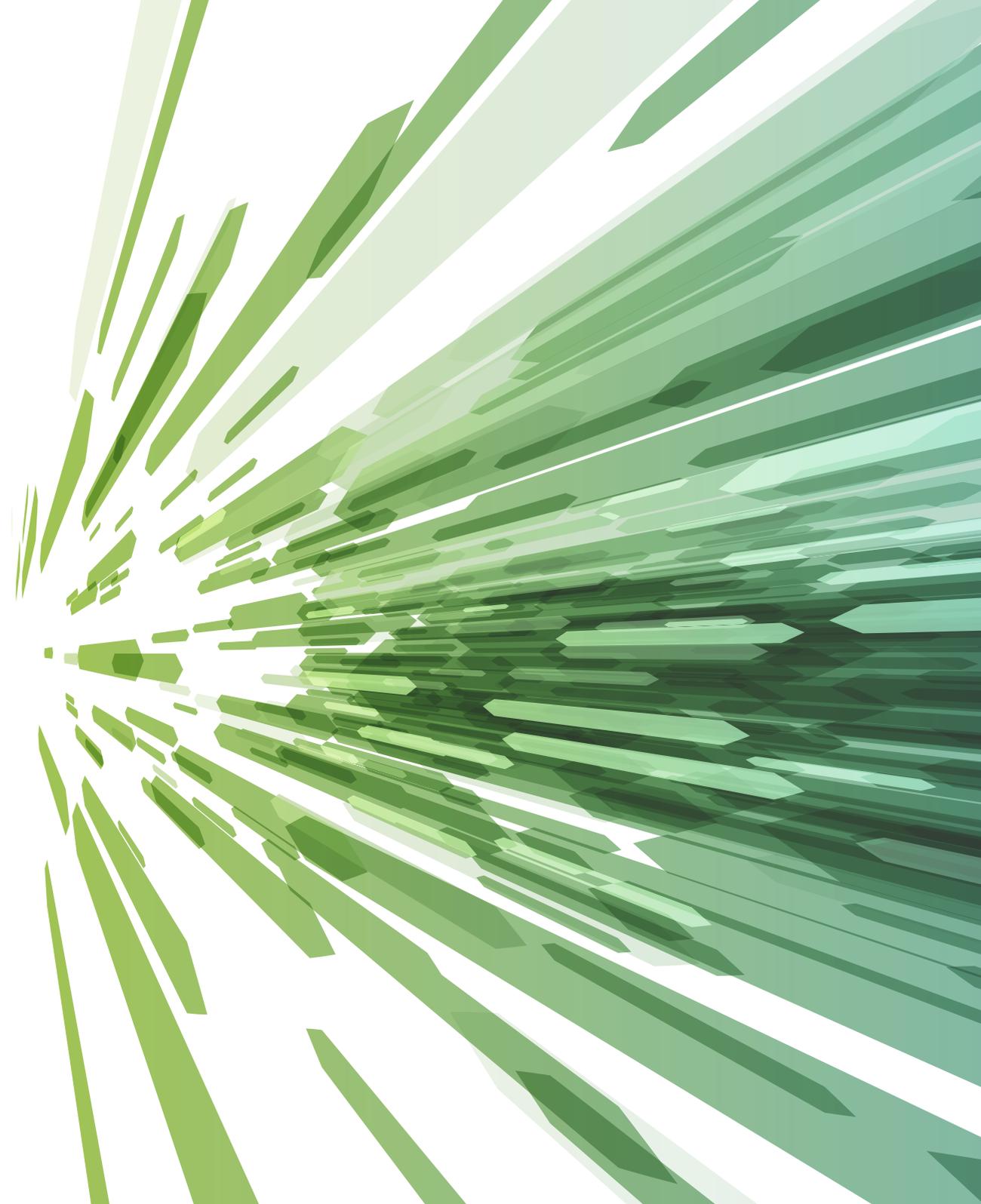


CORPORATE SUSTAINABILITY REPORT 2020



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The COVID-19 epidemic devastated the global economy in 2020. However, Cathay FHC still demonstrated strong operational resilience as we set new records in our business performance with total assets surpassing NT\$10 trillion and after-tax profit of NT\$76 billion. We were also selected as a constituent stock of the DJSI World Index for the third consecutive year, ranking third among global insurance companies and first in Taiwan. In the face of the uncertainties in the post-pandemic era, I encourage employees to bear in mind the mindset of "What if We Could," and consider more possibilities for responding to the risks and opportunities in our society, environment, and economy.

Cathay FHC is in line with international sustainability frameworks and incorporates sustainability into our core competencies through our three main engines of growth—insurance, banking, and asset management. We are committed to providing customers with coverage for their future lives and we also maximize the influence of investors by actively engaging with invested companies. We also prepared for impact investing in 2021 and incorporated it into Cathay FHC's responsible investment strategies. Cathay United Bank took the lead to voluntarily abide by the Principles for Responsible Banking (PRB) and was the first bank in Taiwan to obtain PRB compliance assurance and publish an implementation report in 2021 to integrate ESG with business and loan management mechanisms and strengthen risk control and management.

In an era of diverse sustainability issues and rapid development, Cathay FHC seeks to leverage the financial capabilities of its subsidiaries and established three strategic pillars related to sustainability: climate, health, and empowerment.

Climate

The world is in a state of emergency with respect to climate change. Cathay FHC complies with the TCFD framework to mitigate the impact of climate change and demonstrate our resolve for responding to climate change. Our Board of Directors monitors climate risks and they are included in the Company's risk management mechanisms to strengthen climate change resilience. Cathay FHC has organized a Climate Change Forum for four consecutive years to encourage invested companies to pay attention to climate change and take action. We also became the first financial institution in Taiwan to join the Climate Action 100+ initiative with the aim of encouraging companies to include climate risks in their business strategies and management. It is fortunate that in 2020, one of the companies Cathay FHC engaged with has committed itself to attaining carbon neutrality in its value chain before 2050.

Health

Amid increasing changes in the environment and rapid changes in population structure, Taiwan is set to become a super-aged society by 2025 and the years living with disability may increase. We pay close attention to people's physical and mental health and use our core competencies to improve their financial security. Cathay Life Insurance launched the Cathay Walker program to help our policyholders develop healthy habits. We promote the transition of insurance from claims payments to prevention through use-based insurance. We also actively promote the use of financial trust structures to provide financial security for the elderly. Cathay FHC provides small and medium enterprises, youths, and women with diverse products and services. Cathay Securities provides regular contribution investment plans that allow customers with limited assets and the young to begin investing in the stock market. We seek to improve access to financial services to create financial independence for Taiwan's citizens.

Empowerment

Through the process of digital transformation, Cathay FHC pays close attention to the career development and work experience of our employees. We use three capabilities for transformation and career planning to help employees with their transformation. Cathay FHC partnered with Hahow for Business to provide employees with a diverse range of online courses. We also provide "learning holidays" to encourage employees to learn on their own. In addition, Cathay FHC pays close attention to the innovation and challenges of the younger generation and helps them resolve social and environmental issues. Cathay FHC focuses on supporting education in remote rural areas and works with Teach for Taiwan to bring about change in the classroom. We integrate internal and external resources for the empowerment of second-generation immigrants. We also work with colleges and universities across Taiwan in industry-academia collaboration programs. Cathay FHC worked with National Taipei University to establish an ESG database for Taiwan and cultivated Taiwan's first professional ESG analysis team for individual stocks in 2020. We also signed a climate change and sustainable development program with National Taiwan University to provide interdisciplinary training and help the next generation develop resilience for meeting environmental and social challenges.

Cathay FHC will soon be celebrating its 60th anniversary. We will continue to embrace the concept of "What if We Could" and through ESG, strengthen our organizational resilience, create benefits for all stakeholders, firmly protect social stability, and continue to empower upward mobility.

Chairman 



ABOUT CATHAY

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Overview of Operations

Cathay FHC upholds its core values of “Integrity, Accountability, and Innovation”, adopts a customer-centric approach, and utilizes smart technologies and online to offline integration to provide customers with a full range of high-quality financial services, as it takes strides towards the vision of becoming a leading financial institution in the Asia-Pacific region. The three main growth engines—insurance, banking, and asset management—form our core development strategy for delivering greater value to shareholders. Cathay FHC once more achieved outstanding business performance in 2020 with consolidated after-tax profit of NT\$76 billion, which was a 19% increase from the previous year, and earnings per share of NT\$5.41.

Taiwan

• Established a total of **635** sales and service agencies.

Southeast Asia

• Cathay Life Insurance (Vietnam) Co., Ltd. currently operates **7** offices (headquarters and branch offices) and **119** sales and service agencies across China.

• CUB operates a total of **59** sales and service agencies, and has overseas offices in nine of the ten ASEAN member states, the highest number of offices in the ASEAN market out of all Taiwanese banks.

Greater China

• Cathay Lujiazui Life Insurance currently operates **12** offices (headquarters and branch offices) and **53** sales and service agencies across China.

• CUB currently operates a wholly-owned subsidiary in China, owning **7** sales and service agencies. Additionally, CUB has one branch in Hong Kong.

• Cathay Century Insurance (China) integrated the technologies and big data analytics capabilities of Ant Financial Services Group, and vigorously developed eCommerce-related financial services, which contributed substantial premium income growth.

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- Myanmar** ①
Cathay United Bank
- Laos** ②
Cathay United Bank
- Philippines** ③
Cathay United Bank
- Thailand** ④
Cathay United Bank
- Vietnam** ⑤
Cathay Life, Cathay Century Insurance,
Cathay United Bank
- Cambodia** ⑥
Cathay United Bank
- Malaysia** ⑦
Cathay United Bank
- Singapore** ⑧
Cathay United Bank
- Indonesia** ⑨
Cathay United Bank



Head Office
Taipei



Number of employees
57,350



Number of customers
14.46 million



After-tax profits
NT\$76.0 billion

- ⑩ **Liaoning**
Cathay Lujiazui Life Insurance
- ⑪ **Beijing**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China),
CDBS Cathay Asset Management Company
- ⑫ **Tianjin**
Cathay Lujiazui Life Insurance
- ⑬ **Shandong**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China),
Cathay United Bank
- ⑭ **Henan**
Cathay Lujiazui Life Insurance
- ⑮ **Jiangsu**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China)
- ⑯ **Sichuan**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China)
- ⑰ **Hubei**
Cathay Century Insurance (China)
- ⑱ **Shanghai**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China),
Cathay United Bank
- ⑲ **Zhejiang**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China)
- ⑳ **Fujian**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China)
- ㉑ **Xiamen**
Cathay Lujiazui Life Insurance
- ㉒ **Guangdong**
Cathay Lujiazui Life Insurance, Cathay Century Insurance (China)
- ㉓ **Hong Kong**
Cathay United Bank, Cathay Securities, Conning Asia Pacific Limited

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Financial performance in the last three years

| | 2018 | 2019 | 2020 |
|--|--------|--------|--------|
| Consolidated total assets (NT\$ billion) | 9,224 | 10,065 | 10,950 |
| Consolidated shareholder equity (NT\$ billion) | 529 | 782 | 905 |
| Consolidated after-tax profits (NT\$ billion) | 51.8 | 63.9 | 76.0 |
| Consolidated after-tax EPS (NT\$) | 3.95 | 4.76 | 5.41 |
| Consolidated return on equity (%) | 8.83 | 9.74 | 9.01 |
| Average revenue per employee (NT\$ thousand) | 8,828 | 10,011 | 10,984 |
| Average earnings per employee (NT\$ thousand) | 967 | 1,150 | 1,324 |
| Consolidated return on assets (%) | 0.77 | 0.86 | 0.85 |
| Outstanding shares (million) | 14,097 | 14,703 | 14,703 |
| Cash dividends per share (NT\$) | 1.5 | 2 | 2.5 |
| Stock dividends per share (NT\$) | 0.0 | 0.0 | 0.0 |
| Book value per share (NT\$) | 34.0 | 51.6 | 60.8 |
| Economic Value Retained (NT\$ billion) | 18.5 | 42.3 | 46.2 |

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

Cathay FHC and its subsidiaries all comply with laws and regulations in the sale of products and services. No products or services were prohibited from being sold in Taiwan in 2020.

| Business | Highlights | Profit Performance |
|---|--|-----------------------------|
| Cathay Life | | |
| Life insurance, accident insurance, health insurance, annuity insurance, and investment-linked insurance | Ranked first in the industry in terms of its market share in total premium income, first-year premium income, and first-year premium equivalent. | NT\$ 52.7 billion |
| Cathay United Bank | | |
| Wealth management, consumer banking, corporate banking, international finance, e-banking, trust services, investments, and sales of financial products | Second largest private-owned bank in Taiwan and the Taiwanese private-owned bank with the most locations in ASEAN countries | NT\$ 22.3 billion |
| Cathay Century | | |
| Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance | Ranked second in the industry in terms of premium income. | NT\$ 2.2 billion |
| Cathay Securities (Cathay Futures included) | | |
| Securities underwriting, proprietary / consigned trading of local and foreign securities, margin trading, securities lending, share administration, wealth management, and auxiliary futures services | Continues to lead the market in sub-brokerage business. | NT\$ 1.5 billion |
| Cathay SITE | | |
| Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts | Largest securities investment trust company in Taiwan | NT\$ 0.9 billion |
| Cathay Venture | | |
| Investing in unlisted companies with growth potential and assisting in the development of those companies to maximize return on investment | Third largest FHC venture capital in terms of capital | NT\$ 0.4 billion |

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Tax Management

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

Cathay FHC's tax governance is based on the principles of good faith and integrity, and the Tax Governance Policy and Code of Conduct are as follows:

Compliance

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

Risk management

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

Economic substance

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

Information transparency

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

Integrity and communication

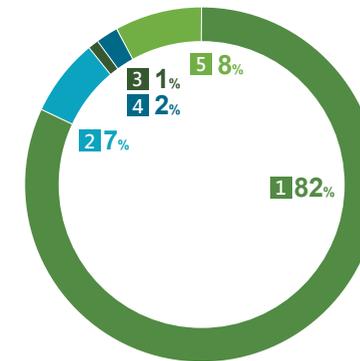
We will foster a mutually trustworthy and honest relationship with tax authorities in each jurisdictions where we operate. Where possible, we will provide practical industry views and market insights to improve the tax environment and tax system.

Talent Cultivation

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

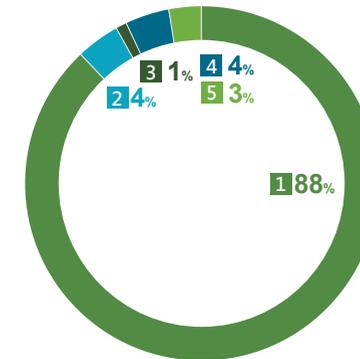
Cathay FHC paid a total of NT\$13.2 billion in taxes worldwide in 2020; major tax categories included corporate income tax, undistributed profits tax, business tax, and house and land tax. The amount of taxes paid in Taiwan account for 82% of taxes paid worldwide due to the fact that Taiwan is our main country of operation.

Breakdown of taxes paid worldwide in 2019-2020 by country



Taxes in 2020 Paid NT\$13.2 billion

| | | | |
|-------------------|-----|-----------|----|
| 1 Taiwan | 82% | 2 China | 7% |
| 3 United Kingdom | 1% | 4 Vietnam | 2% |
| 5 Other countries | 8% | | |



Taxes in 2019 Paid NT\$11.4 billion

| | | | |
|-------------------|-----|-----------|----|
| 1 Taiwan | 88% | 2 China | 4% |
| 3 United Kingdom | 1% | 4 Vietnam | 4% |
| 5 Other countries | 3% | | |

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Sustainability Awards and Recognition

| | |
|---|---|
| <p>DJSI</p> <p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p> <p>Selected as a constituent stock of the DJSI Emerging Markets Index for six consecutive years, and selected as a constituent stock of the DJSI World Index for three consecutive years.</p> | <p>MSCI ESG Ratings</p> <p>MSCI</p> <p>Rated in AA Level.</p> |
| <p>Bloomberg Gender-Equality Index</p>  <p>Included in Bloomberg Gender-Equality Index (GEI) for the first time.</p> | <p>FTSE4Good</p>  <p>Selected as a constituent stock of the FTSE4Good Emerging Index for six consecutive years.</p> |
| <p>CDP</p>  <p>Rated in the management Level B</p> | <p>FTSE4Good TIP Taiwan ESG Index</p>  <p>Selected as a constituent stock of the FTSE4Good TIP Taiwan ESG Index for four consecutive years</p> |
| <p>Corporate Governance Evaluation</p>  <p>Ranked in 6-20% in the 7th Corporate Governance Evaluation in 2020.</p> | <p>Common Wealth Magazine Excellence in Corporate Social Responsibility</p>  <p>Received the fourth prize in the Excellence in Corporate Social Responsibility from CommonWealth Magazine.</p> |
| <p>Taiwan Corporate Sustainability Awards</p>  <p>Received the "Top Ten Sustainable Companies Award - Services" and "Corporate Sustainability Report Platinum Award" in the "2020 Taiwan Corporate Sustainability Awards" as well as 10 sustainability performance awards including the "Gender Equality Award", "Information Security Award", "Talent Development Award", "Social Inclusion Award", and "Growth through Innovation Award."</p> | <p>Global Views Monthly Corporate Social Responsibility & Social Enterprise Awards</p>  <p>Won the First Prize in the "CSR Annual Survey - Finance and Insurance Category Division" and the Exemplary Award in the "Environmental Considerations Division" for two consecutive years.</p> |

Sustainability Performance and Breakthroughs

- Sustainable Finance**

 - Cathay is the only financial institution participating in the Climate Action 100+ initiative.
 - CUB became the first bank in Taiwan to publish the United Nations Principles for Responsible Banking (PRB) implementation report and obtain assurance in 2021.
 - Cathay Securities worked with National Taipei University to create a unique sell-side responsible investment product on the international market.
- Climate**

 - Cathay Life was the first insurance company to obtain the carbon reduction label; Cathay Century established the first product category rules (PCR) in the property insurance industry.
 - The job performance of the President of Cathay FHC is linked to the results of carbon reduction, thereby increasing the importance of carbon reduction to everyone in the whole organization.
 - "Reduce carbon emissions by 5% from 2017 to 2021" was achieved ahead of schedule, science based targets (SBT) are currently being discussed for mid- to long-term development strategies.
- Health**

 - The total number of steps on Cathay Life's Cathay Walker was approximately 391.25 billion steps.
 - Debits for systematic investment plans of Cathay Securities totaled NT\$5.334 billion, with the accounts of over 90,000 people debited and market share reaching 36%.
 - The CUB Financial Service Station is the first of its kind in the banking industry, and extends service hours to 9:00 PM, significantly improving the accessibility and convenience of financial services for consumers.
- Empowerment**

 - Received prestigious awards in the field of human resource management in Asia for three consecutive years.
 - Cathay Life and CUB held the highest number of new and total CFP® certificates in the financial industry in Taiwan.
 - Cathay selected 88 groups in Youth Excellence Scholarship with NT\$7.37 million were awarded in scholarships to support gifted talents and youth involved in social and environmental issues.
- Sustainable Operation Management**

 - Received again the highest rating (Outstanding) in the CG6012(2019) Corporate Governance System Assessment.
 - Included ESG risks in the risk management policy and established ESG Risk Management Guidelines.
 - Cathay Life and CUB once again won the Excellence Award in the Treating Customers Fairly Evaluation; Cathay Century and Cathay Futures received the highest recognition of "Excellent."
 - The first financial institution in Taiwan to organize an annual conference on technology.

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SUSTAINABILITY GOVERNANCE AND STRATEGIES

Cathay FHC has established well-rounded management mechanisms and communication channels through the Cathay CS Committee, in order to address the complex and rapidly changing social and environmental challenges. Cathay FHC implemented the following action plans under the four focus areas of sustainability, which are based on areas where we can contribute our core competencies in finance after considering the 17 Sustainable Development Goals (SDGs) of the United Nations.

Cathay incorporated ESG factors into the three main engines of growth and released the first integrated ESG report in Taiwan to effectively respond to environmental and social challenges, explain the integrated ESG management procedures, and improve the transparency of information disclosure. Cathay established the three focus areas of "Climate, Health, and Empowerment" for the development of the sustainability strategy in 2020. We focused on the development of diverse financial services of subsidiaries and implemented key action plans. We also implemented "sustainable financial brand research" to see the connections between sustainable actions and the financial brand in order to intensify sustainability strategy management.

1.1 Corporate Sustainability Committee

1.2 Sustainability Strategy and Fulfillment of SDGs

1.3 CS Issue Materiality Analysis and Stakeholder Engagement



Ranked third in the world and first in Taiwan in terms of the overall score among insurance companies in DJSI

Selected as a constituent stock of the DJSI World Index for three consecutive years. Cathay was ranked third in the world and first in Taiwan in terms of the overall score among insurance companies in DJSI.



Established the three focus areas of "Climate, Health, and Empowerment" for the development of Cathay's sustainability strategy

Reviewed Cathay's four focus areas for sustainability and established the three focus areas of "Climate, Health, and Empowerment" for the development of Cathay's sustainability strategy in the resolution of the Cathay CS Committee.



Established Corporate Sustainability Office

Established the "Corporate Sustainability Office" under the management of the President to promote the Group's sustainability strategies. Cathay became the first financial institution to set up a department-level unit for sustainability.



Prepared the first ESG Integration Report in Taiwan

Prepared the first ESG Integration Report in Taiwan, which explained Cathay's incorporation of ESG factors in the management mechanisms and procedures of daily operations. It was published in 2021.

1.1 CORPORATE SUSTAINABILITY COMMITTEE

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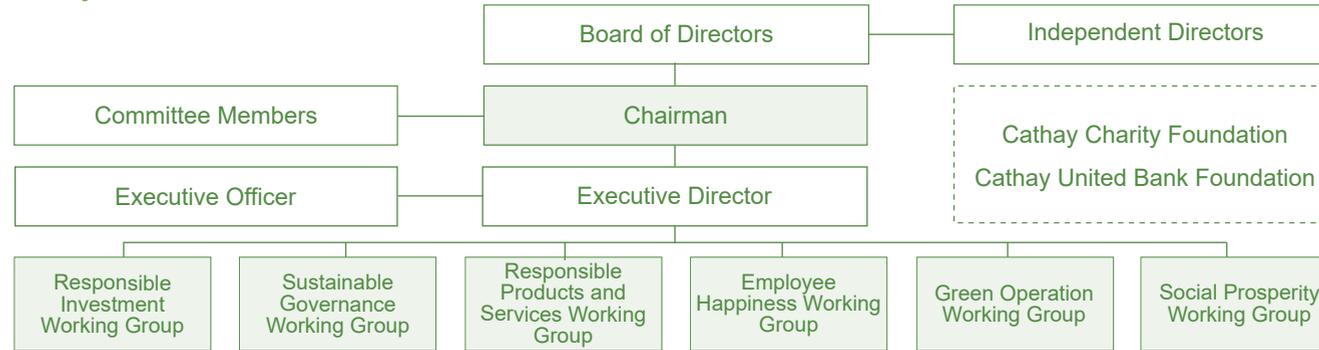
5. Empowerment

6. Sustainable Operation Management

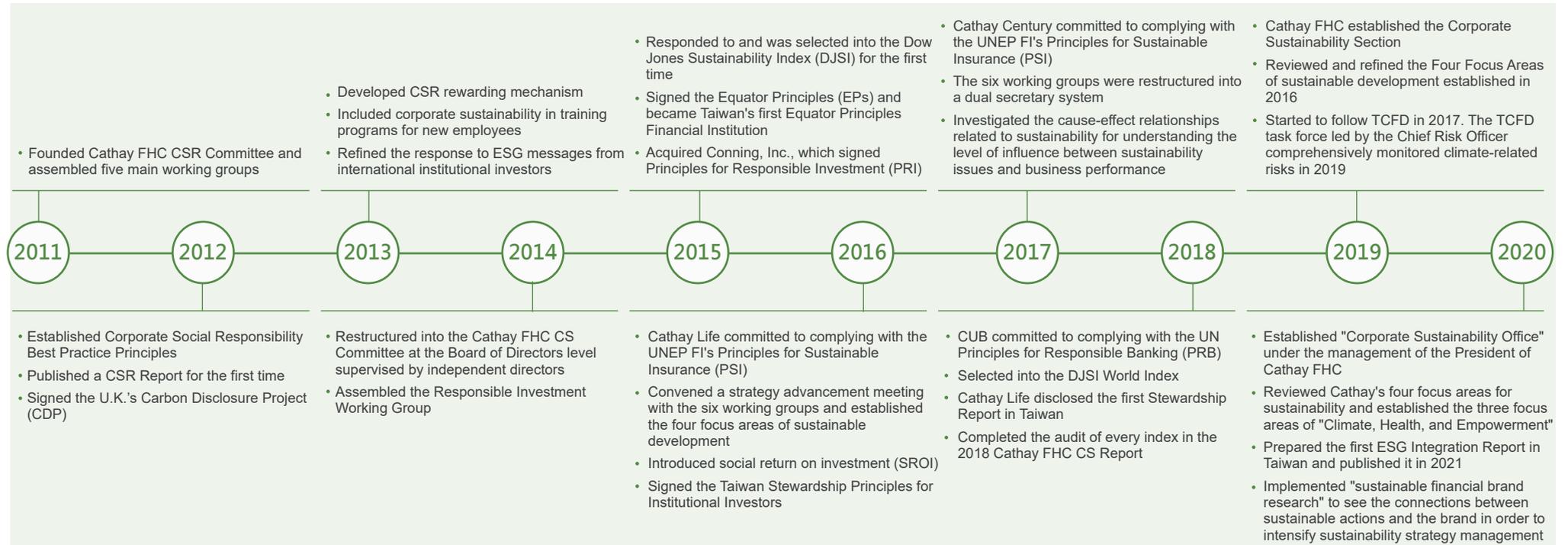
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Cathay FHC's CS Committee is subordinate to the Board of Directors and is the core unit for promoting corporate sustainability. The CS Committee is supervised by independent directors, and chaired by the President of Cathay FHC. The committee comprises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

Cathay FHC CS Committee



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



Cathay's Declaration of Sustainability Values

Cathay's [Declaration of Sustainability Values](#) declares that 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's Declaration of Sustainability Values

1.2 SUSTAINABILITY STRATEGY AND FULFILLMENT OF SDGS

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Cathay aims to be the leading financial institution in the Asia-Pacific region. In terms of the three main engines of growth — insurance, bank, and asset management, we incorporated ESG into the decision-making process and made good use of fund usage and risk management capabilities to implement sustainable finance.

