



**國泰金控**

Cathay Financial Holdings

# **2019 Cathay Financial Holdings ESG 4 Focus Areas Trend Report**



# Visionary Leadership towards a Sustainable Future

**One out of every two Taiwanese citizens is a customer of Cathay FHC.** Cathay FHC and our subsidiaries consistently provide high quality products and services, and actively enhance our competitiveness on the path towards sustainability.

Cathay FHC attaches great importance to the design and development of products and services, and looks forward to facing the challenges brought by the environment and society. We seek to become a solutions provider. We set objectives based on the financial expertise of different subsidiaries after conducting internal and external evaluations, monitoring, and analysis of risks and business opportunities. We created an innovative business model and introduced a wide variety of products and services with the goal of becoming a leading financial institution in the Asia-Pacific region, and also to achieve mutual prosperity with the environment and society.

The United Nations Sustainable Development Summit in 2015 adopted the 2030 Agenda for Sustainable Development with 17 Sustainable Development Goals (SDGs) and 169 targets which address three major issues - economic growth, mutual prosperity with society, and environmental protection. The 2030 Agenda for Sustainable Development officially came into force on January 1, 2016, and will serve as the world's guiding principles for sustainable development until 2030.

**Cathay FHC creates long-term value for its stakeholders through its value creation process. We analyzed Taiwan's current situation and the SDGs based on the finance industry's core competencies, and determined Cathay ESG Four Focus Areas to be: Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion.**

Cathay FHC analyzes international trends, future market potential and key issues in Taiwan. We identify key risks; and are cognizant of current trends and business opportunities. These efforts, combined with our corporate strategies, provide us with focal points for creating long-term value, and are the basis for developing products and services that will enable us to achieve sustainable growth with the environment and society.

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- Cathay FHC's ESG Focus Areas
- Renewable Energy & Infrastructure
- Aging Society & Health
- Women Empowerment
- Community & Financial Inclusion

# Cathay ESG Four Focus Areas and SDGs

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The Global Risks Report 2020 published by the World Economic Forum (WEF) highlights factors that will affect the global environment, economy and society. It identifies potential risks that may impact global industries and will require international cooperation, and proposes responsive actions. Cathay FHC aims to implement forward-looking policies for sustainable operation by staying up-to-date on changes to the ESG four focus areas.

# Cathay ESG Four Focus Areas

## Renewable Energy and Infrastructure

The Global Risks Report 2020 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.

## Aging Society and Health

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.

## Women Empowerment

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.

## Community and Financial Inclusion

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.



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# Renewable Energy and Infrastructure

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- Global energy demand will be 30% higher than now in 2040, and an estimated US\$8.8 trillion will be invested in the development of the renewable energy industry.
- Emerging Asian countries will need investments totaling US\$26 trillion between now and 2030 to improve their infrastructure if they are to maintain growth, eliminate poverty, and withstand the impact of climate change.

# International Trends and Future Potential (1)

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**Extreme weather events are the world's greatest risk and require urgent response**

- **The Global Risks Report 2020 published by the WEF pointed out that extreme weather events are the world's greatest risk.** The report also listed Accelerating Action on Climate Change as one of the five priority action areas to which all of us urgently need to respond.
- Economic loss caused by natural disasters and extreme weather is rapidly increasing as well. The number of natural disasters has tripled since 1970. Statistics compiled by German reinsurance giant Munich Re show that damages in 2016 resulting from natural disasters, such as hurricanes and earthquakes, reached US\$175 billion, increasing by 2/3 compared with 2015.

# International Trends and Future Potential (2)

**Renewable energy has unlimited development potential and will become the main power source in 2030**

- The development of renewable energy is a key step we must take to respond to the risk of climate change. The World Energy Outlook 2016 published by the International Energy Agency (IEA) expects renewable energy to surpass coal-fired power and become the world's primary power source in the 2030s.

**Renewable energy generating capacity will exceed half of all newly added generating capacity in 2040, at which time 50% of power generated in Europe will be renewable energy; the number will be 30% in China and Japan and 25% in the U.S. and India. Global demand on energy will increase by 30% and US\$44 trillion will be invested, out of which nearly 20% will be for renewable energy.**

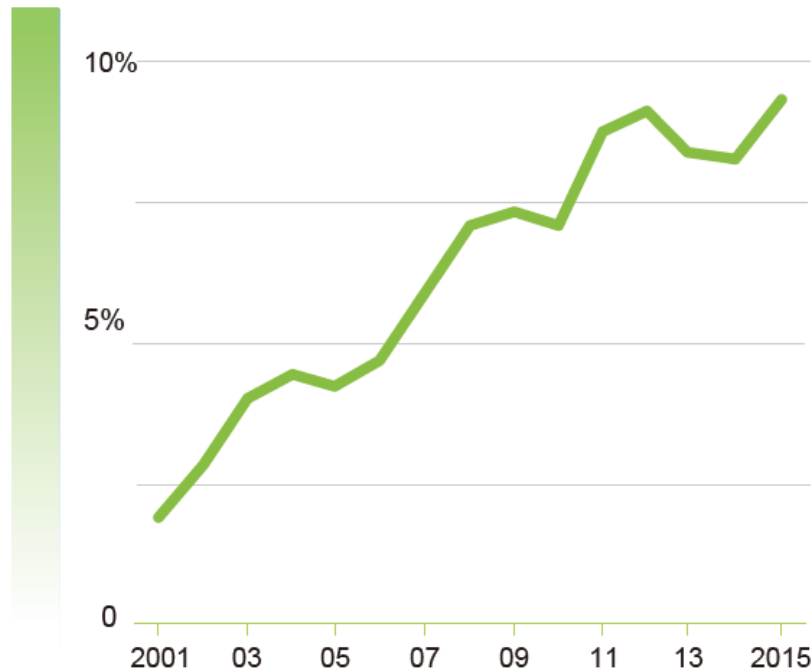
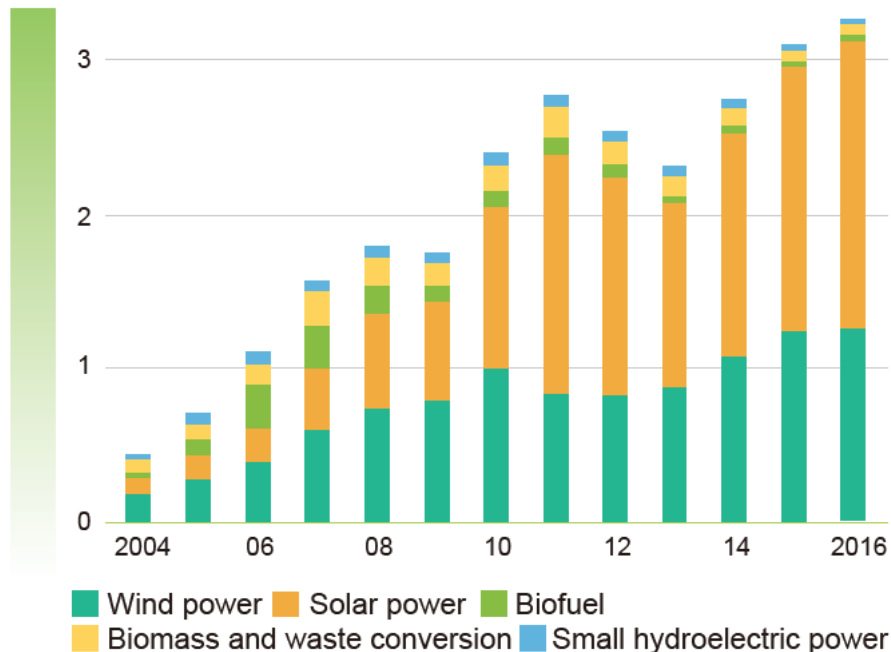


Chart 1-1: Renewable energy generating capacity continues to rise<sup>1</sup>



# International Trends and Future Potential (3)



## Infrastructure will be an opportunity for transition towards sustainability

- Infrastructure is crucial for satisfying people's daily basic needs, national development, and the transition towards sustainability. According to the report titled Meeting Asia's Infrastructure Needs published by the Asian Development Bank in 2017, emerging Asian countries will need investments totaling US\$26 trillion between now and 2030, which translates to US\$1.7 trillion a year, to improve their infrastructure if they are to maintain growth, eliminate poverty, and withstand the impact of climate change. **East Asia has the most urgent need to improve its infrastructure, accounting for 61% of all infrastructure requirements estimated by the ADB.** Hence, infrastructure will be an important opportunity for transition towards sustainability.

# Key Issues in Taiwan (1)

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## Taiwan faces numerous challenges in the development of renewable energy and infrastructure

- Taiwan faces a plethora of challenges in the development of renewable energy, such as long-term funding requirements, insufficient land, and feeders that have reached maximum capacity. Consequently, actual installed capacity has fallen short of the government's target every year. In addition, frequent natural disasters have severely hindered infrastructure development. In Taiwan, 90% of land is prone to two types of natural disasters, and 73% of land is prone to three types of natural disasters. According to statistics of the Directorate-General of Budget, Accounting and Statistics, natural disasters in 2016 caused 1,732 casualties and 1,193 collapsed buildings in Taiwan. Domestic investments have been stagnant as well. **As of the end of 2016, the life insurance industry's allocatable funds reached NT\$20 trillion, but only 0.26% was invested in special projects and public investments.**

# Key Issues in Taiwan (2)

## Taiwan's government pledges to achieve the goal of 202520 Nuclear-free Homeland

- Taiwan's government declared the 202520 Nuclear-free Homeland Project to encourage the search for alternative energy resources, increase power generation efficiency, conserve energy, and adjust the industrial structure. **The goal is for Taiwan to no longer rely on nuclear power by 2025, at which time renewable energy generating capacity is expected to account for at least 20% of total generating capacity.**

Taiwan has great potential for developing renewable energy. In the case of solar power, its power generating potential is 363 billion kWh, but Taiwan Power Company statistics show that solar power generation in Taiwan was only 1.205 billion kWh in 2017, meaning there is still room for 300-fold growth.

