



國泰金控

Cathay Financial Holdings

2018

Corporate Sustainability Report

Cathay Financial Holdings





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

About this Report

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

Reporting Period

Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2018 Corporate Sustainability (CS) Report issued in June 2019 presents Cathay FHC's economic and environmental (E), social (S), and governance (G) performance in 2018 (1/1-12/31). The report allows all stakeholders interested in 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 2018.

Basis for this Report

This report is compiled in accordance with the core options of the GRI Standards of the Global Reporting Initiative (GRI), and discloses the five capitals using the integrated reporting framework established by the International Integrated Reporting Council (IIRC). Contents of this report also correspond to the UN's Sustainable Development Goals (SDGs). This report also takes into consideration the Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, and Regulations Governing Preparation and Filing of CSR Reports by TSEC and GTSM Listed Companies, and Sustainability Accounting Standards Board, SASB. The financial data in this report is audited by EY and published in Cathay FHC 2018 Annual Report. The non-financial data is based on the declared information to competent authorities or audited by external management system accreditation authorities.

Report Assurance

The Company has engaged PwC Taiwan to corroborate its report compiled based on the GRI Standard using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, "Audit and Review of Non-financial Information" and ISAE 3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendix of this report.

Standard	Inspection/assurance institution
Sustainability data	
Statement of Assurance Principles No. 1, Audit and Review of Non-financial Information	PwC
Financial data	
Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards	Ernst & Young (EY)
Environmental	
· ISO 14064-1:2018 Greenhouse Gas Inventory	SGS Taiwan
· ISO 14001:2015 Environmental Management Systems	
· ISO 50001:2011 Energy Management Systems	
· ISO 14046:2014 Water Footprint Inventory	
· ISO 20400:2017 Sustainable Procurement	BSI Taiwan

Cathay Financial Holding Co., Ltd.

Date of Incorporation	December 31, 2001	
Brand Spirit	Rediscovering Happiness	
Core Values	Integrity, Accountability, Innovation	
Headquarters Address	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)	
Contact Department	Public Relations Dept., Cathay FHC	
Mail	hpr@cathayholdings.com.tw	
Tel	+886-2-27087698	
Full Time Employees	45,961 people	
Total Assets	NT\$ 9.2 trillion	
Capital	NT\$ 140.97 billion	
Corporate Sustainability Website	https://www.cathayholdings.com/en/holdings/csr	

Contents

Message from the Chairman	02	Chapter 4 Natural Resources Capital	58
Cathay Corporate Sustainability (CS) Committee	04	Climate Change	60
Recognition from Sustainability Awards	05	Environmental Performance	62
Leader in Sustainable Finance	06	Green Actions	63
Cathay's Sustainability Strategies	12	Green Operations	63
Materiality Analysis	14	Sustainable Real Estate	64
Cathay's Key Sustainability Breakthroughs	16	Sustainable Procurement	65
Cathay's Corporate Sustainability Vision	18	Green Initiatives	65
Cathay's Sustainable Value Creation Process	20	Chapter 5 Social Relations Capital	66
Chapter 1 Finance and Integrity Capital	22	Achieving Excellent Customer Service Quality	68
Business Performance	24	Protecting Customers' Personal Information and Information Security	70
Advancing Corporate Governance	26	Happiness is Giving Happiness	71
Strengthening Risk Management and Internal Control	28	Projects Implemented under the Four Public Welfare Strategies	72
Promoting Ethics and Integrity	31	Key Public Welfare Performance	77
Implementing Tax Governance	33	Appendix	78
Chapter 2 Intellectual Capital	34		
Insurance Product Development and After-Sales Management Process	36		
Green Finance	36		
Prosper with the Community	39		
Cathay Digital Finance Living Circle	42		
Chapter 3 Human Capital	46		
Employee Structure and Diversity	48		
Attracting Talents	50		
Talent Development	52		
Talent Retention and Happy Workplace	54		



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Message from the Chairman

Sustainable Cathay Contributing to Community

More than half of all citizens in Taiwan are Cathay Financial Holding's customers. As a result, we believe that we bear a great responsibility and can exert a positive effect on society. It is on this basis that we adopted international sustainable finance frameworks such as the Principles for Sustainable Insurance (PSI), Equator Principles (EPs), and Principles for Responsible Investment (PRI) as management guidelines to thoroughly incorporate environmental, social and governance (ESG) criteria into our business operations. Furthermore, Cathay United Bank has made a commitment to comply with the Principles for Responsible Banking (PRB) and will continue to take strides towards achieving the highest standards.

Pursuing Value while Reinforcing Corporate Governance

Cathay FHC achieved strong business performance in 2018 with consolidated after-tax profit reaching NT\$51.8 billion and Earnings Per Share of NT\$3.95. We also gained recognition for our implementation of corporate sustainability initiatives and were selected as a constituent stock of DJSI Emerging Markets, becoming the first insurance company in Taiwan to be selected as a DJSI World constituent stock.

We continued to improve our corporate governance based on our core values of integrity, accountability, and innovation in 2018. Specific measures include establishing the group-level whistleblowing program, appointing Corporate Governance Officer, and establishing Regulations Governing Evaluation of Functional Committee. We were recognized for these corporate governance measures and ranked in the top 5% of the 4th Corporate Governance Evaluation conducted by the Taiwan Stock Exchange. We also gained the highest "Outstanding" certification in the Corporate Governance System Assessment CG6011 conducted by the Taiwan Corporate Governance Association.

Promoting Digital Innovation and a Data Driven Culture

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

Cathay Robo, which integrates the resources of Cathay Financial Holdings and its subsidiaries, was formally launched in 2018, providing customers with technology-based financial management services based on the concept of human-machine collaboration and helping customers achieve their financial goals. Cathay United Bank and Cathay Life Insurance launched the AI-enabled customer service chatbot "Alpha" in 2018 to provide faster and timelier responses to user questions using the latest technology. "Alpha" has achieved levels of satisfaction similar or higher than that of human customer service personnel. Furthermore, we used agile development methods to accelerate the development of our MyRewards app and improve the customer experience, including optimizing the login process and reclassifying products. The app has received positive feedback from customers and was further used to carry out a "bonus point donation" activity, which was held in collaboration with social enterprises and NGOs. Through this activity, customers can donate their credit card bonus points to a charity, thereby combining digital technology and human compassion.

Emphasizing Risk Management and Responding to Climate Change

Cathay Financial Holdings has included global emerging risks, such as financial technologies, extreme weather, and drastic changes in demographics, into its risk management. We review and establish responses to these risks on an annual basis. To combat climate change, in particular, we have developed green finance by incorporating the concepts of "investment," "finance," and "insurance" with "environmental protection and low-carbon." We were also one of the first to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework to disclose the financial impact of climate change on the company as well as our future response strategies and goals.

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

Utilizing our Core Competencies to Lay the Groundwork for Citizens' Happiness

Cathay Financial Holdings hopes to lay the groundwork for citizens' happiness, and we are thus dedicated to utilizing our core competencies in finance and insurance to create a virtuous cycle. We began organizing the Weight Loss Contest when we found that "obesity" is a common health risk for our employees, and donated NT\$100 for every 1 kg of weight lost by employees. The funds were used to construct solar panels, and the income from selling the electricity generated by the solar panels is donated to an NGO that provides services to the elderly. We also began accepting employee family members and policy holders into the contest in 2018 to engage even more stakeholders while contributing to environmental and social sustainability.

Cathay Life Insurance provided student group insurance in 2017 and 2018, offering students enrolled in high (vocational) school and under all around Taiwan with adequate insurance protection. Cathay Life Insurance also worked with the K-12 Education Administration in implementing the Sustainable Campus Project, which instills students with important concepts of sustainability while they are still in school. Cathay United Bank Cambodia began working with local payment service provider Ly Hour in 2018, helping local factory workers withdraw their salaries at offline locations of Ly Hour. Payroll accounts are used as a type of collateral to lower the threshold for local residents to apply for a credit loan, thus increasing the availability of financial services to local residents. This is an example of using FinTech to achieve inclusive finance.

Looking towards the future, Cathay Financial Holdings will continue to pursue the building of a better society with the vision of becoming a leading financial institution in the Asia-Pacific region, and will strive to achieve the mutual prosperity of enterprises, society, and the environment. We will create a win-win situation for all stakeholders and continue to become a force for social stability and improvement.

Chairman




Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

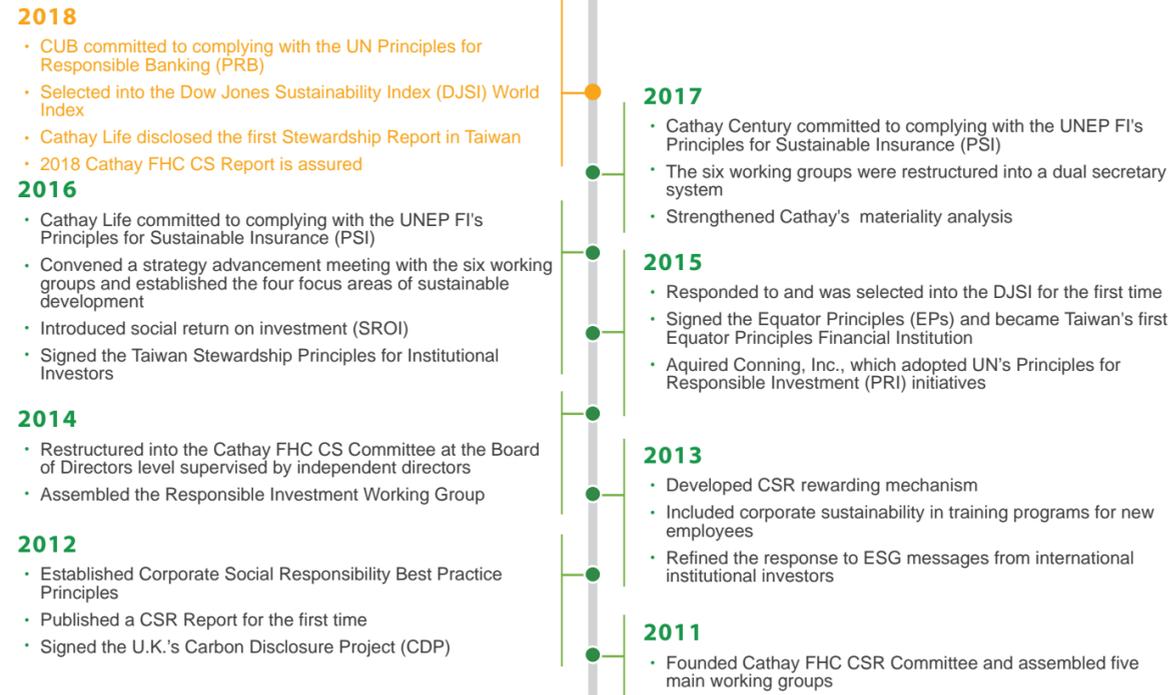
Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

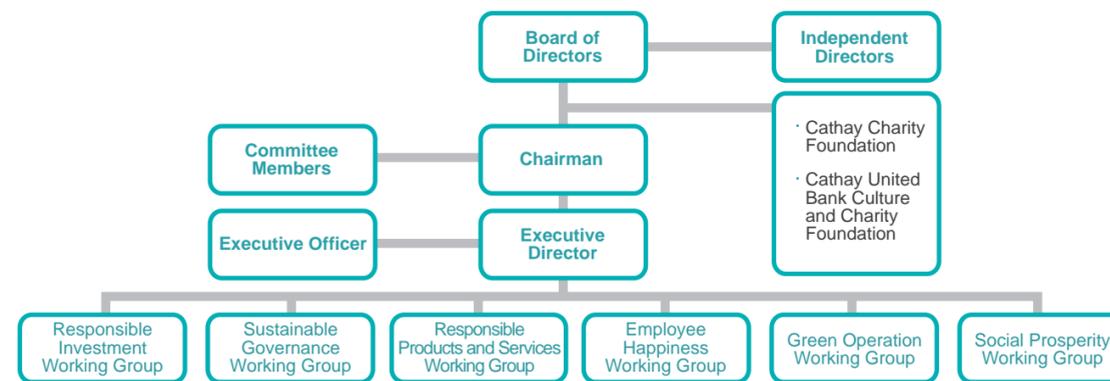
Appendix

Cathay Corporate Sustainability (CS) Committee

Cathay FHC's CS Committee is subordinate to the Board of Directors and is the core unit for promoting corporate sustainability. The CS Committee is supervised by independent directors, and chaired by the President of Cathay FHC. The committee comprises 6 main working groups, each headed by a senior executive. The CS Committee began making advancements every year since 2011 in order to achieve breakthroughs. Our milestones over the years are as follows:



Organization of Cathay FHC CS Committee



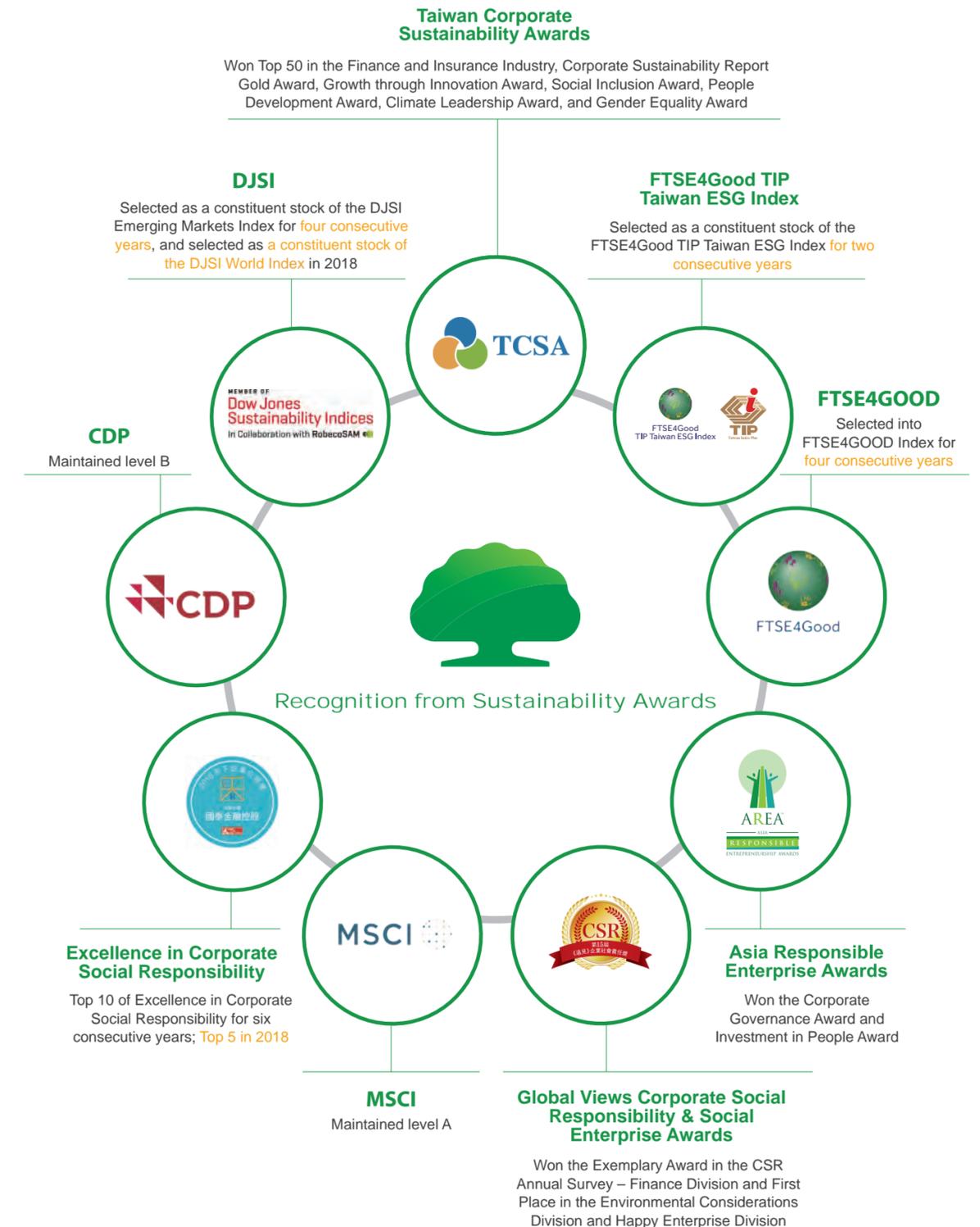
Cathay's Declaration of Sustainability Values

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



Cathay FHC's Declaration of Sustainability Values

Recognition from Sustainability Awards



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Leader in Sustainable Finance

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

Since 2015, Cathay FHC has signed or self-complied with some important global sustainable financial frameworks, such as Principles for Sustainable Insurance (PSI), Equator Principles (EPs), and Principles for Responsible Investment (PRI). Moreover, CUB was the first Taiwanese bank to commit to self-comply with Principles for Responsible Banking (PRB) upon the announcement by UNEP FI in November 2018.

Cathay FHC Integrates Sustainability into Three Core Businesses

	Insurance PSI	Banking EPs PRB	Asset Management PRI
Key initiatives	In 2016, Cathay Life was the first Taiwanese life insurer voluntarily complying with the PSI. Cathay Century Insurance also followed PSI framework in 2017.	CUB was the first Taiwanese bank signing the Equator Principles (EPs) in 2015. In 2018, CUB commits to self-comply with PRB to strengthen corporate sustainability.	Conning Inc., fully owned by Cathay FHC, is the PRI signatory.
Team in-charge	Corporate Sustainability (CS) Team in Cathay Life and Cathay Century	Sustainable Finance team in Cathay United Bank	Responsible Investments working group under Cathay FHC CS committee
Related disclosures	 Cathay Life Insurance Corporate Sustainability Report Cathay Century Insurance PSI Disclosure Reports	 CUB's Equator Principles website	 Conning Inc.'s PRI Transparency Report
Highlight	<p> PSI The first life insurance company in Taiwan to self-comply with PSI company in Taiwan to self-comply with PSI</p> <p> ASIA PSI Cathay Life's PSI Disclosure Report was the first report in Asia assured by third party verification</p> <p> ESG Incorporating ESG factors into the internal operating process</p>	<p> EPs CUB was the first Equator Principles Financial Institution in Taiwan</p> <p> EPs CUB completed the first Offshore Wind-Power Financing Project in Taiwan</p> <p> EPs Extended EPs and defined ESG lending guidelines for all corporate loans</p> <p> PRB The first Taiwanese bank to commit to self-comply with PRB</p>	<p> PRI The first financial institution in Taiwan to establish a Responsible Investment Working Group</p> <p> PRI The only financial institution in Taiwan participating in global initiatives, such as LCI, CDP Non-Disclosure Campaign, and AIGCC</p> <p> PRI Five subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) are signatories to the Taiwan Stewardship Principles for Institutional Investors</p> <p> PRI The first PE fund in Taiwan investing in Taiwan's sustainable industries and to have signed the limited partnership agreement</p>



Following International Insurance and Banking Standards - PSI & PRB

Cathay FHC has self-complied with international frameworks and integrated ESG into core businesses. The table below shows how Cathay integrates ESG issues into all business processes and engages in continuous monitoring. Cathay Life, Cathay Century and CUB also committed to integrate international sustainable frameworks into their core competencies.

Integrating ESG issues into all the business processes

Business Processes	Integrating ESG into Business Process
Risk Management	<ul style="list-style-type: none"> Consider ESG emerging risks Improve the management of climate risk and opportunity by following the TCFD framework Set investment/ lending limits and management procedures <p>Monitor and Management</p> <p>Relevant Pages in the Report Risk map P.30,TCFD P.60-62</p>
Product & Service	<ul style="list-style-type: none"> Fintech and one-stop service Strengthen green finance and inclusive finance services Integrate ESG issues into the underwriting and lending processes <p>Monitor and Management</p> <p>Relevant Pages in the Report Cathay ESG product/service integration P.36-45 Digital finance P.42-45 Corporate loan application & review process P.09</p>
Operation	<ul style="list-style-type: none"> Paperless operations and Fintech GHG inventory and carbon emission reduction Water and waste control <p>Monitor and Management</p> <p>Relevant Pages in the Report GHG and resource management P.62-65</p>
After-Sales Management	<ul style="list-style-type: none"> Review product details and offer flexibility to customers when significant ESG incidents occur Trigger the critical disaster claims mechanism when significant ESG incidents occur Disclose EPs projects <p>Monitor and Management</p> <p>Relevant Pages in the Report Critical disaster claims mechanism Equator principles P.09</p>
Investment	<ul style="list-style-type: none"> Exclusion policy ESG integration Sustainability themed investing Corporate engagement and shareholders' actions Asset Manager Mandating and Monitoring <p>Monitor and Management</p> <p>Relevant Pages in the Report Our efforts of responsible investment P.08-11</p>

Self-compliance with UN Principles for Responsible Banking (PRB)

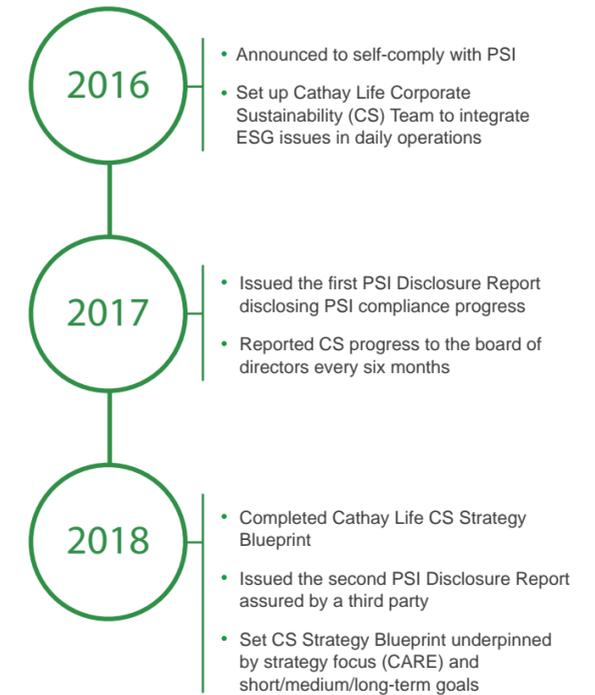
Following the achievement of becoming the first bank in Taiwan to adopt the Equator Principles (EPs) in 2015, Cathay United Bank (CUB) committed to self-comply with the United Nations' Principles for Responsible Banking (PRB) in December 2018, and became the first bank to implement PRB on a voluntary basis in Taiwan. Furthermore, CUB established a task force to define the implementation plan in line with PRB's relevant rules and goals. The PRB comprises of six major principles: alignment, impact, clients and customers, stakeholders, governance and target setting, and transparency and accountability. By committing to this new framework, the banking industry shall ensure its operating strategies meet the requirements of the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

Principles for Sustainable Insurance (PSI)

In 2016, Cathay Life became the first life insurance company in Asia self-complying with the PSI. Cathay Life has also set up the Corporate Sustainability (CS) Team to incorporate ESG issues into daily operations. It conducts regular meetings to monitor the implementation progress of each working group, and reports the achievements to the board of directors every six months. In 2018, Cathay Life set its CS Strategy Blueprint underpinned by strategy focus (CARE). It also established short/medium/long-term goals to define the implementation direction, manage performance, and demonstrate its long-term commitment to corporate sustainability. (Please see the Cathay Life Insurance Corporate Sustainability Report for more details)

Cathay Century announced self-compliance with PSI in 2017, and adopted the slogan "establish universal care and co-create holistic happiness" as its ultimate vision for the realization of sustainability, continuing to fully utilize its core competencies in insurance to prevent, alleviate and share losses.

Cathay Life's PSI Compliance Progress



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

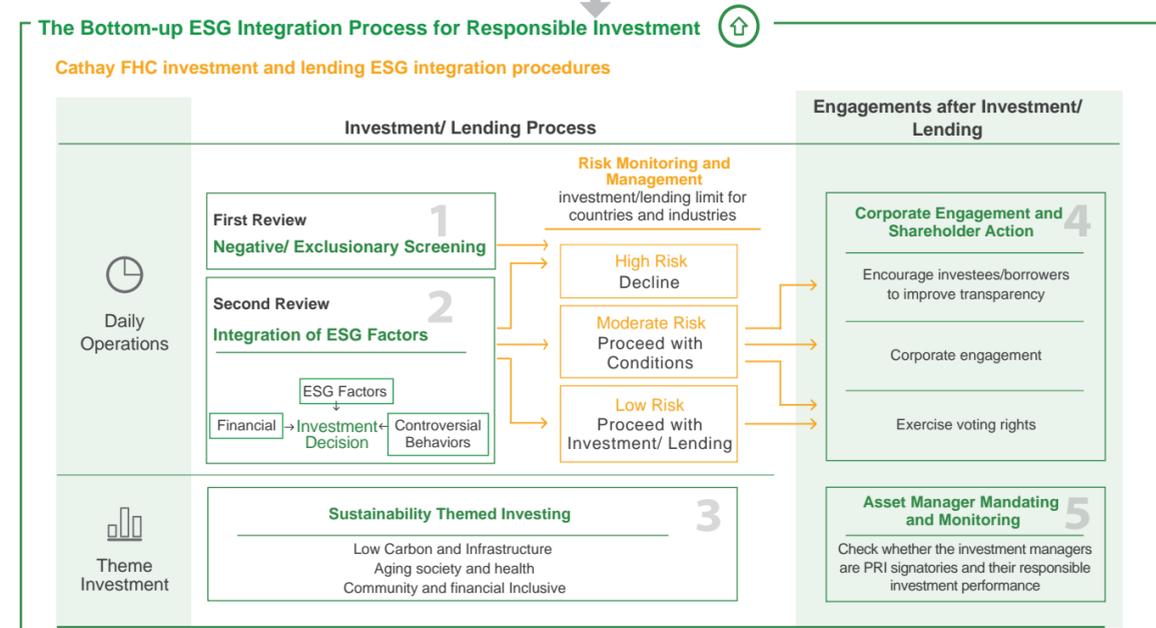
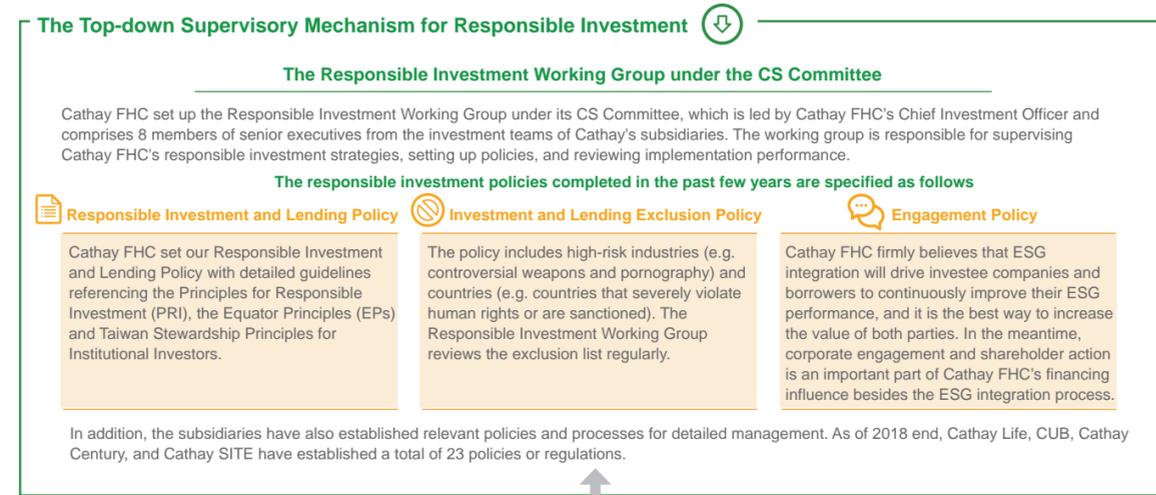
Chapter 5 Social Relations Capital

Appendix



Following International Responsible Financing Frameworks – EPs & PRI

Cathay FHC has established a top-down supervisory mechanism as well as a bottom-up analysis & review process for responsible investment and lending to mitigate ESG risks. Cathay aims to strengthen Cathay's long-term investment/lending value and protect the rights of our clients and shareholders.



Dedicated Responsible Investment/ Lending Task Force in Cathay's Subsidiaries:

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

Meanwhile, Cathay Life and Cathay SITE set up the Responsible Investment Task Force which comprises the front/mid/back-offices of the investment team. The task force studies the best practices of responsible investment in order to establish action plans to refine and improve the ESG integration process. As of the end of 2018, the task force of Cathay Life had around 40 members, in which 2 members are dedicated to responsible investment.

Reinforcing ESG Training and Committing to Sustainable Finance

EPs training courses (including English versions) have been made available online for employees to access at any time. Integrated training materials of EPs project financing regulations and ESG Principles for Corporate Loans are also available. Cathay also records promotional materials in cooperation with personal and corporate banking departments on an ad-hoc basis in case of any updates to relevant internal regulations.

In 2018, Cathay actively learned international responsible investment practices from external industrial, governmental and academic institutions after launching the ESG databases and establishing the investment/lending task force. A total of 633 employees from Cathay FHC, Cathay Life, CUB, Cathay SITE, and Cathay Century participated in the training courses as well as the external conferences; the average training hours per participant was 1.2 hour.



The Highlights of Responsible Lending ESG Integration in 2018

In 2017, CUB expanded the scope of EPs application and reviewed all credit applications received. In 2018, CUB further established risk check points in the life cycles of sensitive industries, as well as guidelines for prevention/improvement measures, to assist with the process of Know Your Customer (KYC):

Expanding the spirit of EPs

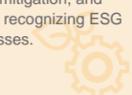
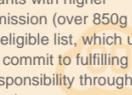
For clients whose credit facilities reach a significant level and where funding will be used in sensitive industries (such as mining/oil refining/metallurgy, hydro/oil-fired/coal-fired power generation, and forestry), the lending approval review process must incorporate the evaluation of environmental and social (E&S) impacts. After granting the credit facilities, CUB shall regularly perform reviews based on the initially proposed E&S management solutions.

ESG Regulations for Corporate Loans and ineligible industries

All CUB corporate lending cases comply with its ESG Principles. In doing so, CUB incorporates ESG risk management in the credit reviews and post-loan management assessments of corporate loans, and clearly defines the clients beneficial for sustainable development while identifying ineligible clients which do not meet sustainable development criteria. In 2018, CUB included coal-fired power plants with higher greenhouse gas emission (over 850g CO₂/kWh) to the ineligible list, which urges credit borrowers to commit to fulfilling corporate social responsibility throughout their business operations.

Establishing ESG risk guidelines for sensitive industries

In April 2018, CUB established ESG guidelines targeting the power generation, paper, chemical materials, general manufacturing, mining and metal industries to further strengthen its ESG risk management mechanism. The guidelines incorporate various ESG risks for the industries confront in different life cycles. The guidelines also provide customers the practical advice on risk mitigation, and assist our colleagues in recognizing ESG risks during KYC processes.



The Highlights of Responsible Investment ESG Integration in 2018

Integrating ESG information into investment systems

Cathay SITE integrated multiple external ESG information sources, and provided internal investment professionals with concentrated ESG information section in investment decision-making support systems. By doing so, investment professionals can catch major ESG issues of the investee companies in addition to the fundamentals. Furthermore, Cathay SITE built an ESG investment team which consists of investment managers and analysts. The team utilizes ESG information and carries out multiple positive/negative screenings to strengthen investment decision making. The investment managers also proactively take ESG factors into consideration. We believe that ESG integration, along with research methods featuring rigorous bottom-up selection of stocks, can protect and even improve clients' interests.

