprehensive ESG Environment

Sufficient ESG information and data is the basis for strong ESG management. Cathay thus purchased access to several international ESG databases to provide teams with comprehensive ESG data and analysis information, and created related tools to provide teams with a comprehensive ESG investment environment.

### 2.1.5 Delivering ESG Training to Strengthen Capability of ESG Risks Management

Cathay is active in its exchanges with external industrial, governmental and academic institutions and invited foreign experts to bring ESG analysis education and training at least twice a year for investment team to learn global trends and RI practices. In addition, we also provided training materials for EPs project financing management regulations and ESG Regulations for Corporate Loans, which are updated on management demand. In 2021, a total of 2502 employees from Cathay FHC, Cathay Life, CUB, Cathay SITE, and Cathay Century participated in Cathay's courses as well as external conferences; the average training hours per participant was 1.13 hours.





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## 2.2 Responsible Investment

The responsible investment and lending is a stabilizing force with a positive impact on society, and it is also one of the core competencies for increasing the long-term value of assets. Cathay thus adopted the Principles for Responsible Investment (PRI) to establish a comprehensive responsible investment system. Please refer to Appendix 7.3 for the PRI principles and corresponding actions. Cathay incorporated ESG factors into the investment procedures and engaged investment companies to reduce the ESG risks of the investment portfolio and protect the rights and interests of stakeholders. Please refer to Chapter 6 of the [Cathay ESG Integrated Report](#) for more information.

### 2.2.1 Investment and Lending Exclusion Policy of the Group

Cathay screens high-risk industries (e.g., controversial weapons and pornography) and countries (e.g., countries that severely violate human rights or are sanctioned) for the establishment of the Investment and Lending Exclusion List of the Group. The Responsible Investment Working Group reviews the it each year. Subsidiaries can expand the list on management demand.

### 2.2.2 Integration of ESG Factors

#### • ESG Integration under Investment Management Mechanisms

Cathay incorporated ESG factors into existing investment procedures to manage the ESG risks. For example, subsidiaries have all compiled a list of industries/business of concern to strengthen their management. Cathay Life created the first ESG risk review procedures in Taiwan and established a watchlist of investment targets with potential ESG risks (e.g., low ESG ratings or sensitive industries). All new and existing investment targets must undergo review. Investment teams in Cathay Life have to include ESG assessment in their stock research reports. 1,662 reports have been done in 2020. Cathay SITE established the ESG research information system and regularly provides ESG investment portfolio analysis reports to help the investment team integrate ESG into investment procedures. Cathay United Bank established ESG risk review regulations for financial transactions and investment and incorporated ESG risks into the investment evaluation process.

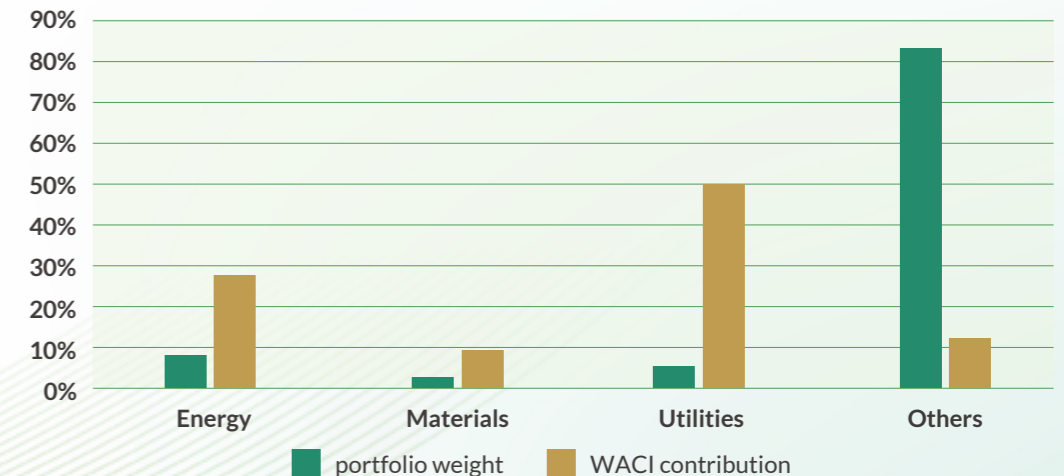
#### • Strengthen the climate management and transition to zero carbon

Cathay is actively promoting the zero carbon transformation of financial assets for better climate risk management of investment positions. Cathay follow the TCFD recommendation, conducting climate risk scenario analysis, and becoming the first financial institution in Taiwan to calculate the investment carbon footprint in 2018. Since 2020, Cathay has been using the methodology of the Partnership for Carbon Accounting Financials (PCAF) to calculate investment carbon footprint, so that we could better track and manage them. The total investment carbon footprint is 11million CO2e in 2021 and 11% lower than 2020.

Cathay has strengthened the management of climate factors in its integrated ESG management mechanism, and has enhanced risk assessment and review of sensitive industries. As a leader of climate engagement in Taiwan, Cathay engages investees in the hopes that they will commit to climate goals and strengthen their climate management. We further established the transformative goal of zero carbon for financial assets according by officially committing Science-Based Targets (SBT) in 2022 to comply with the Paris Agreement.

An analysis of the carbon footprint of Cathay's investment portfolio shows that the top three industries in terms of carbon emissions contributions—energy, materials, and utilities—account for less than 18% of the overall position, but over 85% of the investment portfolio's carbon footprint. Cathay's climate actions correspond to this situation. For example, Cathay Life listed coal-power plants that are not actively transitioning to renewable energy as exclusion list, and also participated in the Asian Utilities Engagement Program to encourage companies to implement carbon reduction mechanisms, so as to achieve the net zero emissions scenario of the Paris Agreement.

Distribution of three industries with highest carbon footprint in 2021



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**Carbon footprint of investment portfolios in 2020-2021**

		Proprietary Assets		Cathay SITE (Asset Manager)	
		2021	2020	2021	2020
<b>Absolute Emissions</b> tCO <sub>2</sub> e	Equity	1,059,599	1,025,288	311,296	230,101
	Bond	10,207,824	11,682,803	961,146	593,907
	Equity+Bond	11,267,423	12,708,091	1,272,443	824,008
<b>WACI</b> tCO <sub>2</sub> e/\$ m revenue	Equity	149	139	149	158
	Bond	268	304	358	369
	Equity+Bond	248	278	241	276

**Sectoral and regional carbon footprint of investment portfolios in 2021**

		Proprietary Assets		Cathay SITE (Asset Manager)	
		Absolute Emissions tCO <sub>2</sub> e	WACI tCO <sub>2</sub> e/\$ m revenue	Absolute Emissions tCO <sub>2</sub> e	WACI tCO <sub>2</sub> e/\$ m revenue
<b>Sectoral</b>	Energy	64	142,767	36	64
	Material	27	98,620	29	27
	Utilities	120	66,544	38	120
<b>Regional</b>	Asia-Pacific	92	568,015	104	92
	America	119	363,811	87	119
	Europe	16	227,992	15	16

Notes for the two carbon footprint sheet:

Note 1: Total carbon emissions is calculated according to PCAF methodology.

Note 2: Weighted average carbon intensity (WACI) is calculated based on the method recommended by the TCFD.

Note 3: The scope of proprietary assets includes Cathay Life, Cathay United Bank, Cathay Century and Cathay Securities.

Note 4: Assets managed by Cathay SITE don't include mandate assets.

Note 5: For investees without carbon emission data, Cathay estimates carbon emissions using the PCAF methodology. The data coverage of proprietary assets is 100%. The data coverage of assets managed by Cathay SITE is 97% in 2021, and 92% in 2020.

Note 6: The data of sectoral and regional carbon footprint includes equity and bond.

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**List of industries/business for advanced management**

**Cathay Life Sensitive industries**

- Controversial weapons
- Pornography
- Coal-related industries (coal-fired power generation, coal mining, coal railway transportation, and coal ancillary services)
- Gambling industry
- Palm oil and lumbering industry
- Oil and Gas (Includes integrated oil and gas, oil & gas exploration & production and industrial gases, etc.)
- Construction materials industry
- Aluminum industry
- Steel industry
- Aviation industry

**Cathay United Bank Exclusion list**

- Controversial weapons
- Human rights violations
- Pornography
- Mining
- Coal-fired/nuclear power generation
- Coal-related industries
- Upstream mining of oil and natural gas
- Tobacco industries
- Gambling
- Logging in tropical rain forests
- Gillnet production and gillnetting

**Cathay Century Sensitive industries**

- Tobacco
- Gambling
- Pornography
- Nuclear proliferation
- biochemical weapons
- Coal Mining
- Logging in tropical rain forests
- Ammunition and Land Mines Manufacture

**Cathay Securities Companies that do not comply with sustainable development**

- Arms industry
- Pornography industry
- Logging in tropical rain forests
- Gillnet fishing industry
- Environmental toxin industry
- Radioactive material industry
- Tobacco manufacturing industry
- Friable asbestos fiber industry
- Gaming industry

**Cathay SITE Domestic exclusion list**

- Gambling
- Arms trade
- Tobacco, alcohol, and drugs
- Human rights violations
- Violation of labor regulations
- Child labor
- Pornography industry

**● ESG Review Results of Investment Targets in 2021**

Cathay Life has reviewed all listed equity and fixed income (non-corporate bonds & corporate bonds) and 288 cases with potential risks have been reviewed through the ESG review procedure. Furthermore, 11 investment targets were excluded from investment buylist after considering their fundamentals and ESG performance.

Cathay United Bank reviewed the potential ESG risk of its investment positions in equity, corporate bonds, and non-corporate bonds in 2021. Continued monitoring will be conducted for 37 cases.

**2.2.3 Themed Investing**

Cathay Leverages the experience of participating international initiatives such as Low Carbon Investment Registry to define Low Carbon Investing, and further defines other four themed investing in the following years. Therefore, Cathay could track sustainability and industry trends to invest in sustainable targets, pursuing long-term return and flourishing the sustainable future with our core competencies. The data has external assurance. Please refer to Appendix Table 1 for detailed information.



Themed Investing (Unit: NT\$ Billion)

**2.2.4 Impact Investing**

In 2021, Cathay Life invested NT\$880 million for solutions for social inclusion and education, environmental resource requirements, and medical and quality of life issues.

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## 2.2.5 Engagements after Investment and Lending

### • International Initiatives and Engagements

One of the key spirits of responsible investment is to engage investees and encourage them to pursue profit and growth with social and environmental sustainability. Cathay is an active participant in investor engagement actions with the aim of setting a benchmark for peers in Taiwan. Cathay has participated in multiple international organizations and initiatives since 2017, and has actively followed up on sustainability issues of critical importance to the international community, such as climate change. Cathay has established the engagement policy in 2018. We also identified "climate change" and "ESG Disclosure" as key engagement strategies in 2019, and initiated more intensified engagements with investee companies.

Cathay has gained international recognition for our efforts over the years. The Investor Agenda announced the Investor Climate Action Plans (ICAP) in 2021, and Cathay FHC was the only asset owner in Asia to be included in the world's top ten best practice for our corporate engagement and policy advocacy performance.

In 2021, Cathay Life engaged 80 companies directly on 17 material ESG issues in 160 cases through telephone meetings and in-person meetings. The main targets for engagement were companies in the "information technology" and "raw materials" industries, and the main communication issues were "adaptation to climate change" and "carbon emissions".

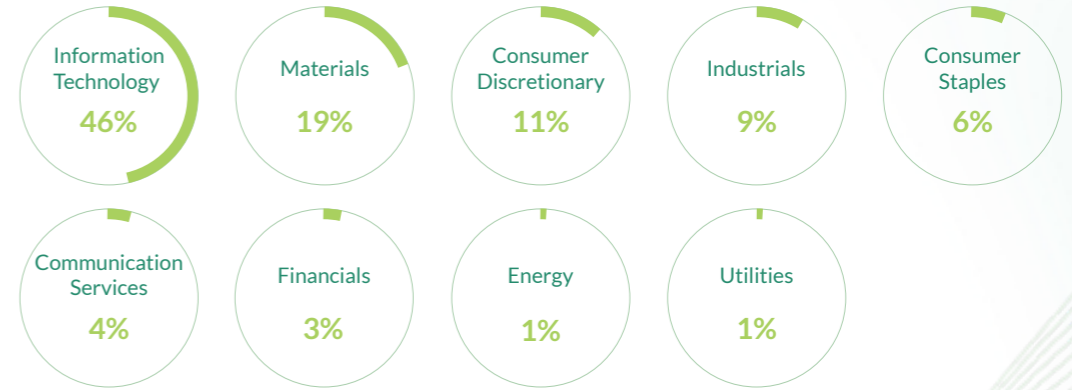
#### Cathay's Engagements



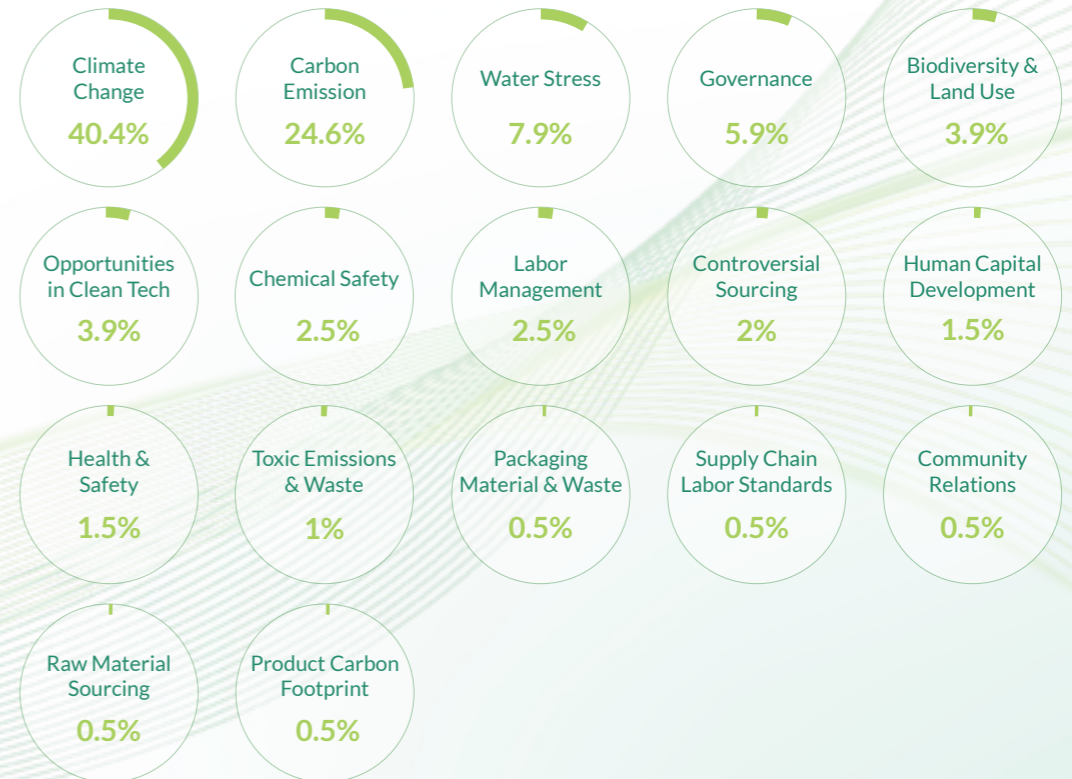
#### Leader of Investor Engagement Actions in Taiwan

The Investor Agenda included Cathay in the world's top ten best practice for our corporate engagement and policy advocacy performance.

#### Distribution of direct engagement targets by industry



#### Distribution of direct engagement topics



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● Asia Investor Group on Climate Change (AIGCC)

Cathay has become a founding member of the Asia Investor Group on Climate Change (AIGCC) and actively contributed to international climate initiatives since 2016. Cathay has received international recognition for its ESG achievements. Sophia Cheng, Chief Investment Officer of Cathay FHC, was appointed AIGCC Chair in 2018 to help the AIGCC increase awareness towards climate risks/opportunities among investors in Asia, and encourage them to take actions.



Cathay became part of multiple AIGCC working groups in 2020 to provide recommendations for related topics and study feasible tools and solutions.

Cathay FHC and Cathay Life participated in the Asian Utilities Engagement Program launched by the AIGCC in 2021. The program engages Asian utilities that account for 23% of global carbon emissions, and encourages companies to implement carbon reduction mechanisms to achieve net zero emissions as described in the Paris Agreement. A company engaged by Cathay Life have committed to phasing out their coal-fired power generation assets before the end of 2040.

**Asia Investor Group on Climate Change (AIGCC)**

**AIGCC Founding Member**

**AIGCC** Sophia Cheng, Chief Investment Officer of Cathay FHC, was appointed AIGCC Chair in 2018 to help the AIGCC.

● Ceres Valuing Water Finance Task Force

Climate change has indirectly changed the water cycle and precipitation patterns in recent years. Taiwan has faced water shortage crises in recent years, which have affected the operations of certain industries that rely heavily on water resources.

Cathay Life and Cathay FHC joined the Ceres Valuing Water Finance Task Force in 2019 as the only participating financial group in Taiwan. We obtained information on forecasts of global water resources and learned about the risks and opportunities of water resources in different sectors. The participation has helped Cathay ward off related risks and increased investment resilience when faced with challenges in water resources.

**Ceres Valuing Water Finance Task Force**

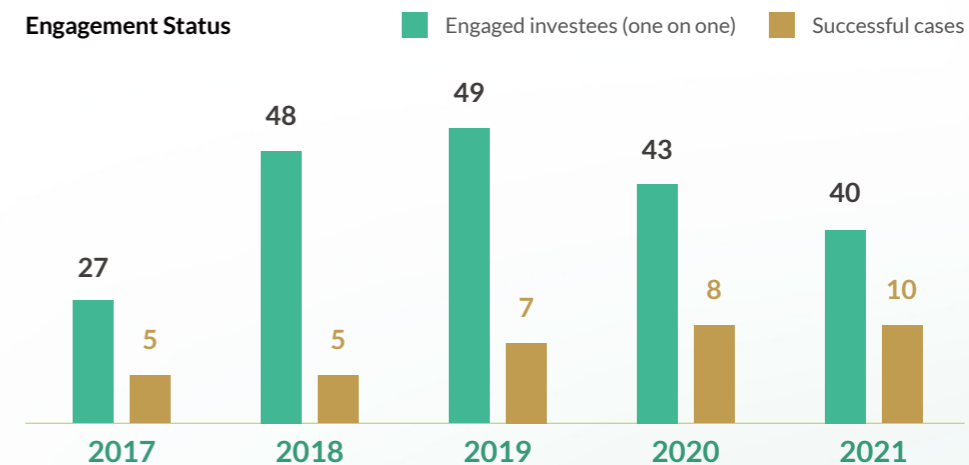
**Ceres** **Joined the Ceres Valuing Water Finance Task Force in 2019 as the only participating financial institution in Taiwan.**

● CDP Non-Disclosure Campaign

The CDP's "Non-Disclosure Campaign" invited investors to ask investees to disclose environmental information. Cathay has participated in the initiative for four consecutive years since 2017 and was the only financial institution in Taiwan to have participated in the campaign. Cathay uses one-on-one communication to explain the material impact of climate change, forest, and water resource issues on companies and encourages them to disclose related data and management measures for investors to evaluate related risks



The success rate of engagement was 25%, which is higher than the global average, after engaging 40 companies in 2021. Cathay has successfully engaged 35 companies since 2017 and 52% of the companies improved their CDP scores in the following year, which demonstrated the long-term positive impact of successful engagement.



**CDP Non-Disclosure Campaign**

**Engaged 40 companies in 2021 and the response rate was 25%.**

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## ● CDP Science-Based Targets Campaign

The scientific evidence shows that global corporates have to accelerate climate actions. Setting the transformation target with scientific methodology will help corporates improve climate innovation and competitiveness, and ensure the economy decarbonizes in time. Cathay FHC participated in the CDP Science-Based Targets (SBT) Campaign in 2021, in which over 200 institutional investors worldwide jointly urged over 1,600 companies with significant influence on the climate to commit to achieving the SBTs and goals of the Paris Agreement. Cathay was the only financial institution in Taiwan to participate in the campaign. As of the end of 2021, the campaign has successfully encouraged 79 companies worldwide with approximately 140 million metric tons of carbon emissions commit to the SBT. Cathay has also officially committed SBT in 2022.

## ● Climate Action 100+

Climate Action 100+ (CA100+), the world largest-ever investor engagement initiative on climate, was launched in 2017. The goal is to urge companies to take actions to reduce GHG emissions consistent with the Paris Agreement. More than 700 institutional investors, responsible for over \$68 trillion in assets under management, have joined the CA100+ initiative.



Cathay Life and Cathay SITE represented Cathay FHC being the signatories of CA100+ initiative and have been actively participating in CA100+ since 2017. As the first financial group in Taiwan joining in CA100+, Cathay engages individually with all the three Taiwanese focus companies - Formosa Petrochemical Corporation, Foxconn, and China Steel. In addition, Cathay proactively participates in numerous events and progress meetings organized by CA100+, and provides feedback and suggestions for the reports and guidelines published by CA100+. To help Taiwanese focus companies easily access CA100+ related information and progress, Cathay reviews and provides feedback on the Chinese translations of CA100+ reports. Ms. Sophia Cheng, Chief Investment Officer of Cathay FHC, has been invited to act as the member of CA100+ Asia Advisory Group since 2018 and actively participates in the quarterly meetings to provide suggestions for strategic plans of the initiative.

In 2021, all the three Taiwanese companies engaged by Cathay have all pledged net zero emissions or carbon neutrality.

## Case study of individual engagement

Formosa Petrochemical Corporation (FPCC) is one of CA100+ focus companies. In October 2021, Formosa Plastics Group and FPCC announced "striving to achieve carbon neutrality by 2050". Cathay FHC appreciates and highly recognizes FPCC's ambition on carbon reduction.

Cathay has been engaging with FPCC since 2018, which started with introducing the goals of CA100+, the importance of ESG issues, and international trends in responsible investment. This information would help the company understand the CA100+ and why investors request the companies reducing carbon emissions. Cathay also provided an overview of the climate change responding strategies implemented by international oil & gas companies, and invited experts and academia to share their knowledge on biofuel technologies. By adopting a variety of approaches, Cathay hopes to help the company save the time it would have spent conducting research on its own as well as facilitate the implementation of its carbon reduction plans.

Cathay FHC has the dedicated team being responsible for conducting frequent communications with FPCC via telephone or e-mail, and also has numerous in-person or online meetings with the company every year. Furthermore, Cathay works with several international institutional investors to urge the company to take carbon reduction actions according to the Paris Agreement. Cathay's management team attaches great importance to corporate engagement. Mr. Chang-Ken Lee, President of Cathay FHC, personally participated in many engagement meetings and led Sophia Cheng, Chief Investment Officer of Cathay FHC, and senior executives from Cathay Life and Cathay SITE to visit the senior executives at the Group Administration Office at Formosa Plastics Group, as well as the chairperson and president of FPCC. The leaders of Cathay and the company actively explores the feasibility of carbon reduction plans in the engagement meetings.

Led by the Group Administration Office under Formosa Plastics Group and senior executives of FPCC, FPCC has annually disclosed climate-related information in line with the TCFD framework since 2020, including physical/transformation risk management plans and climate risk scenario analysis. The management team at FPCC also looked into the feasibility of many carbon reduction options, such as biofuel and carbon capture technologies. In October 2021, the Formosa Plastics Group and FPCC announced "striving to achieve carbon neutrality by 2050".

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## ● Cathay Sustainable Finance and Climate Change Summit

Cathay FHC has organized the Climate Change Forum in Taiwan for five consecutive years, as a method of encouraging investee enterprises to pay attention to climate change issues and take action. We invited experts from different areas such as former U.S. Vice President Al Gore, CDP and PwC since 2017. We also worked with Taiwan Stock Exchange and AIGCC. This forum is a platform to share experience and perspectives and bring international trends to Taiwan.

Cathay invited key figures from Taiwan's industry, government, and academia, and also major investors and international experts from America, Europe, and Oceania, sharing the global market and policy trends, and communicating the mindset and experience of corporate's ESG implementation and zero carbon transformation, thereby helping Taiwanese corporates accelerate low carbon transformation and find the development chance in the net-zero future. Enterprises that registered accounted for 76% of the total market value of TWSE and 51% of Taiwan's total carbon emissions in 2021. Over 1,000 people were online at the same time and over 240 directors, supervisors and corporate governance officers participated in the forum.

Note: [Agenda of 2021 Summit](#)



Cathay Sustainable Finance and Climate Change Summit Forum Highlight Video



### Cathay Sustainable Finance and Climate Change Summit

Enterprises that registered accounted for 76% of the total market value of TWSE and 51% of Taiwan's total carbon emissions in 2021.

## ● Implementation of the Taiwan Stewardship Principles for Institutional Investors

Cathay FHC's subsidiaries, including Cathay Life, Cathay SITE, Cathay Century, CUB and Cathay Securities, have all signed the Taiwan Stewardship Principles for Institutional Investors. Cathay Life and CUB were the only insurance company and bank selected as part of Taiwan Stock Exchange Corporation's "Recommendations for Disclosure Based on Stewardship Principles for Institutional Investors and Case Studies of Companies with Superior Disclosure" in 2021.

The international community has recognized Cathay SITE's stewardship performance. It received the 2021 Benchmark Stewardship Award.

In 2021, Cathay attended a total of 1,669 shareholders' meetings and voted on 9,173 proposals. Cathay voted in favor of 8,914 proposals, against 116 proposals, and abstained from voting on 113 proposals<sup>Note</sup>. Cathay Life Insurance actively votes in shareholder meetings and supports climate resolutions aligned with the carbon reduction goals of Paris Agreement. The aim is to guide the companies to take more concrete climate actions. In 2021, Cathay Life supported 100% change-related resolutions.

Cathay also communicates with the management team of investee companies in the forms of telephone conferences, forums, investor seminars, or attending shareholders' meetings. In 2021, a total of 5,750 delegates from Cathay Life, CUB, Cathay Century and Cathay SITE visited 1,798 companies.

For detailed information disclosure on voting and stewardship, refer to the stewardship website and reports of Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, and Cathay Securities Investment Trust.

Note: According to Article 146-1 of the Insurance Act, insurance companies may not vote in director and supervisor elections of domestic companies they have invested in, hence the abstention votes for proposals related to the appointment of directors and supervisors.

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## 2.2.6 Asset Manager Mandating and Monitoring

Cathay Life and Cathay Century have included ESG into consideration when signing contracts with mandate partners to ensure the companies fulfill their duties as asset managers. In 2021, 100% of the mandate investment positions of Cathay Life and Cathay Century are managed by asset managers who have signed the PRI or local stewardship principles.



## 2.2.7 Responsible Investment Products and Service

### • Cathay Securities ESG research reports for individual stocks

Cathay Securities began working with Cathay Futures and National Taipei University in 2020 to build the first professional ESG analysis team in Cathay Futures and provide ESG analysis service to institutional investors. We utilized the SEED rating framework, which was developed by the Corporate Sustainability Research Team of National Taipei University, to establish the first ESG rating mechanism aligned with international methodologies in Taiwan. It greatly extend the coverage of ESG Rating on Taiwan's listed companies. It provides responsible investors with the latest ESG research reports, and also urges Taiwanese companies to take sustainable development seriously through communicating with rated companies. As of December 2021, the team has organized 30 ESG research presentations for corporate customers, and jointly completed 200 ESG research reports on individual stocks together with the team of National Taipei University. We selected individual stocks with a sustainability rating of BBB or better for inclusion in the concept-based stock selection area of Cathay Securities' stock selection app, thereby providing general investors with a channel for selecting good ESG stocks, in order to expand the influence of this ESG research service. This industry-academia collaboration not only helps Taiwanese companies strengthen their ESG disclosures and management, but also hopes that companies will become more responsible in improving their ESG performance through the disclosure of companies with a good ESG rating, and thereby make the world a better place.

Note: SEED stands for social, economic, and environmental disclosure.

Cathay Securities ESG research reports for individual stocks



**More than 200 ESG research reports for individual stocks**



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## 2.3 Responsible Lending

Cathay United Bank has adopted the Guidelines Governing ESG and Climate Risk Management and is committed to addressing climate change and mitigating environmental, social, and governance risks. We also incorporate responsible lending into our core competencies and operations. As staunch supporters of the spirit enshrined in the Paris Climate Agreement and TCFD, we specify climate risks (including transition risks and physical risks) to be included into lending procedures and ESG management mechanisms. We constantly seek ways to enhance risk management for responsible lending and strengthen our capacity for responding to ESG and climate-related risks.

Cathay United Bank leverages its financial influence to motivate partners in the value chain to jointly bring about economic, social, and environmental benefits, foster sustainable development of the environment and society, fulfill corporate social responsibilities, and make active contributions to sustainability.

### 2.3.1 Exclusion List

Cathay United Bank has suspended all coal-fired power generation loans since October 2019 to comply with Cathay's Lending Exclusion Policy, and is actively participating in the supervision of industries with high carbon emissions, which has become an international trend. The Bank established the policy of "zero coal-fired power generation loans" in 2021, and set the goal to reduce the credit facility for the coal industry chain to zero by the end of the first quarter of 2027. (Please refer to P.27 for the details of exclusion list)

### 2.3.2 Credit Facility Application

#### • ESG Risk Rating Mechanisms

Cathay United Bank rigorously monitors the environmental and social impact as well as climate risks derived from loans. We constantly perfect ESG risk management mechanisms; give consideration to climate change, environmental impact, and human rights issues; and have established internal ESG risk rating and management mechanisms.

#### • Sensitive Industries

Cathay United Bank examines climate risks factors, such as carbon emissions, water consumption, electricity consumption, and waste, and has established risk management mechanisms for industries with high climate risk to assess related environmental and climate risks in greater detail.

### 2.3.3 Credit Review Assessment

#### • Risk Evaluation and Mitigation

Cathay United Bank complies with the Environmental, Social, and Governance (ESG) Rules for Corporate Loans to conduct KYC and review ESG risks for corporate loans. We incorporate ESG factors into credit evaluation and management procedure through risk ratings. We also require post-incident improvements and risk mitigation measures based on the risk levels.

#### Corporate Loan



100%

Corporate loans applicable for the ESG lending management mechanism.

#### • Equator Principles

Cathay United Bank implements environmental and social risk classification, assessment, review, and post-loan management for applicable transactions in accordance with the Rules Governing Project Finance of Equator Principles. In addition to conducting reviews in compliance with the environmental and social performance standards used by International Finance Corporation, we also reference third-party advisory reports and incorporate the review results into the credit risk review and loan conditions to better manage environmental and social risks of the Equator Principles transactions. There are two cases that reached Financial Close in accordance with EP regulations for disclosure in 2021. Please refer to Appndix 2 for history data.

### 2.3.4 Post-Loan Management

#### • Annual Review and Early Warning

Cathay United Bank implements ESG risk annual review on all corporate borrowers to carefully evaluate the change of ESG loan conditions, compliance status, and ESG ratings for each individual customer. We keep tracking changes in customers' ESG risks and early-warning information for rapid response.

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### 2.3.5 Themed Lending

Cathay Leverages the experience of participating international initiatives such as Low Carbon Investment Registry to define Low Carbon Lending, and further defines other four themed lending in the following years. Therefore, Cathay could track sustainability and industry trends to finance sustainable companies, pursuing long-term return and flourishing the sustainable future with our core competencies. The data has external assurance. Please refer to Appendix Table 1 for detailed information.

#### Themed Lending

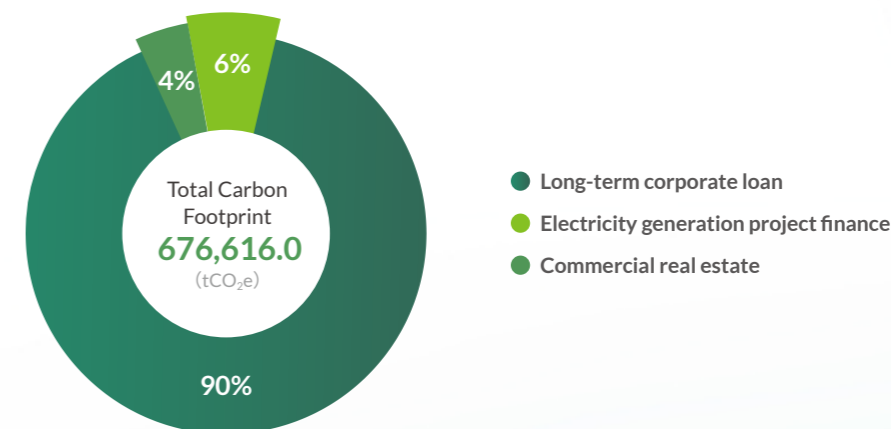


### 2.3.6 Tracking and Management of Lending Portfolio's Carbon Footprint

In 2021, Cathay applied the methodology of Partnership for Carbon Accounting Financials (PCAF) and Science-Based Targets Initiative (SBTi) to calculate the lending portfolio's carbon footprint and set the carbon reduction target.

#### The lending portfolio's carbon footprint in 2020

Corporate Loan Carbon Footprint by assets in 2020



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## 2.4 Responsible Banking

### • Responsible Banking

Cathay United Bank declared its voluntary compliance with the United Nations' Principles for Responsible Banking (PRB) at the end of 2018 to line up with international sustainability frameworks and set an example for the industry. CUB became the first bank in Taiwan to obtain PRB compliance assurance from a CPA firm in February 2021, and takes concrete actions to fulfill the corporate social responsibility of a financial institution. CUB continues to promote the PRB and maximize financial influence based on its banking core competencies to facilitate the prosperity of companies, society, and the environment.

#### Principles for Responsible Banking



The first bank in Taiwan to declare its voluntary compliance with the PRB



### • Cathay United Bank's Major Targets of Influence for PRB

#### Material influence target 1



#### Renewable energy loans

Targets for renewable energy loans established by Cathay United Bank: "Continue to increase the percentage of renewable energy in the Bank's electricity supply lending and reach 85% by 2025." CUB will take concrete actions to promote the growth of the green finance industry in Taiwan and support renewable energy development. As of the end of 2021, renewable energy accounted for 77.53% of the Bank's electricity supply lending, up 1.45% compared with 76.08% at the end of 2020.

#### Material influence target 2



#### loans for industries with high carbon emissions

Cathay United Bank has suspended new loans for coal-fired power generation projects starting from October 2019 to demonstrate its resolve towards supporting international carbon emissions reduction initiatives and countering climate-related risks. The Bank established the policy of "Zero Coal financing" in 2021, and set the goal to reduce the credit facility for the coal industry chain to zero by the end of the first quarter of 2027.

#### Zero Coal Policy



Reduce the credit facility for the coal industry chain to zero by the end of the first quarter of 2027.

Please refer to Appendix 7.3 or [Cathay United Bank PRB Implementation Report](#) for more information.

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## 2.5 Sustainable Insurance

Insurance means a life-long commitment to the families of customers. Cathay upholds sustainable development as a key mission and Cathay Life therefore became the first insurance company in Asia to adopt, of its own initiative, the Principles of Sustainable Insurance (PSI) in 2016. It also completed the CS Strategic Blueprint and adopted the main strategies centered around CARE (Commitment, Accountability, Richness, Eco-living). Cathay Century also voluntarily decided to adopt the PSI in 2017 and integrated PSI principles into the internal systems and operations of the organization. Both companies are committed to compliance with international standards and leading the industry in sustainable development.

### Sustainable Insurance

PSI

Asia's first financial institution to comply with the PSI on its own

### 2.5.1 Cathay's Implementation of the PSI

**Principle 1**  
We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Governance is the core of ESG management. Cathay Life and Cathay Century's CS Team are part of the Cathay FHC CS Committee and supervised by the independent director. They regularly discuss ESG issues with senior executives. Cathay Life also reports progress in meetings of the Board of Directors semi-annually. Cathay incorporated ESG into training, risk management product design, underwriting, claims, and investment for comprehensive ESG management.

**Principle 2**  
We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

As one of the largest financial institutions in Taiwan, Cathay hopes to raise the ESG awareness of customers and business partners, and thereby expand its influence through product design, green procurement, engagement and shareholders activism, and asset manager mandating and monitoring. Cathay Life and Cathay Century became the first life insurance company to receive the "Carbon Reduction Label" and the first property insurance company to receive the "Carbon Label" from the Environmental Protection Administration. The labels help consumers identify and choose suitable products.

**Principle 3**  
We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Cathay is actively working with government agencies, supervisory authorities, and industry associations in promoting ESG issues, such as TCFD, anti-money laundering, anti-drugs, anti-fraud, and financial inclusion. For example, Cathay Century cooperated with government and academia to establish the Product Category Rules for "property insurance services" in accordance with the regulations of the Environmental Protection Administration to support the EPA's "Carbon Footprint" labeling policy for Taiwanese products and reduce the difficulty in other companies' promotion of products with carbon footprint labels.

**Principle 4**  
We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Cathay FHC, Cathay Life, and Cathay Century all issue annual sustainability reports, and disclose relevant information on a dedicated corporate sustainability website or dedicated section of their official websites.

Please refer to Appendix 7.3 for more information on PSI principles and corresponding actions.

### 2.5.2 Insurance ESG Integration Mechanism

#### Product design

- Cathay takes ESG risks into consideration to respond to the challenges in the environment and society.
- Cathay Life established an external advisor team to understand the latest trends in ESG issues, and established an internal data collection team and provide feedback to the product design department.
- Cathay Century established the ESG issue review process for insurance products. New products shall be reviewed in accordance with the "Product Development ESG Issue Checklist".
- We used insurance competencies to help all groups obtain basic coverage and helped improve insurance functions from ex-post compensation to ex-ante prevention.

#### Underwriting

- We incorporated ESG considerations in underwriting processes such as ethical hazards, fairness, inappropriate sales, customer protection, personal information protection, safety of construction methodology, and environmental sustainability trends.
- Cathay Life established models and systems to help calculate the risk scores of new contracts and automatically issue alerts for underwriting personnel to enhance reviews.
- Cathay Century established risk identification and assessment mechanisms for sensitive industries such as power plants and the petrochemicals industry.
- Cathay Century included the level of participation of the insured in ESG as a part of the underwriting review process. In practice, we adds or reduces fees for certain insurance products to encourage environmental sustainability.

#### Claims

- Cathay Life and Cathay Century carefully managed fraud risks to ensure collective risk diversification for insurance.
- We immediately activate rapid claims mechanisms in the event of a major disaster and actively provide comfort and consultation services, reduction of premiums, and consolation money to provide policyholders with the best assistance.
- We enhanced digital services to help customers monitor claim settlement progress and other information in convenient and timely ways.

Please refer to chapter four of the [Cathay ESG Integrated Report](#) for more information on insurance ESG integration mechanisms.

# 03 Climate

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- 3.2 Sustainable Environment
- 3.3 Climate-related Financial Disclosure



Climate risks have been considered the most urgent issue in the Global Risk Report published by the World Economic Forum (WEF) every year for the past 5 years. Countries have set the goal of net zero carbon emissions or required the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations of the Financial Stability Board (FSB) to be made into regulation. Taiwan's government also included related plans in the Corporate Governance 3.0 - Sustainable Development Blueprint and Green Finance Action Plan 2.0 in order to increase information transparency and commitment of companies to climate management.

As the leader of sustainable finance in Taiwan, Cathay continues to direct its efforts into TCFD recommendations. Besides integrating climate risks into the current risk management framework, we are also improving our scenario analysis and have expanded the development of green finance, which has strengthened our resilience, allowing us to jointly face future climate challenges together with all stakeholders, and thereby achieve the goals set forth in the Paris Agreement.



Key Developments 1

**The first financial institution in Taiwan to join the RE100 initiative, showing determination to become a leader in climate issues.**

Highlights

- Cathay FHC became the first financial institution in Taiwan to officially join the RE100 initiative in April 2022, committing to 100% renewable energy across its global operations by 2050.



Key Developments 2

**In line with global trends, Cathay FHC officially committed to the Science-Based Target in Jan 2022.**

Highlights

- Cathay Financial Holdings sets the target by referencing the methodology of SBTi and has established a target of 2.5% reduction in carbon emissions per year for scope 1 and 2. The cumulative reduction shall reach 25% by 2030.



Key Developments 3

**Public Climate-related Financial Disclosure Report in 2022.**

Highlights

- Cathay FHC monitors the overall impact of climate change and formulates strategies and policies, while preparing climate risk management reports, to show resilience in climate issues.



Key Developments 4

**Participated in wind farm investments and loans of Ørsted, the world's largest offshore wind farm developer.**

Highlights

- CUB completed the financial settlement of the financing project for equity of the 605 MW Greater Changhua Offshore Wind Farm SE in 2021 Q4. Cathay Sustainability Private Equity Fund is also an investor in the wind farm.

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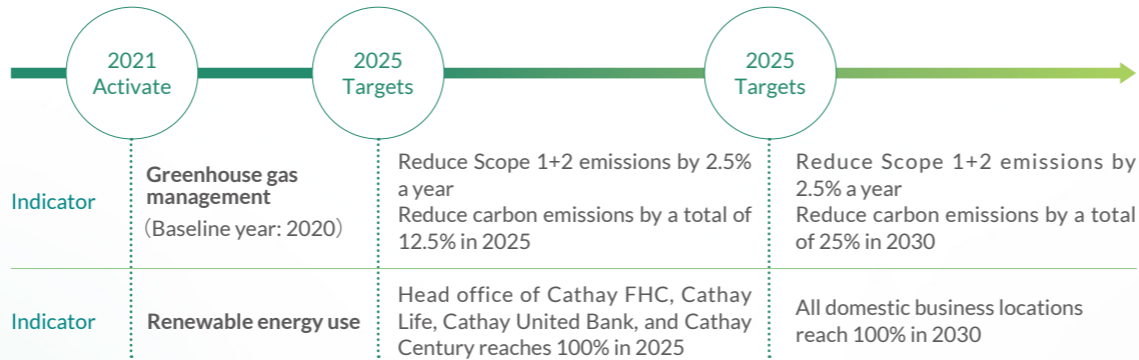
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# 3.1 Low-Carbon Economy

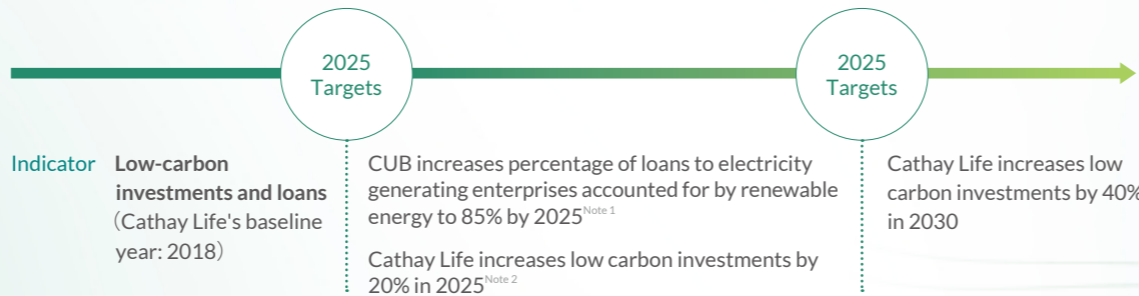
## 3.1.1 Responses to International Carbon Reduction Initiatives

Cathay FHC began compiling carbon footprint inventory for listed equities and corporate bonds in 2018. The carbon footprint of the investment portfolio was calculated from 2019 to 2020 by referencing the methodology of TCFD and PACF. For the inventory of related financial assets, please refer to [Chapter 2 Sustainable Finance](#). In addition, Cathay also assessed the science-based targets (SBTs) in 2021 and set the targets for operational carbon reduction and related financial assets. Cathay has set the mid- to long-term target for carbon reduction at no less than 2.5% per year with 2020 as the base year. Furthermore, the cumulative reduction will reach 25% by 2030. Please refer to [3.2.1 Zero Carbon Operation Transformation](#) for relevant explanations about business transformation plans.

### • Low Carbon Operation and Lending and Investing Goals



Note: The Zero Carbon Operation Transformation Project was implemented in 2021 and uses 2020 as the baseline year for setting short-, mid-, and long-term goals for GHG management and renewable energy use.



Note 1: CUB has reached 77.53% in December 2021.

Note 2: Cathay Life achieved its goal of 5% growth in 2020.

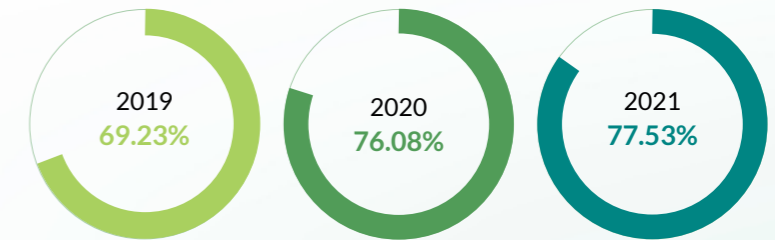
### • Low Carbon Lending and Investing Amount

As of December 31, 2021

Unit NT\$100 million	2018		2019		2020		2021	
	Investment	Loan	Investment	Loan	Investment	Loan	Investment	Loan
Low Carbon	1,327	183	1,425	227	1,748	252	2,076	314
Renewable Energy	114	123	111	100	119	114	235	172
Architecture	777	4	792	78	746	32	768	44
Waste Recycling	46	22	34	19	42	35	50	48
Transportation	243	33	314	28	547	70	707	40
Energy Saving Industry	87	1	66	1	151	2	121	9
Green Bond	59	0	108	0	143	0	196	0

### • Renewable Energy Loans Proportion

The percentage of loans to electricity generating enterprises accounted for by renewable energy.



As of December 31, 2021

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## 3.1.2 Pioneer in Green Finance

Cathay not only carries out full examinations and inventories on its internal business operation, but also upholds its sustainability vision of "being a leader in green finance, creating a sustainable future". Cathay actively exercises its right of financial asset allocation to tangibly ameliorate the risks brought by climate change, collaborates with its customers through green cash flows, and acts as a leader in the industry to achieve the goal of net-zero emissions, so as to become a pioneer in the green energy industry in Taiwan.

