Impact Measurement & Valuation (IMV) - Five Capitals Profit and Loss (5C P&L)

Leveraging core financial influence to create shared value for human well-being

NT$15.8 trillion (NTD)
industry chain output driven by investment and financing

25.2 million (job opportunities)
created by investment and financing

>99%
external impacts come from downstream products and services

NT$5.7 billion (NTD)
in carbon reduction benefits from green investment and financing

For Cathay FHC, the financial industry is not only an asset manager, but also a driver of industrial transformation. In the pursuit of sustainable operations, we uphold the spirit of "Better Together," focusing not only on financial performance but also incorporating impact into the core of decision-making. Through our core financial functions, we aim to guide capital toward areas that drive positive social change and become a key force in promoting industrial advancement and mutual prosperity in society.

To accurately capture the impact of its operating activities on society and the environment, Cathay FHC collaborated with academic institutions to establish the Five Capitals Profit and Loss (5C P&L) assessment framework. Starting from an Outside-In perspective, the framework combines Impact Accounting based on financial profit and loss with the causality-driven Impact Pathway approach. It examines the full value chain, from the supply chain and Cathay's own operations to financial products and services, to comprehensively assess how corporate activities affect human well-being. Through a systematic analysis process, environmental and social externalities that are not fully reflected in market prices are quantified and converted into consistent and comparable monetized indicators.

According to the 2025 analysis results, more than 99% of the impact generated by Cathay FHC's operations was concentrated in downstream financial products and investment and financing activities in the value chain. Among these impacts, investees and borrowers receiving financial support drove the overall industry chain to create approximately NT$15.8 trillion in output value, while also creating approximately 25.2 million indirect job opportunities and NT$2 trillion in wage income, injecting momentum into social stability and economic prosperity. In the face of transformation challenges, the industry chain was estimated to generate approximately NT$1.2 trillion in potential social costs in terms of resource consumption, environmental pollution, and potential human rights infringement risks.

To assist industries in their low-carbon transition, Cathay FHC has established a rigorous ESG risk monitoring mechanism through the Responsible Investment working group and continues to expand investments in low-carbon industries such as renewable energy, green buildings, waste recycling, and public transportation. It is estimated that low-carbon investments avoided approximately NT$5.7 billion in carbon social costs in 2025.

Looking ahead, Cathay will continue to optimize resource allocation through impact management tools. Cathay is committed not only to reducing negative externalities, but also to maximizing positive value. Through impact-based thinking, Cathay no longer focuses only on short-term cost-benefit analysis, but incorporates the long-term environmental and social impacts of decisions into evaluation indicators, identifying opportunities in risks and fulfilling responsibilities in opportunities. Cathay hopes to use its unremitting efforts to drive more comprehensive corporate sustainability management and work toward achieving Net Positive sustainable operations.

Cathay 5C P&L Methodology and Update History

2018

First introduced the 5C P&L methodology, covering

- Three major value chain stages (supply chain, company operations, and products and services)
- Three major sustainability management aspects (economic, environmental, and social)
- More than 20 impact items

2019

- Biodiversity has been incorporated into the environmental aspect
- The scope of investment and financing inventory has been expanded from the top 10 industries to all industries
- Developed localized impact valuation coefficients for each investment region

2021

- Updated the upstream procurement input-output analysis (IOA) coefficients and adjusted historical calculation results accordingly
- Added an assessment of the employment opportunities and wage income created by supply chain procurement

2023

- Added new metrics related to human rights risks within the industry chain derived from investment and financing, including child labor and forced labor
- Added new metrics related to employment impact, including wage quality, equal opportunity, sexual harassment, employee support programs, and internal job placement
- Updated the assessment methodology for employees' future benefits generated by training.

2025

- Added impact items for job creation
- Updated the assessment methodology for the impact of wage quality