Strengthening the ESG risk review mechanism in the investment process

Cathay Life excluded the high ESG-risks industries which bring negative impact to society (e.g., controversial weapons) in order to reduce ESG risks in investment portfolios. Also, we exclude the countries which systematically violate international human rights or are involved in major disputes. We also established a watchlist of investment targets with potential ESG risks through information from external ESG databases, and adopted the ESG risk review processes including "comply-or-explain" and "Escalation process". Through this process, investment teams integrate ESG risks into investment decision-making considerations, which lead to decisions of either "Observe," "Stop investing temporarily," or "Underweight." The internal approval procedures will be exercised by the senior executive (Executive Vice President or Senior Executive Vice President) according to factors including risk level and investment decisions.

Results of the ESG Integrated Review and Control Mechanism

EPs review and control for project financing

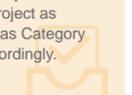
492 cases out of all corporate loan applications in 2018 were screened by the EPs system's preliminary screening mechanism. 6 applications met the scope of EPs requirements and proceeded to EP assessments, of which 2 applications had not proceeded to facility signing due to client issues. Along with 1 application that has completed documentation from the previous year, a total of 5 applications reached financial close (1 project was classed as Category A, 1 project as Category B, and 3 projects as Category C), and were disclosed accordingly.

ESG review and control for corporate lending

Among the total of 8,602 corporate loan applications reviewed and closed in 2018, 391 applications with ESG concerns (e.g., sensitive industry, pollution issues, and management integrity) were subject to approval with detailed reasons for granting/maintaining business relationships. A total of 5,622 current credit reviews underwent ESG assessment, of which 65 cases exhibiting ESG-related concerns (such as pollution issues and management integrity) were documented with detailed reasons for maintaining business relationships and post-loan management.

ESG risk review for investee companies

In 2018, we completed review of all our listed equities, and reviewed a total of 129 cases using ESG review procedures. We will comprehensively adopt this procedure in reviewing fixed income portfolios (non-corporate bonds and corporate bonds) from 2019 onwards and regularly review listed equities and fixed income portfolio's ESG performance once a year.



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Sustainability Themed Investing/ Lending

Cathay FHC examined international trends and Taiwan & Cathay's current circumstances in 2016 in response to global sustainability agendas. By doing so, Cathay concluded on four Focus Areas, and actively utilized its substantial influence in cash flow to invest in related industries and bring benefits to the society.

Low-carbon and Infrastructure

Cathay FHC participated in the Low Carbon Investment Registry (LCI Registry) campaign launched by the Global Investor Coalition on Climate Change (GIC) in 2014. Cathay defined low-carbon industries in 2017, which includes energy (excluding nuclear power and fossil fuel), architecture, waste recycling, transport, high efficiency industry, and financial products (e.g., green bonds). Meanwhile, Cathay refers to relevant government rules to define infrastructure related industries.

Total amount (NTD)
Low carbon: Approx. **NT\$151.1 billion** Infrastructure: Approx. **NT\$591.5 billion**

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

Aging Society and Health

In 2019, Cathay defines the aging society and health industries in reference to the definitions developed by Taiwan National Development Council and PRI. The aging society and health industries we defined include the related services, products and facilities.

Total amount (NTD)
Approx. **NT\$358 billion**

Community and Inclusive Finance

- CUB was the first Taiwanese bank offering "Social Enterprise Preferential Loan Projects" in collaboration with Taipei City Government and the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to help social enterprises grow their business.
- Cathay United Bank Cambodia (CUBC) provided loans to the micro finance institutions (MFIs) in Cambodia to promote the development of inclusive finance.
- CUB launched diverse preferential loan projects for SMEs

Total amount (NTD)
Approx. **NT\$179.2 billion**

ESG Investment Products and Services

Cathay FHC is committed to developing comprehensive sustainable finance services, including renewable energy lending/insurance, electric vehicle and bicycle insurance, charitable trust, and long-term care insurance, etc. See the chapter on intellectual capital for more details; this section highlights the ESG investment products and services provided by Cathay SITE only.

PE Fund for Sustainable Industries

Cathay has signed limited partnership contracts for its PE funds, with promised investment totaling NT\$8.03 billion. The funds mainly invest in key sustainable industries in Taiwan, including circular economy (e.g., sewage treatment and waste processing and reuse), renewable energy (e.g., solar energy, geothermal energy, hydropower, and energy storage), as well as the "5 + 2" innovative industries promoted by the government (e.g., Internet of Things, smart machinery, new agriculture, and long-term care).

Labor Pension Fund ESG Investment Mandate

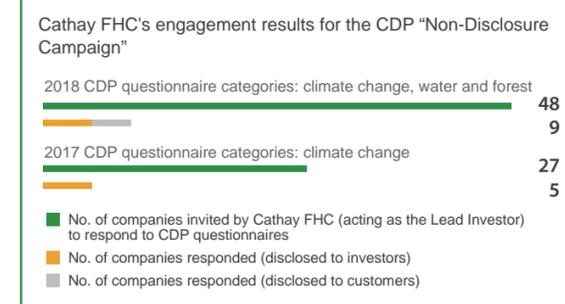
Cathay SITE received the Bureau of Labor Funds' investment mandate for the first ESG fund in Taiwan in March 2018. The assets under management amount to NT\$6 billion. The ESG mandate fund benchmarks investment performance against the FTSE4Good TIP Taiwan ESG Index which is the index combining environmental, social, and corporate governance (ESG) and financial indicators.

External Communication and Initiatives

Participating in Climate Change Initiatives and Hosting Climate Change Forums

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

Cathay FHC has been trying to address the impact of climate risks to corporate enterprises. We have been participating in the CDP Non-Disclosure Campaign for two consecutive years since 2017, and we are the only financial institution in Taiwan participating in the campaign. We hope that such efforts can encourage Taiwanese companies which have yet to respond to CDP questionnaires to disclose their carbon emission data and management measures. At the end of 2017, Cathay FHC also participated in Climate Action 100+ initiative, which was initiated by the Asia Investor Group on Climate Change (AIGCC), the Global Investor Coalition on Climate Change (GIC) and PRI. More than 320 global institutional investors have joined the initiative to engage with the world's largest corporate greenhouse gas emitters on improving the governance mechanism on climate change and curbing carbon emissions.



Climate Action 100+
Global Investors Shaping Business Transition

- It's a five-year initiative.
- Cathay Life and Cathay SITE joined as signatories. Cathay is the only financial institutional in Taiwan joining the initiative.
- Cathay engages with two companies

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

In 2018, Cathay FHC co-organized the Climate Change Forum with Cathay Life and Cathay SITE. During the forum, CDP and PwC shared with our investee companies how to respond to CDP and TCFD. A total of 86 individuals and 55 enterprises participated. Cathay FHC has been continuously caring about climate risks, and our efforts have been recognized by international organizations. Sophia Cheng, CIO of Cathay FHC, was appointed as the AIGCC Chair in November 2018.



Taiwan Stewardship Principles for Institutional Investors

Five subsidiaries (Cathay Life, Cathay Century, CUB, Cathay SITE and Cathay Securities) are signatories to the Taiwan Stewardship Principles for Institutional Investors. In particular, Cathay Life has published the first stewardship report among Taiwanese financial institutions. Furthermore, it also shared its practical experience in industry and investment to help the government establish the responsible investment framework. Cathay Life participated in multiple forums to urge other peers to implement and integrate PRI in the investment process.

In order to encourage more asset owners and asset managers to practice active ownership, Shih-Chiao Lin, the VP of Cathay Life, was invited by the TWSE to share Cathay Life's experience of following the Taiwan Stewardship Principles for Institutional Investors in 2018.

In 2018, Cathay attended a total of 365 shareholders' meetings and voted on 1,667 proposals. Cathay voted in support for 1,567 proposals, and abstained from voting on 100 proposals in line with government regulations (Note).



In 2018, Cathay Life was invited by the TWSE to speak at the "Stewardship Practical Forum for Institutional Investors".



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



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

Cathay also communicates with the top management of investee companies in the forms of telephone conferences, forums, investor seminars, or attending shareholders' meetings. In 2018, a total of 7,215 delegates from Cathay Life, Cathay Century and Cathay SITE visited 1,217 companies, participating in a total of 4,193 meetings/ events.

Asset Manager Mandating and Monitoring

In 2018, Cathay Life and Cathay Century took ESG into consideration when signing contracts with external managers to ensure they will fulfill their duties as asset managers.

As of the end of 2018, 98% of Cathay Life and Cathay Century's external asset managers are either PRI signatories or have followed the government stewardship code, 3% higher than the previous year.



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

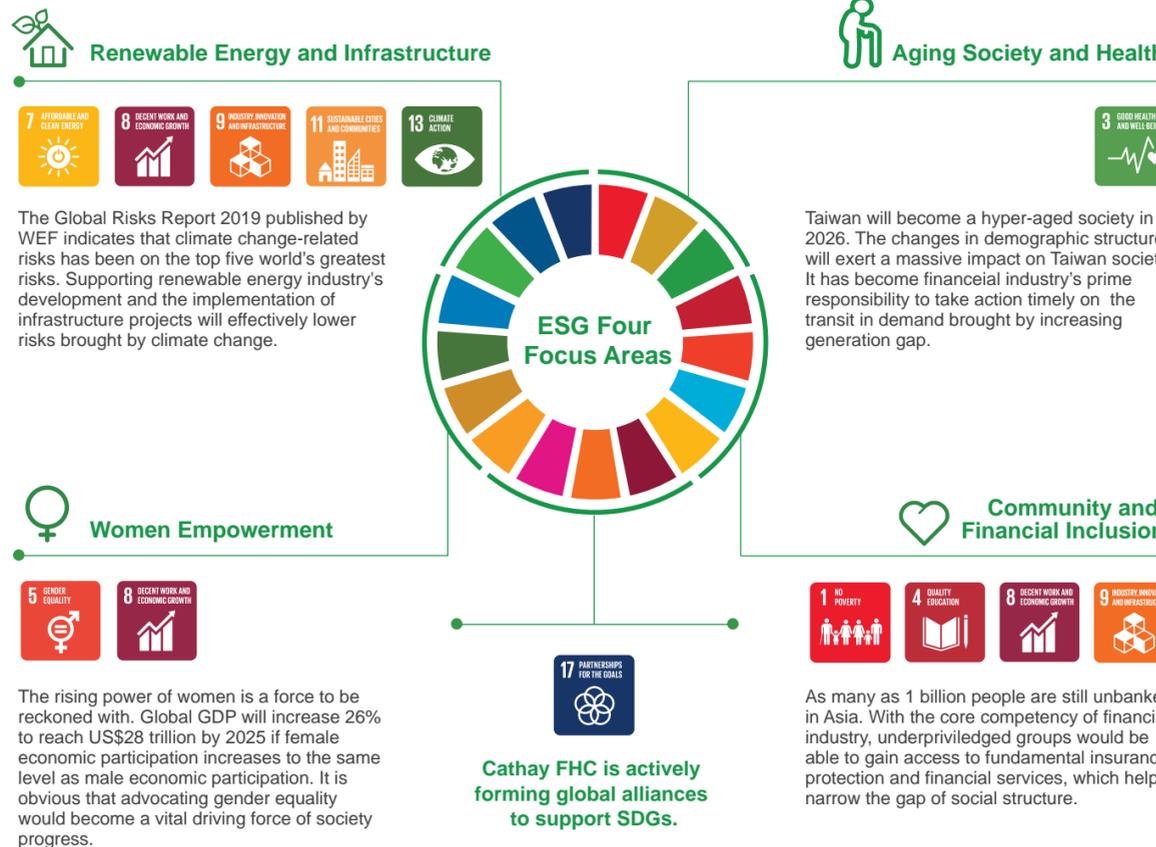
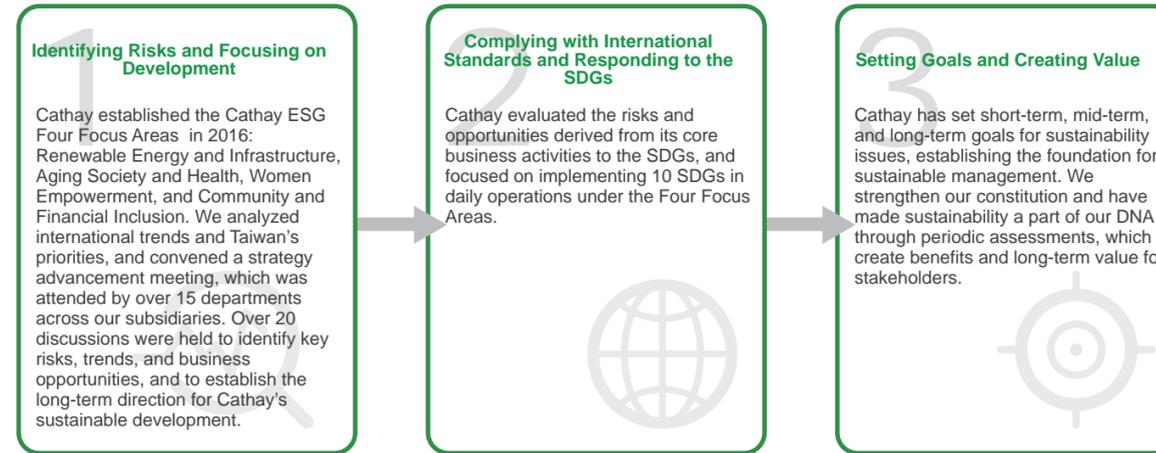
Appendix

Cathay's Sustainability Strategies

Cathay FHC aims to become a leading financial institution in the Asia-Pacific region, and is actively aligning its sustainability strategy with international standards. We have the same expectations as the UN Sustainable Development Goals (SDGs), and respond to challenges brought by the environment and society through the wide range of financial competencies developed by our subsidiaries, so that we can become a solutions provider.

SDGs that Cathay is Focused on

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



The Global Risks Report 2019 published by WEF indicates that climate change-related risks has been on the top five world's greatest risks. Supporting renewable energy industry's development and the implementation of infrastructure projects will effectively lower risks brought by climate change.

Taiwan will become a hyper-aged society in 2026. The changes in demographic structure will exert a massive impact on Taiwan society. It has become financial industry's prime responsibility to take action timely on the transit in demand brought by increasing generation gap.

The rising power of women is a force to be reckoned with. Global GDP will increase 26% to reach US\$28 trillion by 2025 if female economic participation increases to the same level as male economic participation. It is obvious that advocating gender equality would become a vital driving force of society progress.

As many as 1 billion people are still unbanked in Asia. With the core competency of financial industry, underprivileged groups would be able to gain access to fundamental insurance protection and financial services, which helps narrow the gap of social structure.

Cathay's Contribution to the SDGs

1 NO POVERTY

- Cumulative insured amount of micro insurance reached **NT\$75.1 billion**.
- Balance of loans to MFI reached **US\$34.5 million**.
- Trust property principal of Charitable Trust reached **NT\$37.817 billion**.
- A cumulative **3,523** food boxes were donated through MyRewards app.

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

3 GOOD HEALTH AND WELL-BEING

- Aging society and health investment/lending amount reached **NT\$358 billion**.
- Small amount whole life insurance provided basic economic security to nearly **180,000** policy holders.
- 100,000** people participated in the health promotion activity-Cathay Walker.
- Assets worth **NT\$1.205 billion** were entrusted into Disability and Retirement Trust.

Corresponding Capital: Intellectual Capital
Four Focus Areas: Aging Society and Health

4 QUALITY EDUCATION

- Provision of student group insurance coverage for **3 million** students attending high (vocational) school and under (including kindergarten) around Taiwan.
- A total of 195 damage prevention seminars as well as Accident-free Riders and Accident-free Schools initiative events were held for **28,471** participants.
- Dream Come True Program has helped **1,491** students fulfill their dreams.
- Collaboration with TFT in helping **2,800** students.

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

5 GENDER EQUALITY

- Articles promoting financial independence of women reached **20,400** readers.
- Ratio of female managers reached **53.3%**.
- Cathay provided **better (beyond what the law requires)** paid miscarriage leave for female employees and paternity leave for male employees.
- Training for **50** female basketball players who have been the reigning champions of the WSBL for **25 consecutive years**.

Corresponding Capital: Intellectual Capital, Human Capital, Social Relations Capital
Four Focus Areas: Women Empowerment

7 AFFORDABLE AND CLEAN ENERGY

- The cumulative installed capacity of renewable energy financing reached **832MW**.
- Renewable Energy Contractors' & Erection All Risks Insurance coverage reached **NT\$26.58 billion**.

Corresponding Capital: Intellectual Capital
Four Focus Areas: Renewable Energy and Infrastructure

8 DECENT WORK AND ECONOMIC GROWTH

- Average salary raises over the last three years was about **3.4%**.
- The ratio of Cathay employees with disabilities reached **1.12%**.
- Cathay employees come from **14 different countries**, and we strive to reach the goal of recruiting **85%** of all overseas employees from local communities.
- The **Employee Assistance Program (EAP)** was implemented in Cathay Life and CUB.

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Infrastructure investment/lending amount reached **NT\$591.5 billion**.
- Balance of loans to SMEs amounted to **NT\$178.1 billion**.
- The support to **6** social enterprises with loans reaching **NT\$20.05 million** and the procurements in the amount of **NT\$2 million** from social enterprises.
- To assist **5** environmentally friendly and green energy-saving enterprises by raising **NT\$1.511 billion**.

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

11 SUSTAINABLE CITIES AND COMMUNITIES

- Balance of electric scooter loan amount reached **NT\$300 million**.
- Cumulative premium income of green auto insurance reached **NT\$200.05 million**.
- Cumulative insured amount of bicycle insurance reached **NT\$7.53 million**.
- Cathay Life's Minsheng Jianguo Building obtained the **LEED Gold Certification and EEWV Diamond Certification**.

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

13 CLIMATE ACTION

- Low carbon investment/lending amount reached **NT\$151.1 billion**.
- The only financial institution in Taiwan to participate in the CDP's Non-Disclosure Campaign.
- Organizing the Climate Change Forum in 2018; and Chief Investment Officer, Sophia Cheng, was appointed as the AIGCC Chair in 2018.
- Reducing the use of **68.26** million paper sheets, which is equal to reducing carbon emissions by **491 tons**, in 2018.

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

Note: Please refer to P.18-19 for Cathay's Sustainability Vision on short-term, mid-term, and long-term goals.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

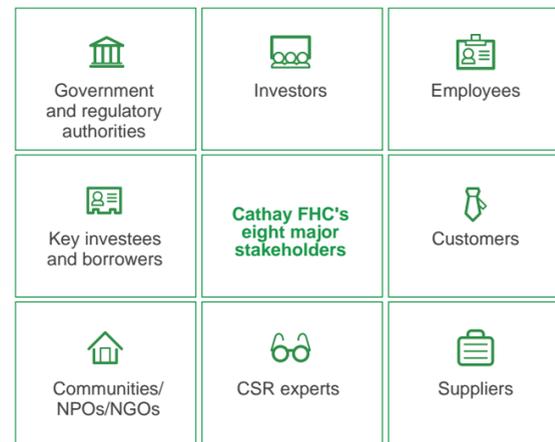
Appendix

Materiality Analysis

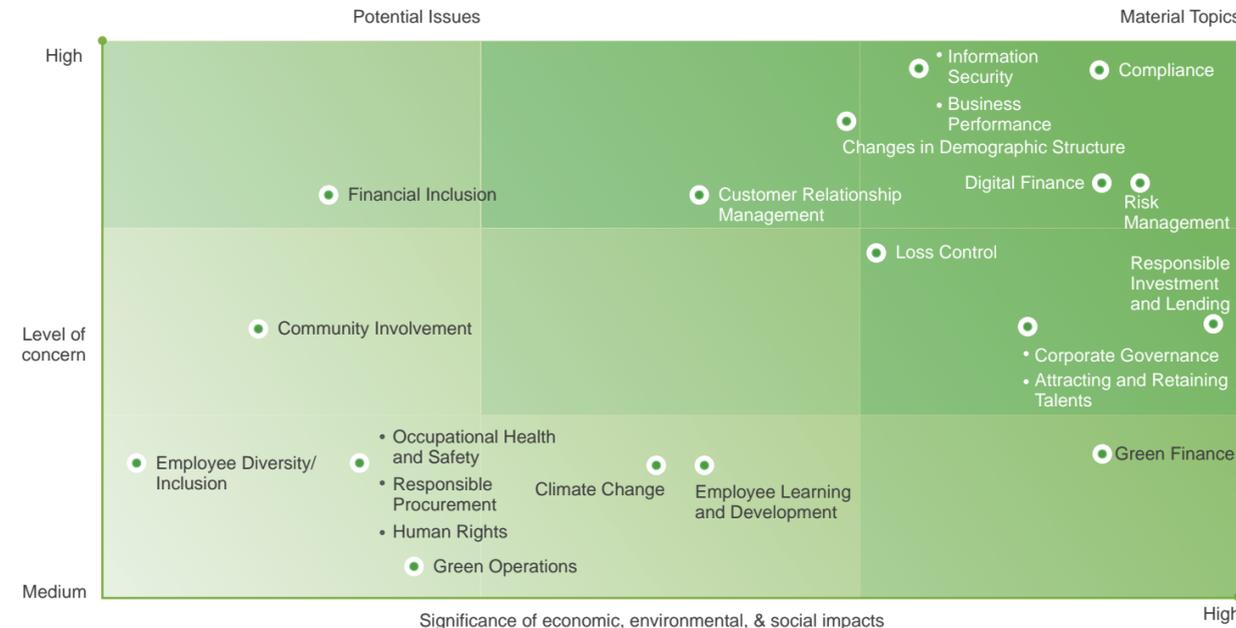
Stakeholder Engagement

A corporation's quest towards sustainability is a process whereby all stakeholders co-create value. Cathay FHC takes stakeholders' expectations very seriously and upholds four principles of engagement: Materiality, effectiveness, flexibility, and respect. We established the Cathay FHC Stakeholder Engagement Policy on this basis, as well as engagement goals as the basis and methods for identifying stakeholders. We disclose engagement results through a number of channels, including reports, press releases, our website, investor conferences, shareholders' meetings, forums, charitable events, employee and customer opinion surveys; participating in CSR evaluations, and responding to investor ESG questionnaires. These are all active efforts we make to communicate with stakeholders.

Please see the official website of Cathay FHC for how Cathay communicate with our stakeholders such as communication channels, communication frequency, and performance of communication.

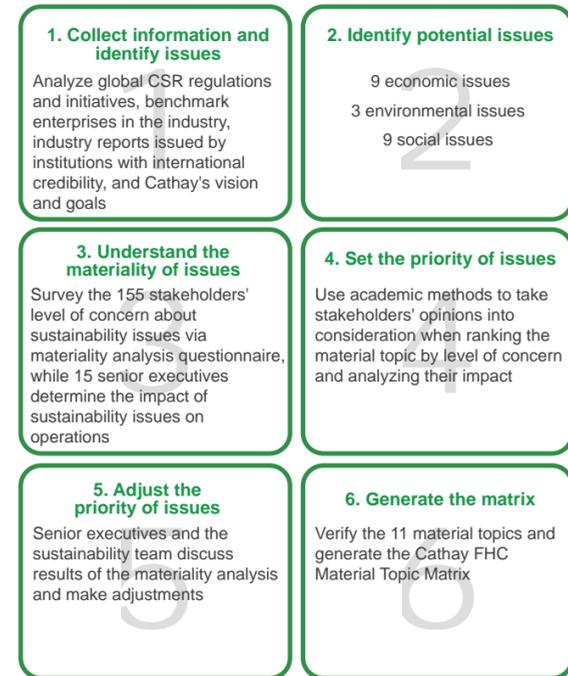


Cathay FHC 2018 Material Topic Matrix



Materiality Analysis Process

Cathay FHC has dedicated years of effort in the field of sustainability, focusing on material issues in which we can create long-term value. We continue to engage stakeholders to understand the issues they are concerned about. Senior executives use their experience to examine the impact of material issues on our core business, in hopes of creating a mutually beneficial situation in which shareholders make profit, customers are satisfied, and employees are committed. Cathay FHC conducted the Materiality Analysis in 2018 and identified material corporate sustainability issues. We set short-term, mid-term, and long-term goals on this basis. The materiality analysis process is as follows:



Response to the GRI

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

Cathay's Sustainability Issues	Materiality to Cathay	GRI Standards	Page
Finance and Integrity Capital			
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 corporate sustainability.	• General Disclosures • Economic Performance	24-25
Corporate Governance	Corporate governance is key to operations and sustainability. Cathay FHC received an "Outstanding" rating in the first participation in the Corporate Governance System Assessment CG6011 in 2018.	• General Disclosures (Governance)	26-28
Compliance	The financial industry is under strict supervision by the competent authority. Regulatory changes are frequent and often cause difficulties. We manage our compliance based on the core values of "Integrity, Accountability, and Innovation" to ensure that all employees comply with relevant laws and regulations.	• Anti-corruption • Socioeconomic Compliance	32-33
Risk Management	Cathay attaches equal importance to conventional risks and emerging risks, and adopts three lines of defense for internal control, in which the Board of Directors is the highest level supervisory unit for implementing risk management.	• General Disclosures (Strategy)	28-31
Loss Control	Cathay Century utilizes its expertise in loss control to effectively lower the frequency and severity of accidents.	• General Disclosures	31
Intellectual Capital			
Responsible Investment and Lending	Investors nowadays pay greater attention to corporates' ESG integration performance. Cathay was the first to apply the EPs to all corporate borrowers, and also integrated ESG procedures into daily business operation.		06-11
Green Finance	Renewable energy has created new opportunities for the world to transition to new sources of energy. CUB became Taiwan's first Equator Principles Financial Institution, and leads the industry in working together with customers for the development of green energy.	• Indirect Economic Impacts • Local Communities	36-38
Financial Inclusion	Currently, 1/3 of the world's population still does not have access to financial services, and the World Bank plans to eliminate this gap by 2020. Cathay provides new forms of financial products/services to different groups to achieve inclusive finance.	• Product Portfolio • Equity Owners	39-42
Changes in Demographic Structure	Aging population and low birth rates have greatly impacted the global society and consumption patterns. Upholding the core philosophy of being people-oriented, Cathay shows the value of insurance by building a safety net for customers.		39-40
Digital Finance	In response to the trend of digital transformation, the global financial industry has focused on the wide development of FinTech and its applications. Cathay is led by the Digital, Data & Technology Center (DDT) of Cathay FHC based on the core philosophy of being data driven, and continues to strengthen overall digital capabilities.		42-45
Human Capital			
Attracting and Retaining Talents	Human capital is an important asset for corporate sustainability, Cathay provides a job rotation mechanism and creates a new type of workplace environment suitable for the development of interdisciplinary talent.	• Employment	50-56
Employee Learning and Development	The enhancement of employees and managers' professional competencies further reinforces our competitiveness with respect to corporate sustainability. Cathay implements a digital transformation plan through a variety of education and training channels to strengthen human capital.	• Training and Education	52-54
Occupational Health and Safety	Employee health is an important asset for the stable development of a corporation. Cathay has an employee health risk management process, and also organizes related courses and activities to help employees lead a healthy life.	• Occupational Health and Safety	57
Employee Diversity/Inclusion	Cathay has created a workplace culture with equality, diversity, and open communication, and also implements the Southeast Asia Financial Market Pilot Program to actively recruit and cultivate diverse talent.	• Diversity and Equal Opportunity	48-50
Human Rights	Cathay values human rights and established the Cathay FHC Human Rights Policy based on the Universal Declaration of Human Rights, as well as a Group-level whistleblower system to show concern for human rights issues within the company.	• Human Rights Assessment • Non-Discrimination	49
Natural Resources Capital			
Green Operations	Corporations implement energy management to effectively adapt to the global energy crisis. Cathay set water conservation and waste reduction goals to take the lead in protecting our green homeland.	• Energy • Emissions • Effluents and Waste	62-65
Climate Change	Climate change is the world's greatest risk. Cathay set the goal to reduce carbon emission by 5-10% within five years, and also established a Task Force on Climate-related Financial Disclosures (TCFD) to actively respond to the financial impact from climate change.	• Indirect Economic Impacts	60-62
Responsible Procurement	Procurements have great influence on the business practices of suppliers. Cathay is the world's first financial institution to achieve ISO 20400 Sustainable Procurement Conformity, and makes responsible procurements to join hands with suppliers towards sustainability.	• Procurement Practices	65
Social Relations Capital			
Customer Relationship Management	One out of every two people in Taiwan is a customer of Cathay. We take customers' opinions seriously and provide thoughtful services as well as innovative smart services, so that our customers have an excellent service experience.	• General Disclosures (Communication with Stakeholders)	68-70
Information Security	The rise of digital transformation created a turmoil in information security. Cathay inspects information security measures with the highest standard to protect each and every customer.	• Customer Privacy	70-71
Community Involvement	We implement Cathay's four public welfare strategies based on the core philosophy that "happiness is giving happiness", promoting mutual prosperity in society.	• Local Communities	71-77

Note: Items marked with are material topics of Cathay FHC in 2018

Cathay's Key Sustainability Breakthroughs

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



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

- Ratio of female managers reached **53.3%**.
- Cathay weight loss contests has lost a total of **70,000 kg** in weight over four years. Donations for the installation of solar panels will bring income for NGO for 20 years.
- **The VMMA Vietnam Office Reserve Talent Program** selected 12 graduates to join the MA ranks; 3 have completed training and were appointed as sales supervisors in Vietnam.
- Cathay provided better (**beyond what the law requires**) paid miscarriage leave for female employees and paternity leave for male employees.
- **First financial institution** in the world to achieve ISO 20400 Sustainable Procurement Conformity.
- Opening the Ruihu Branch with **the highest installed capacity among solar-powered** branches in Taipei in 2018.
- Cathay Life's Minsheng Jianguo Building obtained the LEED Gold Certification and EEWB Diamond Certification. At present, Cathay Life **has obtained EEWB certification for 13 of its proprietary buildings**.
- Continuing to purchase a total of **77 T-RECs** in 2018.
- Developing electronic and mobile operations, which significantly reducing the amount of paper used for printing and have in turn driven business development. **Reducing paper use by 68.26 million paper sheets and reducing carbon emission by 491 tons** in 2018.
- Cathay Life's average net promoter score (NPS) **increased 11.1 points**, showing a significant increase in customers' identification with Cathay and willingness to recommend Cathay to others.
- The average number of daily users of Cathay's Smart Digital Customer Services – Alpha grew by **more than 100%** from September to December.
- The cumulative number of volunteer hours from Cathay Good Star Project – Special Leave for Volunteers **reached 59,811 hours** in 2018, up 14% compared with 2017.
- The Behavior Diagnosis Test with Virtual Reality System from Accident-free Riders was provided for **8,261 people** in **41 higher education institutions**.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Cathay's Corporate Sustainability Vision

2018 Goal Attainment	Short-term (Before 2019)	Mid-term (Before 2021)	Long-term (Before 2023)
	Finance and Integrity Capital		
★	Risk Management		
	<ul style="list-style-type: none"> Update the annual risk heat map and use the connection between the risk heat map and operations to strengthen the management of conventional and emerging risks; the risk heat map serves as a tool for communicating and managing risks. Strengthen emerging risk management, include it in the risk management policy, and establish emerging risk management guidelines for Cathay's healthy operations. Actively respond to climate related risks, carry out financial risk quantitative assessments, and periodically monitor the physical risks of real estate. Establish emerging market risk indicators in response to more severe fluctuations in the financial market, and improve the management mechanism for stressed Value at Risk. 	<ul style="list-style-type: none"> Continue to refine the risk heat map, and analyze potential risks and changes in risk trends; the risk heat map serves as a tool for the Board of Directors to communicate and manage risks. Respond to climate related risks, develop a model for quantifying financial risks associated with transition risks, and periodically monitor the risks. 	
★	Corporate Governance		
	<ul style="list-style-type: none"> Elect the 7th Board of Directors and continue to increase Board diversity. Commission an external independent institution to carry out an external performance evaluation of the Board of Directors, and continue to improve Board functionality. Refer to evaluation/assessment results and continue to strengthen corporate governance mechanisms and operations. Continue to strengthen support for directors and improve Board functionality. 	<ul style="list-style-type: none"> Continue to improve corporate governance measures in coordination with corporate governance evaluation indicators of professional domestic and foreign institutions, so as to deeply embed the culture of corporate governance. 	<ul style="list-style-type: none"> Continue to follow international trends in corporate governance and improve Cathay's corporate governance system.
★	Compliance		
	<ul style="list-style-type: none"> Complete group-level compliance risk evaluation and management mechanisms. Implement Cathay FHC's compliance digital platform project. Enhance Cathay FHC's AML/CFT information sharing and management mechanisms. Promote Cathay FHC's diversified compliance trainings and cultivate diverse talent. 	<ul style="list-style-type: none"> Improve Cathay FHC's front line compliance enforcement results. Utilize digital technology to improve compliance and AML/CFT management results. Create a compliance and AI talent pool for the group. 	<ul style="list-style-type: none"> Deeply embed the compliance culture based on the core values of "Integrity, Accountability, and Innovation". Enhance the risk-based compliance system and improve its performance. Enrich Cathay FHC's compliance and AI talent pool.
★	Loss Control		
	<ul style="list-style-type: none"> Complete 30 Accident-free loss control events. Complete the measurement of SROI from Accident-free Riders events in higher education institutions. 	<ul style="list-style-type: none"> Continue to promote Accident-free loss control events with the ideal of expanding loss control education among all ages. Reinforce loss control concepts or risk management measures for natural disasters or major human-instigated disasters faced by Cathay or our corporate customers. 	
	Intellectual Capital		
★	Responsible Investment and Lending		
	<ul style="list-style-type: none"> Determine Cathay's engagement themes. Strengthen the proxy voting process. Define investment/lending procedures for industries related to "Aging Society and Health". 		
	<ul style="list-style-type: none"> Identify the climate change risks of specific assets or specific industries based on the TCFD framework. Develop well-rounded engagement strategies. 		
	<ul style="list-style-type: none"> Improve the integration of ESG into the internal decision-making process, improve corporate lending ESG risk management mechanisms, and enhance education and training. Participate in the five-year Climate Action 100+. 		
★	Green Finance		
	<ul style="list-style-type: none"> Continue to lead Taiwan's market through green finance for renewable energy projects, including financing over 1,000 solar power plants and Taiwan's first 128 MW offshore wind farm. The total installed capacity of solar power financing is expected to increase 10% compared with 2018 and reach 527 MW by the end of 2019. The total installed capacity of offshore wind power financing is expected to reach 768 MW in 2019. 	<ul style="list-style-type: none"> CUB will continue to provide loans and make investments in renewable-energy-based power plants, and will continue to provide green financing. The total installed capacity of renewable energy financing is expected to reach 1,000 MW (1 GW) and above by the end of 2020. We will uphold the EPs and ESG standards, and will continue to expand our support for green financing, including solar power, offshore wind power, biomass energy, hydropower, and geothermal energy in Taiwan and Southeast Asia. 	
★	Changes in Demographic Structure		
	<ul style="list-style-type: none"> Elderly: Develop 5 new insurance products to meet the needs of elderly people. Better protection: Provide better protection in six aspects to help policy holders fill in any gaps in their protection. Health promotion: Offer 1-2 spillover insurance products and expand the preventive influence of insurance. 	<ul style="list-style-type: none"> Integrate different industries and Cathay FHC's resources to provide integrated services that will meet the needs of elderly policy holders in a super-aged society. Provide care for the elderly and work with external organizations in charitable events, improve the quality of life for elderly policy holders, and encourage policy holders to participate in charitable events for the elderly. Continue to communicate the idea that "happiness requires sufficient insurance", instill the right concepts of insurance planning, and raise citizens' awareness towards planning for retirement at an earlier age, so that they can calmly face the impact of an aging society. 	
★	Financial Inclusion		
	<ul style="list-style-type: none"> Provide 10 or more inclusive financial products that meet accessibility and usability requirements. Optimize channels for accessing financial services and insurance to create a new customer experience. 	<ul style="list-style-type: none"> Continue to offer products that can enhance financial inclusion, such as: micro insurance, physical impairment insurance, crop insurance, charitable trust, to increase the accessibility of financial services. Utilize FinTech to increase the accessibility and usability of products and services. 	
★	Digital Finance		
	<ul style="list-style-type: none"> Growth rate of people transacting through digital services: MyRewards app: 50% Cathay Life online insurance purchase: 20% CUB digital services platforms: 9% Cathay Century digital services platforms: 45% 	<ul style="list-style-type: none"> Growth rate of people transacting through digital services: MyRewards app: 50% Cathay Life online insurance purchase: 25% CUB digital services platforms: 10% Cathay Century digital services platforms: 59% 	<ul style="list-style-type: none"> Improve the digital platform service experience to increase the volume of digital service transactions. Develop the consumer banking business using a digital model, provide a wide variety of innovative products and services, and expand the Southeast Asian market.