### ● Investment in the Renewable Energy Industry

Cathay Life has been jointly investing in Galaxy Energy with AU Optronics since 2014. In 2016, we initiated a model of joint venture with solar energy service providers in the form of special projects. Under this model, we have successively formed joint investments in the following companies: Taixu Energy (with Sino-American Silicon Products); Xinritai Co., Ltd. (with Neo Solar Power); and Solar Master Energy (with Power Master Group), thus promoting solar power industrial clusters and setting an example for other companies in the insurance industry. Cathay Life and Solar Master Energy jointly developed and built Yunlin Mailiao Tienji Solar Power Plant in October 2021, creating a model example of "utilizing the funds of a life insurance company for renewable energy public constructions" and "activating national land," thereby creating a win-win situation for government, companies, and local communities. The total investment amount as of 2021 that was approved by the FSC beforehand or reported afterwards reached NT\$7 billion, the installed capacity of investments in solar power exceeded 247.8 MW.

CUB provided loans for the first solar power generation project, first project that complied with Equator Principles, and first syndicated loan for offshore wind power in Taiwan. CUB also served as the arranger of the syndicated loan for the largest offshore wind farm in the Asia Pacific in 2019. CUB has ceased new loans for coal-fired power generation projects in October 2019 and set a goal of increasing the proportion of credit business associated with loans for renewable energy in the power generation industry to 85% by 2025 in order to demonstrate its determination towards sustainable business operation.

CUB provided loans for 325 solar power stations in Taiwan in 2021 with a total installed capacity of 183.6 MW. As of the end of 2021, CUB has financed over 2,500 domestic and foreign solar power plants with a total installed capacity of 758 MW, reducing CO2 emissions by nearly 393 thousand metric tons a year, which is roughly 1,023 times the carbon absorption of Da'an Forest Park. For offshore wind farms, CUB provided the first syndicated loan for offshore wind power in Taiwan, a 128 MW offshore wind farm, and also participated in the financing projects for the 640 MW Yunlin Offshore Wind Farm and 605 MW Greater Changhua Offshore Wind Farm. This demonstrates CUB's active investment in various renewable energy financing projects.

### ● Underwrote Green Bond

In response to the first round of issuance of green bonds in Taiwan, Cathay Life purchased US\$30 million in green bonds, accounting for 17% of the total amount issued in the first round, and the cumulative investment amount in green bonds, including foreign green bonds, reached NT\$19.5 billion as of the end of 2021.

CUB also participated in the underwriting of the international green bonds listed both on the Taipei and Luxembourg exchanges in October 2021. The issuance period is 30 years with a total amount of up to US\$180 million. The proceeds will be used to fund or refinance the "Sustainability Bond Project" of the French Banking Group BPCE or be used to fund the renewable energy sector in Taiwan, including the largest offshore wind farm project in Asia, Yunlin Offshore Wind Farm.

In addition, Cathay Securities is also actively involved in fundraising for environmental protection and green enterprises, and helped the initial public offering (IPO) of Power Master (6839), a leading solar photovoltaic company, in 2021, raising NT\$288 million for the convertible corporate bonds of Anji Technology, Co., Ltd. (core business: high-efficiency solar modules, etc.), and participated in the underwriting of green bonds issued by Chailease Holding Company Limited, Taipower, and TSMC.

### ● Developed Green Insurance

Cathay Century is responding to climate initiatives through its insurance business. It has created green insurance products so that industries and members of the public who need such insurance will be able to suitably protected.

#### Renewable Energy Industry Insurance

Cathay Century has been providing appropriate insurance for the green industry sector since its construction and operation phases in 2010. It became the first insurance company to offer insurance protection for offshore wind farms in Taiwan in 2016. Cathay Century has been dedicated to improving its competitiveness and professional expertise in the renewable energy industry. It established an Energy Infrastructure Team in 2020 with a hope to develop its renewable energy business via risk identification. Cathay Century also provides insurance for hydroelectric power plants, solar power plants, and wind farms and equipment, with additional underwritten amount of NT\$31.61 billion in 2021.

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**Green Vehicle Insurance**

Following the rise of environmental awareness, increasing numbers of car drivers and scooter riders are choosing to buy eco-friendly electric vehicles. Cathay Century launched the first green vehicle insurance in Taiwan in 2013, and has insured a cumulative total of 28,122 eco-friendly vehicles as of the end of 2021. The insurance was offered in coordination with government initiatives to support the green energy industry, and also aids Taiwan's transportation tool transition by encouraging drivers to support eco-friendly vehicles.

**Bicycle Insurance**

Cathay Century offered bicycle insurance in 2016, and the number of underwritten cases reached 8,261 as of the end of 2021. Furthermore, Cathay Century offered the first Public Bicycle Accident Insurance and Public Bicycle Third-party Liability Insurance in Taiwan in June 2018, and insurance that encourages more people to join the ranks of bicycle riders. As of the end of 2021, Kaohsiung City, Tainan City, Taipei City, New Taipei City, Taoyuan City, Miaoli County, Pingtung County, Hsinchu County, Kinmen County, and Chiayi County were covered by Public Bicycle Accident Insurance, protecting over 77.57 million people. The insurance eliminates the risk of bicycle riders not having any insurance coverage, and satisfies the wide range of needs of green consumers.

• **Developed Green fund**

**Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF**

ESG is an indicator for assessing the quality of long-term corporate management. The COVID-19 epidemic in 2020 demonstrated the importance of companies' care for employees and supply chain management. Cathay SITE worked with MSCI to provide investors with the opportunity to use international ESG services for sustainable investment. We also used weighted dividend yields to select shares in sequence and help investors stabilize profits and meet their requirements. The ETF set multiple new records on the Taiwan Stock Exchange after its IPO and its scale has expanded to NT\$35 billion as of the end of 2021.

**Cathay Global Autonomous and Electric Vehicles ETF**

Statistics show that the past five years were the hottest five years on Earth in modern history! Droughts and floods are frequently occurring around the world. As a result, there is now a global consensus towards the implementation of energy conservation and carbon reduction! Many countries have committed to achieving carbon neutrality by 2050. One of the policies necessary to achieve this goal is to accelerate the development of electric vehicles (EV). Hence, Cathay believes that smart self-driving electric vehicles will inevitably become the trend of eco-friendly investments. This is the reason why Cathay SITE decided to offer the Cathay Global Autonomous and Electric Vehicles ETF (00893). 00893 is the first electric vehicle ETF in Taiwan, and its scale reached NT\$19.8 billion at the end of 2021.

**Cathay Sustainable Private Equity Fund**

Cathay SITE became the first investment trust company in Taiwan approved to set up a subsidiary to issue private equity funds. 100% of the "Cathay Sustainability Private Equity Fund" is invested in key industries of sustainable development in Taiwan, including highlighted industries such as circular economy (e.g., sewage treatment and waste processing and reuse), renewable energy (e.g., solar energy, geothermal energy, hydropower, and energy storage), as well as the "5 + 2" innovative industries promoted by the government (e.g., Internet of Things, smart machinery, new agriculture, and long-term care). The total promised investment totaled NT\$8 billion and the total investment of the fund in 2021 totaled NT\$4.8 billion. We currently have investments in 4 solar power plants, 1 wind farm, 2 circular economy companies, and 1 IoT company.

**Impact investing of the Cathay Sustainable Private Equity Fund**



**Wind power**

The Fund signed an agreement with Ørsted in 2020 and jointly obtained 50% of the equity of the 605MW Greater Changhua Southeast Wind Farm with the Caisse de dépôt et placement du Québec (CDPQ) to take part in the construction of the Wind Farm and provide clean energy to more than 650,000 households in Taiwan. The project is set to provide 1.95 billion kWh of electricity each year.



**Solar power**

Annual power generation each year: 573 million kWh.



**Waste rubber processing**

The maximum annual processing volume is 15,000 tons



**Processing waste resin and waste paint residues.**

The maximum monthly processing volume is 300 tons and the maximum annual processing volume is 3600 tons.



**Oil regeneration**

Production of approximately 120,000 tons of steam each year.



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## 3.2 Sustainable Environment

Cathay FHC is actively developing a green workplace to fulfill its corporate social responsibility and contribute to environmental sustainability. Besides setting the goal to achieve net zero emissions by 2050, we have committed to RE100 and aim use 100% renewable energy in all business locations in Taiwan by 2030. The performance of Cathay FHC and its subsidiaries' presidents is linked to carbon reduction results, creating an organizational culture in which managers and implementation units all attach importance to carbon reduction measures.

### 3.2.1 Zero carbon operation transformation

#### • Mobilization of all Cathay members for net zero transformation

Cathay first compiled its GHG inventory in 2012, and after years of surveys, we found that purchased electricity is the main source of carbon emissions from operations. In 2017, Cathay set a goal of 5% cumulative carbon reduction by 2021 with 2016 as the base year. The goal was achieved in 2019. Cathay thus implemented the Zero Carbon Operation Transformation Project, which improves the efficiency of electricity use by monitoring electricity use through energy and environmental management systems, and also implementing an equipment replacement plan. We are also gearing towards the energy transformation goals of Taiwan's government and the international initiative RE100 initiative. The transformation strategy references the method of the Science Based Target initiative (SBTi). Our strategies for achieving zero carbon emissions is to use alternative energy sources in the workplace and management of carbon emissions from operations.

With regard to the use of alternative energy sources in the workplace, Cathay has made a commitment to increase the percentage of renewable energy use. The head office of Cathay FHC, Cathay Life, Cathay United Bank, and Cathay Century expect to use 100% renewable energy by 2025, and all domestic business locations will use 100% renewable energy by 2030. As for management of carbon emissions from operations, Cathay United Bank has installed smart meters and implemented a visualized energy management plan. Cathay Life reviewed its energy use and is gradually replacing old equipment, installing solar panels for renewable energy use, and implementing green building designs for operational carbon reduction.

#### • Renewable energy performance

##### The first renewable energy purchase cooperation project in Taiwan

Cathay FHC entered into the first renewable energy purchase collaboration project in Taiwan with Dingshan LOHAS Development Association in 2019. We donated NT\$2 million from the employee weight loss contest to install solar rooftops in the Dingshan Campus of Hougang Elementary School in Tainan. The solar panels generate 90,000 kWh of electricity each year, which is purchased and used by Cathay, and the proceeds are used as a fund for elderly activities, creating a positive cycle of "weight loss, renewable energy, charity."

In December 2021, the solar power plant in the Hougang Elementary School Dingshan Campus in the Qigu Dingshan Community, Tainan was completed. The green electricity will be repurchased by Cathay for its own use so as to create maximum environmental benefits. The money from purchasing electricity will also be paid back to the elderly people living in the Dingshan Community to provide community meals and activities and enhance the prosperity of the community. This is a rare initiative in the green energy public welfare model and is the first case of the Collaboration Project for Financial Industry Renewable Power Purchase Agreement (PPA).



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**Acquisition of Renewable Energy Certificates**

Cathay FHC completed the first Taiwan Renewable Energy Certificate (T-REC) transaction in Taiwan in 2017 and has continued the installation of power generation equipment to generate green electricity for self use and trading the electricity surplus for certificates or acquiring certificates through T-REC to offset greenhouse gas emissions.

**The largest solar rooftop on a self-owned building in Taiwan**

In addition to the continued replacement of major energy-consuming equipment, Cathay FHC and subsidiaries continue to install solar panels on rooftops. Cathay Life began using its Education Building in Wuri, Taichung in 2019. The building has the largest solar rooftop (183 kW) in the financial industry that generates electricity for self-use. The onsite self-use PV system is expected to generate about 200,000 kWh of electricity a year. The CUB Pingtung Branch also installed solar panels on its roof. The solar panels not only shade the building from direct sunlight, but also power the offices and create positive long-term benefits. Cathay started making assessments and installing solar panels on its own buildings in 2016, and combined with our own real estate leasing business, through leasing warehouse logistics roofs, promoting energy companies to build solar photovoltaic systems to assist the development of the green energy industry. The installed capacity is currently over 6,970 kW.

**3.2.2 Friendly environment**

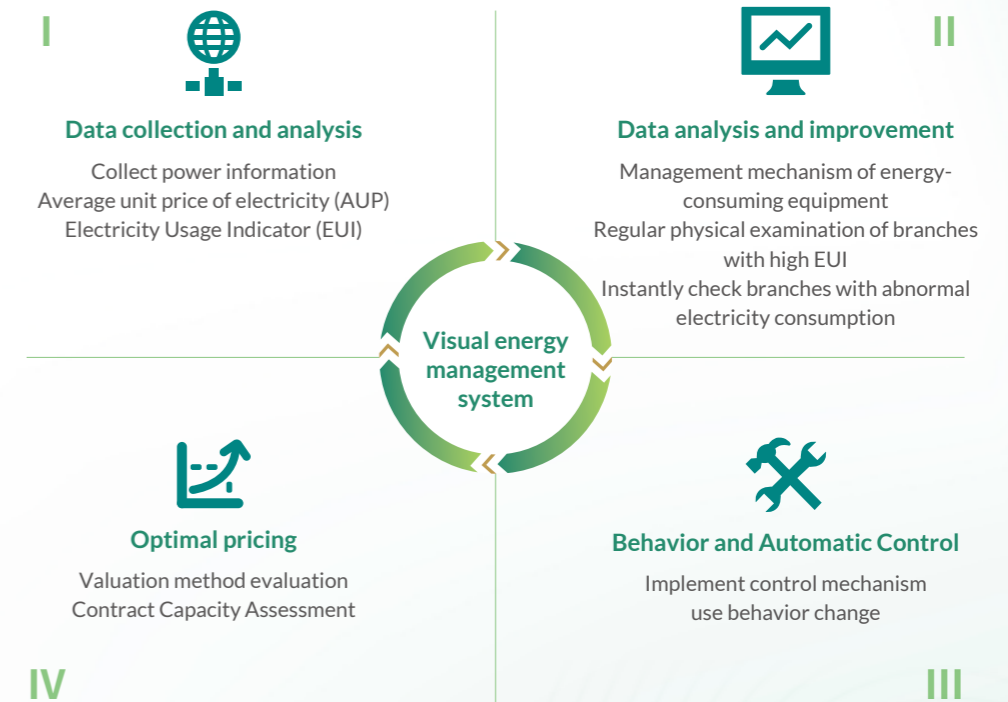
**• Carbon footprint of products**

Cathay FHC is urging subsidiaries to reduce the carbon footprint of their products and services through digitalized operating procedures, and to review direct and indirect GHG emissions in the product or service life cycle via Life Cycle Assessment (LCA) according to the industry classification standards of the Environmental Protection Administration. We manage upstream products and engage in green procurement, developed a mid-stream low carbon product and service process, and actively obtain product carbon footprint and carbon reduction certificates and labels from the government, showing Cathay's determination to reduce carbon emissions. Cathay Life and Cathay Century are the first in Taiwan obtain the ISO14067 Insurance Carbon Footprint Certification and Carbon Reduction Label, respectively. Cathay Century also established the compliance standard for property insurance carbon footprint inventory: PCR for the carbon footprint of property insurance services, which is a paradigm that can be adopted by peers in the industry in the future.

In 2021, CUB is the first financial institution in Taiwan to obtain the Carbon Footprint Label and Carbon Reduction Label for "personal unsecured loans," and it established relevant Product Category Rules (PCR). CUB accelerated its electronic services through digital finance, and the carbon emission of each transaction from raw materials used, service, to the waste disposal stage was 8.9 kg in 2019, 27.7% lower than the 12.3 kg in 2018, achieving the goal of reducing carbon emissions by 3% in advance and allowing the financial sector to take a big step forward towards a low-carbon economy.

**• Developing a visualized energy management system meter**

CUB established the branch energy management system in 2020, and analyzes the electricity use of each branch through the cloud system. The system not only consists of cloud meters, but also changes energy use behavior and controls the cost of energy use. Cathay's energy management system first collects data for analysis, then improves data analysis methods, and then carries out behavior and automated control. The last step is optimized valuation. The system lays the foundation for energy management and strengthens Cathay's climate resilience.



**• Water management**

Cathay uses water saving devices with automatic sensors in its main office buildings, and faucets and toilets all have water labels. We send EDMs to inform employees of reduced hours for water use, so as to reduce water use and wastewater. A mid- to long-term goal has been set to not exceed 14 cubic meters of water per capita in water consumption.

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● **Waste management**

Cathay encourages employees to avoid using disposable tableware, and no longer provides bottled water. We encourage employees to bring their own reusable cups and their own lunch box and bag when buying drinks and take-out. We collaborated with the ASUS Foundation in repairing old computers and donating them to social welfare organizations or schools in rural areas. The year 2017 has been set as the base year for calculation, reducing consumption by 20% before 2024 has been set as the mid- to long-term goal.

**3.2.3 Sustainable Procurement**

Cathay FHC closely monitors the supplier procurement process and sustainability issues. We have over 1,000 service providers, equipment suppliers, and contractors. The services or products they provide make Cathay's operations smoother. Cathay became the first financial institution in the world to implement ISO 20400, so as to reduce the impact of suppliers' services process on environmental sustainability. We properly manage our supply chain according to the Sustainable Procurement Guidelines. The Sustainable Procurement Declaration was renewed in 2021 to realize sustainable procurement and enhance supply chain management.

● **Cathay's procurement system and process**

① **Purpose**

Cathay's Procurement Management Regulations uphold the spirit of green procurement, and prioritizes products with environmental, green energy, and water conservation labels. We began implementing ISO 20400: Sustainable Procurement Guidelines in 2018 to help companies avoid business risks brought by improper supply chain management, while providing greater financial, environmental, and reputation protection. Cathay exerts its influence through requirements of sustainable procurements and supplier education and training. We constantly communicate concepts of sustainability in hopes that suppliers will take sustainability more seriously and care about the environment, society, and economy.

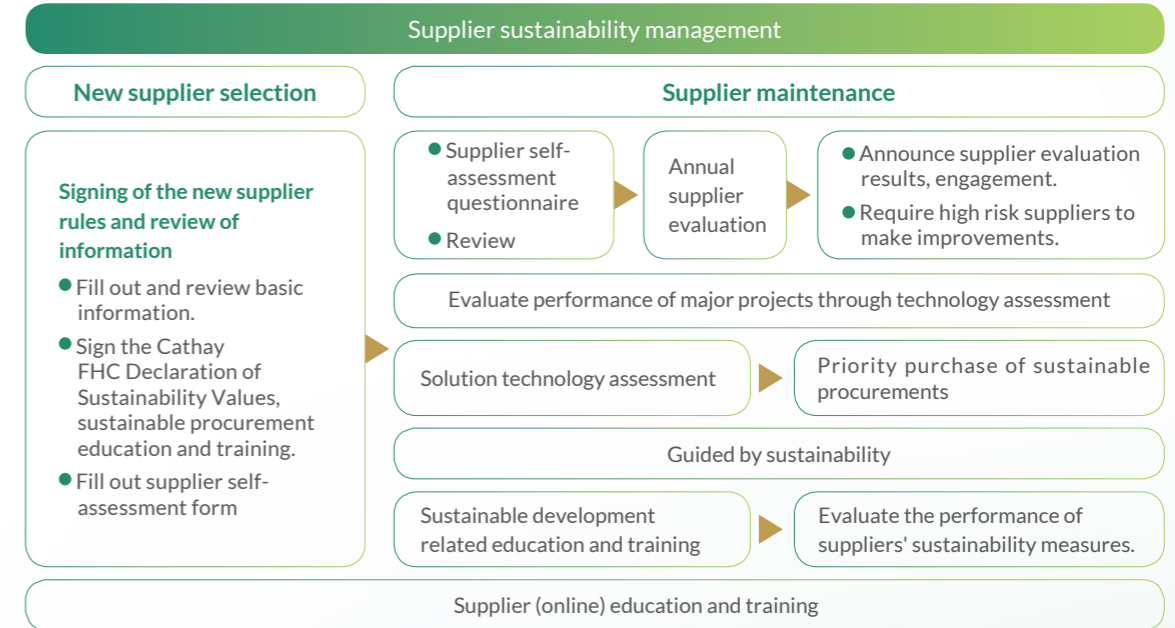
② **Difficulties and response**

Reducing cost was the primary consideration of procurements in the past, but only caring about cost resulted in overlooking problematic suppliers that may put the Company at risk, such as environmental and human rights risks. After




implementing ISO 20400 Sustainable Procurement Guidelines, we reviewed suppliers based on the seven core aspects that stakeholders are concerned about, including ethical corporate management, healthy workplace, labor rights, sustainable environment, fair trade, consumers' concerns, and social welfare. This not only lowers procurement cost, but also provides far greater overall benefits than the cost that was originally saved.

③ **Implementation results**

**Supply Chain Management Practices**



**Procurement performance in 2021**

 <p><b>Green procurement amount</b></p> <p><b>NT\$302 Million</b></p> <p>Cathay FHC fulfills its procurement responsibility and has been awarded the "Green Procurement Outstanding Enterprise" by the Taipei City Government for 12 consecutive years.</p>	 <p><b>Local procurement ratio</b></p> <p><b>95.7%</b></p> <p>Cathay FHC promotes local economic development and implements local procurement.</p>	 <p><b>Completion rate of dissemination of sustainable procurement</b></p> <p>In response to the COVID-19 pandemic, Cathay has adopted a new online sustainable procurement methodology, which has been disseminated (including strategy and education/training) to suppliers.</p>
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## 3.3 Climate-related Financial Disclosure

### 3.3.1 Overview of Cathay's Climate Action

Cathay formed the TCFD Task Force to monitor risks and opportunities brought by climate change to its operations and financial assets, identifying and assessing climate-related risks in advance. The Board of Directors supervises climate issues. Furthermore, Cathay utilizes its core financial competencies to monitor potential business opportunities, develop low-carbon investments and loans, and drive the low carbon transformation of industries in response to the international trend of carbon reduction. Please refer to [3.1.2 Pioneer in Green Finance](#) for the development of green finance.

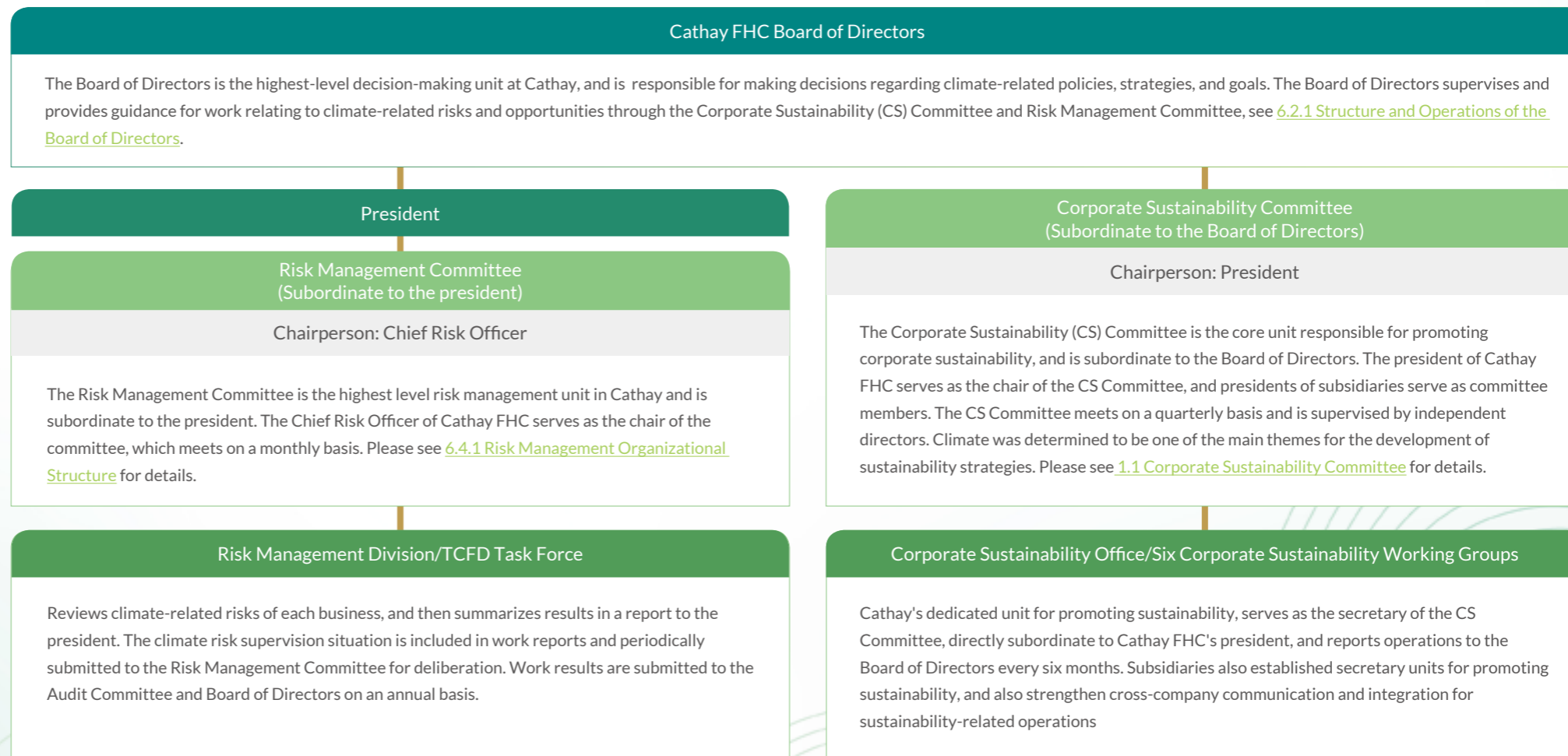
### 3.3.2 Cathay's core elements of TCFD and disclosure recommendation framework

Core elements	Executive summary	Corresponding chapter/section or related information
 <p>Governance</p> <p>Governance of climate related risks and opportunities</p>	<ul style="list-style-type: none"> <li>● <b>Supervised by the Board of Directors:</b> Cathay FHC's Board of Directors is the highest level governance unit for climate-related issues, and is responsible for supervision and decision-making. The CS Committee and Risk Management Committee periodically submit reports on work progress related to climate risks and opportunities to the Board of Directors.</li> <li>● <b>Management measures:</b> The CS Committee and Risk Management Committee led by the president and chief risk officer supervise climate issues, and the secretary or task forces assist subsidiaries in implementing climate-related work.</li> </ul>	<p>1 Sustainability Governance and Strategies</p> <p>3.3.3 Climate governance</p> <p>6 Sustainability Operation Management</p>
 <p>Strategy</p> <p>Actual and potential impact of climate-related risks and opportunities on business, strategy, and financial planning</p>	<p><b>a. Impact of short-, mid-, and long-term risks b. Material risks and opportunities c. Scenario analysis</b></p> <ul style="list-style-type: none"> <li>● We identified the potential short-, mid-, and long-term financial impact of climate-related risks on our operations, investments and loans, and insurance products, and called together related units to jointly identify material climate risks and opportunities and formulate response measures via a qualitative approach.</li> <li>● We analyzed physical or transformation risk scenarios for our operations, investments and loans, and insurance products, and quantified the financial impact based on climate data analysis and applications. We then formulated management measures to strengthen the climate resilience of our organization.</li> </ul>	<p>2 Sustainable Finance</p> <p>3.1 Low-Carbon Economy</p> <p>3.3.4 Climate Strategy</p> <p>Sustainable Finance Data in Appendix Table 1, 8</p>
 <p>Risks Management</p> <p>Climate-related risk identification, assessment, and management process</p>	<p><b>a. Identification and assessment process b. Management process c. Identification of the risk management system</b></p> <ul style="list-style-type: none"> <li>● Establish complete climate management procedures, including: identify, assess, respond, and monitor, and continue to monitor the process.</li> <li>● We separated ESG risks and climate-related risks from emerging risks, and established ESG Risk Management Guidelines, which is integrated in our ERMF. We consider climate risks in our daily operations to strengthen our risk management ability.</li> </ul>	<p>2 Sustainable Finance</p> <p>3.3.5 Climate Risk Management</p> <p>6.4 Risk management and internal control</p> <p>Sustainable Finance Data in Appendix Tables 2-7</p>
 <p>Indicators and Goals</p> <p>Indicators and goals for the assessment and management of climate-related risks and opportunities</p>	<p><b>a. Climate-related indicators b. Scope 1+2+3 disclosures c. Climate-related goals</b></p> <ul style="list-style-type: none"> <li>● We established goals for indicators relating to GHG management, renewable energy use, and low-carbon investments and loans according to our strategies and risk management. These goals are disclosed each year. Please see the corresponding chapter/section or related information.</li> <li>● We began implementing ISO 14064-1 GHG management system in 2012, and obtained BSI certification to monitor our carbon reduction results in our operations. We currently set the goal to reduce carbon emissions by a total of 25% and for all domestic business locations to use 100% renewable energy in 2030.</li> </ul>	<p>2 Sustainable Finance</p> <p>3.1.1 Responses to International Carbon Reduction Initiatives</p> <p>3.2.1 Zero Carbon Operation Transformation</p> <p>3.3.6 Climate Indicators and Goals</p> <p>Sustainable Finance Data in Appendix Table 1, 6</p> <p>Environmental Indicator Data in Appendix Table 9-11</p>

### 3.3.3 Climate governance

Cathay's Board of Directors supervise and make decisions regarding climate-related issues. We also established a dedicated unit to take climate change response measures, strengthen exchanges between different business units in Cathay, and improve management of climate issues.

#### Climate Governance Framework



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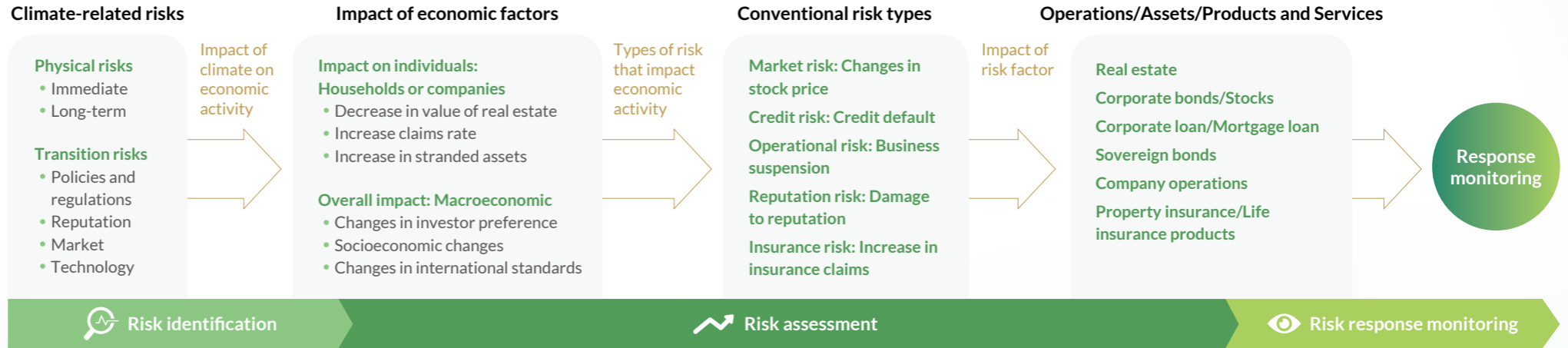
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### 3.3.4 Climate strategy

Cathay FHC's Risk Management Division supervised the identification of climate-related risks and opportunities by related units in 2021, identifying six material climate risks and five material opportunities. Cathay focuses on directions for implementing the sustainability strategies for its sustainability governance, and built a consensus for the blueprint of sustainability strategies in 2022 based on the three focus areas of sustainability "climate," "health," and "empowerment." We further improved communication in each focus area to establish the direction for sustainable development. Please see Cathay FHC's TCFD Report for other climate-related content.

#### Climate-related risks increase existing risks of the financial industry



			Conventional risk types		Market risk			Credit risk			Operational risk		Reputation risk		Insurance risk		
			Operations/Assets/Products and Services		Real estate	Corporate bonds/Stocks	Corporate loans	Mortgage loans	Sovereign bonds	Real estate	Company operations	Company operations	Property insurance products	Life insurance products			
Climate-related risks	Physical Risks	Immediate	●	●	●	●	●	●	●	●	●	●	●	●	●		
		Long-term	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
	Transformation Risks	Policies and regulations		●	●						●		●	●			
		Reputation		●	●						●	●	●	●			
		Market	●	●	●	●					●		●	●			
	Technology		●	●													

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**• Major Climate Risks**

Climate risk	Potential financial impact	Duration of impact	Corresponding existing risk
 <b>Reduction of GHG emissions and disclosure of increase in costs (own operations)</b>	Increased energy prices or GHS emission costs lead to increased operational costs for business locations	Short- and mid-term	Operational risk
 <b>Increased risk of investment and loan positions associated with high carbon emissions, resulting in lower returns on investment and decrease in asset value (investments and loans)</b>	National governments impose carbon taxes or carbon fees on industries with high carbon emissions to force a change in the expenditure structure of particular companies, resulting in reduced profits from investments and loans or increased risk in lending	Short- and mid-term (long-term)	Market risk, credit risk
 <b>Changes in consumer preferences lower the intention of customers to engage in business dealings with the Company (own operations)</b>	Consumer demand for companies with better performance in adapting to climate change has increased, and those with poor performance have additional concerns, resulting in difficulty in attracting new customers and the loss of existing customers	Short- and mid-term	Reputation risk, Credit risk
 <b>More severe typhoons result in higher property insurance claims amount</b>	Climate change leads to more frequent and more intense natural disasters and may subsequently cause additional losses to the underwritten portfolios associated with property insurance	Short- and mid-term	Insurance risk
 <b>Uncertain market information and highly uncertain demand on products or services (own operations)</b>	The future operation and service transition of Cathay may be affected by global or regional carbon reduction and uncertainty in energy policies, which may subsequently lead to worsened financial situations for Cathay	Short- and mid-term	Reputation risk, Credit risk
 <b>Significant increase in extreme temperatures, lower revenue, or increase in operating costs (own operations)</b>	Extreme temperatures will cause damage to operational equipment, resulting in reduced profits or increased maintenance costs	Mid- and long-term	Operational risk

Definition of periods: Periods of 3 years (inclusive) or less are classified as short-term, periods longer than 3 years to 10 years (inclusive) are classified as mid-term, and periods longer than 10 years are classified as long-term.




**• Major Climate Opportunities**

Climate opportunities	Potential financial impact	Duration of impact
 <b>Digital finance trends</b>	Promote operational efficiency and reduce costs through digital technology	Short- and mid-term (long-term)
 <b>Sustainable development</b>	Improve various sustainability or ESG ranking of Cathay and respond to the expectation of stakeholders to create mutual benefits and promote the long-term sustainable value of Cathay	Short- and mid-term (long-term)
 <b>Investing and lending for transition to a low-carbon economy</b>	Actively search for prospective investment targets during the global transition to a low-carbon economy and thereby increase profits	Short- and mid-term (long-term)
 <b>Climate resilience</b>	Cultivate the adaptability to respond to climate change and identify as well as manage climate change risks beforehand to reduce the financial impact of physical risks and transition risks on operations	Short- and mid-term (long-term)
 <b>Developing green products/ services and climate adaptation solutions</b>	Invest in research and innovation development, increase the supplies of various green products, services and climate adaptation solutions to satisfy customer's needs and improve company revenues	Short- and mid-term

Definition of periods: Periods of 3 years (inclusive) or less are classified as short-term, periods longer than 3 years to 10 years (inclusive) are classified as mid-term, and periods longer than 10 years are classified as long-term.

• **Climate-related risk scenario analysis**

Cathay established the TCFD Task Force in 2018 to identify the short-, mid-, and long-term impacts of climate-related risks on its core financial business. The task force conducts climate scenario analysis, both qualitative and quantitative, quantifies financial impacts, and formulates mitigating actions. It also references the climate scenarios announced by the IPCC and IEA.

	Item	Climate-related risks	Risk description	Region	Climate scenario selection
 <b>Investments and loans</b>	A.Impact of natural disasters on mortgage collateral	Physical risk – Immediate	Credit default loss Decrease in income and asset value	Taiwan	RCP 8.5
	B.Impact of growingly strict policies and regulations on corporate loan position – In the case of the basic metals and manufacturing industry	Transition risk – Policies and regulations Transition risk – Market preferences change	Credit default loss	Global	SDS、STEPS
	C.Global economic and political situation and natural disasters affect stock and bond investment positions	Physical risk – Immediate, long-term Transition risk – Policies and regulations	Credit default loss Decrease in income and asset value	Global	Physical – RCP8.5 Transformation – Corresponding to the 2° C scenario
 <b>Own Operations</b>	D.Impact of typhoon and flood on self-owned real estate under climate change	Physical risk – Immediate	Increase in operating costs	Taiwan	RCP2.6、4.5、6.0、8.5
 <b>Insurance products</b>	E.Impact of typhoon on claims of typhoon and flood insurance under climate change	Physical risk – Immediate	Increase in amount claims	Taiwan	RCP 2.6、4.5、6.0、8.5
	F.Impact of temperature rise on claims of life insurance	Physical risks – Long-term	Increase in amount claims	Taiwan	RCP 2.6、4.5、6.0、8.5



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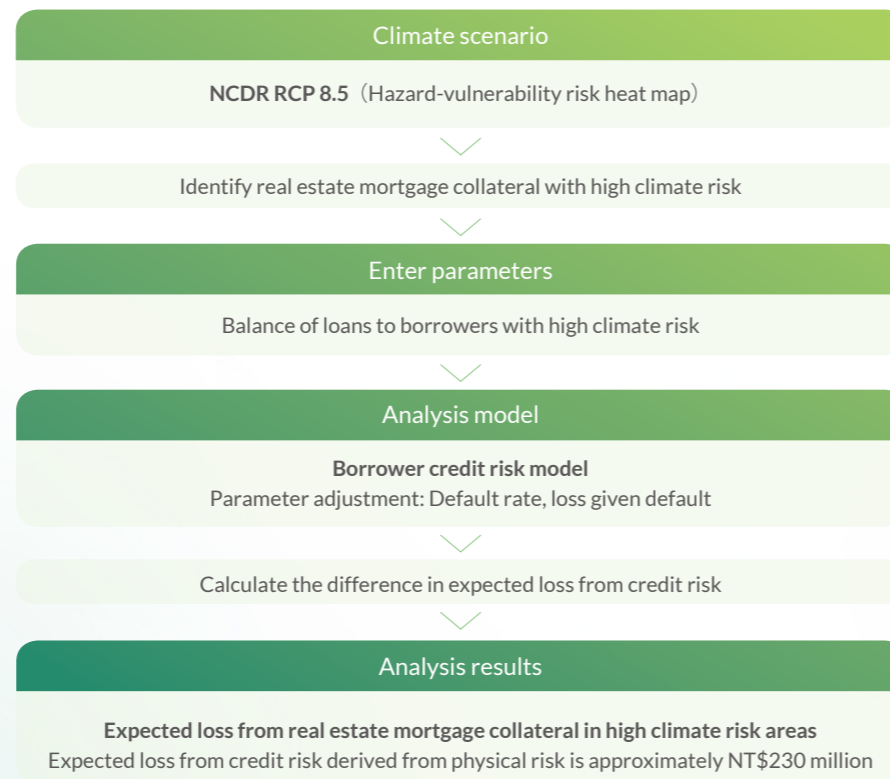
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**A. Physical risk analysis for the impact of natural disasters on mortgage collateral**

**Background**

The asset value of collateral decreases when it is impacted by a natural disaster, and increases the probability of default by borrowers. CUB uses the inundation and slope risk heat maps of the National Science and Technology Center for Disaster Reduction (NCDR) to classify the risk of each township in Taiwan, analyze the default loss from high climate risk cases, and make timely adjustments to its real estate mortgage strategy.

**Analysis process and result**



**Risk response measures**

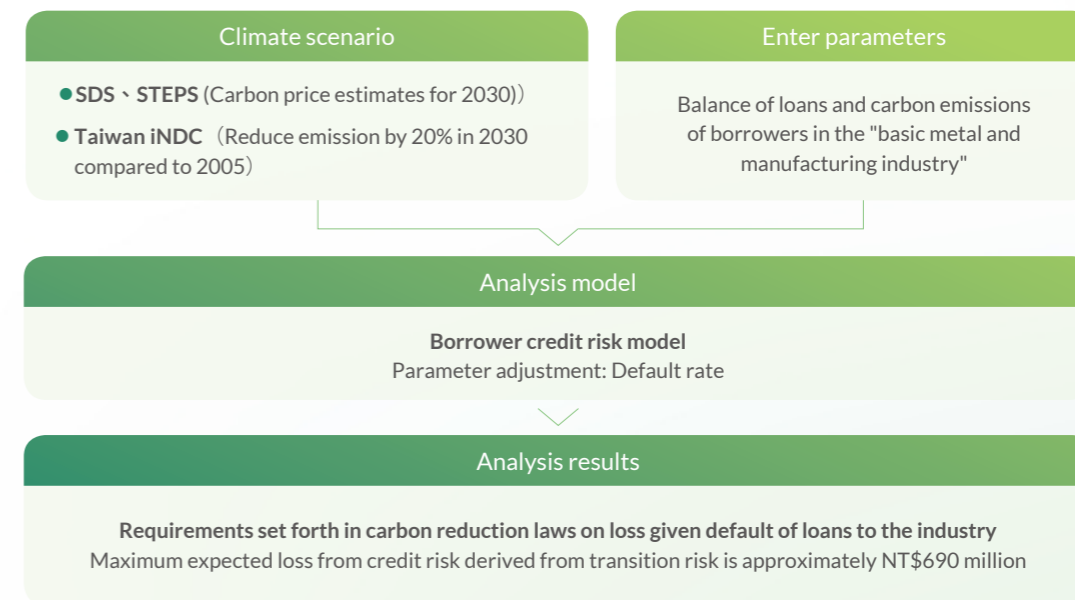
CUB regularly monitors the risks of real estate mortgage collateral in high climate risk areas, continues to improve the management framework for climate risks, examines real estate mortgage collateral appraisal related rules based on scenario analysis results, and proposes response plans.

**B. Impact of growingly strict policies and regulations on corporate loan position – Transition risk analysis for the basic metals and manufacturing industry**

**Background**

Governments around the world have set national carbon reduction goals in response to the Paris Agreement, and have introduced policies to urge industries to facilitate low carbon transition. Taiwan also set national carbon reduction goals for 2030 (Intended Nationally Determined Contributions, iNDC). If companies are late in their transition, the additional compliance costs will impact their profits, which will further affect their credit rating. With consideration to high carbon emission industries, data availability, and credit exposure, CUB carried out scenario analysis for the transition risk of borrowers in the "basic metal and manufacturing industry," and used two carbon price scenarios SDS and STEPS for evaluation, calculating expected losses from credit risks derived from transition risk.

**Analysis process and result**



**Risk response measures**

CUB has a credit management guideline in place for high carbon emission industries. Before granting a loan, clients' ESG risks are scrutinized and changes in risks are followed up on after granting the loan.

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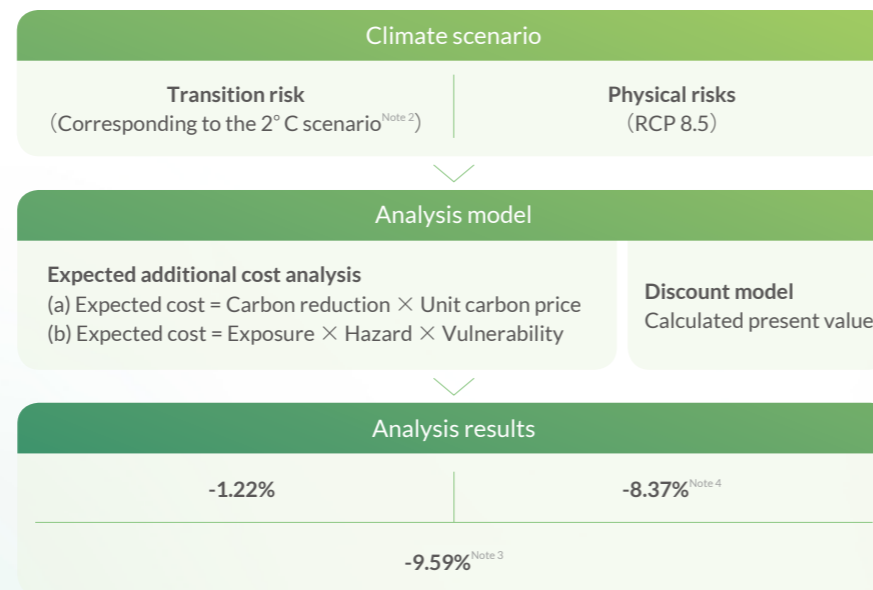
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**C. Physical and transformation risk analysis for the impact of global economic and political situation and natural disasters on stock and bond investment positions**

**Background**

Low carbon transition around the world and extreme weather events will greatly impact companies and cause the prices of their negotiable securities to decline, indirectly resulting in loss of net asset value for all investors. Cathay used the model developed by the MSCI and used the scenario corresponding to 2 ° C (NDC, AIM-CGE) and RCP8.5 to comprehensively evaluate the impact of climate change on the value of investments in stocks and bonds. We used Climate VaR (CVaR) for assessment will reference it when making investment decisions in the future.

**Analysis process and result**



**Result description**

Due to the change in MSCI's physical risk assessment method, the CVaR of physical risk has changed to a greater extent when compared with the CVaR disclosed last year. However, if the latest model and data are used for retrospective calculations of the CVaR, both the physical risk and integration risk of the investment portfolio in 2021 are lower than those of the investment portfolio in 2020.

**Risk response measures**

- Incorporating ESG risk review processes into the assessment of climate risk impacts
  - Establishing investment management principles for sensitive industries: We included high climate risk industries such as the coal mining industry (comprehensive oil and gas industry, oil and gas exploration and production industry, and industrial gas industry), building materials industry, aluminum industry, steel industry, aviation industry or palm oil industry that has a significant impact on the environment, and lumbering industry, and then divided it into a list of companies to be excluded from our investments based on factors including the severity of climate risk impact on such industries, degree of involvement by operations, the percentage of revenue accounted for, and their preparedness for climate change.
  - Attaching importance to major environmental issues for other industries: Cathay references international ESG research data and determines material climate change factors based on the industry's business characteristics, including carbon emissions, product carbon footprint, climate change adaptation, water resource pressure, biodiversity, and land use. We also reference other ESG factors to identify and assess the company's exposure. We carefully evaluate major ESG factors of investees, and conduct regular and irregular reviews of the ESG performance of current investment positions.
- Engage investees under the topic of climate change (see [Chapter 2 Sustainable Finance](#) for details)
- Please see Cathay FHC's TCFD Report for details.

Note 1: CVaR refers to the discounted cost of climate risk accumulatively borne by investment portfolios up to the year 2080, which can be found on the MSCI website (<https://www.msci.com/our-solutions/esg-investing/climate-solutions/scenario-analysis>).

Note 2: The amount of carbon reduction in this scenario refers to NDC target; the carbon price in the 2 ° C scenario adopts that of AIM-CGE.