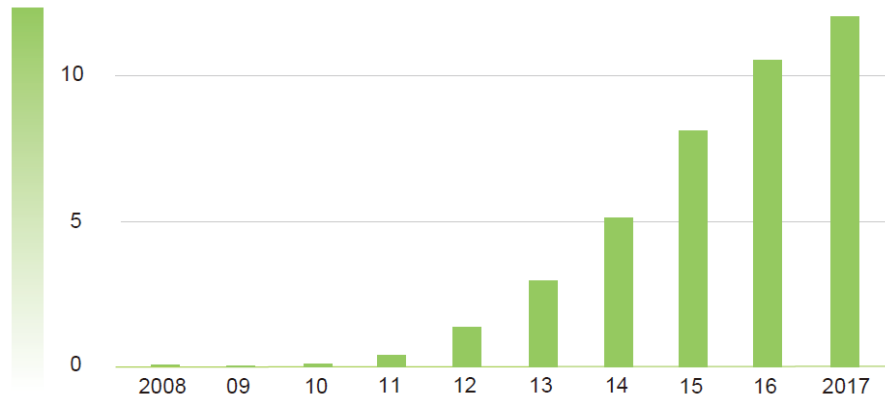


Chart 1-3: Solar power generating capacity over the years<sup>3</sup> (Unit: 100 million kWh)

# Key Issues in Taiwan (3)

## Taiwan's government pledges to achieve the goal of 202520 Nuclear-free Homeland

- Taiwan's government also supports the insurance industry's investment in infrastructure, and encourages securities investment trust enterprises to establish infrastructure investment funds. On top of the central government's active efforts, roughly half of all counties and cities in Taiwan have joined the International Council for Local Environmental Initiative (ICLEI). Kaohsiung even established the ICLEI Kaohsiung Capacity Center, the first in East Asia. It is clear that the government attaches great importance to renewable energy and infrastructure, and hopes to jointly create a sustainable future for Taiwan together with the industrial sector.

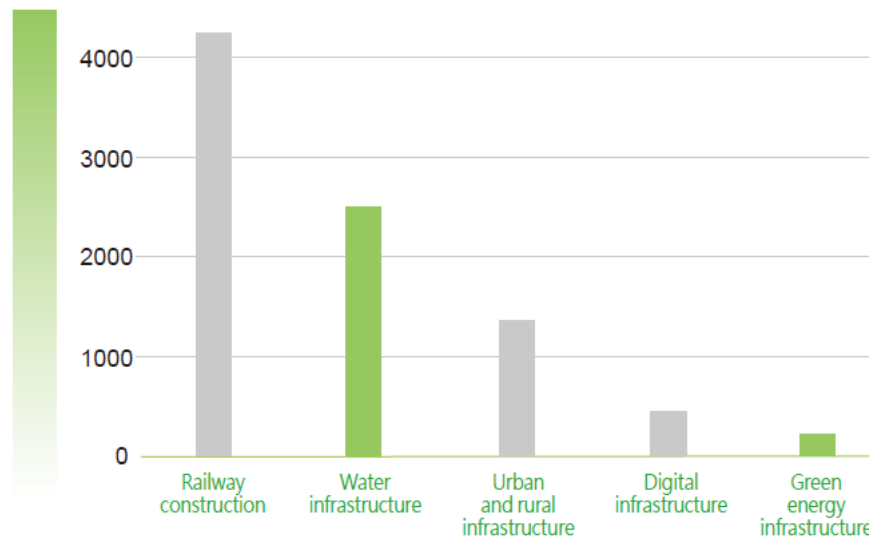


Chart 1-4: Expected investment from the Forward-looking Infrastructure Development Program<sup>4</sup> (Unit: NT\$100 million)



# Engaging in Green Finance (1)

- The development of renewable energy and infrastructure requires significant amounts of capital that will have to be funded by the finance industry. Cathay FHC horizontally integrates resources, effectively manages climate risk, identifies investment opportunities for resolving climate change issues, and supports the development of low carbon industries. Our commitments can be categorized into the four following aspects: driving Taiwan's transition to renewable energy, supporting Taiwan's transportation transition, leveraging customers' power, supporting promising startups, and using innovative business models to overcome difficulties. These efforts respond to issues of renewable energy and infrastructure and enable us to stride towards the vision of achieving sustainable development of the environment and economy.

## **Cathay Life and Cathay Century combine core competencies to drive Taiwan's transition to renewable energy**

- Cathay Life has been investing funds derived from the life insurance industry into renewable energy. Starting with the Galaxy Energy Solar Power Project led by AU Optronics in 2014, **Cathay Life subsequently worked together with Neo Solar Power Corporation and Sino-American Silicon Group in August and October 2016, respectively to jointly establish solar power plants.** The projects were implemented in accordance government policies in support of the green energy industry and the development of green finance, and are part of Cathay Life's active support of renewable energy industry development.

## Engaging in Green Finance (2)

- Cathay Century utilizes its core competencies in property insurance to provide green transportation insurance, thereby supporting Taiwan's transportation transition. It also offered equipment and engineering insurance for renewable energy generators. **Total premium income from renewable energy equipment and engineering insurance and green transportation insurance reached NT\$26,580 million in 2018**, which is a testament to the active efforts that Cathay Century has taken to fulfill its social responsibility in reducing environmental risk.

### Cathay United Bank becomes leading brand in green finance and top bank for financing PV power plants in Taiwan

- **CUB became the first financial institution in Taiwan to adopt the Equator Principles in 2015, and established a complete project financing compliance system based on the Equator Principles. CUB is the only project financing bank in Taiwan that is capable of working together with major foreign enterprises.** It plays an active role that gives consideration to sustainable development of the economy, society and environment, and aims to become a paradigm for its peers in the global finance industry.
- 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.

# Performance of Green Financial Products

Year	2017	2018	2019
Low-carbon investing/lending (NT\$100 million)	1,498	1,511	1,652
Infrastructure investing/lending (NT\$100 million)	-	5,915	6,586
Note: Cathay defined the infrastructure industry in 2018, so there are no statistics for the industry's investing/lending amount before 2018.			
Cumulative domestic and overseas installed capacity from CUB solar power financing (MW)	361	477	517
Cumulative installed capacity from CUB offshore wind power financing (MW)	8	128	768
Cathay Century Renewable Energy Contractors' & Erection All Risks Insurance (NT\$100 million)	92.4	265.8	913.2
Cathay Century Green Vehicle Insurance (NT\$10,000)	17,518	20,005	49,316
Cathay Century Bicycle Insurance (NT\$10,000)	476	753	867
Public bicycle insurance cumulative insured amount (NT\$10,000)	-	74	453
Note: Public bicycle insurance was offered in 2018.			
Cathay Venture's investment amount in green and environmentally friendly enterprises (NT\$100 million)	4.69	4	3.52
Amount of funds raised by Cathay Securities for green and environmentally friendly enterprises (NT\$100 million)	6.89	4.24	1.15



A photograph of an elderly couple walking away from the camera on a paved path through a dense forest. The man is on the right, wearing a striped shirt and a cap, holding a blue umbrella. The woman is on the left, wearing a floral shirt and a hat, holding a pink and white patterned umbrella. The background is filled with tall, thin trees and lush green foliage.