Note: The number of MyRewards app users is the number of users who have redeemed or donated bonus points. CUB's digital service platforms include MyBank, My MobiBank, and KOKO. Cathay Century's digital services platforms include Bobe online insurance purchase, and Line claims application and approval.

2018 Goal Attainment: ★ 100% attainment; ★ under 100%; ★ no goals was set for the issue in 2017

2018 Goal Attainment	Short-term (Before 2019)	Mid-term (Before 2021)	Long-term (Before 2023)
	Human Capital		
★	Attracting and Retaining Talents		
	<ul style="list-style-type: none"> Recruit over 200 digital talents. Provide more types of leave that are beyond what the law requires. 	<ul style="list-style-type: none"> For the Employee Engagement Survey, maintaining a 70% (or above) response rate and a three-year average satisfaction score of 4 points or above (5 points in total). Continue to be selected into the TWSE RAFIR Taiwan High Compensation 100 Index. Maintain a stable retention rate for key talents at above 90%. 	
★	Employee Learning and Development		
	<ul style="list-style-type: none"> Offer five digital courses. Offer 50% of Sharing Club courses online and promote the courses on the Group-level. 	<ul style="list-style-type: none"> Offer 10 digital courses. Offer 70% of Sharing Club courses online. 	<ul style="list-style-type: none"> Maintain execution of the Talent Pool Program at 100%.
★	Occupational Health and Safety		
	<ul style="list-style-type: none"> Implement the EAP at the Group-level. Obtain ISO 45001 Occupational health and safety management systems certification. 	<ul style="list-style-type: none"> Employee mental health survey response rate to reach 70%. 	
★	Employee Diversity/ Inclusion		
	<ul style="list-style-type: none"> Provide indigenous employees with seasonal ritual leaves, better than the legal requirement. Organize two events to raise awareness of employee diversity and inclusion. 	<ul style="list-style-type: none"> Continue to organize events to promote employee diversity and inclusion. 	
	Natural Resources Capital		
★	Green Operations		
	<ul style="list-style-type: none"> Obtain two green building certifications. Expand the scope of ISO energy and environmental management system. Lower the amount of waste per capita by 1% compared with the previous year. Average water conservation per capita to reach 1% from the previous year. 	<ul style="list-style-type: none"> Assess the installation of a water recycling system in new buildings. Complete the group's waste inventory. Obtain six green building certifications. 	<ul style="list-style-type: none"> Increase the number of buildings that have obtained green building certification.
★	Climate Change		
	<ul style="list-style-type: none"> Increase the usage of renewable energy. Increase the installed capacity of solar panels on buildings owned by Cathay to 5,500 kW. 	<ul style="list-style-type: none"> Complete the core business carbon inventory. Implement digital environment and energy management. Using 2016 as the baseyear, reduce carbon emission by 5-10% by 2021. 	<ul style="list-style-type: none"> Increase the extent of low carbon services and products.
	Social Relations Capital		
★	Customer Relationship Management		
	<ul style="list-style-type: none"> Overall customer satisfaction: Cathay Life reached 90%, CUB reached 90%, Cathay Century reached 95%, Cathay Securities reached 85%, and Cathay SITE reached 85%. Completion rate of training for treating customers fairly at subsidiaries was 100%. 	<ul style="list-style-type: none"> Continue to deploy the TNPS survey mechanism at key touchpoints in the customer journey; continue to listen to customers' voices and make timely improvements; and provide better customer service experience in all channels through online to offline integration. 	<ul style="list-style-type: none"> Utilize RNPS to measure customer loyalty, keep track of customer experience optimization results to gain customer loyalty, and thereby fulfill the brand commitment to be customer-centered.
★	Information Security		
	<ul style="list-style-type: none"> Establish an intelligence sharing mechanism for Cathay FHC's information security and threats. Completion rate of information security training and e-mail social engineering drill to reach 100%. Establish information security incident reporting and emergency response management guidelines. Establish an information security incident emergency response team and periodically organize drills. Commission a consulting company to carry out a Group-level information security assessment (health check). 	<ul style="list-style-type: none"> Establish an information security monitoring dashboard for monitoring system, network, and external website security. Plan and establish Group-level SOC mechanisms. Implement information security governance maturity testing mechanisms to increase overall information security and meet international standards. Establish a data classification and grading management system. 	<ul style="list-style-type: none"> Cultivate talent and establish an information security consulting team to provide information security inspections and consulting services within Cathay FHC (including penetration tests, red team assessments, and compliance inspections). Comprehensively implement ISO 27001 Information Security Management System.
★	Community Involvement		
	<ul style="list-style-type: none"> Procurements from social enterprises to reach NT\$2.7 million (inclusive) and above. 66,000 hours of volunteer participation. Complete SROI calculation for charity-related projects. Subsidize training expenses of 100 teachers at Teach for Taiwan. 	<ul style="list-style-type: none"> Procurements from social enterprises to reach NT\$3 million (inclusive) and above. 70,000 hours of volunteer participation; develop professional volunteer service opportunities. Assist the development of social enterprises and further implement social enterprise collaboration projects. Continue to implement the rural area resource balancing plan. 	
★	Special Leave for Volunteers		
	<ul style="list-style-type: none"> Special Leave for Volunteers was started at Oct. 2018, so the results have not yet appeared. In 2019, we will enhance internal communication and cowork with external key partners 		



Cathay's Sustainable Value Creation Process



	 Finance and Integrity Capital	 Intellectual Capital	 Human Capital	 Natural Resources Capital	 Social Relations Capital																																			
 Capital Investment	Capital NT\$140.97 billion	Total assets NT\$9.2 trillion	Product development invested NT\$645 million	Digital capital reached NT\$3.7 billion	Number of employees 45,961	Training cost per employee NT\$15,033	Green procurements amounted NT\$316 million	An environmental data inventory, energy and environmental management systems, and sustainable procurement management systems NT\$4,393,200	**** Completion rate of information security training at subsidiaries 100%	Public welfare expenditure NT\$450 million																														
 Capital Output	<p>Net Profits and Economic Value Retained</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Net profit (NT\$ billion)</td> <td>48</td> <td>56.7</td> <td>51.8</td> </tr> <tr> <td>Economic value retained (NT\$ billion)^{note1}</td> <td>14.1</td> <td>31.5</td> <td>18.5</td> </tr> </tbody> </table> <p><small>Note 1: Economic value retained = "Direct economic value generated" – "Economic value distributed" Direct economic value generated: revenues, and direct economic value distributed: Operating costs, employee salaries and benefits, payments to providers of capital, payments to governments by country, and community investments.</small></p>				2016	2017	2018	Net profit (NT\$ billion)	48	56.7	51.8	Economic value retained (NT\$ billion) ^{note1}	14.1	31.5	18.5	Low carbon investments amounted to NT\$151.1 billion	Infrastructure amounted to NT\$591.5 billion	Employee engagement score 4.14 (5 points in total)	Average revenue per employee NT\$8,840,000	<p>Environmental Performance</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>GHG emissions (tons CO2e) (Scope 1 + 2)</td> <td>57,626.13</td> <td>58,523.28</td> <td>57,827.79</td> </tr> <tr> <td>Average power consumption per capita (energy use intensity)(kWh)</td> <td>2,333.61</td> <td>2,251.25</td> <td>2,142.60</td> </tr> <tr> <td>Installed capacity of solar panels (kWh)</td> <td>39.6</td> <td>1,979.12</td> <td>3,513.8</td> </tr> </tbody> </table> <p><small>Note 1: Scope 1 and 2 GHG and power consumption inventories have been conducted in compliance with ISO14064-1 and received external certification; the certification organization was BSI in 2016 and SGS in 2017 and 2018.</small></p> <p><small>Note 2: Scope 1 and 2 inventories cover: All 434 business locations and 43,671 employees of Cathay FHC and its subsidiaries in 2016; 44,445 employees in 2017; and 45,961 employees in 2018.</small></p> <p><small>Note 3: For more information on environment related statistics, please see the chapter on Natural Resources Capital.</small></p>				2016	2017	2018	GHG emissions (tons CO2e) (Scope 1 + 2)	57,626.13	58,523.28	57,827.79	Average power consumption per capita (energy use intensity)(kWh)	2,333.61	2,251.25	2,142.60	Installed capacity of solar panels (kWh)	39.6	1,979.12	3,513.8	Cathay Life's average NPS increased 11.1 points	Smart Digital Customer Services – Alpha had a satisfaction rating on CUB's official website 4.7 stars (5 stars in total)
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	2016	2017	2018																																					
Attendance rate (actual and proxy)	100%	100%	100%																																					
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<p>Corporate Governance Evaluation</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2016 2nd year</th> <th>2017 3rd year</th> <th>2018 4th year</th> </tr> </thead> <tbody> <tr> <td>Ranking</td> <td>Top 5%</td> <td>6-20%</td> <td>Top 5%</td> </tr> </tbody> </table>				2016 2nd year	2017 3rd year	2018 4th year	Ranking	Top 5%	6-20%	Top 5%	Mobile insurance utilization exceeded 91%	Digital banking users reached 3.66 million				Dream Come True Program has helped 1,491 students fulfill their dreams	Worked with Teach For Taiwan for 3 years and allowed 93 teachers to create dreams for 2,800 students																							
	2016 2nd year	2017 3rd year	2018 4th year																																					
Ranking	Top 5%	6-20%	Top 5%																																					

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



1 Finance and Integrity Capital

Capital at Risk and Opportunities

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

Key association :



Potential association :



FINANCE AND INTEGRITY CAPITAL



Received the highest rating (Outstanding) in the Corporate Governance System Assessment CG6011

Received the highest rating (Outstanding) in its first Corporate Governance System Assessment CG6011 organized by the Taiwan Corporate Governance Association



Appointed a Corporate Governance Officer

To assist directors in performing their duties, its title was changed to Company Secretary and its authority increased in 2019



Completed performance evaluation for Functional Committees

Added Regulations Governing Evaluation of Functional Committee and completed relevant performance evaluations



Established Cathay AML/CFT information sharing mechanism

Established guidelines, developed diverse management systems, as well as enhanced risk management across Cathay's companies



Established the group-level whistleblowing program

Exceeded the legal requirement and established a whistleblowing program that accepts reports from people inside and outside all subsidiaries, thereby deepening Cathay's corporate culture of integrity and transparency



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Business Performance

Cathay FHC continues to move forward based on a customer-centric philosophy under the strategic vision of becoming "the leading financial institution in Asia Pacific". We will incorporate innovation into our core business activities, and endeavor to provide customers with better financial services through the use of new technologies. We seek to manage our risks while pursuing innovation and growth, and are committed to corporate sustainability and to safeguarding environmental and social interests. Cathay FHC has once more achieved outstanding business performance in 2018 with consolidated after-tax profit of NT\$51.8 billion and earnings per share of NT\$3.95. Our subsidiaries, Cathay Life and Cathay United Bank (CUB), were the primary contributors.

Cathay FHC has 675 branches and offices across Taiwan. We will continue to leverage our experience in developing all types of financial businesses in Taiwan for venturing into China and Southeast Asia to complete our overseas operational platform. As of the end of 2018, Cathay FHC has established 208 overseas footprints. CUB has branches in 9 out of the 10 ASEAN countries, and has the most extensive network among all Taiwanese banks in the ASEAN markets.

In Mainland China, CUB's Shanghai subsidiary commenced operations in September 2018 to offer more comprehensive services for local customers. Cathay Lujiazui Life Insurance currently operates 51 sales and service agencies. Cathay Century has set up 27 offices; integrated the technologies and big data analytics capabilities of the strategic investor Ant Financial Services Group; actively developed e-Commerce-related insurance services; and substantially increased its premium income. Going forward, Cathay Century will continue to seize business opportunities in the Chinese insurance market.

In anticipation of Vietnam's development potential in the insurance business among the markets in Southeast Asia, Cathay Life has established 59 branch offices, and Cathay Century's business operations grew steadily. Going forward, we will continue to expand our business channels and our partnerships with local operating teams to further develop local markets and effectively seize growth opportunities in overseas markets.

Regarding the asset management business, we have been consolidating the resources of the Asia Pacific, Europe and U.S markets through Cathay SITE, Conning Holdings Corp., and CDBS Cathay Asset Management. In 2018, we completed a strategic investment in Global Evolution, a Denmark-based fixed income asset management company specializing in emerging and frontier markets, which enhanced our investment capabilities. We will continue to integrate group resources, and develop a global asset management platform to improve the business dynamic of our third operating engine.



Business Performance of Cathay FHC in 2018

Primary Products and Services	Business Performance
Cathay Life Life insurance, accident insurance, health insurance, annuity insurance, and investment-linked insurance.	Cathay Life recorded a consolidated profit after tax of NT\$30.3 billion for the year. Thanks to our steady investment performance and exceptional sales performance, the first-year premium income and total premium income were NT\$211.6 billion and NT\$680.7 billion , respectively. The first-year premium equivalent, a better indicator of the value of business, was NT\$71.4 billion , and this allowed Cathay Life to be the industry leader .
Cathay United Bank Wealth management, consumer banking, corporate banking, international finance, e-banking, trust services, investments, and sales of financial products.	CUB's consolidated profit after tax of NT\$21.3 billion for the year set a new record . Meanwhile, loans exceeded NT\$1.5 trillion ; corporate banking and consumer banking achieved impressive performance; and asset quality maintained benign.
Cathay Century Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance.	Secured its position as the second largest non-life insurance company in Taiwan in terms of written premium income .
Cathay Securities Securities underwriting, proprietary/consigned trading of local and foreign securities, margin trading, securities lending, share administration, wealth management, and auxiliary futures services.	Cathay Securities was ranked first in the market in terms of sub-brokerage business , and all of its digital services based on investors' needs showed steady growth.
Cathay SITE Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.	With assets under management (AUM) totaling NT\$635.1 billion , Cathay SITE is the largest securities investment trust company in Taiwan.
Cathay Venture The subsidiary is a venture capital company that invests and assists non-listed companies by realizing their potentials to create investment benefits.	Cathay Venture focuses on companies with development potential and competitive advantages in their respective industries in Taiwan, Southeast Asia, and China . It also follows closely FinTech and healthcare developments and investment opportunities in the United States.

Financial Performance in the Last Three Years

	2016	2017	2018
Total assets (NT\$ billion)	8,135	8,842	9,224
Shareholder equity (NT\$ billion)	529.8	608.4	529.3
After-tax profits (NT\$ billion)	48.0	56.7	51.8
After-tax EPS (NT\$)	3.79	4.47	3.95
Return on equity (%)	9.70	9.96	9.11
Average revenue per employee (NT\$ thousand)	10,542	11,517 (Note1)	8,840

	2016	2017	2018
Average earnings per employee (NT\$ thousand)	939	1,117 (Note1)	967
Return on assets (%)	0.77	0.84	0.77
Outstanding shares (million)	13,397	13,397	14,097
Cash dividends per share (NT\$)	2.0	2.5	2.5
Stock dividends per share (NT\$)	0.0	0.0	0.0
Book value per share (NT\$)	37.7 (Note2)	43.7 (Note2)	34.0

Note1: The revenue and profit per employee in 2017 were calculated based on the total number of Cathay employees as of December 31, 2017 (54,993). From 2018 onwards, these figures are calculated based on the average number of employees instead. Figures for 2017 have been retroactively adjusted in the same manner and the average number of employees was 50,745 in 2017.
 Note 2: Calculation for 2016 and 2017 included preferred stock equity, but from 2018 onwards, preferred stock was subtracted, and 2016 and 2017 rates were retroactively adjusted accordingly.

Active Engagement to Guide Industrial Development

Cathay FHC has clearly stipulated on its Code of Operation Integrity and Code of Conduct for Employees that participation in public affairs must comply with laws and regulations, and any donations made must be disclosed accordingly. Following the rapid development of digital finance technologies, financial institutions not only face competition from the technology industry or e-commerce platforms, but must also respond to a plethora of emerging risks, such as aging population and climate change. Cathay FHC engages in the affairs of various associations and societies in hopes of building a consensus in the industry and contributing to industrial development.

Long time collaborators include the Insurance Society of the R.O.C., International Insurance Society (IIS), and the Bankers Association of the R.O.C. In addition, Chang-Ken Lee, President of Cathay FHC, is the chairperson of the Financial Planning Association of Taiwan; Tiao-Kuei Huang, Chairman of Cathay Life, is the current chairperson of the Life Insurance Association R.O.C.; and Jeff Chang, Chairman 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.

Furthermore, Cathay has joined the Taiwan Corporate Governance Association and Independent Director Association Taiwan to strengthen its corporate governance culture, and actively exchanges corporate governance experience with other members. Cathay has also taken the initiative to participate in independent third-party corporate governance assessments, such as the Corporate Governance System Assessment CG6011 organized by the Taiwan Corporate Governance Association, in order to refine its corporate governance system.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Advancing Corporate Governance

Reinforcing Our Corporate Governance

In 2017, Cathay FHC established the Corporate Governance and Nomination Committee, affiliated to the Board of Directors, and in charge of promoting corporate governance matters and improving Board performance, as a step towards completing our corporate governance framework. Since the establishment of the aforementioned committee, we have made the following additions regarding operations of the Board: the orientation for newly-appointed directors, the establishment of Regulations Governing Functional Committee Performance Evaluation, the appointment of a Company Secretary, and the addition of the Standard Operating Procedure for Processing Directors' Requests. Furthermore, in 2018, Cathay FHC and its subsidiaries Cathay Life and CUB received the highest rating (Outstanding) in their first participation in the Corporate Governance System Assessment CG6011 organized by the Taiwan Corporate Governance Association.

Professional Qualifications, Independence, and Attendance of the Board

Cathay FHC adopts the candidate nomination system. All director candidates are nominated by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed during the shareholders' meeting. The current Board of Directors has 12 directors, all well-experienced and in possession of professional knowledge in various fields such as finance, commerce, and business administration. The directors are on average 66 years in age. Cathay FHC's 6th Board of Directors had convened 7 meetings with an attendance rate of 88% in 2018.

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

According to Paragraph 3, Article 30 of Cathay FHC's Corporate Governance Best Practice Principles, the members of the Board of Directors shall possess the knowledge, skills, and experience necessary for performing their duties. In response to issues concerning corporate governance and corporate sustainability in Taiwan and abroad, the directors of Cathay FHC actively participate in relevant internal and external training, which 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. 12 in 2018, twice as much as required by relevant laws and regulations (6 hours).

Professionalism of the Board of Directors

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



Ability to make operational judgments	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

In accordance with Paragraph 2, Article 30 of Cathay FHC's Corporate Governance Best Practice Principles, which specifies the importance of enhancing corporate governance and promoting the sound development of composition and structure of the Board of Directors, the composition of the Board shall be determined by giving due consideration to operational structure, business development directions, future trends and other needs, and it is advisable to assess aspects of diversity including but not limited to: diversity in basic composition (e.g. gender, age, nationality and race); professional experience (e.g. financial holding, banking, insurance, securities, industry and technology); and professional knowledge and skills (e.g. business, finance, accounting, law, marketing and digital technology).

Implementation of Cathay FHC's Board Member Diversity Policy

Core items of diversity	Basic Composition				Industry Experience						Professional Knowledge/Abilities								
	Name of director	Place of Registration	Gender	Age	Financial Holding	Banking	Insurance	Securities	Asset Management	Third-Party Payment	Information Industry/Technology/Industry/ Others	Business	Finance/Accounting	Law	Banking	Math/Actuarial Science	Information Technology	Overseas Markets/ Merge and Acquisition	Risk Management
Hong-Tu Tsai			Male	61-70	●		●					●		●	●				●
Tsu-Pei Chen			Male	71-76		●		●				●			●				●
Cheng-Ta Tsai			Male	51-60	●			●				●			●				
Cheng-Chiu Tsai			Male	61-70		●		●				●	●		●				●
Chi-Wei Joong			Male	61-70		●	●		●		●	●		●	●				●
Andrew Ming-Jian Kuo			Male	61-70		●		●	●	●		●	●		●				●
Tiao-Kuei Huang			Male	61-70		●		●				●			●	●			●
Ming-Ho Hsiung			Male	61-70		●		●				●	●		●	●			●
Chang-Ken Lee			Male	61-70		●		●	●	●		●	●		●				●
Tsing-Yuan Hwang			Male	61-70		●		●	●	●		●	●		●				●
Feng-Chiang Miao			Male	61-70		●		●	●	●		●	●		●		●		●
Edward Yung Do Way			Male	61-70		●		●				●	●		●				●

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

Board Performance Evaluation and Third Party Certification

To implement corporate governance and improve the Board and Functional Committee's efficacy, Cathay FHC pays special attention to the overall operations of the Board and Functional Committee and thus set up the Regulations Governing the Evaluation of the Board and Functional Committee's Performance in addition to the Guidelines for Evaluation of Directors' Performance 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 2018, the result of Cathay FHC's Board and Functional Committee performance evaluation was "above standard", demonstrating the success of Cathay's efforts in improving the performance of the Board and Functional Committees.

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

In 2017, Cathay FHC began purchasing liability insurance for directors, supervisors, and important staff members, including those of its subsidiaries, to cover the liabilities associated with their positions during their terms of service. Contents of the insurance policy are reviewed annually, and the insured amount, coverage, premium rate, and other major contents are reported in the next Board meeting after the policy is renewed each year starting in 2017. We hope to thus lower the risks taken on by directors, supervisors, and Cathay in general, and establish a comprehensive corporate governance mechanism.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Establishing Comprehensive Functional Committees under the Board of Directors

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

Composition and duties	Operations in 2018
<p>Audit Committee</p> <ul style="list-style-type: none"> Formed by 3 independent directors. Establishes or revises the internal control system and assesses the system's effectiveness, determines if Cathay's financial statements are properly expressed, supervises the procedures of material financial and business dealings, reviews directors' conflicts of interests, ensures Cathay's regulatory compliance, and appoints (dismisses) CPAs. 	<ul style="list-style-type: none"> Committee meetings are convened at least once each quarter, and a total of 8 meetings were convened in 2018; attendance rate was 92%.
<p>Remuneration Committee</p> <ul style="list-style-type: none"> Formed by 3 independent directors. Improves the director and manager remuneration policy and system, and establishes remuneration for directors and managers. 	<ul style="list-style-type: none"> Committee meetings are convened at least twice a year, and a total of 4 meetings were convened in 2018; attendance rate was 92%.
<p>Corporate Governance and Nomination Committee</p> <ul style="list-style-type: none"> Formed by 3 directors (including 2 independent directors). Nominates Cathay director candidates and verifies their qualifications, evaluates Board operation rules and the Corporate Governance Best Practice Principles, and establishes the organizational frameworks of the various functional committees. 	<ul style="list-style-type: none"> Committee meetings are convened whenever deemed necessary, and a total of 2 meetings were convened in 2018; attendance rate was 100%.

Valuing the Rights and Interests of Shareholders

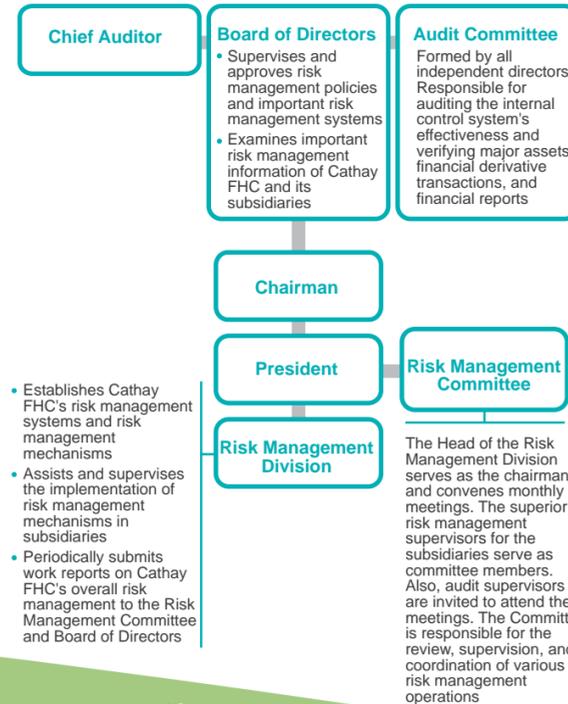
Cathay FHC's website has an "Shareholder Services" section that announces information on shareholders' meetings, dividends, and financial information. There is also a spokesperson system, investor services, and "Contact Us" mailbox for shareholders to express their opinions at any time. In addition,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

<p>75%</p> <p>Director attendance rate in the general shareholders' meeting</p> <p>The Chairman, President, functional committee members, and Board members demonstrated proactive attendance.</p>	<p>48%</p> <p>Attendance rate excluding directors and major shareholders</p> <p>The venue and procedures for convening shareholders' meetings were convenient for shareholders' attendance.</p>	<p>91%</p> <p>Electronic voting rate in the general shareholders' meeting</p> <p>Electronic voting in the 2018 shareholders' meeting accounted for 91% of total number of shares in attendance, thus continuing year-by-year increase.</p>
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Strengthening Risk Management and Internal Control

Risk Management Organizational Structure

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. Cathay established its Risk Management Committee as well as independent risk management units. We adopt Three Lines of Defense to implement risk management and internal control.



Three Lines of Defense

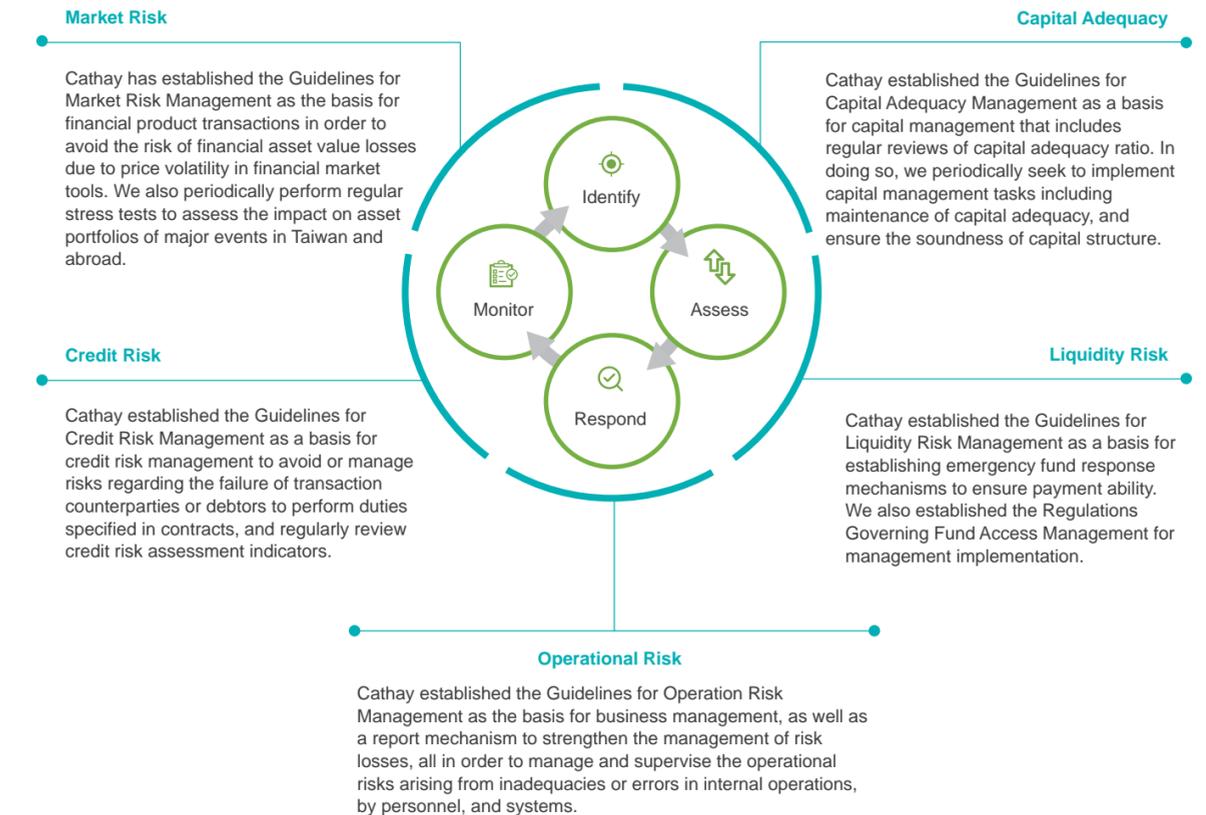


The Policy, Process and Reporting of Risk Management

Cathay FHC's risk management is based on the Enterprise Risk Management (ERM) framework, under which we established our Risk Management Policy. It stipulates management guidelines and various risk assessment indicators in terms of market, credit, operational, liquidity risk and capital adequacy, implementing risk management via relevant businesses related to investments and credit loans. Cathay FHC established reporting systems for our credit and operational risks to improve the effectiveness of management. Meanwhile, Cathay FHC and its major subsidiaries also regularly submit reports on risk management implementation to our Risk Management Committee and Board of Directors, thereby fully disclosing the extent of Cathay's exposure to risks and reviewing the compliance with risk management systems.