Cathay FHC Sustainability Impact Pathway

Cause of Impact	Material Issue	Output Metric	IRIS Catalog of Metrics	Impact on well-being	Five Major Capitals	Impact Item	Type of Impact	Monetary (NT$)	Impact Rating	Impact Stakeholders
Supply Chain	Responsible Procurement	Payment to Suppliers	PI5478	Procurement drives industry supply-demand relationships	Finance and Integrity Capital	Social Externality: Boosting Supply Chain Value	Positive (+)	33,144,841,016	●●●●○○○○	Society
				Procurement creates employment opportunities in the supply chain	Human capital	Social Externality: Income of Supplier Workers	Positive (+)	4,961,367,938	●●●○○○○○	External employees
				Environmental impacts of GHG emissions during supply chain manufacturing	Natural capital	Environmental Externality: Supply Chain GHG Emissions	Negative (-)	194,107,762	●●○○○○○○	Environment
				Environmental impacts of air pollutants during supply chain manufacturing	Natural capital	Environmental Externality: Supply Chain Air Pollutants	Negative (-)	599,702,334	●●○○○○○○	Environment
Business Operations	Business Performance	Operating Profit	FP1301	Increase financial capital stock for investor returns	Finance and Integrity Capital	Gross Value Added (GVA): Net Operating Income	Positive (+)	107,633,132,000	●●●●●○○○	Investors
		Public Expense	FP5261	Support government expansion of infrastructure and social welfare	Finance and Integrity Capital	Gross Value Added (GVA): Public Expenditure	Positive (+)	10,626,206,000	●●●●○○○○	Society
		Depreciation and amortization	FP9573	Develop industry tech for supplier revenue	Finance and Integrity Capital	Gross Value Added (GVA): Depreciation and Amortization	Positive (+)	8,840,057,000	●●●○○○○○	Suppliers
	Environmental Impact of Operations	GHG Emissions	OI1479	Rising GHG concentrations contribute to global warming	Natural capital	Environmental Externality: Operational GHG Emissions	Negative (-)	123,810,935	●●○○○○○○	Environment
		Renewable Energy (onsite self-use PV system)	OI2496	Decreasing GHG concentrations mitigates global warming	Natural capital	Environmental Externality: Environmental Benefits of Using Renewable Energy	Positive (+)	56,636,265	●○○○○○○○	Environment
		Renewable Energy (Purchased)	OI3324	Decreasing GHG concentrations mitigates global warming	Natural capital					Environment
		Depletion of Water Resources	OI0263	Change in water resource stores causes stress on local communities	Natural capital	Environmental Externality: Operational Water Resource Depletion	Negative (-)	8,497	●○○○○○○○	Environment
		Fuel Usage (Gasoline / Diesel)	OI1496	Fuel use causes air pollution, leading to health and ecological impacts	Natural capital	Environmental Externality: Operational Air Pollutant Emissions	Negative (-)	15,303,050	●○○○○○○○	Environment
		Waste Management	OI6192	Incineration and landfills cause air pollution and GHG emissions	Natural capital	Environmental Externality: Operational Waste Disposal	Negative (-)	3,807,426	●○○○○○○○	Environment
		Digitalization: Reduce Paper Usage	–	Digitalization of services reduces the environmental impacts of paper use	Natural capital	Environmental Externality: Digitalization	Positive (+)	13,212,074	●○○○○○○○	Environment

Cause of Impact	Material Issue	Output Metric	IRIS Catalog of Metrics	Impact on well-being	Five Major Capitals	Impact Item	Type of Impact	Monetary (NT$)	Impact Rating	Impact Stakeholders
Business Operations	Attracting and Retaining Talents	Employee Compensation & Benefits	OI4724	Compensation that allows for quality of life, well-being, and purchasing power	Human capital	Social Externality: Salaries Above Living Wage	Positive (+)	42,736,486,052	●●●●○○○○	Internal employees
						Social Externality: Salaries Below Living Wage	Negative (-)	35,559,558	●○○○○○○○	Internal employees
		Employee Benefit Programs	OI2742	Paid leave and family-friendly culture foster work-life balance	Human capital	Social Externality: Family-friendly culture and support	Positive (+)	932,829,168	●●○○○○○○	Internal employees
	Talent and Skill Development	Employee Training & Development	OI7877	Training enhances professional skills and employability	Human capital	Social Externality: Future benefits of employee training	Positive (+)	1,820,429,570	●●●○○○○○	Internal employees
		Internal Job-Filling	OI6995	Internal promotion and job transfers increase income	Human capital	Social Externality: Internal Job-Filling	Positive (+)	3,831,484,227	●●●○○○○○	Internal employees
	Inclusive Workplace	Gender Pay Ratio	OI1855	High-paying positions create segregation due to gender differences	Human capital	Social Externality: Equal Opportunity	Negative (-)	4,833,239,766	●●●○○○○○	Internal employees
		Workplace Sexual Harassment	OI9077	Physical and emotional damage, leading to future medical costs and loss of well-being	Human capital	Social Externality: Sexual Harassment	Negative (-)	3,499,388	●○○○○○○○	Internal employees
	Employee health and well-being	No. of Employees with Health Risks	OI4061	Cardiovascular disease risks and medical expenses due to workload	Human capital	Social Externality: Employee Health Risks	Negative (-)	538,440	●●○○○○○○	Internal employees
		No. of Employees with Improved Health	OI4061	Health promotion improving lifestyle and health status	Human capital	Social Externality: Employee Health Promotion	Positive (+)	1,669,662	●○○○○○○○	Internal employees
		Occupational Accidents	OI3757 OI6525	Physical and emotional impact and cost of medical resources	Human capital	Social Externality: Occupational Accidents	Negative (-)	5,338,342	●○○○○○○○	Internal employees
	Youth empowerment / female empowerment / helping the underprivileged	Social Investment	OI7421	Improving local community relations and quality of life	Social and Relationship Capital	Social Externality: Value of Social Investment	Positive (+)	456,070,447	●●○○○○○○	Society
Products and Services	Responsible finances / carbon emissions in financial assets	Industry Investment and Financing	II8480	Industry investment and lending drives industry supply-demand relationships	Intellectual Capital	Social Externality: Enhancing Industry Chain Value	Positive (+)	15,832,090,530,463	●●●●●●●●	Society
				Investment & lending creates job opportunities along industry chain	Human capital	Social Externality: Income of Industry Chain Employees	Positive (+)	1,985,864,885,704	●●●●●●●●	External employees
				Workers losing their freedom and suffering physical and mental health impacts due to forced labor	Human capital	Social Externality: Industry Chain Human Rights Risks - Forced Labor	Negative (-)	65,575,861,440	●●●●○○○○	External employees