Based on the development of diverse financial services of subsidiaries, we focused on the three focus areas of "Climate, Health, and Empowerment" for our long-term strategies to effectively respond to environmental and social challenges.



| Sustainability Strategy Development Focus Area | Climate | Health | Empowerment |
|---|---|--|---|
| Sustainability Strategy Development Focus Dimension | Low-Carbon Economy Incorporate climate change and ESG-related risks and opportunities into the investment, loans, products, insurance, and services of the core business and create environmental influence through initiatives and engagement. | Health Promotion Increase citizens' awareness of the importance of physical and mental health and focus on ex-ante prevention and coverage with insurance products and services to enhance the awareness of accidents and risks. | Workplace Empowerment Focus on employee experience and investment and use professional competencies and work and life balance to create an innovative and passionate workplace environment. |
| | Sustainable Environment Incorporate green business management into daily management and promote low-carbon and environmentally friendly services. | Financial Health Help the younger generation, elderly, and women engage in financial actions to create financial independence. Use financial education, products, and services to help small and medium enterprises, social enterprises, and disadvantaged groups implement financial inclusion. | Youth Empowerment Train children and youths to adopt innovation and embrace challenges and support their aims for real-life work and resolving social and environmental issues. |
| SDGs | | | |

SDGs that Cathay is focused on

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



Identify key impacts

We reviewed Cathay's ESG four focus areas (Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion) at the end of 2019, and interviewed 12 senior executives to identify key risks and opportunities by analyzing international trends and major issues in Taiwan.



Focus on core development

In 2020, after multiple inter-company and cross-departmental meetings, Cathay established three focus areas of sustainability strategy development: "Climate, Health, and Empowerment", assessing the risks and opportunities derived from its core business activities to the SDGs, and focused on implementing 9 SDGs in daily operations under the three focus areas.



Set up sustainability goals

Cathay has set short-term and long-term goals for sustainability issues, establishing the foundation for sustainable management. We strengthen sustainable management through periodic assessments of implementation effectiveness, which creates benefits and long-term value for stakeholders. Please refer to [Cathay FHC's official website](#) for details on Cathay's SDG contribution in 2020.

1.3 CS ISSUE MATERIALITY ANALYSIS AND STAKEHOLDER ENGAGEMENT

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Stakeholder Engagement

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

Cathay FHC's stakeholder communication channels, engagement frequency, engagement feedback mechanisms, and 2020 communication results are disclosed on the official website of Cathay FHC.



Stakeholder Engagement

Cathay FHC's nine major stakeholders

| | | |
|--|---|--|
|  Government |  Investors |  Employees |
|  Customers |  Suppliers |  Association |
|  Media |  Communities |  Youth |

CS Issue Materiality Analysis

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

Steps



Cathay FHC 2020 Material Issue Matrix

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Changes made to material issues in 2020

- In accordance with the contents of relevant issues, “responsible investment and lending” and “green finance” were renamed “ESG investment policy and management” and “ESG products and services” respectively.
- Compared with 2019, we have considered the development of relevant issues in Taiwan and a new focus on health in Cathay’s sustainability strategies; therefore, we incorporated “loss control” were into “diverse protection,” and added “healthy society” and “financial planning.” “Inclusive finance” and “digital finance” were renamed “financial inclusion” and “financial innovation” respectively.
- Compared with 2019, “compliance” was renamed “ethics and compliance”, while “data privacy” was added to the issues to highlight the importance of customer privacy and data security management; “occupational health and safety” and “climate initiatives” were moved to material issues.



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2020 Material Issue Boundaries and Response to the GRI

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

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

● Direct impacts

○ Impacts resulting from business relationships

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Cathay's Corporate Sustainability Vision Goals

| Material Issues | Key Performance Indicators | Short-term (2021) | Long-term(2025) |
|----------------------------------|---|--|--|
| Corporate Governance | Improve the composition, operations, and supervision function of the Board of Directors | <ul style="list-style-type: none"> Strengthen the Board's supervision of the Company's intellectual property management system. Maintain results of internal Board performance evaluations "above standard." | <ul style="list-style-type: none"> Increase the diversity of the 8th Board of Directors; the number of independent directors may not be less than one third of the total number of directors. Complete the second external Board Performance Evaluation. |
| | Participate in an external Corporate Governance Evaluation | <ul style="list-style-type: none"> Continue to participate in evaluation/assessment and refer to the results to strengthen corporate governance mechanisms and operations. | <ul style="list-style-type: none"> Actively participate in corporate governance evaluation indicators of professional domestic and foreign institutions, so as to deeply embed the culture of corporate governance. |
| Risk Management | Improve the Group's risk management system and control mechanisms | <ul style="list-style-type: none"> Integrate group data and implement the market risk value system upgrade project to improve risk management capability. Optimize the investment risk mechanisms for subsidiaries and long-term equity investments and improve the risk management of overseas subsidiaries. | <ul style="list-style-type: none"> Continue to improve quantified risk assessment methods for early analysis of potential risks and changes in risk trends, and establish corresponding response plans to effectively respond to the impact of risks. Integrate the group's risk management framework to ensure the group's strategy is aligned. |
| | Improve business continuity management | <ul style="list-style-type: none"> Create Business Continuity Plans for different risk scenarios. Periodically plan drills for different scenarios to test the effectiveness and completeness of the Business Continuity Plan. | <ul style="list-style-type: none"> Obtain ISO 22301 Business Continuity Management certification. Execute business impact analysis and risk assessments to monitor the effectiveness of the Business Continuity Plan. |
| | Strengthen climate risk management mechanisms | <ul style="list-style-type: none"> Improve climate scenario analysis and pressure test : 1. Disclose the results of the analysis of group securities scenarios. 2. Disclose the results of the analysis of claims for property and casualty in typhoon insurance for and death claims for life insurance. Optimize ERM climate risk management mechanisms: introduce climate risk factors into the country risk limit. | <ul style="list-style-type: none"> Match the physical risks in the scenarios of IPCC Sixth Assessment Report (AR6) and improve the climate risk assessment tools. |
| Information Security | Organize information security training and e-mail social engineering drills | <ul style="list-style-type: none"> The Group's training completion rate reaches 100% and we complete social engineering rehearsals for emails. | <ul style="list-style-type: none"> The Group's training completion rate remains 100% and we will complete social engineering rehearsals for emails. |
| | Establish FHC-level information security incident emergency response team | <ul style="list-style-type: none"> Organize regular drills. | <ul style="list-style-type: none"> Organize regular drills. |
| | Implement computer information security assessment | <ul style="list-style-type: none"> Complete assessment. | <ul style="list-style-type: none"> Complete assessment. |
| | Security Operation Center (SOC) service | <ul style="list-style-type: none"> Cathay FHC and domestic and foreign subsidiaries introduce SOC mechanisms. | <ul style="list-style-type: none"> Cathay FHC and domestic and foreign subsidiaries continue to use SOC mechanisms to monitor information security risks. |
| Ethics and Compliance | Build a sound group-level compliance governance and performance management based on risk-based approach | <ul style="list-style-type: none"> Improve Cathay FHC's front line compliance enforcement results. Improve the compliance digital management system. | <ul style="list-style-type: none"> Deeply embed the compliance culture, such as, developing a sound compliance governance based on risk-based approach; developing an ecosystem for internal control digital management and information sharing, etc. |
| | Build a sound group-level AML/CFT compliance governance and performance management based on risk-based approach | <ul style="list-style-type: none"> Strengthen the application of digital technologies in the group's AML/CFT management. Number of subsidiaries that exceeded the Group's ML/TF risk appetite: 0. | <ul style="list-style-type: none"> Sound the Group-level AML/CFT risk management and improve its performance based on risk-based approach, including Utilizing the use of digital technology, etc. |
| | Cultivate and enrich the group's compliance talent and internationalization | <ul style="list-style-type: none"> Cultivate comprehensive compliance and (AML/CFT) talent by training projects. | <ul style="list-style-type: none"> Enrich AI talent pool of compliance (and AML/CFT). |
| Data and Privacy | Completion rate of the "personal information protection training" | <ul style="list-style-type: none"> 100% | <ul style="list-style-type: none"> 100% |
| | Implement "personal information infringement exercise" at regular intervals (once every two years) | <ul style="list-style-type: none"> Organized as scheduled. | <ul style="list-style-type: none"> Organized as scheduled. |
| | Introduction and set up of exclusive C-Mail for the Group Ensure that email data are not stored on local devices and enhance personal data monitoring | <ul style="list-style-type: none"> Setup completed for Cathay Life and Cathay Century. | <ul style="list-style-type: none"> Setup for Cathay FHC and its subsidiaries will be completed based on project plans. |
| Customer Relationship Management | Overall customer relationship management of Cathay Life | <ul style="list-style-type: none"> R-NPS reaches 20 points. | <ul style="list-style-type: none"> R-NPS maintained at 20 points. |
| | Overall customer relationship management of CUB | <ul style="list-style-type: none"> NPS improves compared with the previous period, or ratio of 0-6 detractors decreases. | <ul style="list-style-type: none"> NPS improves compared with the previous period, or ratio of 0-6 detractors decreases. |
| | Overall customer relationship management of Cathay Century | <ul style="list-style-type: none"> R-NPS improves compared with the previous period. | <ul style="list-style-type: none"> R-NPS improves compared with the previous period. |
| | Overall customer relationship management of Cathay Securities | <ul style="list-style-type: none"> Set up the voice chat version of Alpha and digital operation center customer visualization. Establish R-NPS. | <ul style="list-style-type: none"> NPS at each business node reaches 60 points or above. |
| | Overall customer relationship management of Cathay SITE | <ul style="list-style-type: none"> Keep the NPS score higher than the average score of the top five competitors. Improve online question and answer service performance. | <ul style="list-style-type: none"> Keep the NPS score higher than the average score of the top five competitors. Improve online question and answer service performance. |

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| Material Issues | Key Performance Indicators | Short-term (2021) | Long-term(2025) |
|--------------------------------|---|---|---|
| Diverse Protection | Number of new products offered for the elderly | <ul style="list-style-type: none"> Offer 5 products, including protection, investment-linked, or convertible types, annually. Provide more than 5 elderly-friendly exclusive services. | <ul style="list-style-type: none"> Develop 10 protection-oriented or investment-linked insurance products every year that meet the needs of senior citizens. Provide integrated services by combining different resources from diverse industries and Cathay FHC, in order to expand the scope of services while working with other external groups to organize charity events. |
| | Number of new health promoted insurance products | <ul style="list-style-type: none"> Offer 1-2 health promoted insurance products and expand the function of prevention of insurance. | <ul style="list-style-type: none"> Continue to develop insurance products with spillover effect and increase items of the health-promoting mechanism, and extend the breadth and depth of health-promoting services by utilizing resources from Cathay as well as other industries, thereby cultivating the concepts of health management and health promotion in the general public and building an ecosystem of health. |
| | Shaping Cathay's risk awareness | <ul style="list-style-type: none"> Hold 1 loss control seminars to strengthen the risk awareness of companies. | <ul style="list-style-type: none"> Reinforce loss control concepts or risk management on natural disasters or major human-instigated disasters suffered by Cathay FHC or corporate customers. In addition to the current loss control seminars, Cathay also holds 8 corporate loss control workshops every year. |
| | Promotion of safety risk prevention | <ul style="list-style-type: none"> Organize 50 accident-free loss control events. Work with regional campus teams and student insurance service teams of Cathay Life to continue to increase traffic safety awareness. | <ul style="list-style-type: none"> Organize 60 accident-free loss control events; continue to expand the concept of ex-ante prevention to all age groups, from campus safety among students to home fire safety among the general public, in order to realize the vision of "comprehensive identification of risks for all ages." |
| Talent Development | Online learning hours | <ul style="list-style-type: none"> Employee online learning reaches 1,200,000 hours. | <ul style="list-style-type: none"> Employee online learning reaches 1,250,000 hours. |
| Attracting Talents | Employees engagement survey | <ul style="list-style-type: none"> Satisfaction reaches 4 points and above (5 points in total). Response rate reaches 70% and above. Continue to conduct employee experience surveys. | <ul style="list-style-type: none"> Satisfaction reaches 4 points and above (5 points in total). Response rate reaches 70% and above. Continue to conduct employee experience surveys and implement at least 2 experience improvement measures each year. |
| | Key talent retention | <ul style="list-style-type: none"> Retention rate reaches 90% and above. | |
| | Compensation | <ul style="list-style-type: none"> Selected into the Taiwan High Compensation 100 Index. | <ul style="list-style-type: none"> Continue to be selected into the Taiwan High Compensation 100 Index. |
| Occupational Health and Safety | Employee mental health survey | <ul style="list-style-type: none"> Response rate reaches 70% and above. | |
| | Occupational safety management | <ul style="list-style-type: none"> Maintain ISO 45001 Occupational Health and Safety Management System certification. | |
| ESG Products and Services | <ul style="list-style-type: none"> Installed capacity of the solar power plants financed by CUB Installed capacity of the offshore wind farms financed by CUB | <ul style="list-style-type: none"> Continue to develop solar power projects including financing strategies for floating and combined fish farming and solar power projects. The cumulative installed capacity of renewable energy project financing (including solar power and onshore and offshore wind farms) to reach 1,800MW by the end of 2021. Serve as the finance consultant for Taiwan offshore wind farm projects and actively support policies through different roles and methods to contribute to environmental protection and sustainable development in Taiwan. | <ul style="list-style-type: none"> 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. 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 exceed 2,000MW (2GW) by the end of 2025. |
| | Loan balance of renewable energy as a proportion of loan balance of electricity generation industries | <ul style="list-style-type: none"> Increase the loan balance to 85% by 2025. | |
| Climate Initiatives | Respond to international framework and commit to the science-based targets initiative (SBTi) | <ul style="list-style-type: none"> Compared to 2016, reduce carbon emissions by 5% (ideally 10%) in 2021. | <ul style="list-style-type: none"> After the SBT standards for the financial industry are announced, we will assess the viability of committing to the SBTi, and continue to reduce carbon emissions in accordance with the targets set by the Paris Agreement. |
| | Hold climate engagement activities | <ul style="list-style-type: none"> Hold an engagement activity according to engagement strategies. | <ul style="list-style-type: none"> Promote Taiwan's low-carbon transformation by continuing to introduce latest international trends to Taiwan and engage with investee enterprises, governments and other important stakeholders. |
| | Participate in global climate engagement initiatives and engage investees directly. | <ul style="list-style-type: none"> Engage directly according to engagement strategies. Continue to participate in CDP Non-Disclosure Campaign and engage at least 30 investees as a lead investor. Continue to participate in Climate Action 100+. | <ul style="list-style-type: none"> Make necessary adjustments to engagement strategies and methods, in accordance with SBT evaluations and Scope 3 carbon reduction programs. |

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2 SUSTAINABLE FINANCE

The Bank for International Settlements (BIS) published a report in 2020, which emphasized that climate change may lead to irreversible and catastrophic losses for the global economy and may create a "green swan" effect that would cause a systematic crisis in the global financial system. What differs a "green swan" from a "black swan" is that a "green swan" incident will assuredly happen and there may be ways to mitigate its impact. The financial industry plays a crucial role in promoting sustainability in response to this crisis. The European Union has launched a series of sustainable finance regulations in recent years to ensure that Europe will become the first continent to achieve carbon neutrality. Countries across the world including Taiwan are also actively promoting related policies and accelerating the development of sustainable finance.

The pandemic sparked discussions in the international community regarding the fairness and resilience of current social and economic institutions. The financial industry serves as a bridge between society and industry and we must consider how to create better institutions and services, thereby attaining sustainable development for companies and society, and maximize the interests of society and shareholders.



2.1 Cathay's Responsible Investment and Lending Structure

2.2 Responsible Investment

2.3 Responsible Lending

2.4 Responsible Banking

2.5 Sustainable Insurance



A company we engaged in Climate Action 100+ has committed to zero net carbon emissions by 2050.

Cathay is the only Taiwanese financial institution participating in the Climate Action 100+ initiative. One of the companies we engaged has committed itself to attaining net zero before 2050.



Cathay United Bank became the first bank in Taiwan to obtain PRB external assurance.

Cathay United Bank became the first bank in Taiwan to obtain compliance assurance with the United Nations Principles for Responsible Banking (PRB) in February 2021 and published the PRB implementation report.



Multiple records created by Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF

Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF issued by Cathay SITE set records in the Taiwan stock market, such as the highest value attained after the IPO and fastest growth to NT\$10 billion.



Cathay Securities ESG research reports for individual stocks

Cathay Securities worked with National Taipei University and adopted a rigorous and internationally-recognized academic approach for creating a unique sell-side responsible investment product on the international market.

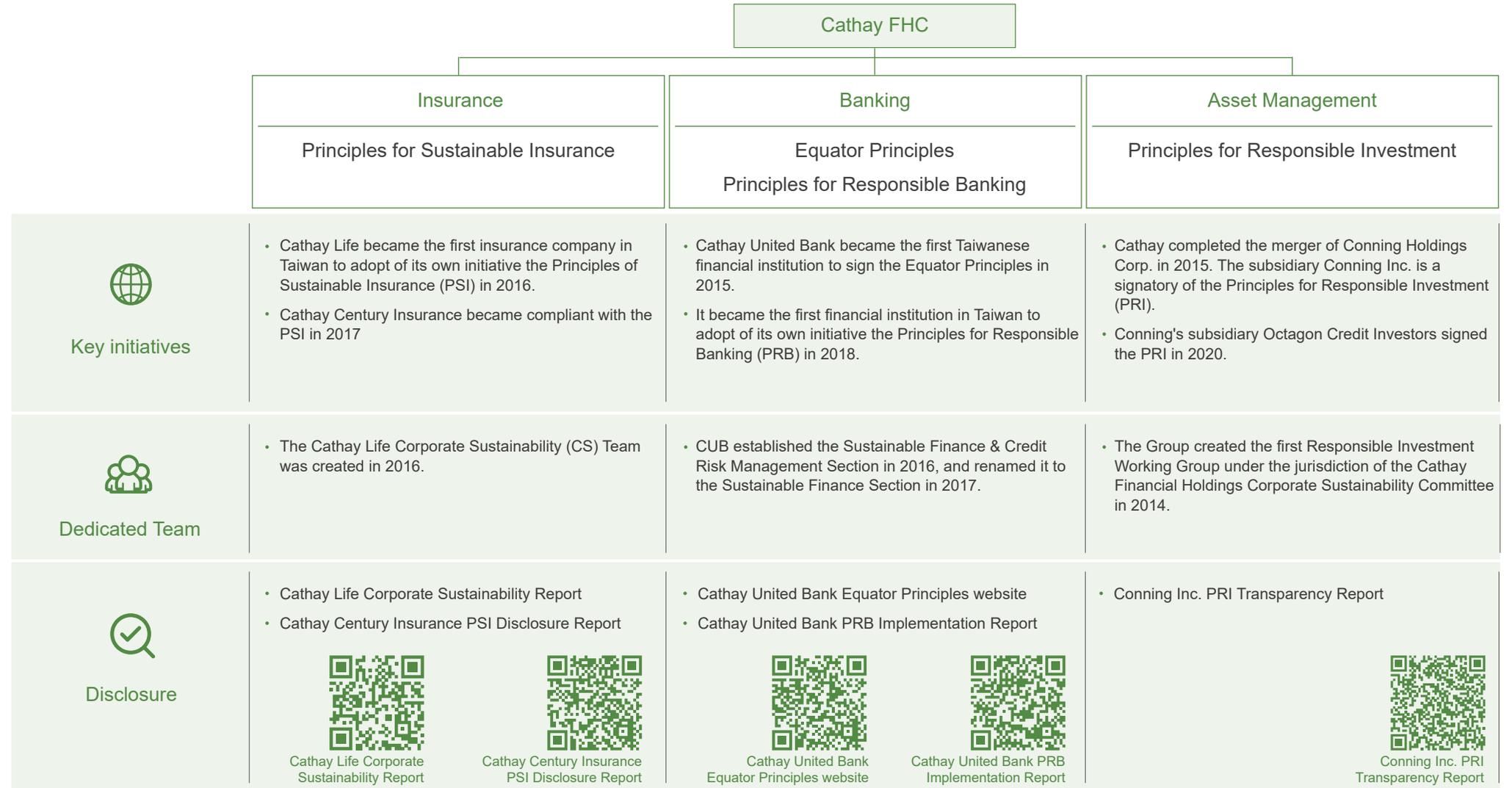
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Leader in Sustainable Finance

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



2.1 CATHAY'S RESPONSIBLE INVESTMENT AND LENDING STRUCTURE

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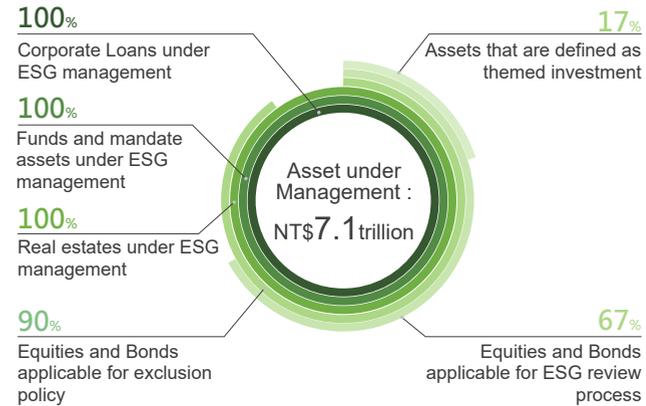
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Responsible Investment and Lending Scope Includes all Asset Class

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

Responsible Investment and Lending Percentage

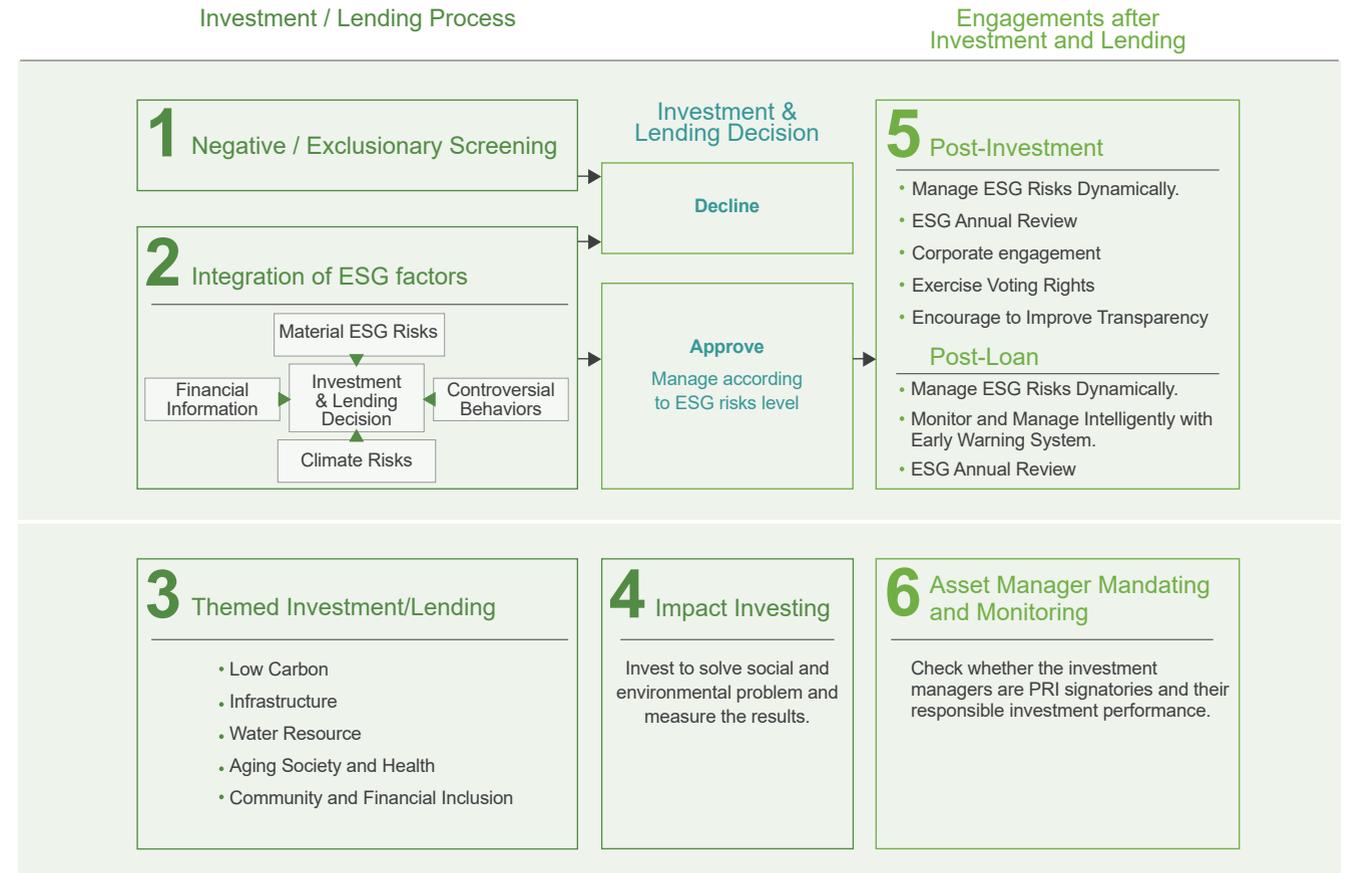


| Management Policy | Asset Category | Applicable Percentage |
|--|--|-----------------------|
| Responsible Investment and Lending Policy | Securities (including proprietary and mandate) | 100 % |
| Responsible Property Investment and Management Policy | Real estate | |
| Principles Governing Corporate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

Cathay's Responsible Investment and Lending Management Structure

Cathay believes that responsible investment and lending must incorporate ESG into the existing investment and lending procedures in order to protect long-term interests. Therefore, we have implemented exclusion screening, and more crucial, integrated ESG factors into comprehensive investment decisions in daily operations. We also managed businesses based on the risk level, and actively implemented post-investment/post-loan management after the investment and lending to reduce risks and create social benefits. With regard to equity investments, Cathay has implemented themed investing/lending and impact investing management to maximize the financial influence and promote sustainable development. In addition to proprietary assets, Cathay also incorporated mandate assets into the scope of responsible investment management.