Cathay FHC and its subsidiaries either build or purchase risk management information systems, including market Value at Risk (VaR) system, credit rating system, and credit risk emergency reporting system, which are used to integrate the information on subsidiaries' exposure to risks and monitor these in compliance with relevant laws and regulations. We also continue to optimize risk management models, such as a comprehensive Early Warning System (EWS) developed by CUB. This system automatically operates real-time alarms using big data combined with risk warning indicators, so that our employees are able to receive alarms in due time and plan risk relief measures promptly. Since it became available, the system has not only enabled many loan cases to be handled in advance, but also contributed to the gradual decrease of unsound credit asset rate and default rate, showing the effectiveness of our post-loan risk management and control. We will continue to improve the system's precision and completeness in the future, and thereby improve post-loan risk management.

Major Risk Management Systems



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

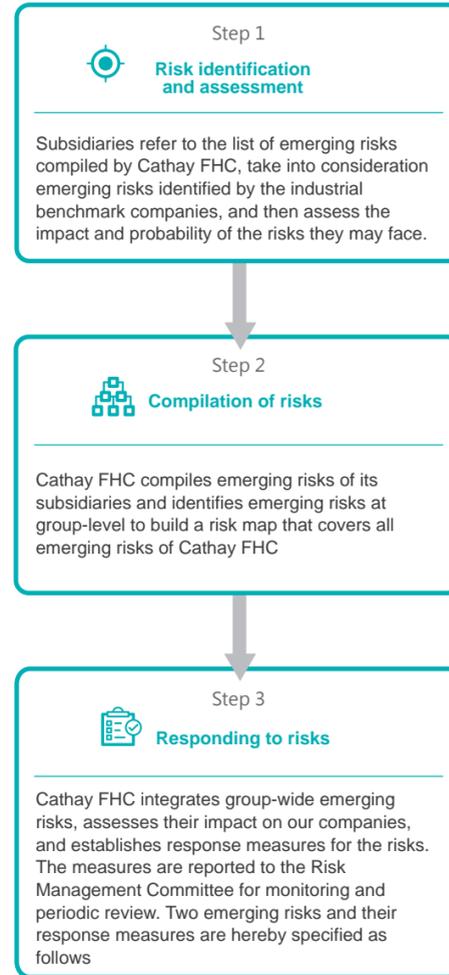
Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Management of Emerging Risks

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



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

Cyber-Attacks

Impact

Inadequate design of the information security framework, or insufficient control of management mechanisms regarding the systems, networks and privacy may lead to higher risk of information systems being hacked, as well as increase the probability of personal information leakage. This creates the risk of potential lawsuits, fines, and suspension of operations.

Response Measures

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

Climate-Related Risks

Impact

Refers to the global warming that leads to sea level rise and higher frequency of extreme weather, as well as more violent atmospheric circulation. Such developments have not only brought extreme weather to locations hitherto unhit by climate disasters, but may also produce risks threatening Cathay's business development.

Response Measures

- Pay attention to various requests from stakeholders regarding climate change, and take responsive actions in due time
- Develop qualitative or quantitative tools for assessing the impact of climate change on Cathay's finance or operations
- Establish emergency response teams for disasters, organize disaster management training and drills, and enhance equipment safety examination

Shaping Cathay's Risk Management Culture

As the global financial market becomes more complex and involved in increasingly varying types of risks, Cathay ensures that all of our businesses are under risk control via comprehensive risk management that protects asset security, improves operating efficiency, and increases value for shareholders. All directors and managers of Cathay FHC are required to take relevant training courses in corporate governance or risk management to raise the risk awareness of all Cathay FHC employees while shaping Cathay's risk management culture. In addition, we publish monthly periodical regarding to relevant issues and actual cases of compliance, risk management and auditing. We also implement general education courses on risk management for all of Cathay's employees, with a 100% completion rate. Furthermore, based on different natures of business of individual subsidiaries, we offer a diversity of risk management training tailored to different targets, thereby ensuring effective control of risks by our employees.

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, as to maintain effective operation of the risk management system.

Enhancing Risk Prevention and Forming Security Awareness

Loss control is a main focus of risk management. Cathay Century, a subsidiary of Cathay FHC, has established the "comprehensive identification of risks for all ages" strategy based on the vision of "injury-free people and accident-free happiness", exercising loss control as one of our core competencies to actively promote knowledge of risk management and prevention, as well as providing professional examinations for the purposes of 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 established its loss control department in 1999, which obtained ISO 9001 certification in the following year, and features professionalism, efficiency and care in its service quality policy. Cathay Century employs engineers from various professions to provide corporate customers with advice and inspection on loss control, as well as risk improvement services, thereby reducing the probability of accidents. Cathay Century provides corporate industrial safety training courses and safety handbooks to instill proper concepts of safety in employees and risk management personnel. It has also signed technological upgrade projects or co-organized training courses with professional organizations such as the Industrial Technology Research Institute and the Taiwan Professional Civil Engineers Association. In addition, Cathay Century provides a variety of project technology services for domestic enterprises, and organizes two large-scale loss control seminars every year with the hopes of elevating the technological level of loss control and shaping a corporate safety culture.

Owing to its geographical location, Taiwan has been particularly prone to tremendous losses occasioned by extreme weather as a result of global warming. Cathay Century offers corporate natural disaster risk assessments, assists customers in identifying potential risks of natural disasters using catastrophe modeling software, and keeps the results as reference for subsequent risk management measures. Furthermore, through on-site inspection, Cathay Century discovers potential vulnerabilities of targets and offers relevant advice on the improvement of risk control. For instance, Cathay would suggest that a flood gate be installed at the entrance points of buildings with potential risk of flood, or that relevant reinforcements be installed on equipment with risks of collapse or overturn during an earthquake. Cathay Century hopes to strengthen corporate risk prevention ability and reduce the probability of disasters via its core competencies in loss control.

In addition, scooters are one of the most widespread vehicles in Taiwan. According to the National Police Agency, the number of injuries due to traffic accidents have increased year by year, thus denoting that there is room for improvement in Taiwanese people's awareness of traffic safety. While providing automobile insurance, Cathay Century is also committed to promoting concepts of safe driving to its customers and the general public, hoping to reduce the frequency of traffic accidents and improve social security. Events chronicling Cathay Century's progress in promoting traffic safety are as follows:

Founded the traffic safety promotion website **Zero-Accidents Academy**, and offered traffic safety testing services - "comprehensive driver tests" - in cooperation with the Institute of Transportation of the Ministry of Transportation and Communication (MOTC), National Chiao Tung University, and the Central Police University.

Released **Behavior Diagnosis Test with Virtual Reality System**, the first innovative tool that promotes traffic safety education via VR and mobile applications in Taiwan.

2014: Commenced "Accident-free Riders" traffic safety promotion on university and college campuses around Taiwan. As of the end of 2018, Cathay Century has completed 67 campus tours, making impact on 8,261 individuals.

2017: Formed long-term partnerships with government departments to promote proper concepts of traffic safety, including the Traffic Police Corps of the Tainan City Police Department, Kaohsiung Motor Vehicles Office of the Directorate General of Highways, MOTC, and the Training Institute of the Directorate General of Highways, MOTC.

Promoting Ethics and Integrity

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

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

Upholds the core values
Cathay FHC established the Code of Operation Integrity, Code of Ethics, and Code of Conduct for Employees

Completion rate of annual training on the Code of Conduct for Employees
100%

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Compliance

In response to the rapid changes to the global supervisory trends and financial environment, Cathay FHC is committed to development of our compliance culture centering on our core values of "Integrity, Accountability, and Innovation". Our Guidelines for Implementing Compliance Policies have been established to ensure that all employees comply with the laws and regulations applicable to their businesses. The Chief Compliance Officer of Cathay FHC is in charge of the management and implementation of group-level compliance policies, the planning and supervision of matters regarding Cathay FHC's compliance, as well as semiannual reports on compliance implementation to the Board of Directors and the Audit Committee. We also convene group-level Compliance Committee; 3 meetings have been convened in 2018. We semiannually implement compliance self-evaluations and self-inspections to ensure that all business units comply with and effectively implement relevant laws and regulations. In 2018, no major or significant violation was found in Cathay FHC or any of its subsidiaries.

Cathay FHC and 5 Major Subsidiaries' Diversified Compliance Trainings

Group AML/CFT in-depth training courses	AML/CFT course for the Group's directors, supervisors, and senior executives	Group Compliance Courses
15	1	6
Compliance Courses	Compliance Training for New Employees	Division Compliance Forums
online 95 offline 61	55	21

We actively organize a diversity of compliance training courses, which cover themes ranging from basic knowledge and advanced topics to the latest trends in financial supervision in Taiwan and abroad, targeting different types of employees such as Cathay FHC directors/supervisors, senior executives, all employees, new employees, and compliance officers of individual business units. In doing so, we seek to shape a compliance culture for the group and improve the awareness and knowledge of compliance among all employees.

Besides, we actively participate in anti-corruption and anti-bribery summits in Asia and have analyzed issues in relation to ROC's Initial Report under the United Nations Convention against Corruption, thus improving Cathay's understanding of important international issues as well as latest developments and trends of anti-corruption and anti-bribery in Taiwan and abroad.

Group-level Whistleblowing Program

On the basis of our diverse existing whistleblower systems, Cathay FHC implements a corporate culture of integrity and transparency by sorting and systematizing whistleblowing based on different levels of the group, and established the group-level whistleblowing program in 2018, which is supervised and directed by our independent directors, and planned and implemented by Compliance Dept., which reports respective implementation to the Board of Directors and Audit Committee every six months. The system clearly specifies the handling and investigation units, processing procedures, and reporting channels (including internal and external channels as well as hotlines). It also specifies the protection measures for whistleblowers, including ensuring the confidentiality of their identities and protecting them from unfair treatment provoked by their whistleblowing actions. From its initiation in October 2018 to the end of December of the same year, Cathay has received 0 reports from internal and external whistleblowers, and officially launched investigation for 0 cases. No illegal activities have been found.

Enhancing AML/CFT Mechanism

In response to the global AML/CFT trends and supervisory requirements in Taiwan and abroad, Cathay established its Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism, according to which the Chief Compliance Officer of Cathay FHC acts as the AML/CFT Compliance officer and convenes committees for Cathay's AML/CFT matters. In 2018, 5 meetings have taken place. 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 items of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring measures in terms of high risks.

We established Cathay FHC Guidelines for Information Sharing on Anti-Money Laundering and Combating the Financing of Terrorism to effectively implement risk management and enhance the monitoring of risk control across Cathay's companies. The Cathay FHC Guidelines for Money Laundering and Terrorist Financing Risk Appetite Management specifies details about the zero-tolerance policy concerning our employees' money laundering and terrorist financing activities, as well as the matrix-based risk appetites on FHC and subsidiary levels, key risk indicators and handling procedures, and the enhancement of management mechanisms for early warning. In accordance with Taiwan's first National Risk Assessment Report, we also adjusted risk methodologies, and our subsidiaries' annual institutional risk assessment reports have been incorporated. We have formed several group-level task forces in charge of reviewing the effectiveness of risk control and modifying methodologies and risk standards to perfect Cathay's AML/CFT governance.

Implementing Compliance with Global Financial Laws and Regulations

In line with the global trend of anti-tax avoidance, the Organization for Economic Co-operation and Development (OECD) has promulgated the Common Reporting Standard (CRS), which sets standards for the automatic exchange of financial account information between nations. In accordance with Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions released by Ministry of Finance in November 2017, Cathay has completed introduction of CRS in our operations in 2018. Related matters include establishing self-certification forms, operating procedures and information system adjustment, as well as compliance projects. Due diligence will be completed for existing customers by the end of 2020, and the first report is expected to be conducted in June of the same year.

Major Disciplinary Cases for Cathay's Subsidiaries in 2018

Cathay Life	Received a total of 7 correction notifications from the FSC and was fined NT\$700,000 Major deficiencies were found in areas including real estate investment, AML operations (e.g. name screening, KYC, information system operation design, risk assessment for new products and new businesses, and report on suspicious ML/FT transactions), and claim settlement applications; all aforementioned deficiencies have been remedied.
Cathay United Bank	Received a total of 2 correction notifications from the FSC Major deficiencies were found in areas including structured product business (e.g. incomplete disclosure of product risks, KYC operations, etc.) and credit card application; all aforementioned deficiencies have been remedied.
Cathay Century	Received a total of 2 correction notifications from the FSC and was fined NT\$600,000 Major deficiencies were found in areas including sales representatives' registration of auto insurance and AML operations (e.g. client risk assessment, due diligence operations, etc.); all aforementioned deficiencies have been remedied.

Implementing Tax Governance

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

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



Cathay FHC shall calculate all tax charges in accordance with the local tax laws and international tax regulations, and file tax returns prior to statutory deadlines so as to fulfill its obligations to pay taxes.



Due consideration shall be given to the Company's overall tax burden and the impact on its reputation, management of risks, and social responsibilities in achieving an overall optimal tax policy, as the tax risks and the response measures.



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



Cathay FHC shall foster a mutually trustworthy and honest relationship with the tax authorities. Where possible, it will provide practical industry views and market insights to improve the tax environment and tax system.



Cathay FHC shall ensure that its employees receive regular training, both domestic and foreign, in order to enhance their competencies with regard to tax governance.

Cathay FHC paid a total of NT\$22.1 billion in taxes worldwide in 2018; 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 94% of taxes paid worldwide due to the fact that Taiwan is our main country of operation. Taxes paid in the last two years are as follows:



Note: In 2017, the tax payment data was adjusted to include provisional income tax data as well as withholding taxes paid in the current year; the same method will be used in 2018.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



2 Intellectual Capital

Capital at Risk and Opportunities

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

Key association :

- 1 NO POVERTY
- 3 GOOD HEALTH AND WELL-BEING
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 13 CLIMATE ACTION

Potential association :

- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES



INTELLECTUAL CAPITAL

- FIRST-EVER** public bicycle accident insurance
Offered the first-ever public bicycle accident insurance policy in Taiwan and provided coverage for 3.4 million people
- 100,000** people participated in the health promotion activity-Cathay Walker
Offered health-promoted usage-based insurance and the Cathay Walker platform, in which 100,000 participants has joined
- Collected **2,360** questionnaires to accommodate needs of women to become financially independent
Collected 2,360 questionnaires in a survey on the financial independence of women, and strengthened the connection of product design to social needs
- Cathay Robo** was formally launched
Cathay Robo reduces the weakness of human nature in investments, and uses more scientific methods for financial management
- The proactive **Real Time Decision Management (RTDM)**
Apply the RTDM on credit card services and develop a new business model which enhanced customer stickiness to the CUB significantly

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

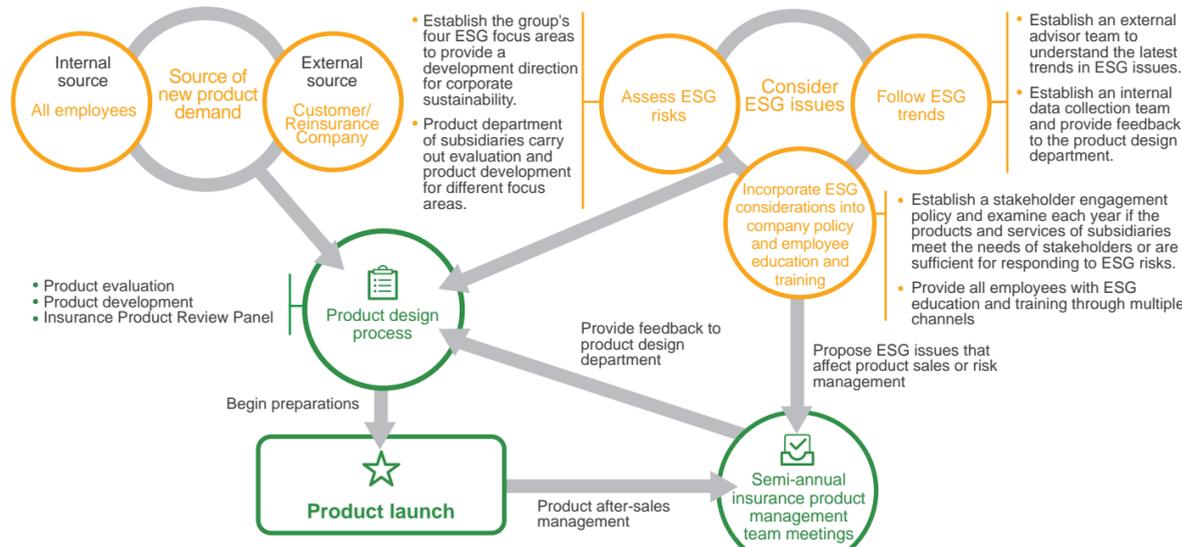
Chapter 5 Social Relations Capital

Appendix

Insurance Product Development and After-Sales Management Process

Cathay FHC attaches great importance to the development and design of insurance products, and takes ESG risks into consideration during the initial development stage, in hopes of responding to the challenges from environment and society. R&D expenses in the amount of NT\$645 million was invested in 2018. Cathay Life and Cathay Century continue to follow ESG trends, to assess ESG risks, to incorporate ESG issues into company policies and employee education and training, so the spirit of ESG can be complied properly. Insurance Product Management Team meetings are convened every six months to examine the relative risks after product launched. Hence, products and services will meet the needs of stakeholders and ESG risks are fully controlled.

Cathay FHC's Insurance Product Development and After-Sale Management Process



Green Finance

Cathay FHC is the first financial institution in Taiwan to provide solar power financing services, and is a pioneer in green finance that spares no effort responding to climate change issues. We utilize our financial core competencies and monitor environmental protection trends as we drive the development of green energy together with customers to create a sustainable homeland.

Products and Services/ Inputs	Environmental Influence
<p>Investment in the Renewable Energy Industry</p> <ul style="list-style-type: none"> Solar power station financing Total installed capacity of solar power financing reached 477 MW The Formosa I Offshore Wind Project Total installed capacity of offshore wind power financing reached 128 MW Served as MLA for the refinancing transaction of Indonesia's geothermal power plant (Star Energy) Total installed capacity reached 227 MW Renewable Energy Contractors' & Erection All Risks Insurance Insured amount of Renewable Energy Contractors' & Erection All Risks Insurance reached NT\$26.58 billion 	<p>Clean energy is provided to approximately 274,000 households each year</p> <p>Annual carbon reduction is equal to the CO₂ absorption of about 1,370 Da'an Forest Parks</p>
<p>Promotion of Green Public Infrastructure</p> <ul style="list-style-type: none"> Preferential loans for green buildings Provided 6 preferential loans for green buildings Electric scooter loan Balance of loans reached NT\$300 million Green Vehicle Insurance Cumulative premium income reached NT\$20.005 million Bicycle Insurance Cumulative insured amount reached NT\$7.53 million 	<p>Green vehicle and bicycle insurance supported 21,029 environmentally friendly transportation tools each year</p>
<p>Promotion of Green Funds and Bonds</p> <ul style="list-style-type: none"> Sustainable PE Fund Target scale reaches NT\$8.03 billion Green Bonds Underwritten amount reached NT\$400 million 	<p>The sustainable PE fund's investments targeted on Taiwan's Infrastructure and 5+2 industries</p> <p>Funds raised from green bonds are used for greenhouse gas reduction, pollution prevention and control, and renewable energy and energy technology development</p>
<p>Supporting Promising Environmentally Friendly Startups</p> <ul style="list-style-type: none"> Environmentally friendly and green energy-saving enterprise IPO guidance Assisted 5 environmentally friendly and green energy-saving enterprises with raising capital Investing in promising environmentally friendly startups Invested in a total of 8 promising environmentally friendly startups 	<p>Raised a total of NT\$1.511 billion for environmentally friendly and green energy-saving enterprises</p> <p>Cumulative investment amount in promising environmentally friendly startups reached NT\$400 million</p>

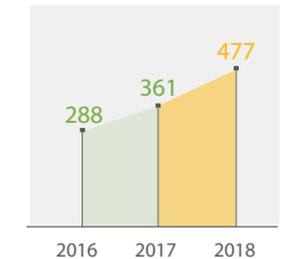
Investment in the Renewable Energy Industry

Solar Power Station Financing

CUB upholds the spirit that "Green Finance Leads to a Sustainable Future" and has been integrating resources, establishing research teams, and building a dedicated power plant evaluation model since 2011 to provide guidelines for financing assessment. Since then, CUB has grown to become the top financing provider to solar energy projects in Taiwan. In 2018, CUB was awarded the "Banking and Finance Best Practice Award – Best Green Project Financing Award" and "Top Solar System Award – Best Financier".

As of the end of 2018, CUB has provided financing to approximately 1,900 projects with a total of 477 MW solar PV power capacity, reducing CO₂ emissions by 297 thousand metric tons, which is roughly 763 times the carbon absorption of Da'an Forest Parks.

Solar power financing
Total installed capacity in Taiwan and overseas (MW)



Provided financing to **1,900 solar power stations** a total installed capacity of **477 MW**

In 2016, CUB completed Taiwan's first large-scale rooftop solar power plant utilizing project financing structure and it was also the first Equator Principle compliant project. In 2017, it went on to complete Taiwan's first large ground-mounted solar power plant with limited recourse project financing structure and it's also in compliance with EPs; financial close was completed in May 2018.

Note 1: According to Taipower, solar power plant in Taiwan generates around 1,123 kWh per kW of installed capacity; according to the household electricity consumption announced by Taiwan Power Company, the average monthly electricity consumption per household is 292 kWh in 2018.

Note 2: According to the 2017 power generation coefficient announced by the Bureau of Energy, approximately 0.554 kg of CO₂ is emitted per kWh. Based on the conversion formula published in 2011 by Bureau of Energy, MOEA, the annual CO₂ absorption of Da'an Forest Park is 389 metric tons.

Offshore Wind-Power Financing

As a socially-responsible corporate citizen, CUB strives to help protect the environment through its financial operations. CUB financed the offshore wind power plants (The Formosa I Phase I Project) in Taiwan in 2016. Formosa I Offshore Wind Phase 1 Project represents Taiwan's first financing deal in compliance with the Equator Principles and is the first offshore wind farm in Taiwan.

The Formosa I Offshore Wind Project consists of two phases. CUB served as the Mandated Lead Arranger, Facility Agent, Account Bank, and Security Agent for the Formosa I Phase I syndicated loan. The two turbines in Phase 1 with the total capacity of 8MW were installed in 2016. Financing for the Phase II (totaling 22 turbines) was completed in 2018, in which CUB served as the Documentation Bank, Security Agent, and Guarantee Facility Agent for the syndicated loan. This offshore wind farm has a total installed capacity of 128 MW and is expected to generate 430 million kWh per year, reducing CO₂ emissions by 236 thousand metric tons, which is roughly 607 times the carbon absorption of Da'an Forest Parks. The project was awarded the 2018 "Asia-Pacific Renewable Deal of the Year" by Project Finance International (PFI).

Provided financing to offshore wind farms a total installed capacity of **128 MW** which is expected to generate **430 million kWh** per year

The offshore wind farms is expected to reduce **236,000 metric tons** of CO₂ emissions equals **607 times** the carbon absorption of Da'an Forest Parks

Furthermore, with its extensive project finance experience, CUB was mandated to serve as the financial advisor for the Hai Long 2 and Hai Long 3 Offshore Wind Farms in 2018, and successfully assisted Hai Long 2 in receiving a 300 MW allocation from the Bureau of Energy. Hai Long 2 and Hai Long 3 subsequently won the bidding for capacity allocation of 232 MW and 512 MW, respectively.

At the end of 2018, the world's largest offshore wind power developer Ørsted announced that it is appointing CUB to serve as one of the Mandated Lead Arranger of its syndicated loan, and would be jointly arranging a 5-year NT\$25 billion Revolving Credit Facility (RCF) together with two other banks (one domestic, one foreign).

Note: According to the data from the 2 offshore wind turbines that have been in operation, the average capacity factor from May to December 2017 was 23%, 28%, 11%, 34%, 14%, 66%, 62%, and 68%, respectively. The average capacity of 38% is used for the capacity factor and power generation is calculated using the formula "actual power generation = installed capacity x capacity factor". (https://www.moeaboe.gov.tw/ECW/populace/news/News.aspx?kind=1&menu_id=41&news_id=14943)

Renewable Energy Contractors' & Erection All Risks Insurance

Cathay Century provides construction insurance products suitable for the green energy industry's risks, and has been undertaking construction insurance for hydroelectric power plants and solar power generation equipment since 2010. Offshore wind farms entail high construction risks due to natural disasters and technical challenges. Cathay Century became the first property insurance company in Taiwan to utilize its risk assessment and loss prevention expertise to provide offshore wind turbine insurance for the CUB offshore wind power syndicated loan in 2016. Cathay Century also provided insurance for hydroelectric power plants, solar power plants, and offshore wind farms and equipment in the amount of NT\$26.58 billion in 2018.

Promotion of Green Public Infrastructure

Preferential Loans for Green Buildings

CUB had approved 6 green building loans as of the end of 2018 to encourage applications for the green building label for buildings involved in urban renewal, or for the construction of green buildings. By providing cash flow support, CUB encourages developers to prioritize the planning of green buildings, and thus contributes to the green environment.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Supporting Development of the Electric Vehicle and Scooter Industries

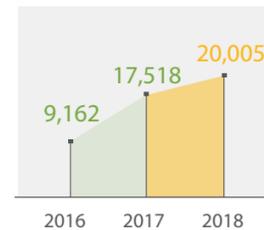
Following the rise of environmental awareness, increasing numbers of car drivers and scooter riders are choosing to buy environmentally friendly electric vehicles. Cathay Century launched the first green vehicle insurance in Taiwan in 2013, and has insured a total of 19,863 green vehicles as of the end of 2018. The insurance was offered in coordination with government initiatives to support the green energy industry, and also aids Taiwan's transportation tool transition by encouraging drivers to support environmentally-friendly vehicles.

Furthermore, CUB continued collaborating with Gogoro, the highest market share owner of domestic electric scooter and Amulair Thermal Technology Inc., a worldly-known manufacturer of electric vehicle components in 2018, and will consider providing electric motor vehicle loans in the future to support Taiwan green energy development.

Bicycle Insurance

Cathay Century started to offer bicycle insurance in 2016, and the total number of underwritten cases reached 1,166 as of the end of 2018. Furthermore, Cathay Century offered the first Public Bicycle Accident Insurance and Public Bicycle Third-party Liability Insurance in Taiwan in June 2018, and insurance that encourages more people to join the ranks of bicycle riders. As of the end of 2018, Kaohsiung City, Tainan City, Taipei City, New Taipei City, and Taoyuan City were covered by Public Bicycle Accident Insurance, protecting 3.4 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.

Cumulative premium income from green vehicle insurance (NT\$10,000)



Bicycle insurance cumulative insured amount (NT\$10,000)



Promotion of Green Funds and Bonds

Green Bonds Underwriting

The rising awareness of green finance has driven the development of new economic patterns. Taiwan Power Company issued green bonds for the first time in 2017; at NT\$8.3 billion, it was the largest amount of green bonds to have ever been offered by Taipei Exchange. The funds raised by the green bonds will be directed toward three types of green investment projects, specifically greenhouse gas reduction, pollution prevention and control, and renewable energy and energy technology development. Taiwan Power Company issued a total of NT\$8.3 billion in green bonds, and Cathay Securities served as the underwriter for NT\$500 million in bonds with a maturity of 10 years. Taiwan Power Company issued two tranches of green bonds that totaled NT\$5.3 billion in 2018, and Cathay Securities continued to serve as the underwriter for NT\$400 million in bonds.

Supporting Promising Environmentally Friendly Startups

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

Cathay Securities actively assists environmentally friendly and green energy-saving enterprises with raising capital. Besides assisting the solar power company Anji Technology Co., Ltd. raise NT\$24 million in capital in 2018, Cathay Securities formally signed an agreement with the PM Group to assist with its IPO. The PM Group is an iconic solar power company in Taiwan with a total installed capacity of approximately 271 MW in all of its domestic solar power plants, holding 13% market share. It is the leading solar power EPC (Engineering, Procurement, Construction) company in Taiwan, controls key components, has a wealth of experience with grid connection through feeders, and has immense future potential. Cathay Securities will assist Solar Master Energy Co., Ltd. and Ciao Sole Corporation Technology Ltd., which are both members of the PM Group, with EPC business planning for public listing. The PM Group plans to become an emerging stock in 2019 and formally enter the capital market.



Cathay Securities completes the contract signing ceremony with the PM Group. Chairperson Shun-Yu Chuang of Cathay Securities is on the left and Chairperson Tsung-Jung Tsai of the PM Group is on the right.

Investing in Promising Environmentally Friendly Startups

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



Prosper with the Community

Cathay FHC upholds the core philosophy of being "people-oriented" and continues to care for the needs of Taiwanese people. We use our financial core competencies to provide solutions for society's potential risks and issues, and realize inclusive finance by creating a strong insurance safety net.