Note 3: The CVaR of the transition, physical and integration risk of Cathay's investments in the portion of stock and bond in 2020 were retrospectively calculated by using the latest model and the data from the database, and the result was -1.67%, -8.75% and -10%, respectively, indicating the physical risk of the investment portfolio in 2021 was reduced.

Note 4: MSCI updated the physical risk assessment method in 2021. The method was used to calculate the CVaR of Cathay's investments in the portion of stock and bond in 2020, which has increased to a greater extent from -1.47% disclosed last year to -8.75%.

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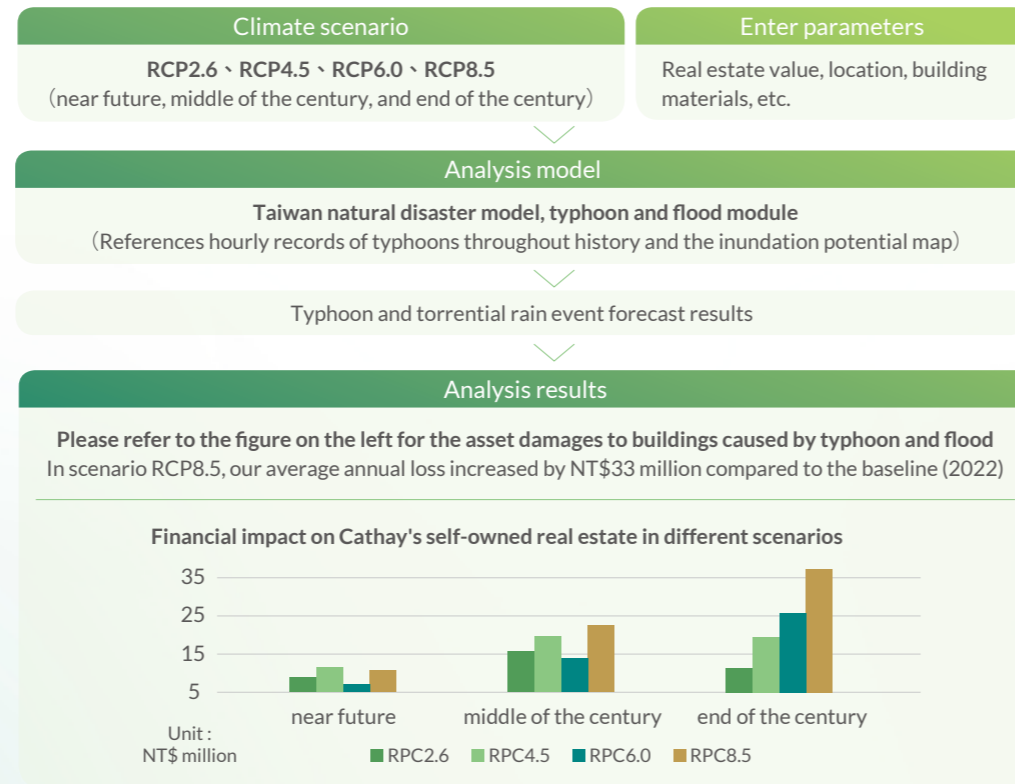
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**D. Physical risk analysis for the impact of typhoon and flood on self-owned real estate under climate change**

**Background**

Taiwan is often hit by typhoons, and the frequency, intensity, and rainfall brought by this natural disaster has increased as global climate deteriorated, resulting in higher repair costs of self-owned real estate. Cathay used scenarios RCP2.6, RCP4.5, RCP6.0, and the most severe RCP8.5 proposed in the IPCC AR5 for simulations of climate impact. We also used the typhoon and flood module of the natural disaster model to analyze the potential damages to self-owned real estate caused by typhoon and flood in the near future (-2035), middle of the century (2046-2065), and end of the century (2080-2100), which we used as an important basis for formulating our Business Continuity Plan and asset allocation strategy.

**Analysis process and result**



**Risk response measures**

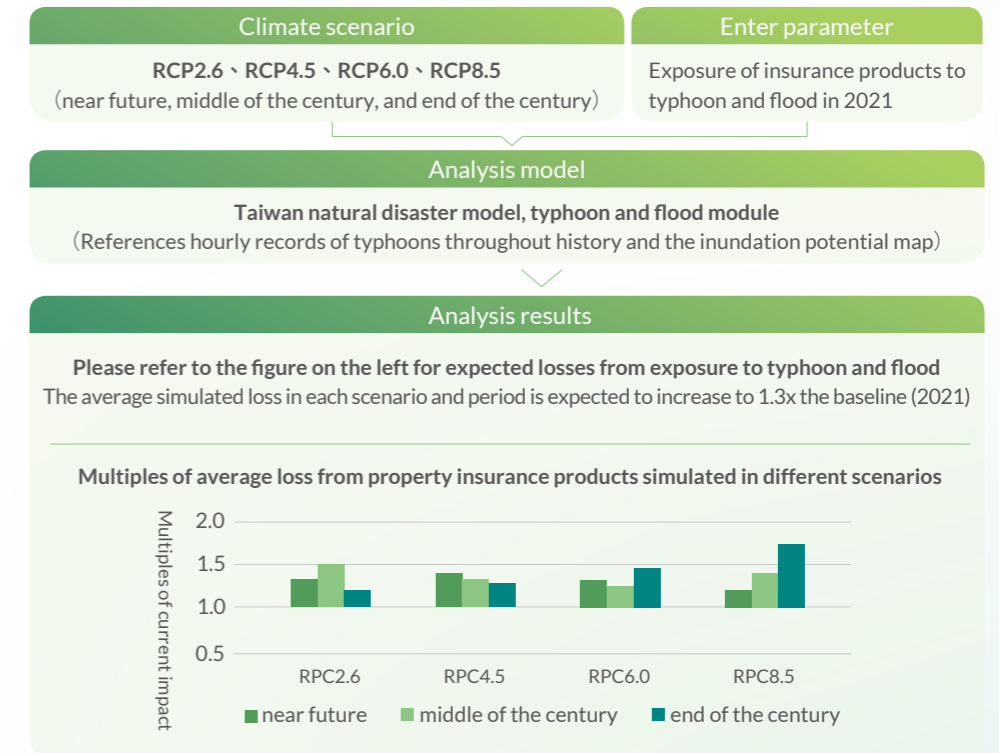
1. Before selecting a business location and investment target, we consider the potential impact of climate-related risks, e.g. flood, debris flow, and earthquake, on the safety of assets, and periodically carry out inspections and repairs to improve safety.
2. Maintain and calibrate the BCM strategy, including natural disaster scenarios, backup and recovery plan BCP, and regular drills, to strengthen our resilience to climate change.

**E. Physical risk analysis for the impact of typhoon on claims of typhoon and flood insurance under climate change**

**Background**

Cathay Century is one of the top two largest property insurance companies in Taiwan. Insured assets will sustain more severe damages due to climate change and result in an increase in the company's claims. Cathay used scenarios RCP2.6, RCP4.5, RCP6.0, and the most severe RCP8.5, along with the typhoon and flood module, to analyze the potential damages of our exposure to typhoon and flood in the near future (-2035), middle of the century (2046-2065), and end of the century (2080-2100). This allows us to make timely adjustments to our solvency and risks.

**Analysis process and result**



**Risk response measures**

For typhoon and flood insurance products, Cathay Century periodically examines changes in expected losses caused by typhoon and flood disasters in each climate change scenario, and uses it as a basis for long-term plans to take on risk and arrange re-insurance. We also included climate change factors into stress tests, and examined the impact of typhoon and flood disasters in each scenario on our solvency, ensuring that risks are still within the tolerable range.

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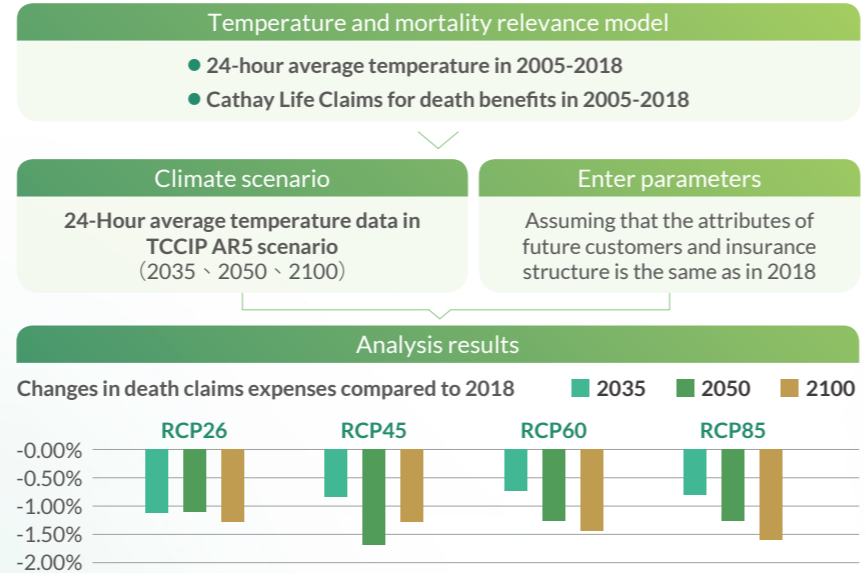
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**F. Physical risk analysis for the impact of temperature rise on claims of life insurance**

Background

Climate change has caused continued global temperature rise, and resulted in heat waves around the world in recent years. Global warming combined with the urban heat island effect has increased the frequency of extremely high temperatures, as well as the duration of such high temperatures, in major urban areas in Taiwan, which may even become the new normal in the future. Cathay Life utilized historical weather and life insurance claims data (2005–2018) and scenario simulation data on the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) to build an internal model, which is used to assess the impact of global warming on the death rate and medical care ratio, which allows us to understand the adaptability of people in each county/city in Taiwan to different temperatures.

Analysis process and result



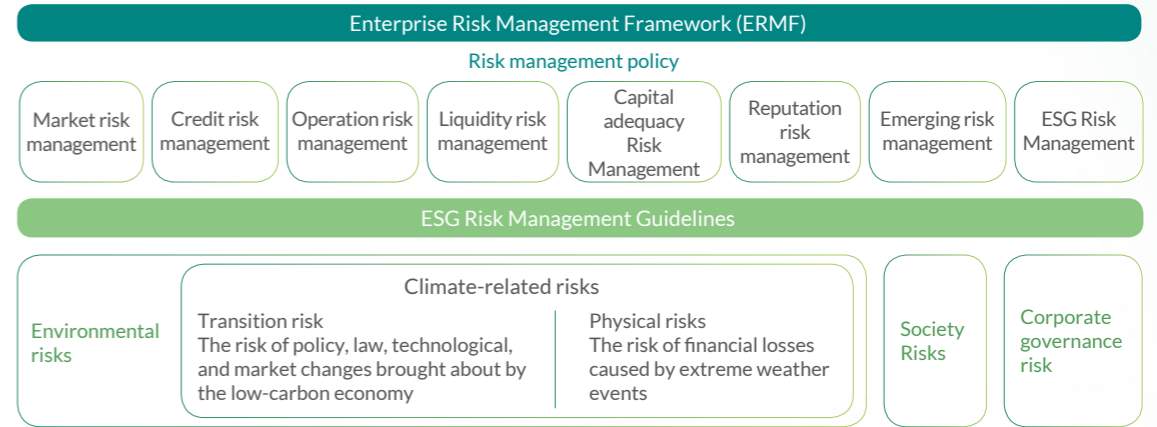
Risk response measures

Taiwanese people have better adaptability to high temperatures compared to low temperatures. Assuming that demographic structure remains the same, temperature rise will cause overall death rate to slightly decline 0.7~1.5% of Cathay Life, and the impact on insurance claims is not considered a material risk. According domestic and overseas studies, climate change will result in more intense extreme weather events, and even accelerate the spread of infectious diseases. However, due to the availability of related studies and data, we currently only analyze the direct impact of temperature rise. In the future, we will continue to make improvements to accurately determine the climate risk of insurance products.

**3.3.5 Climate risk management**

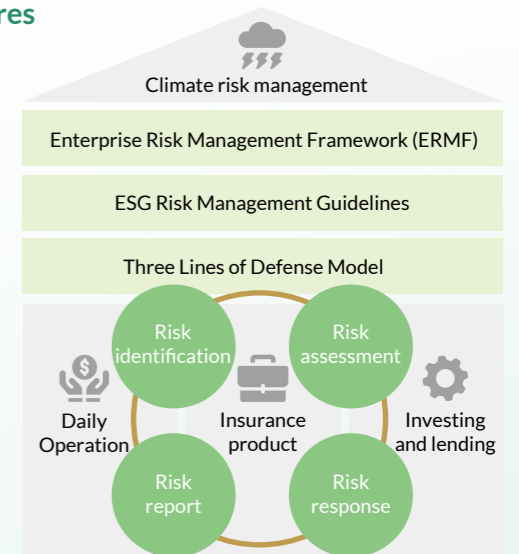
• Climate risk management framework

Cathay established the ESG Risk Management Policy and Guidelines in 2020, and integrated it with its Enterprise Risk Management Framework (ERMF) to enhance its ESG and climate-related risk management abilities.



• Basis for climate risk management and measures

Cathay integrated climate-related risk management with its existing risk management framework, and adopted the Three Lines of Defense Model. Each line of defense performs its duties by identifying and assessing climate-related risks, analyzing the relevance of risks, evaluating the impact on the Company's operations and business, and formulating control measures and response strategies. Cathay continues to strengthen the management of climate-related risks associated with its investment, loan, and insurance products, and developed Business Continuity Management (BCM), obtaining ISO 22301 Business Continuity Management System Certification to strengthen emergency response abilities for major contingencies such as natural disasters. Please see [Chapter 2 Sustainable Finance](#) and [Chapter 6 Sustainable Operation Management](#) for details.



**3.3.6 Climate indicators and goals**

Cathay reviews and sets relevant indicators and targets by referencing the international initiatives taken by PCAF and science-based targets (SBTs). Please refer to [Chapter 2 Sustainable Finance](#) and [3.1.1 Responses to International Carbon Reduction Initiatives](#) for details.

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# 04 Health

4.1 Health Promotion

4.2 Financial Health



Taiwan's population is aging at a rapid pace. According to statistics from the National Development Council (NDC), Taiwan is expected to become a super-aged society in 2025, and the population aged 65 and above will surpass 40% in 2070, a faster pace than advanced countries such as the US and Europe. Taiwan's population will shrink to 15.82 million in 2070, which is approximately 60-70% of the population in 2021, and its society will face the dilemma of a drastic decline in workforce, government budgets no longer being sufficient to support pensions, and a heavier burden on National Health Insurance.

The report Inequality Kills published by Oxfam in January 2022 pointed out that COVID-19 has pushed 160 million people into extreme poverty, with their budget for daily living expenses averaging under US\$5.5 (approximately NT\$153) averagely. Yet, the wealth of the world's 10 richest people doubled. The pandemic has widened the wealth gap worldwide as the impoverished population continues to be treated unfairly by "economic violence."

Cathay cares about citizens' mental and physical health and financial stability, and is helping the general public prepare for being aged. We hope to utilize our core competencies to help corporate customers examine their financial soundness, but even more so improve citizens' physical, mental, and financial health, so as to improve the overall well-being of Taiwan's society.



Key Developments 1

**Combine insurance products and services with an emphasis on the concepts of ex-ante prevention and protection**

Highlights

- **Expand implementation of Cathay Walker Plus to make it the health plan with the most participants in the industry**

Cathay Walker and Catha Walker Plus have the most participants among all health plans in the industry. Users walked a total of 566.58 billion steps, which is the distance of 453 trips to the moon and back.

- **Rapid development of remote insurance enrollment platform to protect citizens' health during the pandemic**

Cathay Life is the first life insurance company in Taiwan to be approved for remote insurance enrollment on a trial basis, and CVX achieved satisfaction above 96%.



Key Developments 2

**Raise awareness of the importance of physical and mental health and enhance the awareness of accidents and risks**

Highlights

- **Utilize loss control competencies and raise fire accident risk awareness through utility model patents**

Cathay Century launched the "Zero Accident Smoke Plume Laboratory" and "Zero Accident Electrical Simulation Switch Box" and obtained utility model patents, raising citizens' awareness of fire risks.

- **Protected employee health during the pandemic, and raise employees' health awareness through the Weight Loss Contest**

Organized the Weight Loss Contest for seven consecutive years and led over 72,000 people to healthier physiques.



Key Developments 3

**Support the financial actions of youth, the elderly, and women to achieve financial independence**

Highlights

- **Offered the first regular savings plan in Taiwan's stock market through an app, encouraging low-asset customers to begin using financial services at an earlier stage**

As of the end of 2021, 178,000 people are using the subscription service of Cathay Securities for a regular savings plan in Taiwan's stock market, and the amount debited has reached NT\$14.93 billion.



Key Developments 4

**Assist SMEs, social enterprises, and underprivileged groups to achieve financial inclusion**

Highlights

- **Set up the first financial service stations in rural areas to close the gap in financial services**

CUB Financial Service Stations have provided services to over 40,000 people, and the ratio of people who recommended family and friends to consult the service stations increased from 6% in 2020 to 34%.

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## 4.1 Health Promotion

The latest statistics of the Ministry of the Interior and Ministry of Health and Welfare show that the average lifespan of Taiwanese citizens reached a record high of 81.32 years in 2020, but they also lived 8.5 years of their remaining life in poor health as of 2019. Health and longevity have become topics of concern to society, and Cathay has dedicated its efforts to projects that aim to improve citizens' mental and physical health in response to the aging trend. These projects aim to lower household healthcare and caretaking expenses, and also reduce healthcare costs of society.

### 4.1.1 Improving Physical and Mental Health of General Public

- **Optimizing the Cathay Walker Project in cooperation with partners in the health industry generated 6.3 times of social return on investment**

Regular exercise, such as walking, has a significant effect on dementia prevention according to research results of the ongoing Nakanojo Study conducted by Japan's research institutes on healthy longevity since 2000, as well as the Health Promotion Administration's reports on dementia prevention in 2017.

Cathay Life jointly conducted a survey study with the authority in geriatric medicine, and found that the daily average number of steps walked is closely related to grip strength, which is a key factor in disability from aging. Among subjects who walk 7,000 steps a day, only 4% lost their grip strength. This shows that getting into the habit of walking every day will help slow down disability from aging.

As a pioneer in insurance industry, Cathay Life launched the Cathay Walker Project, with products with spill-over effects, for all citizens in 2018 after seeing the health benefits of walking regularly. The project helps the general public develop healthy habits, and redefines the value of insurance by promoting the transition of insurance from compensation to prevention via usage-based insurance. Cathay Life used social return on investment (SROI) to evaluate the Cathay Walker Project's impact on participants, and also obtained certification from Social Value International (SVI). For every NT\$1 invested by Cathay Life, NT\$6.3 in social value is generated, showing that the Cathay Walker Project has made a real result on promoting public health.

Cathay Life launched the upgraded version "Cathay Walker Plus (CWP) Health Plan" in 2021 to improve on the implementation results of the Cathay Walker Project. Cathay Life worked with partners in the health industry to create a health ecosystem, and created the industry's first membership system with gaming mechanism, which helps members manage and improve their health in multiple aspects (e.g. walking every day, heart rate measurements, and sleeping quality). Cathay Life also combined the products with spill-over effects by providing greater insured amount or premium discounts to encourage policyholders to develop healthy habits.

Besides developing the health ecosystem actively, Cathay Walker and CWP have accumulated 400 thousand members, the most among all health plans in the industry. Users walked a total of 566.58 billion steps, which is the distance of 453 trips to the moon and back.

Besides actively developing a health ecosystem, Cathay Life continues to utilize IoT technology to gain insights into personal health information and integrate health data across industries, so that it can design insurance products, health missions, and customized care services that meet customer needs, and provide customers with a new insurance service experience. Cathay Life thus won the Future Enterprise Awards – Best in Future of Industry Ecosystems from the IDC in 2021.

- **Launching remote insurance enrollment in response to the epidemic alert to ensure coverage during the pandemic**

During the outbreak of COVID-19 at the beginning of 2020, Cathay Life immediately offered medical products to provide a wide range of coverage to meet citizens' needs during the pandemic. Cathay Life relaxed claims standards with consideration to the actual situation of healthcare during the pandemic. If a policy holder is quarantined in a negative pressure isolation room due to COVID-19, Cathay Life provides more comprehensive insurance support by providing the same benefits as being hospitalized in the ICU.

A total of 184,000 medical insurance policies related to COVID-19 were sold up to the end of 2021, and provided daily coverage for hospitalization coverage amounting to approximately NT\$180 million per day for society. The policies helped the general public through the pandemic and supported stable economic and social development.

Taiwan announced a Level 3 epidemic alert in May 2021, and Cathay Life immediately responded to market changes by launching the Cathay Vision Experience platform, which provides remote insurance services and



Cathay Life's CWP Health Plan allows users to see their health data, including heart rate while exercising and sleeping activity, at a glance on the app, which effectively helps members get into healthy habits.

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removes the requirement for signatures in person. Cathay Life is the first life insurance company to be approved by the Financial Supervisory Commission (FSC) to launch a remote insurance enrollment platform on a trial basis. Unlike other insurance companies that only provide remote insurance enrollment services, the Cathay Vision Experience platform also provides inquiry, change policy data, and claims services. The platform can also be used to apply for policy loans. Cathay Life processed up to 66,000 applications between June 2021 and the end of 2021. Cathay Life thus became the only life insurance company in Taiwan to win the "2021 International Innovation Awards – Service & Solution Category" from Enterprise Asia, and also obtained the international innovation certification from InnoMark, showing that the innovativeness and uniqueness of the Cathay Vision Experience platform has gained international recognition.



Clients and Cathay Life sales agents can videoconference with Webex, which removes the requirement for signatures in person and allows for the provision of timely services even during the pandemic. Therefore, the protection for clients' health can be continued even during this severe pandemic.

**● Creating a Healthy and Safe Workplace as a Safety Net**

Cathay has established the Safety and Health Work Guidelines, Occupational Safety and Health Management Program, and Occupational Safety and Health Management Guidelines, and all subsidiaries of the group have also established an Occupational Safety and Health Committee as required by laws and offer periodic education and training so as to ensure that employees are competent to perform their work. Occupational issues are reported to the Administration Collaboration Meeting of Cathay Financial Holdings every month for real-time inspection of the progress on implementation of relevant strategies and projects. Cathay established the "Construction Contractor Safety and Health Management Guidelines," and informs contractors entering the workplace to fill out the notice on joint prevention of occupational accidents and comply with relevant laws and regulations, in order to ensure workplace safety.

**Overview of Cathay's Occupational Health and Safety Measures**



Mental health

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



Physical health and ergonomics

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



Flexible work hours

- Implement a new form of working, mobile office, and employees may flexibly choose to work at home or start their work day at 08:30 or 09:00 based on their individual needs.
- Specific departments (such as underwriting, claims, and financial investment) may flexibly choose different hours based on their business characteristics (such as claims review and information summarization before trading).
- Except for the basic 6.5 hours of training a week and business promotion time, salespeople can arrange other hours by themselves and use Cathay Box to track and manage business performance.



Workplace safety

- Arrange for employees to receive qualified first-aid training and provide first-aid supplies in the workplace.
- Employee safety and health education and training.
- Conduct evacuation drills once a year.
- Periodically perform indoor lighting and air quality tests. Those that do not meet standards must immediately make improvements and report results to the committee.
- In accordance with the "Construction Contractor Safety and Health Management Guidelines," contractors fill out the notice on joint prevention of occupational accidents and comply with relevant laws and regulations.

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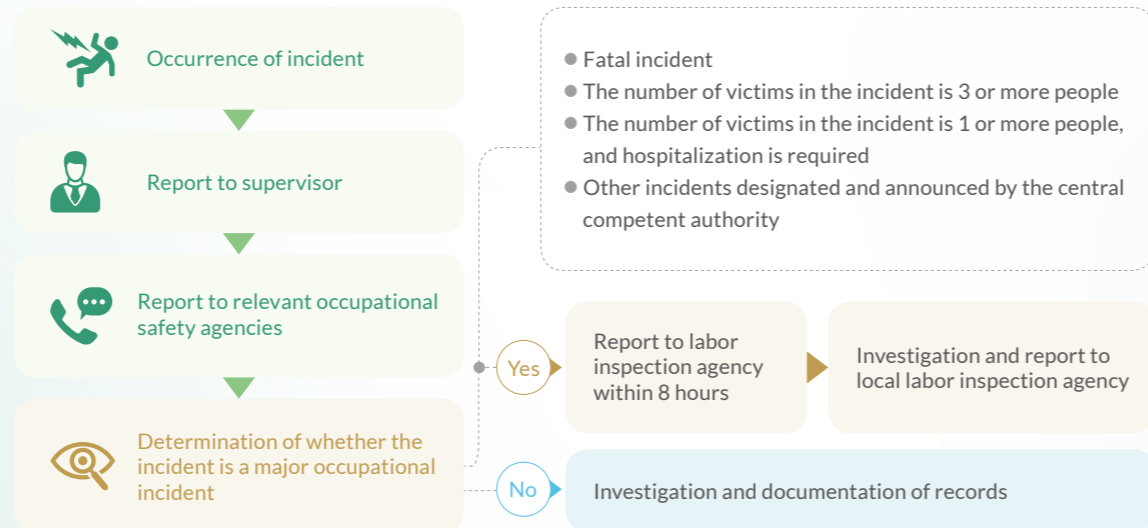
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In addition, for the purpose of reducing occupational incidents and protecting employees' safety and health, upon the occurrence of an incident, it will be reported in accordance with the occupational health and safety laws and the incident investigation mechanism, so as to reduce the possibility of the recurrence of similar incidents. Each company has a responsible department to prepare the analysis report on the statistics of occupational incidents periodically. If an employee undergoes surgery or is permanently disabled due to an occupational accident, the medical staff will follow up and provide care for them and evaluate whether they are suitable for their current job. Please refer to [Appendix 22](#) for details on the statistics of occupational incidents and absenteeism of Cathay. In addition, for the purpose of reducing occupational incidents and protecting employees' safety and health, upon the occurrence of an incident, it will be reported in accordance with the relevant occupational health and safety laws and the incident investigation mechanism, so as to reduce the possibility of the recurrence of similar incidents. Cathay values employee health and workplace safety and is dedicated to providing a safe workplace. Due to Cathay's strict implementation and efficient management, were no major safety incidents reported in 2021. We have established employee health risk management procedures to ensure the mental and physical health of our employees. The results of employee health exams are periodically analyzed and classified for health risk management. We compiled an employee health risk map on this basis, provided specific care for those at high risk, implemented the EAP, and also organized healthy promotion activities.

Cathay FHC and its subsidiaries strongly support a healthy workplace, promote exercise, sponsor external sports events, and organize numerous internal sports events for employees. Cathay SITE received the Sport Enterprise Certification from the Sports Administration, Ministry of Education in 2021. Cathay Securities placed third in sports in hopes of creating a healthy workplace for employees to find a balance between their body, heart, and soul.

**Incident Investigation Procedures**



**The Employee Assistance Program (EAP) safeguards employees' mental and physical health**

Moreover, responsible departments periodically give occupational accident statistical analysis reports at each subsidiary. If an employee undergoes surgery or becomes permanently disabled due to an occupational accident, medical personnel will follow up on the employee's condition and evaluate if the employee is suitable for existing work. Lastly, we have an employee health risk management process in place to ensure the mental and physical health of our employees. The results of employee health exams are periodically analyzed and classified for health risk management. We compiled an employee health risk map on this basis. Accordingly, we implemented the Employee Assistance Program (EAP) and organized healthy promotion activities.

**Protecting employee health during the pandemic by organizing a weight loss contest online**

Cathay FHC initiated large-scale work-from-home in 2021 to protect employees' health during the domestic outbreak of COVID-19. The Weight Loss Contest, which is based on the core concept of encouraging participation and communicating health concepts, that has been held for seven consecutive years since 2015 was not suspended. We livestreamed exercise courses and used CWP to manage health data, guiding employees to maintain a good diet and regular exercise at home during the outbreak. Over 72,000 employees have participated in the event as of 2021, and lost a total of 129,410 kg in weight (lost 10,658 kg of weight in 2021). Based on BMI before and after the event, employees with a healthy BMI increased by 9.5%.

In addition, losing weight in a healthy way was also combined with the concept of "green charity", and Cathay donated NT\$100 for every 1 kg of weight lost by employees. The funds were used to purchase solar panels and income from selling electricity generated by the solar panels will be donated to charity organizations. A solar power plant was set up in the Qigu Dingshan Community in Tainan in 2021, and the proceeds from the green electricity generated will be used to provide meals for the elderly in the area. This is the first renewable energy purchase collaboration project in Taiwan and also achieves the goals of losing weight for Cathay, carbon reductions for the Earth, and staying healthy for the elderly, thereby ensuring that all sides benefit.



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## 4.1.2 Providing a wide range of coverages and services to help senior citizens enjoy life

The NDC predicts that Taiwan will become a super-aged society in 2025, and on average 1 out of every 5 people will be ages 65 and above. Demographic dividends will gradually decrease due to the aging population and low birth rates, and the dependency ratio will continue to rise. Cathay Life provides a wide variety of innovative products and services, and helps citizens prepare for elderly life through commercial insurance, ensuring their economic security and that their future healthcare needs will be met by closing the gap in social insurance. Cathay Life provides citizens with comprehensive protection to ensure that they can enjoy elderly life without any worries.

- **Raising citizens' health awareness by providing the widest selection of usage-based insurance with spill-over effect and in-kind benefits in the industry**

Cathay Life optimized insurance coverage by transforming insurance from compensation to prevention, and thereby increased the influence of insurance. Cathay Life offered 7 new insurance products with spill-over effect in 2021, and 19 products in total. The products provide incentives, such as premium discounts or increased insured amounts, to encourage policyholders to implement health management on their own and improve their health. By providing a wide range of protection (e.g., long-term care, hospitalization, surgery, dementia, catastrophic illness, and investment-linked products) to meet people's needs, Cathay Life was the first in the industry to include cancer screening, vaccination, and smoking cessation treatment in health promotion mechanisms, increasing the diversity of such mechanisms.

While developing insurance products with spill-over effect to assist policy holders in prevention, Cathay Life saw the growing demand for elderly care and rises in cancer incidence rates, and thus formed a cross-industry alliance to offer an innovative insurance product with in-kind benefits, allowing policy holders to choose either actual services or cash for insurance benefits. Actual services will lift the burden of long-term care on policy holders, and ensure that they receive suitable services when they require long-term care. If policy holders are unfortunately diagnosed with cancer, they can choose genetic testing services to improve the effectiveness of subsequent treatment.

A total of 10 new insurance products with in-kind benefits were offered in 2021, providing coverage for cancer, long-term care, catastrophic illness, specific illness, and dementia, which meet citizens' needs of insurance coverage. Cathay Life collaborated with the domestic long-term care and precision medicine industries to create a blue ocean market to lead a win-win situation for policy holders, insurance companies and society.


Furthermore, Cathay Life saw the different risks in life that different groups might face with different insurance needs, and thus offered products specially designed for the younger generation, elderly people, and impairment insurance for people that have high blood pressure, high cholesterol, and high blood sugar, or are in cancer treatments. Cathay Life also observed that the penetration of long-term care was only about 4% in the first half of 2021, and thus offered the industry's first long-term care insurance, available at birth, in order to help citizens begin planning and diversifying the risk of long-term care at a younger age. Other insurance companies require policy holders to reach the age of 15 to enroll long-term care insurance. This product offers wider coverage and allows policy holder to prepare long-term care earlier and more sufficient.

- **Establishing an integrated platform with exclusive resources for middle age and elderly people - "Splendid Life"**


Cathay Life established a complete elderly care network by establishing the first integrated platform with exclusive resources for middle age and elderly people - "[Splendid Life](#)". The platform provides one-stop services for offering elderly care resources and services, a dementia prevention game certified by occupational therapists, a testing questionnaire, and an "AD-8 dementia screening interview" to communicate dementia prevention concepts to citizens. This helps citizens achieve early discovery and early prevention or even slow the progression of dementia, and thoughtfully keeps patients and family members company in the process.




"Splendid Life" has a dedicated section that uses images to introduce dementia to elderly people or their caregivers, and makes it more convenient for them to acquire the required information. The platform provides 10 exclusive services for the elderly, which can be divided into three aspects:

-  **Value-added Services for the Elderly**  
The "Convenience Stores" section provides nutrition and health management, care services, and daily life discounts.

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-  **New Health Knowledge**  
The "Library" section provides videos or articles on government resources and health recommendations for taking care of elderly people.

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-  **Insurance Planning**  
The "Products" section provides information on exclusive products for elderly people by using easy-to-understand descriptions to help them easily choose suitable insurance.

As of the end of 2021, the website "Splendid Life" had approximately 940,000 visitors with an average of 2,300 visitors acquiring their needed information each day, in which approximately 693,000 visitors played the dementia prevention game, raising citizens' awareness to prevent dementia.

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### 4.1.3 Helping Children Grow Healthily and Safely

Cathay shows the spirit of innovation and utilizes its financial expertise to promote sustainable exercises on campus, so that the next generation in Taiwan will grow up healthily.

- **Letting children recognize drugs, oppose drugs, and say no to drugs via digital platform, e-sports, and volunteer work**

Cathay Life began providing student group insurance in the 2017 academic year, and protected the safety of 3 million children. Cathay Life jointly implemented the Sustainable Campus Project together with the K-12 Education Administration, and began focusing on anti-drug education in the 2019 academic year. Cathay Life collaborated with PaGamO, which is used by nearly a million middle and elementary school students, to train nearly 6,000 Cathay employees to become anti-drug volunteers. Online anti-drug missions on PaGamO, volunteers organizing small e-sports events in classes, and the national anti-drug e-sports tournament allow children to learn to say no to drugs through games.



Cathay began working with Bonio's e-learning platform PaGamO in 2019, and organized the largest anti-drug e-sports event in Taiwan, which has been the topic of heated discussions and also successfully promoted anti-drug knowledge on campuses around Taiwan.

Cathay further expanded its anti-drug education to kindergarten in 2021, and created the "anti-drug hero exercise routine", which incorporates the anti-drug concepts of "do not accept candy from strangers" and "bravely say no" into the lyrics and dance.

Cathay also introduced the "anti-drug hero point card", and uses a wide variety of anti-drug materials to create opportunities for parents and children to learn anti-drug knowledge together. Cathay launched the remote anti-drug event series in response to the pandemic, and promoted anti-drug content with interactive videos, so that the campaign against drugs will not be suspended due to the pandemic.

The "Campus Game-based Anti-drug Campaign" has benefited over 1.18 million students since it was launched, and was recognized with numerous major awards in Taiwan and overseas in 2021, including the "Outstanding CSR Award – Education and Promotion Excellence Award" from Global Views Monthly in 2021, Gold Award in the first Taiwan Sustainability Action Awards (TSAA) of the Taiwan Institute for Sustainable Energy, and PwC Sustainability Impact Award for 4 consecutive years, showing Cathay's efforts in anti-drug education and determination to become a force in providing stability in society.

- **Risk Prevention Education for All Ages Effectively Decreases the Traffic Accident Rate**

Cathay Century promotes risk prevention education to achieve the goal of "comprehensive identification of risks for all ages," and implemented the Accident-free Riders and Accident-free Bikers Projects, using digital technologies, such as VR and AR, along with professional bike riding performances outdoors to provide refreshing traffic safety education.

The Accident-free Riders Project produced a traffic risk heat map of the West Central District and East District of Tainan City through the collective efforts of industry, government, and academia. We expanded the scope of cooperation to National Cheng Kung University, National University of Tainan, Tainan First Senior High School, National Tainan Girls' Senior High School, and National Tainan Junior College of Nursing, in order to expand the impact of the campus traffic risk heat map. Cathay also utilizes Web AR technology to attract the participation of even more students and citizens, so that they will understand locations where traffic accidents easily occur; the number of users has reached 2,550 person-times.

Despite the severe epidemic situation in 2021, Cathay Century still organized 51 traffic safety courses on campus, and reached 3,600 people. Cathay Century was invited to teach traffic safety courses to college instructors around Taiwan in the Ministry of Education College Traffic Safety Instructor Training Camp, and expanded the project's influence and benefits. Cathay Century organized a total of 201 events and reached 19,865 students in 2015-2021.

Cathay Century rapidly expanded the program to 109 schools in 8 counties/cities (Taipei City, New Taipei City, Taichung City, Nantou County, Changhua County, Yunlin County, Kaohsiung City, and Pingtung County) in 2020-2021 through the school services of Cathay Life, and 3,426 teachers and students participated in the events. The overall satisfaction towards the events reached 95.74 points with over 80% of schools hoping that the event would be held at least once a year. Changhua Pei Ying Primary School even included Accident-free Bikers as a course in its teacher workshop for training local traffic safety instructors.

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### 4.1.4 Providing Risk Prevention and Management to Reduce Losses

It is hard to guarantee that there will not be any accidents in company operations or daily life. However, if accidents can be prevented and managed, it will lower risks and reduce losses. Cathay Century developed an innovative disaster prevention teaching tool and service that it has patented, and uses it to popularize new disaster prevention concepts, while also helping companies examine their operations and improve their business performance.

● **Promoting new concepts for preventing fire accidents**

Cathay Century launched the "Zero Accident Smoke Plume Laboratory" and "Zero Accident Electrical Simulation Switch Box" and obtained 2 utility model patents in 2021 to promote disaster prevention. Cathay Century uses two sets of disaster prevention teaching tools in daily life to raise citizens' risk awareness of fire accidents.

For years Cathay Century has advocated the concept of ex-ante prevention, and it will continue to dedicate its efforts to R&D and obtaining patents, in order to provide policy holders with a better insurance service experience.



Cathay Century launched and obtained the patent of "Zero Accident Smoke Plume Laboratory" to raise citizens' risk awareness of fire accidents.



Cathay Century launched the "Zero Accident Electrical Simulation Switch Box." We raise citizens' risk awareness of fire accidents by disaster prevention teaching tools.

● **Loss control services and seminars help companies respond to potential risks**

Cathay Century utilizes its core competency in loss control to provide corporate customers with knowledge of risk management and prevention, and also provides professional examinations for the purposes of lowering the frequency and scale of disasters. Thus, we strive to achieve sustainable operations on the basis of the safety of Cathay and its customers.

Cathay Century has made disaster prevention plans, conducted on-site inspections, and used a model suitable for Taiwan's natural disaster characteristics to generate a loss control and evaluation plan adapted to local conditions. A total of 317 natural disaster simulations and evaluations were conducted in the past 10 years. Starting in 2020, Cathay Century became the first property insurance company to use a natural disaster model to simulate damages caused in climate change hazard scenarios, in order to help companies achieve sustainable development.

Cathay Century improved its technology for simulating personnel evacuation in 2020 to continue improving loss control services for companies. Cathay Century introduced the Fire Dynamics System (FDS) and Simulex to ensure that simulation results meet personnel safety requirements, and currently has provided services to the most companies compared with other property insurance companies in Taiwan. Cathay Century provided services to 7 companies in 2021 (including cases from 2020 that have not been closed yet and new cases in 2021), and customers all said that the service helped employees avoid risks in the workplace or on mass transportation tools.

In addition to providing professional services, Cathay Century organizes loss control seminars on an annual basis, and actively promotes the concept of risk prevention among corporate customers. The loss control seminar was suspended in 2021 due to COVID-19. If the epidemic situation in Taiwan and worldwide is controlled, our goal will be to organize two loss control seminars in 2022. We plan to share practices of enterprise risk management along with natural disaster risk and insurance claims, and will integrate recent trends with issues that customers are concerned about when planning the events.



Cathay Century organizes loss control seminars on an annual basis, and actively promotes the concept of risk prevention among corporate customers.

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## 4.2 Financial Health

Over 90% of companies in Taiwan are SMEs, and these thousands of SMEs employ 80% of the labor force population and are an important support of Taiwan's economic growth. Cathay utilizes its expertise in financial services to support the growth of SMEs, and also supports elderly people, youth, and workers in all walks of life to achieve financial independence and further be able to live a healthy and carefree life.

### 4.2.1 Creating a Financial Independence and Safety Net for the Elderly

Cathay noticed elderly people frequently becoming victims of fraud and citizens having insufficient pension in recent years. These issues will have negative influences on retirement of citizens. Therefore, Cathay is making an effort to create a complete social and financial safety net for the elderly, increasing their financial independence while protecting their asset safety.

- Professional Trust Team protects the asset safety of long-lived generations

At the beginning of the trust business in Taiwan, CUB established a Professional Trust Team to promote the concept of trust for financial safety to corporations, hospitals, and community care institutions, leading financial institutions to work towards the goal of "trust for all". CUB planned a series of online education courses of trust during the domestic outbreak of COVID-19 in 2021, and encouraged employees to participate in the "Eldercare Financial Planning consultant" training to improve their service capacity and efficiency.

Trust is the gatekeeper for asset management, and plays a key role in Cathay FHC's sustainable development by protecting the asset safety of long-lived generation, and the universal value of trust is realized through "scenario-based services, diverse products, and modularized contracts." Even before the epidemic, Cathay has set up an online platform to provide people with 24-hour trust consultation services by reservation, providing reassurance for asset safety. In 2021, CUB accounted for nearly 30% of domestic insurance claims trust business, and is the only financial institution to win the "Taiwan Banking And Finance Best Practice Awards" of Best Trust Financial Awards for four times.

- Micro Elder Care Trust has become a part of the social and economic safety net

In recent years, the demand for insurance claims trust and elder care trust has grown rapidly due to the frequent occurrence of elder care disputes and financial frauds targeting the elderly. The general public is attaching greater importance to personal trust services that use dedicated funds for specific purposes. In

2021, CUB launched the "Micro Elder Care Trust" to actively realize the universal value of trust for all, and the product characteristics of less-than-thousand-dollar contract fee and without amount threshold for trust property transfer is helpful to dispel the myth that trust has a high barrier to entry, is expensive, and is only for the rich. The services will accelerate the process of making trust a part of the social and economic safety net, so that younger generation can transfer property that are to be used to take care of their parents into trust or elders can transfer their pensions into trust to avoid misappropriation or fraud.



CUB has launched the "Micro Elder Care Trust" that can be applied in advance, without amount threshold, and low contract signing fee, allowing people to enjoy the trust services easily and realizing the universal value of trust for all.

- Using the power of compound interest over time to formulate a safe retirement plan

Seeing that citizens are clearly unprepared for retirement and too busy to plan for retirement at different ages, Cathay SITE offered the "Cathay Target Date 2029/2039/2049 Fund of Funds" in 2019. Citizens can easily choose the fund with the closest target date to when they want to retire, and choose a regular savings plan or to make a lump-sum investment. The investment strategy is handled by a professional investment team that adjusts the ratio of stocks and bonds based on the fund's life cycle. The Cathay Retirement Plan Platform, which is specially designed for retirement planning and can be used to calculate the pension of labor insurance, labor pension, and national pension, allows citizens to quickly calculate the key number they must prepare for retirement. This makes people aware of any financial gaps after retirement so they can make financial plans in advance. It also provides knowledge on daily life issues for people to fully enjoy a life of abundance after retirement. Furthermore, Cathay began offering online courses on retirement planning during the domestic outbreak of COVID-19 in 2021. The courses provided practical concepts on retirement preparations, and allow people to gain the latest wealth management concepts without any constraints.

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## 4.2.2 Realizing Financial Inclusion

Cathay achieves financial inclusion by providing affordable financial products and services to the general public, underprivileged, SMEs, social enterprises, the youth, and elderly people through conventional and digital channels regardless of socioeconomic status.

### • Inclusive insurance

Cathay has dedicated years of effort in caring for the underprivileged and promoting financial inclusion, and has offered micro insurance for over a decade. We cooperated with county and city governments as well as social welfare organizations in the promotion of micro insurance during this period, and allowed even more people who truly need micro insurance to gain basic coverage. As of the end of 2021, the number of people insured by effective micro insurance policies of Cathay Life and Cathay Century was 182 thousand people. In total, Cathay Life and Cathay Century have provided basic economic security that totaled approximately NT\$90.48 billion to 271,000 people since its start to the end of 2021, and also provided timely economic assistance by helping 1,095 families get through tragedies or disasters.

Furthermore, Cathay Life empathizes with the people whose livelihoods were impacted by COVID-19 in 2021, and thus offered the policy relief loan for the underprivileged. Policy holders can use the loan to meet pressing needs for funds to lift their economic burden, and can complete the loan process through the zero touch channel provided by the Cathay Vision Experience platform. Cathay Life takes concrete actions to help policy holders get through their financial difficulties during the pandemic.

Cathay has gained recognition from the competent authority for its efforts and innovative services in inclusive insurance. In the 2021 insurance contest held by the FSC, Cathay Life won first place in the insurance company division of the micro insurance contest, Excellent Business Performance Award, Elderly Friendly Award for Petty Amount Whole Life Insurance, and also the new Excellent Relief Loan Performance Award that was added this year. Cathay Century also won Excellent Business Performance Award and Care for People with Disabilities Award. These awards show that Cathay actively supports the government's policies for caring for the underprivileged and elderly, and exerts its influence through the company's core competencies.

### • CPBL Anti-Gambling Trust

In 2009, CUB launched the "CPBL Anti-Gambling Trust" and "CPBL Player Signing Bonus Trust", which helps players plan and save for retirement and improves the environment for baseball in Taiwan. As of the end of 2021, the total number of participating players has reached 220, and the size of the trust assets exceeding NT\$155 million and is still growing.

During the trust period, if baseball players need to withdraw funds, the bank will transfer funds only with the consent of the TPBPA, showing the determination of self-discipline of professional baseball players to prevent gambling through the trust mechanism. After the baseball players retire, all trust assets will be returned to them to ensure their quality of life after retirement.

While utilizing its financial expertise and protecting the professional baseball environment, CUB has also become a charity partner with the TPBPA, and worked with star players in giving back to local communities through the "TPBPA Giving Back Train". As of the end of 2021, CUB organized over 50 events and visited over 100 government agencies and schools with over 8,000 participants.





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## • Crop Insurance

Cathay Century utilizes its core competencies to help groups in Taiwan face issues brought by climate change, and offered the first Mango Crop Insurance (linked to government disaster relief efforts) in 2016, providing coverage for mango losses due to typhoons, torrential rain, cold damage, high temperatures (foehn wind), and continuous rain. Cathay Century subsequently offered Mango Crop Insurance (linked to regional harvests) and Guava Crop Insurance (typhoon wind speed and rainfall), providing insurance for different types of crops.