# Aging Society and Health

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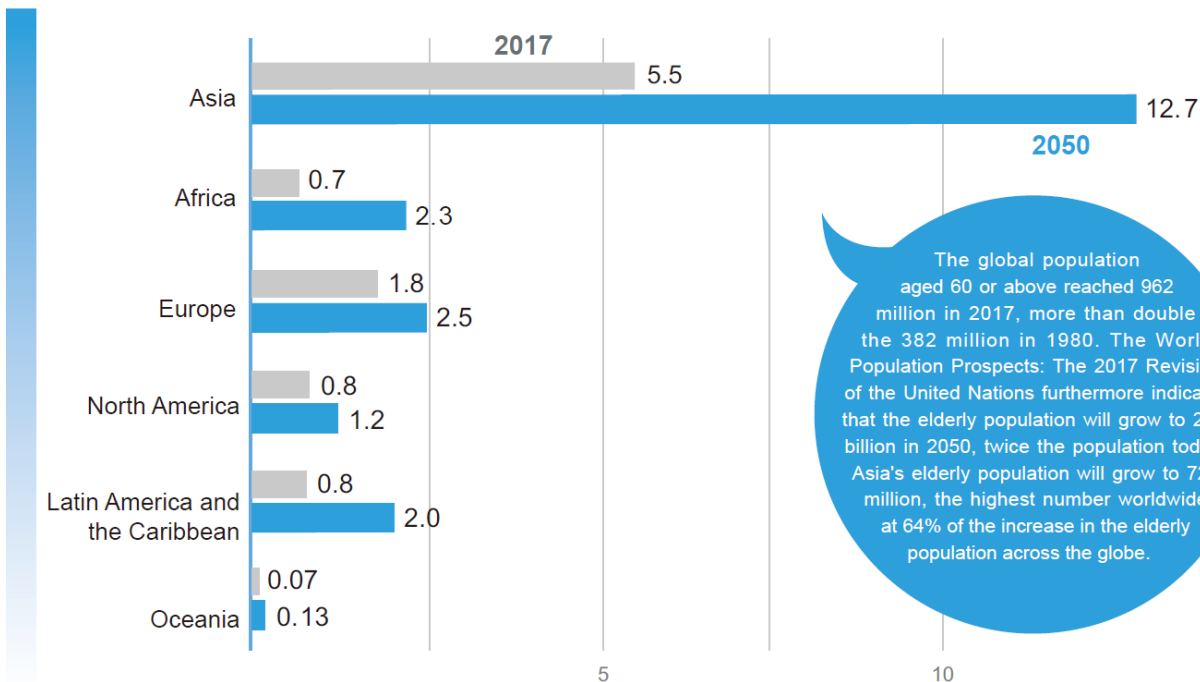
- The elderly population worldwide will increase from 900 million in 2015 to 2 billion in 2050. <sup>1</sup>
- Every 3.4 Taiwanese citizens will be supporting 1 senior citizen by 2025 due to the trend of low birth rates and will be bearing heavy economic burdens. <sup>2</sup>
- It only took 25 years for Taiwan to evolve from an aging society into an aged society, 3 times faster than countries in Europe and the U.S. Taiwan's aging index<sup>3</sup> surpassed 100 for the first time in 2017, surpassing the U.S. and South Korea.



# International Trends and Future Potential (1)

## Population aging has become one of the greatest crises of the 21st century

- The United Nations Population Fund (UNFPA) pointed out that population aging is one of the greatest crises of the 21st century. **The elderly population worldwide will increase from 900 million in 2015 to 2 billion in 2050, an increase from 12% to 22% of the global population.**



The global population aged 60 or above reached 962 million in 2017, more than double the 382 million in 1980. The World Population Prospects: The 2017 Revision of the United Nations furthermore indicates that the elderly population will grow to 2.08 billion in 2050, twice the population today. Asia's elderly population will grow to 724 million, the highest number worldwide at 64% of the increase in the elderly population across the globe.

Chart 2-1: The world is aging, but Taiwan is aging at a particularly rapid pace<sup>4</sup> (Unit: 100 million people)

# International Trends and Future Potential (2)

**Rapid changes in demographic structure will have a significant impact on all sectors**

- The rapidly changing demographic structure will have a significant impact on the social welfare, retirement, and medical systems. In particular, issues in preventive health care and nursing and caring for the elderly cannot be avoided. The World Health Organization (WHO) further pointed out that there is no evidence that the health condition of the elderly today will be better than the previous generation. The ratio of disabled elderly did not decrease along with progress in medicine. Hence, countries around the world should establish comprehensive long-term care systems so that disabled elderly may enjoy the later stages of life.
- **The WHO proposed the concept of active aging which is defined as “the process of optimizing opportunities for health, participation and security in order to enhance quality of life as people age.”** The three pillars of active aging are health, participation and security. The policy framework promotes early prevention so as to shorten the amount of time elderly people are disabled. This demonstrates that the entire world is highly concerned with and actively seeking a solution to population aging.

# Key Issues in Taiwan (1)

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**Taiwan has only 7 years to prepare before it evolves from an aged society to a hyper-aged society**

- Taiwan will become an aged society in 2018, and will further become a hyper-aged society in 2026. **It has therefore only 7 years to prepare before it evolves from an aged society to a hyper-aged society, which is relatively fast compared with other countries around the world.** Coupled with the impact of low birth rates, every 3.4 adults in Taiwan will need to support 1 senior citizen in 2025, at which time Taiwan's society will suffer from the dual impact of aging and low fertility.

**Taiwanese senior citizens are bedridden for an average of 7 years, while Northern European countries can shorten it to 14 days**

- An aged society directly leads to increased demand for long-term care. **The disabled elderly in Northern European countries are bedridden for an average of 14 days, while those in Taiwan can be confined to bed for as long as 7 years.** According to the Ministry of Health and Welfare's (MOHW) Report of the Senior Citizen Condition Survey, the disability rate of those aged 75-84 is triple that of those aged 65-74 while nearly half of senior citizens aged 85 and above are disabled. This demonstrates that modern people may not necessarily be able to enjoy the third act in health and safety despite the continuous increase in life expectancy.

## Key Issues in Taiwan (2)

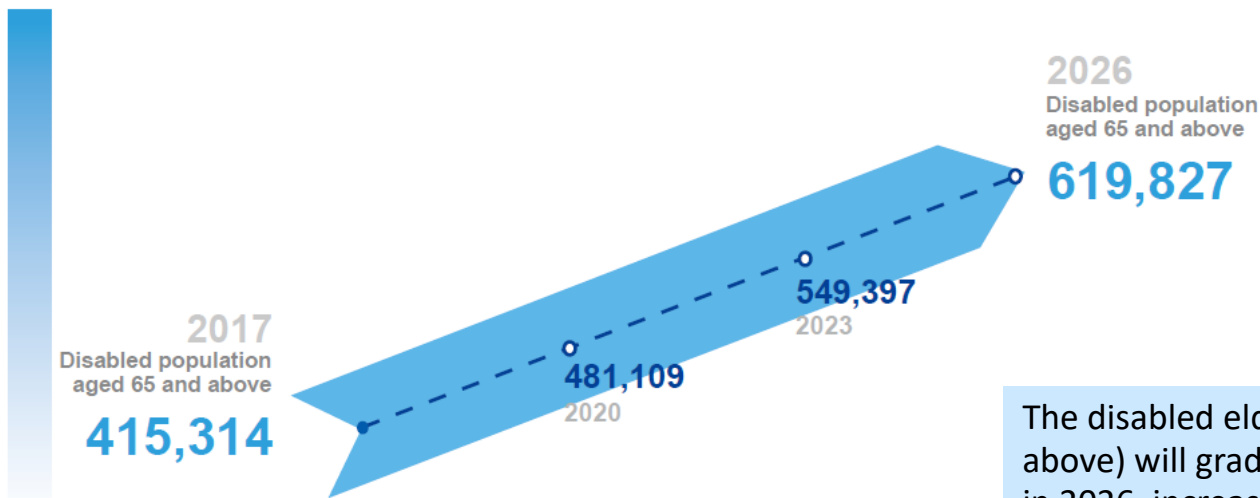


Chart 2-2: Taiwan's population requiring long-term care in the future<sup>5</sup>

The disabled elderly population (aged 65 and above) will gradually increase and surpass 600,000 in 2026, increasing by an average of 20,000 each year. Senior citizens are considered disabled and in need of long-term care if they are debilitated from performing any one of the seven daily functions, specifically eating, getting in and out of bed, changing clothes, going to the bathroom, bathing, walking indoors and outdoors, and housekeeping.

# Key Issues in Taiwan (3)

Taiwan has only 7 years to prepare before it evolves from an aged society to a hyper-aged society

- According to statistics of the MOHW, **64.1% of the National Health Insurance's expenditures is used on the 33.5% of citizens aged 50 and above.** This shows that citizens must begin making plans for retirement at an early age. **The Long-term Care 2.0 Plan implemented by Taiwan's government in 2017 includes a NT\$60 billion budget for long-term care over eight years.** The plan is in urgent need of assistance from the private sector due to the lack of stable sources of funding.

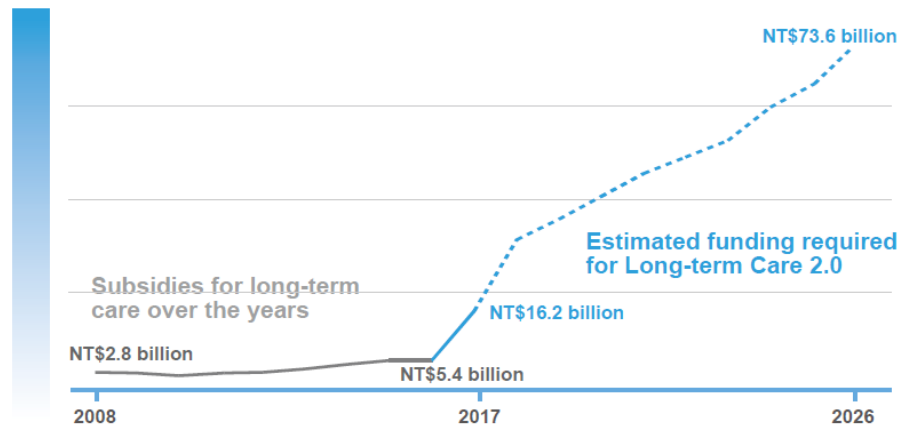


Chart 2-3: Taiwan's estimated expenditure on long-term care (Unit: NT\$100 million)<sup>5</sup>

# Key Issues in Taiwan (4)

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The government is strongly encouraging financial institutions to offer long-term care products

- **The Ministry of Finance has agreed to let citizens list long-term care insurance in their deductibles when filing taxes.** This is expected to increase the popularity of long-term care insurance. The seniors market has become a trending industry in recent years. Creating LOHAS for the elderly is currently one of the government's main policies. As members of the finance industry, there are areas we can put even more thought and effort into.
- Aging society and health are issues that deserve the collective attention of government, society and enterprises. Taiwan must direct its efforts into different aspects if it is to face the issues brought by the tide of an aging society, such as an aging workforce, smaller workforce, increasing cost of pension funds, and life and care after retirement, and also popularize the concept of preventive healthcare.