Products and Services/Inputs	Social Influence
<p>In Response to Aging Society and Health Promotion</p> <ul style="list-style-type: none"> Small amount whole life insurance Allow people to plan their insurance on a lower budget Asia's first insurance policy exclusively for cancer patients Accompany policyholders to face the challenges from cancer Health-promoted insurance and health promoting activities Actively improve citizens' health conditions Disability and Retirement Trust Trust property principal reached NT\$1.205 billion 	<ul style="list-style-type: none"> Small amount whole life insurance provides basic economic security to nearly 180,000 policy holders, offering a huge coverage for risks, approximately NT\$51.6 billion, for society against personal risks Post-cancer care insurance was widely approved and inspired industry peers to follow suit 100,000 people participated in Cathay Walker Set up 282 trusts for elderly and disabled people
<p>Promotion of Gender Equality</p> <ul style="list-style-type: none"> Questionnaire on female financial independence A total of 2,360 effective questionnaires were collected Female financial management seminar 415 people participated 	<ul style="list-style-type: none"> Articles promoting financial independence of women reached 20,400 readers Note: statistics by 2019/4 Satisfaction of Empowerment of female financial management seminars reached 99.03%
<p>Inclusion of Diverse Groups</p> <ul style="list-style-type: none"> Micro insurance Cumulative insured amount reached NT\$75.1 billion Student group insurance Total insured amount was approximately NT\$3 trillion MFI loans Balance of loans reached US\$34.5 million Charitable Trust Trust property principal reached NT\$37.817 billion CPBL Gambling Prevention Trust Trust property principal reached NT\$135 million Mango crop insurance Cumulative insured amount reached NT\$29.37 million 	<ul style="list-style-type: none"> Micro insurance provided timely support to 514 families Student group insurance protects 3 million students around Taiwan PRASAC MFI loans benefited 390,460 people Cumulative amount of donations to charitable trusts reached NT\$1.232 billion CPBL Gambling Prevention Trust benefited 218 players Cathay Century insured a cumulative total of 500 mango crop insurance
<p>Supporting Mutual Industry Prosperity</p> <ul style="list-style-type: none"> Project finance to SMEs Balance of loans reached NT\$299 million Preferential loans for social enterprises Balance of loans reached NT\$20.05 million 	<ul style="list-style-type: none"> Loans were provided to a total of 81 SMEs Preferential loans for social enterprises were provided to a total of 6 social enterprises

In Response to Aging Society and Health Promotion

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

Small Amount Whole Life Insurance

Cathay Life was the first to offer small amount whole life insurance, which has low application requirements and low premiums, in 2017, allowing relatively elders who have difficulty obtaining required insurance to easily get basic coverage. As of the end of 2018, Cathay Life's small amount whole life insurance has provided basic economic security to nearly 180,000 policy holders, providing an insurance coverage of approximately NT\$51.6 billion against personal risks for society. This was the highest amount of total coverage in the industry, and will benefit social stability to a certain extent.

45% of overall sales is above age 55 which shows that small amount whole life insurance does indeed meet the needs of the elderly. The outcome is consistent with the original intention of the product's design, to "reduce the potential social impact of the aging population".

<p>Provided basic economic security to 180,000 policy holders</p>	<p>Provided an insurance coverage of NT\$51.6 billion against personal risks for society</p>
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Post-cancer Care Insurance

The number of Taiwanese cancer patients increases with each passing year, and it is becoming growingly common for people to find out that they cannot gain any more coverage once they are diagnosed with cancer. Cathay Life introduced Asia's first exclusive Medical Insurance for Cancer Patients in 2018, so that cancer patients can get required coverage. This product provides coverage for the top 12 common primary cancers in Taiwan, which means that about 80% of cancer patients can be covered. 818 cancer patients were able to gain medical insurance within one year after launched. Cathay Life and the Hope Foundation for Cancer Care jointly offered a series of promotion activities and lectures to provide care and support, accompanying policyholders in the fight against cancer as they strive to live a new life.

Cathay Life provides the most timely support and companionship to cancer patients who are unable to apply commercial medical insurance after being diagnosed with cancer. The insurance gained wide approval in society and inspired industry peers to follow suit. Cathay Life also won the 2018 Taiwan Corporate Sustainability Awards – Social Inclusion Award for the insurance by this product.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Health-promoted Insurance and Activities

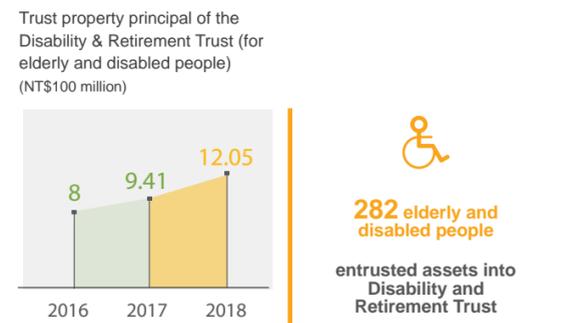
Cathay Life was the first in industry to promote that the influence of insurance can be extended from compensation to prevention by providing services of health management, as a solution to cope with increased medical expenses each year. Cathay Life began offering health-promoted insurance for general public in 2018, helping citizens to adopt healthy lifestyles by forming the habit of routine exercise through this product.

Cathay Life developed a platform for health-promoted activity- "Cathay Walker" to help policyholders to acquire the habit of walking 7,500 steps every day within two years by providing incentives for reaching weekly and monthly goals. Simultaneously, this platform opens to public as a vehicle for health promotion activity to encourage that every participants can improve their physical well-being. The number of participants reached 100,000 as of the end of 2018. Participants walked a total of approximately 34.3 billion steps, which is enough to walk to the moon and back 27.9 times.



Disability and Retirement Trust

CUB was the first in the industry to establish a professional trust team, which uses retirement and disability trusts to promote social security and public welfare. For these efforts, CUB won the 2018 Banking and Finance Best Practice Award – Best Trust. CUB has been using trust profession to protect the assets of elderly and disabled people for a long time. These trusts allow people to entrust different types of property at the same time, and ensures that trust properties are used exclusively for designated purposes. As of the end of 2018, 282 elderly and disabled people entrusted assets worth NT\$1.205 billion into Disability & Retirement Trusts.



Promotion of Gender Equality

A report from McKinsey & Company pointed out that the global GDP will increase 26% by 2025 if female economic participation increases to the same level as male economic participation. Women have become one of the most powerful groups following the rise of global gender awareness.

Driving Force behind the Financial Independence of Women

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

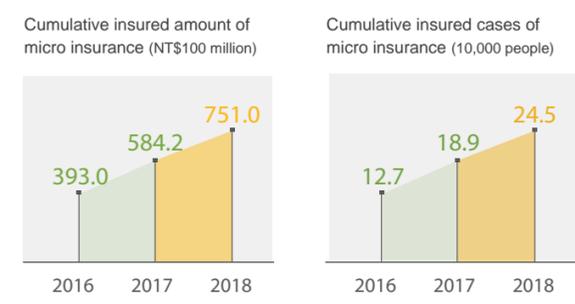
Cathay FHC conducted the "survey on financial independence of women" in collaboration with Womany, Taiwan's first social media to focus on gender and feminine consciousness. A total of 2,360 effective questionnaires, for which 94% of respondents were female, were collected, and provided insight into the current economic conditions and actual needs of women from three aspects of financial independence: "awareness of financial independence", "current economic condition and consumption habits", and "understanding of and expectations for financial planning". This will serve as a basis for improving product design and service planning and establishing strong connections with society in hopes of increasing the financial independence of women. Cathay FHC won 2018 Taiwan Corporate Sustainability Awards – Gender Equality Award for this endeavor. Furthermore, Cathay SITE co-organized 4 financial management seminars for women with Smart Monthly in 2018 and achieved 99.03% participant satisfaction. In the future, Cathay will continue investing resources and working together with key partners in hopes of eliminating potential gender inequality in workplaces and financial products.



Inclusion of Diverse Groups

Micro-insurance

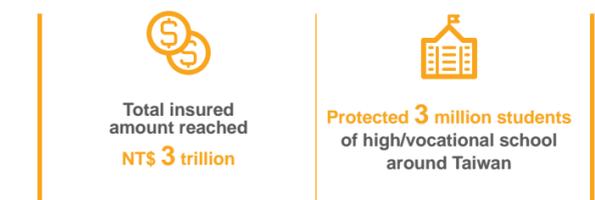
Cathay Life began offering micro insurance in 2009 to provide basic protection for the economically disadvantaged. Micro insurance can cover injury, death, and disability through medical benefits for injury and life insurance. Cathay Century also provides micro group insurance. Cathay Life and Cathay Century rank first and forth in the domestic micro insurance market, respectively. From launch to the end of 2018, Cathay Life's and Cathay Century's micro insurance have provided 514 disadvantaged households with timely economic support.



Student Group Insurance

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

Nearly 6,000 Cathay Sustainable Campus Ambassadors around Taiwan assisted schools in anti-drug education, environmental protection, campus safety, and financial management and insurance knowledge. Since the Sustainable Campus Project was implemented in 2017, the project has reached 11,500 people in 18 counties/cities, and satisfaction rate was above 99%.

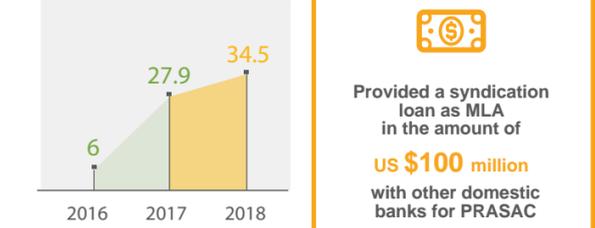


MFI Loans

Cambodians are generally skeptical of financial institutions, and this has limited the reach of consumer finance services provided by financial institutions. Locals are highly dependent on the MFIs in each township for loans. Statistics of the National Bank of Cambodia (NBC) show that the balance of loans from MFIs reached US\$4.85 billion in the first half of 2018, up 34.2% compared with 2017 YoY.

CUB provided finance to PRASAC Microfinance Institution Limited (PRASAC), Cambodia's largest micro-finance institution, to show commitment and determination on corporate sustainability through the support of inclusive finance. Furthermore, CUB provided a syndication loan as Mandated Lead Arranger in the amount of US\$100 million with other domestic banks for PRASAC in 2018, backing PRASAC in developing micro-finance and SME loans. As of the end of 2018, the balance of loans provided by CUB (including branches) to MFIs has reached US\$34.5 million.

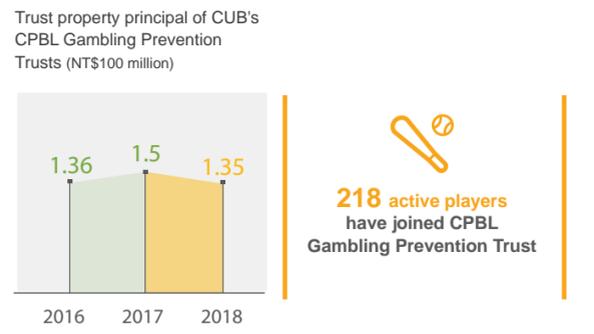
Balance of loans provided by CUB (including branches) to MFIs (US\$ million)



Provided a syndication loan as MLA in the amount of US \$100 million with other domestic banks for PRASAC

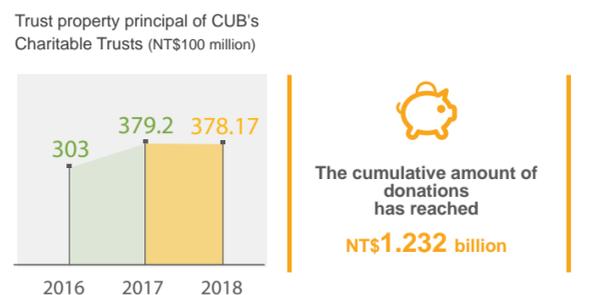
CPBL Gambling Prevention Trust

CUB began working with the Taiwan Professional Baseball Development Association, Chinese Professional Baseball League (CPBL) and individual professional baseball teams in 2009 in offering a trust for professional baseball players. CUB was the first bank to set up such a trust and currently has the most players as our settlers. As of the end of 2018, 218 active players have joined CUB's CPBL Gambling Prevention Trust, and trust property principal has reached NT\$135 million, allowing both players and fans to truly enjoy the game.



Charitable Trust

The trust property principal of CUB's charitable trusts was the largest in the industry as of the end of 2018 at NT\$37.817 billion. CUB has helped several founders and owners of companies listed on TWSE/TPEX and social elites to establish charitable trusts for the purposes of charity, education, and children's welfare in hopes of enhancing the transparency of charitable donations and ensuring that donated funds are truly used on those in need and contributed to the society. The cumulative amount of donations through Charitable Trusts has reached NT\$1.232 billion.



Mango Crop Insurance

Cathay Century began offering mango crop insurance in 2016 in response to climate change issues and government policy to protect the earnings of farmers and asset safety, and is currently the only insurance company to sell mango insurance. Besides covering mango losses caused by typhoons, torrential rains, and cold weather with Mango Insurance Linked to Government Disaster Relief Efforts, we also began offering "Mango Insurance Linked to Area Yield" in 2017. Policy holders will be eligible to file claims when actual harvests in the region are lower than the guaranteed harvest, which provides farmers with greater flexibility. We actively participate in product presentations offered at farmers' associations to promote insurance products and thereby protect farmers' asset safety. From its launch to the end of 2018, the cumulative insured amount reached NT\$29.37 million.



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

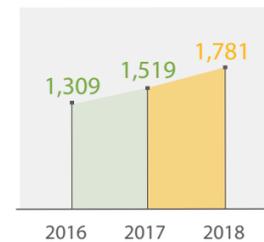
Appendix



Loans to Small and Medium Enterprises

CUB is the strongest partner of SMEs in Taiwan and has launched a variety of preferential loans designed specifically for SMEs. CUB has worked closely with the SME Credit Guarantee Fund of Taiwan for years, and offered financing projects such as the "preferential loans for wholesalers and retailers", "preferential loans for social enterprises", and "working capital for SME suppliers". As of the end of 2018, project financing has been provided to 81 SMEs with the balance of loans reaching NT\$299 million; the balance of loans to SMEs meanwhile reaches NT\$178.1 billion. CUB was furthermore, for its long-term efforts, recognized with the "Credit Guarantee Loan Growth Award" from the SME Credit Guarantee Fund of Taiwan in 2017 and 2018 consecutively.

Balance of SME loans provided by CUB (NT\$100 million)



Provided loan projects to **81 SMEs**



Loans have been provided to **6 social enterprises**



Preferential loans for social enterprises reached **NT\$ 20.05 million** of total balance of loans

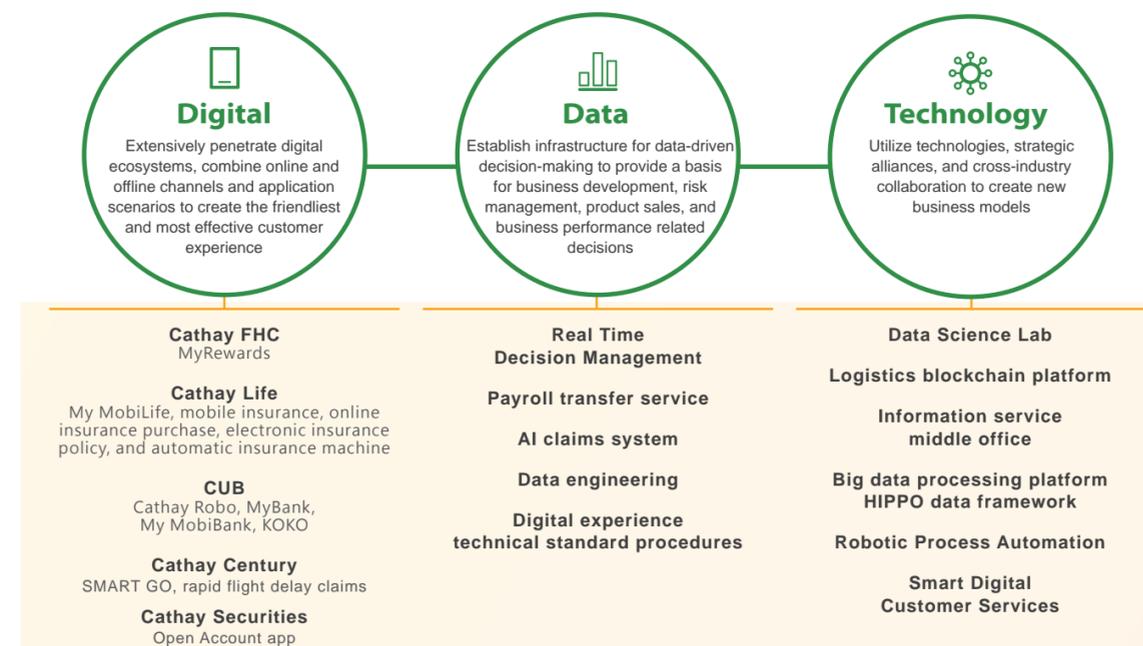
Preferential Loans for Social Enterprises

CUB, Taipei City Government, and the SME Credit Guarantee Fund of Taiwan jointly implemented the industry's first project for providing preferential loans to social enterprises, aiding the development of qualified social enterprises by directly providing guarantee and low-interest preferential loans. CUB hopes to bring together government, organizations, and corporations in providing a preferential loan platform for social enterprises. Loans have been provided to 6 social enterprises between April 2017, when the project was implemented, and the end of 2018, with total balance of loans reaching NT\$20.05 million. CUB cares about and empathizes with SMEs in Taiwan, and uses well-designed mechanisms to support and accompany SMEs as they grow.

Cathay Digital Finance Living Circle

Cathay FHC established the Digital, Data & Technology (DDT) practice in 2016 to kick off digital transformation via "data-driven culture." Powered by digital, data, and technology, we are actively developing a big data infrastructure, adopting new technologies as well as initiating data-driven financial services that maximizing synergistic effects domestically and overseas through various projects with our partners and subsidiaries, including Cathay Life, CUB, Cathay Securities, and Cathay Century.

We invest in people. To meet digital changes and employee career development, we are dedicated in creating an environment suitable for cross-border talent.



MyRewards

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

The second "bonus point donation" activity was launched on MyRewards app in 2018, and is another example of cooperation between enterprises, social enterprises, and NGOs. The activity invites customers to donate their credit card bonus points for charity. Of the customers that made donations, 80% (about 23,000 people) are MyRewards members that have not used their CUB bonus points in the past six months. This gives bonus points a sense of warmth and maximizes the social value of donations to charity.

Cathay Robo

Cathay Robo was formally launched in 2018 and integrates resources of CUB, Cathay SITE, and Conning Holdings Corporation. It also uses the financial management and investment platform technology of Quantifeed, a FinTech startup based in Hong Kong, and combines innovative technology, big data analysis, and precise algorithms to effectively build a robo investment services platform that helps investors stably achieve long-term investment goals. Cathay Robo reduces the weakness of human nature in investments, and uses more scientific methods for financial management.

Cathay Robo, with the methodology based on Black-Litterman Model, Efficient Frontier, and Monte Carlo Simulation, calculates suitable investment portfolio for investors based on the long-term goals and risk attributes of customers. When there is turmoil in the market or the investment portfolio deviates from expectations, the system will automatically mail a rebalance notice and assist customers in returning to the platform to make adjustments. The use of scientific financial management methods significantly reduces human error caused by psychological factors. The initial investment requirement was also reduced to lower the barrier to entry of science-based financial management for investors who are unfamiliar with the market or do not have time to research investment targets. Since October 2018 when the service was first launched to the end of December, the cumulative number of investment portfolios purchased has reached 1,375.



Cathay Life's Innovative Insurance Technologies and Digital Services

Cathay Life led the industry in offering the patented service process "Mobile Insurance" in 2012. Mobile Insurance integrates all the insurance services of application, premium payment, policyholder services, and claims by adopting technology to enhance mobility for promptly applications acceptance. By applying AI technology, the required time for underwriting and claims is significantly shortened by 80% and 50%, respectively, allowing customers to immediately enjoy insurance coverage and to satisfy their diverse needs.



Note: statistics by 2018/12/31

Cathay Life is actively implementing the "Digital Omnichannel Operation Project". A patent team was established and has obtained 79 insurance technology patents as of 2018. Meanwhile, big data analysis is applied to online service platforms and offline sales management tools. This enables salespeople to clearly realize customers' needs by analyzing big data, furthermore, to provide comprehensive services. Cathay Life also released 3 new digital services on official website, Line and insurance recommendation platform to improve customers' experience. Cathay Life won the Best Insurer: Technology Award and the highest honor given at the Asia Insurance Technology Awards (AITA) in 2017. Continuously, Cathay Life got the Best Digital & Omnichannel Technologies Award in 2018, becoming the only Taiwanese insurance company to win the award for two consecutive years.



Obtained **79** insurance technology patents



Won Best Digital & Omnichannel Technologies Award
the only Taiwanese insurance company to win the award for two consecutive years

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

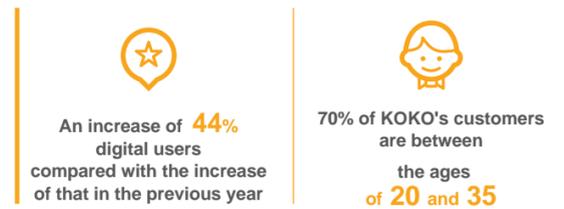
Appendix

CUB Provides Omni-channel Services Fitting Customers' Daily Needs

Based on the core value "from omni-channel to omni-customer" and the integration from online to offline initiatives, CUB provides services driven by customer needs aiming to deliver brilliant user experience via branches and digital channels, particularly to those younger generations. In this regards, CUB won "Omni-Experience Innovator" and "Digital Transformer" in IDC DX Awards in 2018.

As of the end of 2018, CUB already has 3.66 million digital users (including MyBank, My MobiBank, and KOKO users), an increase of 44% compared with the increase of that in the previous year, which takes up 41% of CUB's customers. CUB is actively developing financial services for the younger generation, who are characterized by their high stickiness, in the form of a digital bank called "KOKO". Big data analysis showed that 70% of KOKO's customers are between the ages of 20 and 35. KOKO began offering "Freestyle" personal loans that meet the needs of the younger generation in October 2018, featuring "flexible drawdown" and "no interest is paid on unused credit line". KOKO is also creating a cashless campus environment in collaboration with Feng Chia University, and is working with Cathay Life in providing iMoney small amount savings insurance, breaking down the barriers of age and financial service to create greater financial convenience for the younger generation.

CUB implemented the "Quick Cash" program using new digital technologies based on its understanding of what enterprises need. After Buyer applies for irrevocable advanced payment service on CUB's online banking system (Global MyB2B), Suppliers can access prepayment application services on line and receive loan within a day, which allows Suppliers acquire working capital efficiently. This innovative model has successfully won various customers trusts. In the future, CUB will continue to show the spirit to "insist on innovation, digital transformation" and provide customers with the best financial service experience.



Cathay Securities Initially Offer Online Account Opening Services in Taiwan

Cathay Securities and CUB integrated their operations through the Open Account app in 2017. The app allows customers to open a securities trading account and settlement bank account online without needing to visit any service counter. It is the only online account opening app in Taiwan. The Open Account app successfully attracted 68,000 customers to the Dunnan Branch of Cathay Securities between August 2017, when the app was formally launched, and the end of 2018. This was higher than the total amounts of accounts opened at all physical branches and the highest within the entire industry.

Data

CUB Provides Timely Services at the Right Moment

DDT in Cathay FHC and CUB jointly apply the Real Time Decision Management (RTDM) on credit card services and develop a new business model together. When customers pay with the credit card but the transaction fail due to the credit limit, the internal system would automatically assess their credit status and raise the credit limit after they approve. And this process has enhanced customer stickiness to the bank significantly. RTDM application was creative and benefit to customers so that CUB was recognized by the Asian Banker for the "Best Frictionless Omni Channel Integration" in 2018.

The Service Level Upgrades due to Meeting Customers' Needs

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

Payroll Transfer Service

Cambodia's mobile phone penetration is 153%, but only 21.76% of the population has bank accounts. Cathay United Bank Cambodia (CUBC) is working with local payment service provider Ly Hour in establishing new channels for payroll transfer to local residents who are used to cash transactions. CUBC connects account information for payroll transfer with factory information, and helps factory workers collect their salaries from an offline location of Ly Hour, making it more convenient for locals while reducing the risk of miscalculating salaries.

From January 2018, when the payroll transfer service was offered, to the end of 2018, the number of offline networks has increased to 4,000 which extended our service from urban residents (about 20% of Cambodia's population) to rural residents. Furthermore, CUBC launched payroll loan services in October 2018. By using the payroll as a sort of collateral, Payroll loan lower the threshold for locals to apply for credit loans. In the future, CUBC will continue to work with different industries to link customer's daily life services and build up the ecosystem, increase local residents' access to financial services, and thereby achieve inclusive finance.



Payroll transfer service increase local residents' access to financial services. The photo shows the grand occasion of payment day.

AI Claims System

Cathay Century actively utilizes big data and information technologies, such as using blockchain technology to provide rapid travel insurance claims services for flight delays; working with Line to introduce the first Vehicle Insurance Self-Service Platform; and launching the AI claims system in 2018, making Cathay Century the first property insurance company in the industry to publicly use AI in claims services.

Cathay Century uses the supervised learning approach and lets AI read large amounts of claims data, determine the best decision for each case, and shorten claim processing from 3 days to as fast as the same day, significantly increasing claim processing efficiency. Furthermore, AI claims is able to improve the company's risk control. By learning the entire company's claims data and absorbing the experience of all claims personnel, the AI claims system is able to more accurately uncover fraud cases and immediately warn claims personnel of outliers. Cathay Century uses this innovative business model with human-machine collaboration to save time, allowing claims personnel to develop new forms of specialized work or focus on customer services so as to significantly increase customer satisfaction.



Technology

Data Science Lab

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



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

Logistics Blockchain Platform

Cathay FHC DDT established a blockchain team at the end of 2018. In addition to research, evaluation, facilitation and community engagement, the team developed a "Logistics Blockchain Platform". Through proper security governance and smart contracts, Blockchain, a Distributed Ledger Technology, provides the advantage of data immutability, information security, new trust model, and near real-time transaction settlement, allowing for the simultaneous update of cash, goods, and data flows.

For the purpose of proof of concept ("POC"), the "Logistics Blockchain Platform" has been built in three stages. The first stage focuses on architectural design and core infrastructure build, which integrate sellers and logistics service providers. This structure leverages the blockchain platform for proof of delivery and up to date ledgers and payments, significantly lowering the operating costs of logistics service providers, reducing human error, write-off disputes and logistics delay time, and achieving a paperless operating process.

The second and third stages integrate resources of Cathay Century and CUB. The immediacy and immutability of information on the blockchain platform give us the opportunity to provide customers one-stop service from logistics inquiry to speedy insurance purchase and credit assessment for financing. The blockchain team will continue to engage in the development, collaboration, evaluation, and innovation of blockchain applicability. The team will also actively interact with other organizations in Taiwan and overseas to prepare for the changes and potential business opportunities that blockchain technology might bring in the future.

Information Middle Office

DDT had built an information middle office from 2018 for the purpose that we could react to different changing situations from all channels. And the key of the information middle office would be "Micro-service" and "Event Sourcing" frameworks.



The aforementioned RTDM is driven by the "Event Sourcing Framework." The concept of "Micro-service Framework" would be dismantling a full service process function, for instance, account inquiry, into several independent micro ones. The dismantled micro services will be able to run its job independently and meet front end needs instantly even more quickly to boost operational efficiency. This is a whole new trend to financial industry from previous 'core system' concept.



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

HUMAN CAPITAL



Capital at Risk and Opportunities

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

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



The Best Companies to Work for in Asia in 2018

Cathay FHC was selected one of the Best Companies to Work for in Asia in 2018 by HR Asia.



Employee Benefits beyond What the Law Requires

Cathay provided better paid miscarriage leave for female employees and 7 days paternity leave for male employees. Both of them are beyond what the law requires.



4.14

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



70,000_{kg}

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

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



Employee Structure and Diversity

Employee Structure

Cathay FHC had 45,961 full-time employees in 2018; part-time employees (non-FTEs) numbered at 230, accounting for 0.5% of all employees. We give local residents priority when recruiting at our various business locations, which are currently mostly in Taiwan. Hence, the ratio of employees hired in Taiwan reaches 99%. We abide by the government's labor related laws and regulations, and have never used child labor. Our employment of foreign nationals complies with the Employment Service Act and Regulations on the Permission and Administration of the Employment of Foreign Workers.

Number of full-time employees/distribution by region

	Manager	General Staff	Total
Taiwan			
Female	2,650	29,678	32,328
Male	2,261	11,151	13,412
Total	4,911	40,829	45,740
Overseas			
Female	7	31	38
Male	63	120	183
Total	70	151	221
Total	4,981	40,980	45,961

Note 1: Only FTEs are included in above statistics.
Note 2: Other non-FTEs are 230, including part-time office staff; temporary workers; interns; hourly employees; contractor personnels.

Number of employees by gender/age

	Manager	General Staff	Total
Female			
Age 30 and under	102	5,168	5,270
Age 31-49	1,280	14,997	16,277
Age 50 and above	1,275	9,544	10,819
Total	2,657	29,709	32,366
Male			
Age 30 and under	143	3,621	3,764
Age 31-49	1,357	6,215	7,572
Age 50 and above	824	1,435	2,259
Total	2,324	11,271	13,595
Total	4,981	40,980	45,961

Note 1: The average age of Cathay employees is 41 years old; calculation = (age group * number of employees)/total number of employees.
Note 2: Definition of managers: Personnels who assume managerial roles and administrative duties.

Diversified Workplace

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

At present, Cathay has 223 employees of indigenous descent. We offer "indigenous holiday leave" to employees of indigenous descent, who may choose to take one day off during an indigenous festival. For the disabled employees, our office buildings have barrier-free facilities to help them adjusting to the working environment. Moreover, CUB co-organized 22 recruitment orientations and group interviews for people with disabilities together with charity foundations and schools in 2018 and we hiring excessively disabled employees. Besides, Cathay encourages employees to participate in public welfare activities that serve new immigrants, indigenous peoples, and people with disabilities. We also advocate for diversity and inclusion through e-newsletters sent to employees for the establishment of equal and friendly workplace.

Corresponding to Cathay's expanding into other Asian markets, we aim to fulfill talent internationalization and help international talent assimilate into local society. We hope that this will expand our talent pool and assist the operation and development of overseas businesses. Cathay FHC offers employees the opportunity to rotate to overseas positions through the Group/Global Management Associate (GMA) Program. Efforts made by our two largest subsidiaries to recruit and develop Southeast Asian talent include the VMMA Vietnam Office Reserve Talent Program of Cathay Life and the Southeast Asia Financial Market Pilot Program of CUB. As of 2018, we have hired employees from a total of 14 different countries, and we will continue to implement the strategy of developing overseas markets using local talent with the goal of recruiting 85% of all overseas employees from local communities. Cathay FHC plans to invite employees of different nationalities to share their native culture during Sharing Club classes starting in 2019. We hope this will create a workplace that embraces cultural diversity.

Disabled employee

	2016	2017	2018
% of disabled employee	1.05%	1.00%	1.12%



Cathay sponsors Mixed Disabled Troupe's concert tour and Cathay's employees can join as volunteer.

Human Rights Protection and Grievance/Reporting Mechanism

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

Cathay FHC has a group-level whistleblower system for crime, corruption, and violations of the law. The system is overseen by an independent director and is planned by the head of compliance at the head office. The system's implementation results are reported to the board of directors and Audit Committee at least once every six months. To prevent sexual harassment and violations of gender equality, we established the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" and the "Sexual Harassment Prevention, Grievance and Investigation Policy". We also set up an e-mail account and established the Sexual Harassment Grievance and Investigation Committee to investigate sexual harassment cases. If a sexual harassment complaint is found to be true, the offender will be brought before the Personnel Evaluation Committee, which will decide on the appropriate disciplinary measures, while the victim will receive counseling and care. Meanwhile, sexual harassment education and training will be intensified for other employees to prevent further cases of sexual harassment from occurring. Finally, employees can report other issues not mentioned above to the human resources department. In 2018, Cathay FHC and its subsidiaries received 0 report regarding violations of the law or corruption, 1 cases of sexual harassment or violations of gender equality, and 3 labor-management disputes.