Due to different planting seasons, flowering seasons, and damages to crops, it is necessary to design insurance that matches crop characteristics, and adjust policy contents according to climate and harvest changes. For example, Mango Insurance Linked to Regional Harvests first offered in 2017 uses regional harvest as the basis for judgment. Policy holders can file a claim when the actual harvest is lower than the guaranteed harvest, thus providing farmers with flexible criteria that better matches the actual situation.

Furthermore, Cathay Century implemented digital automated services and offered instant claims to provide precision claims services for agricultural insurance, and also increased the payout ratio to help farmers reduce the losses caused by typhoons and torrential rain. The instant claims tool became applicable to Guava Crop Insurance in 2021. Cathay Century immediately launches the insurance claims mechanism when natural disaster and torrential rain standards are met, actively sends text messages to show care, and completes insurance payout within the shortest time possible, so that farmers can complete restoration and return to their past crop yield as soon as possible. As of the end of 2021, 178 claims have been filed for Guava Crop Insurance and approximately NT\$353,000 has been paid.

Cathay Century has also actively participated in farmers forums to help farmers build insurance concepts, raise their risk awareness, and collect information on market demand. Cathay Century periodically examines insurance products and adjusts contents to provide more complete protection for farmers, helping farmers quickly return to cultivation through the insurance compensation mechanism after a natural disaster.

## • Social Bonds

CUB participated in the underwriting of social bonds issued by Woori Card in March 2021, and the use of proceeds was to provide financial support to SME members that were impacted by COVID-19; a total of US\$200 million was issued. In June 2021, CUB also participated in the underwriting of social bonds issued by Shinhan Card, the largest credit card company in South Korea, which plans to invest all proceeds into basic social services, including public health and medical institutions, loans for the underprivileged, and subsidies for loans for eco-friendly transportation infrastructure; a total of US\$300 million was issued.

## 4.2.3 Promoting Youth Wealth Management and Small Personal Loans

### • Investment under regular savings plan

Cathay Securities app offered the first regular savings plan for investing in Taiwan's stock market in 2019. At a minimum of NT\$1,000 per month, investors can begin investing in Taiwan's stock market with the processing fee for subscriptions of under NT\$10,000 is only NT\$1. By lowering the threshold for investment, low-asset customers will be able to take part in the profit growth of Taiwan's 50 largest companies, thus increasing their income. Meanwhile, Cathay fulfills its corporate social responsibility by providing inclusive financial services.

Half of Cathay Securities' customers are under the age of 35, showing the demand of the younger generation for low-amount investments. Young people are used to using digital tools, which is why Cathay Securities developed a chatbot called "Alpha" to optimize services. Investors are able to complete their subscriptions for a regular savings plan in Taiwan's stock market on the app through simple dialogues. By the end of 2021, 178,000 people have used the Cathay Securities app to subscribe to a regular savings plan in Taiwan's stock market, in which the amount deducted has reached NT\$14.93 billion, which increased 14 times compared to 2019.

Cathay Securities found that 60% of customers use their regular savings plan to purchase ETFs. Cathay Securities currently provides 83 ETFs for regular savings plans. An ETF tracks indexes and purchases a basket of stocks. For investors, using a regular savings plan to invest in ETFs resolves two difficult problems, namely stock selection and time selection. A basket of stocks resolves the problem of stock selection, and the regular savings plan resolves the problem of when to buy. This inclusive financial service offered by Cathay Securities has become highly popular since it settles investors' pain points.

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• **Small Credit Loans**

Applying for a loan at a traditional bank is troublesome and time-consuming, and is a slow remedy that cannot meet an urgency, which is what often holds people back, especially young people. Young entrepreneurs have insufficient connections and collateral, such as real estate, so it is hard for them to take out a loan. CUB thus offered the revolving credit loan product "Flexible Loan" in 2019, so that customers in urgent need of money will not need to beg others or go through a tedious process. The ability to flexibly repay the loan allows customers to more flexibly use funds.

Users who apply for "Flexible Loan" only need to submit an application on CUB's Internet banking app, and will be able to enable the loan in as fast as 5 minutes. Interest is not accrued if the borrower does not use the funds, and is accrued on a daily basis after drawdown. The borrower can repay the loan at any time via the Internet banking app, and their credit limit will be immediately restored once they pay off the balance. Users can use the revolving credit loan at any time like backup funds in their pocket.

CUB has nearly 5,000 ATMs around Taiwan, and offered the industry's first "telephone VIP exclusive consultation" for small credit loans, policy loans, and cash advances without needing to come face to face with personnel. Customers can use the phone on an ATM to enjoy fast and convenient exclusive services with dedicated personnel to provide explanations while protecting their privacy, avoiding the stress citizens go through because they do not want to borrow money from others.

CUB also uses digital tools to design thoughtful financial products, and once again gained international recognition for its successful transformation by winning the Best Digital Bank in Taiwan, Best Mobile Banking Application in Taiwan, Best Digital Payment Experience, Best Public Service Application Award, Best ATM Project, and Best Risk Management Project from *The Asset* in 2021.

• **Financial Service Station**

CUB upholds the brand spirit of "What if We Could" in response to the technology era, and established the CUB Financial Service Station with the purpose of allowing people who have not been in contact with digital finance before to experience its convenience, allowing finance to become a part of customers' daily life to achieve financial inclusion.

CUB collaborated with PX Mart in 2020 in launching CUB Financial Service Station, which breaks through the constraints on time and space of conventional banks, and extends service hours to as late as 9:00 P.M. It is the first location outside branches to accept account opening applications, promote and provide consultation on digital services, accept credit card applications and provide consultation on discounts, and provide consultation and instructions for automated equipment.

CUB set up financial service stations in residential areas, industrial areas, and commercial areas after trial implementation began, and observed the different financial needs of different communities. After formal implementation began, CUB set up financial service stations in areas with a lower density of branches to close the gap in financial services. Many customers said they were glad to have access to convenient financial services provided by CUB Financial Service Stations in their community after work, and also hope to see CUB Financial Service Stations in even more areas. At first, citizens only consulted the service stations when they passed by, but eventually deliberately visited service stations to ask how to open an account and understand ATM functions. As of the end of 2021, CUB Financial Service Stations have provided services to over 40,000 people, and the ratio of people who recommended family and friends to consult the service stations increased from 6% at the beginning to 34%.



CUB Financial Service Stations have provided services to over 40,000 people, and have become the best location for closing the gap in financial services.

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# 05 Empowerment

## 5.1 Workplace Empowerment

## 5.2 Social Empowerment



Cathay FHC repositioned itself in response to the rapid changes in the digital era and set FinTech services as an important business strategy. We inspire employees to remain steadfast to the spirit of "What if We Could" and rethink the ways they work. We empower employees with top-down open thinking so that they can break free of traditional boundaries and be motivated by the idea of "What if We Could". By improving their abilities to learning, agility, and dialogue, we encourage employees to change the present, challenge themselves, and create more value through their competencies.

Klaus Schwab, founder and executive chairperson of the World Economic Forum (WEF), pointed out that inequalities have created profound social and economic impacts, and companies must work together with the government to jointly respond to these impacts. Our goal is to create a new path for social and economic flow, and allow everyone to have an equitable start on the path to success. Cathay hopes to help create an inclusive and equal society, and ensure that everyone has equal development opportunities. We have thus formed appliances with multiple strategic partners in sustainability actions, and supported the youth, underprivileged, and women in gaining knowledge and skills, so that they can gain confidence, become independent, and realize their potential when facing a rapidly changing social environment.



### Key Developments 1

#### Established an inclusive workplace environment with diversity

##### Highlights

- **Included in Bloomberg Gender-Equality Index (GEI) for the first time**  
Close to full points under the Equal Pay & Gender Pay Parity pillar.
- **Create a New Work Model - Closely Collaborated Mobile Office**  
Establish a new way of communication, create a flexible work style without any constraints on growth based on digital transformation to improve employees' experiences and retain outstanding talent.



### Key Developments 2

#### Emphasize employee training and digital empowerment

##### Highlights

- **Introduce Diverse Learning Plans to Encourage Employees to Learn about Different Fields**  
Cathay jointly launched the e-learning platform "Hahow for Business" with Hahow, and the total learning hours in 2021 was up to 176,342 hours with an average of 10.3 learning hours per person.
- **Cultivating Seeds of Agility to Drive Cathay's Digital Transformation**  
The Agility DNA Innovation Experimental Project consists of 61 teams and conducted 27 agile training courses to spread the culture of agility of the group and enhance team cohesion and motivation.



### Key Developments 3

#### Empowering the youth to resolve social and environmental issues

##### Highlights

- **Working Together with National Taipei University to Increase the Visibility of Taiwan's Sustainable Investments**  
Publish the most comprehensive investigation report on sustainable investments in Taiwan and promote the concept of socially responsible investment.
- **Advocate Youth Climate Action**  
Organized the Climate Change Youth Forum to cultivate a climate talent pool for 2 consecutive years.



### Key Developments 4

#### Provide equal and high quality learning resources

##### Highlights

- **Protected the right of children in rural areas to education**  
Raised NT\$8.77 million from customers and employees to support the learning of children in rural areas.
- **Supported educators in implementing education reform**  
Participated in projects of Teach For Taiwan and trained 143 teachers over the past 3 years.



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## 5.1 Workplace Empowerment

The performance of a company is the accumulation of individual functions of all employees. Cathay uses a diverse range of training channels to empower employees and offers a workplace of diversity and inclusion. We provide employees with training for different emerging skills on an equitable basis to ensure the advancement of Cathay's core competencies in the digital era. We also use two-way feedback mechanisms to implement workplace management and meet the expectations of both the employees and the management.

Note: The scope of data disclosed in this section includes Cathay FHC's Taiwanese employees stationed in overseas business locations. Taiwan's compensation and benefits and human resource training systems are not applicable to local employees of overseas business locations, so such employees are excluded from calculations.

### 5.1.1 Employee Composition and Diversity

Cathay FHC has established a corporate culture of diversity and inclusion. We recognize and cherish the unique values of all employees and we firmly believe that the uniqueness of individual employees is the basis of the Company's competitiveness. We established "Cathay FHC Human Rights Policy" based on "United Nations Universal Declaration of Human Rights" and best-practice initiatives to ensure that no individual is treated differently or discriminated against based on gender, race, socioeconomic status, age, marriage and family status, language, religion, political affiliation, nationality, appearance, physical and mental disability, or other reasons. Cathay also recognizes the importance of gender friendly mechanisms and has adopted measures and management mechanisms that exceed regulatory requirements to create a gender-friendly workplace.

#### • Employee Composition and Diversity

Cathay FHC had 46,626 full-time employees and 293 part-time employees in 2021. Part-time employees account for 0.6% of all employees. We prioritize the local workforce when recruiting at our various business locations and we have set a goal to increase local hiring percentage to 85%. The majority of our business locations are currently in Taiwan, reaching a local hiring ratio of approximately 99%. We abide by the labor-related laws and regulations of the government and competent authorities, and have never hired child labor. Our employment of foreign nationals complies with the Employment Service Act and Regulations on the Permission and Administration of the Employment of Foreign Workers. Refer to [Appendix Table 12](#) and [Table 15](#) for the number of employees by region, gender, and age. Furthermore, Cathay FHC, Cathay Securities, Cathay SITE, and Cathay Futures voluntarily disclose the number of non-binary employees; there were a total of 19 non-binary employees in 2021.

Cathay values diverse cultures and inclusion in the workplace. The Company had 306 indigenous employees in 2021 and provided them with "indigenous holiday leave". Indigenous employees may choose to take one day of leave during their tribal traditional holidays. Besides, Cathay has 450 employees with disabilities, accounting for 1% of all employees. Cathay's office buildings are equipped with handicapped facilities to provide all employees with an equitable workplace experience. In addition, Cathay employees come from 16 countries. We promote inclusion in the workplace and respect for cultural diversity through newsletters, seminars, and other diversified methods. Refer to [Appendix Table 24](#) for related data on diversity and inclusion.

#### • Gender-Friendly Mechanisms and Measures

Cathay FHC has established its Human Rights Policy to expressly prohibit any negative treatment, attitude, and actions in regards to hiring, compensation & benefits, evaluations, and opportunities for promotion based on gender, sexual orientation, and marriage and family status. The Company also provides effective and appropriate grievance mechanisms to effectively prevent harm, support employee rights and benefits, and create a workplace of equitable hiring and eliminated discrimination for employees. We were also included in the 2021 Bloomberg Gender-Equality Index (GEI) which recognized the Company's outstanding performance in creating an inclusive corporate culture and the Company's sexual harassment policies. Cathay FHC also received near-perfect score under the equal pay and gender pay parity pillar. Refer to [Appendix Table 16](#) and [Table 17](#) for statistics of Cathay's female managers and the remuneration ratios for men and women and [Table 21](#) for Family Care Related Leave Statistics.

#### Cathay's gender friendly measures that are better than regulatory requirements



##### Menstrual / Sick leave

Paid leave for 5 days each year. (Note: Taiwan's laws require companies to provide half salary.)



##### Miscarriage leave

Employees that have served for less than six months are also eligible for fully paid leave. (Note: Taiwan's laws require companies to provide half salary.)



##### Paternity leave

The number of paternity leave days increased from 5 days to 7 days in January 2022.

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Cathay established its "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to address violations of gender equality and sexual harassment. We also set up an e-mail account and established the Sexual Harassment Grievance and Investigation Committee to investigate sexual harassment events. If a sexual harassment complaint

is found to be true, the offender will be brought before the Personnel Evaluation Committee, which will decide on the appropriate disciplinary measures, while the victim will receive counseling and care. Sexual harassment education and training will be enhanced for other employees to strengthen overall awareness of sexual harassment and prevent cases of sexual harassment. In 2021, Cathay processed 3 cases of sexual harassment or violations of gender equality. All cases were adequately processed and closed in accordance with relevant regulations.

Moreover, Cathay has organized women's empowerment activities for three consecutive years. We provided mentally stimulating seminars as well as dynamic exercise courses to build confidence for women. In 2021, we worked with Kaohsiung City Government and strategic partners in the "2021 Kaohsiung Women's Day" and invited female professional athletes and iconic figures from different fields to attend this activity as means to explore further potential.



The "2021 Kaohsiung Women's Day" event attracted more than hundreds of women to participate in it.

### 5.1.2 Talent Cultivation and Transformation Development

Companies must recruit personnel while also enhancing their existing talent pool and strengthen the skills of employees if they want to lay the foundation for greater resilience in operations in the face of intense international competition. Cathay has utilized the three transformation abilities, starting all the way from the Company's fundamental concepts, to encourage employees to change the way they think and review their daily work routine. We also adopted a diverse range of on-the-job training mechanisms to help employees improve professional skills and soft power.

#### Gender-Friendly Workplace



Cathay FHC was included in the Bloomberg Gender-Equality Index (GEI) for the first time in ww2021.

#### • New Employee Experience Accumulation and Development Plan

Cathay FHC values employees' experience and feedback. We launched the "buddy system" to provide new employees with a dedicated buddy so that new employees can quickly adapt to the work environment and reduce anxiety when they first start working. The system has helped us create a more innovative and caring workplace. Refer to [Appendix Table 13](#) for 2021 new employee statistics.

Cathay transcended the conventional impressions of the finance industry and collaborated with Teach for Taiwan (TFT) in the first "cross-sector" talent development program in the industry for diverse talent recruitment. Cathay has adopted the "What if We Could" spirit to encourage employees to explore further possibilities. TFT talents have the communication and coordination skills, learning power, and leadership skills that make them ideal Cathay candidates for recruitment. We therefore expanded the intensity of our cross-sector collaboration to encourage exchanges of talents and break down the barriers between industries and talents.

#### Collaboration model between Cathay and Teach for Taiwan (TFT)

- Non-Cathay individuals who are offered jobs by both Cathay and TFT can complete a two-year project at TFT before reporting for duty at Cathay.
- Cathay employees are prioritized for interviews at TFT. Upon acceptance at TFT, they can apply for extended leave without pay in accordance with company regulations and complete the project before returning to work.
- TFT alumni are prioritized for interviews for Cathay job openings.

#### TFT Cooperation Example

Training Cathay employees and teaching elementary school students allowed me to understand that "teaching" means providing instructions or sharing knowledge to meet others' needs. This is not a process of simply giving, but rather finding a way for others to truly understand. I learned from my experience with the TFT to start from the user's requirements, put myself in others' shoes, and empathize. I believe that I will find even more applications when I return to my post at Cathay.

— Employee at the Education Development Department of Cathay United Bank

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Cathay X TFT – Cross-Sector Talent Development Plan



**First in the Industry**

To collaborate with "Teach for Taiwan" to establish a diverse recruitment program.

• **On-the-job Training Mechanism**

Cathay places great emphasis on the internal values of employees. In addition to providing a comprehensive general knowledge base for employees of different roles and courses on professional competencies, the Company also provides customized courses on digital skills to meet future technological requirements. We also plan a series of learning programs, development guidelines, and individual development plans for employees in different stages of their careers so that all employees can enjoy uninterrupted learning and continuous growth and improvement, regardless of their rank or seniority. Refer to [Appendix Table 19](#) for statistics on employee's training and education.

**Creating a Culture of Self-learning**

Cathay focuses on creating a culture of self-learning for talent cultivation and development, and monitors employees' needs and development of professional skills and competencies. We thus organized a series of events that promote self-learning and launched a marketing campaign, creating an environment for co-learning and encouraging learning in the workplace.

**Three Focus Areas for Creating a Culture of Self-learning**

Self-learning	Learning Plan/ Method	Quantitative Indicator
Offer Diverse Learning Plans	Utilize talent cultivation resources of external platforms to meet work-related training needs.	<ul style="list-style-type: none"> <li>• Total number of Cathay employees that engaged in self-learning : <b>17,097</b></li> <li>• Average number of self-learning hours per Cathay employee : <b>10.3</b> hours</li> <li>• The Sharing Club offers courses on finance and investment, workplace skills, professional knowledge, and e-learning with course satisfaction of : <b>9.2</b> (10 points in total)</li> </ul>
Promotion of Self-learning Activities	We promote self-learning activities for employees to develop the habit of self-learning.	
Stage for Promotion of Learning and Sharing	We promote the Sharing Club and set up a stage to encourage learning and sharing by employees.	

※ Total number of Cathay employees that engaged in self-learning does not include field personnel

• **Offered the Industry's First "All-you-can-learn, Paid Learning Leave" to Encourage Cross-sector Learning by Employees**


Cathay jointly launched the e-learning platform "Hahow for Business" with the startup Hahow. We provide employees with diverse online courses through a digital platform, and enhance their professional skills by allowing them to freely learn different things. The total number of learning hours reached 176,342 in 2021, averaging 10.3 hours per person. Cathay started offering "learning leave" and allows every employee to apply for one day of learning leave after completing and passing 6 courses. This allows employees to find a balance between work, life, and learning with greater flexibility. A total of 7,886 Cathay employees qualified for one day of learning leave in 2021. Cathay has established a good learning platform with an abundance of learning resources for employees to continue their growth through learning.



• **Overall Evaluation of Employee Education and Training**

Cathay employs the Kirkpatrick Model and human capital ROI to examine effectiveness of the training we provide, so that we will be able to improve the contents of education and training to help employees acquire professional competencies to respond to rapid changes in the market.


**Evaluation of overall benefits from employee training**



**Return on investment L5**


<b>Description</b>	Training results are assessed based on human capital ROI			
<b>Indicator</b>	• Human capital ROI			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	8.91	9.18	11.39	11.06

Note: Human Capital ROI = Return - (Operating expense - (Salary cost + Benefits cost))/(salary cost + benefits cost)



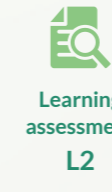
**Results assessment L4**

<b>Description</b>	Examine the contribution of learning outcomes to the contribution through the examination of business performance			
<b>Indicator</b>	• Customer satisfaction goal attainment : <small>(Please see P.XX of this report for details on customer satisfaction performance)</small>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	100%	100%	100%	100%
	• Key talent retention rate			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	98%	98%	99%	98%



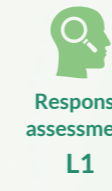
**Conduct evaluation L3**

<b>Description</b>	Examine if students apply what they learn in work based on a 360 degree assessment			
<b>Indicator</b>	• % of open positions filled by internal candidates			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	70%	60%	80%	82%
	• Number of CFP® certifications obtained			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	404	516	555	690



**Learning assessment L2**

<b>Description</b>	Administer tests to determine what students learned from the course			
<b>Indicator</b>	• Passing rate of education and training related to the Code of Conduct for Employee, information security, compliance, and risk management			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	100%	100%	100%	100%



**Response assessment L1**

<b>Description</b>	Conduct questionnaire surveys to examine students' opinion of the course			
<b>Indicator</b>	• Overall satisfaction of employee education and training (5 points in total)			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	4.18	4.18	4.15	4.10

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• Talent Transformation Program

Cathay seeks to ensure the comprehensive development of all employees beyond their core competencies in finance. Cathay leveraged the three abilities of transformation to increase individual values, strengthen employees' soft power, and help adapt to rapid changes of the era, and increase competitiveness.

Three Powers of Transformation

 Learning Ability

Point of Talent Transformation	2021 Talent Transformation Learning Program
<ul style="list-style-type: none"> <li>● Insight on changes</li> </ul> <p>Actively identify gaps and continue learning</p> <ul style="list-style-type: none"> <li>● Cross-sector learning</li> </ul> <p>Remove restrictions on business operations and acquire new skills to meet targets</p>	<ul style="list-style-type: none"> <li>● Innovative forms of e-learning</li> </ul> <p>Developed flexible courses through live streaming and e-newsletters. Please see the <a href="#">chapter of 5.1.3 Digital Empowerment and Employee Experience</a> for details of implementation.</p>

 Agility Ability

Point of Talent Transformation	2021 Talent Transformation Learning Program
<ul style="list-style-type: none"> <li>● Sprints with small steps</li> </ul> <p>Avoid setting goals that are too big and set short-term goals to rapidly complete missions</p> <ul style="list-style-type: none"> <li>● Trial and error</li> </ul> <p>Verify short-term goals and rapidly correct goals</p>	<ul style="list-style-type: none"> <li>● Promotion of agile training courses</li> </ul> <p>The internal team of experts offered a course on agile development to train agile thinking. Please see <a href="#">chapter of 5.1.3 Digital Empowerment and Employee Experience</a> for details of implementation.</p>

 Dialogue Ability

Point of Talent Transformation	2021 Talent Transformation Learning Program
<ul style="list-style-type: none"> <li>● Actively engage</li> </ul> <p>Actively communicate to complete tasks without waiting to be communicated</p> <ul style="list-style-type: none"> <li>● Collaboration</li> </ul> <p>Retain objective thinking in discussions without fear of authority to jointly implement optimal plans</p>	<ul style="list-style-type: none"> <li>● Real talk events and courses</li> </ul> <p>Senior managers personally engage in dialogue with employees at all levels, and step up the implementation of the individual development plan (IDP) system. Please see <a href="#">Cathay Real Talk</a> for details of implementation.</p>

• Cathay Real Talk

Cathay broke free of conventional communication frameworks to create a positive culture of feedback. Cathay Life and Cathay Century continue to bring supervisors and employees closer together based on the core concept of "actively engaging in dialogue and creating two-way exchanges," and create an atmosphere of active dialogue. Cathay created a culture of sharing and providing feedback through top-down initiatives.

Cathay Life	Cathay Century
 Sessions Held 7 interviews with managers	 Sessions Held 1 interview with the president
 Number of Participants 50 managers	 Number of Participants 30 employees.



President Andrew Liu of Cathay Life personally met with executives to create a culture of sharing and bilateral communication.



Talking Bar x Say What's On Your Mind: President Wan-Hsiang Chen of Cathay Century personally talks with employees to become more familiar with each other.

• AG 2.0 Sales Force Transformation Plan & Financial Consultant Transitional Program

Automation is gradually replacing manpower as digital technologies advance. Cathay continues to improve the professional skills of sales personnel to respond to future changes in manpower demand and workplace models. As an example, the two major subsidiaries of Cathay FHC, Cathay Life and CUB, adopted transformation programs to enhance employees' skills in order to increase agility, productivity, and employee retention rates.

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**Cathay Life's Agency 2.0 Sales Force Transformation Plan**

● **Project Goals**

Strengthen the competencies and digital abilities of salespeople to raise customer satisfaction and improve professional marketing abilities

● **Training Mechanisms**

 Implement the digital management tool "Cathay Box"	 Tiered Courses for Salespeople	
 Worksite Marketing Training	 Managerial Competencies Training	 Talent recruitment and optimize new recruit training

● **Subjects** All insurance agents

● **Operating Performance**

 Improve the performance of salespeople to increase revenue	 Increase the retention rate of new recruits to lower recruiting costs
--	---

● **Program Results**

	2018	2019	2020	2021
<b>Return on investment L5</b>				
ROI	48.2%	56.3%	49.33%	45.19%
<b>Results assessment L4</b>				
FYPE › First Year Premium Equivalent (Unit: NT\$ thousand)	71,371,774	96,312,927	62,181,535	50,996,539
<b>Conduct evaluation L3</b>				
Retention rate of new recruits	64.6%	67.8%	69.0%	66.9%
<b>Learning assessment L2</b>				
Number of trainees that passed	26,867	28,108	28,147	27,140
<b>Response assessment L1</b>				
Satisfaction	90.62%	98.64%	95.59%	94.76%

**5.1.3 Digital Empowerment and Employee Experience**

Cathay FHC employees digital, data, and technologies to power the transformation of the Group. The business model has shifted from a "product-oriented" to "customer-oriented" model and our strategy is to become a "technology company that provides financial services". We uphold the spirit of "What if We Could" to encourage employees to escape the confines of existing frameworks, embrace the vision of "Cathay as a Service (CaaS)", and use innovative services to satisfy new demands in the market.

In addition to providing sufficient resources and support, we have also transformed our corporate philosophy. We create a culture of fault tolerance and encourage innovation and reforms to optimize business procedures, thus creating business models that best meet market demand.

● **Developing Innovative Work Models Without Any Constraints Based on Digital Transformation**

A mixed work model has become the new norm due to changes brought by the pandemic. Cathay has developed a mobile work model and more flexible workplace with closer cooperation based on digital transformation, specifically through the upgrade of information technology, digitalization of operating procedures, transformation of the management system, and reshaping our organizational culture. With regard to employees' experience, we conduct monthly opinion surveys on mobile work, and periodically track employee opinions and satisfaction. We have established diverse communication channels for dialogue with employees, and implement internal exchanges and information transparency and sharing. Furthermore, we continue to improve the efficiency of mobile work while maintaining information security by optimizing digital tools through "Cathay Toolkit." Cathay's mobile work removes constraints on employee growth, and the flexible work model retains outstanding talent while attracting new generation talent.

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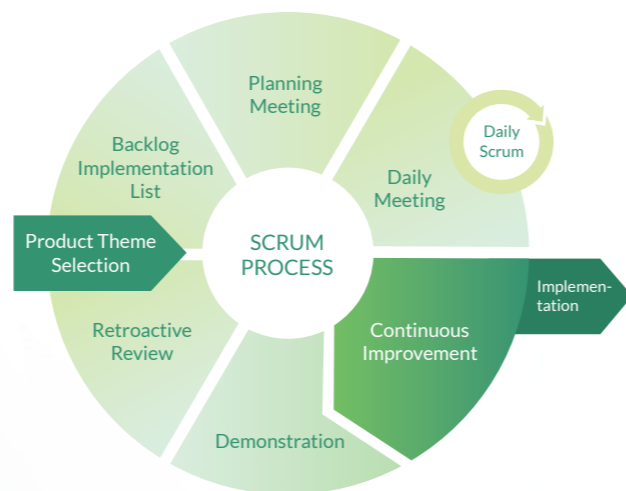
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**• Cultivating Seeds of Agility to Spread the Culture of Agility and Drive Cathay's Digital Transformation**

Cathay is making agile thinking a part of employees' DNA through the three phases of the Agile DNA Innovative Experiment Project – Knowing, Doing, and Being, thereby cultivating seeds of agility. The new cross-company, cross-organization teams change the conventional work model, increase engagement and motivation within teams, and allow adjustments to be rapidly made in response to market changes, in order to spread the culture of agility. We assembled 61 agile teams, offered 27 agile training courses, organized 31 cross-company, cross-departmental co-creation workshops for interactions and consensus building, successfully trained 14 scrum masters, and provided agile training to 1,184 Cathay employees in 2021.



**• Implementation of RPA Tools to Develop the Digital DNA of All Cathay Employees**

Cathay views robotic process automation (RPA) as a part of digital transformation, and automates routine operations through RPA, which not only significantly improves operational efficiency but also provides even greater value by making employees embrace digital technology and accelerating the Company's digital transformation. Cathay FHC formally implemented RPA in 2018, and further expanded RPA to all subsidiaries in 2021. Each company has a Robotic Management Office (RMO) that is responsible for promoting RPA applications and developing automated operations and maintenance processes. Furthermore, we help employees learn and use RPA through learning camps and online courses, empowering employees through digital technology. Nearly 900 Cathay employees have RPA skills as of 2021, accounting for approximately 1.5% of all Cathay employees. We also developed over 500 RPA applications.

**5.1.4 A Friendly and Happy Workplace that Cares for Employee Health**

**• Employee Communication and Employee Engagement Survey**

Cathay FHC has established a number of employee communication and reporting channels to protect employees' rights and interests and increase transparency in the workplace. The channels for promoting employee-employer communication include the internal communication platform, employee forum, newsletter for sharing business information, Cathay Financial Monthly, Cathay FHC town hall meetings, the Chairperson's mailbox, and the reporting mailbox. Furthermore, Cathay FHC and its subsidiaries convene employee-employer meetings in accordance with the Guidelines for Implementing Employee-Employer Communication. A total of 27 employee-employer communication meetings were held in 2021. Employees and the employer jointly elected representatives to openly discuss major employee-employer issues and implement actions based on the results. In 2021, Cathay handled 8 cases of employee-employer disputes, in which 5 cases are currently going through defense and appeals. All cases were adequately processed and closed in accordance with related regulations.

**Employee Engagement Survey**

Cathay FHC conducts an employee engagement survey every year, and formulates action plans based on data analysis of the results. We analyze employee expectations based on qualitative feedback, sampling interviews, and themed questionnaires to create an ideal work environment. Cathay's engagement survey comprises the following aspects: corporate sustainability, organizational commitment, employee happiness, leadership management and overall recognition. The scope of the survey included all subsidiaries of Cathay FHC. The response rate in 2021 was over 70% and the overall employee satisfaction was 4.12.

Cathay employees were the most satisfied in corporate sustainability and organizational commitment; analysis results of each group showed that male managers or higher who were 50 years or older had higher engagement. Cathay takes various measures for continuous improvement in employee engagement, including creating dialogues, culturing feedback and utilizing internal systems. Cathay's average engagement score of 4.15 between 2018-2021 met the goal we set. Refer to [Appendix Table 23](#) for the results of historical employee engagement surveys.

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**Employee Engagement Survey Results**

Employee Engagement Survey		Satisfaction
Gender	Male	4.19
	Female	4.09
Management Level	Staff	4.11
	Manager or above	4.38
Age Groups	under 30 years old	4.12
	30-39 years old	4.04
	40-49 years old	4.10
	50-59 years old	4.19
	over 60 years old	4.28



**• Performance Evaluation Mechanisms and Long-term Career Development**

Cathay provides a comprehensive platform for all employees to make use of their professional skills, fulfill the Group's strategic goals, maximize its influence as part of the finance industry, and promote social development. For this purpose, Cathay established the Employee Performance Management and Development Guidelines and uses the work target communicated by employees and supervisors in the evaluation mechanisms twice each year as the basis for the disbursement of salary and bonuses and adjustments of roles. All of Cathay's full-time employees are subjected to performance evaluations. Cathay also established the Employee Performance Improvement Guidance Plan to help supervisors formulate plans and help underperforming employees. If employees have any questions regarding their annual performance evaluation results, they may file a complaint and the Administration Department will convene a performance evaluation complaint review meeting. The employee and his/her supervisor (department or division head) will be asked to attend the meeting for the review. In 2021, Cathay handled 1 cases of complaints. All cases were adequately reviewed and closed in accordance with regulations.

Cathay implemented the 360 degree ability feedback mechanism that helps employees understand their abilities through feedback from different perspectives, so that they can determine the abilities they need for their future career development and set learning goals. The mechanism is combined with IDPs to help employees fill in any gaps in their abilities and improve their work performance.

To promote long-term career development for employees, Cathay reviews the salary of all full-time office staff each year. Remuneration rose by an average of approximately 3% over the last three years. Refer to [Appendix Table 18](#) for detailed information on the salary information of full time non-managerial staff in 2021. We established the Guidelines on Incentives for Senior Employees to reward employees who have made contributions to the Company over a certain period of time, and issue service bonuses for senior employees when they reach different milestones in their years






of service. Cathay FHC also retained 10% of shares for employee subscription during the most recent cash ordinary shares issuance (2016, 2018, and 2019). The number of shares subscribed is determined based on the employee's rank, performance, and service tenure as the Company invites employees to share the Company's business results.

Cathay FHC established the Talent Exchange and Development Guidelines to provide employees with diverse development opportunities and strengthen the competitiveness of talents. We provide employees with opportunities for rotations and job transfers between subsidiaries of Cathay FHC with the aim of empowering employees by creating new challenges. The ratio of open positions filled by internal candidates in 2021 was 82%. Refer to [Appendix Table 14](#) for statistics on employee turnover.

**• Happy Tycoon**

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

**Employee Benefits Form**

 Learning and Development	Employee learning network, cloud library, learning apps, further education subsidies, professional certification subsidies, job rotation system, and digital courses
 Family	Marriage, funeral, and childbirth benefits, childcare services, family activities exclusive for employees, Cathay Pregnancy Club (Maternity Healthcare Protection Program, Gifts for Mothers, Gifts for Fathers, and Breastfeeding Room), and children's education subsidies
 Health and Leisure	Travel subsidies, Cathay's employee benefits website, airport drop-off and pick-up discounts, massages, health promotion activities, periodic medical check-ups, health subsidies, and employee epidemic prevention insurance
 Social Activities	Club subsidies, movie appreciation, singing contest, fun contests
 Financial and asset management	Preferential fund subscription, premium discount, preferential interbank withdrawal/transfer fee, preferential interest rate for salary account deposits, and preferential loans for purchasing housing from Cathay Real Estate



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## 5.2 Social Empowerment

One out of every two people in Taiwan is a customer of Cathay FHC. Hence, we are utilizing our core competencies to take sustainability actions with the vision of creating an inclusive society with equality. We are actively influencing different stakeholders, so that they will utilize their capabilities to improve their quality of life, ensuring the people have equal development opportunities, regardless of their economic situation, age, gender, physical and mental condition, ethnic group, or religion. Children and young people create momentum for sustainable development and social progress. Cathay's mission is to foster a generation that will bring positive changes to society, and uses diverse channels to build a learning and participation platform for children and young people, giving them the knowledge, attitude, and skills needed for the future. This supports their actions to resolve social and environmental issues, in hopes of changing the world through innovation.

### 5.2.1 Youth Empowerment

Cathay aims to foster youth with perspective and the ability to think independently and make innovative breakthroughs. We continue to provide practical resources and collaborate with partners to lead students to propose solutions for complex social and environmental issues. Cathay worked with universities and colleges in Taiwan to reduce the gaps in education and professional careers of youths and develop their soft/hard skills for the workplace. We provided multiple industry-academia collaboration programs and internship programs to enhance the competitiveness of young people in the workplace.

- **Cathay Industry-Academia Collaboration Projects**

The industry-academia collaboration projects help put the results of academic research to use in real-world industry applications and provide academic institutions with the concepts and actual experience of the industry. The bilateral cooperation and communication spark innovative actions. Cathay provided universities and colleges in Taiwan with internship opportunities and industry-academic collaboration in 2021, which were distributed based on the requirements of different industries. The cooperation had supported innovation and development in the industry.

### Collaboration with National Taiwan University in Economic Forecasts

Cathay FHC and National Taiwan University have collaborated on the "Taiwan monthly GDP and economic forecasts" study for 13 consecutive years, which allows us to stay up-to-date on the domestic economic situation. We created a method for constructing and forecasting GDP, and divide economic situations into "Hot" (economy overheating), "Sunny" (business expansion), "Clear" (stable economy), "Cloudy" (economic slump), and "Rainy" (economic recession) based on the GDP growth rate of each month. We regularly publish research results during quarterly presentations. The study is able to determine trends in Taiwan's economic situation, and can be used as reference for important decisions of the government and citizens. It helps establish Cathay's professional image in economic and financial markets, and also fulfills our corporate social responsibility.



Taiwan monthly GDP and economic forecasts

### Working Together with National Taipei University to Increase the Visibility of Taiwan's Sustainable Investments

Cathay FHC in 2020 commissioned the Center for Corporate Sustainability of National Taipei University to collect data for industries and the government, in order to increase the visibility of Taiwan's sustainable investments. The center surveyed the status of sustainable and responsible investments by nearly a hundred government funds, insurance companies, and institutional investors, including securities investment trust companies and security investment consulting companies, according to the methodology of the Global Sustainable Investment Alliance (GSIA).

According to the latest survey results of the 2021 Taiwan Sustainable Investment Survey, the total assets of sustainable investments in Taiwan was approximately NT\$17.6 trillion, up 26% compared with the NT\$13.9 trillion in total assets of investments in 2020. Compared with the global sustainable investment amount announced in the 2020 Global Sustainable Investment Review, the amount of sustainable investments in Taiwan account for 1.8% of the global amount. We expect the amount of sustainable investments in Taiwan to continue growing under domestic policies and international trends.

The report is the most complete survey of sustainable investments in Taiwan in recent years. Cathay FHC is committed to supporting the Taiwan Sustainable Investment Survey for results of Taiwan's efforts to be seen by international society, and also continues to promote the concept of SRI (Socially Responsible Investment).



2021 Taiwan Sustainable Investment Survey

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• Cathay's Talent Cultivation Internship Programs

Cathay organizes diverse internship programs to actively cultivate talent on campus and connect them with the FinTech industry. We provide project training and a wide range of internship activities that meet actual work requirements, helping students explore their career paths early in their careers. Cathay's two major programs for talent cultivation are explained below:

	Cathay Summer Internship Program (CIP)			Cathay Agile Internship Program (CAP)				
<b>Program Features</b>	<ul style="list-style-type: none"> <li>One of the first summer internship programs in the financial industry in Taiwan that has been implemented since 2005</li> <li>Provide students with real-world practice in 9 different fields of internships</li> </ul>			<ul style="list-style-type: none"> <li>Implemented in 2018 and cultivates digital talents</li> <li>Applicable to internship programs during the semester; students act as project owners</li> </ul>				
<b>Training Mechanisms</b>	<ul style="list-style-type: none"> <li>Dual track of "research projects" and "department practices"</li> <li>Events bringing together CSR and social ability development</li> <li>Exclusive mentor</li> </ul>			<ul style="list-style-type: none"> <li>Digitization: combined with 4 digital projects to increase chances of actualizing projects</li> <li>Teamwork: exclusive mentor strengthens possible project</li> <li>Ability: helps teams to work in Agile</li> <li>Learnability: enriched digital learning resources</li> </ul>				
<b>Program Results</b>	Year	2019	2020	2021	Year	2019	2020	2021
	Number of applicants	1,724	3,040	2,224	Number of applicants	346	376	254
	Number of admissions	117	132	134	Number of admissions	16	46	33
	Cumulative number of employees recruited	185	206	244	Cumulative number of employees recruited	4	10	21
	Cumulative reinstatement rate <sup>Note 1</sup>	21%	20%	21%	Cumulative reinstatement rate <sup>Note 2</sup>	12.12%	12.66%	18.75%

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

Note 2 : Cumulative reinstatement rate = (Cumulative number of employees recruited through CAP)/Cumulative number of CAP participants up to the previous year.

• Cathay Youth Excellence Scholarship

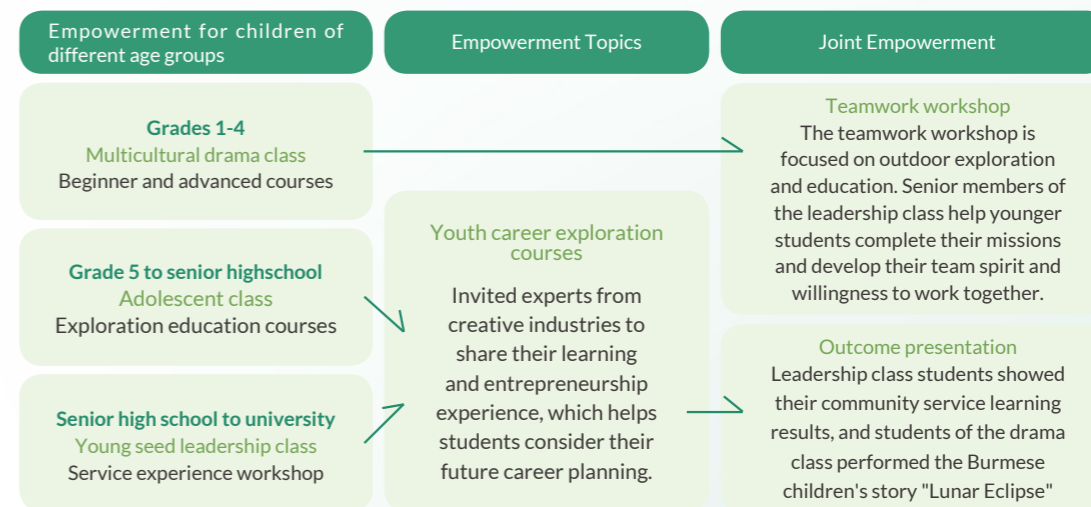
Cathay began providing scholarships in 1980 for all youth to have equal access to quality education. We transformed the scholarships to the Cathay Youth Excellence Scholarship in 2016 along with the needs of society, and encouraged the youth to tackle the rapidly changing social and environmental issues by proposing creative, forward-looking solutions. We selected 91 winners and distributed a total of NT\$7.47 million in scholarships in 2021, accompanying the youth on their path to making a change in environmental sustainability, elderly care, and community empowerment with their creativity. We also began issuing Excellent Documentary Awards, which encourages people to document stories about benefiting others through the prize money, in hopes of further expanding our influence and creating a positive cycle. We selected 9 teams to receive the award.



• Diverse Empowerment Program for second generation immigrants

There are more than one million new immigrants and second generation immigrants in Taiwan. Cathay began jointly offering diverse empowerment courses for second generation immigrants together with the Eden Social Welfare Foundation in 2010 with the vision of cultivating diverse talent. The courses are intended for elementary school students to college students, and develop diverse perspectives of second generation immigrants, while helping them learn cross-cultural communication. Over the past 12 years, we have helped 624 students grow through the courses.

In 2020, Cathay worked with an academic institution in calculating the Social Return on Investment (SROI) of this project to determine its social value and influence. We found that every NT\$1 invested in the project generated approximately NT\$2.36 in social value, creating a profound and positive impact on Taiwan's society.



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• **Climate Change Youth Empowerment Program**

Cathay FHC has monitored climate change for years, and jointly conducted surveys on "identification of college students with corporate social responsibility" and "attitude of college students towards CSR and climate issues" together with CommonWealth Magazine in 2019 and 2020. Over 95% of college students felt that climate issue was important, and over 55% were willing to take action. Cathay FHC began working with the Ministry of Education, National Taiwan University, and Taiwan Youth Climate Coalition to build Taiwan's pool of climate talent through holding Youth Forums, industry-academia collaboration, and providing practical resources, in order to empower the youth to find a solution for climate change.

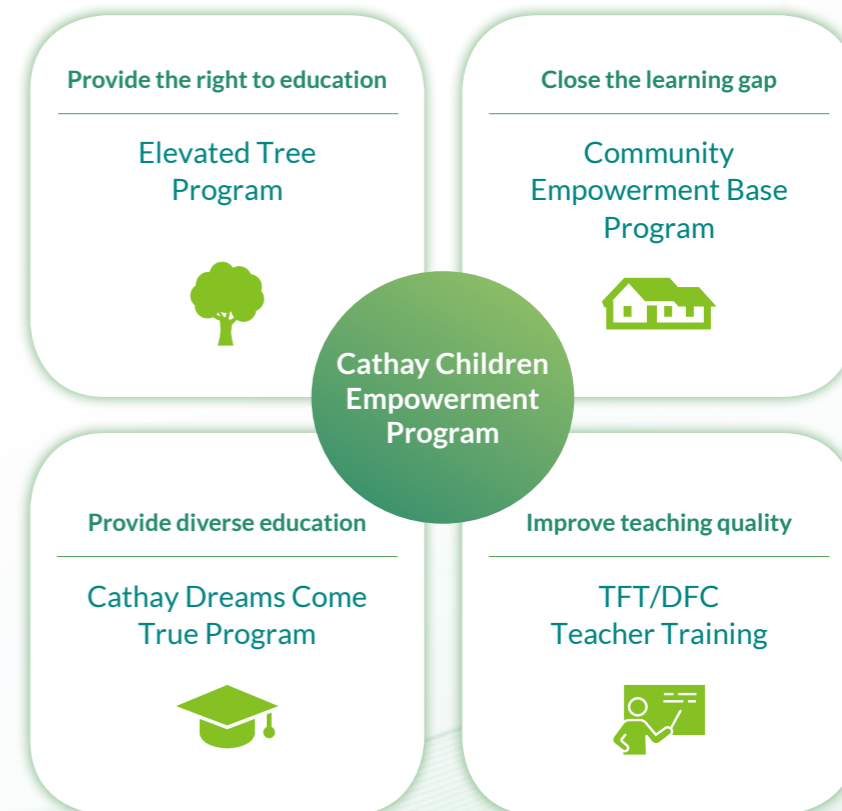


**Cathay Climate Change Youth Empowerment Program creates a pool of climate talent**

Category	Action plans	Description
 Actions Initiatives	Climate Change Youth Forum	Cathay FHC co-organized the 2021 Taiwan Climate Action Exposition with the International Climate Development Institute and National Taiwan University Biodiversity Research Center. We held the 2021 Cathay Climate Change Youth Forum at the same time and designed "Introduction to Issues", "Action Guidelines", and "Inspiration" to empower the youth with climate action skills. The event attracted over a hundred college students.
 Practical Resources	Cathay Youth Excellence Scholarship	Cathay supports youths in taking real actions in response to issues. We used the Cathay Youth Excellence Scholarship to provide the first "creative implementation fund". The project received a total of 27 environmental sustainability action proposals in 2021, and we selected a total of 7 climate-related action plans.
 Industry-Academia Collaboration	International Degree Program in Climate Change and Sustainable Development	Cathay signed an MOU for a collaborative internship program with the "International Degree Program in Climate Change and Sustainable Development (IPCS)" of NTU. The program uses the cooperation between academic institutions and companies to jointly train talent with the capabilities for resolving difficulties in different sectors to create a solid academic foundation for the development of climate change prevention in Taiwan.