# Key Issues in Taiwan (4)

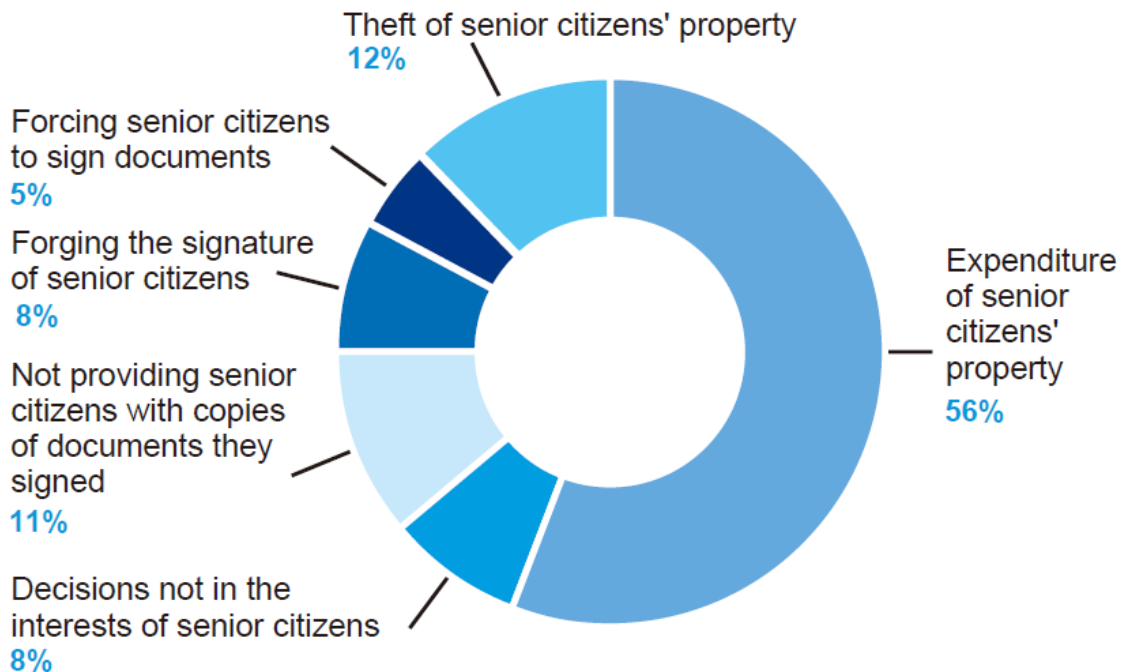


Chart 2-4: Forms of financial exploitation faced by the elderly<sup>6</sup>

The international community has been concerned about the financial exploitation of the elderly in recent years, including theft, embezzlement, forged documents, or denial of benefits. A survey conducted by the Securities Industry and Financial Markets Association shows that 5% of senior citizens have experienced financial exploitation by family members, and 6.5%-7% have been defrauded by a stranger.

# Key Issues in Taiwan (5)

Ratio of citizens aged 55-64 who are in the habit of saving money increased from 67.8% to 74.4%

Ratio of citizens aged 65 and above who are in the habit of saving money slightly decreased from 52% to 51.9%

2009

aged 55-64 years  
aged over 65 years

2013

aged 55-64 years  
aged over 65 years

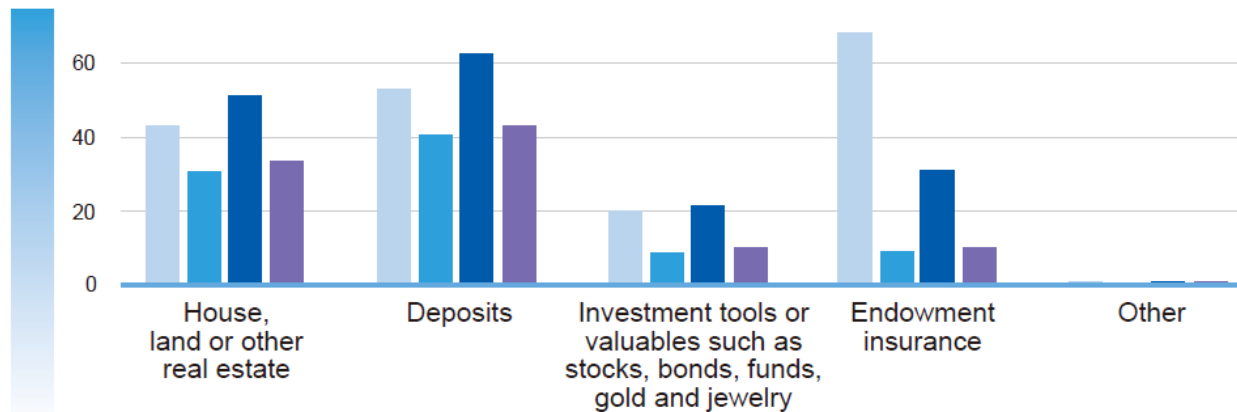


Chart 2-5: Caring for the elderly, senior citizens choosing to let others manage their assets<sup>7</sup>

Nearly 52% of citizens aged 65 and above are in the habit of saving money to prepare for life in old age. The ratio of citizens aged 55-64 who are in the habit of saving money increased from 67% in 2009 to 74% in 2013, showing that even more people are preparing their finances for life in old age.



# Responding to the risks of an aging society

Cathay Life sees the needs of an aging society and offers a variety of products to provide protection for citizens in their third act of life

- Cathay Life provides a variety of insurance and trust products to satisfy plans for life after retirement. It also offers products that address the two issues senior citizens worry the most about - physical health and source of income.
- Cathay Life provides general medical insurance for potentially large medical expenses and long-term care requirements. **It also began offering long-term care insurance products in 2015, so that customers can be prepared for the care expenses they will need in the event they become disabled in the future.**
- CUB offers annuity insurance to the elderly in light of the potential financial burden resulting from longer life expectancy and higher dependency ratio. **It also offers trusts for the elderly to provide a stable source of income after retirement, so that the elderly can maintain a certain standard of living.** Once Taiwan becomes an aged society, these insurance and trust services will formulate a comprehensive network for economic security and fulfill their ultimate purpose of ensuring social stability.



# Performance of Aging Society and Health Products

Year	2017	2018	2019
Aging society and health investing/lending (NT\$100 million)			
Note: Cathay defined the aging society and health industry in 2019, so there are no statistics for the industry's investing/lending amount before 2018.	-	3,580	4,156
Cathay Life small amount whole life insurance policies (number of policies)	157,929	178,521	200,791
Cathay Life Cathay Walker cumulative participants (10,000 people)	-	10	22
Note: Cathay Walker was launched in 2018.			
Scale of CUB's Disable and Elderly People Care Trust (NT\$100 million)	9.41	12.05	12.65
Cathay Century Shi Ji Chang Qing (Century Elderly) Insurance amount (NT\$10,000)	750	1,073	1,455

1. WHO, 10 Facts on Ageing and Health, May 2017.
2. Social Enterprise Insights, Making a Difference: Social Innovation of Taiwan, 2016.
3. The Ministry of the Interior defines aging index as an index for measuring the degree of aging in a country/region, i.e. the ratio of citizens aged 65 and above to citizens aged 14 and under among every 100 citizens. Higher numbers indicate more severe aging.
4. UNFPA, 2017
5. MOHW, Long-term Care 10-Year (2017-2026) Plan 2.0, 2016.
6. Prevalence and Correlates of Emotional, Physical, Sexual, and Financial Abuse and Potential Neglect in the United States: The National Elder Mistreatment Study, 2010.
7. MOHW, Report of the Senior Citizen Condition Survey, 2013.

Please refer to [Cathay FHC official website](#) for details on aging society and health-related products and services.



# Women Empowerment

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- 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.
- Women around the world control 64% of household expenditures. They create US\$30 trillion in consumer spending each year, and this figure continues to grow. <sup>1</sup>
- Female labor force participation in Taiwan increased from 43.3% in 1985 to a record high of 50.83% in 2016; meanwhile, the number of female entrepreneurs reached 500,000 in 2017, surpassing all previous records.

# International Trends and Future Potential (1)

- Women empowerment in the 21st century is predicated upon the foundation of gender equality. Women are becoming ever more competitive and achieving outstanding performances in each field as they become better educated and economically independent. The rising power of women is a force to be reckoned with.