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



For details on the Human Rights Risk Assessment and Management Checklist

Evaluation methods	2018 High risk group (%)	Management Measures
Diversity, inclusion, and equal opportunity Number of discrimination cases tracked each year	0%	Policy <ul style="list-style-type: none"> The Code of Conduct for Employee specifies care for disadvantaged groups and prohibits discrimination and harassment. The Code of Ethics provides a work environment with equal employment opportunity. Mechanisms <ul style="list-style-type: none"> Establish mechanisms for reporting discrimination (e-mail, hotline, etc.) Disseminate knowledge to employees and supervisors through e-newsletters.
Prolonged working hours Determine high-risk employees as employees working more than 45 hours overtime per month	0.17%	Policy <ul style="list-style-type: none"> The Code of Conduct for Employee and Work Rules regulate provisions on work hours and extended work hours. Mechanisms <ul style="list-style-type: none"> Continue to promote and implement daily/monthly overtime restrictions. Flexible work hours Implement improvement measures in departments with higher overtime frequency. Conduct mental health questionnaire to measure the stress index of employees and implement stress reduction plans accordingly.
Safe, healthy workplace Screen high-risk employees by assessing results of musculoskeletal injury and illness questionnaires or employee health examinations	2.1%	Policy <ul style="list-style-type: none"> Establish safety and health rules. Mechanisms <ul style="list-style-type: none"> Periodically implement occupational safety training and education, as well as physical and mental health evaluation and improvement plans. Provide Automated External Defibrillators (AED) in the workplace and related training. Conduct musculoskeletal risk assessment and improve physical facilities in the workplace. Organize employee weight loss contests and other health promotion activities.
Freedom of Association Employee club promotion	0%	Policy <ul style="list-style-type: none"> The Code of Conduct for Employee stipulates that employees within the Group are entitled to the freedom of association. Mechanisms <ul style="list-style-type: none"> Encourage employees to join clubs and subsidize employee clubs.
Labor-management Negotiations Labor-management dispute involvement rate	<0.01%	Policy <ul style="list-style-type: none"> Establish the Employer-Employee Meeting Implementation Guidelines. Mechanisms <ul style="list-style-type: none"> Periodically convene employer-employee meetings. Establish smooth communication channels. Periodically conduct anonymous employee opinion surveys to obtain recommendations from employees.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Gender Equality

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

Statistics of Cathay's Female Managers

	2016	2017	2018
% of Females in management positions	54.1%	53.4%	53.3%
% of Females in junior management positions	57.9%	57%	56.5%
% of Females in top management positions	24.1%	25%	26.9%
% of female managers in the revenue generation department	60.6%	57%	58.8%

Note: According to the DJSI definition, the high-level supervisor here refers to the Senior VP or above.

Annual Compensation by Gender (Male: Female)

	2016	2017	2018
High-level manager	100:51	100:90	100:78
Mid-level manager	100:114	100:109	100:109
Entry-level manager	100:114	100:110	100:110
General Staff	100:106	100:94	100:93

Cathay's Gender Equality Efforts



The Independent director and president of Cathay FHC respond to the HeForShe initiative

male employees beyond what the law requires

7 days paternity leave

Paid miscarriage leave for female

beyond what the law requires

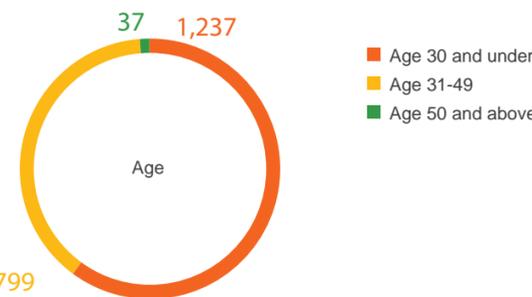
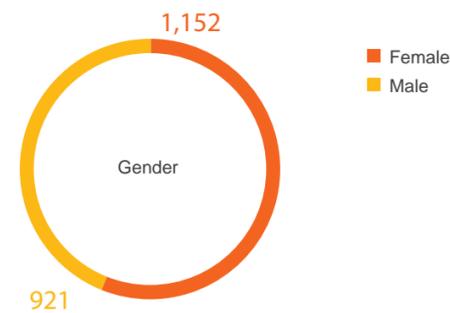
(employees that have served for less than six months are also eligible for fully paid leave.)

Note: Taiwan's laws require companies to provide 5 days paternity leave.
Note: Taiwan's laws require companies to provide half pay for employees who have served for less than six months.

Attracting Talents

We continue to recruit next generation talent from universities and job fairs by providing job descriptions and career guidance to increase our human capital and realize our vision of becoming a leading financial institution in the Asia-Pacific region. We created nearly 7,000 position openings in 9 popular job categories, including GMA, CMA, CIM, and digital marketing and big data engineering in 2018 in responses to advancements in digital finance and increasing international competition.

New Employee Statistics (People)



New employee total : **2,073** % of new recruits: **11.93%**

Note 1: Insurance sales agent and salesperson are excluded from new employee statistics due to their special characteristics.
Note2: Take new employee of insurance sales agent and salesperson into account, total number are 7,408 people and the % of new recruits is 16.12%.
Note3: Only FTEs are included in the Statistics, part-time employees are not included due to information collection difficulties.

Cathay "It's Time" Digital Talent Recruitment

Digital talent is a key part of human capital necessary for facing the era of Bank 4.0. This is why Cathay FHC continues to work with colleges and the Institute for Information Industry in recruiting digital talent, and also combined major subsidiaries, namely Cathay Life, CUB, Cathay Century, and Cathay Securities, in implementing a large scale talent recruitment project in 2017. The project offers generous pay and training conditions, and thoughtfully notifies interviewees of their results on the same day, so they will not need to go through the anxiety of waiting.

Features of Cathay "It's Time"

Applicants are notified of results on the same day of their interview

Applicants can apply for four companies using the same resume

Once candidates are hired, Cathay provides life-long training

We recruited 175 digital talents in 2018.

Cathay Internship Program (CIP)

Cathay FHC began implementing the Cathay Internship Program (CIP) together with its subsidiaries in 2005. Interns receive a daily wage of NT\$1,200-NT\$1,500 and are introduced to each department to gain hands-on experience through face-to-face interactions with senior executives and a group proposal contest. The internship program gives students who have not yet graduated an opportunity to gain an in-depth understanding of the corporate culture at Cathay FHC and its subsidiaries, and also gain practical experience in different fields of finance. The CIP also gives us the opportunity to identify and recruit potential talent early on. About 750 students have participated in the program since it was first offered, and about 150 are now part of the Cathay family.

CIP Statistics

	2016	2017	2018
Number of applicants	1,659	1,587	1,827
Number of admissions	113	120	121
Cumulative number of employees recruited Note 1	106	127	153
Cumulative reinstatement rate Note 2	20.5%	20%	20.2%

Note 1: Cumulative number of employees recruited through CIP.
Note 2: Cumulative reinstatement rate = (Cumulative number of employees recruited through CIP)/Total number of CIP participants.



More information (in Chinese only)

Cathay Life's VMMA Vietnam Office Reserve Talent Program and Vietnamese Actuarial MA Program

In response to Cathay FHC's strategy to expand its presence in Southeast Asia, Cathay Life planned and implemented the VMMA Vietnam Office Reserve Talent Program, and Vietnamese Actuarial MA Program in Vietnam, where Cathay Life, Cathay Century, and CUB have all established branches. Cathay Life is also engaging in industry-academic cooperation with colleges in search of outstanding Vietnamese talent to assist in the business operations of subsidiaries in Vietnam, a move that at the same time improves the company's international image.

The VMMA Vietnam Office Reserve Talent Program recruits Vietnamese students who graduate in Taiwan, provides them with practical training in Taiwan and Vietnam, and hires them as sales supervisors in Vietnam. Through the training program, 12 graduates were selected to join the ranks of MAs; 3 have completed training and were appointed as sales supervisors in Vietnam as of the end of 2018.

The Vietnamese Actuarial MA Program was implemented in 2018 to help subsidiaries in Vietnam cultivate actuarial talent. Cathay Life recruited local students from Vietnam to study at Feng Chia University's Graduate Institute of Statistics and Actuarial Science, and also serve internships at the actuarial department of Cathay Life. Cathay Life also signed an MOU with Takming University of Science and Technology in 2018, and offered suggestions for courses and internship opportunities for students in the Vietnam program of the university's Department of Insurance & Financial Management with the aim to train more insurance professionals for the Vietnamese market.

CUB's Southeast Asia Financial Market Pilot Program

CUB is actively expanding its sources of overseas talent to meet the human resource demands of its branches in Southeast Asia and to develop overseas junior management talent. CUB thus implemented the Southeast Asia Financial Market Pilot Program to provide training to outstanding Southeast Asian financial experts who are familiar with local markets. The program makes CUB the first financial institution in Taiwan to coordinate with the government's New Southbound Policy, integrating industry, government, and academic resources for the development of financial experts.

Through the program, students in Southeast Asia will be recruited to study in Taiwan. Solutions for pain points in the five aspects that students are most concerned about, specifically living, language, internship, further education, and employment have also been devised, including subsidizing tuition and miscellaneous fees, providing a living allowance, advanced placement language courses, internships in enterprises, and employment opportunities when students return to their native countries. Program participants will become seeds sowed by Cathay overseas and become a stable talent pool fueling the company's future development in Southeast Asia. In 2018, the program was recognized with the Best Talent Development Award of the Banking and Finance Best Practice Awards, which is known as the Oscars of the financial sector in Taiwan.



CUB receiving the Banking and Finance Best Practice Awards

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



Talent Development

Cathay FHC is the largest financial holdings company in Taiwan in terms of asset size. On this basis, New Heights Project was implemented in 2012, demonstrating our determination to push organizational change. The project aims to elevate the professional and managerial competencies of personnel to new heights based on the concepts of "enlarging the talent pool, enhancing professional competencies, and expanding overseas with a foothold in Taiwan". The project will thus satisfy the demand on human resources for overseas expansion and business development, and will implement the tri-engine core development strategy of "Insurance+Banking+Asset Management" as we forge ahead in our bid to become the leading financial institution in the Asia-Pacific region.

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

Evaluation Structure of Cathay Employee Training

Evaluation method/ Target of evaluation	Type of education and training	Results in 2018
Level of response Satisfaction questionnaire/Employee satisfaction with training	Lectures for employees to learn new knowledge and trends: 1. FinTech Academy 2. Sharing Club	1. FinTech Academy: satisfaction reach 4.21 points (5 points in total) 2. Sharing Club: satisfaction reach 4.33 points (5 points in total)
Level of learning Exam/Level of skills, knowledge, and attitude of employees	General education courses that allow employees to gain necessary competencies: 1. Education and training related to the Code of Conduct for Employee 2. General education courses on risk management 3. Information security courses	1. Education and training related to the Code of Conduct for Employee: Passing rate of 100% 2. General education courses on risk management: Passing rate of 100% 3. Information security courses: Passing rate of 100%
Level of conduct Practice, multi-aspect evaluation, performance evaluation/Changes in employee behavior at work	Transformation project that changes the way employees think and work: 1. Cathay Life AG2.0 Sales Force Transformation Plan 2. CUB Financial Consultant Transitional Program	1. Cathay Life AG2.0 Sales Force Transformation Plan: First Year Premium Equivalent totaled about NT\$71.4 billion. 2. CUB Financial Consultant Transitional Program: A total of 72 employees transitioned to financial consultants in 2018.
Level of result 1. Average revenues per employee 2. Human Capital ROI/ Employees' contribution to the company, such as: Reducing operating cost, increasing output	1. We use income per employee and human capital ROI to evaluate the amount of benefits generated for every NT\$1 invested by the Group in human capital. 2. We calculate human capital ROI for all of our major education and training programs, such as the Talent Pool Program and Cathay Life AG2.0 Sales Force Transformation Plan, to more accurately evaluate the results of education and training.	1. Average revenues per employee : NT\$8,840,000 2. Human capital ROI : 8.91 <small>Note: Human Capital ROI = Return - (Operating expense - (Salary cost + Benefits cost))/(Salary cost + benefits cost)</small>

Note: This table only presents some of the representative training projects provided by Cathay.

Cathay E-Learning Platform

Cathay FHC launched the "Cathay e-Learning Platform", an online education website exclusively for employees, to provide employees with learning resources that are readily available and convenient to access. Employees of Cathay FHC and its subsidiaries can use the multimedia teaching materials on the website for education and training, and take proficiency tests after completing each course. Contents of the Cathay e-Learning Platform currently cover the Code of Conduct for Employee, risk management, and information security, as well as digital transformation courses in response to the era of FinTech.

Cathay Life CSN and CUB CAN channel

Cathay Life utilized its strengths in developing multimedia teaching materials to develop the "CSN 2.0 (Cathay Super Net) education platform", so as to respond to the volatile market environment and different levels of training required by various business units. CSN 2.0 allows all Cathay Life locations around Taiwan to enjoy the contents of HD education courses. The platform's on-demand function allows business units to flexibly learn different topics as needed.

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

Sharing Club for Employees to Grow Together

We believe that innovation comes from exchange and sharing. Hence, Cathay FHC began organizing the Sharing Club in 2016, which allows employees to serve as lecturers, share their work skills or pass on knowledge and experience. Sharers who speak on a variety of topics range from senior executives to entry-level employees. The Club encourages employees to learn from each other by increasing their opportunities for self-learning.

FinTech Talent Development

Cathay FHC began organizing the FinTech Academy training courses to enhance employees' digital skills in response to changes brought by FinTech. Cathay FinTech Academy is working together with the Department of Computer Science & Information Engineering, National Taiwan University in hopes of introducing employees to the applications and latest developments of information engineering in each industry in ways that are easy to understand. Cathay FinTech Academy offered a total of 15 courses from 2017 to the end of 2018 on topics including blockchain, artificial intelligence, information security, big data, and cryptocurrency.

Corporate Sustainability Talent Development

We provide sustainability related courses to meet different needs in hopes of improving employees' understanding of corporate sustainability and encouraging them to incorporate ESG issues into their work. Our goal is to make corporate sustainability a part of employees' DNA.

Cathay's Corporate Sustainability Talent Development Mechanisms



Talent Pool Program: Cultivation of Leaders

With the vision of becoming the leading financial institution in the Asia-Pacific, we defined the criteria for important competencies based on our Asia strategy, and cultivate the Group's future leaders on this basis. We have a complete range of training mechanisms that aim to accelerate the development of future leaders and increase the Group's human capital.



For more information on the Talent Pool Program (in Chinese only).

Cathay Talent Pool Program

Goals	Features	Results
Cathay FHC Group/Global Management Associate (GMA) Program To cultivate management talents capable of formulating cross-industry, cross-border strategies.	Job Rotation within the Group: The first financial institution in Taiwan with a job rotation mechanism that spans financial holdings, insurance, and banking. Professional Guidance Team: Formed by senior executives, experienced GMAs, experienced employee from different departments and human resources. Overseas Internships: Employees serve a one-month internship overseas to gain an overall understanding of the Company's presence in the Asia-Pacific.	Number of CMAs added in 2018: 6 Number of CMAs admitted over the years: 33
Cathay United Bank Asian Banker CMA Program To cultivate well-rounded Asian Bankers.	Customized training: Exclusive training courses in which senior executives provide one-to-one guidance based on personal career plans and personality traits. Diverse fields: Job rotation through 9 major fields spanning the front, middle, and back offices. Faster promotion: Employees that pass training are promoted 2.5 times faster than others. Generous salary: Annual salary of NT\$1 million and above.	Number of CMAs added in 2018: 26 Number of CMAs admitted over the years: 415
Cathay Life Insurance: CIM Investment Specialist Program To cultivate well-rounded traders highly sensitive to investment opportunities	Comprehensive job rotation: Guidance provided by a personal mentor for employees to gain complete experience in the front, middle, and back offices of the finance and investment department. Professional courses: We provide over 20 professional courses to lay a solid foundation. Overseas study: The top three CIM MAs in the final assessment will have the opportunity to engage in overseas study.	Number of CMAs added in 2018: 10 Number of CIMs admitted over the years: 45

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



Cathay Statistics of Employee Training Hours

	2016	2017	2018
Number of active employees			
Total	43,621	44,445	45,961
Total training hours			
Female	10,004,276	4,786,631	5,331,416
Male	2,825,942	1,584,024	1,878,344
Manager	1,558,509	669,791	697,398
Other	11,053,340	5,700,864	6,512,362
Total	12,830,218	6,370,655	7,209,760
Training hours per person			
Female	321	152	165
Male	227	123	138
Manager	342	141	140
Other	283	144	159
Total	294	143	157
Training cost per employee			
Total	15,270	14,394	15,033

Note1: Cathay FHC is committed to accommodating the different learning patterns and training needs of each employee. Hence, training hours include number of course hours subsidiary employees complete at the company, number of hours employees participated in external conferences and forums, number of hours learning on CLN, and number of hours watching CSN.

Note2: In 2017, Cathay Life adjusted how it carried out morning meetings, graded education, and CSN. Some courses were suspended, which resulted in the lower number of training hours.

Talent Retention and Happy Workplace

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



Cathay received the award of "Best Companies to Work for in Asia in 2018"

Comprehensive Performance Evaluation and Improvement Mechanisms

Cathay FHC established the "Employee Performance Management and Development Guidelines" and "Employee Performance Improvement Guidance Plan" to provide employees with a fair and reasonable performance management, development, and improvement system. Employees and supervisors communicate performance goals through semi-annual performance evaluations, so as to reach an agreement with employees regarding their work goals, personal career development, and performance evaluation. This process aligns employee performance goals with company strategies. The supervisor can also report employees with poor performance to provide individual guidance. Employees' overall performance for the year is used as the basis for adjusting salaries and positions and distributing bonuses. All full-time office staff are reviewed annually for determining whether pay raises should be given; average raises over the last three years was about 3.4%. If employees have any questions regarding their annual performance evaluation results, they may file a grievance and the Administration Department will convene a performance evaluation grievance review meeting. The employee and his/her supervisor (department or division head) will be invited to the meeting for the review.

Long-term Performance Incentives

Cathay FHC attaches great importance to employees' long-term performance, and established the "Guidelines on Incentives for Senior Employees" to encourage employees who have made long-term contributions to the Company. We issue service bonuses to senior employees, and retain shares for employee subscription during cash capital increases. The number of shares employees are eligible to subscribe for is based on their position, performance over the last three years, and years of service, encouraging employees by allowing them to share our business results. Cathay FHC issued preferred stock A for capital increase by cash in 2016, and reserved 10% of shares for employee subscription. Cathay FHC issued preferred stock B for capital increase by cash in 2018, and also reserved 10% of shares for employee subscription.

Job Rotation Mechanism to Promote Talent Flow within the Group

Cathay FHC and its subsidiaries engage in a wide range of financial services, including life insurance, banking, property insurance, securities, securities investment trust, venture capital, futures, and investment consulting. This is why we are able to provide an abundance of opportunities for inter-department and inter-company rotation. Cathay FHC encourages employees to take part in job rotation in accordance with the "Group Employee Rotation Regulations" and "Talent Exchange and Development Guidelines." This is because job rotation allows employees in the organization to continue to face new challenges, and gain cross-disciplinary capabilities and competitiveness.

2018 Employee Turnover Statistics

	Voluntary turnover (does not include retirement)	Voluntary turnover (includes retirement)	Involuntary turnover	Total turnover
Gender				
Female	829	877	6	883
Male	602	669	8	677
Age				
Age 30 and under	675	675	5	680
Age 31-49	710	729	7	736
Age 50 and above	46	142	2	144
Total	1,431	1,546	14	1,560
Turnover rate	8.24%	8.90%	0.08%	8.98%

Note 1: Insurance sales agent and salesperson are excluded from turnover rate calculations in the table above due to their special characteristics.

Note2: If insurance sales agent and salesperson are included, the total turnover is 5,769 and the turnover rate is 12.55%.

Note 3: Total turnover rate was 7.28% and 8.33% in 2016 and 2017, respectively, and voluntary turnover rate (does not include retirement) was 7.67% in 2017.

Note 4: Part-time employees are not included due to information collection difficulties.

Five Star Employee Benefits

Cathay FHC provides comprehensive employee benefits in five aspects, specifically learning and development, family, health and leisure, social activities, and financial and asset management. Descriptions of important benefits and how to apply for them are available in a dedicated section of the employee website, so that employees can easily understand and enjoy the benefits.

Learning and Development

- Employee e-learning network
- Employee study subsidy
- Employee professional certification subsidy
- Job rotation system

Family

- Child care services
- Marriage, funeral, and childbirth benefits
- Family activities exclusive for employees, such as family day and mini chef camp
- Cathay Pregnancy Club (Maternity Healthcare Protection Program, Gifts for Mothers, Gifts for Fathers, Breastfeeding Room)
- Children's education subsidies

Health and Leisure

- Employee travel subsidy
- Cathay Welfare Site on TreeMall, airport drop-off and pick-up discounts, LinYuan Group hotel discounts
- Massage Room and Health Promotion Activities (such as: power walking and road runs)
- Regular health exams, health subsidy programs, and Cathay health management and health inspection discounts

Social Activities

- Club subsidies
- Room escapes
- Film appreciation
- Singing contests
- Fun competition

Financial and Asset Management

- Preferential fund subscription
- Premium discount
- Preferential interbank withdrawal/transfer fee
- Preferential interest rate for salary account deposits
- A purchase discount on housing from Cathay Real Estate

Employee Welfare Expenses for Non-managerial Full-time Employee

	2017	2018	Growth
Non-managerial full-time employee (weighted average number)	18,769	19,710	941
Average salary of non-managerial full-time employee (NT\$ thousand)	1,226	1,229	3

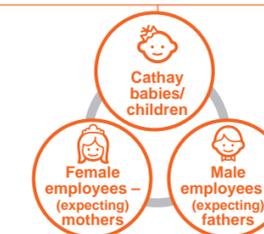
Note 1: Non-managerial full-time employees are full-time employees who are not belongs to managers defined by Taiwan Stock Exchange Corporation and their working hour achieve the requirement of the company.

Cathay Pregnancy Club

Cathay has observed that whether or not the workplace is friendly to married employees or employees with children greatly affects employees' intention to have children or become reinstated. Cathay Pregnancy Club was established based on the idea to provide warm and substantial care, and create a safe workplace environment where employees enjoy dignity and fulfillment. Cathay Pregnancy Club is our attempt to provide employees with more comprehensive support, in addition to marriage and childbirth subsidies, so that they can achieve work-life balance.

Cathay's Exclusive Marriage & Childbearing Supportive Measures for Employees

- Gifts for Babies
- Child care services discount
- Subsidies and scholarships for children's education
- Family activities: Basketball camp, table tennis camp, mini chef camp, family classroom, and family day



- Work risk assessment mechanism during pregnancy
- Questionnaires for providing care and advice from professional nursing staff
- Gifts for Mothers
- Childbirth benefits
- First-time parenting class
- 7 days paternity leave, more than the legal requirement
- Father's Manual
- Gifts for Fathers
- Childbirth benefits
- First-time parenting class

Statistics of Reinstatement after Parental Leave

	Female	Male	Total
Number of parental leave applications in 2018	424	43	467
Number of employees expected to be reinstated from unpaid parental leave in 2018 (A)	445	35	480
Number of employees reinstated from unpaid parental leave in 2018 (B)	279	25	304
Number of employees reinstated from unpaid parental leave in 2017 (C)	339	28	367
Number of employees still active 12 months after being reinstated from unpaid parental leave in 2017 (D)	271	22	293
Reinstatement rate = B/A	63%	71%	63%
Retention rate = D/C	80%	79%	80%

Note 1: Reinstatement rate = (number of employees reinstated/number of employees who should be reinstated)*100%

Family Care Related Leave Statistics

	Female	Male
Family care leave (People)	1,424	295
Maternity/paternity leave (People)	1,085	497
Menstrual leave (Days)	27,885	—

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Employee Communication

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

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



The New Heights lecture facilitates employee communication.



Senior executives share work experience in the New Heights lecture.

Employee Engagement Survey

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

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

	male	female
Corporate sustainability	4.32	4.3
Employee happiness	4.23	4.21
Engagement	4.33	4.31
Leadership and management	4.19	4.16
Work commitment	4.24	4.2
Overall satisfaction	4.18	4.12

Engagement score



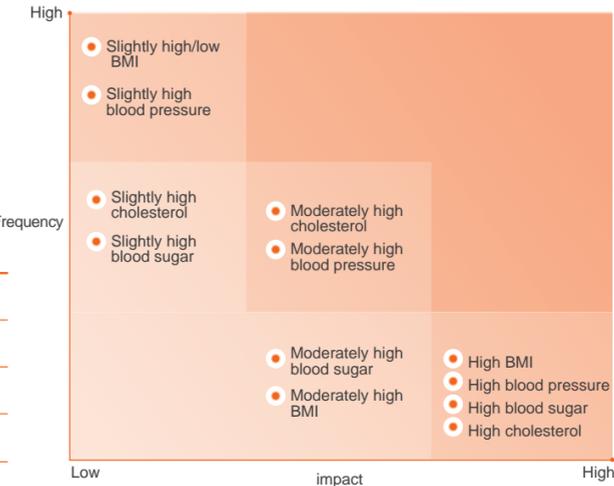
Response rate (%)



Occupational Safety and Health

Cathay has an employee health risk management process in place to ensure the health of our employees. The results of employee health exams are periodically analyzed and classified for health risk management. We compiled an employee health risk map on this basis and also organized a series of healthy promotion plans to raise employees' health awareness. Employees are now more willing than ever to exercise as they participate in our weight loss contest, hiking and power walking, or health management seminars.

Cathay FHC Employee Health Risk Map



To care for the mental health of our employees, Cathay implements the Mental Health Project, administering a mental health questionnaire to measure the stress index of employees. The group response rate of the mental health questionnaire was 43% in 2018. We organized a series of stress relief courses, such as essential oils massage, preserved flowers class and seminar, based on analysis results. Furthermore, we began implementing the Employee Assistance Program (EAP) in 2017. The EAP provides employees with a comprehensive support system by offering professional consultation services that address a variety of needs around the clock. Employees' stress can be effectively alleviated as they seek advice on marriage, family, relationship with their children, and finances. The scope of the EAP has covered CUB, Cathay Life, and Cathay FHC until 2019.

Cathay Weight Loss Contest

Through health risk analysis, Cathay discovered that "obesity" is a common health risk of employees, so we began organizing the Weight Loss Contest which provides employees with rewards and exercise as well as health courses so that they can lose weight healthily. We combined the contest with charity and donated NT\$100 for every 1 kg of weight lost by employees. The funds were used to build solar panels and the income from selling electricity generated by the solar panels will be donated to charity organizations. Using the funds accumulated from weight lost by employees, the installation of solar panels in Pingtung was completed in 2018. These solar panels have an installed capacity of 99.6 kW and will generate approximately 115,000 kWh of electricity annually for 20 years. Revenue from sales of green electricity will support NGOs that serve the elderly.



To ensure workplace safety, Cathay established the "Safety and Health Work Guidelines", "the Occupational Safety and Health Management Plan", and "the Occupational Safety and Health Management Guidelines". The implementation progress of related strategies and plans is periodically reviewed at liaison meetings of the group-level Occupational Safety Task Force. Responsible departments periodically give occupational accident statistical analysis reports during quarterly meetings of the Occupational Safety Committee at each subsidiary. When an occupational accident occurs, a physician examines the condition of injuries suffered by employees, the occupational safety supervisor collects information on the needs of employees involved in the occupational accident and reports it to the Occupational Safety Department, and then the employees' respective departments show care and provide necessary assistance. If an employee takes a leave of absence due to an occupational accident, a nurse will continue to follow up on the employee's condition and evaluate if the employee is suitable for reinstatement. The case is closed once the employee is reinstated. The Group furthermore established the following measures to create a safe working environment. Moreover, Cathay Life obtained the ISO45001 occupational safety and health management certification and Taiwan Occupational Safety and Health Management System certification in 2019.

<p>First-aid personnel receive qualified first-aid training and first-aid supplies are available at the workplace.</p>	<p>Operating environment tests, such as lighting and CO₂ concentration, are regularly performed.</p>
<p>New employee health examinations, and safety and health orientation training.</p>	<p>Active employees regularly receive health examinations and safety and health training.</p>

Absence Statistics

Occupational injuries: 74 (People)	Disabling injury severity rate: 27.28
Occupational deaths: 0 (People)	Days of absence: 33,332
Disabling injury frequency rate: 2.00	Absence Rate: 0.72%

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: 2018 Days of absence = Sick leave + Occupational injury leave : Number of required work days = Total work days (Special leave days included) = (number of employees on 2018/12/31) * (number of work days disclosed by Directorate-General of Personnel Administration, Executive Yuan, Taiwan).
 Note 4: Insurance sales agent is excluded from turnover rate calculations in the table above due to their special characteristics. If they are included, the total occupational injuries is 96, the total occupational deaths is 0, the disabling injury frequency rate is 1.05, the disabling injury severity rate is 23.53, the total days of absence is 192,881 and the absence rate is 1.69%.



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



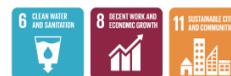
Capital at Risk and Opportunities

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

Key association :



Potential association :



NATURAL RESOURCES CAPITAL



The first financial company worldwide to attain Sustainable Procurement Conformity

Cathay was the first in the global finance industry to achieve ISO 20400 Sustainable Procurement Conformity.



The largest solar-powered branch in Taipei City

CUB opened its Ruihu solar-powered branch in 2018. The branch has the most installed capacity of solar panels among branches in Taipei City.



The business locations that operate 100% on renewable energy

Cathay Life's Zhongxiao Store features environmental protection and uses environmentally friendly equipment while CUB's KOKO LAB provides digital services. Both are business locations of Cathay that operate entirely on green energy.



LEED Gold Certificate for green buildings and with 13 green buildings in aggregation

Cathay Life's Minsheng Jianguo Building obtained the LEED Gold Certification and EEWB Diamond Certification. To date, Cathay Life has obtained green building certifications for 13 of its proprietary buildings.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

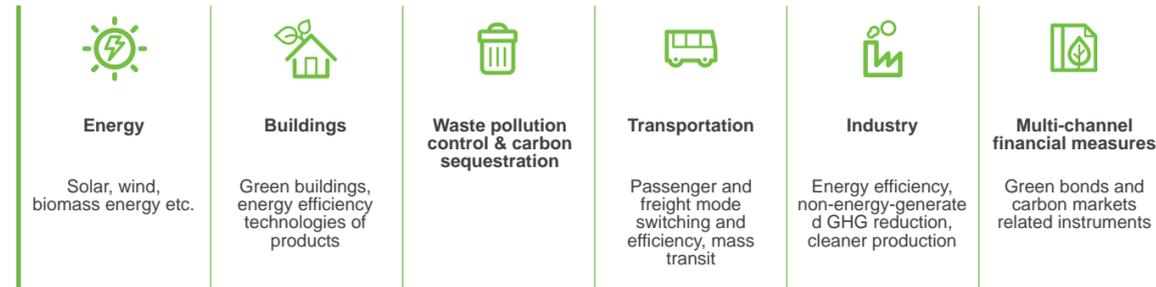
Chapter 5 Social Relations Capital

Appendix

Climate Change

Low-carbon investments and lending

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



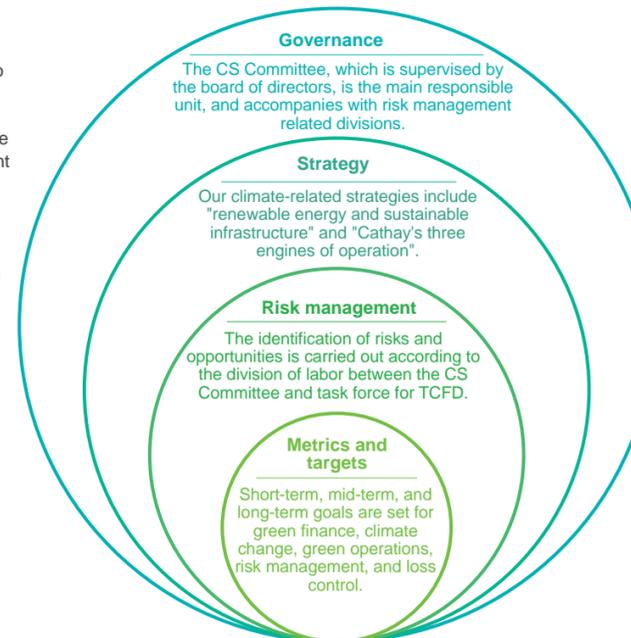
The top three fields in which our low-carbon investments and lending increased the most (compared with the same period last year) are as follows:



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

Cathay FHC places great emphasis on its responsibility to the environment, and has combined such responsibility with its core business and operations. We became one of the first signatories to the CDP in 2012, and continue to respond to the CDP's questionnaires. Following the Financial Stability Board's (FSB) announcement of the TCFD recommendations in 2017, in response to climate change, Cathay FHC signed a Commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures in 2018 to manage our financial impact from climate change and formulate responsive strategies. In the same year, we were granted "Management" level by the CDP. We will continue to track and thoroughly manage our natural capital and financial business in response to carbon management in 2019.