**5.2.2 Student Empowerment**

Cathay is aware that children in Taiwan suffer from inequality in family economic conditions and the urban and rural education gap. We therefore pay close attention to the resources needed by children in different stages of development, in hopes of creating an equitable, high quality, and sustainable learning environment. Cathay believes that we can only provide students with opportunities for transforming their lives and create changes by reducing the wealth gap and the gap between urban and rural education.



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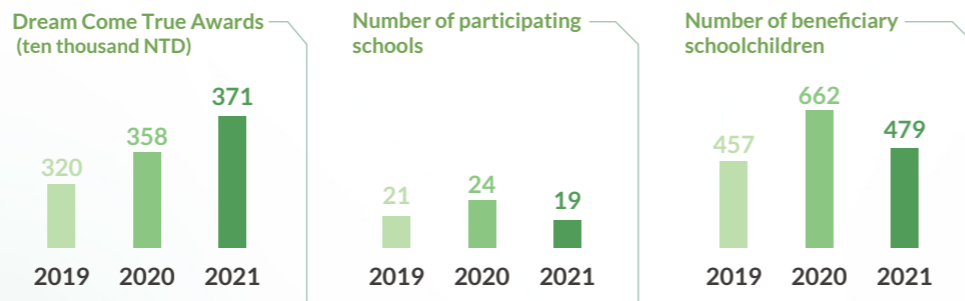
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• Dreams Come True Program

The purpose of education is to equip the next generation with the core competencies they need for the future. Cathay requests Dream Come True proposals from elementary schools around Taiwan every year through the Dream Come True Program, which are selected by experts and scholars. The program supports children in developing the ability to think independently, tolerate frustration, and work in teams as they pursue their dreams, resolving the shortage of learning resources and insufficient cultural stimulation of children in rural areas.

The Dream Come True Program encourages students to develop Dream Come True proposals linked to local communities. Topics over the years include hometown protection, history and tradition, creative aesthetics, social justice, and limits on physical ability. The program indirectly develops local communities and creates sustainable value while it inspires the creativity and influence of children. The 8th Dream Come True Program accepted 19 schools, 479 students responded, and awarded NT\$3.71 million in 2021.



• Elevated Tree Program

Approximately 97,000 students in rural areas around Taiwan lack learning resources. Since Cathay United Bank Foundation launched the Elevated Tree Program in 2004, over the last 18 years it has provided subsidies to children who are from low-income households or unable to pay tuition due to major difficulties based on the conviction to turn seedlings into trees. The program has provided over NT\$180 million in subsidies and supported over 120,000 underprivileged students, so that they can focus on their studies (provided NT\$9 million in subsidies to 6,784 students in 2021).



Cathay United Bank Foundation continues to improve the learning environment and provide resources needed by children to go to school. The Foundation launched the Elevated Tree Program

2.0 in 2021, and not only donated funds for underprivileged children, but also included sports sponsorship, arts cultivation, and community empowerment projects, providing a place where children can utilize their potential and help them become more motivated and confident in learning. This has benefited many underprivileged children from single-parent families, skipped generation families, or second generation immigrants.



Cathay raised approximately NT\$8.77 million together with customers and employees in 2021 to protect children's right to education, in order to further expand its influence. The amount was 41.4% higher than in 2020, while the NT\$2.28 million in regular donations was twice the amount in 2020. Thanks to the support of many stakeholders, there is no rural area where our educational resources cannot reach.

Scholarship from the Elevated Tree Program

 <p><b>Scholarships</b> Provides subsidies for students' tuition, miscellaneous fees, additional fees, and after-school tutoring fees, so that they will not drop out of school.</p>	 <p><b>Featured education subsidies</b> Encourages students to develop their potential and talent, and supports the development of featured education.</p>
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Utilizing core competencies to develop financial education

Cathay United Bank utilized its core competencies as a bank to plan financial education and trust seminars, which aim to help the general public gain the right concepts of financial consumption. Subjects include elderly people, college students, and children in rural areas, in which the Elevated Tree Program 2.0 began providing online financial education through distance learning. As of the end of 2021, 18 students benefited from financial education courses under the Elevated Tree Program 2.0 by building the correct attitude towards money and the right values during the pandemic.



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• **Community Empowerment Base Program**

Studies showed that 36.4% of children in rural areas roam around after school, which significantly increases the risk of encountering bad experiences, and also causes them to fall behind on their studies. Cathay Charity Foundation began supporting several after-school class programs in 2011 to help children obtain learning assistance and someone to keep them company in life. Over the past three years, the foundation has provided assistance to 1,269 children to close the learning gap (Helping an average of 100 schoolchildren per semester in 2021). Furthermore, Cathay's volunteer team offered courses on financial and insurance management to share correct financial knowledge. The team offered the Let Love Fly after-school class program featuring "benefits of saving" in Xiulin Township, Hualien County in 2021. As of the end of 2021, 19 students benefited from financial education courses under the Community Empowerment Base Program.

**New Taipei City Sanxia District**

Grass Book House after-school class program

- 2020 second semester **37**
- 2021 first semester **30**

**Kouhu Township Yunlin County**

After-school class program in Keliao Village

- 2020 second semester **41**
- 2021 first semester **39**

**Hualien County Xiulin Township**

Let Love Fly after-school class program

- 2020 second semester **24**
- 2021 first semester **29**

**Community Empowerment**



1,269 children benefited from the Community Empowerment Base Program over the past three years



See more: Stories of Cathay volunteers

• **TFT/DFC Teacher Training Program**

Teachers play a crucial role in children's future development and growth. Cathay supported about a hundred educators from Teach For Taiwan and Design For Change to provide children in rural areas with quality educational resources, in hopes that influential teachers will bring change inside the classroom, and close the learning gap between urban and rural areas due to the wealth gap, providing children in rural areas with adaptive development and class mobility.



**Teach for Taiwan Teacher Training Support Program**

The program aims to train teachers that can reduce the inequality of education, and recruit youth with a mission to become educators and have leadership potential, so they can teach in rural areas with a need for teachers. With Cathay's support over the past 3 years (2019/06-2023/06), the program has trained 143 teachers, collaborated with 87 schools, and benefited 4,290 students.

**TFT Teacher Training Support Program**



**Trained 143 teachers over the past 3 years**

To reduce the inequality of education in rural areas

**Design For Change Teacher Empowerment Program**

Cathay co-organized a teaching workshop with DFC to provide teachers in rural areas with innovative teaching resources, and create a people-oriented teaching environment. The workshop taught the four-step teaching method of DFC to improve teachers' teaching and guidance techniques. We organized a total of 5 workshops and trained 150 teachers in 2021.

**DFC Teacher Empowerment Program**



**Trained 150 teachers**

Improve teaching quality

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# 06 Sustainable Operation Management

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- 6.2 Corporate Governance
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- 6.4 Risk Management and Internal Control
- 6.5 Information Security
- 6.6 Service Quality and Customer Rights
- 6.7 Digital finance



The impact of risks from emerging issues has gradually increased in a rapidly changing financial environment with frequent law amendments. Hence, companies need a well-rounded corporate governance system to effectively manage their risks and seize opportunities.

Cathay FHC upholds the core values of "Integrity, Accountability, and Innovation" and requires all employees to comply with the code of ethics, laws, and regulations during daily operations and in the performance of their duties. Our business philosophy is to be customer-centric. As we provide customers with friendlier products and services that better meet their needs, we also protect their rights with the spirit of treating customers fairly.

 Key Developments 1

**Continuing to Improve Sustainable Governance, and Deeply Embedding the DNA of Sustainability**

Highlights

- **The variable portion of remuneration to Cathay FHC's president is linked to sustainability indicators to strengthen sustainable governance**  
The variable portion of remuneration to Cathay FHC's president is linked to financial indicators, risk management, internal control, compliance, and corporate sustainability indicators.

 Key Developments 2

**Continue to strengthen management of internal controls, enhance the Company's culture towards handling risks, and improve the Company's ability to respond to risks**

Highlights

- **The first financial holding company in Taiwan to obtain BSI BCM System certification**  
Cathay FHC is the first financial holding company to obtain the BSI ISO 22301 Business Continuity Management System certification.

 Key Developments 3

**Actively implement the principles of treating customers fairly based on a customer-centric business philosophy**

Highlights

- **Achieved the best treating customers fairly performance in the financial industry**  
In the 3rd Financial Industry Treating Customers Fairly Evaluation, Cathay Life and Cathay United Bank won the award of excellence for three consecutive years and Cathay Century won the award of excellence for two consecutive years. Our overall performance was the best in the financial industry.

 Key Developments 4

**Create a digital-driven culture through digital, data, and technology**

Highlights

- **Innovative business models driven by digital and data, and expand financial service scenarios**  
Cathy as a service (CaaS) integrates all services onto a single website, and responds to customers' needs in the new era with an innovative business model.

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## 6.1 Response to COVID-19

Upon the outbreak of COVID-19, Cathay FHC immediately formed an emergency response team for pandemic prevention. President Chang-Ken Lee called together the heads of related departments at subsidiaries to jointly formulate group-wide response measures, allocate resources, and establish a comprehensive management framework, covering reporting mechanisms, workplace management, gatherings, employee benefits, employee redistribution, and stringent management of personnel movement. Different response measures are taken for different severities (levels 1-5) to ensure the Company is fully prepared for an endured pandemic. Cathay enrolled the 50,000 employees of Cathay FHC and its 8 subsidiaries, along with their family members, in epidemic prevention insurance, thus providing better employee care by providing coverage to nearly 190,000 people. Furthermore, Cathay also provided relief measures for those affected by COVID-19, and and host charity events with employees and customers to help the underprivileged families that were impacted by the pandemic.

### 6.1.1 Emergency Response Management for Epidemic Prevention

 Reporting Mechanisms	<p>Internal/External reporting mechanisms: Companies announce notices and set up contacts for reporting the pandemic situation (including overseas institutions), and establish SOPs for handling employees who are diagnosed with COVID-19. Pandemic prevention measures are reported on a weekly basis and tracked.</p>
 Workplace Management	<ul style="list-style-type: none"> <li>● People who enter public areas are to have temperatures measured. Personnel are required to wear masks in the workplace.</li> <li>● An inventory of pandemic prevention supplies is periodically taken, and the supplies are distributed to front-line personnel and internal units.</li> <li>● Designated a meeting room for external visitors, and set up a mail and food delivery area.</li> <li>● Provided employees with safety goggles, professional protective face shields, and masks, and also stepped up workplace disinfection to ensure workplace safety and allow employees to provide services with peace of mind.</li> </ul>
 Gatherings	<ul style="list-style-type: none"> <li>● When deemed necessary based on the level of the pandemic situation, physical trainings and education may be moved to online sessions after gaining approval.</li> </ul>
 Split Operations	<ul style="list-style-type: none"> <li>● Flexible shifts: We designed 2-4 shifts for employees to work flexible hours based on the level of the pandemic situation.</li> <li>● Remote-working, work from home: We reviewed necessary equipment for plans to be implemented based on the level of the pandemic situation.</li> </ul>

  
Employee Benefits

- In principle, employees are allowed to defer their annual leave and marriage leave for one year.
- Enrolled employees and their direct family members in epidemic prevention insurance, which provides diagnosed employees with "notifiable infectious disease insurance benefits," "notifiable infectious disease ICU benefits," and "notifiable infectious disease death benefits." Also provided "vaccine adverse event hospitalization benefits," so that employees and their family members who are unfortunately diagnosed with COVID-19 or have an adverse reaction to the vaccine will not need to worry about treatment.
- Cathay Life implemented the "Salary Protection Regulations" and "Sales Agent Evaluation Exemption for June-August" to mitigate the impact of COVID-19 on sales agents' income, providing care and protection for the salaries of field personnel.
- Depending on the level of the pandemic situation, clubs/department activities/family day may be canceled.

  
Personnel Movement

- Providing Quarantine Leave
- Overseas travel/business trip controls: Employees must select [overseas/domestic] when they take leave, and must report their leave to an executive vice president of their department or above if they are traveling overseas. In principle, employees must work from home during the statutory self-health monitoring period after returning to Taiwan. However, if they must go to the workplace for business, they must obtain a negative COVID-19 RT-PCR test to be allowed into the workplace.
- Controls for expatriates returning to Taiwan: After discussion with the local manager of each company, expatriates will return to Taiwan in batches without affecting operations. In principle, employees must work from home during the statutory self-health monitoring period after returning to Taiwan. However, if they must go to the workplace for business, they must obtain a negative COVID-19 RT-PCR test to be allowed into the workplace.

### 6.1.2 Expanding Influence and Sending Love Together with Employees and Customers

The pandemic has affected fundraising by charity organizations, and made the circumstances of underprivileged families even more difficult. Cathay Charity Foundation integrated Cathay's resources for the philosophy to "hold the umbrella for others", and organized a food collection charity event among employees. The foundation purchased 700 boxes of food from the Andrew Charity Association and donated it to New Taipei City Social Welfare Department and Hualien/Taitung Social Affairs Department, supporting families that were severely impacted by the pandemic. Furthermore, the Cathay Promotions charity platform called on Cathay customers to use their tree points to purchase charity meals from Andrew Charity Association. We collected a total of 1,500 charity meals in a week, and Andrew Charity Association delivered the meals to underprivileged families that were impacted by the pandemic, reducing the damages caused by the pandemic to society.

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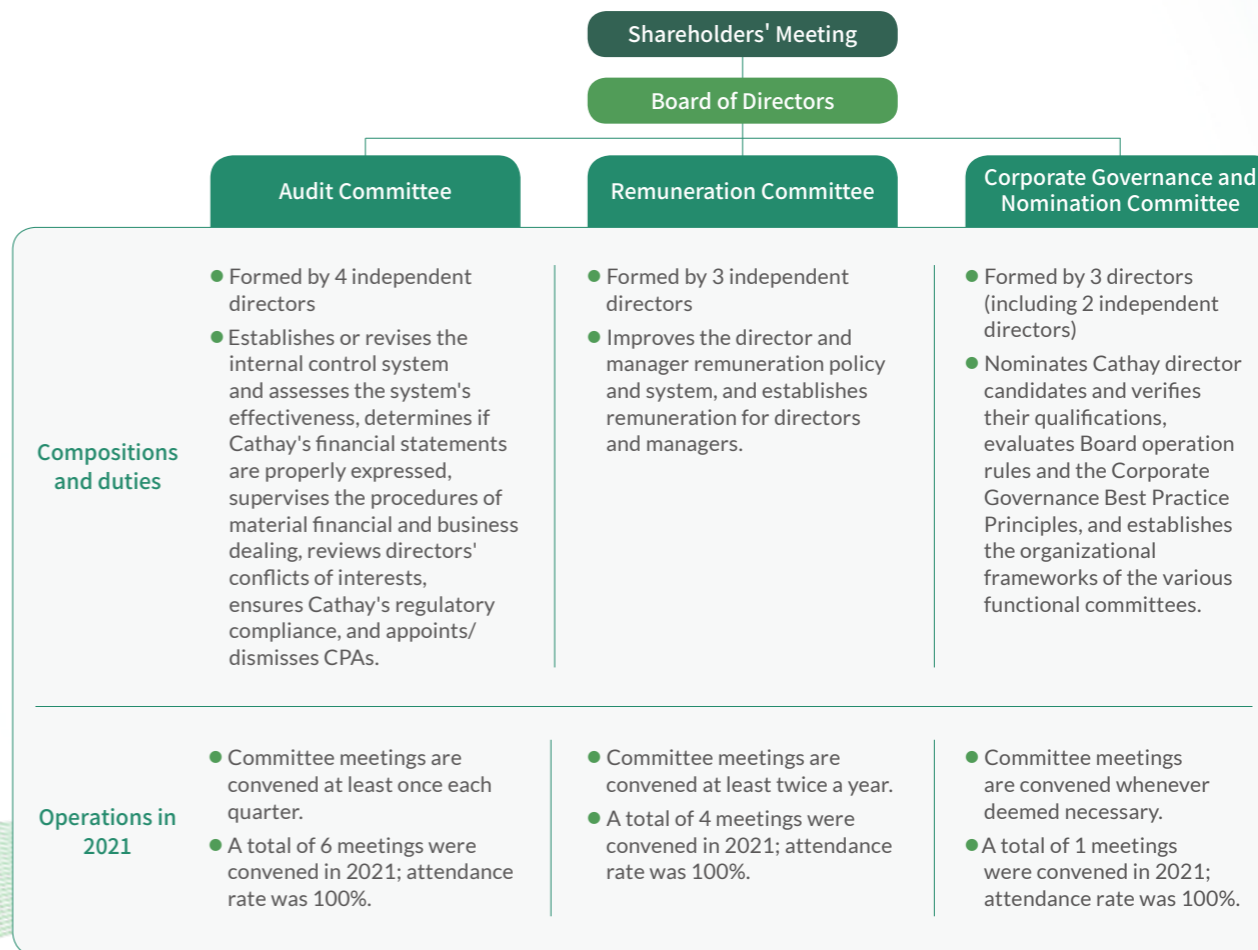
## 6.2 Corporate Governance

Cathay FHC strives to build a corporate culture of integrity and transparency, and continues to improve its corporate governance system through the recommendations of external professional institutions, implementing international best practices for corporate governance in a rapidly changing business environment, and continuing to improve its corporate governance performance. As such, Cathay FHC continued to receive international recognition for its corporate governance by winning the "Outstanding Company on Corporate Governance" for the second consecutive year in 2021, and Chairperson Hong-Tu Tsai also won the Asian Corporate Director Recognition Award for the second consecutive year.

### 6.2.1 Structure and Operations of the Board of Directors

The Board of Directors is the highest level decision-maker at Cathay FHC, and supervises the Company's overall operational management. The Board of Directors convened 8 meetings in 2021 with the actual attendance rate of 91%; directors on average have held the position for 11 years (the 4 independent directors on average have held the position for 3.75 years). Cathay FHC established the Audit Committee, Remuneration Committee, and Corporate Governance and Nomination Committee under the Board of Directors to improve the Board's efficiency. The committees are responsible for reviewing proposals. All proposals are reported to and discussed by the Board of Directors to effectively implement its independent supervision and checks and balances mechanism, and also to oversee resolutions and actions. If there is a conflict of interest with the director or the institution represented by the director, the director shall recuse him/herself, so that benefits are maximized for all stakeholders.

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





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• Professional Qualifications and Independence of the Board

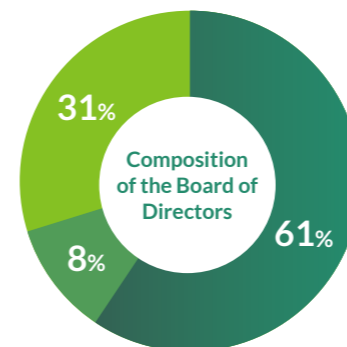
Cathay FHC adopts the candidate nomination system. All director candidates are nominated and their qualifications are reviewed by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed during the shareholders' meeting. 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. In response to issues concerning corporate governance and corporate sustainability in Taiwan and abroad, the directors of Cathay FHC actively participate in relevant internal and external training, which covers issues including risk management, corporate governance, corporate social responsibility, AML/CFT, and information security. The average training hours for the directors stood at approx. 11 in 2021.

The Board of Directors shall possess the following abilities:

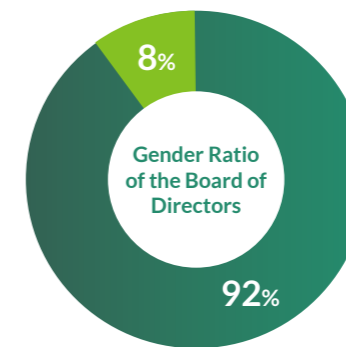
 Ability to make operational judgements	 Ability to perform accounting and financial analysis	 Ability to conduct management administration (including ability to conduct management of subsidiaries)
 Ability to handle crisis management	 Knowledge of the industry	 An international market perspective
 Leadership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

• Board Diversity

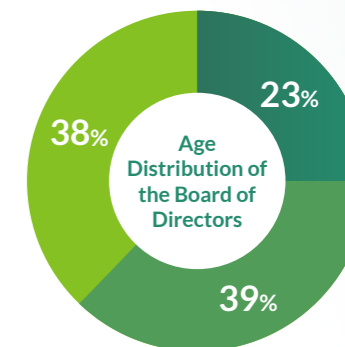
Members of Cathay FHC's Board of Directors come from diverse backgrounds, including different industries, academic backgrounds, and professional knowledge and abilities. The Board has 1 female independent director to increase Board diversity. Refer to [2021 Cathay FHC Annual Report P.32](#) for the implementation of the Board Diversity Policy.



- Non-Executive Director ( 8 )
- Executive Director ( 1 )
- Independent Directors ( 4 )



- Male
- Female



- 51-60
- 61-70
- 71-79

• Board Performance Evaluation

To implement corporate governance and improve the Board and Functional Committee's efficacy, Cathay FHC pays special attention to the overall operations of the Board and Functional Committee and thus set up the Regulations Governing the Evaluation of the Board and Functional Committee's Performance in addition to the Guidelines for Evaluation of Directors' Performance and the Guidelines for Directors' Remuneration. Performance indicators, such as compliance, corporate governance, risk management, and corporate sustainability and corporate social responsibility, were also incorporated in the Regulations Governing the Evaluation of the Board and Functional Committee's Performance to ensure the Board and Functional Committee's fulfillment of corporate governance, operations, and corporate social responsibility. In 2021, the result of Cathay FHC's Board and functional committee performance evaluation was "above standard."



Board and functional committee performance evaluations

To strengthen the independence and effectiveness of the Board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the Board performance evaluation once every three years, starting from 2017. Cathay FHC in 2019 and 2022 commissioned the Taiwan Institute of Ethical Business and Forensics to complete an external evaluation of Board performance in 2018 and 2021, respectively, and has devised and implemented improvement measures as advised by the institute.

Note: The contents disclosed in the Company's 2021 shareholders' meeting were the results of the 2018 Board performance evaluation due to the deadline in 2022.

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• Remuneration Structure of Directors and Managers

Remuneration of Directors

The Company formulated its directors' remuneration policy according to the Guidelines for Directors' Remuneration, and the remuneration of directors is determined by the Remuneration Committee based on each individual director's level of participation and contribution to the Company's operations, in reference to industry peers. Internal audit, internal control, and risk indicators are considered in the performance evaluations of directors to improve operational risk management. Directors will not receive remuneration if they do not pass the annual evaluation. Furthermore, we evaluate the Guidelines for Directors' Remuneration and remuneration of individual directors every three years to verify that they are reasonable, and submit evaluation results to the Remuneration Committee and Board of Directors for approval.

Remuneration of Senior Management

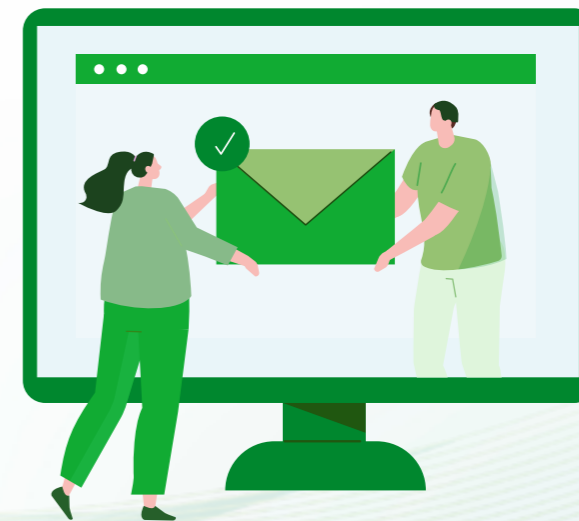
The Company established the Guidelines for Remuneration of Senior Management to create long-term value for shareholders. The remuneration of senior management is approved according to their position, duties, performance, ability, and market standards. For example, the variable portion of remuneration to Cathay FHC's president is linked to financial indicators, business indicators, risk management, internal control, compliance, and corporate sustainability indicators. Furthermore, the variable portion of the president's remuneration includes a three-year long-term incentive that is not paid in full in the year of the earnings, in order to improve the Company's long-term performance.

We analyze the competitiveness of remuneration each year and assess the remuneration of individual managers each year to verify the reasonableness of senior management's remuneration. We also examine the Guidelines for Remuneration of Senior Management every three years, and submit results to the Remuneration Committee and Board of Directors for approval.

6.2.2 Shareholder Communication, Rights, and Interests

We attach great importance to shareholder communication (see [P.153 of the Annual Report](#) for our shareholder structure), and set up an "Investor Section," "Corporate Governance Section," and "Corporate Sustainability Section" on our website to provide information on our financial position, business performance, and corporate governance in both Chinese and English. Furthermore, we have an Investors Relations Department that periodically convenes investor conferences and handles investor related issues whenever they occur. This ensures the right of investors to inquire and fully understand information on the Company's financial position and business performance. In 2021, we held 4 Chinese investor conferences and 4 English investor conferences. Shareholders can express their opinions at any time through various communication channels, including [the spokesperson system](#), [investor services](#), and the "[Contact Us](#)" mailbox.

We actively support the FSC in promoting electronic voting, which will make it more convenient for shareholders to vote during shareholders' meetings, as well as the FSC's director and supervisor candidate nomination system, in order to encourage shareholder engagement. Over the years, electronic votes cast during shareholders' meetings of Cathay FHC have surpassed half of all shares in attendance.



## 6.3 Ethics and Compliance

### 6.3.1 Ethical Corporate Management

We value the corporate culture of ethical corporate management. We established the Policy and Code of Operation Integrity, the Procedures and Guidelines of Integrity Management Operation, and the Code of Conduct for Employee to require employees to comply with internal regulations when performing their duties, to participate in public affairs in a lawful way, and to ensure that related measures are disclosed in accordance with the law.

Cathay has participated in various associations over many years. Chang-Ken Lee, President of Cathay FHC, is the current chairperson of the Financial Planning Association of Taiwan and director of the Bankers Association of Taipei; Tiao-Kuei Huang, Chairperson of Cathay Life, is the current chairperson of the Life Insurance Association R.O.C.; and Jeff Chang, Chairperson of Cathay SITE, is the current chairperson of the Securities Investment Trust & Consulting Association of the R.O.C. All of these leaders actively promote collaboration between industry and government, and formulate related policies for mutual prosperity in the industry.

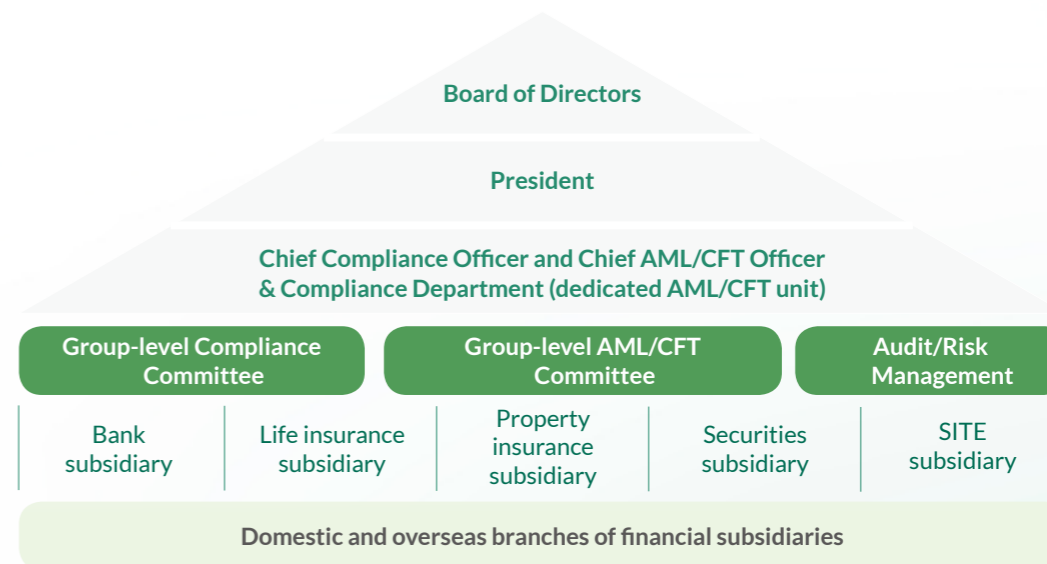


Donations made by the Company (Chinese only)

Furthermore, all of our employees have completed our annual training on the Code of Conduct for Employees with a completion rate of 100% in 2021. Cathay FHC established the Code of Conduct for Reporting Unethical or Dishonest Cases and a whistleblower system, which establishes reporting channels, specifies procedures for handling cases, and protects the legal rights of the involved parties. The Company is required to maintain confidentiality of the identity of all involved parties, including the whistleblower and investigation personnel, in order to protect them from unfair treatment or retaliation. We were not involved in any insider trading, anti-competitive actions, monopoly or market manipulation, and immoral or unethical conduct in 2021.

### 6.3.2 Compliance

Cathay FHC has closely followed the changes to the global financial and regulatory environments for years, and strengthened compliance management and culture continuously, to ensure that all operations comply with the regulation. The group's compliance and AML/CFT is managed as a whole on the group-level, and implemented by level and region. The Chief Compliance Officer holding concurrent post as the Chief AML Compliance Officer appointed by the Board of Directors is in charge of the management of group compliance, as well as semiannual reports on compliance implementation to the Board of Directors and Audit Committee in 2021. Subsidiaries and second-tier subsidiaries (including overseas) have the same management framework based on their industry laws, management requirements, and scale.



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• **Systematic Management of Compliance Risks**

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

We convene a group-level compliance meeting every six months to strengthen internal control and management. We supervise major subsidiaries in the management of compliance risks based on the risk characteristics of their operations, and encourage the internationalization of compliance as we continue to look into international supervision trends. We are implementing a group-level digital compliance management platform and applying new technologies in phases. We collaborated with the FSC in uploading structural regulatory data of open government in 2021, and promoted the base database that serves as the infrastructure of digital compliance management. We participated in the Presidential Hackathon with the FSC, and our proposal of compliance AI that utilizes regulatory data was ranked in the top 10, receiving a certificate from the Office of the President. The FSC also sent a letter granting an award.

We established a law amendment management system to stay up-to-date on the latest amendments, and immediately pass on and communicate the amendments. Depending on the level of risk, we implement different management measures so that we can rapidly and properly respond to the requirements of the competent authority. Due to the impact of COVID-19 in 2021, we conducted a total of 21 remote inspections of overseas compliance, and determined the compliance situation through remote inspection procedures, strengthening the compliance governance of domestic and overseas units through two-way interactions.

We established the whistleblower system to create a corporate culture of integrity and transparency, and have taken protection measures for whistleblowers. The whistleblowing mailbox received 2 reports in 2021. We completed investigation reports and closed both cases. One case occurred in an overseas branch, we verified the report to be true and punished the violator. The other case occurred in a domestic subsidiary and we did not find any evidence of violations of the law.



Furthermore, we established the External Compliance Incident Reporting and Management Guidelines for the effective supervision of our subsidiaries. The Guidelines contain risk warning indicators applicable to major violations of the law and downgrading by the financial authority, and establishes reporting procedures for the Board of Directors and managers to rapidly obtain warning information, evaluate, and take improvement measures in response to the group's compliance risks. We also established mechanisms for reviewing penalties imposed on our competitors and the group, and we established group-level and subsidiary-level review standards to monitor the latest changes in supervision and compliance self-inspections. Major penalties imposed on subsidiaries and improvement measures in 2021 are as follows, please see [P.134-P.140 in 2021 Annual Report](#) for more details.

**Cathay Securities**

**Reasons**

- Fine of NT\$1.44 million and warning. Main deficiencies include information security operations.

**Improvements**

- Completed improvements and strengthened control mechanisms.

**Cathay Century Insurance**

**Reasons**

- Fine of NT\$2.4 million and issued notification to make 5 corrections. Main deficiencies include underwriting, investment analysis and decision-making, file creation management standards, management of transactions with related parties, and information management.

**Improvements**

- Completed partial improvements, including revised internal regulations, reinforced investment analysis reports, optimized system check standards, calibrated the firewall, and monitored the warning operating system; the maintenance mechanism and staffing will be completed by April 30, 2023.

**Cathay Life Insurance**

**Reasons**

- Fine of NT\$1.2 million and issued notification to make 8 corrections. Main deficiencies include solicitation and underwriting, security, mobile insurance application inspection mechanisms (personal information related), overseas loan quality, credit checks, suspicious transactions, stakeholders, and remote connections.

**Improvements**

- Completed improvements; strengthened and optimized system checking and management mechanisms, revised internal regulations, strengthened control mechanisms for employees using computers, and stepped up education and promotion.

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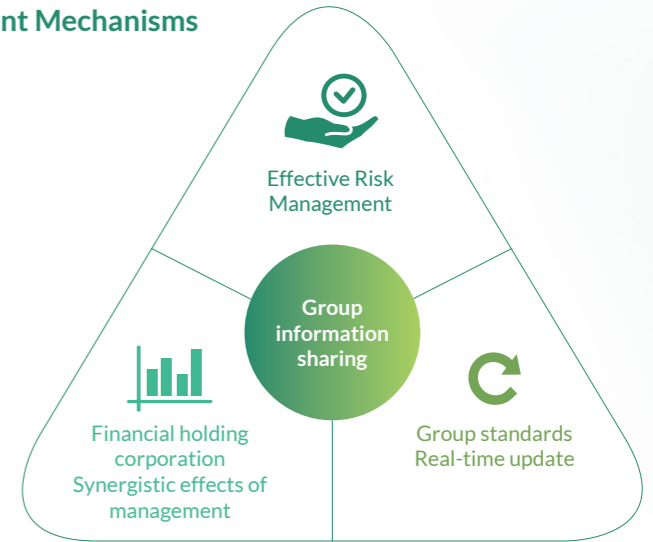
• Developing AML/CFT Mechanisms

We established the AML/CFT Management Guidelines, group-level risk methodologies, risk factors, and important internal control mechanisms, as well as risk warning mechanisms and monitoring indicators. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems by adopting the risk-based approach; we have also included relevant SOPs in the categories of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring measures in terms of high risks. We convened group-level AML/CFT meetings semi-annually in 2021. We will continue to keep pace with the times, conduct studies on more detailed risk assessment methods, and improve our AML/CFT management performance in coordination with Taiwan's APG Report, financial supervision, and actual implementation status. We began to step up the application of technologies and big data in 2016 through external technologies and internal R&D. We took the lead in implementing a group-level management enhancement project, and looked into the use of new technologies, such as RPA, AI, big data analytics, and visualized interface, to improve the Group's AML/CFT performance, integrate operating procedures, and improve transaction monitoring performance.

The group-level "AML Technology Development Team" attempts to resolve current pain points of obtaining risk data based on new technologies and data analytics, as well as its past operational experience and technology trends, in order to utilize Cathay's resources to its fullest. In addition, Cathay utilized new technology to strengthen financial crime prevention in 2021, and received over two hundred letters of recognition from the competent authority for AML transaction management, effectively preventing transactions that amounted to nearly NT\$160 million. We organized and promoted the industry's first public-private workshop in 2021 for cooperation and communication with the supervisory authority. The workshop brought together public and private sectors, and led to numerous amendments to AML regulations and improvements to practices.

• Enhancing AML/CFT Data Sharing and Management Mechanisms

We referenced FATF recommendations and the practices of the Bankers Association of the Republic of China, and established group-level information sharing regulations and platform, so as to improve the synergistic effects of group-level management. There are numerous types of information that are shared to achieve sharing and collective learning of technical knowledge and risk warnings. Types of information include group-level lists, types of suspicious transactions, information on suspicious customers/transactions, and exchange of risk data between subsidiaries. The Company continued to periodically organize and implement the measures in 2021 to improve the group's overall control of AML/CFT, and attaches importance to collaboration between subsidiaries in risk management.



• Promoting Compliance Education Courses and Actively Cultivating Technology Compliance/AML Talent

Cathay arranged diverse compliance education and training courses for different subjects in 2021, and strengthened talent cultivation through case/practical experience sharing and group discussions. We offered online courses in response to the pandemic, and also provide courses aligned with financial supervision trends for offline interactions. Topics included introductions to the basis of compliance, the impact of COVID-19 and response, important international trends in AML/CFT, FinTech and competition law, and hierarchical analysis of stakeholder laws/cases and financial consultant/sales agent behavioral risk management.

We also continue to stably develop the "Compliance/AML Technology Team" and develop the group's compliance/AML expertise and soft/hard power through the combination of digital technology development and compliance practices. We develop interdisciplinary talent with expertise in technology, compliance, or AML/CFT through actual project applications, and improve overall risk management and business results.



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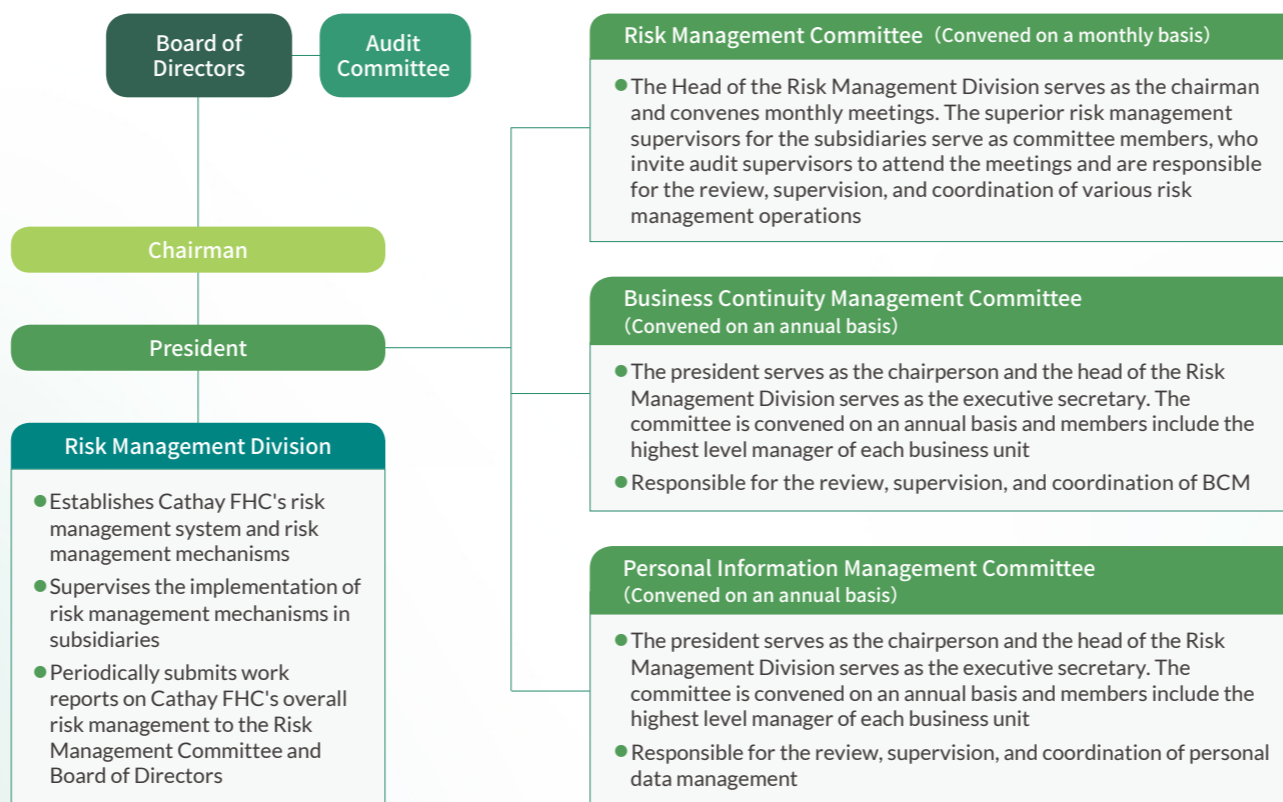
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## 6.4 Risk Management and Internal Control

The risks faced by financial institutions have become growingly complex and diverse in the volatile environment in recent years, and the level of uncertainty with regards to the scope of supervision and financial market environment is unprecedented. Cathay will continue to strengthen its risk management, which covers market, credit, operational, liquidity, capital adequacy, ESG (including climate), reputation, and emerging risks. We identify, assess, respond to, and report risks under the Risk Management Policy, and reinforce our risk culture through three lines of defense.

### 6.4.1 Risk Management Framework

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



### 6.4.2 Risk Management Policy and Reporting Process

Cathay FHC established the risk management policy and individual management guidelines to controls major risks. The Company established the Business Continuity Management Committee Organizational Rules in 2021, and revised the Business Continuity Management Guidelines.

Cathay FHC and major subsidiaries periodically submit reports on the implementation of risk management to the Risk Management Committee and Board of Directors, in order to fully manage the group's risk exposure and examine the compliance with the risk management system.

### 6.4.3 Risk Management Measures and Reporting Mechanisms

We established risk assessment indicators for major risks. All of the indicators were reviewed and approved by the Board of Directors, and are periodically assessed and monitored. Furthermore, we conduct stress tests to assess our capital adequacy given changes in the business environment.

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

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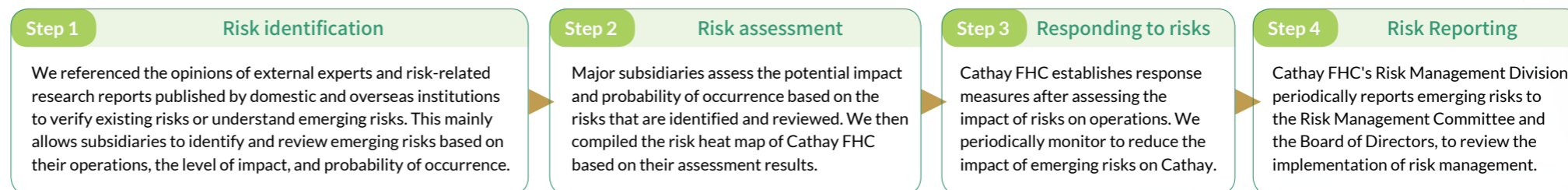
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### 6.4.4 Emerging Risk Management

Facing the growingly complex global financial environment, as well as the growing impact brought by technological developments, extreme weather, and demographic issues, Cathay compiles a group-level risk map each year and reference the opinions of external experts, as well as risk-related research reports published by domestic and overseas institutions, such as the World Economic Forum Global Risk Report, trend reports of consulting companies, and reports of insurance companies, which are used for the identification of emerging risks.

We further formulated response measures for emerging risk issues that Cathay should be concerned about, which were identified through the risk map, and reported to the Risk Management Committee and Board of Directors to explain current risks and the risk management system. Emerging risks identified in 2021 include FinTech, information security, the spread of new communicable diseases, and politics and economic, etc. We also assessed the impact of the risks on our operations and established response measures.