## **Rising power of women driving global economic growth; global GDP expected to increase 26% by 2025**

- The percentage of women whose earnings were in the top 1% in the U.S., an OECD country, increased 7-fold within a span of 25 years from 2% in 1980 to 14% in 2004<sup>2</sup>. Women have become one of the most powerful communities in the world today. 2016 data compiled by the World Bank Group (WBG) shows that countries with a higher percentage of women who have received secondary education exhibited higher GDP per capita<sup>3</sup>. Likewise, countries with a higher female labor force participation rate had higher GDP, a trend that was most apparent in high income countries<sup>4</sup>. **A report from McKinsey & Company pointed out that 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. This is good news considering the sluggish global economy.**

# International Trends and Future Potential (2)

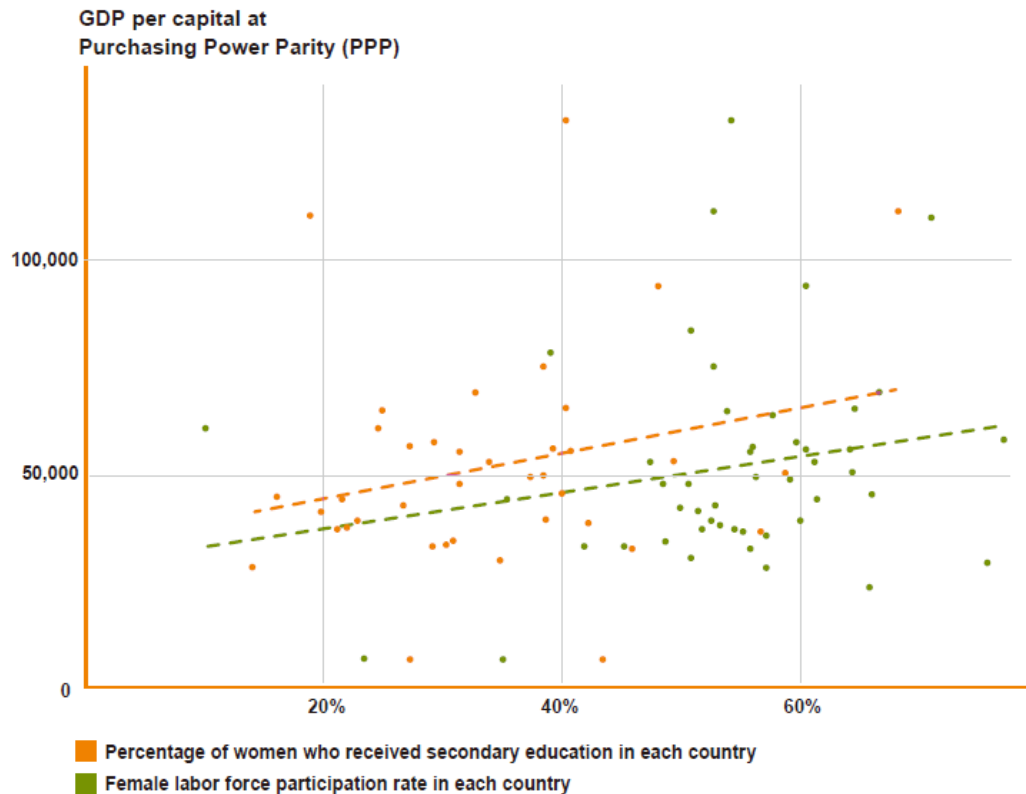


Chart 3-1: Correlation between the percentage of women who received education, female labor force participation rate, and GDP of high income countries<sup>5</sup>



# International Trends and Future Potential (3)

## Stock prices of enterprises with female directors on average 26% higher

- Women empowerment is now more than just an ideology as women gradually prove what they are capable of achieving in society and the workplace. **Forbes's 2016 list of the world's billionaires indicates that women account for 10% of the richest people each with personal wealth exceeding NT\$1 billion.** Studies have even pointed out that enterprises with a higher percentage of female leadership were more profitable than enterprises with lower gender diversity<sup>6</sup>. **Among the 2,360 listed companies with a market value of at least US\$10 billion around the world between 2005 and 2011, the stock prices of companies that had female directors were on average 26% higher<sup>7</sup>.** This explains why the EU established a goal stipulating that female directors should account for 40% of all directors in enterprises before 2020.
- This shows that the influence of women on competitiveness cannot be overlooked, and that a country must focus on providing women with education and increasing their economic independence in order to remain highly competitive. The diversity of management is positively correlated with a company's performance. Companies with higher diversity have better innovation capabilities and performance compared with their peers. **When employees are from the same ethnic group as a customer, they are 152% more likely to understand the customer's possibilities than other teams.** Likewise, a company is considered to be more in touch with business opportunities in the female consumer market when women are part of the company's management.<sup>9</sup>



# International Trends and Future Potential (4)

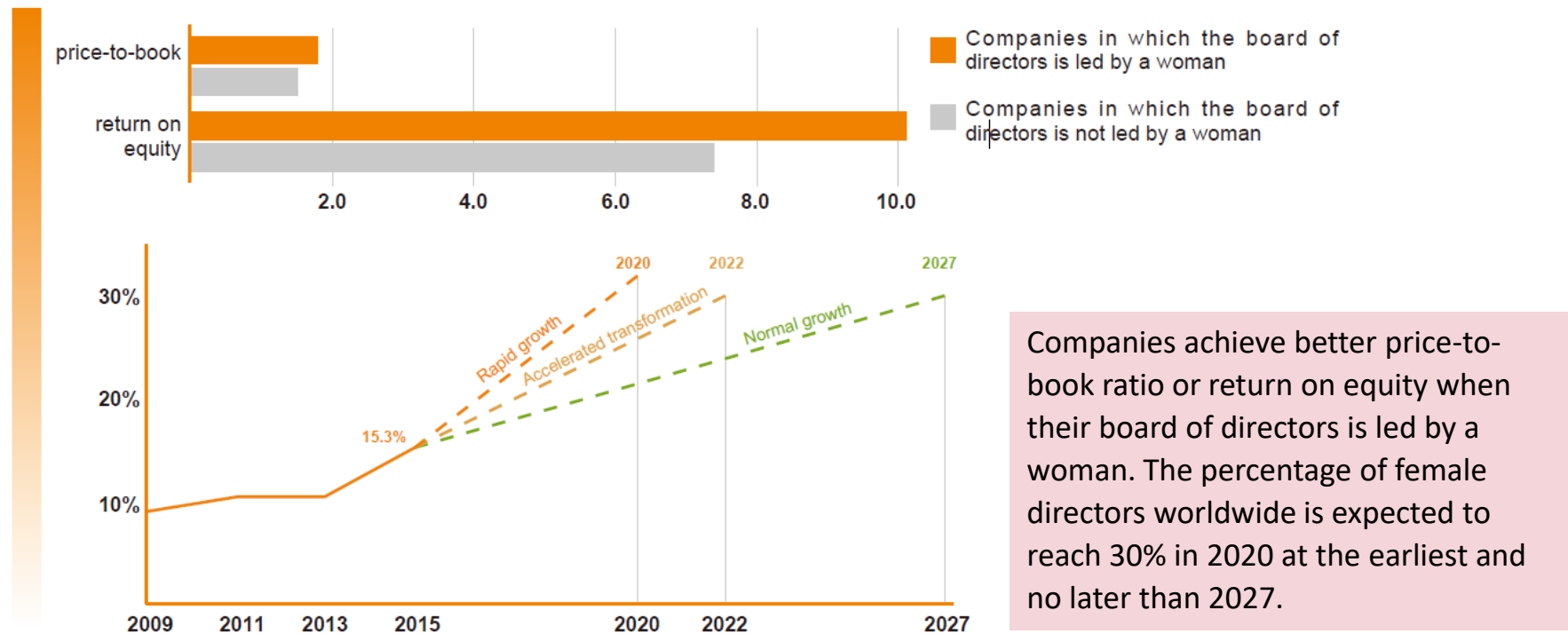


Chart 3-2: Growth rate of percentage of female directors in enterprises around the world<sup>8</sup>

# Key Issues in Taiwan (1)

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## Taiwanese women as breadwinners

- Gender equality is an important driver of social progress. Statistics of the Ministry of Finance show that women headed 30.1% of Taiwanese enterprises as of the end of 2016. **The female labor force participation rate has also increased from 43.3% in 1985 to a record high of 51.27% in 2019.** Women's spending power has increased along with their labor force participation rate, giving them greater flexibility in terms of disposable income. The 2016 Female Worker Financial Management Survey conducted by 1111 Job Bank showed that **approximately 76% of female workers engage in investments and asset management averaging nearly NT\$10,000 each month.** The Small and Medium Enterprise Administration also found that female entrepreneurs newly entering the market have invested over NT\$150 million each year since 2008.