Cathay FHC Investment and Lending ESG Integration Procedures



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Establish a Leading Responsible / Lending Team in Taiwan

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

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

Responsible Investment/Lending Team



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

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

Delivering ESG Training to Strengthen Capability of ESG Risks Management

Cathay is active in its exchanges with external industrial, governmental and academic institutions and invited foreign experts to Taiwan for ESG analysis education and training. In addition, we also provided training materials for EPs project financing management regulations and ESG Regulations for Corporate Loans, which are updated on a non-periodic basis. In 2020, a total of 695 employees from Cathay FHC, Cathay Life, CUB, Cathay SITE, and Cathay Century participated in Cathay's courses as well as external conferences; the average training hours per participant was 0.94 hours.



2.2 RESPONSIBLE INVESTMENT

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

Investment and Lending Exclusion Policy of the Group

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



ESG Integration under Investment Management Mechanisms

Cathay incorporated ESG factors into existing investment procedures to manage the ESG risks. Cathay Life created the first ESG risk review procedures in Taiwan and established a watchlist of investment targets with potential ESG risks (e.g., low ESG ratings or sensitive industries). All new and existing investment targets must undergo review. Investment teams in Cathay Life have to include ESG assessment in their stock research reports. 833 reports have been done in 2020. Cathay SITE established the ESG research information system and regularly provides ESG investment portfolio analysis reports to help the investment team integrate ESG into investment procedures. Cathay United Bank established ESG risk review regulations for financial transactions and investment and incorporated ESG risks into the investment evaluation process.

Climate change has become one of the most important ESG issues. In order to understand the impact of climate change on equity investment, Cathay incorporated climate factors into the investment decision making process and took the lead in incorporating a backward-looking quantified approach and a forward-looking scenario simulation approach to manage the climate change risks and opportunities.

← backward looking

- Use the methodology recommended by TCFD to review the carbon footprint of the investment portfolio.
- Use the PCAF methodology to review the carbon footprint of the investment portfolio.
- Analyze the climate risk level and risk exposure of industries in investment portfolio.

→ forward looking

- Review the Climate VaR (Climate Value-at-Risks) of the investment portfolio.
- Review the warming potential of the investment portfolio.

Focus Industries/Business Behaviors

| | | |
|---|---|---|
| Cathay Life Sensitive industries | <ul style="list-style-type: none"> • Controversial weapons • Pornography • Coal-fired power generation | <ul style="list-style-type: none"> • Coal mining • Palm oil • Gambling • Logging |
| CUB Exclusion list | <ul style="list-style-type: none"> • Controversial weapons • Human rights violations • Pornography • Mining • Coal-fired/nuclear power generation • Coal-related industries | <ul style="list-style-type: none"> • Upstream mining of oil and natural gas • Tobacco • Gambling • Logging in tropical rain forests • Gillnet production and gillnetting |
| Cathay Century Sensitive industries | <ul style="list-style-type: none"> • Tobacco • Gambling • Logging in tropical rain forests | <ul style="list-style-type: none"> • Pornography • Nuclear proliferation and biochemical weapons |
| Cathay SITE Domestic exclusion list | <ul style="list-style-type: none"> • Gambling • Arms trade • Tobacco, alcohol, and drugs • Human rights violations | <ul style="list-style-type: none"> • Violation of labor regulations • Child labor • Pornography |

ESG Integration under Investment Management



Took the lead in incorporating a backward-looking quantified approach and a forward-looking scenario simulation approach to manage the climate change risks and opportunities.

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2020 Investment Target ESG Risk Review Results

Starting from 2020, Cathay Life has reviewed all listed equity and fixed income (non-corporate bonds & corporate bonds) and identified 240 cases in the escalation process with potential risks.

Themed Investing

Cathay defined five types of themed investments to enhance investments in sustainable investment targets, make full use of core competencies, and invest in a sustainable future. Please refer to [Appendix Table 1](#) for detailed information.

Themed Investing

| (NT\$ billion) | | | |
|----------------|-------|---------------------------------|-------|
| Low Carbon | 174.8 | Aging Society and Health | 401.4 |
| Water Resource | 7.2 | Community and Inclusive Finance | 7.8 |
| Infrastructure | 662.3 | | |

Impact Investing

In 2021, Cathay Life invested US\$5 million for solutions for social inclusion and education, environmental resource requirements, and medical and quality of life issues.

International Initiatives and Engagements

One of the key spirits of responsible investment is to engage investees and encourage them to pursue profit and growth with social and environmental sustainability. Cathay is an active participant in investor engagement actions with the aim of setting a benchmark for peers in Taiwan. Cathay has participated in multiple international organizations and initiatives since 2017, and has actively followed up on sustainability issues of critical importance to the international community, such as climate change. Cathay and global investors have jointly signed the Global Investor Statement to Governments on Climate Change to call on governments around the world to take carbon reduction actions in line with the Paris Climate Agreement. Besides, Cathay has established the engagement policy in 2018. We also identified "climate change" and "ESG Disclosure" as key engagement strategies in 2019, and initiated more intensified engagements with investee companies. In 2020, Cathay Life engaged 79 companies directly on 14 material ESG issues in 127 cases through telephone meetings and in-person meetings. The main targets for engagement were companies in the "information technology" and "raw materials" industries, and the main communication issues were "adaptation to climate change" and "carbon emissions".

Cathay's Engagements



Leading investor for engagement in Taiwan

Cathay Life engaged 79 companies directly on 14 material ESG issues in 127 cases.

Distribution of engagement targets by industry 79 companies

| | | |
|-------------------------------|-------------------|------------------------|
| Information Technology 44% | Materials 19% | Industrials 13% |
| Consumer Discretionary 11% | Financials 4% | Consumer Staples 4% |
| Communication Services 4% | Energy 1% | Health Care 0% |
| Utilities 0% | Real Estate 0% | |

Distribution of engagement by ESG issues 127 Cases

| | | |
|-----------------------------------|---------------------------------|-----------------------------|
| Climate Change 36% | Carbon Emission 29% | Governance 9% |
| Opportunities in Clean Tech 4% | Human Capital Development 4% | Chemical Safety 3% |
| Controversial Sourcing 3% | Toxic Emissions & Waste 3% | Labor Management 2% |
| Health & Safety 2% | Water Stress 1% | Raw Material Sourcing 1% |
| Packaging Material & Waste 1% | Community Relations 1% | |

Note: The above numbers are rounded to the nearest whole number; thus, the sum-up is not 100%.

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Asia Investor Group on Climate Change (AIGCC)



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

Cathay has actively participated in AIGCC activities over the years, and became part of three AIGCC working groups in 2020: Net Zero Investment, Engagement and Policy, and Physical Risks and Resilience, which will provide recommendations for related topics and study feasible tools and solutions.

Ceres Valuing Water Finance Task Force

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

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

CDP Non-Disclosure Campaign



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

them to disclose related data and management measures for investors to evaluate related risks

We engaged 43 companies in 2020. The response rate of companies engaged by Cathay was 19%, which was higher than the 12% response rate of companies without investor engagement. Cathay has significantly increased the response rate of companies.

Cathay has successfully engaged 25 companies since 2017 and 65% of the companies improved their CDP scores in the following year, which demonstrated the long-term positive impact of successful engagement.

Non-Disclosure Campaign



Asia Investor Group on Climate Change (AIGCC)



Only Taiwanese member in Asia Investor Group on Climate Change (AIGCC)

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

Ceres Valuing Water Finance Task Force



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

CDP Non-Disclosure Campaign



Engaged 43 companies in 2020 and the response rate was 19%.

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Climate Action 100+



A proud participant of:

In 2017, Cathay Life and Cathay SITE became the only two financial institutions in Taiwan to participate in Climate Action 100+. Cathay actively participated in Asia activities and Sophia Cheng, Chief Investment Officer, was invited as a member of Asia Advisory Group to provide recommendation for the initiatives' strategy. The initiative involved engagement with 167 companies across the world with high carbon emissions and included at least two thirds of global greenhouse gas emissions. Cathay engaged in one-on-one communication with all Taiwanese companies (three companies in total). We visited the senior management of these companies and worked with international investors to jointly encourage companies to incorporate climate risks into their management strategies and explained investor expectations and carbon reduction actions adopted by their international competitors to the companies with the aim of encouraging companies to take carbon reduction actions in accordance with the Paris Climate Agreement. One of the companies engaged by Cathay committed itself in 2020 to attaining carbon neutrality in its value chain before 2050.



Individual engagement case studies

The company plays a key role in the global low carbon transformation and therefore was listed as a target of engagement by Climate Action 100+. Cathay FHC and Cathay Life began engaging the company in 2019 and focused first on "corporate ESG evaluation/information disclosure" to help the company understand the importance of ESG issues. We visited the company's Chairman, President, and other senior management, and shared information on international responsible investment trends, climate change trends, and related initiatives. We also analyzed the international ESG ratings and CDP ratings of the main subsidiaries of the Group and its competitors. The company has decided to actively set related ESG targets to improve its ESG rating. At the end of the year, its ESG rating had improved by one level. Cathay kept interacting with the Chairman of the company's Global Corporate Social Responsibility Committee to learn about their response measures to climate change. We encouraged the company to increase climate change information disclosure and create specific plans for carbon reduction. The company demonstrated its ambitions at the end of 2020 and publicly responded to the Climate Action 100+ Net-Zero Company Benchmark and commitment. It stated that its targets for the GHG emissions in the value chain shall be aligned with the Paris Climate Agreement and that it will attain net zero before 2050.

Cathay Sustainable Finance and Climate Change Summit

Cathay FHC has organized the Climate Change Forum in Taiwan for four consecutive years, as a method of encouraging investee enterprises to pay attention to climate change issues and take action. We invited former U.S. Vice President Al Gore in 2017 to discuss climate change issues with Taiwanese business leaders, and we also invited the international organization CDP and PwC in 2018 to inform companies about the practical management of climate change in the form of workshops. We worked with Taiwan Stock Exchange and AIGCC in 2019 to share information on international trends and industry benchmarks with Taiwanese companies.

In response to trends, Cathay worked with Taiwan Stock Exchange to incorporate sustainable financial issues and expanded the Summit in 2020. We invited business leaders, chief government officials of competent authorities on climate change, and sustainable finance experts from the academia to jointly discuss trends and practical experience. 293 people from 157 companies attended the event. The listed companies attendees accounted for 70% of the total market value of TWSE and 40% of Taiwan's total carbon emissions, which indicated it was an important event for promoting sustainable development in Taiwan.



Cathay Sustainable Finance and Climate Change Summit Highlight video



Cathay Sustainable Finance and Climate Change Summit



The listed companies attendees accounted for **70%** of the total market value of TWSE.



40% of Taiwan's total carbon emissions

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Implementation of Taiwan Stewardship Principles for Institutional Investors

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

Cathay SITE received the 2020 Benchmark Stewardship Award and the "Best ESG Manager" and "Best ESG Engagement Initiative" in the 2021 Asia Asset Management. The international community has recognized its outstanding performance.

In 2020, Cathay attended a total of 1,256 shareholders' meetings and voted on 6,688 proposals. Cathay voted in favor of 6,492 proposals, against 62 proposals, and abstained from voting on 134 proposals.^{Note}

Cathay Life also communicates with the management team of investee companies in the forms of telephone conferences, forums, investor seminars, or attending shareholders' meetings. In 2020, a total of 6,189 delegates from Cathay Life, Cathay Century and Cathay SITE visited 1,675 companies.

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

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

Asset Manager Mandating and Monitoring

Cathay Life and Cathay Century have included ESG into consideration when signing contracts with mandate partners to ensure the companies fulfill their duties as asset managers. Of the mandate investment positions of Cathay Life and Cathay Century in 2020, 99% are managed by signatories to the PRI or local stewardship principles.

Responsible Investment Products and Services

Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF

ESG is an indicator for assessing the quality of long-term corporate management. The 2020 pandemic demonstrated the importance of companies' care for employees and supply chain management. Cathay SITE worked with MSCI to provide investors with the opportunity for using international ESG services for sustainable investment. We also used weighted dividend yields to select shares in sequence and help investors stabilize profits and meet their requirements. The ETF created multiple new records on Taiwan Stock Exchange after its IPO and its scale has expanded to NT\$16.6 billion as of the end of 2020.

Cathay Taiwan 5G PLUS ETF

5G applications are expanding rapidly across the globe. In addition, 5G will also play a crucial role in global sustainability solutions. Cathay launched the first ETF that targets high-tech stocks in the 5G industry in Taiwan and made use of Taiwan's advantages in key positions of the global 5G supply chain to help investors benefit from the growth brought forth by 5G. The ETF created multiple new records on Taiwan Stock Exchange after its IPO and its scale has expanded to NT\$16.1 billion as of the end of 2020.

Cathay Sustainable Private Equity Fund

Cathay SITE became the first investment trust company in Taiwan approved to set up a subsidiary to issue private equity funds. 100% of the "Cathay Sustainable Private Equity Fund" is invested in key industries of sustainable development 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). The promised investment totaled NT\$8 billion and the fund has invested NT\$4 billion in 2020. It has invested in 4 solar power plants, 1 wind farm, 2 waste disposal plants, and 1 IoT company.

Impact investing of the Cathay Sustainable Private Equity Fund

| | |
|---|--|
| Wind power | The Fund signed an agreement with Ørsted in 2020 and jointly obtained 50% shares of the 605MW Greater Changhua Southeast Wind Farm with the Caisse de dépôt et placement du Québec (CDPQ) to take part in the construction of the Wind Farm and provide clean energy to more than 650,000 households in Taiwan. The project is set to provide 1.95 billion kWh of electricity each year. |
| Solar power | Annual power generation each year: 573 million kWh. |
| Processing waste resin and waste paint residues | The maximum monthly processing volume is 1,425 tons and the maximum annual processing volume is 17,100 tons. |
| Waste rubber processing | The maximum annual processing volume is 15,000 tons. |
| Oil regeneration | Production of approximately 120,000 tons of steam each year. |

Cathay Securities Equity Research Report

Cathay Securities ESG research reports for individual stocks are unique sell-side responsible investment products that are rare across the world. Cathay Securities worked with National Taipei University, which has a unique SEED company ESG evaluation framework, to bridge the gap in ESG analysis of the Taiwan stock market and satisfy foreign and domestic investors. They also helped train professional ESG analysis teams in Taiwan. For more information, please refer to [P.70](#) in Chapter 5 Empowerment.

Cathay Securities ESG Equity Research Reports for individual stocks



Unique sell-side responsible investment products

2.3 RESPONSIBLE LENDING

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

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

Credit Facility Application

ESG Risk Rating Mechanisms

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

Exclusion

Cathay United Bank complies with the Group's Lending Exclusion Policy and responds international supervision trends actively. CUB has fully suspended loans to any coal-fired power plants, and has formulated plans for a complete withdrawal from loans for coal-fired power generation. (Refer to the list of exclusion industries on P.19)

Sensitive Industries

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

Credit Review Assessment

Risk Evaluation and Mitigation

Cathay United Bank complies with the Principles Governing Corporate Loans Based on Environmental, Social, and Governance (ESG) Criteria to do KYC and review ESG risks for corporate loans. Through risk ratings and rigorous review of companies with negative records, we incorporate ESG management into credit screening and review. We also require post-incident improvements and explanation on risk mitigation measures based on the risk ratings.

Equator Principles

Cathay United Bank implements environmental and social risk classification, assessment, review, and post-loan management for applicable transactions in accordance with the Rules Governing Project Finance under the Equator Principles. In addition to conducting reviews in compliance with the environmental and social performance standards used by International Finance Corporation, we also reference third-party advisory reports and incorporate the review results into the credit risk review and loan conditions to better manage environmental and social risks of the Equator Principles transactions.

Post-Loan Management

Annual Review and Earning Warning

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

Themed Lending

Cathay defined five types of themed lending to enhance sustainable lending, make full use of core competencies, and invest in a sustainable future. Please refer to [Appendix Table 1](#) for detailed information.

(NT\$ billion)

| | | | |
|----------------|------|---------------------------------|------|
| Low Carbon | 25.2 | Aging Society and Health | 32.6 |
| Water Resource | 0.9 | Community and Inclusive Finance | 3.9 |
| Infrastructure | 66.9 | | |

Corporate Loan



100%

Corporate loans applicable for the ESG lending management mechanism.

2.4 RESPONSIBLE BANKING

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

Cathay United Bank's Major Targets of Influence for PRB

Please see [Appendix 7.3](#) for the PRB principles and corresponding actions.

Material influence target 1: Renewable energy loans

Cathay United Bank established targets for renewable energy loans:

Continue to increase the percentage of renewable energy in the Bank's electricity supply and reach 85% by 2025.

Taking concrete actions to promote the growth of the green finance industry in Taiwan and support renewable energy development.



Material influence target 2: Reduce loans for industries with high carbon emissions

Cathay United Bank has suspended new loans for coal-fired power generation projects starting from October 2019 to demonstrate its resolve in supporting international carbon emissions reduction ambitions and countering climate-related risks.



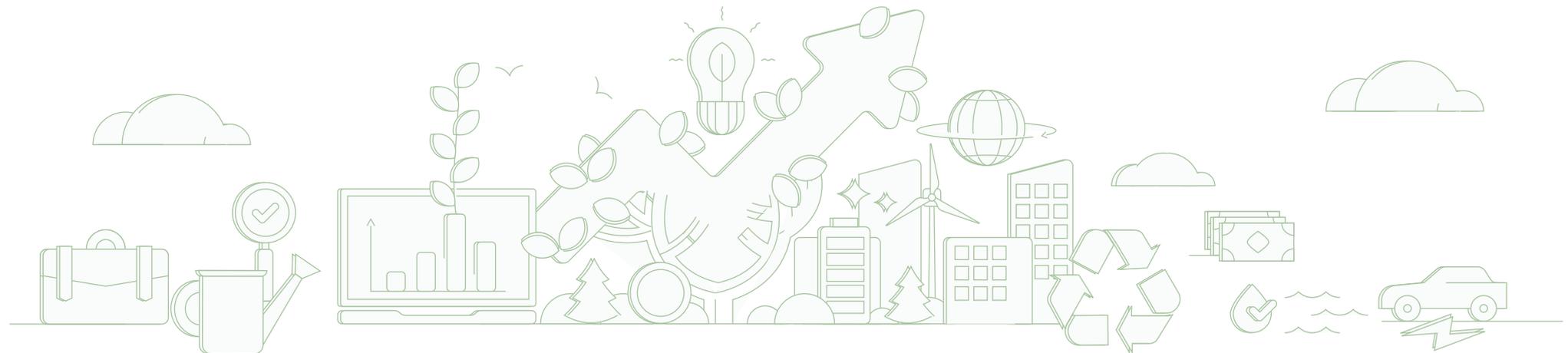
Principles for Responsible Banking



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



The first bank in Taiwan to obtain PRB external assurance.



2.5 SUSTAINABLE INSURANCE

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Insurance means a life-long commitment to the families of customers. Cathay upholds sustainable development as a key mission and Cathay Life therefore became the first insurance company in Asia to adopt of its own initiative the Principles of Sustainable Insurance (PSI) in 2016. It also completed the CS Strategic Blueprint and adopted the main strategies centered around CARE (Commitment, Accountability, Richness, Eco-living). Cathay Century also adopted the PSI in 2017 of its own initiative and integrated PSI principles into the internal systems and operations of the organization. Both companies are committed to compliance with international standards and leading the industry in sustainable development. Please refer to [Appendix 7.3](#) for more information on PSI principles and corresponding actions. Please refer to Chapter 4-1 & 4-2 and 5-1 of the [Cathay FHC ESG Integration Report](#) for more information on insurance ESG integration mechanisms.

Cathay CARE Sustainability Strategies

| | |
|---|---|
| Commitment | Accountability |
| <ul style="list-style-type: none"> • Solid governance and stable operations • Supporting initiatives and expanding influence | <ul style="list-style-type: none"> • Diverse protection and warm services • Responsible investment and setting examples |
| Richness | Eco-living |
| <ul style="list-style-type: none"> • Health and activities for work-life balance • Caring for social welfare and creating value | <ul style="list-style-type: none"> • Green operations and impact mitigation • Sustainable Environment and homeland |

Principles of Sustainable Insurance



The first insurance company in Asia self-complying the Principles of Sustainable Insurance.

Insurance ESG Integration Mechanism



Product design

- Cathay takes ESG risks into consideration to respond to the challenges in the environment and society.
- Cathay Life established an external advisor team to understand the latest trends in ESG issues, and established an internal data collection team and provide feedback to the product design department.
- Cathay Century established the ESG issue review process for insurance products. New products shall be reviewed in accordance with the "Product Development ESG Issue Checklist".



Underwriting

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



Claims

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

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

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



3.1 Low-carbon Economy

3.2 Sustainable Environment



Linking climate-related performance with the remuneration of senior executives

Cathay FHC is the first financial holdings company to link KPI of its president to the results of carbon reduction, thereby increasing the top-down emphasis of carbon reduction to all individuals in the organization.



Leading Taiwan's financial industry in building a model for comprehensive climate risk management and scenario analysis

We integrated climate risks into our enterprise risk management framework (ERMF), and utilized different scenario analysis tools based on asset characteristics, which has allowed us to implement the most comprehensive climate risk management measures in the financial industry in Taiwan.



The first to adopt climate value-at-risk (CVaR) simulation for managing climate risks of investment portfolios

Cathay is the first company in Taiwan to combine a backward looking quantification method (carbon footprint) with a forward looking scenario simulation method (Climate VaR) for enhanced climate risk assessment and management.



The first insurance company to obtain a carbon reduction label and implement Product Category Rules (PCR)

Cathay evaluated and identified carbon emission hotspots in its life cycle, and Cathay Life was the first insurance company to obtain a carbon reduction label; Cathay Century established the first PCR in the property insurance industry.

3.1 LOW-CARBON ECONOMY

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The Board of Directors oversees the risks and opportunities brought by ESG factors and climate change to Cathay's operation and financial activities (including investing, lending, products, insurance, and services), and aims to create a culture of climate risk management. We aim to achieve the goals set forth in the Paris Agreement through the provision of low carbon products and services, risk management process, initiatives and engagement, and the influence of cash flow.

Cathay TCFD Executive Summary and Plans

| Disclosure recommendations / Executive summary | Implementation plans | Corresponding section |
|---|---|---|
| <p> Governance : Disclose the organization's governance of climate related risks and opportunities</p> | | |
| <p>Supervised by the Board of Directors</p> <p>Cathay FHC's Board of Directors is the highest level governance unit for climate-related issues, and is responsible for supervision and decision-making. The CS Committee and Risk Management Committee periodically submit reports on work progress related to climate risks and opportunities to the Board of Directors.</p> | <ul style="list-style-type: none"> • Strengthen the sustainability policy to match the Group's climate commitment, including: <ul style="list-style-type: none"> - Continue to lower exposure to carbon sensitive industries. - Support the development of current or emerging low carbon technologiesce products. • Strengthen the Group's role and responsibilities in climate-related risks and opportunities. | <p>Climate Governance</p> |
| <p>Management measures</p> <p>The CS Committee and Risk Management Committee led by the president, chief risk officer, supervise climate issues, and the secretary or task forces assist subsidiaries in implementing climate-related work.</p> | | |
| <p> Strategy : Disclose actual and potential climate-related impacts on the organization's business, strategies, and financial planning</p> | | |
| <p>a.Short-, mid-, and long-term risks b.Material risks and opportunities c.Scenario analysis</p> <p>Cathay identified short-, mid-, and long-term climate risks and opportunities through ERMF, and built a scenario analysis model, formulating response strategies, management indicators, and goals based on quantified results of the impact of climate risk. We also responded to the expectations of stakeholders by actively promoting green finance and seizing climate-related opportunities, strengthening our climate resilience and promoting a low carbon economy.</p> | <ul style="list-style-type: none"> • Climate scenario analysis/stress test: <ul style="list-style-type: none"> - Use the value-at-risk of investment portfolios to improve climate risk management. - Improve and expand scenario analysis for the physical risk of insurance products. • Review investment positions with potential climate risk, and use climate change as the theme for engagement. • Continue to promote green finance. • Monitor the risk of customers with high carbon emissions and formulate response plans. | <p>Climate Strategy and Scenario Analysis Climate Risk Management Green Finance</p> |
| <p>Supplemental guidance from the TCFD for the financial industry</p> <ul style="list-style-type: none"> • Cathay regularly reviews carbon emissions of its investing and lending positions, and reduces exposure of investing and lending portfolios to carbon assets through screening, monitoring, and engagement. • In response to the increase in physical risk brought by climate change, Cathay Life and Cathay Century utilize scenario analysis models to incorporate climate factors into assessments in the design process of future insurance products. • CUB built a scenario analysis model for physical and transition risks brought by climate change, and evaluates the impact of extreme weather and policies on loan assets. | | |

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Cathay TCFD Executive Summary and Plans

| Disclosure recommendations / Executive summary | Implementation plans | Corresponding section |
|---|--|---|
| <p>⚙️ Risk management : Disclose how the organization identifies, assesses, and manages climate-related risks</p> | | |
| <p>a. Identification and assessment process b. Management process c. Integrating existing management framework</p> <ul style="list-style-type: none"> Established complete climate management procedures, including: identify, assess, respond, and monitor, and the process is monitored by the Risk Management Division. Integrated climate risks into ERMF for comprehensive implementation in operations, and took climate risks into consideration in routine operations. Incorporated ESG (including climate change) risks into the Risk Management Policy and established ESG Risk Management Guidelines. | <ul style="list-style-type: none"> Continue to improve climate risk assessment tools and strengthen the connection with the risk management process. Include country limit as a consideration of climate risk to improve credit risk management. | <p>Climate Risk Management</p> |
| <p>Supplemental guidance from the TCFD for the financial industry</p> | | |
| <ul style="list-style-type: none"> Integrated climate-related risks into the current risk management process, and manage climate-related risks through risk reviews before investing and lending and annual risk reviews based on the exclusion list and list of sensitive industries. Cathay established "climate change" and "ESG disclosure" as the theme of its engagement strategy in 2019, and encourages investees to be more transparent and appropriately disclose their climate change and ESG management, expanding risk identification and management to the value chain. | <ul style="list-style-type: none"> Include the ESG risk review process when assessing the impact of climate risk on investments. Establish risk management indicators based on carbon density of loans and climate risk trends. Systemize management process for ESG and climate change factors for credit lending. | <p>Chapter 2: Sustainable Finance</p> |
| <p>🎯 Indicators and goals : For material information, disclose indicators and goals used to evaluate and manage climate-related issues</p> | | |
| <p>a. Climate-related indicators</p> <p>Cathay assigns suitable management indicators based on material climate risks and opportunities, and discloses the indicators annually.</p> | <ul style="list-style-type: none"> Low-carbon investing/lending growth Renewable energy will account for an increasing percentage of CUB's power supply loans to reach 85% in 2025. | <p>Climate Governance Climate Metrics and Targets Appendix ESG and Environmental Performance Data</p> |
| <p>b. Scope 1, 2 and 3 emissions</p> <p>Cathay implemented ISO 14064-1 GHG inventory in 2012 and obtained external certification.</p> | <ul style="list-style-type: none"> Track the carbon density and CVaR of investments/loans. | <p>Climate Metrics and Targets Green Workplace Appendix ESG and Environmental Performance Data</p> |
| <p>c. Climate-related goals</p> <p>Cathay FHC and its subsidiaries assign suitable management goals based on material climate risks and opportunities, and regularly review and disclose goal progress.</p> | | <p>Climate Metrics and Targets Appendix ESG and Environmental Performance Data</p> |
| <p>Supplemental guidance from the TCFD for the financial industry</p> | | |
| <p>Besides completing the carbon footprint of securities, we will gradually expand the inventory to all financial assets.</p> <p>Cathay discloses the carbon emission intensity (e.g. carbon footprint) of companies with high carbon emissions in its asset portfolio, and drives the low carbon transformation of its asset portfolio through assigning goals for low-carbon investments.</p> | | <p>Climate Metrics and Targets Appendix ESG and Environmental Performance Data</p> |

Note: The supplemental guidance for the financial industry referenced "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" published by the TCFD in 2017.