#### Emerging Risk Identification Procedures



#### Evaluation of the impact of the top two emerging risks on operations and response measures :

	Description	Impact on operations	Response Measures
Societal	<p><b>Risks of the spread of new communicable diseases</b></p> <p>Communicable diseases are diseases with a number of confirmed cases in a specific region over a specific period of time that exceeds the expected value or a cluster appears.</p> <p>According to the 2022 World Economic Forum Global Risks Report, communicable diseases are listed as one of the world's greatest risks in the next decade. If the Nipah Virus or other new forms of communicable diseases spread over a large area again in the next 3 to 5 years, we may face possible quarantines of employees or community quarantines, which would impact economic activities such as tourism, entertainment, and consumption. In severe cases, they may cause lockdowns or suspension of industrial production, which would impact the global financial market and increase operational risks.</p> <p>From the perspective of the insurance business, communicable diseases have a direct impact that increases the risk of hospitalization and death of citizens; furthermore, though vaccines aim to prevent the spread of communicable diseases, they may also have an indirect impact on casualties.</p>	<p>Despite efforts of countries to accelerate the R&amp;D and manufacture of vaccines, companies are not completely safe from the threat of viruses due to the insufficient supply and side effects of vaccines. If there is an outbreak of new communicable diseases in the future, the impacts on the Company are as follows:</p> <ul style="list-style-type: none"> <li>● <b>Seek digital transformation in response to business or service interruption</b> <ul style="list-style-type: none"> <li>- In the short-term, to reduce contact and control the epidemic, Cathay employees will not be able to normally enter the workplace. This will make it more challenging for the 26,000 insurance agents to solicit insurance business or provide services face to face. This also creates the risk of operations or services of over 600 business locations around Taiwan being suspended, impacting customer services and company profits.</li> <li>- It will have a mid-term and long-term impact on the Company's business strategy. Cathay has the most policy holders in Taiwan and will inevitably need to search for a new digital transformation model in the post-pandemic stage in response to customer needs and environment changes.</li> </ul> </li> <li>● <b>Hard to maintain investing and lending performance</b> <p>As fear spreads through the market, the decline in investor and consumer confidence may cause a drop in prices for the Company's financial assets. It may also cause the credit quality of companies to deteriorate and increase the risk of default, causing bad assets of loan positions to increase and affecting the Company's profits.</p> </li> <li>● <b>Increase in the amount of insurance claims</b> <p>If a communicable disease is not controlled and causes large numbers of hospitalizations or deaths of citizens, it may result in additional claims expenses from insurance products that were sold, and affect the Company's mortality loss.</p> </li> </ul>	<ul style="list-style-type: none"> <li>● The epidemic prevention emergency response team immediately implements the following business continuity management and processes and response measures for major events: <ul style="list-style-type: none"> <li>- Continue to improve the business continuity management (BCM) plan, consider complex scenarios, stress test results, and large scale events, and conduct drills.</li> <li>- For operation, we establish a backup site with backup personnel, equipment, and data away from the original workplace, and implement split operations (or work from home). Use video conferencing software and internal communication tools and application systems to maintain business operations.</li> <li>- Cathay Life developed the Cathay Vision Experience (CVX) platform to provide a new remote insurance experience when sales agents are soliciting insurance business. It utilizes the electronic signature technology "Cathay signature" to provide customers with an integrated service experience from needs, enrollment, and policy change to claims.</li> </ul> </li> <li>● Periodically track market changes and suitably adjust investment and loan positions to stabilize profits.</li> <li>● Look for reinsurance to transfer risks of insurance payouts and periodically examine the loss ratio of products, and make timely adjustments to rates and the underwriting policy.</li> </ul>

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**Evaluation of the impact of the top two emerging risks on operations and response measures :**

	Description	Impact on operations	Response Measures
Geopolitical	<p><b>Political and economic risks</b> Refers to the economic risk caused by political changes in the country or region of the Company's investments. For example, changes in the geopolitical situation and co-opetition between major countries makes it hard to predict developments in international politics. Many of the top 10 global risks in 2022 listed by the Economist are related to the international political and economic situation, including 1. Worsening US-China ties force a full decoupling in the global economy; 2. Conflict erupts between China and Taiwan, forcing the US to intervene; 3. EU-China ties worsen significantly; 4. An inter-state cyberwar cripples state infrastructure in major economies, showing the rising impact of political and economic risks.</p> <p>In terms of aspects that are impacted, using the war between Russia and Ukraine that started early in the year as an example, international political turmoil not only severely set back financial markets, but might further impact economic development and company profits as the impact of war gradually spreads.</p>	<p>As the largest financial institution in Taiwan, Cathay has the highest market share in Taiwan's insurance market, Cathay's has investing and lending exposure across the world. If the international and economic situation is unstable, it will have the following potential impacts on the Company:</p> <ul style="list-style-type: none"> <li>● <b>Weaker investing and lending performance will lower the Company's profits</b> <ul style="list-style-type: none"> <li>– Short-term impacts: Rising international political and economic risks and fear, especially if the region involves key suppliers, will cause a sudden rise in inflation, it will not only cause greater volatility in the price of financial assets, further escalation of conflicts will also cause investing and consumption confidence to decline, increasing the probability of an economic recession or weakening the ability of companies to repay their loans or refinance. This increases the risk of default and forces the Company to increase its depreciation reserve, which will affect the Company's profits.</li> <li>– Mid-term and long-term impacts: The globalized production model that emphasizes lower prices might change due to geopolitics, and companies will need to consider political and economic risks, which will increase operating costs, reduce profitability, and limit the growth potential of stock prices. Moreover, as supply chains are restructured, it will cause rapid changes in industries and increase the difficulty of choosing investment targets, thus impacting the returns of related operations.</li> </ul> </li> <li>● <b>Customers tend to be reluctant to apply for insurance, thus affecting the Company's insurance premium revenue:</b> If the political and economic factors result in permanent inflation to the extent that the people's income cannot keep in line with it, the fund which consumers may utilize would be squeezed and customers might tend to be reluctant to apply for insurance, thus affecting the insurance premium revenue of Cathay Life Insurance.</li> </ul>	<ul style="list-style-type: none"> <li>● Closely follow changes in the global political and economic situation, assess risks and adjust positions when facing overall risk events and individual abnormal events (target of negative news), and intensify monitoring of countries or regions with relatively high geopolitical risks.</li> <li>● Set limits on national risk level, and periodically examine the credit rating of government bonds issued by each country, other economic indicators, and operational risks, in order to assess the appropriateness of national risk level.</li> <li>● Continue to monitor the credit status of countries the Company has investing and lending positions in, and also strengthen exposure management to prevent assets from being over-concentrated, while paying attention to the quality of loans and investments.</li> <li>● Participate in external political conferences or forums, and improve the Company's judgment of the political environment by increasing cross-disciplinary exchange opportunities.</li> <li>● Continue to monitor premium income from new contracts and develop inflation-protected insurance products, including life insurance with greater coverage, unit link products, and variable annuity, in order to maintain the Company's profits while meeting people's needs for insurance coverage.</li> </ul>

● **Human Rights Risk Management**

Our business locations comply with local laws and regulations for the protection of human rights. We established the Cathay FHC Human Rights Policy and human rights risk assessment process after referencing best practices set forth by international frameworks, including the UN Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights. The process involves conducting periodic impact assessments of stakeholders we shall focus on, and formulating mitigation measures and compensation mechanisms for management. We engaged related parties, including the CS Committee, external advisors, and employees when determining risk issues, and also considered international human rights initiatives, external market trends, and the Group's development strategy, classifying issues based on their risk level and identifying high risk groups for management. Please see P.13 of the [Cathay FHC ESG Report](#) for details on human rights issues and management measures.



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### 6.4.5 Business Continuity Management

Cathay FHC and its subsidiaries have established Business Continuity Management Guidelines and established a Business Continuity Management Committee to strengthen corporate risk response abilities and business resilience. The committee regularly convenes meetings each year to review the implementation status of the business continuity management system. We formulated a Business Continuity Plan (BCP) for different risk scenarios, ensuring that we can resume services as fast as possible when business is suspended due to major disasters, such as severe epidemic situations, natural disasters, information service suspension, or other events. This will allow us to minimize losses, protect customer rights, and maintain business operation. Furthermore, we periodically plan drills for different scenarios to test the effectiveness and completeness of our BCP, and it ensures our emergency response ability when facing major emergencies.

Cathay FHC and Cathay Life became the first in Taiwan to obtain the ISO 22301 Business Continuity Management System Certification and became aligned with international standards in 2021. We also plan to expand to other subsidiaries, such as Cathay United Bank, Cathay Century, Cathay Securities, and Cathay SITE, to make obtaining international certifications their goal, in order to continue improving Cathay's BCM mechanisms.

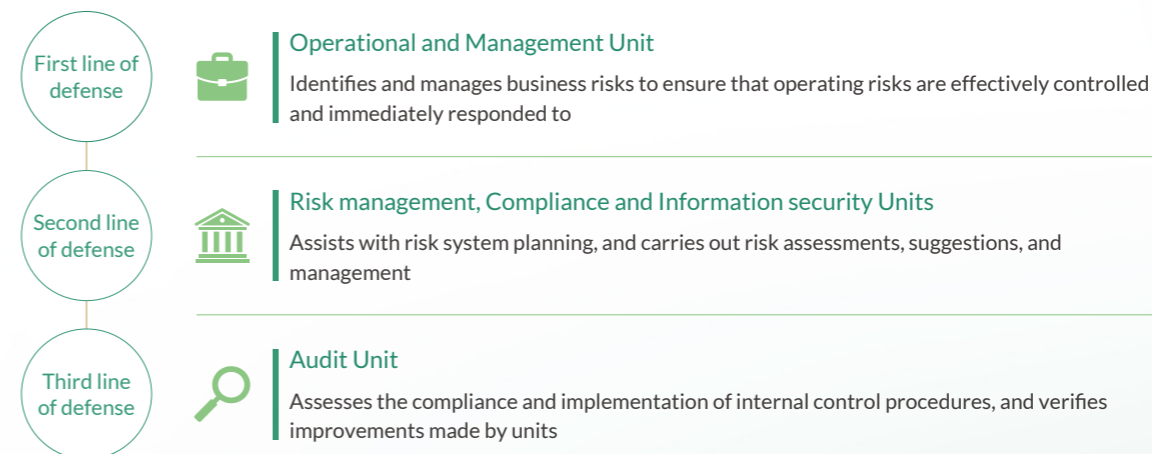


Cathay FHC is the first financial holdings company to obtain the BSI BCM system certification, and Peter Pu (right), Managing Director of BSI Northeast Asia Region personally handed over the certificate to Ching-Lu Huang (left), Chief Risk Officer of Cathay FHC.

### 6.4.6 Deeply Rooted Risk Management Culture

We adopted the three lines of defense model for risk management and internal control, and continue to enhance the model's effects. We adopted the three lines of defense model for risk management and internal control, and continue to enhance the model's effects. The Company's audit unit continued to examine the three lines of defense in 2021. Together with responsible units of the three lines of defense, the audit unit urged subsidiaries to work with responsible units in optimizing the first line of defense (self-audit), second line of defense (risk management/compliance/information security), and third line of defense (audit management) based on our goals.

Units on the second and third lines of defense continue to strengthen internal risk management. Besides publishing monthly law, risk and audit periodicals, sharing information of relevant issues and actual cases of regulatory compliance, risk management and auditing, units conduct compliance and internal control self-evaluations and self-inspections every six months, in order to identify potential risks of each unit and verify that operations are in compliance with related systems.



The Board of Directors and management of Cathay FHC are required to take corporate governance or risk management courses to raise the risk awareness of all employees. All employees in the group are also required to take general education courses on risk management. Training completion rate reached 100% in 2021, and a variety of risk training courses are provided to different subjects based on the business of each subsidiary, so that employees are able to effectively control risks.

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

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## 6.5 Information Security

### 6.5.1 Information Security Mechanisms

Cathay continues to follow Financial Supervisory Commission's "Financial Information Security Action Plan" and take continuous steps to strengthen its defense against security threats, thereby ensuring the security, convenience, and continuity of financial services rendered. Cathay FHC and its subsidiaries have all deployed information security personnel and had an independent information security unit and supervising officer under regulation, responsible for planning, monitoring, and implementing information security management. The implementation status of information security in the previous year is reported to the Board of Directors annually. Furthermore, Cathay FHC has an Information Security Committee that formulates the group's information security policy and implements the management system.

Cathay's latest focal point of information security in 2021 is resilience. Cathay FHC has a cross-company FHC-level Information Security Communications Committee and FHC-level information security incident emergency response team, which is fully dedicated to information security management and quality improvement. Furthermore, to provide prompt alerts to information security risks, Cathay FHC established the Security Operation Center that operates 24/7 in 2020 to monitor the group's information security status and keep track of information security risks. External consultants and emergency response team are also leveraged, which are highly experienced in responding to information security incidents, to provide appropriate and professional recommendations and emergency response support.

Cathay FHC and its subsidiaries have all separately established information security policies, which are subject to approval by their respective board of directors, and all examine the confidentiality, completeness, availability, and compliance of information assets through annual inspections. Cathay FHC's major subsidiaries Cathay Life, CUB, and Cathay Century have all obtained the international certification ISO 27001:2013 Information Security Management System. As of the end of 2020, coverage of ISO 27001:2013 reached 97.2% of the group.

Cathay FHC also began implementing the ISO 27001:2013 framework in Cathay Securities, Cathay Futures, Cathay SITE, and Cathay SICE in 2021, and expects to complete certification in 2022. This will complete the information security governance framework and management system, and reinforce information security incident warning, reporting, and response procedures to provide customers with safe financial services.

### 6.5.2 Considering the design of information security from a business perspective

Cathay adopts the principle of "Security by Design" for its application strategy, and considers how to design information security into new transformation projects from a business perspective. We uphold the philosophy of ex-ante prevention over treatment, and already take security into consideration when we start designing services or business models.

In response to digital transformation, security is not only a part of software or app development from the start, but also the basis of designing innovative service or business models using emerging technologies. Cathay's information security personnel join discussions on innovative service and business models from the beginning of each project, designing security from a business perspective while allowing planning personnel to understand issues information security personnel are concerned about. This further raises information security awareness and creates an information security culture among personnel.

### 6.5.3 Information Security Education and Training

We attach great importance to information security, and periodically organize training sessions while providing a variety of promotion channels to raise employees' information security awareness, so that information security can be properly managed. Cathay FHC and its subsidiaries provide all employees with 3 hours of information security education and training each year, and the completion rate of information security training at all subsidiaries was 100% in 2020. Furthermore, personnel of dedicated information security units must receive at least 15 hours of professional information security training each year.

Furthermore, Cathay FHC and its subsidiaries established a group information and threat intelligence sharing mechanism. Cathay FHC summarizes and generates information security newsletters irregularly each month, and provides the newsletters to the information security units of Cathay FHC and its subsidiaries, raising information security awareness and increasing their sensitivity to information security events.

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### 6.5.4 Information Security Incident Management

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

Cathay Life<sup>Note</sup> and CUB invite vendors to execute white hat hacking tests every year to strengthen their information security capabilities. Cathay Century and Cathay Securities also began participating in the tests in 2021. Different hacking methods are used to analyze vulnerabilities and scenarios that may be attacked by hackers, including connection management, access right testing, privilege escalation. Improvements are made for high risk items in test results, and reinforcement measures are taken to improve the quality of information security. Improvements were completed for 100% of severe risk and high risk items in the test results. Furthermore, Cathay FHC and its subsidiaries all had an external vendor conduct computer system safety evaluations in 2020, which examined information structure, inspected network activity, conducted vulnerability scanning and penetration testing, examined security settings, and examined compliance. We carried out follow-up and improvement measures based on the system security status, and improvements for severe risk and high risk items were all 100% completed to ensure the safety of data.

Note : Cathay Life postponed the execution to February 2022 due to the launch of a new system



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## 6.6 Service Quality and Customer Rights

### 6.6.1 Treating Customers Fairly and Protecting Customer Rights

Cathay has held the business philosophy of being "customer-centric," and aim to provide friendlier products and services that better meet customers' needs in everyday life. Cathay values customers' opinions. We have a number of customer complaint channels and a dedicated unit that handles customer complaints. We also established regulations and the highest principle of "actively handling issues and actively showing concern" that requires our staff to immediately contact customers and propose solutions.

Cathay FHC's subsidiaries Cathay Life, CUB, and Cathay Century all received an excellent rating, the highest level of recognition, in the 3rd Financial Industry Treating Customers Fairly Evaluation in 2021, in which Cathay Life and CUB won the award for three consecutive years and Cathay Century won the award for two consecutive years. Our overall performance was the best in the financial industry, and it shows that we have gained the recognition of customers for treating customers fairly in services.

Company	Customer Complaint Channels and Dedicated Units	Organization / Operations	Key Actions in 2021
Cathay Life	The Customer Relationship Enhancement Department established the "Cathay Life Insurance Consumer Dispute Resolution Procedures" and "Cathay Life Insurance Guidelines for Handling Customer Complaints" to protect consumer rights. It also set up a customer complaint hotline at 02-2162-6205 to optimize the efficiency of handling customer complaints.	<ul style="list-style-type: none"> <li>Organization management: We established the Treating Customers Fairly Committee according to the Treating Customers Fairly Committee Charter. The president is the chairperson and senior executive VP of the Customer Relationship Enhancement Department is the vice chairperson of the committee.</li> <li>Board participation: The Board of Directors receives continuing education according to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, in order to implement corporate governance and improve Board performance. Furthermore, all directors, supervisors, and responsible persons have completed the Company's annual internal training courses.</li> <li>Apart from showing determination to make treating customers fairly a part of the corporate culture and shaping the DNA of Cathay Life, Cathay Life stepped up the implementation of measures for treating customers fairly and established systems in three aspects "policy formulation," "implementation supervision," and "actual participation," in order to effectively enhance Board functions and implement corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>Independent directors actively participate in meetings, seminars, education, and training related to treating customers fairly, and personally provide guidance.</li> <li>The president led the establishment of a section for treating customers fairly, with visualized management tools to monitor the achievement of 9 key indicators before, during, and after sales. We also utilized internal control supervisors to conduct inspections and strengthen the implementation of the principles of treating customers fairly before, during, and after sales.</li> <li>Set a "treating customers fairly day" for business units and periodically organized education and promotion sessions, which deeply embedded the concept of treating customers fairly among employees. We also provide sign language lessons on "treating customers fairly day", so that employees will attach greater importance and be able to better empathize with persons with disabilities.</li> <li>Utilized AI tools to help understand customer needs, resolve problems, and obtain information, made documents easier for customers to understand, provided diverse service channels for customers to more conveniently contact the Company, and provided better services to improve customers' service experience.</li> </ul>
Cathay SITE	The Customer Service Department is the handle complaints dedicated unit, if customers meet the problems with Cathay SITE, can look for improvement via the service hotline (02)7713-3000, e-mail, fax, or visit in person.	<ul style="list-style-type: none"> <li>Implement regulations on annual education and training hours.</li> <li>Periodically report the implementation status to the board of directors each year.</li> </ul>	Reported the implementation status of the principles of treating customers fairly to the Board of Directors in Q1 2022, and adjusted contents of the principles of treating customers fairly in coordination with the implementation status and response to laws and regulations, fulfilling our responsibility to protect financial consumers.



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<p><b>CUB</b></p>	<p>The Customer Service Department is responsible for handling complaints and set up a 24-hour customer service hotline at (02)2383-1000, or call 0800-818-001 on landline; customers can also file complaints by leaving comments on the official website.</p>	<ul style="list-style-type: none"> <li>● Implementing treating customers fairly from a top-down approach: The Board of Directors has created a culture of ethical corporate management and financial consumer protection. The implementation status is reported to the Board of Directors every six months.</li> <li>● The Consumer Dispute Review Committee consisting of senior executives effectively handles customer disputes.</li> <li>● Service Quality Teams led by directors and senior executives: A customer-oriented approach is adopted at the FHC-level, and digital technologies are utilized to improve the quality of customer services.</li> <li>● Education and training are continuously provided to better implement the principles of treating customers fairly.</li> </ul>	<ul style="list-style-type: none"> <li>● Besides actively handling customer complaints, we adopted the perspective of customer rights and systematically managed customer feedback from customer complaints and consumer disputes, we also optimized and adjusted the customer service process to maintain a good customer experience.</li> <li>● Used the chatbot – Alpha to improve customer service efficiency; promoted financial service stations to realize financial inclusion and provide customers with more convenient financial services.</li> <li>● Continued to develop digital finance, launched a number of video chat ID verification mechanisms and Internet banking app security measures, so that customers can enjoy high quality financial services without any worries.</li> <li>● Organized treating customers fairly activities, such as online Q&amp;A, under the leadership of the Board of Directors. All members of the Bank used this opportunity to think about how to implement the principles of treating customers fairly and friendly financial services, and combined regulatory and practical experience to improve the quality of services for financial consumers.</li> </ul>
<p><b>Cathay Century</b></p>	<p>The Customer Service in Contact Center is responsible for responding to customer inquiries and handling consumer disputes, and established the Cathay Century Insurance Consumer Dispute Settlement Procedures to protect consumer rights.</p> <p>Customers can call the customer service hotline 0800-212-880 and provide their real name to file a complaint to Cathay Century.</p>	<ul style="list-style-type: none"> <li>● The principles of treating customers fairly are included in semi-annual compliance self-evaluations to ensure the principles are implemented.</li> <li>● The Treating Customers Fairly Promotion Task Force Meeting is convened on a quarterly basis, and attended by independent directors, the president, and vice presidents of each department to discuss the implementation of policies and improvement plans for customer complaints. Results are then reported to the Board of Directors.</li> <li>● The monthly customer experience management meeting is convened by the vice president that oversees the Customer Service in Contact Center, and aims to quickly respond to and resolve customers' pain points. Senior VP's and managers of related departments are invited to attend the meetings and verify customer experience improvement methods and the corresponding schedules.</li> </ul>	<ul style="list-style-type: none"> <li>● Completed implementation plans and formulated KPI for principles in the first quarter through quarterly meetings of the Treating Customers Fairly Promotion Team, results are tracked in quarterly meetings and reported to the Board of Directors for review and supervision. The 2021 team meeting added a segment on friendly services, reviewed care measures for persons with disabilities and elderly people, and tracked improvement measures to provide friendly services.</li> <li>● Continued to follow the four steps: "search, optimize, track, and verify" and looked into, classified, analyzed the underlying cause, and made improvements for complaints that appear with relatively high frequency each quarter. Reported results during meetings of the Treating Customers Fairly Promotion Team, tracked the progress of improvements to the underlying cause, and reported it to the Board of Directors every six months.</li> <li>● Organized the internal "iCARE Service Awards" to deeply embed the culture of treating customers fairly in services, set out from the perspective of customers, and brought together employees for brainstorming, focusing on ideas for friendly services and product designs for persons with disabilities in 2021; received a total of 82 proposals for the event.</li> </ul>
<p><b>Cathay Securities</b></p>	<p>Pursuant to the Enforcement Rules for Handling Customer Complaints and Financial Customer Dispute Settlement Procedures, the dedicated customer complaint unit at Cathay Securities is the Digital Operations Center, which is responsible for handling customer complaints and case closure.</p> <p>Customers can ask questions by calling the customer service hotline (02)7732-6888 or visiting the official website.</p>	<ul style="list-style-type: none"> <li>● Organization management: Established the Treating Customers Fairly Committee according to the "Treating Customers Fairly Committee Authority and Organizational Rules", in which the Company's president serves as the convener, and appointed a division head as the vice convener.</li> <li>● Organization operations: Pursuant to the guidelines above and the "Principles and Strategies for Treating Customers Fairly," the Treating Customers Fairly Committee periodically collects information on project and implementation results, convenes quarterly and annual meetings, and prepares implementation reports on the principles, policies, and strategies for treating customers fairly, which are submitted to the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>● The Treating Customers Fairly Committee established in 2021 replaces the original Treating Customers Fairly and Service Quality Team, and was upgraded to a higher level of authority after establishing the Treating Customers Fairly Committee Authority and Organizational Rules.</li> <li>● Periodically reviewed goals and implementation results under the Company's "Policy and Strategy for the Principles of Treating Customers Fairly", developing towards a digital securities firm that listens the most to the voices of customers.</li> </ul>

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## 6.6.2 Raising customer satisfaction and creating service value

Cathay FHC has made active efforts to become a part of customers' social circle through a variety of channels and comprehensive services based on the core values of integrity, accountability, and creativity. 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 has a Service Quality Committee that sets the Group's service policy based on the principles of protecting customer rights and treating customers fairly. The committee periodically reviews service strategies and projects together with each subsidiary. Meanwhile, the Service Quality Team assembled by each subsidiary plans, implements, and follows up on service quality improvement plans, and listens to the voices of customers so that the Group can continue to provide higher quality services.

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

Company	2019 Satisfaction (%)	2020 Satisfaction (%)	2021 Satisfaction (%)	2021 Satisfaction Goal (%)	Satisfaction Performance
Cathay Life	94.3	97.7	98.5	90	Overall satisfaction with policy holder services increased 0.8% compared with the previous year. After comparing surveys in 2020 and 2021, we gained a clearer understanding of the pain points and differences in each aspect of our services. We then found the underlying cause and determined a course of action, and continued to track and improve the customer experience in various services.
CUB	91.5	92.5	92.6	90	Satisfaction with the Customer Service Center reached the goal and increased 0.1% compared with the previous year, maintaining high customer satisfaction. Focused on each contact with customers to first make improvements to issues that customers are the most concerned about and affects their satisfaction.
Cathay Century	96.8	97.3	97.8	90	The overall satisfaction of policy holders has risen by 0.5% compared to the previous year and it has been increasing for 3 consecutive years. Cathay Century will continue to improve customer experience through building tools such as 0800 intellectual service system and for controlling claim process.
Cathay Securities	98.3	86.0	89.8	90	Continued to work with external consulting companies and conducted qualitative interviews and quantitative surveys, which complement each other for continuous improvement, providing the best digital experience to satisfy customers and achieve the highest customer satisfaction.
Cathay SITE	89.1	89.25	90.94	88	Continued to maintain good interactions and relationships with customers, understand customers' potential needs, and service satisfaction.

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### 6.6.3 Improving the service experience to satisfying customers' needs

#### • Examining service nodes based on NPS to effectively improve the service experience

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

	NPS framework deployment	Key breakthroughs in 2021
Cathay Life	Established 15 service nodes in the customer journey from online to offline, periodically examined NPS changes through an automated dashboard and the customer response management back-end, and formulated strategies for optimizing the customer experience. Tracked the performance of cross-departmental cooperation during quarterly service quality meetings to improve the quality of services.	Increasing digital experience and the familiarity of sales agents is key to achieving a higher NPS, and the two complementing each other is key to offering an omni-channel experience without any break points. Our rNPS increased from 16.6 in 2020 to 21.1 in 2021, showing that our overall service performance has gained customers' support and recommendations. Commissioned an external professional consultant at the end of 2021, continued to update the customer experience map, optimized the distribution of nodes, and analyzed key factors of the customer experience to further improve overall NPS.
CUB	The Customer Service Center began conducting tNPS surveys during customer calls each day, and analyzed the correlation between feedback from questionnaires, the reasons for the calls, and products purchased by customers; this served as the basis for exploring deficiencies in the customer experience, providing feedback to relevant units each month for formulating strategies to better meet customers' needs. Established the digital platform NPS mechanism, and used NPS along with customer interviews or ease of use testing to help achieve a platform experience design that better meets users' needs and expectations.	The Customer Service Center's tNPS was 62.4 points in 2021, up 1.0 compared to the 61.4 in 2020, and shows that overall services are supported and recommended by customers. The annual rNPS of the mobile banking APP in 2021 was 40, an increase of 2 points compared with 2020; the proportion of detractors also decreased from 15.5% in 2020 to 14.7% in 2021. The result indicated the service optimizations on digital platforms were recognized and recommended by our customers. The mobile banking APP also keep ranking first among customers in CUB compared with other domestic competitors.
Cathay Century	Deployed a total of 27 nodes online and offline. Besides keeping track of customers' opinions through the NPS opinion management back-end and visualized graphs each day, also attempted to replicate the customer experience at each node through quarterly meetings and cross-departmental communication and cooperation, in order to find core issues and potential solutions to provide customers with a better service experience.	Cathay Century added 2 new digital channel nodes and maintained a stable score in 2021. In terms of physical channels, its score for personal claims closure and service counters remained stable, while its score for inbound customer service improved 6 points, maintaining a stable tNPS. Furthermore, its rNPS also slightly increased, which shows customers' support and willingness to recommend Cathay Century's overall services.
Cathay Securities	Reviewed customer service records and established 6 NPS service nodes for testing. An NPS questionnaire is issued after customers experience services, customer service representatives make calls in response to recommendations customers make on the NPS questionnaire, so as to understand the usage of service nodes by each customer. Cathay Securities continues to optimize the customer service experience through cross-departmental communication and collaboration.	Added 2 new tNPS service nodes (stock withdrawal and securities account closing) in 2021, making improvements both online (8 nodes) and offline (4 nodes). Completed the development of T+1 chatbot payment notice, and continued to stably improve the satisfaction of each node through interactions and feedback from customers.
Cathay SITE	Collected customers' recommendations or opinions on the company's brand, products, and services through satisfaction and NPS surveys, into catch effective feedback from the survey results for constantly improving customer service experience.	NPS was 62 points in the 2021 satisfaction survey, an increase of 16% compared with 2020, showing that customers strongly support and recognize Cathay SITE's efforts in products and services.

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• **Further upgrading chatbot – Alpha to create stable services through human-machine collaboration**

Cathay FHC's DDT and subsidiaries jointly developed a next-generation "two AI brain" chatbot – Alpha that combines business processes with the experience of customer service personnel talking to customers. The "FAQ brain" answers questions frequently asked by users, and the "NLU brain" handles more complex and unclear questions. In 2020, application scenarios of "Alpha" expanded from CUB and Cathay Life to Cathay Century, Cathay Securities, and Cathay SITE, which made Cathay FHC the only financial institution in Taiwan to provide a chatbot for all scenarios.

After the new generation Alpha was launched in channels of Cathay Century, Cathay Securities, and Cathay SITE, it accounted for an increasing percentage of customer services, reaching 90% for Cathay Securities and 50% for both Cathay Century and Cathay SITE with user satisfaction reaching 4.8 stars (5 stars in total). Furthermore, CUB and Cathay Life's monthly average number of incoming calls to Alpha has surpassed 1 million, accounting for 60% and above of overall customer service calls. In the future, Cathay will plan even more applications for group-wide users to enjoy personalized active services, and also allow Alpha to develop from a chatbot into a comprehensive AI assistant.

• **Smart Customer Service Center further upgrades the customer service experience, the only one to receive international recognition in Taiwan**

Cathay Life is developing a new Smart Customer Service Center and launched the chatbot service in 2020. It further launched a smart workbench in 2021 to more quickly solve customers' problems. When policy holders are on the phone, the smart workbench will display customers' personal information and past interactions with the Company, so that customer service personnel will be able to gain an overall understanding of customers beforehand and quickly formulate a solution. Customer service personnel can predict the questions customers call in to ask through big data analytics, and actively retrieve contents for responses, improving overall customer service efficiency to provide a smoother customer experience. Furthermore, we value clients and customers and implemented the call-out robot service in the Smart Customer Service Center. When customers are enrolling in insurance, calls are made to new policy holders to show concern about the state of services, and provide channels for solving any problems they may have, allowing customers to easily manage their own insurance policies.

Cathay Life won "The Stevie Awards For Sales & Customer Service" for 5 consecutive years. Besides winning "Best Customer Service Center," "Customer Service Department," "Innovative Customer Service Award," and "Best Technology Application," Cathay Life further gained the international recognition "Outstanding Customer Service Training" and became the only financial institution in Taiwan to win the award in the last two years.

**6.6.4 Personal Information Protection**

• **Sound Personal Information Management System**

Cathay FHC established the Personal Data Management Committee to implement personal data management, in which the president serves as the chairperson of the committee. The Risk Management Division is responsible for managing personal data, and is responsible for the planning, supervision, implementation, review, and improvement of Cathay's personal data management according to the committee's resolutions. Facing the rapid development of new technologies and new attacks, we have implemented strict measures to protect customers' rights and interests. Cathay FHC's primary subsidiaries, Cathay Life, CUB and Cathay Century have all obtained the international certification BSI 10012:2017 Personal Information Management System. Aside from becoming aligned with international privacy protection trends and international standards through international certification institutions, we are also continuing to improve personal data management through annual third party verification and the PDCA model, in order to ensure the effectiveness of personal data protection.

Cathay FHC and its subsidiaries declare that they respect customers' personal information in accordance with the law in the Privacy Policy on their official website and explain how they collect, use, and protect the information. We only provide specific personal information to third parties providing products and services after obtaining customers' consent. We may update the privacy policy in coordination with law amendments and the latest technologies at any time to protect users' personal information and customers' rights. If customer has any questions regarding this privacy policy or the use of his/her personal data, customer can contact service personnel via the contact information provided on each official website.





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**• Solid Personal Information Management Mechanism**

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

With regard to the personal data retention period, unless otherwise stipulated by the law or in the contract, when the specific purpose for personal data collection disappears or the period expires, all personal data will be deleted or no longer processed or used, and we will retain log files or relevant evidence for at least five years.

In addition to the Personal Information Protection and Administration System (PIPAS) established by CUB, Cathay Life established a private cloud "Personal File Administration Classified Section" in 2020, which improves personal information protection by limiting the personnel with access rights and the time that files can be accessed, thus lowering the risk of important personal information stored on personal computers being leaked.

As for disciplinary action for violations of personal data protection, in addition to the penal provisions in the Personal Data Protection Act, Cathay FHC explicitly states in the Personal Information Security Management Regulations that in the event the Company's employees violate personal data protection regulations and affect the rights and interests of the Company and customers, disciplinary action will be taken by the personnel management unit.

Furthermore, major subsidiaries maintain the effectiveness of their personal information certifications each year to keep our personal information management mechanisms up to date. Cathay Life (subsidiary) implemented PCI DSS in 2020 to enhance encryption and access mechanisms, and expects to obtain the certification of international credit card organizations in 2021 to ensure transaction security for policy holders.

**• Complete Personal Information Protection Education and Training**

Cathay FHC organizes annual campaigns, education, and training for raising all employees' awareness towards personal information protection, so that they understand the regulatory requirements, the scope of their responsibilities, and the various mechanisms, procedures, and measures related to the protection of personal information. The completion rate of personal information training of Cathay FHC and its subsidiaries was 100% in 2021.

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

**• Continually strengthen response measures to personal data incidents**

Cathay FHC and its subsidiaries have all established emergency response procedures and periodic drill mechanism for infringement incidents, and established the cross-departmental emergency response team and regulations for reporting and handling. We enhance the response abilities of employees through periodic drills, preventing the impact of personal information breach incidents on the Company. Besides minimizing the harm caused to parties involved, we also verify the effectiveness of internal operating procedures to identify any deficiencies and continue to improve our personal information protection measures.

Cathay FHC and its subsidiaries attach great importance to personal data protection. The Financial Supervisory Commission announced 1 fine in 2021 through complaint channels. We had 11 data breaches events in 2021, in which 100% of data breaches events was involved with personally identifiable information. 6,520 customers were affected by such violation. After looking into the cases, we found that most cases were the result of sales agents neglecting to inform customers of third parties, but none involved personal information leakage or infringement of customers' privacy. We have obtained the customers' understanding and will continue to step up education and training for service personnel. Cathay FHC will continue to strengthen and monitor the use of customers' personal information, and improve related protection measures to reduce personal information breach incidents.

**Table: Cathay's Customer Personal Data Related Cases in 2021**

Personal data related cases	Announcements of the competent authority	Self investigation
Cathay FHC	0	0
Cathay Life	1	9
CUB	0	0
Cathay Century	0	2
Cathay Securities	0	0
Cathay SITE	0	0
<b>Total</b>	<b>1</b>	<b>11</b>

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## 6.7 Digital Finance

Cathay FHC is a first mover in digital finance innovation, and sets out from customer needs when promoting group transformation through digital, data, and technology, advocating the reshaping of the digital development process based on a data-driven culture. Therefore we established a digital platform with the "Cathay as a Service (CaaS)" as the core concept. The platform serves as the main portal for partners in other industries to come in contact with Cathay, and also provides partners with APIs and data-driven financial solutions for one-stop digital services and experience, not only helping companies create new business opportunities, but also enabling safe and convenient business dealings in the new norms of life after the pandemic.

### • Cathay FHC Annual Conference on Technology

Cathay FHC became the first financial institution in Taiwan to organize an annual conference on technology in 2020. We further collaborated with the world's top three cloud service providers - AWS, Google Cloud, and Microsoft in 2021, and organized the "2021 Cathay FHC Annual Conference on Technology." The event shows that Cathay utilizes innovation capabilities accumulated over the years, as well as its control over data and emerging technologies, to agilely respond to rapidly changing user requirements, technological innovations, and market competition in the new norms after the pandemic.



Cathay FHC has held an annual conference on technology to gather abundant transformational energy in the market and join peers and participants from other industries to drive the development of FinTech in Taiwan.

### 6.7.1 Digital

#### • Cathay Open Finance – One-stop digital financial services make excellent and convenient experiences

Cathay FHC aims to develop a one-stop financial experience for everyday life – "Cathay Open Finance", which links together banking, life insurance, property insurance and securities services through API connections, removing barriers between products and processes through collective efforts, so that customers do not need to run around and repeatedly access different apps, and will be able to easily enjoy the excellent experience and convenient financial services.

CUB is standing in customers' shoes and integrating financial services from different subsidiaries or platforms to achieve this goal. MyMobiBank app owns the strictest identity verification system in all Cathay subsidiaries and utilizes single sign-on (SSO) and OpenID mechanisms to create a one-stop experience without any break points, allowing customers to access digital services from different subsidiaries with only a single set of password.

Cathay FHC also integrated digital financial services of CUB and Cathay Securities, and became the first in the industry to allow customers to open securities accounts stocks and sub-brokerage investment on the MyMobiBank app. We also integrated all investment information for customers to see their bank savings, securities investments, and return on investments at a glance, helping customers generate passive income while providing a significantly better digital experience.



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• **Enhancing identity verification, first applying "direct" facial recognition, and offering online video customer services to resolve customers' pain points**

CUB is actively improving the online to offline (O2O) experience of bank-wide customers. After CUB launched FIDO biometrics (facial, fingerprint) login on the MyMobiBank app in 2020, it led the industry in using the facial recognition mechanism of "direct" identification technology in 2021. Customers can use the facial recognition function as long as there is a camera, regardless of smartphone brand and model. The function covers 11 O2O services, including enabling and using non-designated account transfer, adjusting the ATM withdrawal limit, resetting the Internet banking password, checking KOKO credit card information, facial registration, cardless withdrawal by smartphone, application for digital foreign exchange account, bank employee login, ATM withdrawal, and linking the TDCC app to CUB account. The use of "direct" facial recognition to verify transactions prevents password leakage and fraudulent use, and resolves the pain points for customers and provides a smoother and more convenient financial experience. For example, customers should visit to physical branches when they forget their Internet banking password and need to reset it. Or they are not able to withdraw cash from ATM when they forgot to bring their debit cards.

Furthermore, CUB also led the industry by providing 7 online video customer services on the MyMobiBank app and KOKO app, including: application to reset Internet banking password, facial recognition registration, change of mobile phone number, upgrade KOKO Internet banking password, enable designated account services/set designated account, upgrade digital deposit account to Type 1-1, and open Type 1-1 digital savings account. Customers are able to quickly complete applications on their smartphone without visiting a physical service counter, providing an online branch experience without time and spatial limits. We combined biometrics technology with numerous verification mechanisms at the back-end to improve the accuracy and information security of identity verification, providing better information security and a convenient experience at the same time.

• **Cathay as a Service (CaaS) ecosystem services connect the new world after the pandemic**

Cathay FHC implements digital transformation via a data-driven culture and digital platforms, and proposed the concept of Cathay as a Service (CaaS) in 2020. We jointly launched many innovative business models driven by digital technology and data with partners in different industries, and embedded Cathay's financial services in different scenarios, redefining our relationship with consumers and partners. We further established the "CaaS Ecosystem Service Platform" in 2021 to respond to the needs of corporate customers in the new era.

The CaaS Ecosystem Platform combines diverse financial services offered by Cathay FHC and its subsidiaries, and moved offline business processes and dealings to a single integrated and transparent online portal. The platform offers all major corporations, SMEs, and startups an equal opportunity to access the full array of financial services and resources powered by Cathay FHC. The CaaS Ecosystem Service Platform builds up a cross-subsidiary API management mechanism and integrates the latest technologies to fulfill business needs, while meeting the regulatory requirements and information security standards from different subsidiaries.

The CaaS Ecosystem Service Platform is a portal for cross-industry collaboration and business negotiations, and is able to resolve sporadic and complicated business negotiation process in different partnerships and scenarios. The platform allows companies in different industries to jointly try new businesses and proof of concept (POC) with Cathay, in hopes of further expanding ecosystem scenarios. This allows corporate customers to enjoy a more secure and convenient collaboration experience in digital finance, and jointly create new business value and opportunities.



CaaS Ecosystem Service Platform covers five major scenarios, including shopping and purchases, travel protection, health promotion, home life, and financial services. The platform provides group-integrated digital finance services even while the pandemic is prevalent to engage in the cross-industry cooperation and create maximum business benefit and value.

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• **Cathay Vision Experience (CVX) offers insurance enrollment, security, claims, and premium functions**

During the unexpected outbreak of COVID-19 in May 2021, Cathay Life became the first insurance company to obtain approval for providing remote insurance enrollment services on a trial basis. Cathay Vision Experience (CVX) is a remote insurance enrollment platform developed by Cathay Life. Unlike face-to-face insurance enrollment, which consumes both time and manpower, users only need to turn on Webex on their smartphone, and then use "Cathay signature" in Cathay Life's app for an electronic signature to complete insurance enrollment. Unlike other insurance companies that only provide remote insurance enrollment services, CVX also has security, claims, and premium functions, allowing users to complete various insurance services by making a single stop. The services gathered together 26 departments to jointly resolve issues with product planning, IT design, customer services, and regulation. According to statistics, in the three months since CVX was launched, the number of remote insurance enrollment cases surpassed 60,000, leading the market by far as it accounted for approximately 60% of overall life insurance enrollment via video chat.

• **Record high performance in Southeast Asia, Cathay Insurance Co., Ltd. (Vietnam) offers new digital financial services**

Cathay's SEA Team assists the local team in Vietnam to effectively develop FinTech, and strives to fully digitalize property insurance services, aiming to improve the customer experience and convenience. Internally, we developed the Smart Agent Go (SAG) app based on the concept of smart operations and mobile office. The app provides mobile insurance application functionality for scooter and vehicle insurance, travel insurance, and accident insurance, case progress inquiry, and renewal notification when policies are about to expire. The app not only effectively resolves the pain point of time-consuming manually process, but also improves the sales efficiency for sales agents in Cathay Insurance Co., Ltd. (Vietnam). At present, utilization of SAG has reached 98%, and it only takes 3 minutes to help customers buy insurance at any time and any place, which has made the app highly popular among sales agents.

Externally, we launched a new official website which is taking customer experience as the center and available on both computers and smartphones. It is a breakthrough of product-information-only services in the past, and it's user-interface-friendly with graphic descriptions and scenario-based examples with more detailed information on insurance products. The website also emphasizes a smooth experience of claiming and applying processes. Since the website was launched for the first six months, the number of visitors has surpassed 60,000, and the number of members has surpassed 7,000.



The new official website of Cathay Insurance Co., Ltd. (Vietnam) uses a friendly user interface with graphic descriptions and scenario-based examples to provide more detailed information on insurance products. The website also emphasizes a smooth experience for claiming and applying processes.

**6.7.2 Data**

• **"Mix and Match" digital personal insurance platform meets the needs of the digital native generation to pick and choose**

In 2021, Cathay Life launched the industry's first digital personal insurance platform "Mix and Match" based on the philosophy of being user experience-centric. The platform meets the needs of the digital native generation on autonomy, and transparency, and breaks down packaged insurance products with multiple coverage items into component insurance products with a single coverage item. This allows users to flexibly choose the coverage they need and easily put together an insurance policy within their budget. "Mix and Match" provides a wide variety of one-year insurance products with simple payout terms and transparent premiums. Whether customers are buying insurance for the first time and do not have any clue what they are doing, or are familiar with insurance and simply looking to fill a gap in their coverage, they can freely browse and choose coverage items on the "Mix and Match" digital platform, which comes with a professional consultant, to quickly obtain suitable insurance that meets their needs.



Cathay Life has launched its digital personal insurance platform "Mix and Match", an insurance service designed for easy-to-understand protection, transparent premiums, and simple mixing and matching, providing users with a new experience in applying for digital insurance that meets their needs.

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● **groupins+ digital group insurance platform offers a customized e-commerce insurance enrollment experience through the framework of a micro-service middle platform**

Cathay Life announced the digital group insurance platform "groupins+" in 2021, and utilized the middle platform micro service framework and domain-driven design to define the team's common language, offering a group insurance service experience similar to online shopping. groupins+ not only provides corporate customers with group insurance packages, but also allows them to adjust the insurance amount and freely choose a suitable combination for the scenarios of different industries. groupins+ immediately provides an online price quotation on this basis. This resolves the pain point of corporate customers needing insurance personnel to adjust their coverage and waiting several days to receive a price quotation when buying group insurance. It provides corporate customers with a better service experience and also shows Cathay's digital transformation results.



Based on its "micro-service middle-platform architecture," Cathay Life has built a digital group insurance platform "groupins+", which effectively solves the pain points of corporate customers by use of its customized e-commerce group insurance services.

● **Open Data Cloud offers a wide range of data on a single platform, collecting big data for application in business scenarios**

Cathay exerted great effort to develop a shared database as it was developing the Cathay Ecosystem Sharing Blueprint, so that the data and information collected through different channels can be shared throughout the group. Open Data Cloud resolves pain points of subsidiaries when collecting, accessing, and using data, and also meets internal and external needs to obtain and share data. Open Data Cloud is an open database that provides 7 dimensions of raw data (demographics, geographic information, building information, public information of legal persons, macroeconomic indicators, public information of natural persons, and financial indexes), such as company registration data and traffic accident data. It also has a value-added database with 10 dimensions (private consumption and living functions, information on industry and legal persons, land and buildings, healthcare, safety and social welfare, demographic structure, macroeconomics and finance, energy environment and sustainable ecology, government policy and law, public information of natural persons, digital footprint and public opinion), such as regional consumption characteristics, convenience in daily life, business activity, and other value-added data of business scenarios, making the database more complete. Open Data Cloud gathers

and processes data for use by subsidiaries. Since the open data imported is in the same format, it is significantly more convenient for subsidiaries to use, and the platform also provides group-level "data content" services to help subsidiaries make business decisions that will maximize commercial value.



"Open Data Cloud" provides a more extensive, more abundant, and more diverse range of data for each subsidiary to use in its operations, decision-making, marketing, and other aspects, thereby reducing the cost and time when obtaining homogeneous data.

6.7.3 Technology

● **Global trade sharing blockchain, working together to strengthen risk management**

Cathay FHC DDT actively engages in the R&D and application of blockchain technology, and utilizes its own rapid mining and chain building ability, which is uncommon in the industry, to help Cathay and subsidiaries develop innovative business models and services.

After launching the first blockchain project "electric vehicle Internet of vehicles blockchain finance platform" in 2020, Cathay FHC and CUB collaborated with other financial institutions in 2021 in launching the "global trade sharing blockchain." The project is the first in the industry to obtain approval from the Banking Bureau, FSC to be implemented on a trial basis. This technology can be used to prevent companies from taking out multiple loans from different banks and strengthen risk management. The two largest container shipping companies in Taiwan – Yang Ming Marine Transport Corp. and Evergreen Marine Corporation have also joined and provide information on bills of lading on the platform. The information allows banks to strengthen the verification of information for loans.

Cathay FHC has the ability to build its own blockchain, which is rare in the industry, and the Blockchain Team of the DDT provided the Blockchain Deployment Kit it developed on GitHub as open source software at the end of 2021. Cathay is the first financial institution in Taiwan to provide blockchain technology as open source software for use by communities, and hopes to help partners in all industries to rapidly deploy blockchain, accelerating the deployment of the alliance chain.

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**• Cathay Financial Innovation Lab partnered with startups across the world in proofs of concept for 10 financial innovations**

Cathay FHC implemented the Cathay Financial Innovation Lab Project in 2019 to stay up-to-date on the latest development trends of innovative technologies. We organized a large scale selection and worked with startups across the world that have mature technologies and development potential. The DDT brings together Cathay Life, CUB, and Cathay Century in proof of concept (PoC) for financial services, and introduces advanced technologies to improve business performance, while improving the digital user experience of Cathay's customers.

We focused on AI identity verification, health ecosystem, and investment management for PoC, and a total of 823 startups submitted applications to Cathay in 2021, double the number compared with the previous period. In the end, we selected 15 startups across Europe, America, and Taiwan, and jointly implemented the PoC of 10 FinTechs. A Taiwanese startup was selected for the first time in 2021 and shows Taiwan's strong innovation capabilities.

 **Cooperation in AI identity verification  
AuthMe**

We collaborated with AuthMe, a Taiwanese AI identity verification company, to make digital identity verification faster and more accurate during the pandemic. The use of eKYC ID document verification and biometrics technology allows us to quickly verify the ID documents and identity of customers remotely. The assistance of facial recognition and liveness detection technology allows us to manage risks while developing contactless services.

 **C medical technology collaboration  
NuraLogix**

We collaborated with the Canadian startup NuraLogix in developing "AI facial measurement health data," which uses remote photoplethysmography (rPPG) technology to generate health data, such as heart rhythm, breathing, mental stress, and cardiovascular disease risk using AI algorithms based on the image of the user's face on the camera, helping raise customers' health awareness.