# Key Issues in Taiwan (2)

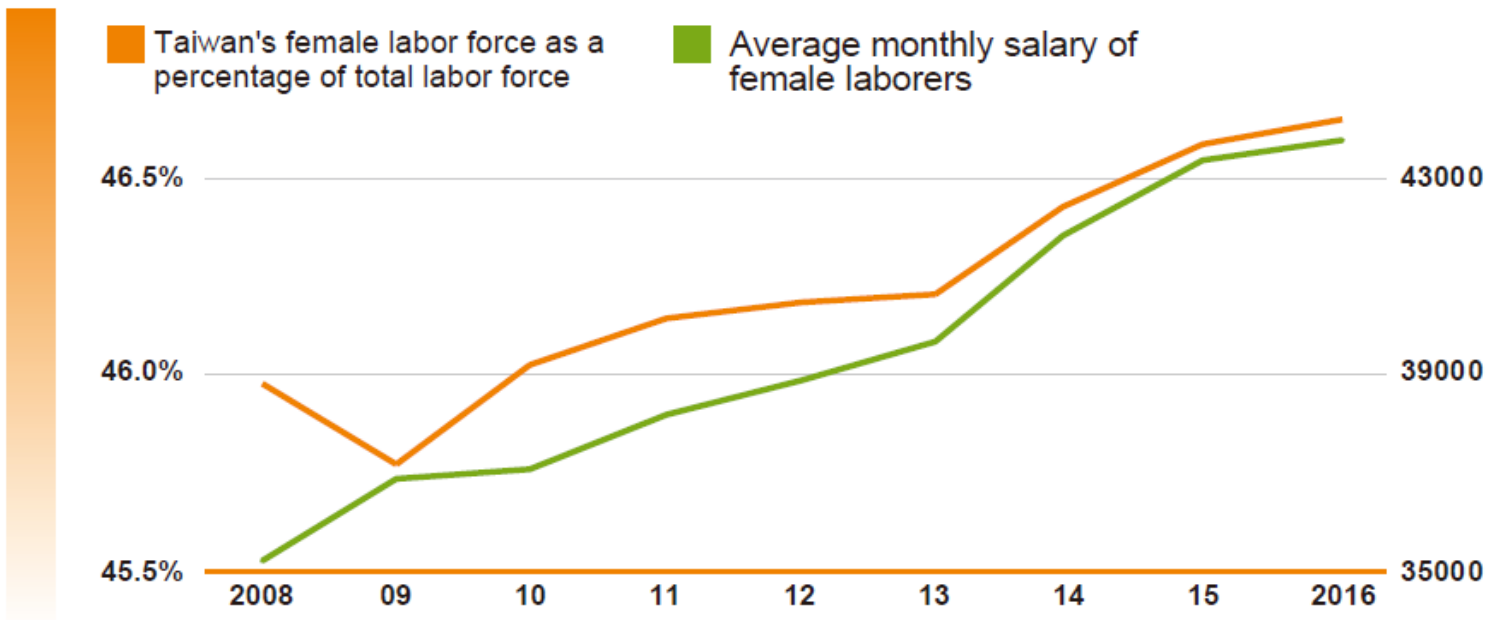


Chart 3-3: Taiwan's female labor force as a percentage of total labor force and average monthly salary of female laborers<sup>10</sup>

The salary of female workers in Taiwan has increased over the years. Meanwhile, the number of female workers and the increase in their salaries have grown at faster rates than that of male laborers over the last decade.

# Key Issues in Taiwan (3)

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## Taiwan leads the Asia-Pacific in the Mastercard Inaugural Women's Entrepreneurial Index

- Taiwan placed sixth in the Asia-Pacific region in the Mastercard Inaugural Women's Entrepreneurial Index 2016, ahead of Japan, South Korea, China and Hong Kong, and was first in Greater China. The employed population has gradually increased each year along with the ratio of women in charge of small and medium enterprises (SMEs) in Taiwan. Results of Facebook's She Means Business survey in 2017 show that 1 out of every 2 women in Taiwan want to run their own business. **A total of 155,000 new business opportunities and 724,000 employment opportunities will be created before the end of 2021 if 11% of the female population start their own business, and will drive Taiwan's economic growth and social breakthrough.** This shows that female entrepreneurs are becoming an important force in Taiwan's economic development.

# Key Issues in Taiwan (4)

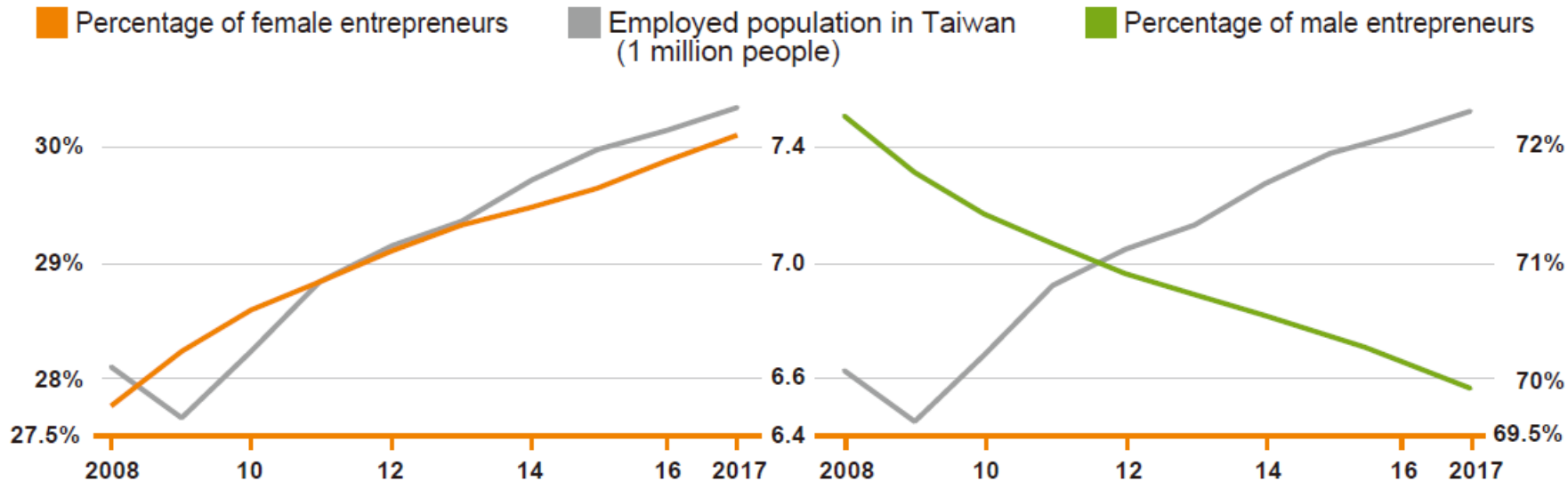


Chart 3-4: Growth in number of male and female entrepreneurs in Taiwan<sup>11</sup>

# Key Issues in Taiwan (5)

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## Challenges still remain in the race to catch up with men

- The gender inequality that continues to exist in Taiwan's society cannot be neglected, despite that fact that various data all show the rising power of women and that women empowerment is strongly promoted by the mainstream media. **The hourly wage gap between men and women in Taiwan decreased over the last decade from 18.8% in 2006 to 14% in 2018 according to statistics compiled by the Directorate-General of Budget, Accounting and Statistics. The average salary of women is however still lower than that of men, and women need to work 52 more days than men to make the same annual salary.** Female labor force participation is in the shape of an inverted V, i.e. women tend to exit the labor market after getting married and having children. This gap between ideal and reality means that we need to dedicate even more efforts to creating opportunities for women to compete with men on a fair and equal basis.

# Providing women with comprehensive protection

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## Cathay FHC understands women's needs and provides comprehensive protection

- The high female labor force participation rate in Taiwan means that the struggle of juggling work and family responsibilities is now the norm for most women. CUB provides exclusive discounts for hardworking career women. Cathay Life and Cathay Century offer a variety of insurance products catered to women who are forging careers and taking care of their families at the same time, and to provide them with protection against increased risk of pregnancy complications. These products allow modern women to create a path for themselves without any worries as they are able to enjoy comprehensive protection.

# Performance of Women Empowerment-related Products and Services

Year	2017	2018	2019
Cathay Century All-for-you Personal Accident Insurance (NT\$10,000)	1,567	1,622	1,630

Please refer to [Cathay FHC official website](#) for details on women Empowerment-related products and services .

1. WEF, The Future of Jobs, 2016.
2. Alison Wolf, The XX Factor: How the Rise of Working Women Has Created a Far Less Equal World, 2015.
3. GDP per capita at PPP is adopted to more effectively evaluate the difference between countries
4. A high income country is a country where GDP per capita is higher than US\$1,200 according to the World Bank's classification.
5. World Bank, Data Bank, 2017.
6. McKinsey & Company, How advancing women's equality can add \$12 trillion to global growth, 2015.
7. Deloitte Touche Tohmatsu Limited, *Women in the Boardroom: A Global Perspective* (5th Edition), 2017.
8. MSCI, Women on Boards, 2015
9. Harvard Business Review, How Diversity Can Drive Innovation, 2013; WEF, The Future of Jobs, 2016.
10. Directorate-General of Budget, Accounting and Statistics, Employment and Unemployment Statistics, Salary and Productivity Statistics, 2017.
11. Directorate-General of Budget, Accounting and Statistics, Employment and Unemployment Statistics, Ministry of Finance Tax Statistics by Gender, 2017.



# Community and Financial Inclusion

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- 9.6% of the global population still earn less than US\$1.9 per day.
- As many as 1.2 billion people are unbanked in Asia alone.

# International Trends and Future Potential (1)

## 1.2 billion still unbanked in Asia

- The latest statistics of the WBG in 2018 show that nearly half of world population live under the daily expense of US\$5.50, **and that as many as 1.2 billion people are unbanked in Asia alone.** These people are susceptible to natural disasters and accidents, but are unable to gain basic protection from the government or non-government organizations, and lack the opportunity to use and access financial services.