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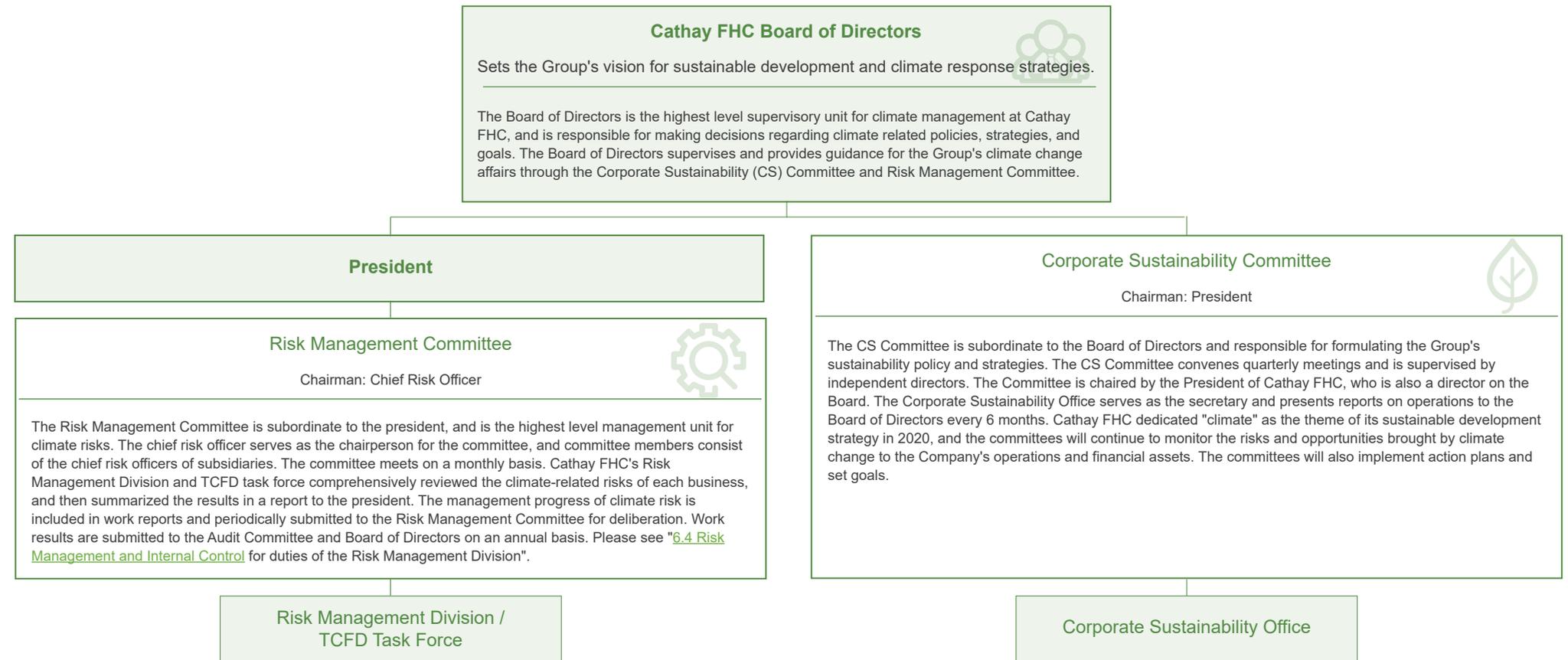
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Climate Governance

An effective climate governance framework is of utmost importance to a company in controlling risks, seizing opportunities, and fulfilling its responsibilities to stakeholders. Cathay FHC's Board of Directors and management all view climate change as an important issue in the Company's stable development, and fulfill the responsibility to lead and supervise climate issues through a complete governance framework with development strategies.

Cathay FHC's Climate Governance Framework



Climate management performance and reward mechanisms
President of Cathay FHC
Link GHG reduction goals to KPI for salary performance
Periodically examine the Group's attainment of GHG reduction goals.

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Climate Strategy and Scenario Analysis

The TCFD task force coordinates with related units in identifying short-, mid-, and long-term climate risks and opportunities in different businesses in response to the impact of climate change, and to respond to the "Corporate Governance 3.0 – Sustainable Development Blueprint" of the competent authority. The TCFD task force made reasonable hypotheses for scenarios in order to evaluate the impact of climate risks to related businesses, and formulated corresponding management measures or response strategies. Management indicators and goals are set when necessary to strengthen the Group's ability to manage specific climate risks and seize opportunities. Please see [Climate Metrics and Targets](#) and [Appendix Table 8](#) for our indicators and goals for risks and opportunities.

Climate Risk Identification and Assessment

After Cathay's TCFD task force was established in 2018, it began carrying out climate scenario analysis and developed scenario analysis models for climate risks, in hopes of assessing the materiality of climate risks by transitioning from qualitative risk assessment to quantitative analysis to bring into the ERMF. The table below shows climate risks that Cathay quantified the financial impact of and formulated management measures for, and we will continue to make improvements on this basis.

Overview of Climate Risks and Scenario Analysis

| Item | Risk type | Corresponding existing risk | Period of impact | Area of impact | Climate scenario |
|---|---|-----------------------------|---------------------------------|----------------|---|
| A.Immediate physical risks of self-owned real estate | Physical risk – Immediate | Operation Risk | Short- and mid-term | Taiwan | RCP 2.6, 4.5, 6.0, 8.5 |
| B.Impacts on Typhoon and flood insurance from typhoons and natural disasters | Physical risk – Immediate | Insurance Risk | Short- and mid-term | Taiwan | RCP 2.6, 4.5, 6.0, 8.5 |
| C.Impact on the value of mortgage collateral from natural disasters | Physical risk – Immediate | Credit Risk | Short- and mid-term | Taiwan | RCP 8.5 |
| D.Impact on life insurance products from the effect of temperature changes on death rates | Physical risk – Long-term | Insurance Risk | Mid- and long-term | Taiwan | RCP 2.6, 4.5, 6.0, 8.5 |
| E.Growingly stringent policies and laws affect corporate loan customers | Transition risk – Policies and laws | Credit Risk | Short- and mid-term | Taiwan | SDS · STEPS |
| F.Global economic and political situation and natural disasters affect stock and bond investment positions | Transition risk – Policies and laws Physical risk – Immediate, long-term | Market Risk | Short- and mid-term (long-term) | Global | Transition Risk: Corresponding to the 2°C scenario Physical Risk: RCP8.5 |

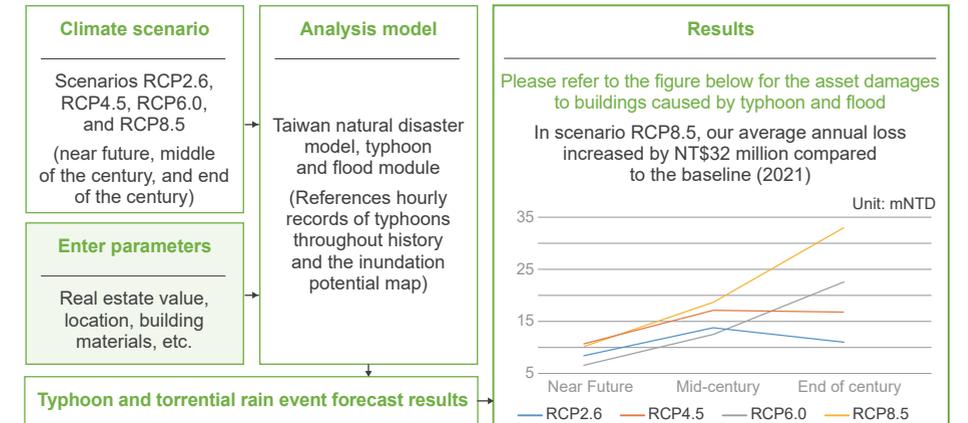
Definition of periods: Periods of 3 years (inclusive) or less are classified as short-term, periods longer than 3 years to 10 years (inclusive) are classified as mid-term, and periods longer than 10 years are classified as long-term.

A. Scenario analysis for immediate physical risks of self-owned real estate

Background

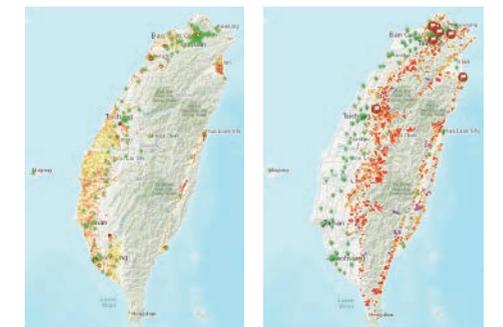
Taiwan is often hit by typhoons, and the intensity, and rainfall brought by this natural disaster have increased as the global climate deteriorated, resulting in damage to the value of self-owned real estate under our management. Cathay used scenarios RCP2.6, RCP4.5, RCP6.0, and the most severe RCP8.5 proposed in the IPCC AR5 for simulations of climate impact. We also used the typhoon and flood module of the natural disaster model jointly developed with an academic institution to analyze the potential damages to self-owned real estate caused by typhoon and flood in the near future (-2035), middle of the century (2046-2065), and end of the century (2080-2100).

Analysis process and results



Risk management measures

- The Group regularly updates climate change information in the GIS. Before selecting a business location/investment target, we consider the potential impact of climate-related risks (e.g. flood, debris flow, and earthquake) on asset security, and periodically carry out inspections and repairs to improve safety.
- Maintain and calibrate the BCM strategy, including natural disaster scenarios, backup and recovery plan, and regular drills, to strengthen our resilience to climate change.



Inundation potential

Debris flow potential

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B. Scenario analysis for the physical risk of typhoon and flood insurance products

Background

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

Analysis process and results

| Climate scenario | Analysis model | Results | | | | | | | | | | | | | | | | | | | | |
|---|--|---|-------------|----------------|-------------|----------------|--------|------|------|------|--------|------|------|------|--------|------|------|------|--------|------|------|------|
| Scenarios RCP2.6, RCP4.5, RCP6.0, and RCP8.5 (near future, middle of the century, and end of the century) | Taiwan natural disaster model, typhoon and flood module (The module references hourly records of typhoons throughout history and the inundation potential map) | <p>The average simulated loss in each scenario and period is expected to increase to 1.4x the baseline (2020)</p> <p>Please refer to the figure below for expected losses from exposure to typhoons and floods</p> <p>Multiples of average loss from property insurance products simulated in different scenarios</p> <table border="1"> <caption>Multiples of average loss from property insurance products simulated in different scenarios</caption> <thead> <tr> <th>Scenario</th> <th>Near Future</th> <th>Mid-century</th> <th>End of century</th> </tr> </thead> <tbody> <tr> <td>RCP2.6</td> <td>~1.4</td> <td>~1.5</td> <td>~1.2</td> </tr> <tr> <td>RCP4.5</td> <td>~1.4</td> <td>~1.3</td> <td>~1.3</td> </tr> <tr> <td>RCP6.0</td> <td>~1.3</td> <td>~1.2</td> <td>~1.4</td> </tr> <tr> <td>RCP8.5</td> <td>~1.2</td> <td>~1.4</td> <td>~1.7</td> </tr> </tbody> </table> | Scenario | Near Future | Mid-century | End of century | RCP2.6 | ~1.4 | ~1.5 | ~1.2 | RCP4.5 | ~1.4 | ~1.3 | ~1.3 | RCP6.0 | ~1.3 | ~1.2 | ~1.4 | RCP8.5 | ~1.2 | ~1.4 | ~1.7 |
| Scenario | Near Future | | Mid-century | End of century | | | | | | | | | | | | | | | | | | |
| RCP2.6 | ~1.4 | ~1.5 | ~1.2 | | | | | | | | | | | | | | | | | | | |
| RCP4.5 | ~1.4 | ~1.3 | ~1.3 | | | | | | | | | | | | | | | | | | | |
| RCP6.0 | ~1.3 | ~1.2 | ~1.4 | | | | | | | | | | | | | | | | | | | |
| RCP8.5 | ~1.2 | ~1.4 | ~1.7 | | | | | | | | | | | | | | | | | | | |
| Enter parameters Exposure of insurance products to typhoon and flood in 2020 | | | | | | | | | | | | | | | | | | | | | | |

Typhoon and torrential rain event forecast results

Risk management measures

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

C. Scenario analysis for the physical risk of mortgage collateral

Background

CUB uses the inundation and slope risk heat maps of the National Science and Technology Center for Disaster Reduction (NCDR) to classify the risk of each township in Taiwan, analyze the default loss from high climate risk cases, and make timely adjustments to its real estate mortgage strategy, in order to prevent a rise in default rates due to a decline in asset value when collateral in high risk areas are impacted by weather disasters.

Analysis process and results

| Climate scenario | Enter parameters | Analysis model | Results |
|---|--|---|---|
| NCDR scenario RCP 8.5 (Hazard-vulnerability risk heat map) | Balance of loans to borrowers with high climate risk | Bank borrower credit risk model | Expected loss from real estate mortgage collateral in high climate risk areas |
| Identify real estate mortgage collateral with high climate risk | | Adjust parameters: Default rate, loss given default | |
| | | | Calculate the difference in expected loss from credit risk |

Risk management measures

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

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D. Long-term physical risk analysis for life insurance death benefits

Background

Climate change has caused global temperatures to continually rise, and has resulted in heat waves around the world in recent years. Global warming combined with the urban heat island effect has increased the frequency of extremely high temperatures, as well as the duration of such high temperatures, in major urban areas in Taiwan, which may even become the new normal in the future. However, high temperatures may result in an increase in the incidence of certain diseases, which may lead to death, such as: cardiovascular diseases and dengue fever, increasing the life insurance claims amount of Cathay Life. Hence, we used the climate scenarios in IPCC AR5 to analyze the potential impact of global warming on our life insurance structure, so that we can take appropriate response plans when necessary.

Analysis process and results

Analysis model

Historical 24-hour average temperature (2000-2016)

National Health Insurance death data

↓

24-hour daily average temperature is correlated to deaths according to the National Health Insurance.

Taiwan is located in the subtropics where air conditioners are commonly used, so people are more accustomed to high temperatures than low temperatures.

↓

Climate scenario

Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) AR5 scenario data (2035, 2050, 2100)

↓

Enter parameters

Customer gender, age, and insurance type structure in 2016

Results

Please see the both figures for changes in death benefits relative to the baseline (2016)

RCP2.6 RCP4.5 RCP6.0 RCP8.5

The ratio of death rate change under different scenarios in each city

The expected expense of death insurance claim compared to 2016

Risk management measures

According to the TCCIP simulations of temperatures in Taiwan in different climate scenarios, the number of high temperature days in counties and cities in Taiwan show an upward trend, while the number of high risk low temperature days decreases. Since Taiwanese people are more accustomed to high temperatures, preliminary evaluation results show that average daily temperature changes will cause Taiwan's overall death rate to slightly decline by 1-2%, and the impact on insurance claims is not considered a material risk. With consideration to the differences between the company's policy holder structure and Taiwan's population structure, we will continue to improve and expand scenario analysis to accurately determine the climate risk of insurance products.

E. Scenario analysis for transition risks of the lending business

Background

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

Analysis process and results

Climate scenario

Taiwan INDC (Reduce emission by 20% in 2030 compared to 2005)
Carbon price estimates for 2030 (Scenarios SDS and STEPS)

Enter parameters

Balance of loans and carbon emissions of borrowers in the "basic metal and manufacturing industry"

↓

Analysis model

Bank borrower credit risk model
Adjust parameters: Borrowers default rate

↓

Results

Requirements set forth in carbon reduction laws on loss given default of loans to the "basic metal and manufacturing industry"

Maximum expected loss from credit risk derived from transition risk is approximately NT\$520 million.

Risk management measures

CUB established Regulations for Managing loans to Industries with High Carbon Emissions, and strictly assesses customers' ESG risks before approving loans. After approving loans, CUB continues to monitor risk changes. At the end of 2019, CUB announced that it will not approve any new loans to coal-fired power generation projects and will not extend loans for current projects, as it continues to optimize the structure of renewable energy loan structure.

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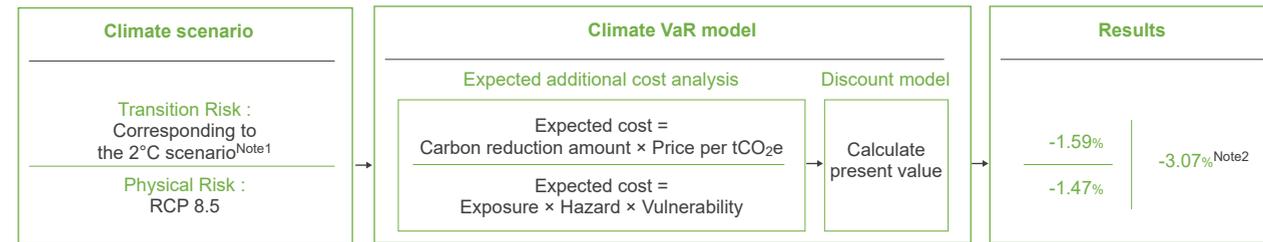
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F. Analysis of transition and physical risks of stock and bond positions

Background

Governments around the world have started to enhance carbon-emission management in response to climate change. If companies do not complete their transition in time, additional carbon emission costs may be required. As the frequency and severity of extreme weather events continue to increase, they will damage the assets and equipment of companies, and may impact productivity and asset value. Hence, low carbon transitions around the world will greatly impact companies and cause the prices of securities they issued to decline, resulting in loss of net asset value for all investors. Cathay uses the model developed by the MSCI with the scenario corresponding to 2°C (AIM-CGE, SSP2) and RCP8.5 to comprehensively evaluate the impact of climate change on the value of investments in stocks and bonds. We used Climate VaR (CVaR) for assessment and will reference it when making investment decisions in the future.

Analysis process and results



Note 1: This scenario refers to the NDC country emission reduction targets and uses the 2°C scenario carbon price estimates based on AIM-CGE and SSP2.

Note 2: The CVaR of our group's stock and bond investment positions in 2019 retroactively calculated using the database is -3.48%.

Note 3: The climate VaR, CVaR, stands for the portfolio which is exposed to the discounted climate cost up to 2080. More details please refer to [MSCI](#) website

Risk management measures

We included the ESG risk review process when assessing the impact of climate risk.

- We established Investment Management Principles for Sensitive Industries: Included industries with high climate risks, such as the coal mining, coal-fired power generation, palm oil, and lumbering industries, and divided them into an exclusion list and watchlist based on the severity of impact caused by climate risk to the industries, the company's degree of involvement in the industry's operations, the percentage of the Company's revenue from the business item, and the company's readiness for climate change.
- We paid attention to material environmental issues of other industries: Cathay references information provided by international ESG research institutions and determines the material climate change factors of individual industries, including carbon emissions, product carbon footprint, climate change adaptation, water resource pressure, biodiversity, and land use. We also reference other ESG factors to identify and assess the company's exposure to ESG risk factors. We carefully evaluate major ESG factors of eligible investees, and conduct regular and irregular reviews of the ESG performance of current investment positions.

Climate change as the topic of engagement (Please see [Chapter 2 International Initiatives and Engagements](#))

- Individual engagement
 - We engage investees based on their total carbon emissions and carbon density. Besides looking into the company's carbon governance and carbon disclosures, we also encourage the companies to comply with the TCFD framework, disclose their climate change response measures, and set science-based targets (SBT) for carbon reduction.
 - Participated in Climate Action 100+ and CDP Non-Disclosure Campaign
- Engagement through the Climate Change Forum

Active management of contractors

- Cathay Life started amending all outsourcing agreements at the end of 2019 to ensure its discretionary asset managers also take climate change risks and opportunities seriously. Cathay Life made it a requirement for climate change factors to be considered when investing, and also requires contractors to explain their climate change measures each year.

Identification and Assessment of Climate Opportunities

Cathay actively supports green finance and renewable energy use. The Corporate Sustainability Office and business units continue to explore potential opportunities of climate change through the climate opportunity identification and assessment process, and develop response strategies. Please see [Green Finance](#) for details on climate opportunity identification and implementation.

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Climate Risk Management

Cathay FHC has integrated climate-related risks with its ERMF, and analyzes the impact on economic and financial factors of its operations and business through climate risk identification and assessment. We formulate control measures and response strategies based on impact evaluation results, in order to properly manage related risks.

Climate-related risks increase existing risks of the financial industry

Climate-related risks

Physical risk

- Acute risks: Typhoon and flood
- Chronic risks: Temperature changes

Transition risk

- Policy and law formulation
- Market preferences
- Reputation and technology

Effect of climate on economic activities

Effect of economic factors

- Individual impact:**
Impact on households or individual companies
- Real estate value loss
 - Increase in loss from insurance products
 - Increase in stranded assets

- Overall impact:**
Impact on macroeconomic performance
- Transition of investment preferences to low carbon products
 - Changes in society and economy
 - Other international standards or interest rate adjustments

Economic activity affects risk factors

Effect on risk factors

- Credit Risk : Collateral impairment or default
- Market Risk : Adjustment to the price of negotiable securities
- Operation Risk : Business suspension
- Reputation Risk : Damaged reputation
- Insurance Risk : Increase in claims
- Liquidity Risk : Liquidity requirements, and refinance
- Capital Adequacy : Regulatory requirements relating to claims, investment, and loss given default

Effect of risk factors on Cathay's assets

Impact on products or services

- Real estate and mortgages
- Insurance products
- Corporate loans
- Securities
- Company operations

Impact of climate-related risks on Cathay

| Conventional business risks | Insurance Risk | | Credit Risk | | | Operation Risk | | Reputation Risk | Insurance Risk | | |
|-----------------------------|--------------------|-------------|------------------------|-------------------|----------|-----------------|-------------|--------------------|--------------------|---|-------------------------------------|
| | Subject influenced | Real estate | Corporate bonds/stocks | Corporate banking | Mortgage | Sovereign bonds | Real estate | Company operations | Company operations | Insurance products (property insurance) | Insurance products (life insurance) |
| Physical risks | | | | | | | | | | | |
| Acute | ● | ● | ● | ● | ● | ● | ● | | | ● | |
| Chronic | ● | ● | ● | ● | ● | ● | | ● | | | ● |
| Transition risks | | | | | | | | | | | |
| Policy | | ● | ● | | | | | ● | | | |
| Reputation | | | | | | | | ● | | | |
| Market | ● | | | | | | | | | | |
| Technology | | | | | | | | | | | |

Note: Green dots indicate an impact.

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Climate Risk Response and Monitoring

Cathay FHC believes that climate change does not create a new risk category, but rather aggravates existing risks of the financial industry. We separated ESG risks and climate-related risks from emerging risks in 2020 and established ESG Risk Management Guidelines. We also adjusted the scope of existing risk management guidelines. We plan to include limits based on country as a consideration of climate risk to improve overall risk management in 2021.

Enterprise Risk Management Framework (ERMF)

| Category | ESG Risks (including climate-related risks) | | | | | |
|----------|---|--|---|---|---|---|
| | Market | Credit | Operation | Liquidity | Capital adequacy | Reputation |
| Policy | Guideline for Market Risk Management | Guideline for Credit Risk Management Country Risk Management Guidelines | Guideline for Operation Risk Management Business Continuity Management | Guideline for Liquidity Risk Management | Guideline for Capital Adequacy Management | Regulations Governing the Handling of Major Incidents Guidelines for the Disclosure of Information through Media |

Enhanced Climate Risk Management for Financial Assets

The TCFD task force handles the climate risk of financial businesses by major asset and liability categories, and is further divided into four task forces for comprehensive management, including: real estate investment and lending, corporate lending, negotiable securities, and core products. Members of each task force report scenario analysis results to the supervisor of their unit to enhance the first line of defense.

Using models to evaluate the impact of climate scenarios on insurance products

- Collaborate with experts in developing a model for the effect of temperature changes caused by climate change on death rates and medical care occurrence rates, and evaluate the effect of each scenario on insurance claims.
- Product pricing and exposure calculation for typhoon and flood insurance, examine the effect of retention in different scenarios, and include climate risks in ORSA supervision and internal reports.