**6.7.4 People**

**• Cathay embraces the DNA of innovation**

Cathay FHC celebrated its 50th anniversary in 2012, which is when we included innovation as a core value, and proposed the spirit of "What if We Could" for transformation in 2019. Cathay FHC celebrates its 60th anniversary in 2022 as it is accelerating digital transformation. Cathay's digital data related talent has surpassed 1,100 employees distributed in Cathay Life, CUB, and Cathay Century, creating a positive impact on Cathay's digital transformation. This has influenced other employees to embrace innovation and make it a part of their DNA. Subsidiaries continue to use their "situation room" as their command center for digital transformation, and the job rotation system makes organization operations more flexible, and makes agile, diverse, and quick decision-making the norm. Innovation gives customers wonderful new experiences and further improves the efficiency of internal operations.

**• Taichung CDC develops digital innovation in Southeast Asia and assists Cathay in expanding in Asia**

Cathay FHC established Cathay Development Center (CDC) in Taichung Wuri to expand overseas markets with its digital financial capabilities. CDC is responsible for digital development and innovative businesses of CUB, Cathay Life, and Cathay Century in Southeast Asia, and will serve as an information hub and headquarters for technology output to overseas markets, developing digital products and middle platform development systems for various markets. CDC recruits professional digital data talent from the north and south of Taiwan, increases the technology R&D momentum in central Taiwan, and utilizes digital, data, and technology to support Cathay in expanding its presence in Asian markets.

Cathay FHC's subsidiaries have opened branches and service locations in Vietnam, the Philippines, and Malaysia, and initially focused on corporate banking to serve Taiwanese businesses. In recent years, we have been developing towards consumer banking, but have had trouble competing with local financial institutions in many areas. Digital finance will be the breakthrough we need for transformation and development in Southeast Asian markets.

For example, Cathay Life has about 5,000 sales agents in Vietnam, and it will develop an online insurance enrollment platform or even work with local companies, in order to seize market share through an ecosystem. All of these transformations may involve upgrades to the core system or the planning of new information frameworks. In the future, after the head office of Cathay FHC formulates the strategic direction, Taichung CDC will carry out information system development and provide important support for Southeast Asian markets.

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## 7.1 About this Report

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

### • Reporting Period

Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2020 Corporate Sustainability(CS) Report issued in June 2022 presents Cathay FHC's economic and environmental (E), social (S), and governance (G) performance in 2021 (1/1-12/31). The report allows all stakeholders interested in Cathay's performance to understand Cathay's efforts in various issues. Chinese and English versions of Cathay FHC's CS Report can be downloaded from the "Corporate Sustainability" section on our website. The last edition was released in July 2021.

### • Basis for this Report

This report is compiled in accordance with the core options of the GRI Standards of the Global Reporting Initiative (GRI). 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, Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, and Sustainability Accounting Standards Board, SASB. Restatements of information in this report are described in their corresponding chapters. The financial data in this report is audited by Deloitte & Touche (Taiwan) and published in Cathay FHC 2021 Annual Report. The non-financial data is based on the declared information to competent authorities or audited by external management system accreditations authorities.

### • Report Verification and Assurance

The Company entrusted BSI Taiwan to verify its report based on the GRI Standard - Core Options and AA1000 AS v3 Type 2 high-level assurance. Its independent assurance statement is published as an appendix to this report.

The Company has engaged PwC Taiwan to perform assurance procedures on the selected sustainability performance information of its sustainability report compiled based on the GRI standard and the selected sustainability performance information in relation to SDGs 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" (references ISAE 3000), to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendices of this report.

	Standard	Inspection/ Assurance Institution
∞ Sustainability Data	AA1000AS v3 Type 2 high-level assurance	BSI Taiwan
	Statement of Assurance Principles No. 1, Audit and Review of Non-financial Information	PwC Taiwan
💰 Financial Data	Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China	Deloitte & Touche (Taiwan)
🌍 Environmental Data	ISO 14064-1:2018 Greenhouse Gas Inventory ISO 20400:2017 Sustainable Procurement	BSI Taiwan
	ISO 14001:2015 Environmental Management Systems ISO 50001:2018 Energy Management Systems	

● Company Name	Cathay Financial Holding Co., Ltd.
● Date of Incorporation	December 31, 2001
● Brand Spirit	Rediscovering Happiness
● Core Values	Integrity, Accountability, Innovation
● Headquarter Address	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
● Contact Department	Corporate Sustainability Office, Cathay FHC
● Mail	csathay@cathayholdings.com.tw
● Tel	+886-2-27087698
● Full-time Employees	46,626
● Total Assets	NTD\$ 11.59 trillion
● Capital	NTD\$ 147.03 billion
● Publishing Institution	Corporate Sustainability Office, Cathay FHC
● Corporate Sustainability Website	<a href="https://www.cathayholdings.com/holdings/csr">https://www.cathayholdings.com/holdings/csr</a>

Note : For MSCI Climate VaR, CvAR data used throughout this report: Although Cathay's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/ or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.



## 7.2 ESG Performance Data

### • Sustainable Finance Performance Data

**Table 1 Themed Investing/Lending**

As of December 31, 2021

Unit : NT\$billion	2018		2019		2020		2021	
	Investment	Loan	Investment	Loan	Investment	Loan	Investment	Loan
Low Carbon	132.7	18.3	142.5	22.7	174.8	25.2	207.6	31.4
● Renewable Energy	11.4	12.3	11.1	10.0	11.9	11.4	23.5	17.2
● Architecture	77.7	0.4	79.2	7.8	74.6	3.2	76.7	4.4
● Waste Recycling	4.6	2.2	3.4	1.9	4.2	3.5	5.0	4.8
● Transportation	24.3	3.3	31.4	2.8	54.7	7.0	70.7	4.0
● Energy Saving Industry	8.7	0.1	6.6	0.1	15.1	0.2	12.1	0.9
● Green Bond	5.9	0.0	10.8	0.0	14.3	0.0	19.6	0.0
Infrastructure	551.0	40.5	603.1	55.5	662.3	66.9	737.7	71.1
● Transportation Facilities	30.9	6.2	40.2	4.8	52.3	5.3	60.5	6.7
● Facilities of Public Utilities	462.5	28.9	493.3	40.3	526.4	43.4	586.3	44.7
● Social Housing and Elderly Residence Projects	0.0	3.3	0.0	8.3	0.0	15.2	0.0	14.9
● Environmental Remediation Facilities	4.6	2.2	3.4	1.9	3.4	3.1	4.8	4.8
● Infrastructure Construction and Software	53.0	0.0	66.2	0.1	80.2	0.0	86.1	0.0
Aging Society and Health	344.7	13.3	404.7	10.9	401.4	32.6	411.9	35.2
● Health Service	70.1	3.0	62.5	1.8	115.3	2.6	112.3	3.0
● Life Supporting Service	0.0	0.1	0.0	0.2	0.0	0.2	0.0	0.2
● Financial Management	132.3	0.2	163.4	0.1	113.5	0.1	123.4	0.1
● Sports Service	0.1	2.0	0.1	1.8	0.8	1.8	0.0	2.9
● Manufacturing of Pharmaceuticals and Health Product	99.4	0.5	115.5	1.1	119.4	2.7	129.2	3.7
● Medical and Rehabilitation Equipment	28.9	3.5	28.3	1.4	32.6	3.4	26.7	1.9
● Sales of Pharmaceutical and Medical Goods	6.3	2.1	29.5	2.1	9.7	2.7	8.6	3.3
● Sporting Goods	7.5	1.9	5.5	2.3	10.1	3.9	11.7	5.2
● Facilities Supply	0.0	0.0	0.0	0.0	0.0	15.3	0.0	14.9
Community and Inclusive Finance	-	-	5.2	4.0	7.8	3.9	3.7	4.5
● Micro Finance	-	-	4.4	0.0	4.5	0.0	3.4	1.1
● Education	-	-	0.8	4.0	3.3	3.9	0.3	3.3
Water Resource	-	-	-	-	7.2	0.9	7.8	0.9

Note : In 2021, the number of the community and inclusive finance lending was 65.

**Table 2 Corporate Loan ESG Review Status**

As of December 31, 2021

Unit : Projects	2018	2019	2020	2021
Rejection or opinion of the Credit Review Committee	-	-	35	8
Rejected loan application due to ESG incidents	-	-	4	0

Note: Due to the adjustments and improvements of the corporate loan ESG review procedures in 2020, there were no data from previous years.

**Table 3 Equator Principles Projects**

As of December 31, 2021

Unit : Project(s)	2018	2019	2020	2021
Cases that reached Financial Close in accordance with EPs	6	2	2	2
Category A cases	1	1	0	1
Category B cases	2	0	0	0
Category C cases	3	1	2	1

**Table 4 Results of Cathay Life ESG Risk Review for Investee Companies**

As of December 31, 2021

Unit : Project(s)	2018	2019	2020	2021
Cases with potential risks reviewed in escalation process.	129	246	240	288

Note : Cathay Life has reviewed all listed equity and fixed income (non-corporate bonds and corporate bonds) investments every year since 2019.

**Table 5 Asset Manager Mandating and Monitoring**

As of December 31, 2021

Unit : %	2018	2019	2020	2021
Mandate position managed by asset manager who are either PRI signatories or have followed the government stewardship code	98	99	99	100

Note : Cathay Life and Cathay Century are included.

**Table 6 Investment Portfolio Carbon Footprint**

As of December 31, 2021

	2018	2019	2020	2021
Investment portfolio carbon intensity (tCO <sub>2</sub> e/\$m revenues)	337	311	278	248
Coverage (by position) (%)	78.7	77.4	100	100

Note 1 : The data from 2018 and 2019 contains only the data of Cathay Life.

Note 2 : Data was prepared by using the method recommended by TCFD.

Note 3 : After 2020, for investment targets without carbon emission data, Cathay estimates carbon emissions using the PCAF methodology. Hence, the coverage of carbon emission data is 100%.

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**Table 7 Corporate Engagement**

As of December 31, 2021

Unit : No. of companies	2018	2019	2020	2021
Direct engagement	49	51	79	80

Note: In 2018-2019, the number only includes engagement through CDP Non-Disclosure Campaign and Climate Action 100+.

**Table 8 ESG Products and Services**

As of December 31, 2021

	2018	2019	2020	2021
Installed capacity of the solar power plants financed by CUB (MW)	477	517	574	758
Installed capacity of the offshore wind farms financed by CUB (MW)	128	768	768	1,373
Cumulative insured amount of Renewable Energy Insurance Policies (Hydroelectric Power, Solar Power, Wind Power) (NT\$100 million)	265.8	913.2	1,172	1,488
Cumulative premium income from Green Vehicle Insurance <sup>Note</sup> (NT\$10,000)	27,498	30,097	33,754	462,067
Cumulative insured cases of Green Vehicle Insurance <sup>Note</sup> (No. of cases)	14,178	16,147	18,957	28,122
Bicycle Insurance cumulative insured amount (NT\$10,000)	561	867	1,269	2,000
Cumulative insured cases of Bicycle Insurance (No. of cases)	2,410	3,672	6,128	8,261
Public Bicycle Insurance cumulative insured amount (NT\$10,000)	95	504	1,292	1,937
Cumulative insured cases of Public Bicycle Accident Insurance (10,000 persons)	340	1,853	4,760	7,757
Amount of investments in promising environmentally friendly startups (NT\$100 million)	4	3.52	4.49	4.66

Note : Original statistics were from 2016 to each year. The adjustment changed the base to 2013 when the product was first sold, so the figures for each year were adjusted.

**• Environmental Performance Data**
**Table 9 GHG Emission<sup>Note</sup>**

As of December 31, 2021

Unit : tCO <sub>2</sub> e	2018	2019	2020	2021	
Category 1	3,272.04	3,438.27	3,816.05	Domestic	3,712.39
				Overseas	393.02
Category 2 (Market-based emissions)	52,487.76	51,331.48	56,427.61	Domestic	52,817.70
				Overseas	3,051.15
Category 2 (Location-based emissions)	52,487.76	51,414.62	56,429.13	Domestic	53,038.08
				Overseas	3,051.15
Category 1+2 (Market-based emissions)	55,759.80	54,769.75	60,243.66	Domestic	56,530.09
				Overseas	3,444.16
Category 1+2 (Location-based emissions)	55,759.80	54,852.89	60,245.18	Domestic	56,750.47
				Overseas	3,444.16
Category 3 (Transportation)	-	38.77	27.03	28.48	
Category 3 (Business travel)	1,178.1	1,029.7	175.2	76.34	

Unit : tCO <sub>2</sub> e	2018	2019	2020	2021
Category 4 (Operational waste and Product procurement emissions)	995.14	3,114.83	2,017.9	1,825.51
Category 3 (Transportation)	998.59	1,555.74	1,643	1,364.19

Note 1 : We were using ISO 14064-1:2006 for our GHG inventory in 2017; and have adopted ISO 14064-1:2018 as the new standard since 2018. We commissioned BSI to conduct the inspection in 2020.

Note 2 : The scope of the inventory is 100% and is mainly calculated based on the control over operations. Scope 1 GHG emissions mainly come from septic tanks (3.26% of all emissions), refrigerants (hydrofluorocarbons (HFCs); 2.14% of all emissions); Scope 2 emissions mainly come from electricity (94% of all emissions).

 Note 3 : The Bureau of Energy adjusted the electricity emission factor for Category 2 Electricity Emissions, so the calculation uses the updated factor, which is 0.533 (2019), 0.554 (2017 and 2018) and 0.509(2020) kg CO<sub>2</sub>e/kWh.

Note 4 : The number of employees at locations in the scope of inventory was 44,445 (2017), 45,961 (2018), 47,222 (2019), and 47,267(2020).

 Note 5 : Business travel emissions are emissions from THSR rides and flights taken by employees. Emissions from flights are calculated according to data from the ICAO and Taiwan High Speed Rail (34g CO<sub>2</sub>e/person-km). In addition, as business travels are implemented in accordance with the Cathay's business needs and are not a major category of emissions, it is not included in the management indicators.

 Note 6 : In 2021, the emissions from operational waste disposal and procured products were 212.99 and 1612.53, respectively, and the emissions from products in use phase + product in end-of-life phase were 1,221.6 and 142.59 metric tons of CO<sub>2</sub>e, respectively.

Note 7 : In 2020, Cathay re-examined and adjusted the scope of reporting according to business needs, and set the carbon reduction target using 2020 as the base year.

**Table 10 Green Operation**

As of December 31, 2021

	2018	2019	2020	2021	
Total energy consumption (GJ)	361,637	355,463	407,020	387,965.10	
Electricity consumption (kWh)	98,476,090	96,462,714	110,862,737	Domestic	105,713,107
				Overseas	4,875,229
Electricity consumption intensity (kWh/person)	2,142.60	2,052.83	2,345.46	2,271.65	
Renewable energy use (kWh)	77,000	156,000	272,000	686,000	
Aggregated solar panels installed <sup>Note</sup> (Kw)	3,412.88	5,621.78	6,780	6,970	
Direct water consumption (m <sup>3</sup> )	619,271	627,950	711,445	596,154	
Direct water consumption intensity (m <sup>3</sup> /person)	13.47	13.36	15.05	12.84	
Estimated total domestic waste (Ton)	3752.55	2,914.54	2,558.75	2,103.45	
Recycling (Ton)	1,777.79	1,327.33	1,022.74	857.16	
Domestic waste (Ton)	1,974.76	1,587.21	1,536.01	1,246.29	
Waste intensity (Kg/person)	42.97	33.78	32.50	26.84	

Note: The solar installation capacity includes Feed-In Tariff(FIT) and self-use. Cathay Life includes the lease of its own real estate, and provides energy companies for construction and use.

Note: Correction of Recycling, Domestic waste, and Waste intensity data in 2018. The Estimated total domestic waste is the sum of Recycling and Domestic waste.

**Table 11 Sustainable Procurement**

As of December 31, 2021

	2018	2019	2020	2021
Green procurement amount (100 million)	3.17	5.2	3.03	3.02
Local procurement ratio (%)	-	95.89%	99.20%	95.7%

## • Human Resources Performance Data

**Table 12 Number of Full-Time Employees/Distribution by Region**

As of December 31, 2021

Taiwan	2019			2020			2021								
	Female	Male	Total	Female	Male	Total	Female				Male				Total
							Age 30 and under	Age 31-49	Age 50-54	Age 55 and above	Age 30 and under	Age 31-49	Age 50-54	Age 55 and above	
Manager	2,656	2,231	4,887	2,724	2,277	5,001	121	1,281	502	752	120	1,352	359	370	4,857
General Staff	30,358	11,745	42,103	30,203	12,063	42,266	4,727	14,593	3,621	6,657	3,517	6,755	865	835	41,570
<b>Total</b>	<b>33,014</b>	<b>13,976</b>	<b>46,990</b>	<b>32,927</b>	<b>14,340</b>	<b>47,267</b>	<b>4,848</b>	<b>15,874</b>	<b>4,123</b>	<b>7,409</b>	<b>3,637</b>	<b>8,107</b>	<b>1,224</b>	<b>1,205</b>	<b>46,427</b>
Overseas	Female	Male	Total	Female	Male	Total	Female				Male				Total
							Age 30 and under	Age 31-49	Age 50-54	Age 55 and above	Age 30 and under	Age 31-49	Age 50-54	Age 55 and above	
	Manager	10	34	44	7	45	52	0	2	1	2	0	13	16	10
General Staff	65	124	189	26	133	159	2	25	1	1	2	101	16	7	155
<b>Total</b>	<b>75</b>	<b>158</b>	<b>233</b>	<b>33</b>	<b>178</b>	<b>211</b>	<b>2</b>	<b>27</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>114</b>	<b>32</b>	<b>17</b>	<b>199</b>

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

Note 2 : Part time workers include a total of 293 work-study students, hourly personnel, and contractors; 194 are female and 99 are male; 272 are in Taiwan and 21 are overseas.

Note 3 : No temporary staff were hired in 2021.

**Table 13 New Employee Statistics**

As of December 31, 2021

Number of new recruits (percentage)		Female			Male			Average Hiring Cost(NT\$)	
		Age 30 and under	Age 31-49	Age 50 and above	Age 30 and under	Age 31-49	Age 50 and above		
Taiwan	Manager	0 (0%)	7 (0.02%)	6 (0.01%)	0 (0%)	21 (0.12%)	0 (0%)	7,756	
	General Staff	1,415 (3.03%)	1,310 (2.81%)	194 (0.42%)	1,196 (2.57%)	761 (1.63%)	51 (0.11%)		
Overseas	Manager	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)		
	General Staff	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (0.002%)		
<b>Total</b>		<b>4,962 (10.57%)</b>							

Note 1 : Salespeople and marketing specialists are excluded in the table above since they are contractors of Cathay, so the total number of employees is 46,626.

Note 2 : This table only includes full-time employees, part-time employees are not included due to difficulty of data collection.

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**Table 14 Employee Turnover Statistics**

As of December 31, 2021

Number of turnover (percentage)			Female			Male			Total	Turnover Rate
			Age 30 and under	Age 31-49	Age 50 and above	Age 30 and under	Age 31-49	Age 50 and above		
Taiwan	Voluntary turnover (does not include retirement)	Manager	4 (0.01%)	12 (0.03%)	5 (0.01%)	3 (0.01%)	33 (0.07%)	6 (0.01%)	63	12.44%
		General Staff	1,183 (2.54%)	1,617 (3.47%)	733 (1.57%)	1,143 (2.45%)	967 (2.07%)	93 (0.20%)	5,736	
	Voluntary turnover (retirement)	Manager	0 (0%)	0 (0%)	23 (0.05%)	0 (0%)	0 (0%)	20 (0.04%)	43	1.80%
		General Staff	0 (0%)	34 (0.19%)	626 (3.54%)	0 (0%)	9 (0.05%)	127 (0.72%)	796	
	Involuntary turnover	Manager	0 (0%)	0 (0%)	1 (0.002%)	0 (0%)	0 (0%)	0 (0%)	1	0.08%
		General Staff	5 (0.01%)	11 (0.02%)	5 (0.01%)	3 (0.01%)	5 (0.01%)	7 (0.02%)	36	
Overseas	Voluntary turnover (does not include retirement)	Manager	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (0.002%)	0 (0%)	1	0.01%
		General Staff	0 (0%)	1 (0.002%)	0 (0%)	0 (0%)	2 (0.004%)	0 (0%)	3	
	Voluntary turnover (includes retirement)	Manager	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	0%
		General Staff	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	
	Involuntary turnover	Manager	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	0%
		General Staff	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0	
Total turnover	Manager	4 (0.01%)	12 (0.06%)	29 (0.05%)	3 (0.01%)	34 (0.15%)	26 (0.08%)	108	14.32%	
	General Staff	1,188 (1.95%)	1,663 (2.61%)	1,364 (0.45%)	1,146 (1.48%)	983 (1.87%)	227 (0.61%)	6,571		
	Total	4,260			2,419			6,679		

Note 1 : Salespeople and marketing specialists are excluded in the table above since they are contractors of Cathay, so the total number of employees is 46,626.

Note 2 : Total turnover rate was 8.98% and 9.51% in 2018 and 2019, respectively, and voluntary turnover (excluding retirement) was 8.50% in 2019.

Note 3 : Due to the difficulty of collecting data on personnel not employed full-time, such employees are not included in the table.

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**Table 15 Number of Employees by Gender/Age**

As of December 31, 2021

	Role	Female	Male	Age 30 and under	Age 31-49	Age 50 and above
Taiwan	Manager	2,656	2,201	241	2,633	1,983
	General Staff	29,598	11,972	8,244	21,348	11,978
	Total	32,254	14,173	8,485	23,981	13,961
Overseas	Manager	5	39	0	15	29
	General Staff	29	126	4	126	25
	Total	34	165	4	141	54

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

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

**Table 16 Statistics of Female Managers**

As of December 31, 2021

	Role	2018	2019	2020	2021
% of Female employee	Office Staff	-	60.68%	61.78%	61.92%
	Insurance Sales Agent	-	76.15%	77.74%	76.79%
% of Females in management positions	Office Staff	53.3%	36.67%	41.39%	42.75%
	Insurance Sales Agent	53.3%	59.85%	59.18%	59.14%
% of Females in junior management positions	Office Staff	56.5%	46.42%	48.17%	49.89%
	Insurance Sales Agent	56.5%	59.85%	59.18%	59.14%
% of Females in top management positions <sup>Note</sup>		26.9%	27.52%	28.49%	29.28%
% of Females in the revenue generation department		58.8%	58.72%	58.34%	58.26%
% of Female STEM employees		-	-	37.36%	39.90%

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

**Table 17 The ratios of annual salaries (male:female) for each employee category**

As of December 31, 2021

	2018	2019	2020	2021
High-level manager	100:78	100:91	100:93	100:91
Mid-level manager	100:109	100:106	100:106	100:101
Entry-level manager	100:110	100:112	100:112	100:106
General staff	100:93	100:96	100:96	100:91

**Table 18 Full-time Non-managerial Employees Salary Information**

As of December 31, 2021

	2018	2019	2020	2021	YOY
Average number of full-time non-managerial employees (People)	19,710	19,924	20,226	20,311	0.42%
Mean salary of full-time non-managerial employees (NT\$1,000)	1,229	1,350	1,350	1,320	-2.27%
Median salary of full-time non-managerial employees (NT\$1,000)	-	1,045	1,074	1,088	1.30%

Note 1 : The numbers were calculated according to "Notes on Reporting of Full-time Non-managerial Employees Salary Information" and "FAQ" published by Taiwan Stock Exchange Corporation.

**Table 19 Statistics of Employee Training Hours**

As of December 31, 2021

	Categorization	2018	2019	2020	2021
Total training hours (Hours)	Male	1,878,344	1,991,416	2,112,356	2,347,247
	Female	5,331,416	5,748,622	6,123,546	6,653,060
	Manager	697,398	799,383	831,393	934,605
	General Staff	6,512,362	6,940,655	7,404,509	8,065,702
	Legally required training	-	-	621,172	840,438
	Non-legally required training	-	-	7,614,730	8,159,869
	Total <sup>Note 2</sup>	7,209,760	7,740,038	8,235,902	9,000,307
Training hours per person (Hours)	Male	138	141	145	164
	Female	165	174	186	206
	Manager	140	162	165	191
	General Staff	159	164	175	193
	Legally required training	-	-	13	18
	Non-legally required training	-	-	160	175
	Total Average <sup>Note 2</sup>	157	164	173	193
Number of active employees (People)		45,961	47,223	47,478	46,626
Training cost per employee (NT\$)		15,033	15,559	14,904	11,856
OHS Training (Hours)		-	-	76,683	50,067
Total online training (Hours)		-	1,056,465	4,726,167	5,599,062
Average online training (Hours)		-	22	100	120

Note 1 : Cathay FHC's training hours include the number of course hours subsidiary employees complete at the company, number of hours of external trainings, number of hours employees participated in external conferences and forums, number of hours learning on CLN, number of hours watching CSN, hours of other online training, and hours of morning sharing sessions among business units.

Note 2 : Training hours are categorized by gender, management roles, and regulatory requirements. Refer to corresponding statistics for total/average total training hours.

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**Table 20 Parental Leave Statistics**

As of December 31, 2021

	Female	Male	Total
Number of parental leave applications in 2021	483	62	545
Expected number of employees reinstated from unpaid parental leave in 2021 (A)	273	42	315
Actual number of employees reinstated from unpaid parental leave in 2021 (B)	200	25	225
Reinstatement rate = B/A <sup>Note</sup>	73.2%	59.5%	71.4%
Actual number of employees reinstated from unpaid parental leave in 2020 (C)	287	23	310
Number of employees still active 12 months after being reinstated from unpaid parental leave in 2020 (D)	237	15	252
Retention rate = D/C	82.6%	65.2%	81.3%

Note 1 : Reinstatement rate = (number of employees reinstated/number of employees who should be reinstated)\*100%  
 Note2 : The table above includes sales agents that are contractors or have a labor contract with Cathay.

**Table 21 Family Care Related Leave Statistics**

As of December 31, 2021

	2018		2019		2020		2021	
	Female	Male	Female	Male	Female	Male	Female	Male
Family care leave (People-times)	1,424	295	2,877	573	2,764	670	1,481	421
Maternity/paternity leave (People-times / Days)	1,085	497	47,648	2,776	32,019	2,873	37,030	2,289
Menstrual leave (Days)	27,885	-	35,926	-	39,231	-	25,685	-

**Table 22 Absence and Occupational Safety Statistics**

As of December 31, 2021

	2018	2019	2020	2021
Occupational injuries (People)	74	85	72	73
Occupational deaths (People)	0	1	0	0
Disabling injury frequency rate (FR)	2.00	2.24	1.56	0.72
Disabling injury severity rate (SR)	27.8	32.14	31.04	8.77
Days of absence (Days)	33,332	29,081	27,163	128,979
Absence Rate (Office Staff)	0.72%	0.63%	0.58%	0.88%

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 : Days of absence = Sick leave + Occupational injury leave; Number of days required at work = Number of work days (special leave not yet deducted) = Number of current employees at the end of the year \* Number of work days announced by the Directorate-General of Personnel Administration.  
 Note 4 : There were no contractor-related occupational safety events in year 2021.  
 Note 5 : The absence rate including sales agent in 2021 is 1.11%.

**Table 23 Employee Engagement Survey Results**

As of December 31, 2021

	2018	2019	2020	2021
Engagement score	4.14	4.14	4.19	4.12
Response rate	85%	78%	71%	78%

**Table 24 Workplace Diversity and Inclusion**

As of December 31, 2021

	2018	2019	2020	2021
Employees with disabilities (People/Percentage)	515 (1.12%)	466 (1.06%)	474 (1.07%)	450 (1.04%)
Indigenous employees (People)	223	315	301	279
Employees' nationalities (Number of countries)	14	15	18	16

**Table 24-1 Number of Employees by Nationality**

As of December 31, 2021

	Manager	General Staff	Total
China	16 (0.33%)	276 (0.59%)	292(0.63%)
Japan	0 (0.00%)	1 (0.002%)	1 (0.002%)
Thailand	0 (0.00%)	2 (0.004%)	2 (0.004%)
Malaysia	0 (0.00%)	25 (0.05%)	25 (0.05%)
Philippines	0 (0.00%)	24 (0.05%)	24 (0.05%)
Indonesia	1 (0.02%)	5 (0.01%)	6 (0.01%)
Vietnam	0 (0.00%)	58 (0.12%)	58 (0.12%)
Singapore	2 (0.04%)	81 (0.17%)	83 (0.18%)
Laos	0 (0.00%)	16 (0.03%)	16 (0.03%)
Myanmar	0 (0.00%)	18 (0.04%)	18 (0.04%)
Canada	0 (0.00%)	3 (0.01%)	3 (0.01%)
France	0 (0.00%)	1 (0.002%)	1 (0.002%)
U.S.	1 (0.02%)	5 (0.01%)	6 (0.01%)
U.K.	0 (0.00%)	2 (0.004%)	2 (0.004%)
Nederland	0 (0.00%)	1 (0.002%)	1 (0.002%)
Others	2 (0.04%)	17 (0.04%)	19 (0.04%)

Note 1 : The data disclosed in this table includes Cathay FHC's Taiwanese employees stationed in overseas business locations.  
 Note 2 : The percentage of manager level, the formula for calculation = (the number of foreign national managers/the number of managers)\*100%.  
 Note 3 : Others in this table are employees who have been naturalized to Taiwanese nationality, and it is difficult to determine the original nationality.

**• Social Performance Data**
**Table 25 Cathay Walker Promotion Results**

As of December 31, 2021

	2018	2019	2020	2021
Cumulative participants (10,000 people)	10	22	28	40
Cumulative steps (100 million steps)	343	1,754	3,912.5	5,665.8

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**Table 26 Financial Planning Results**

As of December 31, 2021

	2018	2019	2020	2021
Amount of debits for systematic investment plans of Cathay Securities (NT\$100 million)	-	1.55	53.34	149.3
Amount of property principal in the Disability & Retirement Trust (for elderly and disabled people) (NT\$100 million)	12.05	12.65	16.87	24.93
Effective beneficiaries of the Disability & Retirement Trust (for elderly and disabled people) (people)	346	319	316	317
Amount of property principal in CUB's CPBL Gambling Prevention Trust (NT\$100 million)	1.35	1.32	1.54	1.59
Active players in the CPBL effectively prevented from gambling under the CPBL Gambling Prevention Trust (people)	244	234	270	253

**Table 27 Financial Innovation Promotion Results**

As of December 31, 2021

	2018	2019	2020	2021
Utilization rate of Mobile Application (%)	98.89	99.15	99.3	99.1
Utilization rate of Mobile Claims (%)	95.34	95.82	94.8	93.2
Utilization rate of Mobile Premium Payment (%)	93.80	97.18	75.9	70.4
Utilization rate of Mobile Policyholder Service (%)	91.30	91.20	89.9	80.9
Utilization rate of Electronic Insurance Policy (%)	40.10	58.20	96.1	93.8
No. of electronic documents (No. of documents)	207.9	226.38	247.2	263.1
Number of patents for insurance technologies (Items)	82	94	110	128
Digital user accounts of CUB (10,000 accounts)	366	422	508 <sup>Note</sup>	577

Note: The number listed on Cathay FHC 2020 Corporate Sustainability Report is typo. Please subject to the number listed in this Report.

**Table 28 Financial Inclusion Promotion Results**

As of December 31, 2021

	2018	2019	2020	2021
Cathay Life petty amount whole life insurance policies (number of policies)	178,521	200,791	219,420	240,814
Cumulative insured amount of micro insurance (NT\$100 million)	751.0	895.0	972.0	904.9
Cumulative insured cases of micro insurance (10,000 people)	24.5	27.9	29.7	18.2
Cumulative claims cases of micro insurance (number of policies)	514	683	867	1,095
Cumulative amount of student group insurance (NT\$1,000 billion)	3	3	3	3
Cumulative insured cases of Cathay Life student group insurance (10,000 people)	300	300	300	300
Amount of property principal in CUB's Charitable Trust (NT\$100 million)	378.17	376.3	375.24	378.02
Donations in charitable trust (NT\$100 million)	3.85	3.93	3.1	1.95

	2018	2019	2020	2021	
Cumulative insured amount of Cathay Century crop insurance (NT\$ 10,000)	2,867	4,104	5,586	7,371	
No. of ATMs for the visually impaired (No. of ATMs)	123	122	124	71 <sup>Note</sup>	
Loans under the financial inclusion policy	Cumulative balance of loans to MFIs (US\$ 1 million)	34.5	58.6	83.4	38.88
	Cumulative balance of SME loans (NT\$100 million)	1,781	2,094	2,284	2,702
	The balance of loans to small business (NT\$100 million)	804	865	982	1,032
	Total number of loans to small business (number of policies)	3,870	4,008	5,869	9,117
	Cumulative balance of preferential loans for social enterprises (NT\$ 10,000)	2,005	2,132	2,125	2,532
	Cumulative number of social enterprises that received preferential loans (social enterprises)	6	8	9	11
	Amount of Small Personal Loans (NT\$100 million)	714.3	876.0	1,011.3	1,182.6
Total amount of small credit loans for customers aged 35 or younger (at the time of their application) (NT\$100 million)	171.3	204.1	223.1	266.1	

Note: The number of machines with functions for the visually impaired decreased compared to 2020 due to the MRT switching to machines with 19-inch screens in 2021. After the manufacturer completes development, we expect to add functions for the visually impaired in 2022 Q2.

**Table 29 Charity Investment Categories and Amount**

As of December 31, 2021

	2018	2019	2020	2021
Cash Donation(A) (NTD)	424,256,888	377,777,449	352,233,556	534,166,986
Time Contributed(B) (NTD)	44,462,961	51,971,599	54,237,991	33,613,963
Supplies Donation(C) (NTD)	12,360,090	7,027,080	6,115,918	10,173,972
Management Expenses (D) (NTD)	16,131,576	16,134,077	18,781,670	20,025,535
(A+B+C+D)Total (NT\$100 million)	4.9	4.5	4.31	5.98
Business Promotion (%)	48	54	49	35.6
Community Engagement (%)	44	45	48	33.9
Charity Donations (%)	8	1	3	30.5

 Note : Time contribution is the number of volunteer hours of 57,497 hours x Hourly wage of NT\$584.62 per person in 2021 (According to information on the finance and insurance industry announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, [https://earnings.dgbas.gov.tw/query\\_payroll.aspx](https://earnings.dgbas.gov.tw/query_payroll.aspx))

**Table 30 Volunteers Participation**

As of December 31, 2021

	2018	2019	2020	2021
Hours of Volunteer Participation (Hours)	59,811	96,284	101,305	57,497
Participating Volunteers (persons)	14,146	16,992	20,471	10,689

**Table 31 Personal Information Security Implementation Results**

As of December 31, 2021

	2018	2019	2020	2021
Completion rate of personal information training (%)	100	100	100	100

**Table 32 Information Security Implementation Results**

As of December 31, 2021

	2018	2019	2020	2021
Completion rate of information security training (%)	100	100	100	100
No. of information security violations <sup>Note</sup> (No. of cases)	0	0	0	0

Note: "Number of information security violations" includes Cathay FHC, Cathay Life, Cathay United Bank, Cathay Century, Cathay Securities, and Cathay SITE.

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## 7.3 PRI / PRB / PSI Implementation Status

### ● Implementation status of the Principles of Responsible Investment (PRI)

#### Principle 1 : Incorporate ESG into investment decisions

- Established the Responsible Investment and Loan Policy and Investment and Lending Exclusion Policy for the Group.
- Established the ESG risk review process and Investment Management Principles for Sensitive Industries.
- Cathay Securities Investment Trust incorporated external ESG database into the investment decision assistance system.
- Regularly organized education and training events for the investments teams.
- Defined themed investing and strengthen investments in sustainable investment targets.
- Cathay Life implemented impact investing and followed up on the results.
- Monitor the carbon emissions of the investment portfolio and calculated climate risks for management.
- Cathay SITE launched ESG investment products such as the Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF and Cathay Sustainability Private Equity Fund.

#### Principle 2 : Incorporate ESG issues into all ownership policies and practices

- Established the Group's Engagement Policy and defined main engagement strategies.
- Cathay Life, Cathay SITE, Cathay Century, CUB and Cathay Securities have all signed the Taiwan Stewardship Principles for Institutional Investors and established voting policies. They disclose their votes each year.
- Interacted with investee companies through dialog, engagement, and exercise of voting rights to demonstrate the Company's due diligence management as an active owner.

#### Principle 3 : We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- Participated in CDP Non-Disclosure Campaign (NDC) and encouraged investee companies to respond to CDP questionnaires and disclose their carbon emission data and climate change management measures.
- Participation in the CDP Science-Based Targets Campaign to encourage global large enterprises to committed the SBT targets to align with the Paris Agreement.
- Participated in Climate Action 100+ initiative and encouraged investee companies to strengthen climate risk disclosure and management.
- Participated in the Asian Utilities Engagement Program of the AIGCC, and engaged Asian utilities to implement carbon reduction mechanisms to achieve the net zero emissions scenario of the Paris Agreement.
- Held the Sustainable Finance and Climate Change Summit and encouraged companies to pay attention to ESG disclosure and management, and actively respond to climate change.
- Used the Cathay engagement strategies to identify companies of concern for engagement and encourage companies to improve ESG disclosure and strengthen climate change management.

#### Principle 4 : Promote acceptance and implementation of the principles within the investment industry

- Actively participated in external activities to share Cathay's responsible investment measures and encouraged competitors to implement responsible investment together.
- Actively shared responsible investment trends with the government and encouraged government agencies to learn about the importance of responsible investment and enhance its promotion.
- Requested outsourced service providers to comply with the Investment and Lending Exclusion Policy and implement ESG management; verify whether they have signed the PRI and local stewardship principles.
- Supported academic institutions in surveys on sustainable investment in Taiwan to understand the current state of sustainable investment in Taiwan and to encourage industries and the government to continue to promote sustainable investment.
- Cathay Securities provided ESG research reports for individual stocks to bridge the gap in ESG analysis in Taiwan and help investors implement responsible investment.





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#### Principle 5 : Establish cooperation mechanisms and strengthen effectiveness in implementing PRI principles

- Participated in Asia Investor Group on Climate Change (AIGCC) to increase international investors' awareness of risks and opportunities in climate change and low-carbon investments and cooperate to strengthen investor engagement.
- Participated in the Ceres Valuing Water Finance Task Force to work with international financial institutions for promoting global investor and corporate water management in response to global water challenges.
- Participated in Climate Action 100+ and CDP Non-Disclosure Campaign to work with international investors and improve engagement effectiveness.

#### Principle 6 : Publish reports on our activities and progress in the implementation of PRI

- Cathay FHC publishes the Corporate Sustainability Report every year to disclose the progress on responsible investment.
- Cathay FHC published the ESG Integrated Report.
- Cathay Life publishes a Responsible Investment and Stewardship Report every year.
- Cathay United Bank, Cathay Century, Cathay Securities, and Cathay SITE publish a Stewardship Report every year.

### ● Implementation status of the Principles for Responsible Banking (PRB)

#### Principle 1 : Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

- In terms of alignment, the identification and implementation of important SDGs and implementation plans are summarized below :

The Bank conducted assessments to evaluate the degrees of importance of products and services by identifying their impacts on social and personal aspects, with a focus on the core competencies and SDGs targets of the Bank. Furthermore, the Bank pays close attention to the Paris Agreement, supports the government's initiatives and oversight such as the "Green Finance Action Project" and "Guidance on Climate-related Financial Disclosures for Domestic Banking" by complying with the Equator Principles (EPs) and the Principles for Responsible Banking, so as to ensure its business strategy is consistent with the goal of sustainability. The Bank further takes the three main themes of sustainability—climate, health, and empowerment—into consideration and combines the themes with factors such as business features, asset portfolios and vision strategies to formulate action plans with material impact.

#### Principle 2 : Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

- In terms of impact and target-setting, we have implemented analysis and settings in two separate stages. They are summarized as follows :

I. Cathay United Bank provides a variety of products and services to satisfy the financial requirements of institutions as well as individuals. Additionally, the Bank also pays close attention to international trends and the green finance action project as well as the PRB guidelines of the government. Also, the Bank has identified 6 aspects from existing products and services that have major impacts on the SDGs and the Paris Agreement based on the core business of the Bank as well as the important international initiatives and agreements stated in Principle 1; the Bank has further classified these aspects as follows according to their influence on business and their impact:

##### ① Positive impact

- Ⓐ Renewable energy loans
- Ⓑ Social enterprise loans
- Ⓒ Micro loans
- Ⓓ Promotion of products for seniors
- Ⓔ FinTech

##### ② Negative Impact

Loans for industries with high carbon emissions

II. The Bank identified two sectors with particularly significant impacts among the aforementioned six sectors and set targets based on PRB requirements. They are explained as follows:

##### ① Renewable energy loans (positive impact)

- Ⓐ Target-setting: Increase the "loan balance of renewable energy as a proportion of loan balance of electricity generation industries" to 85% by 2025.
- Ⓑ Follow-up management: Regular follow-up each quarter.
- Ⓒ Current progress: The proportion was 77.53% in December 2021 which was an increase of 1.45% from 77.53% in December 2020.

##### ② Loans for industries with high carbon emissions (negative impact)

- Ⓐ Target-setting: Suspension of new loans for coal-fired power generation projects. New lines of credit related to the coal business have been suspended since April 2021 (zero coal-fired power generation loans).
- Ⓑ Follow-up management: Regular follow-up each quarter.
- Ⓒ Cathay United Bank "suspended new loans for coal-fired power generation projects" starting from October 2019. The revolving line of credit for zero coal-fired power generation loans will be reset to zero at the end of 2022 and will not be renewed after the buffer period expires, and the mid to long-term quota will gradually expire and no new loans will be approved.

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#### Principle 3 : Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

- With regard to cooperation with customers, we promoted cooperation with customers/clients based on fair customer treatment policies and guidelines, encouraged sustainable businesses, promoted the development of economic activities, and made a positive impact on the environment and society. The results are summarized as follows :

I. Renewable energy financing: As a pioneer of green finance in Taiwan, CUB provided the first project finance for the solar power generation, first Equator Principles project finance, and first syndicated loan for offshore wind power in Taiwan. The renewable energy lending positions reached NT\$18 billion in 2021. We are also dedicated to promoting renewable energy-related services and works together with our customers to develop solutions that are environmentally friendly.

II. Personal Banking: The Bank is dedicated to providing financial services that are more in line with the customers' needs in personal finance and in the digital field. For example, promotion of services such as the "reward point donation function" for credit cards, digital integration of online/offline financial products (e.g., CUBE credit cards), financial service stations and micro retirement trust services to meet customers' and society's development needs.

#### Principle 4 : Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

- In terms of stakeholders, CUB identified the main stakeholders and enhanced communication, interactions, and cooperation to create positive impacts on the environment and society. The results are summarized as follows :

The Bank actively promotes a positive impact on the environment and society through a variety of ways including organizing conferences, forums and public welfare activities; participating in competitions, system-related seminars, project launches, and road shows; responding to investor questionnaires; participating in international Initiatives; releasing reports and press releases; and conducting employee and customer satisfaction surveys.

#### Principle 5 : Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

- In terms of implementing the existing PRB governance framework and management, we have established a top-down responsible banking governance system and culture. They are summarized below :

In terms of PRB implementation, the Board of Directors serves as the superior supervising unit and the CUB CS Team serves as the responsible organization. The CS meeting is convened each quarter to review the implementation progress and the CS Team secretary reports the overall progress to the Board of Directors every six months. We reported twice in 2021.

#### Principle 6 : Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

- CUB led the industry in compliance with international sustainability benchmark frameworks and became the first bank in Taiwan to voluntarily abide by the United Nations Principles for Responsible Banking. The measures taken to ensure transparency and accountability are explained below :

I. CUB's PRB implementation progress report will be regularly disclosed to the public and investors on its corporate sustainability official website and the Cathay FHC Corporate Sustainability Report starting from this year.

II. CUB has appointed a CPA firm for assurance of CUB's PRB implementation progress report.

III. CUB has disclosed its review and monitoring status for the Equator Principles and corporate loans in the Cathay FHC Corporate Sustainability Report each year to demonstrate corporate sustainability and PRB accountability. CUB revised the "Principles Governing Corporate Loans by Environmental, Social, and Governance (ESG) Criteria" and "Rules Governing Project Finance under Equator Principles" in 2020 to enhance compliance with the Equator Principles and ESG risk management.

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● Implementation status of the Principles for Sustainable Insurance (PSI)

Principle 1: Incorporate ESG into company decisions

Corporate strategy

- Cathay Life and Cathay Century's CS Team are part of the Cathay FHC CS Committee and are supervised by Independent Directors.
- We included routine operation decisions in ESG issues and regularly discuss ESG issues with senior executives. Cathay Life also reports corporate sustainability development progress in meetings of the Board of Directors every six months.
- We incorporated ESG in employee education and training and provided courses on issues such as compliance, information security, anti-money laundering/countering the financing of terrorism, etc. to create a culture of compliance.
- We have created a diverse and equitable workplace, provided diverse internal communication channels, and created a diverse learning environment to support employees' career development.

Risk management and underwriting

- We sought to respond to changes in IFRS 17 ahead of schedule and have made strategic adjustments for investments, products, and fees to ensure a smooth transition and reduce impact.
- We established the cross-departmental and cross-subsidiary TCFD Team to manage and disclose climate-related risks and opportunities utilizing TCFD framework.
- It has adequately managed diverse risks through internal and external research, cooperation, and development of quantified models for financial risks, emerging risks, and climate risks.
- We incorporated ESG considerations, such as ethical risks, fairness, inappropriate sales, and personal data protection in the underwriting process.
- Cathay Life established models and systems to help calculate the risk scores of new contracts and automatically issue alerts for underwriting personnel to enhance reviews.
- Cathay Century established risk identification and assessment mechanisms for sensitive industries, such as power plants and the petrochemicals industry.
- We included the level of participation of the insured in ESG as a part of the underwriting review process to encourage environmental sustainability and health promotion.
- Cathay Century also established the ESG issue review process for insurance products. New products shall be reviewed in accordance with the "Product Development ESG Issue Checklist".

Products and services

- Cathay Life and Cathay Century launched a diverse range of products for sustainability issues, including sustainable finance products, inclusive finance products, and digital innovation products.
- We used insurance competencies to help all groups obtain basic coverage and helped improve insurance functions from ex-post compensation to ex-ante prevention.
- We established fair customer treatment teams centered around customers and used digital and innovation capabilities to provide customers with a more convenient, safe, and rapid service experience.