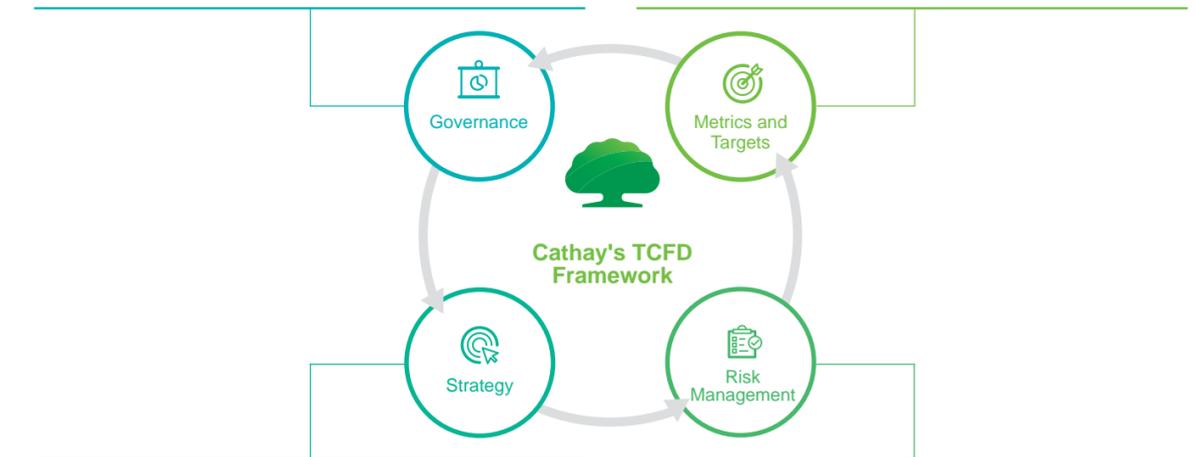
Cathay's Response to the TCFD Recommended Framework



Cathay's TCFD Framework

Chang-Ken Lee, President and Director of Cathay FHC, serves as the Chairman of the CS Committee and supports Cathay's effective management of climate change. Cathay FHC applies the governance of climate risks and opportunities to corporate operations and asset management, and periodically reports results to the Board of Directors. Cathay FHC's CS Committee is supervised by Independent Director Howard Yung Do Way. The committee meets on a quarterly basis and reports operations to the Board of Directors semiannually.

Furthermore, the President of Cathay FHC established the task force for climate-related financial disclosure in 2018, under which the Chief Risk Officer led a review of climate related-risks and opportunities in assets and liabilities based on Cathay's balance sheets. The task force prepares a report on supervision and management for the Chief Risk Officer each month.



Cathay FHC convened a strategy advancement meeting to define four focus areas for its sustainability strategies, among which "Renewable energy and sustainable infrastructure" is our response to SDG13 Climate Action and the energy transition issues Taiwan is currently facing.

We identified significant short-term, mid-term, and long-term physical and transition risks and opportunities according to business development and operation condition, and analyzed intended NDC scenarios to provide the basis for improving our climate strategies.

Physical risks
Taiwan is located on the path of typhoons that strike Asia. As temperatures continue to rise, this acute physical risk creates the risk of decreasing revenue and increasing cost at Cathay FHC's proprietary buildings and in its real estate investments. Cathay uses natural disaster models and historical data from Taiwan's weather stations for scenario analysis and evaluation to manage risks.

Transition risks
Taiwan established the intended Nationally Determined Contributions (INDC) and enacted related laws in response to the Paris Agreement. Cathay and its subsidiaries use the ISO 50001 Energy Management System to periodically assess energy use, for conduct inventories management and supervision.

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

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

Cathay FHC's CS Committee manages climate risks and opportunities based on the duties and authority it has been assigned, reports and supervises the status of implementation.

The Sustainable Governance Working Group is responsible for risk management based on the risk heat map.

The Responsible Investment Working Group is responsible for managing risks related to the group's investments and engagement with investment targets.

The Responsible Products and Services Working Group is responsible for promoting green financial products and services and managing opportunities created by climate change.

The Green Operation Working Group is responsible for managing the environmental impact of company operations and seizing new opportunities created by climate change. It is also one of the main contributors to Cathay's scope 1 and scope 2 GHG reduction and the use of renewable energy.

Physical risks
Cathay FHC's subsidiaries have established business continuity plans and policies to include natural disasters in assessments, so as to reduce loss from tropical cyclones, extreme drought and rainfall. Insurance is purchased to transfer unavoidable physical risks for those assets that are exposed.

Transition risks
Cathay FHC increases its use of renewable energy and low-carbon products in response to regulatory risks. Furthermore, we have engaged financial customers and established complete review mechanisms to reduce the transition risks brought by climate change.

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

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

TCFD- Supplemental Indicators

Financial Industries

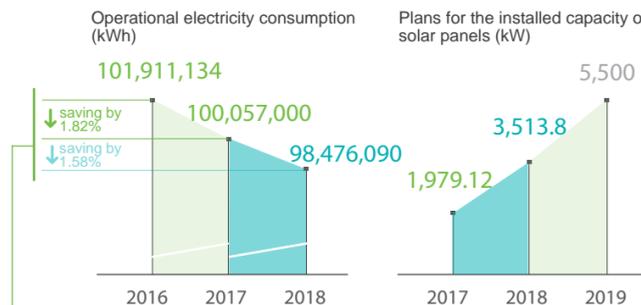
Strategy	Risk Management	Metrics and Targets
Cathay United Bank Bank		
Establishing a comprehensive lending management mechanism: Equator Principles + ESG Regulations for Corporate Loans, see P.8-9 for details.	ESG Integration Mechanism, see P.9 for details.	<ul style="list-style-type: none"> CUB is the largest bank financing solar power stations in Taiwan, see P.37 for details Financing projects reviewed based on the EPs. Corresponding goal: Green finance, responsible investment and lending
Cathay Century Insurance company		
PSI principle: Incorporating ESG issues into the insurance company's decision-making process, and raising awareness of ESG issues among all stakeholders see P.7 for details.	Insurance Product Development and After-Sales Management, see P.36 for details.	<ul style="list-style-type: none"> Integrating group resources, Cathay Century provides support through offshore wind turbine construction insurance, see P.37 for details. Supporting green transport transition, see P.38 for details. Corresponding goal: Green finance, responsible investment and lending
Cathay Life Asset owner		
Following international responsible financing framework, see P.8-9 for details.	<ul style="list-style-type: none"> Investment and Lending Exclusion Policy and Responsible Investment Policy, see P.9 for details. ESG Integration Process, see P.9 for details. Asset Mandating and Monitoring, see P.11 for details. 	<ul style="list-style-type: none"> Sustainability Themed Investing, see P.10 for details. Corresponding goal: Responsible investment and lending and climate change
Cathay Securities and Investment Trust Asset manager		
Sustainability Themed Investing, see P.10 for details.	<ul style="list-style-type: none"> Integration of ESG Factors, see P.9 for details. CA100+ engagement activities, see P.10 for details. 	<ul style="list-style-type: none"> PE Fund for Sustainable Industries, see P.10 for details. Corresponding goal: Responsible investment and lending, green finance

Note 1: For information on short-term, mid-term, and long-term goals, please see P.18-19 of this report.

Environmental Performance

Cathay FHC responds to national policies by promoting renewable energy and implementing green operations, and seeks to thereby achieve its carbon reduction goal. Of related environmental goals, our first goal is to reduce GHG emissions. With 2016 as the base year, our goal is to reduce total carbon emissions by 5-10% in 2021. Our second goal is to install solar panels with a total installed capacity of 5,500 kW on our buildings by 2019, and we set the goal to achieve a 1% reduction in water consumption and 1% reduction in general waste per employee in 2018.

Cathay's electricity consumption decrease annually and we gradually reach our GHG reduction goal. However, Bureau of Energy Affairs adjusts the historical electricity emission factor; the GHG emission was influenced thereby.



Green Actions

We are not a manufacturing company, therefore our operations mainly incur the consumption of electricity and generation of domestic waste. Hence, we have tackled this issue through the adjustment of our consumption habits. We organized an electricity saving competition between business units, and the event led to a decrease of 950,000 kWh in electricity consumption compared with our year-on-year performance. On the other hand, we purchased eco-friendly meal boxes to replace the disposable lunch boxes used by employees for lunch every day. Cathay FHC as a whole purchased over 31,000 eco-friendly meal boxes in 2018 and reduced a significant amount of disposable waste.

Cathay FHC utilized its core competencies to develop electronic and mobile business operations, which significantly reduced the amount of paper used for printing and has in turn driven business development. We reduced paper use by 68.26 million sheets of paper and reduced the equivalent to 491 tons of carbon emission.

Paper use reduced by electronic processes

Cathay Life	Cathay United Bank	Cathay Century	Cathay Securities
 Electronic/mobile insurance service processes reduced the use of 62.06 million pieces of paper Carbon emission reduced 447 tons GHG emission	 Online credit card applications reduced the use of 72 thousand pieces of paper Carbon emission reduced 5 tons GHG emission	 Electronic processes for multiple insurance policies reduced the use of 3.7 million pieces of paper Carbon emission reduced 26 tons GHG emission	 Online account opening reduced the use of 1.78 million pieces of paper Carbon emission reduced 13 tons GHG emission

Green Operations

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

We purchased the first batch of Taiwan Renewable Energy Certificates (T-RECs) in 2017 in response to the government's promotion of renewable energy use. We continued to purchase T-RECs in 2018 and purchased 77 T-RECs as a group. Using environmentally friendly equipment, Cathay Life's Zhongxiao Store and KOKO Lab, through which CUB provides digital services, are examples of business locations that operate entirely on green energy, offering customers a brand new green experience.

We are also dedicated to water conservation and waste reduction, and achieve our environmental performance goals through environmental action plans formulated each year. Our main office buildings have dual-flush toilets and automatic sensors for water conservation, and our new building (Minsheng Jianguo Building) has a rainwater harvesting system. We are gradually replacing old lights with energy-saving lights, and are also replacing old elevators and air conditioners to achieve higher energy efficiency. Hence, our electricity consumption decreases annually. In addition, CUB was recognized with a Bronze Award from the ROC Enterprise Environmental Protection Award.

Electricity consumption

Cathay FHC and its subsidiaries (second-layer subsidiaries)

	2016	2017	2018
Electricity consumption(kWh)	101,911,134	100,057,000	98,476,090
Electricity consumption intensity (kWh/person)	2,333.61	2,251.25	2,142.60
Total energy consumption (GJ) ^{Note}	379,542	368,332	361,636.90
Energy consumption per capita(GJ/person)	8.67	8.29	7.87
Renewable energy purchase(kWh)	0	69,000	77,000

Note: We used GHG Emission Factor Table from Environmental Protection Administration to calculate.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



GHG emission (tons CO₂e)

	2016	2017	2018
Cathay FHC and its subsidiaries (second-layer subsidiaries) have a total of 434 business locations.			
Category 1	3,613.23	3,091.92	3,272.04
Category 2	54,012.90	55,431.36	54,555.75
Category 1+2	57,626.13	58,523.28	57,827.79
Category 1+2 emission intensity (tons CO ₂ e/person)	1.32	1.31	1.26
Category 3 (Business travel) ^{Note 4}	2,157	2,588.8	1,178.1
Category 4 (Waste generated in operations) ^{Note 5}	249.90	140.17	529.51
Purchased goods and services, use of sold products and end-of-life treatment of sold products			
Category 4 (Purchased goods and services)			465.63
Category 5 (Use of sold products)	Total 52.643 ^{Note 7}	Total 53.799 ^{Note 7}	985.1
Category 5 (End-of-life treatment of sold products)			13.49

Note 1: The new ISO 14064-1:2018 standard was used for our GHG inventory in 2018; ISO 14064-1:2006 was used before 2017. We commissioned SGS to conduct the inspection in 2018. Apart from that, the terminology is different between the new and old versions, so that Category 1 stands for Scope 1, Category 2 stands for Scope 2, and Categories 3-5 stand for Scope 3. (Certificate attached at the end of this report)

Note 2: The Bureau of Energy adjusted the electricity emission factor for Category 2 Electricity Emissions; therefore, the updated factor was used for calculation. The factors are 0.554 (2018, 2017) and 0.530 (2016) kg CO₂e/kWh respectively.

Note 3: The number of employees at locations in the scope of inventory was 43,671 (2016), 44,445 (2017), and 45,961 (2018).

Note 4: Business trip emissions: Data for 2016 and 2017 was calculated on GHG Protocol Transport_Tool_V2.6, whereas for 2018, data was third-party certified, based on emissions from THSR rides and flights taken by employees across Cathay FHC, and calculated according to numbers given by the International Civil Aviation Organization (ICAO) and Taiwan High Speed Rail (34 gCO₂e/person-km).

Note 5: Operational waste in 2018 is the carbon emission from domestic waste, recycling, and kitchen waste of Cathay FHC and its subsidiaries calculated based on ISO14064-1:2018.

Note 6: Carbon emission includes emissions from credit card raw material procurement, the product use stage, and end of product life.

Note 7: Data from 2016 and 2017 was calculated with the factor from Carbon Footprint Calculation Platform. Also, we adopt ISO 14064-1:2018 and the identification cards of CFP-PCR from EPA in Taiwan.

Living waste and resource recycling (Metric ton)

	2016	2017	2018
All business locations ^{Note 1}			
Actual amount of domestic waste	412.39	428.65 ^{Note 2}	376.89
Intensity of domestic waste generation (kg/person)	78.84	63.97	39.87
Recycled waste	95.946	110.664	324.36
All employees of Cathay FHC and its subsidiaries (second-layer subsidiaries)			
Estimated total domestic waste	2,884.43	2,843.03	1,832.44

Note 1: 2016 numbers include the Cathay FHC Head Office and CUB Head Office buildings, as well as the CUB Ruihu, Tongde, Central Taichung, and Duxing branches. All CUB business locations were added in 2018.

Note 2: The number of locations in 2017 was the same as 2016, but the total number of employees increased; therefore, total consumption increased but average per person decreased, resulting in the lower estimates. The number of locations increased in 2018, and the amount per capita decreased.

Direct water consumption

	2016	2017	2018
All business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries)			
Direct water consumption(m ³)	1,343,000	643,859	619,271
Direct water consumption intensity (m ³ /person)	30.75	14.49	13.47

Note 1: The 2016 direct water consumption inventory was taken only at the head office of Cathay FHC and major subsidiaries Cathay Life and CUB. Water consumption in 2017 was obtained based on the data from water bills of all business locations of Cathay FHC and its subsidiaries (second-layer subsidiaries) disclosed in the annual report as well as official website and four offices of Cathay FHC. The result has been attested by Accounting firm PwC. After we replaced equipment at the end of 2016, water consumption at head offices significantly decreased from 2017 onwards.

Note 2: The 2018 water consumption inventory was taken based on the ISO 14046 Water Footprint and was inspected by the SGS (certificate attached at the end of this report)

Sustainable Real Estate

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

As of the end of 2018, 13 buildings have obtained green building certifications, among which 2 buildings have obtained Energy Performance Certificates in the UK and 3 buildings have obtained LEED Certification, namely Cathay Landmark A3, Cathay Financial Center (head office of CUB), and Minsheng Jianguo Building.

Cathay Green Buildings



Cathay Landmark
EEWH Gold Certification / LEED Gold Certification



Cathay Financial Center
LEED Gold Certification for Existing Buildings



Minsheng Jianguo Building
EEWH Diamond Certification / LEED Gold Certification



Taichung Wuri Warehouse
EEWH Silver Certification



Logistics Republic Zones B3, B3, B6, B5, B7 and Yangmei Zone
EEWH Silver Certification



Gloria Outlets
EEWH Bronze Certification

Note: The 13 green buildings include 11 in Taiwan and 2 located in the UK.

Cathay's field into solar farm project

Cathay Life completed the installation of two solar power roofs under the Field into Solar Farm Project. The solar panels are located in Taoyuan and Taichung Wuri and have a total installed capacity of about 3.5MW. The panels are expected to generate up to 3.53 million kWh and reduce carbon emissions by 1,956 metric tons each year, which is equal to the carbon absorption of about 5.03 Da'an Forest Parks.



Solar power roof of Logistics Republic Taichung Wuri

Sustainable Procurement

Cathay FHC and its subsidiaries implemented the ISO 20400: 2017 Sustainable Procurement Guidelines in 2018 to influence its upstream suppliers by incorporating concepts of sustainability into its procurement practices, and became the first financial institution worldwide to obtain the certification. We established the Cathay FHC Sustainable Procurement Policy and a complete sustainable procurement procedure based on risks identified in the procurement process and the seven core principles of sustainable procurement. We are systematically working with our suppliers in corporate sustainability via an online procurement platform, self-assessment and management of sustainability by suppliers, the Sustainability Value Declaration signed by 100% of suppliers, fulfillment on sustainability related education and training, and annual supplier conferences, emphasizing the regulatory compliance of suppliers, protection of human rights, and creation of local employment opportunities.

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



ISO 20400 charter ceremony



ISO 20400: 2017 Sustainable Procurement Guidelines

first financial institution worldwide to obtain the certification



Green Procurement Enterprise Award

green procurement amounted to **NT\$316 million**

Green Initiatives

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

422 Nationwide beach clean-up

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



Campus water conservation education

We trained 559 seed teachers via the Water Saving Tri-project and organized 35 water conservation events on campuses, which had a total of over 3,600 participants. Through the events, we taught children the importance of water resources and assisted 21 elementary schools with setting up water banks, and were for these efforts commended with the Water-saving Society Award from the Water Resource Agency, MOTC.



WWF Earth Hour

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



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



5 Social Relations Capital

Achieving Excellent Customer Service Quality	68
Protecting Customers' Personal Information and Information Security	70
Happiness is Giving Happiness	71
Projects Implemented under the Four Public Welfare Strategies	72
Key Public Welfare Performance	77

Capital at Risk and Opportunities

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

Key association :



Potential association :



SOCIAL RELATIONS CAPITAL



NPS increased by 11.1 points

Corporate recognition and willingness to recommend of Cathay Life's customers have increased with the NPS, increasing 11.1 points for each node on average.



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

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



Instilling the concept of sustainability in about 3 million students

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



Providing 3,523 food boxes

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

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

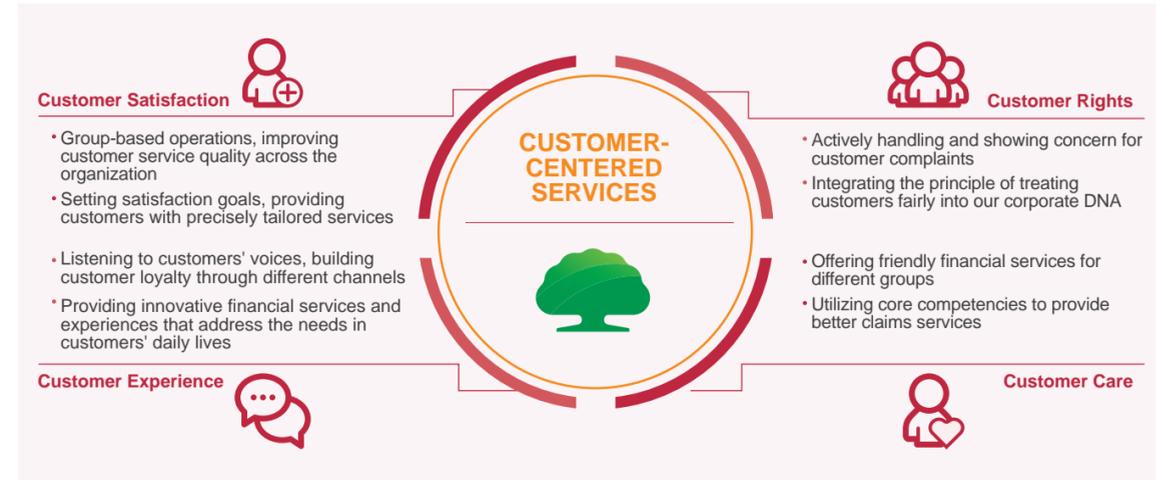
Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Achieving Excellent Customer Service Quality

It is the thought that enables services to touch people's heart. Cathay FHC has approximately 14 million customers and adopts a customer-centered business model to provide each and every customer with thoughtful services from the four following aspects: customer satisfaction, customer rights, customer experience, and customer care. Cathay also utilizes the most user-friendly chatbot available in this digital era to become a part of customers' daily lives and have access to an even more thoughtful service experience.



Customer Satisfaction

Customer Satisfaction Rate

Cathay FHC's Service Quality Committee makes service policies 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 action plans, and listens to the voices of customers so that we can continue to improve customer satisfaction and create customer value.

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

Cathay strives to create highly professional customer service centers. Cathay Life is the only insurance company in Taiwan to achieve EN 15838, ISO 10001 and ISO 10002 certifications, and also winner of the Stevie Awards For Sales & Customer Service. Cathay Life also won the ICMI Global Contact Center Awards - Best Large Contact Center awarded by the International Customer Management Institute (ICMI) in 2018, becoming the only company in Asia to ever win the award.

Customer Rights

Treating Customers Fairly

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

Cathay FHC's Subsidiaries' Performance on Customer Satisfaction

	2016	2017	2018	2018 satisfaction goal and attainment
Cathay Life	94.4%	91.7%	94.0%	93% ✓
CUB	87.2%	90.3%	90.9%	89% ✓
Cathay Century	96.7%	96.5%	96.3%	95% ✓
Cathay Securities	92.6%	85.1%	91.3%	85% ✓
Cathay SITE	84.9%	86.2%	87.1%	80% ✓

Insurance Brokers and Agencies Management

Cathay Life has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place to ensure the level of services provided by distribution channels it works with. The guidelines serve to maintain the quality of new insurance contracts made by insurance brokers and agencies and control the number of improper sales. In 2018, 68,045 sales cases were reviewed during regular inspections. If the contracts fail to meet the established standards, the company has a set of mechanisms in place to determine the necessity of renewing such contracts.

Cathay FHC's Subsidiaries' Mechanism in Treating Customers Fairly

Customer Complaint Channels and Dedicated Units	Organization / Regulations	Training	Future Plans
Cathay Life The Customer Relations Department is responsible for handling customer complaints and extends concern through telephone interviews to improve the quality of internal controls.	We developed the Treating Customers Fairly Committee Charter in 2018, and established the Treating Customers Fairly Committee that mainly composed of 27 departments and offices. The committee holds a meeting once every six months for making improvements to the root cause of issues related to treating customers fairly, and submitting results to the board of directors.	Trained 5,312 people 3 hr pp	Continuing to embed the concept of treating customers fairly. Re-engineering the company's service culture to integrate the principle of treating customers fairly into Cathay Life's corporate DNA.
CUB Customers can leave a message on our official website or call our 24-hour customer service hotline.	Supervision and management of the policy of treating customers fairly along with matters requiring review are submitted to the board of directors every six months. The board of directors jointly promotes the principle of treating customers fairly together with senior executives.	Trained 9,482 people 3 hr pp	We emphasize the effectiveness of practices to ensure that customers are treated fairly, including the operations of mechanisms for the process from discovering deficiencies to making improvements.
Cathay Century The Policy Holder Service Center is responsible for handling consumer disputes according to the Cathay Century Insurance Consumer Dispute Settlement Procedures.	The Treating Customers Fairly Executives Meeting is convened once every six months and presided over by the President. We propose optimization measures and improvement items for the company's core operating procedures each quarter to improve customer experience.	Trained 2,030 people 3 hr pp	Building a corporate culture that treats customers fairly and is customer experience-oriented.
Cathay Securities Customer Service Center is responsible for handling customer complaints according to the Financial Consumer Dispute Settlement Procedures.	Cathay Securities established principles for treating customers fairly, reviews the implementation status of its nine major principles each year, and reports the implementation status to the board of directors.	Trained 650 people 3 hr pp	Actively implementing the principle of treating customers fairly and assessment mechanism.
Cathay SITE The Customer Services Department is responsible for handling customer complaints.	Cathay SITE has established principles for treating customers fairly, and periodically reports the implementation status to the board of directors each year.	Trained 291 people 3 hr pp	Financial consumer protection and personal information protection regulations are enforced to actively protect customer rights.

Customer Experience

Customer Loyalty

Cathay began using the net promoter score (NPS) in our 2016 satisfaction survey for examining customer service records and reviewing and determining important points of contact with customers. We hope to continue improving the customer service experience through quantified and qualified analyses, cross-departmental communication and collaboration, periodic monitoring of indicators, and optimization of follow-up mechanisms.

Cathay Life completed the "Cathay Life NPS Customer Experience Management System" in 2018 with the goal to be immediately updated with every "like" from a customer. We greatly value every moment of contacting customers. Through cross-departmental collaboration, the monthly "Customer Experience Improvement Team" meetings, and working together, Cathay Life provides better service quality. The averaged NPS of each node increased by 11.1 points in 2018, showing a significant growth in the number of customers who are so satisfied with Cathay Life that they are willing to recommend to others. The "Customer Experience Improvement Team" will continue to actively work towards "experience optimization" and "positive review dissemination", so that positive reviews will drive our business expansion and we can fully realize the impact of NPS.

CUB looks into customer experience issues in the service process through its robust organization, so that it can provide products or services that better meet users' needs.

CUB's Mechanism to Promote Customer Experience

Operations	Future Plans
The digital platform NPS mechanism NPS is used along with customer interviews or ease of use testing to help us achieve a digital experience design that better meets users' needs and expectations.	We will establish a mechanism for increasing customer loyalty based on the correlation between NPS, experience optimization, referral marketing, and performance goals.
User Experience meeting Meetings are convened monthly and focus on optimizing customer experience from the perspective of product using scenarios.	We offer customers a seamless user journey, reduce breakpoints and pain points, and increase customer satisfaction and loyalty through team work.
User experience and service design team Customers, experts of product and customer experience, and user experience experts are invited to design services to meet user requirements properly by examining the using journey, scenarios, and experience.	We will incorporate service design concepts into products and services to ensure our products are with high efficiency and good experience of our products to satisfy customers' needs.

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Chatbot

I'm Alpha. You can ask me anything.

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

We are committed to providing the smoothest one-stop customer solution with "Alpha." Aside from common functions such as checking credit card statements or searching for product policies and conditions, customers can further complete some financial transactions through Alpha such as credit card payment or applying for insurance. Moreover, when the chatbot detects that it is unable to respond to a customer's inquiry online, it will instantly and seamlessly transfer the case to human customer service personnel to takeover within seconds. "Alpha" now can be accessed on the official websites, apps, and official Line accounts of CUB and Cathay Life across multiple devices (mobile, desktop).

Within 3 months of official launch, "Alpha" users on CUB's official website had doubled, and its number of daily user has grew by 1.6 times. Customers also rated "Alpha" with 4.7 stars (out of a total of 5 stars) after use to recognize the chatbot experience provided. On top of this, we will continue to apply new technology to enrich Alpha's service coverage based on data driven customer insight and thereby upgrade our customer-centric service level.

Customer Care

Accessible Financial Services

Cathay Life and CUB have both established disability-friendly websites to provide user-friendly financial services. Both Cathay Life and CUB's websites are certified by the National Communications Commission. CUB provided a dedicated accessible ATM at the Taipei School for the Visually Impaired in Tienmu, Taipei City in 2011. CUB also led the industry by setting up a total of 122 accessible ATMs at mass transit stations by the end of 2018, so that even visually impaired people can enjoy automated financial services.

Friendly Policy Holder Care Services

Following the Hualien Earthquake in 2018, Cathay Life provided free building structural safety inspections performed by professional engineers to Hualien residents, including non-policy holders and helped 186 households ensure the safety of their houses. Cathay Life also worked together with Hualien Tzu Chi Hospital in providing direct medical benefits for policy holders by immediately accepting claims applications from policy holders and providing direct medical benefits so that they have one less thing to worry about after the disaster.

Please see the Cathay FHC official website for details on the major disaster claims process of Cathay Life.



Major disaster claims process

Protecting Customers' Personal Information and Information Security

"Data fraud and theft" and "cyberattacks" were listed among the world's top five risks in the 2019 Global Risk Report of the World Economic Forum, showing that information security and personal information protection have become the center of attention worldwide in this digital era.

Information Security Organization and Mechanisms

Cathay FHC has an Information Security Committee that oversees the group's information security policy making and management system promotion. The committee completed an information security blueprint in 2018 and laid out 8 security domains and 84 information security control items.

Cathay FHC and its subsidiaries commissioned external consultants to perform an information security operations assessment in 2018 for inspecting the compliance of regulations made by competent authority and information security operations. The board of directors examines the assessment report and overall implementation of information security in the first quarter of 2019.

Cathay FHC, Cathay Life, and CUB all have an independent and dedicated information security unit and a chief information security officer to plan, monitor and implement information security operations, and also a cross-company information security joint meeting and an emergency response team, exerting every effort to ensure information security control and quality improvement.

Cathay FHC and its 6 subsidiaries have all separately established information security policies, and all examine the confidentiality, integrity, availability, and compliance of information assets through annual inspections.

Cathay Life, CUB and Cathay Century have also completed an information security governance framework and information security management system through the international certifications "ISO 27001:2013 Information Security Management System" and "BS 10012:2017 Personal Information Management System", and have thereby strengthened their warning, reporting, and response procedures for information security incidents. Cathay strives to provide secure financial services and reduce the risk of customers' personal information leakages.

Information Security Education and Training and Promotion

Cathay FHC promotes information security and personal information protection by enhancing employees' awareness of information security and regularly organizing education and training courses and holding promotion events. These measures aim to raise our employees' awareness of information security and Internet security, protect information assets from any sort of interference, damage, intrusion, or any unfavorable actions and intents, and properly implement information security and personal information management. Cathay FHC and its subsidiaries conducted information security education and training to all its employees. The completion rate of Cathay FHC's subsidiaries information security education in 2018 reached 100%.



Hours trained
3 hours



Completion rate of information security education
100%

Cathay FHC held "Cathay Financial and Real Estate Group Senior Supervisors Meeting" in 2018 and invited experts to share opportunities and challenges related to information security with executives or above the executive vice president level of Cathay Financial and Real Estate Group. The Chairman of Cathay FHC also attended the meeting.

Protection of Customers' Personal Information and Management of Infringement Incidents

When Cathay FHC and its subsidiaries discover a cyber threat that will endanger information security, the information security incident response system is initiated. The highest level responder to an emergency information security incident is the president in all companies. Please see the Cathay FHC official website for the flowchart of information security incident reporting and response process. Cathay FHC and its subsidiaries did not have any information security incidents, violate any regulations on customer information protection, and were not fined for violations of information security between 2016 and 2018.

Cathay FHC and its subsidiaries collect, process, and use personal information in accordance with the Personal Information Protection Act and related laws and regulations, and do not exceed the scope necessary for specific purposes. Customers are informed of the purpose for collecting personal information and who the information will be shared with, and all third parties are required to comply with company policies. Each company has established regulations for reporting and handling personal information incidents, and will notify the persons affected within processing time to effectively respond to and handle the emergency incident, minimizing the damage to the persons involved. If an employee discovers or receives a report regarding the infringement of personal information, the employee can access the regulations and reporting procedures via Intranet. Customers can also notify Cathay FHC and its subsidiaries via 24-hour customer service hotline or email.