Note: Please see [Cathay Life's Sustainability Report](#) and [Cathay Century's PSI Report](#) for more information

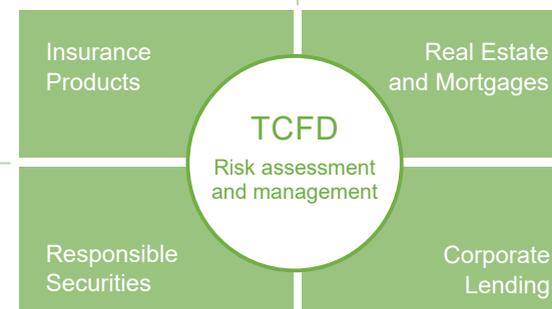
Assessing the climate risk of negotiable securities and implementing responsible investment

- Screen industries with high climate risks based on international trends and ESG risks, compile an investment exclusion list and watchlist, and prepare evaluation reports when new investment lists are added and every September through ESG risk review procedures.
- Conduct backward-looking carbon footprint analysis, examine the level of exposure to climate change risk, and conduct forward-looking scenario simulation and analysis to monitor the climate risk of investment portfolios consisting of listed stock, corporate bonds, and financial debentures.
- Continue to engage companies with high carbon emission and actively invest in low carbon and green energy industries.

Note: Please see [Chapter 2: Sustainable Finance](#) of this Report for more information.

Developing a climate change loss forecast module strengthening visualized management of real estate

- Cathay works with external experts in developing modules for different typhoon and flood scenarios, quantifying the impact of typhoons and floods on the Company's losses from real estate and mortgages, and responding to risks based on evaluation results.
- Obtain local data on natural disasters and use a visualized GIS to manage physical risks.



Managing loans to industries with high carbon emissions

- Lending to new coal-fired power generation projects has been suspended as of the end of 2019
- Compiled a list of excluded and sensitive industries with consideration to the ESG-sensitive factors, supervisory regulations, international standards, and trends of each industry, and periodically monitor exposure and risks. Periodically analyze scenarios of specific industries and formulate monitoring measures when necessary.

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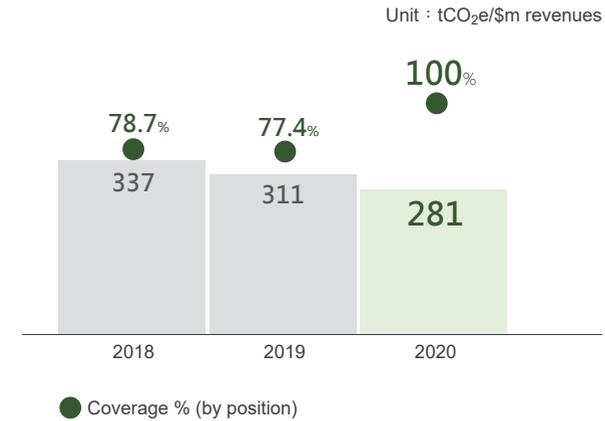
Climate Metrics and Targets

Cathay set indicators and goals for the management of financial assets and operations, in order to effectively respond to climate strategies and risk management. Please see [Appendix Table 1-10](#) for details.

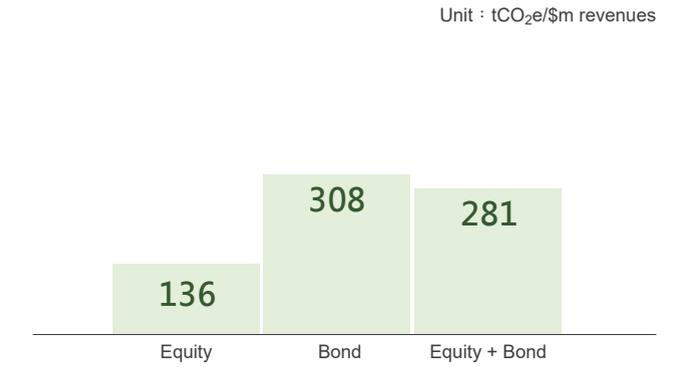
Furthermore, governments around the world have stepped up their supervision of carbon emissions in response to climate change, and implemented carbon pricing or carbon trading mechanisms. This further caused a decline in the value of investees and reduced their profits. Hence, we began to look into the carbon footprint of listed equity assets and corporate bonds mid-2018, and used it as a climate risk management and assessment tool for our investment portfolios. In 2020, we voluntarily applied the methodology of PCAF and calculated the carbon emission of our Portfolio. Our carbon footprint in 2020 was 281 tCO₂e/\$m revenues, down 9.5% compared to 2019.

We further analyzed the potential impact of high climate risk industries (Note 1) on our investment portfolios, and found that "integrated oil and natural gas" accounted for 8.3% of our carbon density, despite only accounting for 4.0% of our positions. We will continue to engage high carbon emission industries and observe future changes through indicators.

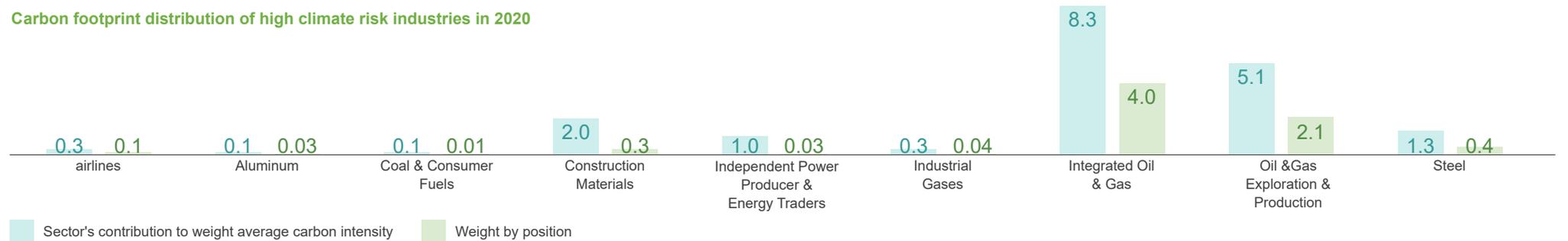
Carbon footprint of investment portfolios in 2018-2020



Carbon footprint of asset investment portfolios in 2020



Carbon footprint distribution of high climate risk industries in 2020



Note 1: High climate risk industries are defined based on the methodology of the MSCI.

Note 2: The total portfolio carbon emission in 2020 is according to the methodology developed by PCAF. The score of data quality is 2.2. (Score 1 is the best quality and score 5 is the worst.)

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Green Finance

We enriched the contents of green finance and declared green finance the most effective way to guide carbon reduction funds and promote financial stability, in order to achieve the carbon reduction goals set forth in the Paris Agreement and UN Sustainable Development Goals (SDGs), and also in response to the Green Finance Action Plan 2.0 announced by the FSC in 2020. It is clear that the development of green finance will soon enter a whole new phase and grow in the form of an ecosystem.

A wide variety of sustainable and green finance tools have been developed around the world. Statistics show that the total scale of Green, Social and Sustainability Bonds (GSS Bonds) issued surpassed EUR300 billion in 2020. Furthermore, multinational companies are making it a requirement for their supply chains to use 100% renewable energy. If Taiwan cannot effectively develop renewable energy sources, it might impact the international competitiveness of domestic industries.

Cathay is the leading brand in green finance in the Asia Pacific, and fully utilizes its core competencies to respond to global climate risk. We provide total solutions that meet customer needs. Cathay monitors the green industry's development to generate steady cash flow for economic growth. We have also developed a variety of green insurance products and offer green value services to help develop Taiwan into a sustainable homeland.

Driving Taiwan's Economic Growth

As the leading brand in green finance, Cathay is actively making breakthroughs in current mechanisms, and was the first to introduce international standards in Taiwan, working together with industries and customers in developing green energy. We take action to fulfill our corporate social responsibility as a financial institution.

Investment in the Renewable Energy Industry

Cathay Life has been jointly investing in Galaxy Energy with AU Optronics since 2014. In 2016, we initiated a model for joint ventures with solar energy service providers in the form of special projects. Under this model, we have successively formed joint investments in the following companies: Taixu Energy (with Sino-American Silicon Products); Xinritai Co., Ltd. (with Neo Solar Power); and Solar Master Energy (with Power Master Group), thus promoting solar power industrial clusters and setting an example for other companies in the insurance industry. As of the end of 2020, the total investment approved by the Financial Supervisory Commission amounted to NT\$3.436 billion.

CUB began integrating resources, establishing research teams, and building a dedicated power plant evaluation model in 2011 to provide guidelines for financing assessment. Today, CUB is one of the largest banks that provide solar power financing in Taiwan. In 2020, CUB has financed 182 solar sites in Taiwan with a total installed capacity of 57,976.42 kW. As of the end of 2020, CUB had financed over 2,200 domestic and foreign solar power plants with a total installed capacity of 574MW, reducing CO₂ emission by nearly 330 thousand metric tons, which is roughly 866 times the carbon absorption of Da'an Forest Park.

Furthermore, CUB completed the first offshore wind power syndicated loan in Taiwan – the "Formosa I Offshore Wind Project" with 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 Park. In 2020, CUB served as the negotiating bank, credit management bank, and collateral management bank for the financing project for 50% equity of Ørsted's Greater Changhua Offshore Wind Farm SE, which has an installed capacity of 605 MW, and expects to complete financial close in the second quarter of 2021. After winning the Award of Excellence in the "Banking and Finance Best Practice Award – Best Green Project Financing Award" in 2018 for its excellent project financing results, CUB once again won the Award of Excellence in 2020, and is the only winner of the Award of Excellence since the awards were first established.

Environmentally Friendly and Green Energy-saving Enterprise IPO Guidance

Cathay Securities actively assists environmentally friendly and green energy-saving enterprise with raising capital. In 2020, Cathay Securities served as the underwriter for convertible corporate bonds issued by Anji Technology Co., Ltd./SPO-CB Anji 2 (64772), and helped the company raise NT\$335 million in capital. Furthermore, Cathay Securities continues to assist the PM Group with its IPO. The PM Group is an iconic solar power company in Taiwan with a total installed capacity of approximately 450 MW in all of its domestic solar power plants, holding 10% market share. It is the leading solar power engineering, procurement, and construction (EPC) company in Taiwan, controls key components, has a wealth of experience with grid connection through feeders, and has immense future potential.

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Green Bonds

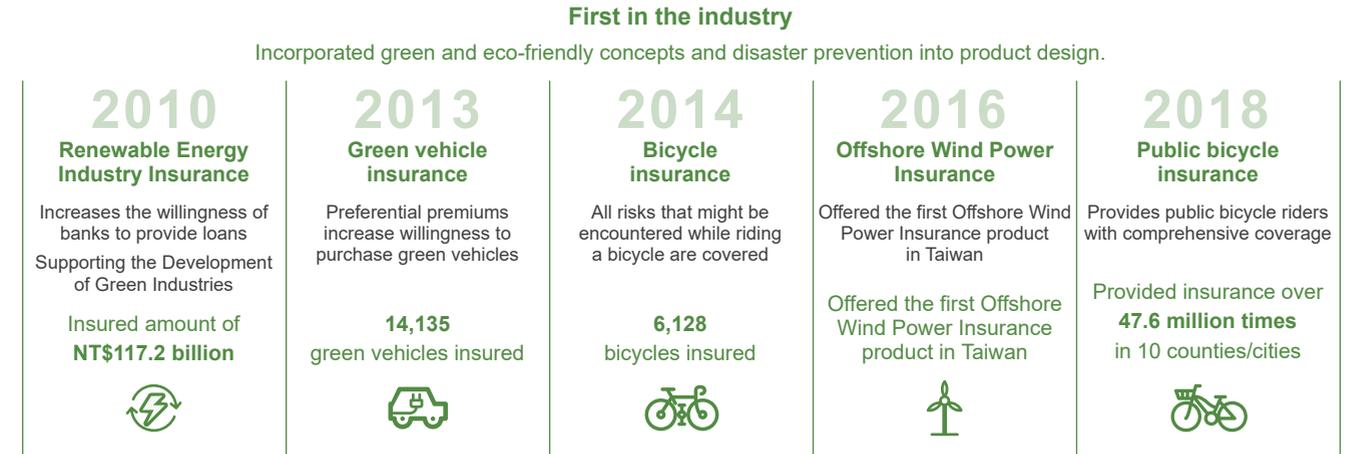
In support of the first round of green bond issuance in Taiwan, Cathay Life purchased US\$30 million in green bonds (approximately 17% of the total amount issued in the first round), while the total invested in green domestic and foreign bonds by Cathay as of the end of 2020 amounted to NT\$14.3 billion.

Furthermore, CUB served as co-lead underwriter for the NT\$12 billion in green bonds issued by Ørsted in Taiwan in November 2019. Proceeds from the green bonds were used for Ørsted's offshore wind power projects in Taiwan. This is the first time a foreign company issued NTD-denominated green bonds in Taiwan. CUB also served as Joint Bookrunner and Joint Lead Manager for the NT\$15 billion in green bonds issued by Ørsted in Taiwan in November 2020, and successfully assisted Taiwanese investors with participating in the financing for phase one of Ørsted's Greater Changhua Offshore Wind Farm SE and SW, which also contributed to making Taiwan's capital market more active.

Furthermore, Cathay Securities served as an underwriter when Taiwan Power Company issued green bonds for the first time in 2017. Taiwan Power Company issued a total of NT\$12 billion in Class A and Class C unsecured corporate bonds in 2020, and Cathay Securities continued to serve as the underwriter for NT\$380 million in bonds. TSMC issued green bonds for the first time in 2020, and issued a total of NT\$12 billion in green bonds, in which Cathay Securities served as the underwriter for NT\$200 million of the green bonds.

Developed Green Insurance

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



Note: The statistics on the above chart is calculated till the end of 2020.

Renewable Energy Industry 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. As of the end of 2020, Cathay Century provided insurance for hydroelectric power, solar power and wind power plants and equipment in the amount of NT\$117.2 billion.

Green Vehicle Insurance

Following the rise of environmental awareness, increasing numbers of car drivers and scooter riders are choosing to buy eco-friendly electric vehicles. Cathay Century launched the first green vehicle insurance in Taiwan in 2013, and has insured a cumulative total of 14,135 eco-friendly vehicles as of the end of 2020. The insurance was offered in coordination with government initiatives to support the green energy industry, and also aids Taiwan's transportation tool transition by encouraging drivers to support eco-friendly vehicles.

Bicycle Insurance

Cathay Century began offering bicycle insurance in 2016, and had sold 6,128 policies as of the end of 2020. 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 December 2020, Kaohsiung City, Tainan City, Taipei City, New Taipei City, Taoyuan City, Miaoli County, Pingtung County, Hsinchu County, Kinmen County, and Chiayi County were covered by Public Bicycle Accident Insurance, protecting over 47.6 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.

3.2 SUSTAINABLE ENVIRONMENT

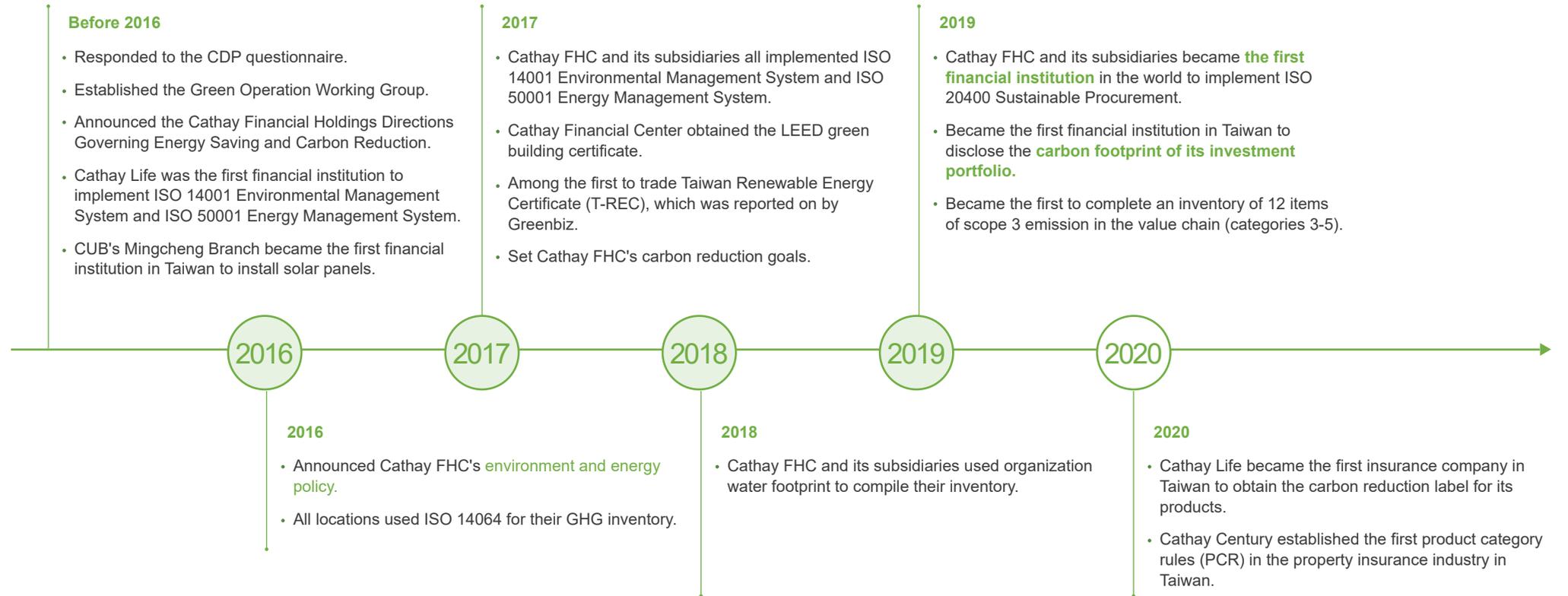
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Cathay is actively promoting green workplaces and began compiling its GHG inventory in 2012. We also implemented energy and environmental management systems to improve energy and carbon emission management. We further established the "Cathay FHC Energy and Environmental Management Policy" in 2016 to implement management measures. We linked carbon-emission management with business performance to thoroughly reduce the carbon emissions from our operations. We further expanded carbon reduction management to procurements and the implementation of responsible procurement in our downstream value chain, making environmental sustainability a strong foundation for Cathay's climate-related efforts.

Cathay's Progress in Green Operations



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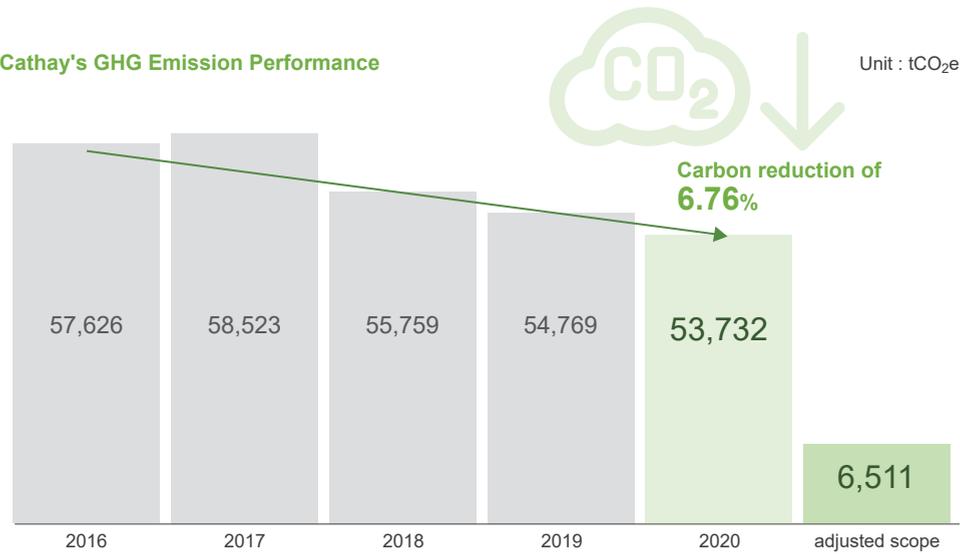
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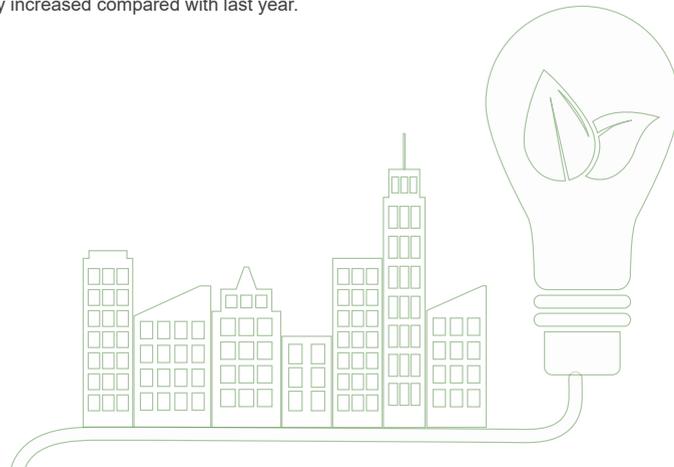
Green Workplace

Cathay FHC and its subsidiaries all implemented energy and environmental management systems (ISO 14001, ISO 50001) at their head office, and also implemented PDCA in the energy and environmental management of routine operations. In 2020, we implemented science-based and data-based management of carbon emission hotspots, expanded the scope of GHG management in our value chain, and achieved considerable results in carbon reduction. Our carbon emissions within the original scope of inventory in 2020 decreased 6.76% compared with the baseline. Please see [Appendix Table 9](#) below for details on our carbon reduction performance from expanding carbon reduction measures to energy conservation to the use of alternative energy sources.

Cathay's GHG Emission Performance



Note: In 2020, we included more areas which is composed of data center. Hence, the GHG inventory, water use and electricity increased compared with last year.



Equipment Replacement

In the financial service industry, electricity consumption in the business premises is the main source of emissions. We followed the ISO 50001 management guidelines in analyzing the most electricity-consuming equipment on our business premises, and prioritized improvements for the equipment with consideration to their cost, service life, and electricity consumption, in order to lower the environmental impact of our operations and provide employees with a better office environment. Evaluation results show that air conditioners and lights consumed the most electricity, so we replaced electricity-consuming equipment in 2018-2020, including air conditioners, lights, and elevators, which will reduce carbon emissions by an average of 1,640 tons CO₂e per year. The equipment we replaced over the years is as follows:

| Year | Target | Item | Estimated carbon reduction (tCO ₂ e/year) |
|------|-------------------------------------|---|--|
| 2018 | International Trade Building | Light replacement | 55 |
| | Cathay Life Insurance Building | Air conditioning system integration | 350 |
| 2019 | Dunnan Commercial Building | Air conditioning equipment renewal | 91 |
| | Cathay Life Insurance Building | Workplace LED light replacement | 46 |
| | IT Building | Light replacement, Air conditioning equipment renewal | 85 |
| | Yuren Building | Air conditioner renewal | 34 |
| | Taipei International Trade Building | Elevator update | 38 |
| | 19 buildings for self-use | Light replacement | 750 |
| | Kaohsiung Chunghua Building | Workplace LED light replacement | 17 |
| 2020 | IT Building | Machine room air conditioning system improvement | 174 |

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Green Building Management

Cathay attaches importance to the effective management of buildings, including building energy use, waste, greening, and water resources. Cathay Life established the Responsible Property Investment and Management Policy, and focused on applying for the US LEED certification for green buildings. Solar panels and the water recycling system are also taken into consideration in the building evaluation stage. Cathay Landmark, Taichung Wuri Building, and Logistics Republic Zone B10 all obtained the green building certificate in 2020. As of the end of 2020, Cathay has a total of 15 green buildings, of which 4 buildings are LEED certified.



International Business City – Commercial Complex (Silver-rated Green Building)

Green Buildings



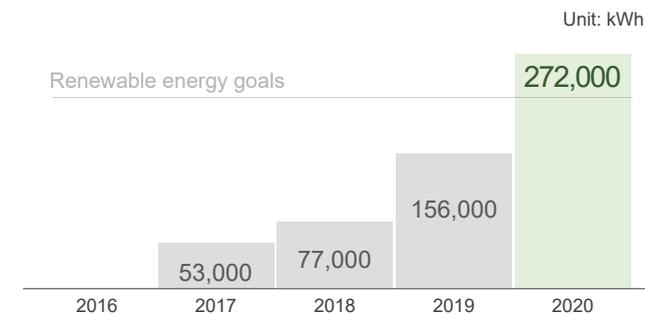
Cathay has a total of 15 green buildings, of which 4 buildings are LEED certified.

Development of Renewable Energy

Cathay supports the green energy policies of Taiwan's government, and used 272,000 kWh of renewable energy in 2020. Furthermore, after evaluating the sunlight at business locations and the financial impact, we installed a solar power generation system on the rooftop of our Mingcheng Branch in 2013, and subsequently installed solar panels on the rooftops of other buildings. As of the end of 2020, we have installed rooftop solar power generation systems with a total installed capacity exceeding 6,500 kW, including FIT and onsite self-use PV systems. We further set the goal to generate and use 250 MWh of renewable energy in 2020, and continue to increase the ratio of our renewable energy.



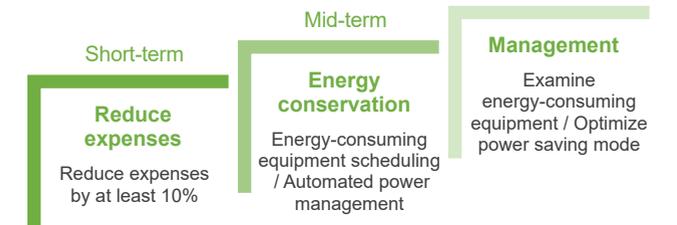
Renewable Energy Use



Smart Energy Management at Branches

CUB has the most branches out of all private banks in Taiwan. CUB launched a quantified electricity information system in 2020, so as to demonstrate its determination towards carbon reduction and break through the dilemmas of conventional electricity savings measures. The system uses smart meters and a visualization platform to establish the basis for electricity consumption by branches around Taiwan, and allows CUB to monitor the latest electricity prices, electricity consumption, and quantified data from the monitoring of electricity-consuming equipment. CUB then implements short-, mid-, and long-term expense reduction, electricity saving, and energy management plans on this basis.