Cause of Impact	Material Issue	Output Metric	IRIS Catalog of Metrics	Impact on well-being	Five Major Capitals	Impact Item	Type of Impact	Monetary (NT$)	Impact Rating	Impact Stakeholders
Products and Services	Responsible finances / carbon emissions in financial assets	Industry Investment and Financing	II8480	Future income loss from child laborers unable to receive quality education	Human capital	Social Externality: Industry Chain Human Rights Risks - Child Labor	Negative (-)	46,485,433,744	●●●●○○○○	External employees
				Environmental impact of GHG emissions resulting from industry chain supply and demand	Natural capital	Environmental Externality: Industry Chain GHG Emissions	Negative (-)	1,110,446,113,225	●●●●●●●●	Environment
				Environmental impact of air pollution resulting from industry chain supply and demand	Natural capital	Environmental Externality: Industry Chain Air Pollutants	Negative (-)			
	Sustainable Financial Products	Low-carbon Investing	II8480	Low-carbon investments avoid environmental impacts from GHG emissions	Natural capital	Environmental Externality: Environmental Benefits of Low-carbon Investments	Positive (+)	5,746,675,059	●●●○○○○○	Environment
	Health promotion and life security	No. of policies	PI8785	Provide economic protection in the face of unexpected events and offer security and peace of mind for individuals and families	Social and Relationship Capital	Social Externality: Insurance Benefits	Positive (+)	206,886,740,688	●●●●●●○○	Customers
	Financial Inclusion	Charitable Trust Donations	OI1619	Resources for underprivileged groups, improving quality of life	Social and Relationship Capital	Social Externality: Charitable Trust Donations	Positive (+)	357,423,174	●○○○○○○○	Society
		Microinsurance Donations		Ensure basic protection to underprivileged groups to lessen their burden	Social and Relationship Capital	Social Externality: Microinsurance Donations	Positive (+)	14,303,668	●○○○○○○○	Society

Note 1: IRIS (Impact Reporting & Investment Standards) is developed by the Global Impact Investing Network (GIIN), and provides a standardized framework of metrics for measuring the social, environmental, and economic performance of companies, thereby enhancing the comparability of impact investments.

Note 2: Impact Valuation Methodology draws on the Impact-Weighted Accounts (IWA) from Harvard Business School and the impact statement approach of the Value Balancing Alliance (VBA)

Note 3: Gross Value added (GVA) assesses the difference between the intermediate inputs and the final outputs of a company's operations, considering both the original inputs and public expenditures and highlighting the economic activities' benefits for various stakeholders.

Note 4: Externality refers to the positive or negative effects of Cathay FHC's operational activities on human well-being through interactions with various types of capital. These impacts are not directly reflected in the company's profits or costs. Environmental externalities consider the social costs of carbon, health costs, and ecosystem damages arising from GHG emissions, air pollution, waste, and water resource usage. Social externalities examine the effects of wage quality, career development, equal opportunities, and health and well-being on employees and society.

Note 5: Input-Output Model is for supply chain procurement and industry investment and financing. It calculates the social and environmental externalities, including the economic benefits derived from industry chain supply-demand effects, job creation, wage income, environmental footprints, and human rights risks. References include the OECD Input-Output Tables (2018), EXIOBASE 2, UNICEF, and Walk Free databases.

Note 6: Value coefficients are adjusted for regional economic conditions, based on the per capita Gross National Income (GNI) assessed by Purchasing Power Parity (PPP). This adjustment also considers inflation and exchange rates, aligning the time boundaries to the 2021 currency value baseline. Methodologies referenced include OECD (2012) and PwC UK (2015).

Level of Impact	Monetary Value (NT$ 1M)
●○○○○○○○	0~1
●●○○○○○○	1~10
●●●○○○○○	10~100
●●●●○○○○	100~1,000
●●●●●○○○	1,000~10,000
●●●●●●○○	10,000~100,000
●●●●●●●○	100,000~1,000,000
●●●●●●●●	>1,000,000