Claims management

- Cathay Life and Cathay Century carefully managed fraud risks to ensure collective risk diversification for insurance.
- We immediately activate rapid claims mechanisms in the event of a major disaster and actively provide comfort and consultation services, reduction of premiums, and consolation payments to provide policy holders with the best assistance.
- Cathay Life led the industry in providing mobile insurance and continues to promote mobile insurance to improve the service quality of insurance claims. We also provided diverse claims services to streamline the customers' claims application procedures.
- We enhanced digital services to help customers monitor claim settlement progress and other information with convenience at all times

Sales promotion

- Cathay Life fully implements information disclosure and comprehensive telephone interviews, and uses a variety of materials to improve customers' insurance awareness to help them fully understand the products they purchased and protect their interests.
- Insurance underwriting and claims personnel receive education and training for protecting customer rights and interests.
- We used education and training for employees and organized activities to promote values such as low-carbon initiatives for protecting the environment, fraud prevention, and loss control when selling and promoting products.

Investment management

- We incorporated the United Nations Principles for Responsible Investment and integrated ESG in existing investment procedures to enhance the management of ESG risks and opportunities.
- We implemented due diligence, monitored investee companies, and promoted ESG management through dialogue, engagement, and voting.

Principle 2: Increase ESG awareness among customers and business partners

- We are improving our paperless services and promoting electronic insurance policies. Cathay Life and Cathay Century calculated the carbon footprint of insurance services and became the first life insurance company to receive the "Carbon Reduction Label" and the first property insurance company to receive the "Carbon Label" from the Environmental Protection Administration. The labels help consumers identify and choose suitable products.
- Cathay Life's Cathay Walker health promotion program used an app and reward mechanisms to encourage people to develop healthy exercise habits.
- Cathay Life launched spillover-effect policies and provided discounts for insurance premiums to encourage policy holders to adopt a healthier lifestyle.
- We communicated our requirements for green procurement to suppliers and we established partnerships to demonstrate our influence in the green supply chain.
- Cathay Life promotes waste reduction activities and held 3 beach cleaning activities in 2021.



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#### Principle 2 : Increase ESG awareness among customers and business partners

- Cathay Century planned loss control seminars on agenda items related to extreme weather and compound disasters. It also used the "TRM RiskTracer -TY/FL Portfolio" to provide corporate customers with risk management solutions for typhoons and floods.
- Cathay Century provides personnel evacuation simulation technology to help customers establish evacuation drill plans and reduce the casualties and economic losses in the event of an accident.
- We engaged investees to encourage them to improve ESG disclosure and management.
- We held the Sustainable Finance and Climate Change Summit to increase the ESG awareness of Taiwanese companies and the government and established a platform for sharing trends and experience in sustainable finance, climate change, and the circular economy.
- We required outsourced asset management units to implement responsible investment management and included it in the contracts.
- Cathay Century focused on the commitment to corporate sustainability and actions of partner insurance, reinsurance, and insurance brokers, such as whether they have signed the Principles for Sustainable Insurance (PSI).
- We encouraged insurance brokers and agents to enhance paperless services. Cathay Century provided corporate risk seminars, loss control, and other education and training and digital materials.

#### Principle 3 : Work together with the government and insurance supervisors to promote ESG

- Cathay Life worked with the K-12 Education Administration of the Ministry of Education in anti-drug campaigns on campus, and engaged in industry-academic cooperation to create games for preventing drug abuse and improve the effectiveness of anti-drug campaigns.
- Responded to government policies and actively invested in sustainable industries.
- Cathay Century worked with the Bureau of Transportation of Tainan City Government and Chiao Tung University in 2020 to integrate resources of the industry, government, and academia and jointly create the campus transportation risk map for Yongkang District, Tainan City and identify hot spots for traffic accidents.
- Cathay Century worked with municipal governments on public bicycle insurance to provide coverage for riders of public bicycles while supporting the low-carbon transportation transformation in Taiwan.
- Cathay FHC held the Climate Change Youth Forum in collaboration with the Ministry of Education to increase the climate change awareness of youths and provide youths with channels and resources for taking actions to counter climate change.
- Cathay Life participated in the sustainable finance and TCFD affairs organized by the Insurance Associations to share practical experience and help promote sustainable practices in the industry.
- Cathay Life became the first financial institution in Taiwan to sign the Taiwan Stewardship Principles for Institutional Investors and take the lead in supporting the stewardship financial institutions.

- Cathay Life worked with the National Police Agency and Criminal Investigation Bureau on anti-fraud campaigns.
- Cathay Century supported the policies of the Council of Agriculture and developed a series of insurance products for agricultural products to increase the coverage for farmers with insurance and enhance their capacity for restoring farming operations after disasters.
- Cathay Century discussed regulatory flexibility with the Bureau of Labor Insurance and National Development Council to resolve the dilemma of food couriers. As the industry's representative, we developed "fragmented insurance policies for food couriers".
- Cathay Century led the industry in establishing the Product Category Rules for "property insurance services" in accordance with the regulations of the Environmental Protection Administration to support the EPA's "Carbon Footprint" labeling policy for Taiwanese products and reduce the difficulty in other companies' promotion of products with carbon footprint labels.
- We actively participate international organizations and respond to ESG related initiatives, including: the International Association of Insurance Supervisors (IAIS), AIGCC, Ceres Valuing Water Finance Task Force, CDP Non-Disclosure Campaign, Climate Action 100+, TCFD, etc.
- We collaborate with academics to establish quantitative models for financial risks and emerging risks to improve risk mechanisms.

#### Principle 4 : Regularly disclose PSI implementation progress

- Cathay Life publishes the Corporate Sustainability Report every year to disclose the PSI progress.
- Cathay Life adopted the CARE sustainability strategies as the framework and established the Cathay Life Corporate Sustainability website to communicate with stakeholders.
- Cathay Century publishes the "PSI Disclosure Report" each year. The Report includes the results of compliance with the four major PSI principles.
- Cathay Century set up a corporate sustainability section on its official website and updates related information on corporate sustainability each year.
- Cathay FHC publishes the Sustainability Report every year.

## 7.4 GRI Standards

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404-1 Average hours of training per year per employee	5.1 Workplace Empowerment	72
404-2 Programs for upgrading employee skills and transition assistance programs		
404-3 Percentage of employees receiving regular performance career development reviews		

**Customer Health and Safety**
**GRI 103: Management Approach 2016**

Main Issues	Corresponding Section	Page
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103-2 The management approach and its components	1.3 CS Issue Materiality Analysis and Stakeholder 4.1 Health Promotion	17/61
103-3 Evaluation of the management approach	4.1 Health Promotion	61

**GRI 416: Customer Health and Safety 2016**

Main Issues	Corresponding Section	Page
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	4.1 Health Promotion 6.3 Ethics and Compliance	61/90

**Material Issues Identified by Cathay**
**Corporate Governance**
**GRI 103: Management Approach 2016**

Main Issues	Corresponding Section	Page
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103-2 The management approach and its components	1.3 CS Issue Materiality Analysis and Stakeholder 6.2 Corporate Governance	17/87
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**Risk Management**
**GRI 103: Management Approach 2016**

Main Issues	Corresponding Section	Page
103-1 Explanation of the material topic and its Boundaries	1.3 CS Issue Materiality Analysis and Stakeholder	17
103-2 The management approach and its components	1.3 CS Issue Materiality Analysis and Stakeholder 6.4 Risk Management and Internal Control	17/93
103-3 Evaluation of the management approach	6.4 Risk Management and Internal Control	93

**Information Security**
**GRI 103: Management Approach 2016**

Main Issues	Corresponding Section	Page
103-1 Explanation of the material topic and its Boundaries	1.3 CS Issue Materiality Analysis and Stakeholder	17
103-2 The management approach and its components	1.3 CS Issue Materiality Analysis and Stakeholder 6.5 Information Security	17/97
103-3 Evaluation of the management approach	6.5 Information Security	97

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## 7.5 Sustainability Accounting Standards Board

• **SASB – Insurance**

**Transparent Information & Fair Advice for Customers**

Code /Accounting Metric	Corresponding Data
<p><b>FN-IN-270a.1</b> Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Annual Report (XI) Penalties imposed against the financial holding company and subsidiaries in the last 2 years up till the publication date of this annual report, including the weaknesses found and the improvements made <a href="https://reurl.cc/5onD07">https://reurl.cc/5onD07</a></li> <li>● Cathay Life Insurance Official Website: Information Disclosure- Disposal by the competent authority (Chinese Only) <a href="https://tinyurl.com/3fzb478u">https://tinyurl.com/3fzb478u</a></li> <li>● Cathay Century Insurance Official Website: Information Disclosure- Disposal by the competent authority (Chinese Only) <a href="https://reurl.cc/7yx4Z1">https://reurl.cc/7yx4Z1</a></li> </ul>
<p><b>FN-IN-270a.2</b> Complaints-to-claims ratio</p>	<ul style="list-style-type: none"> <li>● "Information disclosure" by the Financial Ombudsman Institution (FOI): Cathay Life and Cathay Century – statistics of complaints and applications for ombudsman services (Chinese only) <a href="https://reurl.cc/yr3g9I">https://reurl.cc/yr3g9I</a></li> </ul>
<p><b>FN-IN-270a.3</b> Customer retention rate</p>	<ul style="list-style-type: none"> <li>● Market Observation Post System for the insurance industry – public information on insurance – single entry point for inquiries (Chinese only) <a href="https://reurl.cc/4y9L5j">https://reurl.cc/4y9L5j</a></li> <li>● Cathay Century Insurance: Nearly 100% of property insurance products are one-year products and the concept of retention rate does not exist. Retention rates are similar but different statistical values, so we do not plan on disclosing the values.</li> </ul>
<p><b>FN-IN-270a.4</b> Description of approach to informing customers about products</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 CS Report <a href="#">6.6 Service Quality and Customer Rights</a></li> <li>● Cathay Life Insurance Official Website-About Us-Treat Customers Fairly (Chinese only) <a href="https://bit.ly/3qzxtSk">https://bit.ly/3qzxtSk</a></li> <li>● Cathay Life Insurance 2021 CS Report – Diverse Coverage and Thoughtful Services-“Customer-centric Approach” <a href="https://reurl.cc/kVA7R3">https://reurl.cc/kVA7R3</a></li> <li>● Cathay Century Insurance Official Website- Information disclosure-Corporate Governance-16.CathayCentury Insurance Consumer Dispute Settlement Procedures (Chinese only) <a href="https://reurl.cc/qmeOj0">https://reurl.cc/qmeOj0</a></li> <li>● Cathay Century Insurance 2021 Sustainability Report-2.5 Treating Customer Fairly <a href="https://reurl.cc/Rrm80D">https://reurl.cc/Rrm80D</a></li> </ul>

**Incorporation of Environmental, Social, and Governance Factors in Investment Management**

Code /Accounting Metric	Corresponding Data
<p><b>FN-IN-410a.1</b> Total invested assets, by industry and asset class</p>	<ul style="list-style-type: none"> <li>● Cathay Life Insurance Official Website- Information disclosure- Financial Status/Funds Usage Statement (Chinese only) <a href="https://reurl.cc/OA8ly3">https://reurl.cc/OA8ly3</a></li> <li>● Cathay Century Insurance Official Website- Information disclosure- Financial Status/Funds Usage Statement (Chinese Only) <a href="https://reurl.cc/jq0kxM">https://reurl.cc/jq0kxM</a></li> <li>● Market Observation Post System for the insurance industry – public information on insurance – single entry point for inquiries - Summary of financial conditions/auditor'certification or audit of financial statements and opinion statement (the 2021 audit report containing an unqualified opinion P.76-77) (Chinese only) <a href="https://reurl.cc/o10MqD">https://reurl.cc/o10MqD</a></li> </ul>
<p><b>FN-IN-410a.2</b> Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">Chapter 2 Sustainable Finance</a> and <a href="#">3.3 Climate-related Financial Disclosure (TCFD)</a></li> <li>● Cathay Life Insurance 2021 CS Report – Responsible Investment and Paradigm Proposal <a href="https://reurl.cc/41eZvR">https://reurl.cc/41eZvR</a></li> <li>● Cathay Life Corporate Sustainability – CS Reports and Other Statements – Cathay Life Insurance Responsible Investment and Stewardship Report <a href="https://reurl.cc/7DQ5LI">https://reurl.cc/7DQ5LI</a></li> <li>● Cathay Century Insurance: In 2021, we conducted the climate change stress test used by the insurance industry in the United Kingdom to assess the short-, mid-, and long-term impact of transition risks and physical risks on the Company's asset portfolio under climate-related risks. We periodically provide results to investment units for consideration in their strategies and portfolios.</li> <li>● Cathay Century Insurance 2021 Sustainability Report-2.1.2 Sustainability Investment Principles <a href="https://reurl.cc/Rrm80D">https://reurl.cc/Rrm80D</a></li> </ul>

**Policies Designed to Incentivize Responsible Behavior**

Code /Accounting Metric	Corresponding Data
<p><b>FN-IN-410b.1</b> Net premiums written related to energy efficiency and low carbon technology</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">3.1. Low-carbon Economy (Pioneer in Green Finance)</a></li> </ul>
<p><b>FN-IN-410b.2</b> Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">3.1. Low-carbon Economy Pioneer in Green Finance</a> and <a href="#">4.1 Health Promotion</a></li> <li>● Cathay Life Insurance 2021 CS Report – Responsible Investment and Paradigm Proposal <a href="https://reurl.cc/41eZvR">https://reurl.cc/41eZvR</a></li> <li>● Cathay Century Insurance 2021 Sustainability Report-2.2.2 Environmental Sustainable Insurance \ 2.3.2 Financial Inclusion Service and Performance \ 2.4.2. Digital Innovation and Benefits <a href="https://reurl.cc/Rrm80D">https://reurl.cc/Rrm80D</a></li> </ul>



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**Environmental Risk Exposure**

Code /Accounting Metric	Corresponding Data
<p><b>FN-IN-450a.1</b> Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">3.3 Climate-related Financial Disclosure (TCFD)</a></li> <li>● Cathay Century Insurance 2021 Sustainability Report-1.4 Climate-Related Financial Impacts <a href="https://reurl.cc/Rrm80D">https://reurl.cc/Rrm80D</a></li> </ul>
<p><b>FN-IN-450a.2</b> Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)</p>	<ul style="list-style-type: none"> <li>● Cathay Century Insurance:               <ol style="list-style-type: none"> <li>(1) Cathay Century has not established a catastrophic disaster model yet, so there is no information to be disclosed.</li> <li>(2) The “business summary” section on the Market Observation Post System for the insurance industry has published the retained claims payments of “typhoon and flood insurance” (No. 139) and “insurance claims (including reinsurance),” but it is not divided by area. Other information disclosures also are not divided by area. (Chinese Only) <a href="https://reurl.cc/V3VDey">https://reurl.cc/V3VDey</a></li> </ol> </li> </ul>
<p><b>FN-IN-450a.3</b> Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy</p>	<ul style="list-style-type: none"> <li>● Cathay Century Insurance:               <ol style="list-style-type: none"> <li>(1) The underwriting process for individual contracts                   <ul style="list-style-type: none"> <li>- We established the "Cathay Century Guidelines for Sensitive Industries to Comply with ESG" in 2021, and added sensitive industry assessment mechanisms in the underwriting process for commercial insurance products, including fire insurance, marine insurance, engineering insurance, liability insurance, and new types of insurance.</li> <li>- Cathay Century Insurance Official Website- Corporate Sustainable- Sustainable Governance-Risk Management-ESG risk identification and assessment (Chinese Only) <a href="https://reurl.cc/9Z8GxY">https://reurl.cc/9Z8GxY</a></li> </ul> </li> <li>(2) The management of firm-level risks and capital adequacy                   <ul style="list-style-type: none"> <li>- Cathay Century Insurance 2021 Sustainability Report-1.4.4 Resilience Analysis in Response to Climate Risks ` 2.1.1 Principles for Sustainable Insurance (PSI) <a href="https://reurl.cc/Rrm80D">https://reurl.cc/Rrm80D</a></li> <li>- Cathay Century Insurance Official Website- Corporate Sustainable-Sustainable Governance-Risk Management-Climate / Catastrophe Risk Management Mechanism (Chinese Only) <a href="https://reurl.cc/9Z8GxY">https://reurl.cc/9Z8GxY</a></li> <li>- The ORSA report submitted to the competent authority each year discloses stress test and assessment results of catastrophic disaster risks. We calculate RBC ratio and net worth ratio through financial effects, and propose response and control measures for related risks.</li> </ul> </li> </ol> </li> </ul>

**Systemic Risk**

Code /Accounting Metric	Corresponding Data
<p><b>FN-IN-550a.1</b> Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives</p>	<ul style="list-style-type: none"> <li>● The indicator is not applicable.</li> </ul>
<p><b>FN-IN-550a.2</b> Total fair value of securities lending collateral assets</p>	<ul style="list-style-type: none"> <li>● The indicator is not applicable.</li> </ul>
<p><b>FN-IN-550a.3</b> Description of approach to managing capital- and liquidity-related risks associated with systemic non insurance activities</p>	<ul style="list-style-type: none"> <li>● Cathay Life Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report (P.78-79) (Chinese only) 3) Liquidity risk (Chinese only) <a href="https://reurl.cc/o10MqD">https://reurl.cc/o10MqD</a></li> <li>● Cathay Century has incorporated the risk management summary of its subsidiary in Vietnam into the risk management report submitted to the Board of Directors quarterly; the management categories include the subsidiary's capital adequacy and liquidity risk. In addition, Cathay Century discloses the results of pressure tests and liquidity risk assessments in its ORSA report submitted to the competent authority every year. The report includes an analysis of the impact of non-insurance activities (investments) that are subject to changes in the financial market (e.g., stock market, exchange rate, and bond interest rate change) on the Cathay's assets, calculates the RBC ratio and net worth ratio through based the financial effects, and proposes response and control measures for related risks.</li> </ul>

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• SASB – Commercial Bank

Data Security

Code /Accounting Metric	Corresponding Data
FN-CB-230a.1 (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">6.6 Service Quality and Customer Rights</a></li> <li>● Cathay FHC Official Website – Information Security Organization and Mechanisms <a href="https://reurl.cc/NXebxn">https://reurl.cc/NXebxn</a></li> </ul>
FN-CB-230a.2 Description of approach to identifying and addressing data security risks	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">6.5 Information Security</a></li> <li>● Cathay FHC Official Website – Information Security Incident Management <a href="https://reurl.cc/NXebxn">https://reurl.cc/NXebxn</a></li> <li>● Cathay FHC 2021 Annual Report (XI) Other material risks and corresponding measures <a href="https://reurl.cc/5onD07">https://reurl.cc/5onD07</a></li> </ul>

Financial Inclusion & Capacity Building

Code /Accounting Metric	Corresponding Data
FN-CB-240a.1 (1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">4.2 Financial Health and Appendix Table 28</a></li> </ul>
FN-CB-240a.2 (1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	<ul style="list-style-type: none"> <li>● CUB has not announced the number of non-performing loans, and will not disclose this indicator for the time being.</li> </ul>
FN-CB-240a.3 Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	<ul style="list-style-type: none"> <li>● CUB has not announced the statistics.</li> </ul>
FN-CB-240a.4 Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	<ul style="list-style-type: none"> <li>● CUB undertook trusts for people aged 55 or older to the protection of elderly people's property. CUB has launched the "Micro Elder Care Trust" that can be applied in advance, without amount threshold, and low contract signing fee, allowing people to enjoy the trust services easily and realizing the universal value of trust for all. We also provided free consultations on trust and compiled digital trust handbooks based on individual cases to help the public understand the practice of using trusts to protect properties.</li> <li>● Cathay FHC 2021 Sustainability Report <a href="#">5.2 Social Empowerment</a> (Elevated Tree Program, Community Empowerment Base Program)</li> </ul>

Incorporation of Environmental, Social, and Governance Factors in Credit Analysis

Code /Accounting Metric	Corresponding Data
FN-CB-410a.1 Commercial and industrial credit exposure, by industry	<ul style="list-style-type: none"> <li>● Cathay United Bank Co., Ltd. and Subsidiaries Consolidated Financial Statements for 2021(IV) (1)Credit concentration risk of the Company (Chinese only) <a href="https://reurl.cc/Lmz8EK">https://reurl.cc/Lmz8EK</a></li> </ul>
FN-CB-410a.2 Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report <a href="#">2.1 Cathay's Responsible Investment and Lending Structure</a> and <a href="#">2.3 Responsible Lending</a></li> <li>● Cathay FHC 2021 Sustainability Report <a href="#">3.3 Climate-related Financial Disclosure (Climate strategy and scenario analysis)</a></li> </ul>

Business Ethics

Code /Accounting Metric	Corresponding Data
FN-CB-510a.1 Total amount of monetary losses as a result of legal proceeding associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Annual Report (XI) Penalties imposed against the financial holding company and subsidiaries in the last 2 years up till the publication date of this annual report, including the weaknesses found and the improvements made <a href="https://reurl.cc/5onD07">https://reurl.cc/5onD07</a></li> </ul>
FN-CB-510a.2 Description of whistleblower policies and procedures	<ul style="list-style-type: none"> <li>● Cathay FHC Official Website – Compliance – Group Whistleblower System (Chinese only) <a href="https://reurl.cc/OXWY13">https://reurl.cc/OXWY13</a></li> <li>● Cathay United Bank Whistleblower System (Chinese only) <a href="https://reurl.cc/E2dVzk">https://reurl.cc/E2dVzk</a></li> <li>● Cathay United Bank Declaration of Internal Control System (Chinese only) <a href="https://reurl.cc/NAmkv6">https://reurl.cc/NAmkv6</a></li> </ul>

System Risk Management

Code /Accounting Metric	Corresponding Data
FN-CB-550a.1 Global Systemically Important Bank (G-SIB) score, by category	<ul style="list-style-type: none"> <li>● Cathay United Bank is not a G-SIB is a D-SIBs (Domestic Systemically Important Banks), so this indicator is not applicable.</li> </ul>
FN-CB-550a.2 Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	<ul style="list-style-type: none"> <li>● Cathay United Bank Official Website – Announcement – Risk Disclosure (Chinese only) <a href="https://reurl.cc/R6MYrg">https://reurl.cc/R6MYrg</a></li> <li>● Cathay United Bank Official Website – 2020 Q4 Annual Report (P.5) (Chinese only) <a href="https://reurl.cc/YWzYd0">https://reurl.cc/YWzYd0</a></li> <li>● Cathay FHC 2021 Sustainability Report <a href="#">3.3 Climate-related Financial Disclosure</a> and <a href="#">3.3.5 Climate risk management</a></li> </ul>

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• SASB Asset Management & Custody Activities

Transparent Information & Fair Advice for Customers

Code /Accounting Metric	Corresponding Data
<p><b>FN-AC-270a.1</b> (1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings</p>	<ul style="list-style-type: none"> <li>No employees were involved in investigations relating to investments, complaints filed by consumers, civil lawsuits or other litigation in 2021.</li> <li>Cathay SITE formulated the Manager Code, which is the code of conduct that employees shall abide by. Managers who meet the criteria shall submit relevant documents or letters in accordance with the rules and the responsible department will make announcements every month as well as provide regular online education and training sessions every year.</li> </ul>
<p><b>FN-AC-270a.2</b> Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers</p>	<p>No relevant litigation was initiated in 2021 and therefore not applicable</p>
<p><b>FN-AC-270a.3</b> Description of approach to informing customers about products and services</p>	<ul style="list-style-type: none"> <li>Cathay FHC 2021 Sustainability Report <a href="#">6.6 Service Quality and Customer Interests</a></li> <li>Sales team focuses on the results of communications with customers</li> <li>- <b>Formulate the principles and strategies of treating customers fairly</b> Uphold the company culture of treating customers fairly to realize KYP and KYC, protect the mutual benefits from customers' business, and strengthen customers' confidence and trust in our company. The following strategies are utilized for implementation: The design of products and services is based on customers' needs, and advertisements and promotional materials clearly explain the features and risks of products. Also, customers are provided with correct references, a service interface that is easy to understand and easy to use, and a reasonable complaint channel.</li> <li>- <b>Report the effectiveness of implementation of the treating customers fairly principles to the Board of Directors periodically</b> 2021 Execution status: (I) Conduct education and training on the principles of treating customers fairly. A total of 324 people completed the 3-hour training and the total hours of training received by the employees was 972 hours. (II) All complaint cases were handled or replied to within 3 working days. No cases violated the treating customers fairly principles or Financial Consumer Protection Act.</li> </ul>

Code /Accounting Metric	Corresponding Data
<p><b>FN-AC-270a.3</b> Description of approach to informing customers about products and services</p>	<ul style="list-style-type: none"> <li>- <b>Provide friendly financial services</b> Actively realize friendly financial environment and provide the services needed by investors with disabilities: (I) Provide customers with designated contact number and fax services. (II) Appoint staff to provide on-site services. (III) Provide a suggestion box by email: <a href="mailto:net080@cathaysite.com.tw">net080@cathaysite.com.tw</a> (IV) The app My MobiFund, provides 24-hour online transactions and fund information inquiry services. (V) Q&amp;A service for funds. (VI) The official website provides all application forms for download.</li> <li>Disclose product information on the official website for specific investors and update the content in accordance with relevant laws and regulations. <a href="https://www.cathaysite.com.tw/en/company-overview.aspx">https://www.cathaysite.com.tw/en/company-overview.aspx</a> <a href="https://www.cathaysite.com.tw/funds/etfglobal/index.aspx">https://www.cathaysite.com.tw/funds/etfglobal/index.aspx</a></li> <li>Establish a guide for sales bonus structure and fundraising incentives. Verify the total sales revenues and percentage contribution of sales every month and calculate sales bonuses.</li> </ul>

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**Employee Diversity & Inclusion**

Code /Accounting Metric	Corresponding Data		
● Information of full-time employees of Cathay SITE:			
		Female	Male
	High-level manager	2	4
	Non-high-level manager	12	27
	Professional	150	89
	Other staff	9	21
Cathay SITE had 314 full-time employees and 18 part-time employees in 2021, accounting for 5.7% of all employees.			
Note:			
1) Definition of high-level manager: Senior vice president or higher level manager.			
2) Definition of Non-high-level manager: Employees who assume managerial roles and administrative duties			
3) Professional: Personnel registered with the Securities Investment Trust & Consulting Association of the R.O.C. (obtained qualifications as a securities investment trust and consulting professional).			
4) Other staff: Personnel not listed above.			
● Statistics of the employees of Cathay SITE by nationality or ethnic groups:		2021 年	
	Number of employees with disabilities	3	
	Number of indigenous employees	3	
	Number of employees' nationality (number of countries):	2	
● The head office and branches of Cathay SITE prioritizes hiring local employees and abides by the labor-related laws and regulations of the government and competent authorities, and have never used child labor. Our employment of foreign nationals complies with the Employment Service Act and Regulations on the Permission and Administration of the Employment of Foreign Workers.			
● Cathay SITE holds annual education and training sessions periodically and provides employee-friendly benefits and a healthy and safe workplace. See Cathay FHC 2021 Sustainability Report <a href="#">4.1 Health Promotion</a> and <a href="#">5.1 Workplace Empowerment</a> for relevant information.			
FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees		

**Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory**

Code /Accounting Metric	Corresponding Data	
● Responsible investment amount of Cathay SITE		Unit: NT\$100 million
	Total assets of stocks and bonds <sup>Note1</sup>	5,068
	Stocks and bonds that are under lending exclusion <sup>Note2</sup>	1,746
	Stocks and bonds that are under other ESG management mechanisms <sup>Note3</sup>	1,167
Note 1 : Mutual funds are included and discretionary account operations are excluded Note 2 : Applicable to active stock funds and active bond funds, and discretionary account operations are excluded Note 3 : Applicable to active stock funds and ESG ETF, and discretionary account operations are excluded. Active bond funds are added to the assessment in 2022.		
● Investment amount of Cathay SITE in the theme of sustainability		Unit: NT\$
	Stocks	38,897,479,829
	Bonds	46,059,787,766
	Private	5,037,080,000
FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	
FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	
FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	
Cathay FHC 2021 Sustainability Report- <a href="#">2 Sustainable Finance</a>		
Cathay FHC 2021 Sustainability Report- <a href="#">2 Sustainable Finance</a>		

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**Business Ethics**

Code /Accounting Metric	Corresponding Data
<p><b>FN-AC-510a.1</b> Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations</p>	<p>No relevant litigation was initiated in 2021 and therefore not applicable.</p>
<p><b>FN-AC-510a.2</b> Description of whistleblower policies and procedures</p>	<ul style="list-style-type: none"> <li>● Cathay FHC 2021 Sustainability Report- <a href="#">6.3 Moral Conduct and Law Compliance</a></li> <li>● The basis for the complaint reporting system is the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets, and formulation of the system shall be in accordance with the complaint reporting policy of Cathay FHC.</li> </ul>

**System Risk Management**

Code /Accounting Metric	Corresponding Data								
<p><b>FN-AC-550a.1</b> Percentage of open-end fund assets under management by category of liquidity classification</p>	<ul style="list-style-type: none"> <li>● Total assets under management (AUM) of Cathay SITE - Types of asset liquidity</li> </ul> <table border="1"> <tr> <td>High liquidity</td> <td>99.4%</td> </tr> <tr> <td>Medium liquidity</td> <td>0.2%</td> </tr> <tr> <td>Low liquidity</td> <td>0.4%</td> </tr> <tr> <td>Non liquidity</td> <td>-</td> </tr> </table>	High liquidity	99.4%	Medium liquidity	0.2%	Low liquidity	0.4%	Non liquidity	-
High liquidity	99.4%								
Medium liquidity	0.2%								
Low liquidity	0.4%								
Non liquidity	-								
<p><b>FN-AC-550a.2</b> Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management</p>	<ul style="list-style-type: none"> <li>● Cathay SITE's equity capital is maintained with high liquidity, and more than half of which is NT dollar time deposits repurchase agreement.</li> <li>● Conducting a comprehensive assessment of the time required for the realization of various investment commodities and set fund redemption payment dates to ensure effective control of liquidity risk prior to the issuance of Cathay SITE's funds is necessary.</li> <li>● To ensure effective control of liquidity risk, Cathay SITE has set a limit on the proportion of liquid assets for various types of funds and fund managers need to review their investment portfolios on a daily basis.</li> <li>● In the event of insufficient liquidity caused by market emergencies, Cathay SITE is permitted by the laws and regulations of Taiwan to use funds as collateral for loans.</li> <li>● Regulations governing investment in securities investment trust funds of Taiwan are not applicable to swing pricing for funds.</li> </ul>								
<p><b>FN-AC-550a.3</b> Total exposure to securities financing transactions</p>	<p>Engaging in securities financing transactions is not allowed for Taiwan mutual funds.</p>								
<p><b>FN-AC-550a.4</b> Net exposure to written credit derivatives</p>	<p>Cathay SITE did not issue any credit derivatives</p>								

**Activity Metrics**

Code /Accounting Metric	Corresponding Data
<p><b>FN-AC-000.A</b> (1) Total registered and (2) total unregistered assets under management (AUM)</p>	<p>NTD\$ 12,80.27 billion</p>
<p><b>FN-AC-000.B</b> Total assets under custody and supervision</p>	<p>NTD\$ 12,80.27 billion</p>





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## 7.6 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.	Chapter 5: Empowerment	72
	Make sure that they are not complicit in human rights abuses.		
	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		
 Labor Standards	The elimination of all forms of forced and compulsory labor.	Chapter 5: Empowerment	72
	The effective abolition of child labor.		
	The elimination of discrimination in respect of employment and occupation.		
 The Environment	Businesses should support a precautionary approach to environmental challenges.	Chapter 3: Climate	44
	Undertake initiatives to promote greater environmental responsibility.		
	Encourage the development and diffusion of environmentally friendly technologies.		46
 Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter 6: Sustainable Operation Management	90

## 7.7 ISO 26000 Index




Category	Corresponding Section	Page
Organizational Governance	Chapter 6: Sustainable Operation Management	85
Human Rights	Chapter 5: Empowerment Chapter 6: Sustainable Operation Management	71/85
Labor Practices	Chapter 5: Empowerment	71
Environment	Chapter 3: Climate	44
Fair Operating Practices	Chapter 6: Sustainable Operation Management	85
Consumer Issues	Chapter 6: Sustainable Operation Management	85
Community Involvement and Development	Chapter 5: Empowerment	71

## 7.8 Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Category	Corresponding Provisions	Main Issues	Corresponding Section	Page
 Overall	Article 3	The content of the Sustainability Responsibility Report shall cover the relevant assessments of risks in environmental, social, and corporate governance issues, and establish relevant performance indicators to manage material issues that have been identified.	Chapter 1: Sustainability Governance and Strategies	8
			Chapter 3: Climate	44
 Environment	Article 4, Subparagraph 4, Item 2	The company's governance around climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, assess and manage climate-related risks, and metrics and targets used to assess and manage relevant climate-related issues.	Chapter 3: Climate	44
			Chapter 6: Sustainable Operation Management	85
 Society	Article 4, Subparagraph 3, Item 1	Number of data breaches, percentage involving personally identifiable information, and number of account holders affected.	Chapter 7: Appendix	110
	Article 4, Subparagraph 3, Item 2	Number and amount of loans outstanding qualified to programs designed to promote development of small business and communities.	Chapter 5: Empowerment	71
	Article 4, Subparagraph 3, Item 3	Number of participants in financial literacy initiatives provided to the disadvantaged without adequate banking services.	Chapter 2: Sustainable Finance Chapter 3: Climate Chapter 4: Health Chapter 7: Appendix	27 44 60 110
	Article 4, Subparagraph 3, Item 4	Products and services designed by individual operating units to create benefits for the environment or society.	Chapter 5: Empowerment and Appendix Table 18	71/116
 Employee	Article 4, Paragraph 1, Subparagraph 4, Item 1	The number of full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the 3 figures from the previous year.		

## 7.9 Summary of Subject Matter Assured

### • Summary of Subject Matter Assured

Subject Matter Assured	Applicable Criteria	Page	Rules <sup>Note</sup>	SDGs	SDG Target
We had 11 data breaches events in 2021, in which 100% of data breaches events was involved with personally identifiable information. 6,520 customers were affected by such violation.	The total number of the group's data breaches events in 2021 was calculated according to the Cathay FHC and Subsidiaries Information Security Incident Reporting and Emergency Response Management Guidelines, as well as the Cathay FHC Regulations for the Management of Personal Information Infringement Incidents.	CH6/P104	Article 4, Paragraph 1, Subparagraph 3, Item (1)	-	-
	The percentage of the group's data breaches events which was involved with personally identifiable information of the group's data breaches events in 2021 was calculated according to the Cathay FHC and Subsidiaries Information Security Incident Reporting and Emergency Response Management Guidelines, as well as the Cathay FHC Regulations for the Management of Personal Information Infringement Incidents.	CH6/P104	Article 4, Paragraph 1, Subparagraph 3, Item (1)	-	-
	The total number of the customers were affected by the group's data breaches events in 2021 was calculated according to the Cathay FHC and Subsidiaries Information Security Incident Reporting and Emergency Response Management Guidelines, as well as the Cathay FHC Regulations for the Management of Personal Information Infringement Incidents.	CH6/P104	Article 4, Paragraph 1, Subparagraph 3, Item (1)	-	-
As of the end of 2021, the outstanding amount of loans to small business was NT\$103.2 billion and the total number of loans to small business was 9,117.	The total number of loans and the outstanding amount of loans of CUB to small business as of December 31, 2021.  Pursuant to the Corporate Customer Segmentation and Management Guidelines of CUB, small business customers are corporate customers and affiliated accounts with consolidated annual revenue of NT\$500 million and under.	CH7/P118 Table 28: Financial Inclusion Promotion Results	Article 4, Paragraph 1, Subparagraph 3, Item (2)		1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.
					8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
					9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

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Total community and inclusive finance investment amount reached NT\$3.7 billion in 2021 ; Total community and inclusive finance lending amount reached NT\$4.5 billion and the number of the loans was 65 in 2021.	Cathay Financial Holdings and its subsidiaries determine Community and Inclusive Finance investment / lending according to following criteria: 1.The industry classification belongs to education, microfinance and other related industries. 2.The company's business items include above categories. Community and inclusive finance investments, including equity and debt, are calculated based on the book value of each subsidiary at the end of 2021; Community and inclusive finance lending amount is calculated using the original lending amount minus the recovered lending amount.	CH7/P112 Table 1: Themed Investing/ Lending	Article 4,Paragraph 1, Subparagraph 3,Item (2)		1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.
					4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.
As of the end of 2021, 18 students benefited from financial education courses under the Elevated Tree Program 2.0.	Total number of students that participated in financial education courses under CUB's Elevated Tree Program 2.0 in 2021.	CH5/P83	Article 4,Paragraph 1, Subparagraph 3,Item (3)		4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.
As of the end of 2021, 19 students benefited from financial education courses under the Community Empowerment Base Program.	Total number of students that participated in financial education courses under the group's Community Empowerment Base Program in 2021.	CH5/P84	Article 4,Paragraph 1, Subparagraph 3,Item (3)		4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.
Total infrastructure investing amount reached NT\$737.7 billion in 2021; Total infrastructure lending amount reached NT\$71.1 billion in 2021.	Cathay Financial Holdings and its subsidiaries determine infrastructure investment / lending according to following criteria: 1.The industrial classification belongs to the categories of transportation, public facilities, social housing, and environmental improvement facilities. 2.The company's business items include the above categories. Infrastructure investments, including equity and debt, are calculated based on the book value of each subsidiary at the end of 2021; Infrastructure lending amount is calculated using the original lending amount minus the recovered lending amount.	CH7/P112 Table 1: Themed Investing/ Lending	Article 4,Paragraph 1, Subparagraph 3,Item (4)		11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
Total low carbon investing amount reached NT\$207.6 billion in 2021; Total low carbon lending amount reached NT\$31.4 billion in 2021.	Cathay Financial Holdings and its subsidiaries determine Low-carbon investment / lending according to following criteria: 1.Industry classification belongs to six major categories of energy, construction, waste recycling, transportation, (high efficiency) industry and green finance. 2.The company's business items include above six categories. 3.The investments included in the Low Carbon Investment Registry, Carbon Clean 200 List, and green bond details in the Bloomberg platform. Low-carbon investments, including real estate, equity, and debt, are calculated based on the book value of each subsidiary at the end of 2021; Low-carbon lending amount is calculated using the original lending amount minus the recovered lending amount.	CH7/P112 Table 1: Themed Investing/ Lending	Article 4,Paragraph 1, Subparagraph 3,Item (4)		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
					13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



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Total water resource investing amount reached NT\$7.8 billion in 2021; Total water resource lending amount reached NT\$0.9 billion in 2021.	Cathay Financial Holdings and its subsidiaries determine water resource investment/lending according to following criteria: 1. Industry classification relates to water supply, water treatment, and sewage treatment. 2. The company's business items include above categories. Water resource investments, including equity and debt, are calculated based on the book value of each subsidiary at the end of 2021; Water resource lending amount is calculated using the original lending amount minus the recovered lending amount.	CH7/P112 Table 1: Themed Investing/ Lending	Article 4, Paragraph 1, Subparagraph 3, Item (4)		3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
					6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
Total aging society and health investing amount reached: NT\$411.9 billion in 2021; Total aging society and health lending amount reached: NT\$35.2 billion in 2021.	Cathay Financial Holdings and its subsidiaries determine Aging society and health investment / lending according to following criteria: 1. The industry classification belongs to the senior and health product and service industry, facility supply and other related industries. 2. The company's business items include above categories. Aging society and health investments including equity and debt, are calculated based on the book value of each subsidiary at the end of 2021; Aging society and health lending amount is calculated using the original lending amount minus the recovered lending amount.	CH7/P112 Table 1: Themed Investing/ Lending	Article 4, Paragraph 1, Subparagraph 3, Item (4)		3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
As of the end of 2021, 2 cases reached Financial Close in accordance with EPs.	Total number of CUB's financing projects that reach financial close according to the CUB's Rules Governing Project Finance of Equator Principles in 2021.	CH7/P112 Table 3: Equator Principles Projects	Article 4, Paragraph 1, Subparagraph 3, Item (4)		8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.
					9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
CUB provided loans for 325 solar power stations in Taiwan in 2021 with a total installed capacity of 183.6 MW.	1. Solar power stations: Total number of stations approved by the Bureau of Energy in 2021. 2. Domestic financed capacity: The sum of installed capacities from the lower of the projects with approval documents issued by the Bureau of Energy or Taipower Electricity Purchase Contract and financed by CUB head office and all domestic branches in 2021.	CH3/P46	Article 4, Paragraph 1, Subparagraph 3, Item (4)		7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.
					13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

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As of the end of 2021, the cumulative insured amount of renewable energy insurance policies (Hydroelectric Power, Solar Power, Wind Power) was NT\$148.8 billion.	The total insured amount of renewable energy engineering and equipment insurance cases undertaken by Cathay Century in 2021. The insured amount is the total policy amount in force as of the end of 2021, including the original insured amount of the policies and the adjusted insured amount by the end of 2021.	CH7/P113 Table 8: ESG Products and Services	Article 4, Paragraph 1, Subparagraph 3, Item (4)		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
As of the end of 2021, the property principal in the Disability & Retirement Trust (for elderly and disabled people) reached NT\$2.493 billion and the number of effective beneficiaries was 317.	As of December 31, 2021, the number of people who benefited from the Disability & Retirement Trust, and the property principal of the Disability & Retirement Trust, according to "the Charitable Trust Statistics for 2021 Q4" published by the Trust Association of R.O.C.	CH7/P118 Table 26: Financial Planning Results	Article 4, Paragraph 1, Subparagraph 3, Item (4)		1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
					8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
As of the end of 2021, the number of people insured by effective micro insurance policies of Cathay Life and Cathay Century was 182 thousand people.	According to the Implementation Status of Micro Insurance Offered by Cathay Life in December 2021 published by Taiwan Insurance Institute, the number of people insured by effective micro insurance policies of Cathay Life. And as of the end of 2021, the number of people insured by effective micro insurance policies of Cathay Century.	CH4/P68	Article 4, Paragraph 1, Subparagraph 3, Item (4)		1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
					8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
As of the end of 2021, the amount of property principal in the Charitable Trust was NT\$ 37.802 billion.	As of December 31, 2021, the balance of trust assets of CUB's charitable trust according to the Charitable Trust Statistics for 2021 Q4 published by the Trust Association of R.O.C.	CH7/P118 Table 28: Financial Inclusion Promotion Results	Article 4, Paragraph 1, Subparagraph 3, Item (4)		8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
The satisfaction of Cathay Life's 2021 Agency 2.0 Sales Force Transformation Plan was 94.76%.	The satisfaction of Cathay Life's Agency 2.0 Sales Force Transformation Plan in 2021. The satisfaction survey uses a 5-point scale, the number of questions is averaged and then converted into a percentage.	CH5/P77	-		4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

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In 2021, the average number of full-time non-managerial employees was 20,311, the mean salary of full-time non-managerial employees was NT\$1,320 thousands, and the median salary of full-time non-managerial employees was NT\$1,088	The 2021 Cathay groups' information of full-time non-managerial staff salary is calculated according to "Notes on Reporting of Full-time Non-managerial Employees Salary Information" and "FAQ" published by Taiwan Stock Exchange Corporation.	CH7/P116 Table 18: Full-time Non-managerial Employees Salary Information	Article 4, Paragraph 1, Subparagraph 4, Item (1)	-	-
In 2021, the ratios of annual salaries (male:female) for each employee category: High-level manager: 100:91 Mid-level manager: 100:101 Entry-level manager: 100:106 General staff: 100:91	"Employee" is defined as individuals who provide services to the company under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers; nor do they include directors and supervisors. The scope of statistics only covers full-time employees in 2021. Definitions: "High-level manager" is equivalent to vice presidents of Cathay FHC (including) or above "Mid-level manager" is equivalent to senior managers of Cathay FHC (including). "Entry-level manager" is equivalent to managers of Cathay FHC (including). "General Staff" refer to employees who do not bear the administrative responsibility for managing other employees or business units, including project managers who do not manage other employees. Annual salaries= basic salary and remuneration. The annual salaries ratio for male to female refers to the ratio calculated on the basis of the average annual salaries of male as 100, for example, 100:88 (that is, 100 for male and 88 for female).	CH7/P116 Table 17: Comparison of Male and Female Managers' Annual Salaries (Male:Female)	-	  	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.  5.1 End all forms of discrimination against all women and girls everywhere.
As of the end of 2021, 8 cases were rejected by or receiving opinions from the Credit Review Committee, in which no loan applications was rejected due to ESG incidents.	The total number of cases of corporate loans rejected by or receiving opinions from the CUB Credit Review Committee, and of which the number of loan applications rejected due to ESG events in 2021.	CH7/P112 Table 2: Corporate Loan ESG Review Status	-		9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
As of the end of 2021, 288 cases with potential risks reviewed in escalation process were discussed.	The number of Cathay Life's ESG risk reviewed cases is based on the total number of cases that the company's investment target has been completed the ESG risk review process in 2021.	CH7/P112 Table 4: Results of Cathay Life ESG Risk Review for Investee Companies	-		9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Note: Refers to the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies."

# 7.10 External Assurance

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• Independent Assurance Opinion Statement by BSI



The document is an Independent Assurance Opinion Statement issued by BSI (British Standards Institution) on behalf of the British Standards Institution. It covers the Cathay Financial Holdings 2021 Sustainability Report. The report includes sections on Conclusions, Materiality, Materiality, and Assurance level. It states that the Cathay Financial Holdings has implemented the practice to respond to the expectations and perceptions of its stakeholders, and that the information disclosed in the report is reliable and credible. The assurance level is stated as 'limited assurance'.

• Independent Limited Assurance Report



The document is an Independent Limited Assurance Report issued by PwC (PricewaterhouseCoopers) on behalf of the PricewaterhouseCoopers. It covers the Cathay Financial Holdings Ltd. 2021 Sustainability Report. The report includes sections on Material Information, Material Information, and Compliance of Independence and Quality Control Requirements. It states that the Cathay Financial Holdings Ltd. has implemented the practice to respond to the expectations and perceptions of its stakeholders, and that the information disclosed in the report is reliable and credible. The assurance level is stated as 'limited assurance'.

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• ISO 14001:2015



• ISO 50001:2018



• ISO 20400: 2017



• ISO 14064-1:2018(Domestic)



• ISO 14064-1:2018





本報告書採用符合森林管理委員會(Forest Stewardship Council, FSC)  
認證的再生紙漿及無毒大豆油墨印製



**國泰金控**

Cathay Financial Holdings