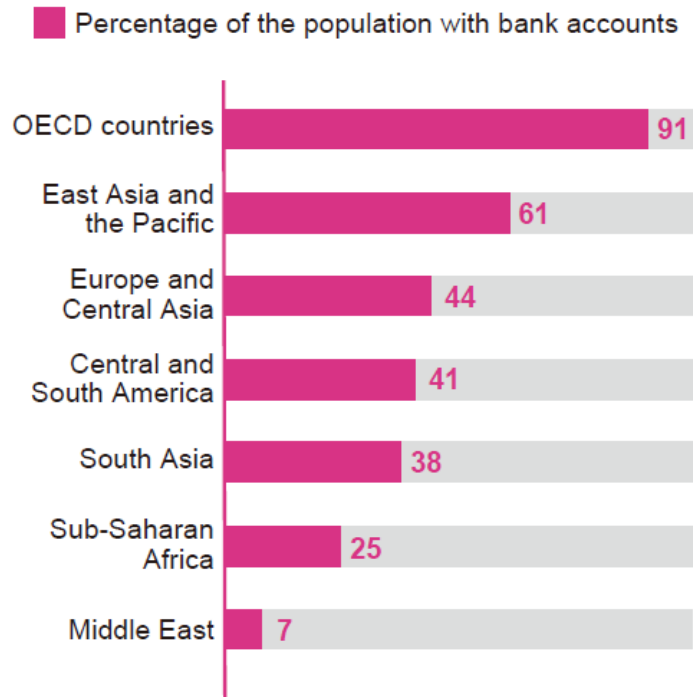
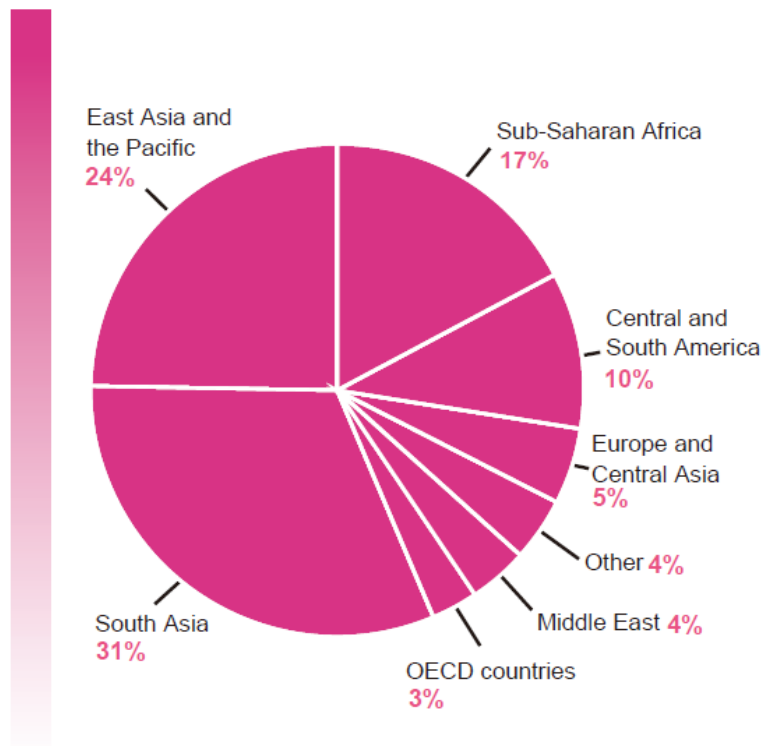


Chart 4-1: Percentage of unbanked population in regions around the world<sup>1</sup>



# International Trends and Future Potential (2)



At present, 2 billion people remain unbanked around the world. In high income OECD countries, 91% of the population in the poorest 40% of households have bank accounts, while only 61% of such households in the Asia-Pacific have bank accounts.

Chart 4-2: Percentage of unbanked households among the poorest 40% of households in regions around the world<sup>1</sup>

# International Trends and Future Potential (3)

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## Global initiatives to expand the scope of inclusive financing

- As the world strives to eliminate poverty, it has become aware of the positive effect that financial service accessibility has on daily lives. Hence, the 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**. This also represents a massive increase in business opportunities worth US\$4 billion.
- As many as 50 countries currently list increasing financial inclusion as an objective. The increase in accessibility, usage and quality of financial services will increase people's risk tolerance in the face of unforeseeable events, and will further increase their spending power.

# International Trends and Future Potential (4)

## Global initiatives to expand the scope of inclusive financing

- Digital finance has also significantly increased the accessibility of financial services. The number of mobile payment accounts worldwide had grown to 500 million at the end of 2016 while the transaction amount reached US\$3.7 billion. In other words, **approximately NT\$200,000 is paid via mobile payment every minute<sup>2</sup>.**

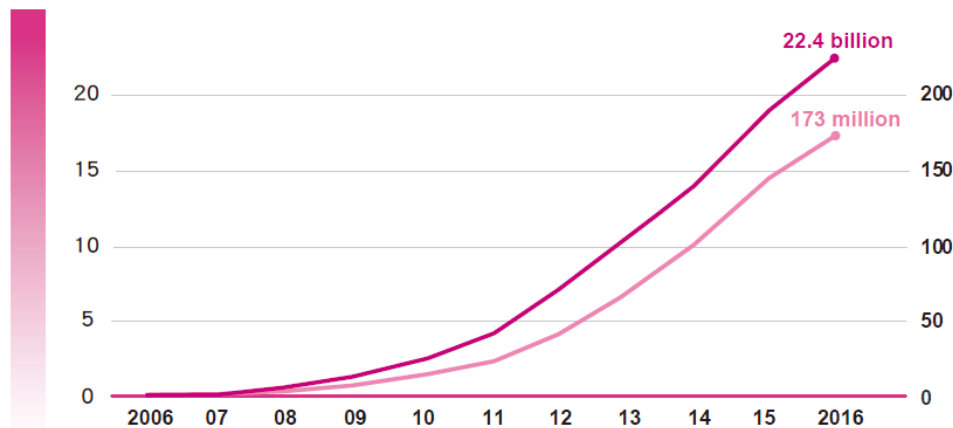


Chart 4-3: Number of active mobile payment accounts and transaction amount worldwide<sup>2</sup>

- Number of active mobile payment accounts worldwide (10 million)
- Mobile payment transaction amount worldwide (US\$100 million)

# Key Issues in Taiwan (1)

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## 7.4 million people in Taiwan not covered by insurance

- Statistics of the Life Insurance Association show that **67.85% of Taiwanese citizens have acquired insurance coverage as of the end of 2016. This means that 32.15% of the population or nearly 7.4 million people are not covered by insurance<sup>3</sup>**. The MOHW's 2011 National Long-term Care Demand Survey shows that the disabled population of Taiwan is approximately 1.3 million. The careers of approximately 2.3 million workers have been affected due to the need to take care of disabled family members. Among them, 130,000 laborers have quit their jobs. These families are not low income households and are not eligible for government subsidies but are experiencing difficult financial circumstances as taking care of disabled family members has resulted in unstable work and income and moreover stripped them of the ability to withstand risks and accidents.

## Key Issues in Taiwan (2)

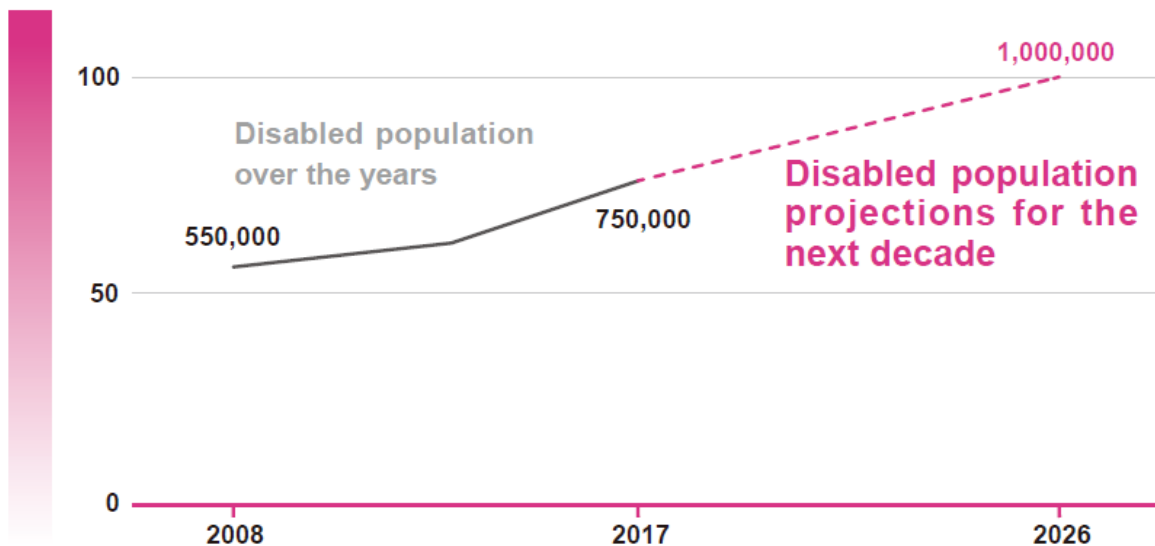


Chart 4-4: Statistics of Taiwan's disabled population and projections<sup>4</sup>

The MOHW's 2015 National Long-term Care Demand Survey defines disabled population as the total population that is unable to perform one or more ADLs or IADLs or has mild cognitive impairment.<sup>5</sup> The survey estimates that Taiwan's disabled population will reach 1 million in 2026. This will become an unavoidable economic burden on households and increase their susceptibility to risk.