Smart Energy Management Plan



Waste Management

Waste generated in the financial service industry only includes domestic waste and recyclables. We do not generate any hazardous waste. We began to compile an inventory of domestic waste generated by our operations in 2017, and the inventory's scope already covers the head offices of Cathay FHC and its subsidiaries, 37 locations of Cathay Life, and branches of CUB around Taiwan as of 2020. We collected information on domestic waste and recycling according to the GHG inventory (ISO 14064-1), which was verified by a third party. Please see [Appendix Table 10](#) for details on our carbon reduction performance.

Water Management

We began using ISO 14064-1:2018 to collect information on water resource use in 2020, which was inspected and verified by BSI. Cathay does not use any ground water, salt water, recycled water, process water, cooling water, or industrial wastewater. Please see [Appendix Table 10](#) for details on our carbon reduction performance.

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Carbon Footprint of Products

Cathay strives to lessen the carbon footprint of insurance products, engage in green procurement upstream, and develop low carbon products midstream through mobile insurance services. Cathay obtained the ISO 14067 certification and green product labels from the government by determining the carbon footprint of products. Cathay Life became the first insurance company in Taiwan to obtain both the ISO 14067 (carbon footprint) certification and Carbon Reduction Label in 2020, thanks to its green actions. Cathay Century led the industry in establishing PCR for "property insurance services" according to standards of the Environmental Protection Administration, and is the first property insurance company in Taiwan to obtain both the ISO 14067 (carbon footprint) certification and Carbon Reduction Label.



Carbon Reduction Label of Cathay Life's insurance product



Carbon Label of Cathay Century's property insurance product

The PCRs established by Cathay Life and Cathay Century according to EPA standards use Life Cycle Assessment (LCA) to determine direct and indirect GHG emissions of products or services in their life cycle. The companies provide green insurance policies through upstream product procurement, mobile/electronic and low-carbon products and services, and waste management. The carbon emission from each insurance policy of Cathay Life is 3.37 kg CO₂e, which is down more than 14% compared with the carbon emission three years ago. After calculations, Cathay Century found that the carbon emission of each property insurance service (regardless of insurance type) was 1.83 kg CO₂e in 2018. Both are these values represent the lowest carbon emissions in the industry, and Cathay's products have been recognized as green products by the government. Please see the Corporate Sustainability Report of Cathay Life and Cathay Century for complete performance.

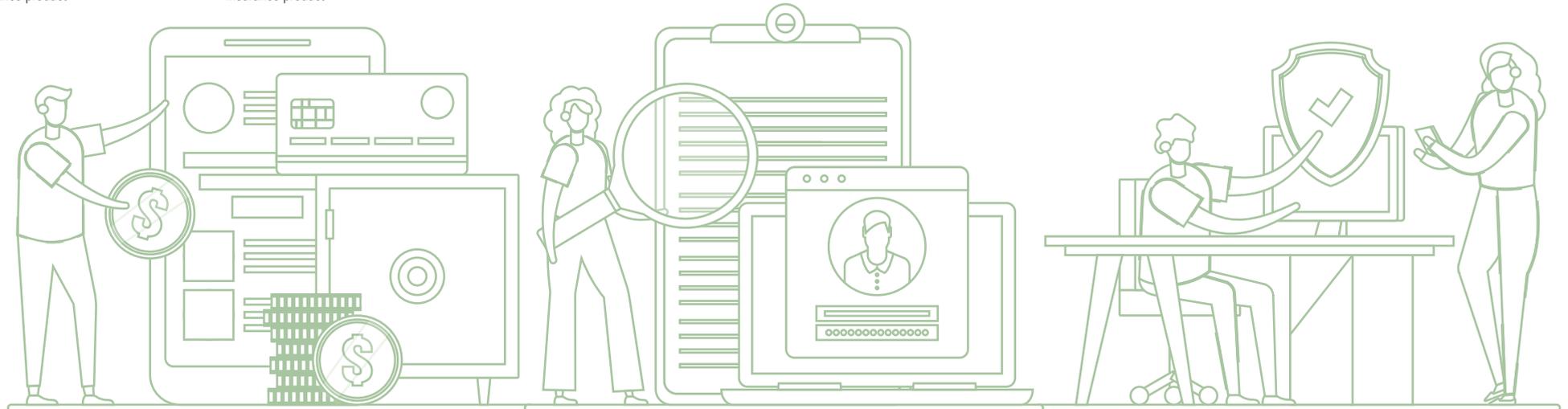


Cathay Life's Corporate Sustainability Report

Cathay Century's Corporate Sustainability Report

Cathay is actively promoting mobile insurance and electronic insurance policies to make it more convenient for customers to view their insurance policies, while reducing resource consumption. The Group's performance in reducing paper use and carbon reduction in 2020 is shown below, in which the amount of paper saved is 24.6 times the height of the Taipei 101 building.

| | Reduce paper use | Equivalent carbon reduction (tCO ₂ e) |
|----------------------------------|------------------|--|
| Life insurance products | 8,510.9 | 612.78 |
| Property insurance products | 3,221.3 | 231.94 |
| Online credit card application | 700 | 50.40 |
| Online brokerage account opening | 126.9 | 9.14 |
| Total | 12,559 | 904.26 |



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Sustainable Procurement

Cathay FHC has over 1,000 suppliers that provide services, equipment, and construction, including computer equipment, human capital, furniture, printed materials, office supplies, construction, and mechanical and electrical engineering. The services provided by suppliers allow us to operate smoothly. Cathay properly manages its supply chain in accordance with ISO 20400: Sustainable Procurement Guidelines, in order to lower the environmental and social impact of the service process, and also drive local economic and environmental growth.

Procurement Process and Performance

Cathay FHC and its subsidiaries implemented the ISO 20400: 2017 Sustainable Procurement Guidelines in 2018 and became the first financial institution worldwide to obtain the certification. We integrated environment, social, and governance (ESG) considerations to manage potential risks in our supply chain, and established the Cathay FHC Sustainable Procurement Policy and Supplier Corporate Social Responsibility Code of Practice to implement the Group's ESG values and strategies.

| | | |
|--|--|--|
| <p>Training completion Rate</p> <p style="text-align: center;">100%</p> | <p>Local Procurement Ratio</p> <p style="text-align: center;">99.2%</p> <p>Cathay gives priority to local enterprises when making procurements to drive local economic development.</p> | <p>Green Procurement Amount</p> <p style="text-align: center;">NT\$ 303 million</p> <p>Cathay was recognized with the Green Procurement Enterprise Award from Taipei City Government for 11 years from 2010-2020.</p> |
|--|--|--|

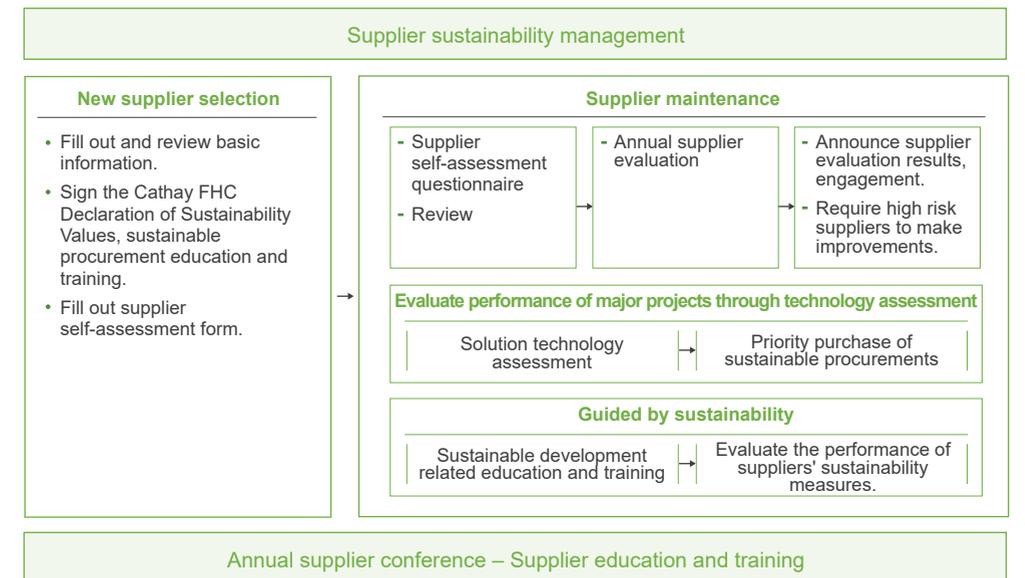
Note: Cathay FHC and its subsidiaries give priority to local suppliers where their business locations are located, provided that it does not affect safety and the fairness of procurements, in order to support related industries and drive local economic activity.

Suppliers Management Strategy

Our supplier management strategy focuses on the following four aspects to achieve strategic goals and integrate the Group's sustainable management framework:



Cathay Suppliers Management Process



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Taiwan's population showed negative growth for the first time in nearly 70 years in 2020. Even though aging population is a challenge faced by many countries around the world in their demographic changes, Taiwan only took 25 years to go from an aging society to an aged society, more than 3 times quicker than countries in Europe and the US. As the elderly became the majority of the population, Taiwan's society now face lower productivity, financial pressure from pension payments, and the heavy burden of healthcare.

According to the World Inequality Report published by Oxfam, COVID-19 has accelerated wealth inequality worldwide. The population in extreme poverty grew by a substantial 200-500 million people, and the impact on assets might take families below the median over 10 years to recover from.

Cathay actively uses its core competencies to examine the financial position of corporate customers and improve the financial health of citizens, while also showing concern for citizens' physical health. We hope that Taiwan's society will take a preventive approach when it comes to people's health, and help citizens become financially independent.



4.1 Health Promotion



Cumulative number of steps on Cathay Walker enough to walk to the moon and back 317 times

As of the end of 2020, the total number of steps on Cathay Life's Cathay Walker was approximately 391.25 billion steps, enough to walk to the moon and back 317 times.

4.2 Financial Health



Cathay Securities' system investment plans allow low asset and young customers to also begin investing in the stock market

As of the end of 2020, debits for systematic investment plans of Cathay Securities totaled NT\$5.334 billion, with the accounts of over 90,000 people debited and market share reaching 36%.



Game-based anti-drug campaign for children to recognize drugs and say no to drugs

Cathay Life combined its anti-drug campaign on campuses with PaGamO and reached over 360,000 students, so that students can learn to say no to drugs no matter where they are.



The first CUB Financial Service Station eliminates constraints of conventional banks on time and place

The CUB Financial Service Station is the first of its kind in the banking industry, and extends service hours to 9:00 PM, significantly improving the accessibility and convenience of financial services for consumers.

4.1 HEALTH PROMOTION

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According to statistics from the Ministry of the Interior, the average life span of citizens is now over 80.9 years following the rise in healthcare standards, emphasis on food safety, and higher quality of life. Yet, despite the longer average life span, the Directorate-General of Budget, Accounting and Statistics pointed out that citizens lived up to 9 years of the end of their lives in poor health, which will lead to social issues such as the burden of family care and healthcare expenses.

Improving Physical and Mental Health of General Public

The Cathay Walker Project Generates \$6.3 in Social Impact

Cathay Life was the first in the industry to combine insurance with health management in 2014, offered insurance policies with spillover effect, and implemented the Cathay Walker Project in 2018. The project views national health as a part of corporate social responsibility, and transforms the function of insurance from compensation to prevention. This project aims at achieving the goal of "Building healthy habits with policyholders together" by encouraging participants to walk 7,500 steps a day." The number of users in the Cathay Walker Project reached 280,000 in 2020 and the cumulative number of steps were approximately 391.25 billion, enough to walk to the moon and back 317 times.

Furthermore, Cathay Life uses Social Return on Investment (SROI) to evaluate the Cathay Walker Project's impact on users, and obtained certification from Social Value International (SVI). For every NT\$1 invested by Cathay Life, NT\$6.3 in social value is generated. Cathay Life is the first insurance company in Taiwan to compile a report certified in the UK, showing that Cathay Walker brings true meaning.

Cathay At Your Side Health Project Helps Chronic Disease Patients Enjoy a Healthy Life

Cathay integrated resources from subsidiaries of insurance and hospital. Meantime, Cathay worked with Clover Health, a US-based unicorn insurance startup, in developing a chronic disease risk prediction model and launched the "Cathay At Your Side Health Project." By using data, AI and big data analysis technologies, we screened policyholders with chronic diseases that are high health risks. This allows us to take preventive measures in advance and improve policyholders' health, helping diabetes patients effectively control their blood sugar and enjoy a healthy life.

Cathay Life screened high risk policyholders by the risk prediction model, jointly developed with Clover Health, and actively invited the policyholders to participate in the project. Cathay Life then integrated resources across departments and systems with Cathay General Hospital, and then combined Clover Health's Health2Sync app with Cathay Life's Cathay Walker step counter app for participants to easily upload their data. This makes health consultants determine the timing for intervention and provide health education easily, and also lets doctors see all of the information at a glance when patients return for follow-up. Nearly 1,000 people have participated since the Cathay At Your Side Health Project was implemented, and after nine months in the project, 53% of patients are no longer in the alert zone and 31% of patients are already in the safe zone.



Cathay At Your Side Project combined with the Cathay Walker app makes health management easier.

Cathay Walker



Number of users reached **280,000**.



Accumulated **391.25 billion steps**
Enough to walk to the moon and back 317 times.



Social Return on Investment **6.3**



53% of patients are no longer in the alert zone.
31% of patients are already in the safe zone.

Cathay At Your Side Health Project

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Establishing Health and Safety Protection Net

Cathay established its Safety and Health Work Guidelines, Occupational Safety and Health Management Plan, and Occupational Safety and Health Management Guidelines, subsidiaries of the Group also set up Occupational Safety Committees as stipulated by regulations, where occupational health safety topics are collected and reported to Cathay FHC's monthly administration management liaison meeting for timely review of strategies as well as progress on implementation of solutions. Refer to Occupational Safety and Health for implementation progress.

Moreover, responsible departments periodically give occupational accident statistical analysis reports at each subsidiary. If an employee undergoes surgery or becomes permanently disabled due to an occupational accident, medical personnel will follow up on the employee's condition and evaluate if the employee is suitable for existing work. Please see [Appendix Table 23](#) for Absence and Occupational Safety Statistics. Lastly, we have an employee health risk management process in place to ensure the mental and physical health of our employees. The results of employee health exams are periodically analyzed and classified for health risk management. We compiled an employee health risk map on this basis. Accordingly, we implemented the Employee Assistance Program (EAP) and organized healthy promotion activities.

The Employee Assistance Program (EAP) Safeguards Employees' Mental and Physical Health

Cathay FHC determines the mental health of its employees on an annual basis. The response rate was 76.2% in 2020, showing that there are no major risk factors to employees' mental health. Cathay FHC implemented the EAP to further help employees achieve work-life balance. Employees can make appointments for services at any time of the day. When employees encounter difficulties or experience stress, a group of professional consultants, including counseling psychologists, clinical psychologists, social workers, practicing lawyers, and financial consultants, will provide one-to-one professional services, in order to improve the mental health of all employees and their quality of work. A total of 430 consultations were provided in 2020, and topics included career, physical and mental stress, and family. According to the satisfaction survey on employees who utilized consultation services, over 90% of employees were highly satisfied with EAP services.

Weight Loss Contest Makes Employees Pay More Attention to Their Physical Health

Cathay found that nearly 30% of employees are overweight (BMI>24) from the employee health exams, meaning that 1 out of every 3 employees is overweight. Obesity is a key factor that affects the health of Cathay employees. Therefore, Cathay has organized the Weight Loss Contest for six consecutive years since 2015, and gradually expanded the scope of the contest from employees to policy holders and employees' family members. Cathay added individual goals in 2020 and refocused the contest on individual performance, so that employees pay even more attention to their personal health conditions. The aggregate number of participants exceeded 65,000 in 2020, and participants collectively lost nearly 120,000 kg in weight. Employee participants' before-and-after-contest BMIs indicated the Weight Loss Contest has led to an increase of 13.7% in "healthy body weight".

Weight Loss Contest



The aggregate number of participants exceeded **65,000** in 2020.



Collectively lost nearly **120,000** kg in weight.



Weight Loss Contest has led to an increase of **13.7%** in "healthy body weight".



Implementation Progress of Occupational Safety and Health

Helping Senior Citizens Enjoy Life

The National Development Council pointed out that as Taiwan's population continues to age, population growth became negative for the first time in 2020, and Taiwan will soon become a super aged society in 2025.

Providing the First Long-term Care Insurance with In-kind Benefits to Meet Customers' Needs

Cathay Life offers the widest variety of long-term care (LTC) products in the industry, and works hard to raise citizens' risk awareness, which helps citizens properly apply LTC insurance for elderly life.

Cathay Life led the industry in offering 2 LTC insurance products with in-kind benefits in 2019, and further offered 3 more new products in 2020, with diversified product structure and coverage to meet the needs of general public on LTC services.

Cathay Life is working with Chunghwa Senior Care Co., Ltd., an excellent external LTC institution, to provide options for actual services. Policyholders can gain the economic support through both lump sum settlement and installment payments, and can choose the needed support by cash payments or actual services directly from service providers. This option offers policyholders a right to solve the economic burden of LTC or to their actual needs of services. So, these products can help policyholders and family members decrease the pressure of LTC.

Long-term Care Insurance Products with In-kind Benefits



Offers Diversified Products to Meet the Needs of General Public on LTC Services.

Led the industry in offering 2 LTC insurance products with in-kind benefits in 2019, and further offered 3 more new products in 2020.

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Cathay Provide Dementia-Friendly Care

According to the estimates from the Taiwan Alzheimer's Disease Association, the prevalence of dementia among people aged 65 and above may reach 10% in Taiwan in 25 years, meaning that 1 out of every 10 elderly people will have dementia. However, 52% of people still believe that "dementia is a normal part of aging" and make no preparations. In light of this, Cathay Life shouldered the responsibility of helping people clearly understand dementia and promoting dementia-friendly services. Cathay Life implemented the "two engines of dementia" in hopes of mitigating the impact of dementia on patients, caretakers, family members, and the nation.

First engine: To build a dementia-friendly care network by integrating elite agents and elderly service locations around Taiwan

Cathay Life actively supports the Health Promotion Administration's policy of promoting dementia-friendly communities, by utilizing all resources to organize "dementia prevention and friendly" training. This activity aims at letting all employees have a correct understanding of dementia, so that they will become friendly angels to serve care functions in the community. Sales agents are in the first wave and will accelerate the spread of dementia-friendly care. Business units and policyholder service centers that provide elderly services are support units of our high density dementia care network. At present, over 13,000 sales agents and over 100 locations around Taiwan have completed training.

Furthermore, Cathay Life and the Taiwan Alzheimer's Disease Association, an important driving force of the dementia prevention and care policy, co-organized the "Care for Dementia Together" event, which is combined with the concept of walking to prevent dementia. The event invites people to enroll in Cathay Walker products, and Cathay Life will donate NT\$10 to the Taiwan Alzheimer's Disease Association for each insurance policy purchased by customers. Policyholders will not only improve their health when they reach the target number of steps, but also enjoy additional coverage or premium discounts, and can also contribute to care for dementia, creating a situation where everyone wins! Nearly 65,000 people are currently participating and the amount donated has surpassed NT\$650,000.



Cathay Life held the "Care for Dementia Together" event to invite people to contribute to care for dementia.

Second engine: First dementia insurance with spillover effect and in-kind benefits in the industry

Cathay Life considered the need for dementia insurance and offered the only product with spillover effect and in-kind benefits in the industry. Policyholders can choose in-kind benefits based on their needs and acquire personalized dementia care services from an excellent institution. This reduces the stress of trying to find a suitable care institution, and meets different needs by giving policyholders the flexibility of settlement options.

Dementia-friendly Care



Dementia-friendly Angels and Organizations

Over 13,000 sales agents and over 100 locations around Taiwan have completed training.



"Care for Dementia Together" Event

Cathay Life will donate NT\$10 to the Taiwan Alzheimer's Disease Association for each Cathay Walker insurance policy purchased by customers.



Consider the Need for Dementia Insurance

Offer the only product with spillover effect and in-kind benefits in the industry.

Set up a "Splendid Life" Website for the Middle-aged and Elderly Generations

To help the middle-aged and elderly generations easily face the challenges after retirement and enjoy a wonderful life, Cathay Life set up an exclusive website, "[Splendid Life](#)". This website introduces the policy of LTC 2.0 by illustrations, so that citizens will be able to know quickly how they can grasp government resources. Furthermore, Cathay Life cooperates with several institutions to offer resources on a section of the "Splendid Life" website, so citizens can quickly gain information on discounts for elderly products or services. This website can help elders get required information and caretakers catch their breath to face the caring tasks calmly.

Medical studies have pointed out that the risk of dementia starts to rise 20-30 years before onset, usually age 65. Hence, age 40 is crucial to avoid dementia. The website, "Splendid Life", specially provides "40+ dementia prevention" services to meet the needs before, during, and after the onset of dementia. For example, a cognitive training game, "Memory Billionaire", is provided to train reaction ability logical thinking, attention, and memory free of charge, and this game has been certificated by occupational therapists. The website also provides the AD-8 scale for screening very mild dementia, which can help citizens with early discovery of dementia and slow the progression of dementia.



The "Splendid Life" website provides calculator for insurance products, information about LTC and service resources, thereby allowing people to enjoy their senior years.

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Providing Coverage for Long-term Care Institutions and Caretakers via Long-term Care Institution Liability Insurance

In response to Taiwan's aging population, the long-term care service system has become the key to realizing Aging in Place. However, operations of long-term care institutions often have many risks, in which fire accidents are the most common and most severe risk and have taken the lives of 36 people in the past 7 years, causing massive asset loss and liability of related personnel. Negligence by caretakers is also another common risk. Caretakers may negligently cause injury when providing physical care and household services, and will become liable for compensation while long-term care institutions bear the risk of joint liability

Cathay Century offered the first long-term care liability insurance in the property insurance industry, so that long-term care institutions will be able to effectively avoid risks, maintain steady operations, and continue to provide long-term care services. The insurance provides necessary coverage for long-term care institutions and caretakers, so that they will not need to worry so much about compensation when providing services. This will increase the willingness of caretakers to enter long-term care industry, and allow even more individuals and families to receive good care in the future. Long-term Care Institution Liability Insurance meets the needs of both long-term care institutions and individuals for coverage, and fundamentally changes the constitution of long-term care institutions by lowering the frequency of loss. The design of the insurance was recognized by various sectors and won the 4th "PwC CSR Impact Awards – Product Innovation Impact Award."

Long-term Care Institution Liability Insurance



Won the 4th "PwC CSR Impact Awards – Product Innovation Impact Award"

Meets the needs of both long-term care institutions and individuals for coverage, and fundamentally changes the constitution of long-term care institutions by lowering the frequency of loss.

Game-based Anti-drug Campaign



Reached 22 counties and cities.

Worked together with 6,000 student group service personnel.



365,000 participants online and offline

Teacher satisfaction exceeded 99%.



The campaign won the Special Award of Buying Power by supporting social startups actively.

Helping Children Grow Healthily and Safely

Cathay utilized its core competencies in finance to promote sustainability issues on campus and provide students with greater insurance for risks, in order to help the next generation in Taiwan grow healthily.

By Game-based Anti-drug Campaign, Children Can Recognize and Say "No" to Drugs

Cathay Life has begun providing student group insurance with approximately NT\$3 trillion total insured amount, since 2017 academic year. Not only protecting the safety of 3 million children, but Cathay Life jointly implemented the Sustainable Campus Project with the K-12 Education Administration. Cathay Life has focused on anti-drug from the 2019 academic year, and has worked together with the game-based learning platform PaGamO. With 6,000 service personnel for student group insurance around Taiwan, Cathay Life changed the conventional approach, launching a game-based anti-drug campaign for children to gain knowledge and become more motivated to learn through promoted games.

The use of digital tools not only increases students' learning motivation, but also eliminates the spatial constraints of the anti-drug campaign. By adopting strategies of online and offline, we increased the depth and breadth of the anti-drug campaign in a fun and effective way.

PaGamO Online Anti-Drug Mission

The anti-drug questions are incorporated in the learning platform, PaGamO, for students to accumulate relative knowledge by answering questions online.

Volunteers go on campus and organize small anti-drug gaming competitions

Cathay volunteers organized small gaming competitions in classes around Taiwan. The competition applies the gaming mechanism of capturing territories to encourage students to actively participate in and increase the rate of correct answers for gaining knowledge positively.

Cathay National Anti-drug Gaming Competition

Cathay combined its forces in organizing the "2020 Cathay National Anti-drug Gaming Competition," which attracted teams from 22 counties and cities around Taiwan. Participants actively reviewed the anti-drug questions and discussed anti-drug issues with team members, teachers, and their parents, which can increase their anti-drug knowledge.

The anti-drug campaign on campus has reached 22 counties and cities with approximately 365,000 participants online and offline since it was launched in 2017, and teacher satisfaction exceeded 99%. As such, the campaign won the Special Award of Buying Power.

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

Cathay Century is exerting every effort in risk prevention education with the vision of "comprehensive identification of risks for all ages," and is actively working together with industry-government-university. We provide the traffic safety courses using VR and AR technologies for all students. A total of 138 Accident-Free Riders and Accident-free Bicycles events were organized on campuses and reached over 6,000 people in 2020.

"Campus risk map" under the Accident-free Rider Project assisted Tainan University of Technology, Southern Taiwan University of Science and Technology, and Kun Shan University with identifying and investigating risks in roads surrounding their campuses. Cathay Century found 17 locations where traffic accidents easily occur, and provided a traffic risk recommendation report. The locations will be improved by hardware facilities and stepping up promotion to raise awareness. Furthermore, we developed the "Tainan City Yongkang District Road Safety for Dummies using AR technology for the purpose of reminding citizens to stay safe on the road in the district in order to lower the traffic accident rate.

Accident-free Bicycles was invited by New Taipei City Education Department to participate in the "New Taipei City Information Education Exhibition," and over 3,000 teachers and students participated in the event. Cathay Century was the only property insurance company at the event, where over 350 people experienced AR technology, showing the recognition for combining emerging digital technology with traffic safety education.