Flowchart of information security incident reporting and response process

Supplier Participation

Cathay Life complies with requirements on audits by mandated institutions according to the "Cathay Life Insurance Co., Ltd. Outsourcing Guidelines," and conducts on-site audits of the physical environment, network structure, computer system, access control, end point security, and data processing security of suppliers with whom we have data connections. A total of 7 suppliers were audited with audit coverage reaching 100% in 2018. CUB conducts semi-annual information security audits of all suppliers that have data connections with the bank. A total of 4 suppliers were audited with audit coverage reaching 100% in 2018.

Happiness is Giving Happiness

While Cathay FHC forges an even deeper presence in Taiwan, it is also looking towards the future. Besides doing everything in our power to help customers accumulate tangible wealth, we will also fulfill our duty as a corporate citizen in hopes of bringing spiritual wealth to society and enriching the lives of every single person. We bravely shouldered the responsibility of bringing up a generation of good citizens and sowed the seeds of happiness in Taiwan, letting every seed sprout and nurturing it with care so that they will grow strong and tall, bringing a positive effect on society.

Volunteer Services – Volunteers Wearing Cathay's Yellow Vests Go Wherever They are Needed

Cathay's volunteer network extends all around Taiwan and reaches deep into communities, providing assistance and care to the disadvantaged. We believe that in order to make society better, we cannot rely on any single person but must rather focus on bringing out the value in every person at their posts. Cathay FHC and its subsidiaries implemented the "Cathay Good Star Project – Special Leave for Volunteers" starting in 2018, providing employees with one day of paid special leave each year to serve as volunteers, encouraging employees to serve local communities. The cumulative number of volunteer hours reached 59,811 in 2018, up 14% compared with 2017. We organize the "Cathay Volunteer Recognition Ceremony" each year to recognize and show gratitude to Cathay volunteers for their contribution.

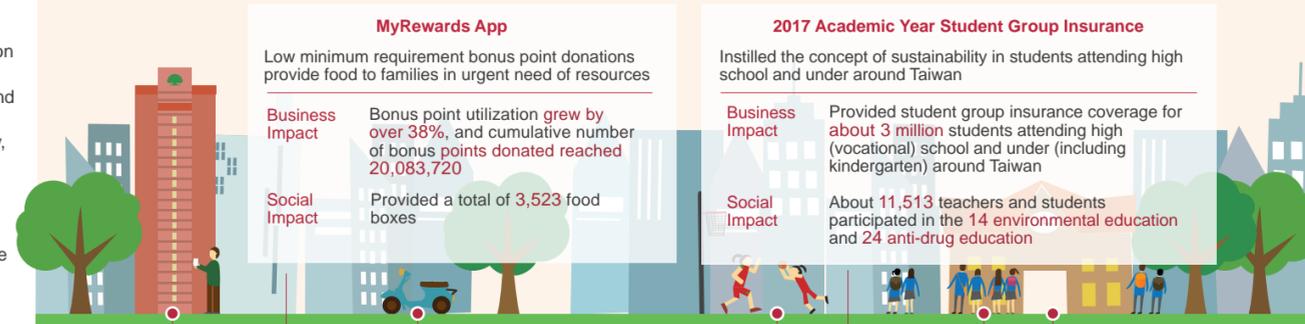


volunteer participation
59,811 hours



participating volunteer service
14,146 persons

Linking together Core Competencies



Loss Prevention

Provided guidance to children/youth/adult in learning campus safety concepts/safe driving/loss prevention concepts

Business Impact A total of 195 damage prevention seminars as well as accident-free riders and accident-free schools initiative events were held for 28,471 participants

Social Impact The average satisfaction of corporate customers with damage prevention seminars was 97.5%

Accident-free Riders: Carried out an SROI assessment that is expected to be completed in September 2019

Charitable Trust

Trusts are established for public welfare, and serve as an active wealth manager for charity, culture, and academic purposes

Business Impact The scale of Cathay's Charitable Trusts reached NT\$37.817 billion

Social Impact 218 active players have joined the CPBL Gambling Prevention Trust

Financial Education

We provide financial education to improve the financial literacy of children and second generation immigrants, help teenagers learn the correct approaches to money management and risk awareness, and improve their financial knowledge and skills for facing future risks in life

Business Impact Organized 11 Lectures participated in by 16 Cathay volunteers

Social Impact About 404 students, new immigrants, and second generation immigrants participated in the lectures

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



Projects Implemented under the Four Public Welfare Strategies

We integrated the group's resources on the basis of our core business, finance, systematically adjusted and extended strategies to conform to trends, worked together with key partners in identifying society's needs, and established four public welfare strategies from the perspective of sustainability: Inclusive Care, Sporting Activities, Arts and Culture, and Environmental Considerations, and have begun implementing various projects under these strategies.



Public Welfare Strategy 1- Inclusive Care

Taiwan's social and economic development has not only been dealing with the challenges of global economic turmoil and special political circumstances over the past few years, but also faces a looming emigration crisis. Besides actively engaging in industrial transformation, it is even more important to create greater momentum for innovation through dialogue. Cathay FHC has closely followed society's needs for a long period of time, and hopes to build a bridge of communication for the "common good" based on the spirit of "Rediscovering Happiness", thereby creating greater possibilities for different stakeholders.

Second-generation Immigrant Empowerment "Talent Empowerment Courses"

Cathay FHC began providing education to new and second generation immigrants in 2005, in hopes that cultivating the next generation will create new national power, and also completed SROI (Social Return on Investment) measurements for the Excellence and Happiness Project. We became the first insurance company in Taiwan to receive certification from Social Value International (SROI=3.03). A total of 132 new and second generation immigrant empowerment related courses were offered in 2018 and benefited about 16,000 people.

Following the growth of second generation immigrants, we shifted our attention to the youth in high school and above, and utilized the group's core competencies – financial management and insurance expertise, to offer the "Talent Empowerment Courses" under which courses on three major themes are available: Southeast Asia Talent Development, Risk and Financial Management, and Career Leadership Courses. A series of 9 courses were designed to cultivate youth with an international perspective, the ability to prevent risk, and professional skill enhancement. About 300 people participated in the courses, and students' overall satisfaction with the courses about 93%.



The cash flow course allowed students to quickly understand the importance of financial management to plans of life

<p>Southeast Asia Talent Development 91% of participants</p> <p>Improved understanding of Southeast Asia markets and entrepreneurship overseas</p>	<p>Risk and Financial Management 95% of participants</p> <p>Thought the courses are helpful towards future financial security and travel insurance planning</p>	<p>Career Leadership 86% of participants</p> <p>Learned a lot and gained a favorable impression of Cathay</p>
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Showing Great Love with a Few Bonus Points Donated on MyRewards App

MyRewards app and ANDREW Foodbank jointly launched the second bonus point donation project in 2018, inviting customers to donate spare bonus points in exchange for daily supplies (such as: rice, flour, etc.). A total of 20.08 million bonus points were donated and exchanged for 3,523 food boxes, providing around 3,000 families with basic food for an entire month. The event successfully increased the number of times the bonus point exchange function was used, creating a virtuous cycle for business and society to mutually prosper.



We are grateful for the love showed by every credit card holder

CUB is working with 43 charity organizations in providing credit card donation services; credit card donations totaled NT\$350 million as of the end of 2018.



Creating a Social Enterprise Ecosystem for Driving Innovation

Social enterprises have the sensitivity required for resolving social issues. Working together with social enterprises in utilizing the core capabilities of both parties creates a better chance of developing innovative collaboration models. As such, we won First Place in Procurements and two Special Awards in the second Buying Power awards held by the Small and Medium Enterprise Administration (SMEA), Ministry of Economic Affairs.

Cathay Life and City Wanderer co-organized "Career Diary", a career experience project that provides the youth with internships, self-exploration, and Q&A with journeymen, relieving their anxiety from job seeking. Over the past 2 years, 525 young people have participated in the project, nearly 90% of participants said that they are willing to try out new fields and that the project changed the way they viewed certain professions. It has also helped young people better understand the finance and insurance industry.

CUB utilized its financial expertise to become the first in the industry to offer preferential loans to social enterprises, and cooperated with Taipei City Government to contribute to the development of social enterprises. Up to the end of 2018, CUB had approved the loan applications of 6 social enterprises.

ShoJio, a public welfare platform, attracts online consumers to make informed purchase decisions of products or services. Our procurements from social enterprises totaled around NT\$2.2 million in 2018, and we thus received recognition with the First Place in Procurements in Buying Power organized by the SMEA.

We supported Taiwan NPO Self-Regulation Alliance in entering the 2018 Star in Social Innovation Contest to increase Taiwan's social innovation soft power. Four social enterprises represented Taiwan in international exchanges.

Won 2nd Buying Power Awards held by (SMEA)
First Place & Special Awards

Social Enterprise Preferential Loan Project
6 Social Enterprises

Promoting the Balancing of Education Resources, Encouraging Students to Fulfill their Dreams, and Becoming Strong Pillars of Support for Teachers in Rural Areas

We implemented Dream Come True Program for students and are working with Teach For Taiwan (TFT) in promoting the distribution of education resources to rural areas, inspiring students, teachers, and rural areas, and enhancing Taiwan's competitiveness.

This is the fifth year of Dream Come True Program, which has provided assistance to 60 elementary schools in rural areas and encouraged 1,491 children to dare to dream, in hopes of resolving the social dilemma of insufficient learning and cultural stimulation for students in rural areas. Themes used at the 16 schools that took part in Dream Come True Program in 2018 include "Technology Education" and "Environmental Protection and Green Energy", which correspond to the latest global trends; "Sports Events", featuring the spirit of physical education; "Community Outreach", which focuses on the needs of their hometown, and the unique theme titled "Special Education".

Dream Come True Program's Elementary Schools – Special angels deep in the mountains, Chiayi Alishan Junior High & Elementary School's Tsou Special Team

The first resource class team to be selected into Dream Come True Program consists of children who have not only endured frustration in learning throughout their lives, but whose support system is in stark contrast to the support systems of urban areas with abundant resources, only because they live in rural areas. Still, they worked hard to realize their potential and bravely presented themselves to society and making contact with people by performing the Tsou Tribe's traditional singing techniques in front of the train station, thereby transforming from learners into teachers.



After interviews with stakeholders we found that "teachers in rural area" play a key role. Hence, we worked together with TFT to provide rural areas with more complete education resources, and supported 93 teachers in providing innovative teaching methods to 41 schools in Yunlin, Tainan, Pingtung, Hualien, and Nantou, benefiting approximately 2,800 students. We also linked together Dream Come True Program, Elevated Tree Program, financial management and insurance courses, sports safety courses and local volunteers, so that children, teachers and schools under the TFT initiative are able to fulfill even more dreams. TFT also implemented its first talent exchange program with Cathay, and successfully found careers for TFT alumni at various companies under Cathay FHC.

TFT Teacher Feedback – Cathay Century Iron Man Team and TFT share knowledge on the right way to exercise with Yunlin Xiutan Elementary School

This was the first time many students had even heard of an iron man team, and they learned how difficult it is to complete a triathlon. What made us even happier were the encouragements that older brothers and sisters of the iron man team gave us. They also mentioned that we can invite the iron man team to ride a distance with us on bicycle during our graduation trip around the island, which made the children look forward to it even more!



Dream Come True Program

assisted **60** elementary schools in rural areas
encouraged **1,491** children

Cathay x TFT Collaboration Project

supported **93** teachers benefiting approximately **2,800** students

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Public Welfare Strategy 2 - Sporting Activities

Health is the foundation and core competitiveness of a country, so we focused on "health promotion" and have made long-term efforts to promote sports and raise the health awareness of Taiwanese citizens. We used the influence of NBA and MLB stars, sponsored ball games, and cultivated future star athletes to promote sports and exercise. We raise anti-drug awareness among students around Taiwan by providing student group insurance coverage, and strive to reduce citizens' health risks.

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

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



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

Cathay's Long-term Commitment LightsUp Taiwan's Star Athletes

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

WISH campaign plan (We care, Improve, Student, Helpful)
Let students from rural areas one day stand on the international stage and turn their lives around through sports. We sponsor 31 groups of athletes with a dream to shine under the spotlight. Subsidies are provided for baseball, hockey, soccer, and weight lifting. Subjects include indigenous peoples, second generation immigrants, low income households, and persons with disabilities.

Cathay NBA3x
Held a total of 6 preliminary rounds of the 3-on-3 basket tournament for college students, and invited NBA stars to Taiwan to pass on basketball knowledge and skills to young players

Cathay Youth Day-3-on-3 high school basketball tournament
Held 6 preliminaries and 1 finals with about 3,800 players joining the tournament

Cathay x Jeremy Lin Jeremy Lin Basketball Training Camp
The training camp was held in Hualien's Dong Hwa University and was attended by 60 students between the ages of 9 and 12 selected from around Taiwan

Cathay x Chen Wei-Yin-Chen Wei-Yin Baseball Training Camp
The two-day training camp was held at Taichung's Tunghai University and Chen Wei-Yin passes on MLB experience to young baseball players with the dream of one day playing in the major leagues, allowing baseball to strike root in Taiwan. A total of 60 Division Group B from 10 universities attended the training camp

2018 Cathay Baseball Carnival
Wang Wei-Chung, MVP pitcher in South Korea, and Tseng Jen-Ho, rising star of MLB team the Chicago Cubs, interacted with disadvantaged groups and baseball teams

Players' Association Feedback Train
Co-organized 8 events with the "Professional Baseball Player Development Association" and invited active star players to visit and interact with baseball teams of schools and communities

Cathay Women's Basketball
Trained 50 players who have been the reigning champion of WSBL for 25 consecutive years

Cathay Women's Table Tennis
Trained 37 players, and social group players win the 2018 National Presidential Cup group women's team championship

Cathay Century Iron Man Team
Cultivated 18 team members that have participated in local and international events, and held 5,000 m challenges for employees monthly

Training the Star Athletes of Tomorrow for Taiwan

- 1 Discovering new stars
- 2 Focusing on young students
- 3 Cultivating national-level athletes
- 4 Sharing Experience

Public Welfare Strategy 3 - Arts and Culture

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

- Children's Drawing Contest: **85,213** works
- New Century New Age Arts Exhibition: **216** works
- Up to the end of 2018, Cloud Gate has made a total of **338** performances
- Visited dozens of campuses, and performed for **about 2.2 million** viewers
- Total premium income from artwork insurance **exceeded NT\$ 4.775 million** and **327** pieces of artwork
- CUB printed passbooks with an artistic cover: **510** thousands passbooks

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

Cathay United Art Center was established based on the concept that art should be shared, and has over the years held art exhibitions and lectures that are open to the general public. The "Elevated Tree Program – Charity Painters" event was held this year to forge an even stronger connection between public welfare and art. A total of 37 amateur painters donated 141 paintings as gifts for donors to the Elevated Tree Program, encouraging people to take the first step to becoming art collectors. This event increased the amount of scholarships the Elevated Tree Program was able to provide by NT\$1 million in the second half of 2018 compared with the first half of 2018, and Cathay United Art Center in 2018 donated a total of NT\$10.97 million as tuitions and other school-related miscellaneous fees, benefiting 7,626 students in Hsinchu County, Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County, and Yilan County.

Elevated Tree Program - Charity Painters
37 amateur painters donated **141** paintings

Scholarships of Elevated Tree Program
donated a total of **NT\$10.97** million benefiting **7,626** students

Cathay United Bank Foundation



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix

Cloud Gate Event Series

"Cathay Art Festival – Outdoor Performance of Cloud Gate" is an event that has been held since 1996, and has sowed the seeds of art all over Taiwan through 60 performances in 21 townships over the past 23 years. The cumulative number of viewers has exceeded 2 million, and the outdoor performance has been praised by foreign media as: "the largest outdoor dance event on the face of the Earth."

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



Large Outdoor Performances

Regarding the performance of Lin Huai-Min's work "Formosa", critics in Europe and America said: "Formosa" is a love letter written by Lin Huai-Min to his beloved Taiwan."



Cloud Gate 2 Campus and Community Tour

Public Welfare Strategy 4 - Environmental Considerations

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

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

In the face of the issue of waste reduction, the employees voluntarily ordered eco-friendly lunch boxes, and after four months of trial, they found that the results were excellent. We encouraged employees to order lunch boxes, through this approach, we achieved both "mutual prosperity in society" and "employee care". We selected "Sweetheart Sheltered Workshop", which is operated by an organization for people with intellectual disabilities, as the supplier of lunch boxes, helping people with intellectual disabilities develop an employability skill that will allow them to maintain their basic livelihood. For each eco-friendly lunch box ordered by our employees, we allocate NT\$10 to purchase rice from farmers in Yilan that using alternative farming methods, and then provide this better quality rice to "Sweetheart Sheltered Workshop" to make the lunch boxes eaten by our employees. As of the end of 2018, our employees ordered a total of 25,048 lunch boxes and we allocated NT\$165,010 to purchase rice, creating a virtuous cycle that benefits all three parties.

Chairperson Chen of Sweetheart Sheltered Workshop

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



Lunch Box form Organizations for people with mental disabilities	total amount of purchasing rice from farmers in Yilan
25,048	NT\$ 165,010

Planting Young Plant, Inspiring Students with Environmental Protection Awareness

Cathay worked with local communities and NPOs in participating a total of 5 tree-planting events in Yunlin, Nantou, Chiayi, Tainan and Yilan, at which locations participants including Cathay volunteers, policyholders and community residents rallied to plant a total of 13,100 saplings. This testifies to the commitment to environmental conservation that has been inspired and continues to grow in the hearts of all Cathay volunteers.

Cathay Life put efforts on enhancing students' awareness of climate change and environmental issues. Our volunteers worked with the Society of Wilderness in organizing lectures in coordination with the game app jointly developed with National Taiwan University of Science and Technology. The 14 lectures with 615 teachers and students participated.



Planting trees for environmental conservation, Cathay volunteers carefully pat the earth where saplings have been planted

Key Public Welfare Performance



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

Year	Cash donation	Time contributed	Supplies donation	Management expenses	Total
2018	424,256,888	44,462,961	12,360,090	16,131,576	497,211,515
2017	357,293,091	26,130,573	1,203,300	9,576,804	394,203,768
2016	326,586,721	12,070,560	3,747,467	1,090,819	343,495,567

2016-2018 Public Welfare Activity Investment Ratio Description

Year	Business promotion	Community engagement	Charity donations
2018	48%	44%	8%
2017	54%	45%	1%
2016	46%	42%	12%

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



GRI Standards

General Disclosures

GRI Standards	Main Issues	Corresponding Section	Page
GRI 102: General Disclosures 2016	102-1 Name of the organization	About this Report	00
	102-2 Activities, brands, products, and services	Business Performance	24
	102-3 Location of headquarters	About this Report	00
	102-4 Location of operations	Response to the GRI / Business Performance	15/24
	102-5 Ownership and legal form	About this Report	00
	102-6 Markets served	Business Performance	24
	102-7 Scale of the organization	About this Report/ Business Performance	00/24
	102-8 Information on employees and other workers	Employee Composition and Diversity	48
	102-9 Supply chain	Sustainable Procurement	65
	102-10 Significant changes to the organization and its supply chain	N/A, there were no significant changes to the organization and its supply chain	-
	102-11 Precautionary principle or approach	Strengthening Risk Management and Internal Control	28
	102-12 External initiatives	Leader in Sustainable Finance	06
	102-13 Membership of associations	Active Engagement to Guide Industrial Development	25
	102-14 Statement from senior decision-maker	Message from the Chairman	02
	102-15 Key impacts, risks, and opportunities	Strengthening Risk Management and Internal Control	28
	102-16 Values, principles, standards, and norms of behavior	About this Report/ Cathay's Declaration of Sustainability Values/ Advancing Corporate Governance	00/12/26
	102-17 Mechanisms for advice and concerns about ethics	The Group's Whistle-blowing Program	32
	102-18 Governance structure	Advancing Corporate Governance, Organization of Cathay FHC CS Committee	04/26
102-22 Composition of the highest governance body and its committees	Board Diversity	27	
102-24 Nominating and selecting the highest governance body	Professional Qualifications, Independence, and Attendance of the Board	26	
102-28 Evaluating the highest governance body's performance	Board Performance Evaluation and Third Party Certification	27	
102-30 Effectiveness of risk management processes	Strengthening Risk Management and Internal Control	28	
102-33 Communicating critical concerns	Materiality Analysis	14	
102-40 List of stakeholder groups	Stakeholder Engagement	14	
102-41 Collective bargaining agreements	N/A, there were no collective bargaining agreements	-	
102-42 Identifying and selecting stakeholders	Stakeholder Engagement	14	
102-43 Approach to stakeholder engagement	Stakeholder Engagement	14	
102-44 Key topics and concerns raised	Materiality Analysis	14	
102-45 Entities included in the consolidated financial statements	Response to the GRI	15	
102-46 Defining report content and topic boundaries	Response to the GRI	15	
102-47 List of material topics	Materiality Analysis	14	
102-48 Restatements of information	N/A, there were no restatement of information	-	
102-49 Changes in reporting	N/A, there were no change in reporting	-	
102-50 Reporting period	About this Report	00	
102-51 Date of most recent report	About this Report	00	
102-52 Reporting cycle	About this Report	00	
102-53 Contact point for questions regarding the report	About this Report	00	
102-54 Claims of reporting in accordance with the GRI Standards	About this Report	00	
102-55 GRI content index	Appendix	78	
102-56 External assurance	About this Report	00	

Material Topics

GRI Standards	Main Issues	Corresponding Section	Page
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Business Performance, Task Force on Climate-Related Financial Disclosures (TCFD)	24/60
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Business Performance, 18/24/ Task Force on Climate-Related Financial Disclosures (TCFD)	60
	103-3 Evaluation of the management approach	Business Performance, Task Force on Climate-Related Financial Disclosures (TCFD)	24/60
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Business Performance	24
	201-2 Financial implications and other risks and opportunities due to climate change	Task Force on Climate-Related Financial Disclosures (TCFD)	60
Anticorruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Compliance	32
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Compliance	18/32
	103-3 Evaluation of the management approach	Compliance	32
GRI 205: Anticorruption 2016	205-1 Operations assessed for risks related to corruption	Compliance	32
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Leader in Sustainable Finance, Intellectual Capital	06/34
	103-2 The management approach and its components	Leader in Sustainable Finance, Cathay's Corporate Sustainability Vision, Intellectual Capital	06/18/34
	103-3 Evaluation of the management approach	Leader in Sustainable Finance, Cathay's Corporate Sustainability Vision	06/18
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Sustainability Themed Investing/Lending	06
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Response to the GRI, Attracting Talents, Talent Retention and Happy Workplace	15/50/54
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Attracting Talents, Talent Retention and Happy Workplace	18/50/54
	103-3 Evaluation of the management approach	Talent Retention and Happy Workplace	54
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee Composition and Diversity, Talent Retention and Happy Workplace	48/54
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Talent Retention and Happy Workplace	54
	401-3 Parental leave	Talent Retention and Happy Workplace	54
Customer Privacy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Protecting Customers' Personal Information and Information Security	70
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Protecting Customers' Personal Information and Information Security	18/70
	103-3 Evaluation of the management approach	Protecting Customers' Personal Information and Information Security	70
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Protecting Customers' Personal Information and Information Security	70

Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

Chapter 2 Intellectual Capital

Chapter 3 Human Capital

Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

Appendix



Material Topics

GRI Standards	Main Issues	Corresponding Section	Page
Socioeconomic Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Implementing Compliance with Global Financial Laws and Regulations	33
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Implementing Compliance with Global Financial Laws and Regulations	18/33
	103-3 Evaluation of the management approach	Implementing Compliance with Global Financial Laws and Regulations	33
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Implementing Compliance with Global Financial Laws and Regulations	33
Product Portfolio			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Green Finance, Prosper with the Community	36/39
	103-2 The management approach and its components	Cathay's Corporate Sustainability Vision, Green Finance, Prosper with the Community	18/36/39
	103-3 Evaluation of the management approach	Green Finance, Prosper with the Community	36/39
GRI G4 Financial Services Sector Disclosures	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Prosper with the Community	39
	FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Themed Investing/Lending, Green Finance	10/36
Active Ownership			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Sustainability Themed Investing/Lending	10
	103-2 The management approach and its components	Sustainability Themed Investing/Lending, Cathay's Corporate Sustainability Vision	10/18
	103-3 Evaluation of the management approach	Sustainability Themed Investing/Lending	10
GRI G4 Financial Services Sector Disclosures	FS11 Percentage of assets subject to positive and negative environment or social screening	Sustainability Themed Investing/Lending	10

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.	Employee Composition and Diversity	48
	Make sure that they are not complicit in human rights abuses.	Employee Composition and Diversity	48
Labor Standards	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Employee Composition and Diversity	48
	The elimination of all forms of forced and compulsory labor.	Employee Composition and Diversity	48
	The effective abolition of child labor.	Employee Composition and Diversity	48
	The elimination of discrimination in respect of employment and occupation.	Employee Composition and Diversity	48
Environment	Businesses should support a precautionary approach to environmental challenges.	Natural Resources Capital	58
	Undertake initiatives to promote greater environmental responsibility.	Natural Resources Capital	58
	Encourage the development and diffusion of environmentally friendly technologies.	Green Finance	36
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Strengthening Risk Management and Internal Control, Promoting Ethics and Integrity	28/31

ISO 26000 Index

Category	Corresponding Section	Page
Organizational Governance	Finance and Integrity Capital	22
Human Rights	Human Capital	46
Labor Practices	Human Capital	46
Environment	Natural Resources Capital	58
Fair Operating Practices	Finance and Integrity Capital	22
Consumer Issues	Social Relations Capital	66
Community involvement and development	Social Relations Capital	66

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

Category	Main Issues	Corresponding Section	Page
Environment	The products and services designed by individual operating units to create benefits for the environment	Green Finance	36
Society	The products and services designed by individual operating units to create benefits for the society	Prosper with the Community	39
Employee	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 three figures from the previous year	Talent Retention and Happy Workplace	54

Sustainability Accounting Standards Board

Category	Corresponding Section	Page
Environment	Natural Resources Capital	58
Social Capital	Human Capital, Social Relations Capital	46/58
Human Capital	Human Capital	46
Business Model & Innovation	Finance and Integrity Capital, Natural Resources Capital	22/58
Leadership & Governance	Intellectual Capital	34



Message from the Chairman

Cathay Corporate Sustainability (CS) Committee

Recognition from Sustainability Awards

Leader in Sustainable Finance

Cathay's Sustainability Strategies

Materiality Analysis

Cathay's Key Sustainability Breakthroughs

Cathay's Corporate Sustainability Vision

Cathay's Sustainable Value Creation Process

Chapter 1 Finance and Integrity Capital

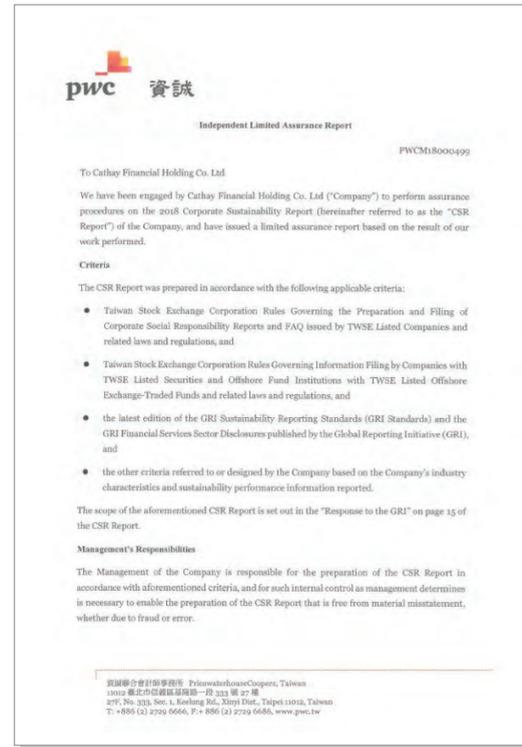
Chapter 2 Intellectual Capital

Chapter 3 Human Capital

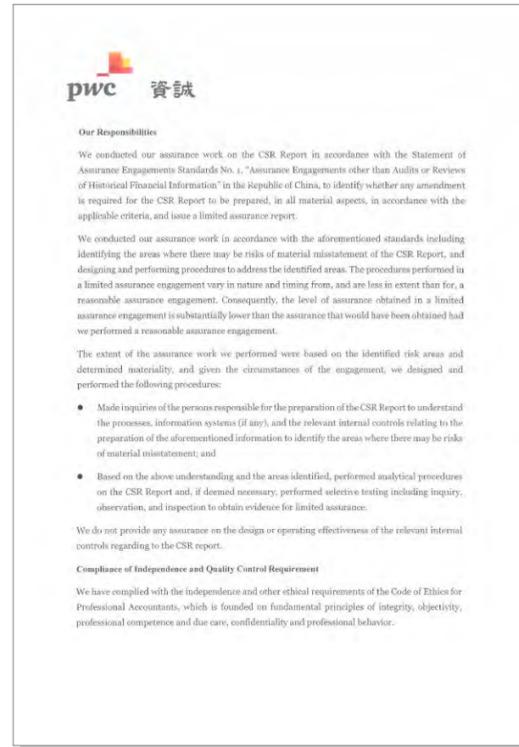
Chapter 4 Natural Resources Capital

Chapter 5 Social Relations Capital

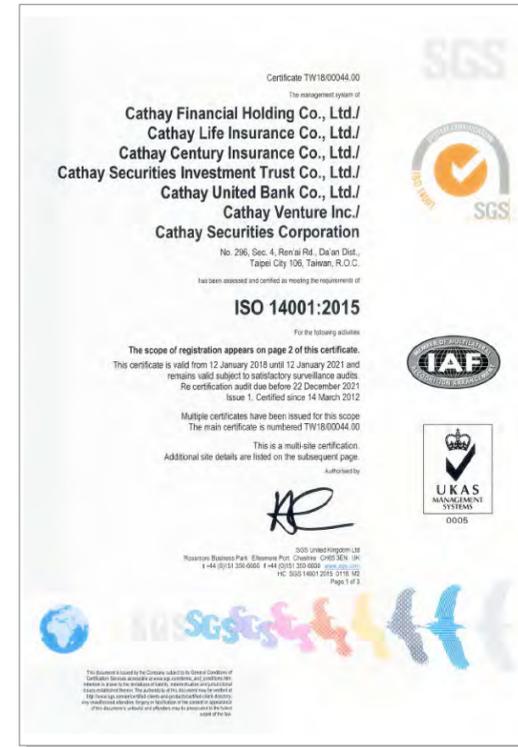
Appendix



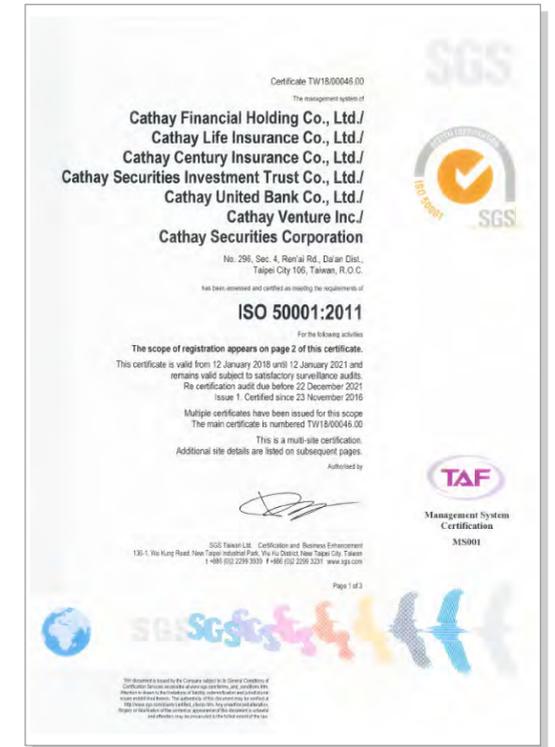
Independent Limited Assurance Report



Independent Limited Assurance Report



ISO 14001:2015



ISO 50001:2011



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ISO 14064-1:2018



ISO 14046:2014



ISO 20400:2017



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