# Key Issues in Taiwan (3)

## Taiwan's government encourages the finance industry to offer micro insurance

- The Financial Supervisory Commission (FSC) began encouraging the insurance industry in 2009 to fulfill its social responsibility by offering micro insurance. **The number of micro insurance policy holders has surpassed 615,000 since micro insurance was first offered in Taiwan in 2009, and the total insurance amount has reached NT\$199.4 billion.** The provision of micro financial services allows the economically or socially disadvantaged to effectively control risk with a limited amount of resources, and creates for customers a better protected future.

## Digital finance has become an important niche for promoting financial inclusion

- The FinTech Development Strategy White Paper published by the FSC in 2016 lists the promotion of digital finance as one of its eight major development strategies. The FSC hopes to create employment opportunities by encouraging the establishment of a diverse FinTech ecosystem; to grasp core values of risk management in the finance industry through robust information security; and to provide convenient identification services by integrating online identity verification mechanisms. These endeavors will facilitate the comprehensive development of FinTech.

# Key Issues in Taiwan (4)

Digital finance has become an important niche for promoting financial inclusion

- **63 rural areas in Taiwan still lack access to bank branches as of 2015 according to the Government Open Data Platform ([data.gov.tw](http://data.gov.tw)).** The rate of digital finance utilization has gradually increased in Taiwan after the FSC began implementing Bank 3.0. A survey by the Institute for Information Industry (III) in 2016 indicated that 19% of smart phone users in Taiwan are using mobile payment, exhibiting an increase of nearly 4-fold compared with 2014. FinTech reshapes customers' experience of financial services, and also offers insight into redefining and innovating solutions that cater to customers whose needs were previously unfulfilled.

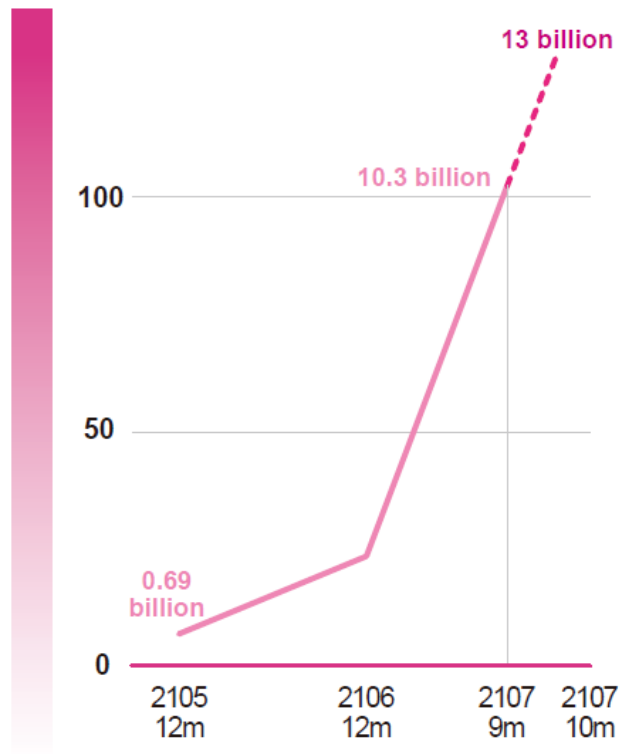


Chart 4-5: Total mobile payment amount in Taiwan in recent years<sup>6</sup> (Unit: NT\$100 million)

# Cathay FHC creates a financial inclusion circle

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- The U.N. defines financial inclusion as: "universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions." The objective of financial inclusion is to increase the accessibility of financial services by constantly improving financial infrastructure, so as to provide all members of society with financial services at a reasonable cost. Cathay FHC attends to the needs of every group in society, and hopes to provide basic financial services, including credit, savings, payment and transfer, to workers of all ages, regardless of whether or not they are excluded by the current financial system

## Micro insurance & trust care mechanism has become an important force in social stability

- **Cathay Life and Cathay Century holds the first and forth place of the market share of micro insurance in Taiwan. They have also assisted over 500 households in gaining immediate protection.** CUB has also sought to give back to society by combining innovation and financial expertise and providing value-added charitable trust services. Furthermore, **CUB also provides SMEs and social enterprises that have relatively unstable profits with preferential loans, thereby balancing out their operational weaknesses.**



# Performance of Financial Inclusion-related Products and Services

Year	2017	2018	2019
Community and financial inclusion investing/lending (NT\$100 million)			
Note: Cathay defined the community and financial inclusion industry in 2019, so there are no statistics for the industry's investing/lending amount before 2019.	-	-	92
Cumulative insured amount of micro insurance (NT\$100 million)	584.2	751.0	895.0
Cumulative insured cases of micro insurance (10,000 persons)	18.9	24.5	27.9
Cumulative insured cases of Cathay Life student group insurance (10,000 persons)	308	300	300
Amount of assets in CUB's Charitable Trust (NT\$100 million)	379.2	378.2	376.3
Amount of assets in CUB's CPBL Gambling Prevention Trust (NT\$100 million)	1.5	1.35	1.32
Cumulative balance of loans provided by CUB (including branches) to MFIs (US\$1 million)	27.9	34.5	58.6
Cumulative balance of SME loans provided by CUB (NT\$100 million)	1,519	1,781	2,094
Cumulative balance of preferential loans for social enterprises provided by CUB (NT\$10,000)	1,600	2,005	2,132
Cumulative number of social enterprises that received preferential loans from CUB	4	6	8
Cumulative insured amount of Cathay Century crop insurance (mango and guava) (NT\$10,000)	1,175	2,867	4,104
Number of companies reached by the Loss Control Seminar hosted by Cathay Century	92	174	121

# Engineering a new digital perspective

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- The wave of digital finance has created greater space in which financial inclusion can expand and develop. FinTech has broken down barriers and enabled financial service innovation, and has become the main driving force that makes financial inclusion possible.
- **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.

# Performance of Digital Finance

Year	2017	2018	2019
Cathay Life Mobile insurance utilization (%)	98	98.89	99.15
Cathay Life Mobile claims utilization (%)	94	95.34	95.28
Cathay Life Mobile security utilization( %)	91	91.29	91.20
Cathay Life Mobile premium utilization (%)	91	93.76	97.18
CUB Number of digital platforms users (1,000)	317	366	422
Cathay Century Number of bobe users (1,000)	94	166	279

Please refer to [Cathay FHC official website](#) for details on digital finance.

## Establishing Robust Information Security and Personal Information Protection System

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- As the domestic financial environment enters the digital era, the importance of personal information protection has become apparent in the face of increasing online transactions and stock trading volumes. Out of the top five industries susceptible to information leakage, the finance industry is the most highly threatened. Big data fraud or theft was listed among the top five emerging global risks for the first time in 2017 according to the WEF's Global Risks Report 2017. PwC's Insurance Industry Risks Report and Banking Industry Risks Report both listed network and technology risks among the top five industry risks.
- Cathay FHC is highly committed to and resolute in the protection of customers' personal information and has carried out a series of measures that have enabled it to establish a robust information security system in Taiwan. **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.

# Information security and personal information protection performance

Year	2017	2018	2019
Cathay Life violations of information security (Cases)	0	0	0
CUB violations of information security (Cases)	0	0	0
Cathay Century violations of information security (Cases)	0	0	0
Cathay SITE violations of information security (Cases)	0	0	0
Cathay Securities violations of information security (Cases)	0	0	0

1. World Bank, The Global Findex Database 2014 Measuring Financial Inclusion around the World, 2014.
2. Global System for Mobile Communications Association (GSMA), Global Mobile Money Dataset, 2017.
3. Commercial Times, "Ratio of Male Adults with Insurance Lower than That of Female Counterparts," 2017.
4. Ministry of Health and Welfare, "National Long-term Care Demand Survey," 2015. 2028 is estimated using extrapolation.
5. Instrumental activities of daily living (IADL) and Activities of Daily Life (ADL) are both scales used to measure level of disability. IADL includes shopping, outdoor activities, preparing meals, housekeeping, and doing the laundry. ADL includes eating, transferring, toileting, bathing, walking, and dressing.
6. FSC, Press releases of the FSC on mobile payment over the years, 2015-2017.
7. Number of users is based on GA sessions. GA was not fully utilized for data collection in 2013 and 2014.

Please refer to [Cathay FHC official website](#) for details on information security and personal information protection.

# Valuing Customer Rights

Cathay FHC attaches great importance to what customers have to say. In addition to convening quarterly Service Quality Committee meetings, Cathay FHC and our subsidiaries commission a credible major market survey company to conduct satisfaction surveys on an annual basis. In addition, Cathay FHC and each subsidiary have established a dedicated department for handling customer complaints and formulated internal implementation procedures. This way we can monitor our service quality, understand customer demands, and enhance our internal product development capabilities. We hope to thereby provide our customers with products and services that better meet their needs.

Year	2017	2018	2019
Cathay Life customer satisfaction (%)	91.7	94.0	94.3
CUB customer satisfaction (%)	90.3	90.9	91.5
Cathay Century customer satisfaction (%)	96.5	96.3	96.8
Cathay SITE customer satisfaction (%)	85.1	91.3	98.3
Cathay Securities customer satisfaction (%)	86.2	87.1	89.1



國泰金控

Cathay Financial Holdings