Cathay Century developed the "Tainan City Yongkang District Road Safety for Dummies" to effectively reduce the incidence of traffic accidents.

Providing Risk Prevention and Management to Reduce Losses

Fires, earthquakes, typhoons, floods, and accidents are unavoidable risks in business operations and daily life, but ex-ante prevention and management can lower the frequency of risks and reduce losses. Cathay Century uses its loss control capabilities to inspect the health of companies and help companies continue to improve their operational performance.

Loss Control Services Help Corporate Customers Respond to Potential Risks

Cathay Century utilizes its core competency in loss control to provide corporations with knowledge of risk management and prevention, and also provides professional examinations for the purposes of lowering the frequency and severity of disasters. Thus, we strive to achieve sustainable operations on the basis of the safety of Cathay and its customers. Cathay Century has made disaster prevention plans, conducted on-site risk survey, combined with natural hazard model to provide the loss control and evaluation plan suitable for Taiwan. A total of 294 natural hazard simulations and evaluations were conducted in the past 10 years. Starting in 2020, Cathay Century became the first property insurance company to use a natural hazard model to evaluate damages caused in climate change hazard scenarios, in order to help enterprises achieve sustainable development.

To optimize the enterprise loss control services in 2020, Cathay Century strengthened the technology for simulating personnel evacuation by conducting the Fire Dynamics System (FDS) to assist the SIMULEX simulation to ensure the simulation results would meet personnel safety requirements. Cathay currently has provided services to the most companies compared with other property insurance companies in Taiwan. In 2020, we have provided this service for 5 companies. All the customers shared the feedbacks that the service helped employees to improve the evacuation in case of emergency in the workplaces.

Accident-free Rider and Accident-free Bicycles



A total of 138 Accident-Free Riders and Accident-free Bicycles events were organized on campuses.



Reached over 6,000 people.

Loss Control Services



A total of 294 natural hazard simulations and evaluations were conducted in the past 10 years.



Cathay Century became the first property insurance company to use a natural hazard model to evaluate damages caused in climate change hazard scenarios.

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Loss Control Seminar Helps Companies Face Operating Risks

Cathay Century holds a large scale of loss control seminar every year to strengthen the risk awareness of corporate customers. In 2020, the loss control seminar was held with the theme of "business continuity management during COVID-19" in response to the pandemic. The seminar provided the emergency response experience of companies around the world, helped customers examine and refine their business continuity management, and recommended corporations to take precautions for the threat of combined disasters. The comprehensive risk management process, including preparations before a disaster occurs (risk management), responding during a disaster (emergency response and crisis management), and recovery after the disaster (business continuity management), mitigates the impact on operations. There were of 56 corporate customers participated in the seminar and were 100% satisfied.



Cathay Century held Loss Control Seminar to help corporations maintain operation in the possibility of another invasion of pandemic.

Loss Control Seminar



56 corporate customers participated.

UBI Automobile Insurance Raises Drivers' Safety Awareness

Cathay Century worked together with the Institute of Financial Law and Crime Prevention and Nan Shan General Insurance Co., Ltd. in implementing the "Usage Based Insurance (UBI) and Dynamic Pricing Big Data Analysis" project. The project's third generation UBI is the first of its kind and is an important innovation in the property insurance industry currently offered on a trial basis.

The UBI Rider utilizes the trend of InsurTech and the driving behavior rating model to offer UBI. Drivers' driving habits (mileage, hours, number of trips, speeding, number of rapid accelerations, rapid decelerations, and sharp turns) are included in the risk assessment used to adjust the premium rate of UBI. Drivers participating in the project can use the data in the product's app to examine and adjust their driving behavior, so that they can drive even more safely.

The UBI Rider allows drivers who drive safely to enjoy premium discounts, and encourages consumers to continue adjusting their driving behavior, which will raise their safety awareness and improve their safe driving behavior. The premium rebates are directly returned the next quarter, shortening the wait time to make an even bigger difference to policy holders.

Note: UBI developed from only considering a single factor – mileage to all data on driving behavior. The third generation UBI features "Pay How You Drive," in which the in-vehicle system automatically senses and records driving related data, which serves as the basis for adjusting premiums.

Usage-Based Insurance



Implementing the "Usage Based Insurance (UBI) and Dynamic Pricing Big Data Analysis" project.

The project's third generation UBI is the first of its kind and is an important innovation in the property insurance industry currently offered on a trial basis.

IoT Fire Accident Value-added Services for Faster and More Convenient Handling of Fire Accidents

Cathay Century engaged in cross-sector cooperation with Taiwan Secom Co., Ltd. to combine IoT (Internet of Things) disaster prevention equipment with Cathay Century's insurance services, providing disaster prevention claims services that meet customers' requirements on home safety.

If customers use the "IoT fire accident value-added services," when IoT equipment in their home detect any abnormalities, it will immediately send a signal to Taiwan Secom Co., Ltd. and personnel in the control center will go to the site of the incident for an inspection. If they confirm that it is a fire accident, they will simultaneously notify Cathay Century using the API. Customers only need to provide a list of losses and proof of losses such as repair receipts to service personnel of Taiwan Secom Co., Ltd. to accelerate claims services of Cathay Century. The "IoT fire accident value-added services" automatically sends data through a program and shortens the time for processing fire accidents from one month to three work days, providing customers with a faster, simpler, and more convenient insurance service experience.

IoT fire accident value-added services



Providing customers with a faster, simpler, and more convenient insurance service experience.

Automatically sending data through a program and shortens the time for processing fire accidents from one month to three work days.



Satisfaction Rate reached **100%**.

4.2 FINANCIAL HEALTH

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The UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) pointed out: "Financial inclusion is economic growth, creates job opportunities, and is a driver or accelerator of social development." 97% of companies in Taiwan are SMEs, and 80% of workers are employed by SMEs. Cathay fully utilizes its financial service capabilities to support the growth of SMEs and startups; support the financial independence of youth, elderly, and women; and achieves financial inclusion for the economically disadvantaged through financial education and products, creating a people-oriented financial environment.

Creating a Financial Independence and Safety Net for the Elderly

Cathay noticed that elderly people frequently become victims of fraud in recent years, and that citizens have insufficient awareness towards the importance of preparing for retirement. Hence, we are making an effort to create a complete social and financial safety net for the elderly, increasing their financial independence and protecting the asset safety of elderly people.



Professional Trust Team Protects the Asset Safety of Elderly People

CUB was the first in the industry to establish a professional trust team that aims to provide comprehensive trust. CUB utilized its understanding of social trends to develop innovative and friendly trust products and services, in order to respond to the rapidly changing society, helping individuals and society build a firewall of assets and transaction. This will help citizens properly arrange their future lives and assets according to their blueprint for their life. CUB became the only bank to win the "Best Trust Finance Award" for four consecutive years in 2020.



For consumers that don't want to mortgage their house but aren't residing in it, CUB Trust Department Manager Zhao Zi-Ren recommends using retirement trust to utilize and keep their real estate.

CUB participated in the "2020 Keelung City Forum for the Elderly" organized by Keelung City Government Department of Social Affairs in 2020 and engaged in exchanges with industry, government, and academia. CUB used examples in daily life to share how elderly people can use the trust system to avoid the risk of financial exploitation, such as assets being scammed or embezzled. CUB hopes to use government and communities to help the general public understand that trust is not only for the wealthy, as well as the designated use of funds, so that trust will be looked at as a way for protecting asset safety as Taiwan becomes a super-aged society.



國泰世華
專業信託手冊

Professional Trust Teams



"Best Trust Finance Award" for four consecutive years

CUB became the only bank to win the "Best Trust Finance Award" for four consecutive years.



CUB compiled relevant cases into an accessible digital Trust Handbook, available for free download. In the first month, it was downloaded 30,000 times.

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Disability & Retirement Trust ensures assets are used for their designated purpose

CUB protects the assets of elderly and disabled people through trusts, allowing them to rest assured and pass on their assets. The Disability & Retirement Trust Program allows people to entrust different types of property at the same time, and ensures that trust assets are used exclusively for the designated purposes. As of the end of 2020, 316 elderly and disabled people entrusted assets worth NT\$1.687 billion into disability & retirement trusts.

Promoting Pension Planning to Meet Needs after Retirement

In order to let more people achieve their pension planning better, Cathay SITE keeps optimizing the Cathay Retirement Plan Platform. With the platform's calculator, the users are only 3 steps away from understanding how much money they need for retirement. It also takes the individual's labor insurance, labor pension, and national pension into considerations, giving the users a clear review over their current pension planning. As a result, this helps people prepare for their retirement earlier and easier.

In addition, Cathay SITE realized that many Taiwanese people prepare for retirement insufficiently. Thus, we launched the "Cathay Target Date 2029/2039/2049 Fund of Funds" in 2019, providing investors with the easiest way for retirement investments. With these funds, all the investors need is to decide in which year they want to retire and then choose the fund with the closest target date. As for asset allocation, the professional fund management team keeps adjusting the ratio of stocks and bonds based on the glide paths of the funds. As of the end of 2020, the number of participants has surpassed 26,000.



Jointly Raising Anti-Fraud Awareness among the Elderly Together with Strategic Partners

Cathay FHC was the only financial institution to collaborating with National Taiwan University's Smart Aging Design Courses, which bring together elderly health management, engineering and design students from five universities in Taiwan. Course lecturers came from both industry and academia and aim to cultivate interdisciplinary talent, while providing solutions for aging society issues.

Cathay FHC trained students taking the Smart Aging Design Courses to develop the board game "Fraud Defense Force" using patterns of fraud cases in Taiwan and anti-fraud information provided by the Criminal Investigation Bureau. The board game was developed in 2019 under the theme of raising anti-fraud awareness among the elderly, and used actual cases in anti-fraud education for elderly people in communities to learn anti-fraud knowledge in an entertaining way. This led to the Criminal Investigation Bureau planning to organize a total of 100 board game promotion events around Taiwan in 2020, which is expected to affect over 10,000 people.

Over 70 events for the board game "Fraud Defense Force" have been held as of the end of 2020, and over 375 Cathay volunteers and 1,500 elderly people participated in the event. The pre-test questionnaire showed that only 75% of elderly people were not aware of two or more types of scams, while the post-test questionnaire showed that 100% of elderly people understood fraud prevention methods, creating a safety net for assets in an aged society.

Furthermore, CUB prevents fraud with the assistance of technology systems and data analysis, and has successfully blocked over 180 attempts to transfer funds to scammers in the past three years, protecting approximately NT\$100 million in citizens' assets



Cathay FHC collaborated with students from NTU's Smart Aging Design Courses to develop fraud prevention board games for senior citizens, so that the elderly can develop their anti-fraud knowledge through games.



Cathay FHC and the Criminal Investigation Bureau held the 2020 Fraud Prevention Board Game Competition, with over 100 senior citizens participating.

Disability & Retirement Trust



316 elderly and disable people entrusted



Entrusted assets worth **NT\$1.687** billion



Over **70** events was held.



Over **375** Cathay volunteers and **1,500** elderly people participated in the event.

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Realizing Financial Inclusion

Cathay provides a full array of products and services for citizens, financially disadvantaged groups, SMEs, startups, youth, and women to achieve financial inclusion, effectively improving the accessibility and convenience of financial services in Taiwan and overseas.

Supporting Financially Disadvantaged Groups

Micro Insurance

Cathay Life has offered micro insurance for over a decade, and has cooperated with county and city governments as well as social welfare organizations in promoting micro insurance, allowing more people who truly need micro insurance to gain coverage. Cathay Life once again won "First Place" and the "Performance Excellence Award" in the Micro Insurance Contest in 2020, further recognition of Cathay Life's achievements by the FSC.

As of the end of 2020, Cathay Life and Cathay Century have provided basic economic security that totaled approximately NT\$97.2 billion for over 297,000 economically disadvantaged people, and also provided timely economic assistance to support 867 families to get through tragedies or disasters.

Small Amount Whole Life Insurance

Cathay Life offered the Small Amount Whole Life Insurance for all people to obtain basic coverage for aging trend. The product features lower enrollment requirements and cheaper premiums. As of the end of 2020, the product provides basic economic safety to nearly 210,000 policyholders, and increases an amount of approximately NT\$65 billion in coverage for society, which can meet the basic requirements of elderly coverage. Cathay Life ranks first in the industry in terms of the number of insureds and insured amount.

Charitable Trust

The scale of CUB's charity trusts was the largest in the industry as of the end of 2020 at NT\$37.524 billion. The bank has helped several founders and owners of companies listed on TWSE/TPEX and successful individuals in society to establish trusts for the purposes of charity, education, and children's welfare in hopes of enhancing the transparency of charitable donations and ensuring that donated funds are truly used on those in need. The amount of donations made through charitable trusts reached NT\$310 million in 2020.

MFI Loans

CUB provided a loan to PRASAC Microfinance Institution Limited (PRASAC), which is Cambodia's largest micro-finance institution, to show its commitment to corporate sustainability and determination through the support of inclusive finance. Furthermore, CUB served as the arranger of syndicated loans that totaled US\$280 million with other domestic banks for PRASAC for two consecutive years starting in 2018, backing PRASAC in developing micro-finance and SME loans. As of the end of 2020, the balance of loans provided by CUB (including branches) to MFIs reached US\$83.4 million.

Small Amount Whole Life Insurance



Cathay Life ranks first in the industry in terms of the number of insureds and insured amount.

Provide basic economic safety to nearly 210,000 policyholders, and increases an amount of approximately NT\$65 billion in coverage for society

Charitable Trust



The scale of CUB's charity trusts was the largest in the industry at NT\$37.524 billion.

MFI Loans



The balance of loans provided to MFIs reached US\$83.4 million.

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Supporting the Growth of SMEs and Startups

SMEs and Social Enterprise Loans

CUB has worked closely with the SME Credit Guarantee Fund of Taiwan for years, and began offering a number of financing projects in 2016, such as the "preferential loans for wholesalers and retailers," "preferential loans for social enterprises," and "loan project for working capital to SME suppliers." As of the end of 2020, the balance of loans provided by CUB to a total of 7,177 SMEs was NT\$228.4 billion. CUB cares about and empathizes with SMEs in Taiwan. For the people who care about this land and work hard and maintain it, we extend our reach and lend a hand to serve even more customers that need funds, using well-designed mechanisms to support SMEs as they grow.

CUB and Taipei City Government jointly implemented the "Social Enterprise Preferential Loan Project" to aid the development of social enterprises, and to help social enterprises with development potential to obtain capital in accordance with government policy. CUB also worked together with the SME Credit Guarantee Fund to provide direct guarantee and low-interest preferential loans to qualified enterprises. CUB hopes to furthermore bring together government, organizations, and corporations in building a preferential loan platform for social enterprises. As of the end of 2020, the balance of loans to a total of 9 social enterprises was NT\$ 21.25 million. The loans allow social enterprises to successfully support underprivileged groups and contribute to environmental sustainability.

CPBL Gambling Prevention Trust

CUB offered the first "CPBL Gambling Prevention Fund" and "Contract Trust" for professional baseball players in cooperation with the Taiwan Professional Baseball Players Association (TPBPA), Chinese Professional Baseball League (CPBL), and baseball teams, and the partnership has successfully lasted for 10 years as of 2020. Baseball players voluntarily put a part of their monthly salary into the trust, and teams require one third of new players' signing bonus and 6% of the salaries of lower salary players in minor leagues to be deposited into the trust. The players will only be able to collect the full amount they deposited into the trust after retirement if they were not involved in any illegal conduct while they were still playing.

CUB has returned the assets of over 180 retired players in the trust over the past 5 years. One of the outfielders deposited over NT\$100,000 into the fund every month and collected over NT\$8 million at retirement, so he will not need to worry about money after retirement. The accounts of nearly 20% of active players have reached at least NT\$1 million. As of the end of 2020, the number of players participating in the CPBL Gambling Prevention Fund had reached 270, and the scale of trust assets surpassed NT\$154 million. These funds not only prove to the public the players' determination to prevent gambling, but also provide funds for players to start a business or take care of their family after retirement.

Furthermore, CUB is the sole sponsor of the TPBPA Feedback Train, which has been held for 8 consecutive years and tours 14 counties and cities every year. Star players personally teach and share how they became players, and encourage students to develop different interests, develop through interactive learning, and create different possibilities in life.



CUB supports the TPBPA Feedback Train annually with tangible action. To date, it has visited over 100 schools, bringing the charm and joy of baseball to over 7,000 kids.

SME Loans



The balance of loans was NT\$228.4 billion.

Social Enterprise Loans



The balance of loans was NT\$ 21.25 million.

Loaned to a total of 9 social enterprise

CPBL Gambling Prevention



The number of players participating in the CPBL Gambling Prevention Fund had reached 270, and the scale of trust assets surpassed NT\$154 million.



The TPBPA Feedback Train has been held for 8 consecutive years and tours 14 counties and cities every year.

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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. Cathay Century is 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 Regional Harvests" 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 of farmers' associations to promote the insurance products and thereby protect farmers' asset safety.

Cathay Century expanded the coverage of its Mango Insurance Linked to Government Disaster Relief Efforts to high temperature (Foehn wind) and continuous rain in 2020, providing more comprehensive coverage in light of abnormal climate changes. The total insured amount of Mango Crop Insurance reached NT\$40.86 million as of the end of 2020.

Furthermore, Cathay Century began offering Guava Crop Insurance in Changhua, Tainan, and Kaohsiung in 2019. Data from local weather stations are used as the basis for filing claims. The "typhoon wind speed and rainfall" linked product was tailored for the areas. If the maximum gust reaches a 10 or above on the wind scale during the typhoon, or cumulative rainfall over five consecutive days reaches 300 mm, then the claims procedure is initiated. The data is fair and objective, and the claims process is effectively accelerated because there is no need to conduct a disaster investigation. It also avoids and claims disputes, allowing farmers to rapidly receive benefits to cover their losses and repair their orchards. The total insured amount reached NT\$15 million as of the end of 2020.

Cathay Century has actively participated in farmers forums since it began offering agriculture insurance, helping farmers build insurance concepts, raise their risk awareness, and collect information on market demand. Cathay Century periodically examines products and adjusts contents to provide more complete protection for farmers, helping farmers quickly return to cultivation through the insurance compensation mechanism after suffering losses from natural disasters.

Innovative Credit Loans for e-Commerce Sellers – “Shopee Seller Loan” & “Pinkoi Designer Loan”

Cathay FHC's DDT and CUB collaborated with EC partner Shopee in offering "Shopee Seller Loan," the industry's first credit loan product based on big data. Through unconventional financial data modeling and calculation, such as their merchant information and transaction records, Shopee sellers now can apply for a credit loan online when they need funds. The loans are quickly approved and disbursed into a linked account. The loan application process is linked together by an API to provide a smoother, quicker and more friendly user experience. Cathay used the same model and jointly offered the "Designer Loan" together with Pinkoi, an EC platform offers start-up designers' products, in hopes that the innovative credit loan for e-commerce sellers will help even more medium and small sized e-commerce sellers gain a steady foothold and expand their scales, which will drive growth in overall quantity and quality of sellers, and bring new opportunities into Taiwan's e-commerce market and young entrepreneurs.

Furthermore, nearly 70% of citizens have reduced their consumption behavior outside due to the impact of COVID-19, and this has severely impacted the transaction model of brick-and-mortar stores. CUB worked together with Shopee in helping brick-and-mortar stores transition online in order to fulfill its corporate social responsibility to mutually benefit with business partners, so as to help brick-and-mortar stores improve their business. Dedicated personnel help brick-and-mortar stores use Shopee and save the stores from wasting resources on exploring, investing, and testing. CUB also provides transaction fee exemption, so that stores can transition from offline to online without any burden, and further implement an online-merge-offline business model, jointly facing the pandemic based on the concept of smart retail.



Cathay & Shopee establish a seller credit rating model through unconventional financial data and offer the "Shopee Seller Loan", allowing lower-income white-collar workers to easily apply for loans.

Crop Insurance



The coverage of Mango Insurance Linked to Government Disaster Relief Efforts is more comprehensive.

Cathay Century expanded the coverage to high temperature (Foehn wind) and continuous rain.

Shopee Seller Loan



The industry's first credit loan product based on big data

The loans are quickly approved and disbursed into a linked account.

The loan application process is linked together by an API to provide a smoother, quicker and more friendly user experience.

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Promoting Youth Wealth Management and Small Personal Loans

Investment Under Regular Savings Plan

Cathay Securities began offering regular savings plans on the "Cathay Securities App" for investing in Taiwan's stock market in 2019, and lowered the minimum subscription amount to NT\$1,000, so that low asset customers or young customers with limited funds can also begin to invest in the stock market. Approximately 50% of Cathay Securities' customers are aged 35 and under, showing that there is indeed demand among the younger generation for regular savings to invest in the stock market. The processing fee for a subscription amount under NT\$10,000 in the regular savings plan is only NT\$1, transferring profits back to investors in an effort to provide inclusive financial services and fulfill our corporate social responsibility. From August 2019 to the end of 2020, debits for systematic investment plans of Cathay Securities totaled NT\$5,334 million, with the accounts of over 90,000 people debited and market share reaching 36%.



Cathay SITE visited universities and invited the manager of the Investment Consulting Department to give financial management lectures. By talking humorously and providing real-life examples, the students are able to acquire the correct financial management knowledge from the lectures.

Other than putting great thoughts into asset management for the investors, Cathay SITE strives to cultivate financial talent as well. Besides implementing the Cathay Internship Program and the industry-academia collaboration projects, Cathay SITE has begun working with business related departments in universities in the second half of 2020, and organized the first campus financial management series lecture "Required Course on Smart Wealth Management for the Young Generation" By introducing financial management tools and the investment trust industry to the youth, the lecture creates a finance health environment, and offers the learning opportunities for students who want to devote themselves into investment specialties.

Investment Under Regular Savings Plan



Debits for systematic investment plans totaled
NT\$5,334 million.



Over **90,000** people debited.

Small Personal Loans

CUB sets out to resolve customers' problems, and began offering the revolving credit loan product "Revolving Loan" on mobile banking in November 2019, providing customers with convenient, flexible application process upon their intentions. The number of customers that applied for a Revolving Loan grew six-fold because the product better meets their needs, in which the ratio of new customers is higher than other small personal loan products offered by CUB. Furthermore, customers do not need to call or check their contract to verify repayment or balance details after loan approval and drawdown, and can directly view the status of their loan on the app My MobiBank, which provides the loan amount and balance at a glance. There is no manual processing required and the available credit limit will immediately return whenever a payment is made! The entire customer journey from application, disbursement, and inquiry to repayment not only overturns the previous model of telemarketing for bank loans, but also gives consideration to citizens not wanting others to know about their need for a loan. This thoroughly changes customers' loan application experience and habits.

"Revolving Loan" was first offered to a portion of customers in 2019, and the bank found that many customers who were not invited expressed their hopes to apply for the loan through different channels. The product was further expanded inviting up to 4.5 million customers in 2020 in response to this demand, in hopes of providing fast and convenient loan services who had not dealt much with banks or young customers that are recent graduates.

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Offering a Full Array of Innovative Financial Inclusion Products

Financial Service Station

CUB upholds the brand spirit that unlimited possibilities can be created – "What if We Could," and opened the industry's first "CUB Financial Service Station" stationed in PX Marts in 2020. The Financial Service Station accepts account opening applications, digital service promotion and consultation, credit card application and discount inquiries, and automation equipment consulting, and teaching. The service station removes constraints of conventional banks on time and place by extending service hours to 9:00 PM, significantly improving the accessibility and convenience of financial services for consumers. As of the end of 2020, CUB Financial Service Station has helped over 8,000 customers resolve their financial problems.



CUB is a good neighbor to consumers by extending financial services into corners where they are needed via the highly mobile financial service station.

For example, Yilan County has a population of approximately 450,000, and CUB has one branch in Yilan – the Yilan Branch. Meanwhile, PX Mart has 20 branches in Yilan County, 6 of which are in Luodong Township. Setting up a financial service station in PX Mart's Luodong Guangrong Branch effectively expands CUB's service area in Yilan, and goes deep into communities to understand the financial needs of Yilan residents. In particular, the area has a relatively old population, and quite a few people put their savings into time deposits, but they do not know that this can be done using a mobile banking app or ATM, so personnel of the financial service station focus on teaching people how to use digital services. This saves customers the time they would have spent traveling downtown to access services at a counter, and successfully brought people, especially elderly people, closer to FinTech.



The CUB Financial Service Station moves between locations and is stationed in each location for a limited amount of time, during which it directly observed the different financial needs of different communities.

For example, customers in Wugu Industrial Park (now New Taipei Industrial Park) hurry in and out of the industrial park and do not stay after work, so they seek fast and efficient services. When stationed in a residential area in Taichung, it was apparent that customers had more time to inquire about services at the financial service station at night, so there were more customers overall. Over the same number of days, the financial service station provided services to 30% more people compared with Wugu Industrial Park. CUB adjusted its service model based on the characteristics and needs of different areas after seeing this difference, and realizes the spirit of contributing to the community by visiting different areas.

Payout for In-patient Hospital Fees Service



1.7 million
policyholders participated.



Over NT\$ 460 million
in claims payments was deducted
from medical expenses.

Friendly Claims Services

Cathay Life offered the first "payout for in-patient hospital fees" service. By actively showing concern for hospitalized policyholders, directly paying their medical expenses when they are discharged, and actively handling claims, Cathay Life provides this one-stop claims service to enhance service experience for policyholders. Cathay Life worked with nearly 30 regional hospitals around Taiwan during the COVID-19 outbreak. When policyholders are hospitalized and use medical services, they can use the service to deduct claim payments from their medical expenses. Their claims will continue to be reviewed after discharge, and payouts will be directly transferred into the policyholder's account. Policyholders do not need to submit documents to Cathay Life for application, saving them time and effort. Meantime, policyholders can be safer by reducing contact with people directly.

Furthermore, if policyholders need funds due to hospitalization and treatment, they can apply to advance medical claims by calling the 24-hour customer service hotline or sales agents of Cathay Life. By accessing advance medical claims in a single phone call, policyholders can apply for up to 7 days of advance medical claims to gain immediate care, providing them with complete basic medical insurance. As of the end of 2020, 1.7 million policyholders have used the "payout for in-patient hospital fees" service, and over NT\$460 million in claims payments was deducted from medical expenses, effectively helping policyholders recuperate efficiently.

Financial Management Seminar for Women

Cathay FHC takes women empowerment very seriously and has organized women empowerment events for two consecutive years, combining static lecture courses with dynamic healthy exercise courses to build a stage where women can speak out with confidence. The 2020 event was held in Taichung with the theme "2020 Taichung Women's Day," using data to analyze differences in wealth management, consumption, and exercise between the two genders, while reacquainting participants with their inner needs and helping them realize an ideal life.

After listening to the lecture, Miss Lin who had just graduated from college happily said that she had relatively weak financial awareness in the past, but the lecture and event held by Cathay was very meaningful and made her want to properly manage her wealth. She hopes that she will become financially independent in the future.



The "2020 Taichung Women's Day" activity attracted participation from over a hundred women.

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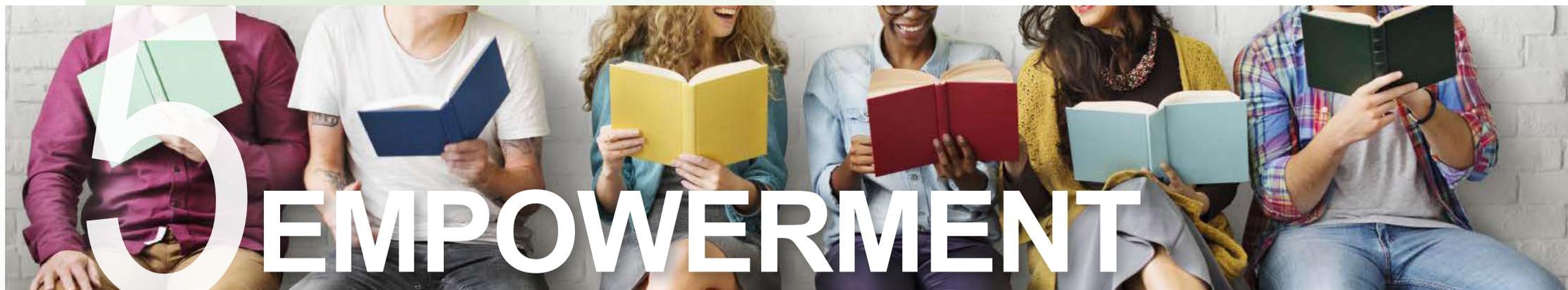
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Cathay FHC repositioned itself in response to the rapid changes in the digital era and has embraced its vision as a Fin Tech service provider. We inspire employees to remain steadfast to the spirit of "What if We Could" and rethink the ways they work.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

Young people can offer innovative ideas and combine their resources to provide new solutions when faced with unknown and diverse social or environmental issues. Cathay integrates internal and external resources and works with external strategic partners to provide a platform for development. We train young students' practical abilities and search for innovative solutions as we face challenges in global sustainable development.



5.1 Workplace Empowerment

5.2 Youth Empowerment



Included in Bloomberg Gender-Equality Index (GEI) for the first time

Close to full points under the Equal Pay & Gender Pay Parity pillar.



Recognized as one of the "Best Companies to Work for in Asia" for the third consecutive year

Cathay FHC was awarded one of the most prestigious awards in human resource management in Asia for three consecutive years.



The most CFP® certificates in the financial industry

Cathay Life and CUB hold the highest number of new and total CFP® certificates in the financial industry in Taiwan.



NT\$7.37 million were awarded in scholarships to support young talent

Cathay selected 88 groups in Youth Excellence Scholarship with NT\$7.37 million awarded in scholarships to support gifted talents and youth involved in social and environmental issues.

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

Employee Composition and Diversity

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

Employee Composition and Diversity

Cathay FHC had 47,478 full-time employees and 288 part-time employees in 2020. Part-time employees account for 0.6% of all employees. We prioritize the local workforce when recruiting at our various business locations and we have set a goal to increase local hiring percentage to 85%. The majority of our business locations are currently in Taiwan, reaching a local hiring ratio of approximately 99%. We abide by the labor-related laws and regulations of the government and competent authorities, and have never hired child labor. Our employment of foreign nationals complies with the Employment Service Act and Regulations on the Permission and Administration of the Employment of Foreign Workers. Refer to [Appendix Table 12](#) and [Table 15](#) for the number of employees by region, gender, and age.

Cathay values diverse cultures and inclusion in the workplace. The Company had 301 indigenous employees in 2020 and provided them with "indigenous holiday leave". Indigenous employees may choose to take one day of leave during their tribal traditional holidays. Besides, Cathay has 474 employees with disabilities, accounting for 1.07% of all employees. Cathay's office buildings are equipped with handicapped facilities to provide all employees with an equitable workplace experience. In addition, Cathay employees come from 18 countries. We promote inclusion in the workplace and respect for cultural diversity through newsletters, seminars, and other diversified methods. Refer to [Appendix Table 22](#) for related data on diversity and inclusion.



Cathay Human Rights Theater

To strengthen employees' recognition of human rights issues, Cathay has created a "Human Rights Theater" and used thematic documentaries regarding gender equality, migrant workers (groups), and medical services to increase employees' awareness of human rights issues. We also organized seminars with directors where directors shared their experience in using documentaries to create social impact and encourage more people to participate in social issues.

The feedback was enthusiastic. **Among the employees in attendance, 93% expressed satisfaction with the activity. Approximately 90% stated that they had higher awareness in relation to gender relations, gender identity (including LGBT), new immigrants, and other human rights issues.**

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Gender-Friendly Mechanisms and Measures

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

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

|  |  |  |
|---|---|---|
| Menstrual leave/Sick leave Paid leave for 5 days each year. <small>(Note: Taiwan's laws require companies to provide half salary.)</small> | Miscarriage leave Employees that have served for less than six months are also eligible for fully paid leave. <small>(Note: Taiwan's laws require companies to provide half salary.)</small> | Paternity leave Increased to 7 days. <small>(Note: Taiwan's laws require companies to provide 5 days leave.)</small> |

Cathay established its "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to address violations of gender equality and sexual harassment. We also set up an e-mail account and established the Sexual Harassment Grievance and Investigation Committee to investigate sexual harassment events. If a sexual harassment complaint is found to be true, the offender will be brought before the Personnel Evaluation Committee, which will decide on the appropriate disciplinary measures, while the victim will receive counseling and care. Sexual harassment education and training will be enhanced for other employees to strengthen overall awareness of sexual harassment and prevent cases of sexual harassment. In 2020, Cathay processed 4 cases of sexual harassment or violations of gender equality. All cases were adequately processed and closed in accordance with relevant regulations.

Moreover, Cathay has organized women's empowerment activities for two consecutive years. We provided mentally stimulating seminars as well as dynamic exercise courses to build confidence for women. In 2020, we worked with Taichung City Government and strategic partners in the "2020 Taichung Women's Day" and invited female professional athletes and iconic figures from different fields to attend this activity as means to explore further potential.

Talent Cultivation and Transformation Development

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

Enhancing Experience for New Talents and Talent Development Plans

Cathay FHC values employees' experience and feedback. We launched the "buddy system" to provide new employees with a dedicated buddy so that new employees can quickly adapt to the work environment and reduce anxiety when they first start working. The system has helped us create a more innovative and caring workplace. Refer to [Appendix Table 13](#) for 2020 new employee statistics.

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

Collaboration Model between Cathay FHC and Teach for Taiwan (TFT)

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

| | |
|--|---|
| <p>Gender-Friendly Workplace</p>  <p>Cathay FHC was included in the Bloomberg Gender-Equality Index (GEI) for the first time in 2021.</p> | <p>Cathay X TFT – Cross-Sector Talent Development Plan</p>  <p>First in the Industry</p> <p>To collaborate with "Teach for Taiwan" to establish a diverse recruitment program.</p> |
|--|---|

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On-the-job Training Mechanism

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

Hahow

Cathay partnered with "Hahow for Business", a Hahow service, to provide employees with a diverse range of online courses through the digital platform, so that employees can learn from anywhere in this digital era. The design of most of the courses is highly efficient, with 1 to 2-hour courses comprised of 10-minute units, helping employees hone their professional skills and allowing them to choose a variety of courses freely. Cathay started offering "learning leave" to encourage employees' learning initiative. Every employee can apply for one day of learning leave after completing and passing 6 courses. They can also recommend courses with the "wish list" so that employees can attain balance between work, life, and learning with greater flexibility.

Cloud Library

Cathay FHC introduced the "cloud library" to allow employees to read materials on computers or mobile devices at any time. It helps transform employee skill learning and professional training from one-direction learning to interactive and immersive learning. We also collect big data on users and provide recommendations of popular book titles to employees through the Group's internal communication platform, allowing them to explore different possibilities in their professional life in an era of fast economy and fast services.

Comprehensive Evaluation of Employee Education and Training

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

Hahow for Business – Learning Leave



Established 1-day Learning Leave

Applicable when completing and passing 6 courses on Hahow for Business

Evaluation of overall benefits from employee training

Return on investment L5

Description: Training results are assessed based on human capital ROI

| Indicator: | 1.Human capital ROI ^(note1) | 2018 | 2019 | 2020 |
|------------|--|------|------|--------------|
| | | 8.91 | 9.18 | 11.39 |

Results assessment L4

Description: Examine the contribution of learning outcomes to the contribution through the examination of business performance

| Indicator: | 1.Customer satisfaction goal attainment ^(note2) | 2018 | 2019 | 2020 |
|------------|--|------|------|-------------|
| | | 100% | 100% | 100% |

Indicator: 2.Key talent retention rate

| 2018 | 2019 | 2020 |
|------|------|------------|
| 98% | 98% | 99% |

Conduct evaluation L3

Description: Examine if students apply what they learn in work based on a 360 degree assessment

| Indicator: | 1.% of open positions filled by internal candidates | 2018 | 2019 | 2020 |
|------------|---|------|------|------------|
| | | 70% | 60% | 80% |

Indicator: 2.Number of CFP® certifications obtained

| 2018 | 2019 | 2020 |
|------|------|------------|
| 404 | 516 | 555 |

Learning assessment L2

Description: Administer tests to determine what students learned from the course

| Indicator: | 1.Passing rate of education and training related to the Code of Conduct for Employee, information security, compliance, and risk management | 2018 | 2019 | 2020 |
|------------|---|------|------|-------------|
| | | 100% | 100% | 100% |

Response assessment L1

Description: Conduct questionnaire surveys to examine students' opinion of the course

| Indicator: | 1.Overall satisfaction of employee education and training (5 points in total) | 2018 | 2019 | 2020 |
|------------|---|------|------|-------------|
| | | 4.18 | 4.18 | 4.15 |

Note1: Human Capital ROI = Return - (Operating expense - (Salary cost + Benefits cost))/(salary cost + benefits cost)
Note2: Please see P.83 of this report for details on customer satisfaction performance

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Talent Transformation Program

Three Drivers of Transformation

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

| | |
|--|---|
|  Learning ability | <p>Insight on changes Actively identify gaps and continue learning</p> <p>Cross-sector learning Remove restrictions on business operations and acquire new skills to meet targets</p> |
|  Agility ability | <p>Sprints with small steps Avoid setting goals that are too big and set short-term goals to rapidly complete missions</p> <p>Trial and error Verify short-term goals and rapidly correct goals</p> |
|  Dialogue ability | <p>Actively engage actively communicate to complete tasks without waiting to be communicated</p> <p>Collaboration Retain objective thinking in discussions without fear of authority to jointly implement optimal plans</p> |

AG 2.0 Sales Force Transformation Plan & Financial Consultant Transitional Program

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

Cathay Life's Agency 2.0 Sales Force Transformation Plan Subjects: All insurance agents

CUB Financial Consultant Transitional Program Subjects: Bank employees who intend to transition to financial consultants

| | |
|---|--|
|  Project goals | |
| Strengthen the competencies and digital abilities of salespeople to raise customer satisfaction and improve professional marketing abilities | Assist bank tellers with the transition into financial consultants, and thereby lower the impact of technology on employees |
|  Training mechanisms | |
| <ul style="list-style-type: none"> Implement the digital management tool "Cathay Box" Tiered Courses for Salespeople Worksite Marketing Training Managerial Competencies Training Talent recruitment and optimize new recruit training | <ul style="list-style-type: none"> Complete Two-year Training Program Strengthen wealth management competencies Guaranteed bonus and lower sales volume quota requirement |
|  Operating performance | |
| <ul style="list-style-type: none"> Improve the performance of salespeople to increase revenue Increase the retention rate of new recruits to lower recruiting costs | <ul style="list-style-type: none"> Increase employee output value to increase revenue Improve the competencies of current bank employees and reduce the recruiting cost of financial consultants |

| Program results | | | | | | | |
|--|------------|------------|-------------------|---|--------|--------|---------------|
| Return on investment L5: ROI | 2018 | 2019 | 2020 | Return on investment L5: ROI | 2018 | 2019 | 2020 |
| | 48.2 | 56.3 | 49.33 | | 20.0 | 25.6 | 31.82% |
| Results assessment L4: FYPEF, First Year Premium Equivalent (Unit: NT\$ thousand) | 2018 | 2019 | 2020 | Results assessment L4: Increase in output value per employee | 2018 | 2019 | 2020 |
| | 71,371,774 | 96,312,927 | 62,181,535 | | 1,682% | 1,127% | 1,303% |
| Conduct evaluation L3: Retention rate of new recruits | 2018 | 2019 | 2020 | Conduct evaluation L3: Number of bank tellers that transitioned to financial consultants | 2018 | 2019 | 2020 |
| | 64.6% | 67.8% | 69.0% | | 76 | 73 | 98 |
| Learning assessment L2: Number of trainees that passed | 2018 | 2019 | 2020 | Learning assessment L2: Passing rate (Including tutoring) | 2018 | 2019 | 2020 |
| | 26,867 | 28,108 | 28,147 | | 100% | 100% | 100% |
| Response assessment L1: Satisfaction | 2018 | 2019 | 2020 | Response assessment L1: Satisfaction | 2018 | 2019 | 2020 |
| | 90.62% | 98.64% | 95.59% | | 97.5% | 98.1% | 93.9% |

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Employee Communication and Employee Engagement Survey

Cathay FHC has established a number of employee communication and reporting channels to protect employees' rights and interests and increase transparency in the workplace. The channels for promoting employee-employer communication include the internal communication platform, employee forum, newsletter for sharing business information, Cathay Financial Monthly, Cathay FHC town hall meetings, the Chairperson's mailbox, and the reporting mailbox. Furthermore, Cathay FHC and its subsidiaries convene employee-employer meetings in accordance with the Guidelines for Implementing Employee-Employer Communication. A total of 22 employee-employer communication meetings were held in 2020. Employees and the employer jointly elected representatives to openly discuss major employee-employer issues and implement actions based on the results. In 2020, Cathay handled 2 cases of employee-employer disputes. All cases were adequately processed and closed in accordance with related regulations.

Cathay Real Talk

Cathay broke free of conventional communication frameworks to create a positive culture of feedback. Cathay Life organized the "real talk" event, which included one-to-one meetings between the President and individual senior executives and group meetings between the President and several mid-level executives. The President personally took part in the target and performance interviews and implementation of self-development plans. Cathay Life thus created a culture of sharing and providing feedback through top-down initiatives.



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

Cathay Real Talk



With the personal participation of the President, Cathay Life organized 9 one-to-one meetings for individual senior vice presidents/vice presidents and 6 group meetings for 55 assistant vice presidents in 2020. The average duration of the meetings was 2 hours.



With the participation of senior executives, Cathay Life began promoting top-down campaigns to all levels for target setting, performance reviews, and self-development plans.



The Company upholds a principle of setting positive examples with real actions. Furthermore, meetings are held based on a "three nos and one without" principle for communication: no sectionalism, no fear, and no silence, and that discussions are conducted without being overly deferential, as if the President was not the President.

Employee Engagement Survey

Cathay FHC conducts an employee engagement survey every year, and formulates action plans based on data analysis of the results. We analyze employee expectations based on qualitative feedback, sampling interviews, and themed questionnaires to create an ideal work environment. Cathay's engagement survey comprises the following aspects: corporate sustainability, organizational commitment, employee happiness, leadership management and overall recognition. The scope of the survey included all subsidiaries of Cathay FHC. The response rate in 2020 was over 70% and the overall employee satisfaction was 4.19. Male employees expressed the highest satisfaction with corporate sustainability and a relatively low satisfaction with overall satisfaction; female employees expressed the highest satisfaction with corporate sustainability and a relatively low satisfaction with leadership management. As such, Cathay organized various measures for continuous improvement including creating dialogues, culturing feedback and utilizing internal systems. Cathay's average engagement score of 4.16 between 2018-2020 met the goal we set. Refer to [Appendix Table 24](#) for the results of historical employee engagement surveys.

Employee Engagement Survey Results



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Performance Evaluation Mechanisms and Long-term Career Development

Cathay provides a comprehensive platform for all employees to make use of their professional skills, fulfill the Group's strategic goals, maximize its influence as part of the finance industry, and promote social development. For this purpose, Cathay established the Employee Performance Management and Development Guidelines and uses the work target communicated by employees and supervisors in the evaluation mechanisms twice each year as the basis for the disbursement of salary and bonuses and adjustments of roles. Cathay also established the Employee Performance Improvement Guidance Plan to help supervisors formulate plans and help underperforming employees. If employees have any questions regarding their annual performance evaluation results, they may file a complaint and the Administration Department will convene a performance evaluation complaint review meeting. The employee and his/her supervisor (department or division head) will be asked to attend the meeting for the review. In 2020, Cathay handled 3 cases of complaints. All cases were adequately reviewed and closed in accordance with regulations.

To promote long-term career development for employees, Cathay reviews the salary of all full-time office staff each year. Remuneration rose by an average of approximately 3% over the last three years. Refer to [Appendix Table 18](#) for detailed information on the salary information of full time non-managerial staff in 2020. We established the Guidelines on Incentives for Senior Employees to reward employees who have made contributions to the Company over a certain period of time, and issue service bonuses for senior employees when they reach different milestones in their years of service. Cathay FHC also retained 10% of shares for employee subscription during the most recent cash ordinary shares issuance (2016, 2018, and 2019). The number of shares subscribed is determined based on the employee's rank, performance, and service tenure as the Company invites employees to share the Company's business results.

Cathay FHC established the LinYuan Group Employee Rotation Regulations and Talent Exchange and Development Guidelines to provide employees with diverse development opportunities and strengthen the competitiveness of talents. We provide employees with opportunities for rotations and job transfers between subsidiaries of Cathay FHC with the aim of empowering employees by creating new challenges. The ratio of open positions filled by internal candidates in 2020 was 80%. Refer to [Appendix Table 14](#) for statistics on employee turnover.

Digital Empowerment and Employee Experience

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

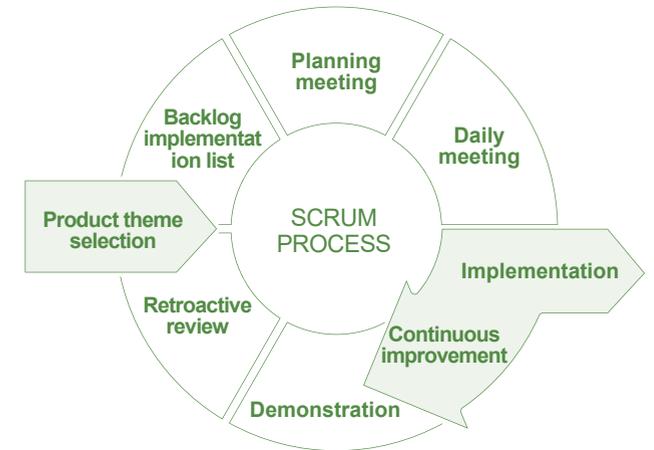
In addition to providing sufficient resources and support, we have also transformed our corporate philosophy. We create a culture of fault tolerance and encourage innovation and reforms to optimize business procedures, thus creating business models that best meet market demand.

Cultivate New Digital Culture for the Workplace

Cathay FHC launched the "Cathay Toolkit" to make use of cloud services to transmit data freely while also ensuring information security. The cloud-based email strengthens the security and stability of external connections and ensures that data is not stored on local devices. It allows employees to send and receive emails on multiple devices, which increases convenience. In addition, Cathay also launched an exclusive communication software for the Group to serve as a platform when discussing sensitive material. The internal communication data and files are not stored on local devices, thereby minimizing information security risks. It also incorporates group chats, message boards, and other diverse social media functions to improve the culture of internal communication.

Create Innovative Work Models

In addition to work tools, Cathay also breaks away from the conventional framework of clear division of work and independent operations of financial institutions and incorporated the "war room" project structure. We use agile operation mechanisms to manage skills training and establish task-based learning organizations for a period of 3 to 6 months, based on the varying requirements of project missions. We adopted a target-oriented approach to organize talent with different skills from different levels across units and companies. The process allows us to learn new knowledge and ideas and helps us develop innovative and effective solutions to truly uncover the overall effectiveness of personnel. Employees returning to their original units at the end of the project can also quickly disperse the concept of transformation to their original units to strengthen the mindset of "What if We Could".



In addition, Cathay FHC also utilize technologies to improve employees' work efficiency. We developed robotic process automation (RPA) robots to assist review the necessity of operating procedures, enabling us to streamline procedures and improve efficiency. More importantly, this allows employees to dedicate more effort towards key business and innovative solutions, and transforms the role of employees from a maker to that of a checker.

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We train children and youths to adopt innovation and embrace challenges. We support their aims for real-life work and resolving social and environmental issues. Cathay has created an implementation platform for children and youths to enhance their professional skills and communication to improve their ability to put ideas into action. This allows them to create changes through tangible actions.

Children Empowerment

Cathay is aware that children in Taiwan suffer from inequality in family economic conditions and the urban and rural education gap. We therefore pay close attention to the resources needed by children in different stages of development. We aim to create an equitable and sustainable learning environment and help children develop the skills for fulfilling their dreams. In addition, we supported approximately 101 professional educators in the Teach for Taiwan and Design for Change programs to help influential teachers transform the classroom. Cathay believes that we can only provide students with opportunities for transforming their lives and create changes by reducing the wealth gap and the gap between urban and rural education.



Elevated Tree Program

The core spirit of the "Elevated Tree Program - Turning Seedlings into Trees" launched by the Cathay United Bank Foundation is to promote children's rights to education. The program is in its 17th year, and every year it subsidizes children who are from low-income households or who are unable to pay tuition and fees, additional fees, or after-school tutoring fees due to major difficulties, so they can receive an education with peace of mind.

The Elevated Tree Program also supports after-school tutoring for schools in remote rural areas, cultural field trips outside the school, and club activities to provide children with a place for uninterrupted learning and show them new options for their career development. It has provided assistance to more than 200,000 schoolchildren, and total donations have surpassed NT\$210 million. The Foundation provided NT\$10 million in scholarships in 2020 to a total of 7,432 children from disadvantaged families in Miaoli County, Yunlin County, Pingtung County, Chiayi County, Yilan County, and Taitung County.

The Foundation launched "Elevated Tree Program - Turning Seedlings into Trees" 2.0 in 2021. In addition to continuing to provide scholarships to children from disadvantaged families, it also encourages the development of students' talents in sports, improves the quality of their education, and enhances their international competitiveness to attain sustainable development in more areas. The foundation is expected to provide NT\$10 million in donations.



Cathay United Bank Foundation donated funding to support education for disadvantaged schoolchildren in the Elevated Tree Program. It uses campus life to provide them with the companionship and care they lack.



Elevated Tree Program

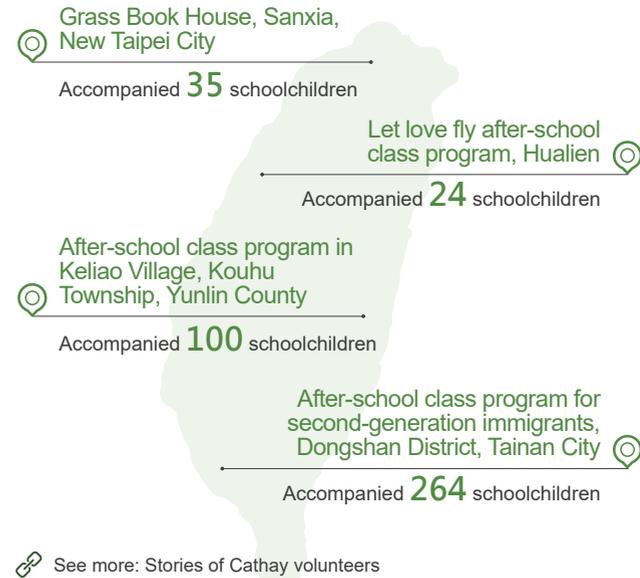
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Community Empowerment Base Program

School children in remote rural areas fall behind in their schoolwork or lose their confidence and passion for learning because they have no place to go after school or have no one to help them learn. The Cathay Charity Foundation has supported four after-school class programs since 2011 to provide schoolchildren with support and companionship. A total of 1,069 schoolchildren benefited in the past two years. We also combined the programs with financial insurance and wealth management education courses offered by Cathay volunteers to teach the children financial skills and knowledge.



Community Empowerment Base Program

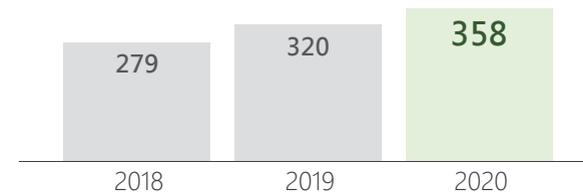


1,069 schoolchildren benefited

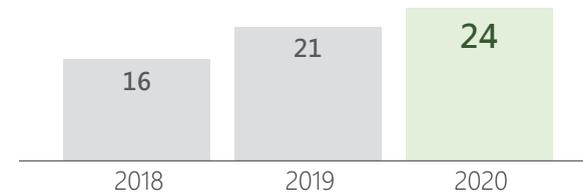
Cathay Dreams Come True Program

In this program, Cathay requests proposals from elementary schools across Taiwan for resolving social difficulties such as the gap between urban and rural areas and the lack of educational and cultural stimuli for children living in remote rural areas. A panel of experts and scholars evaluate the proposals. Cathay selected a record-setting total of 24 schools in the 7th Dream Come True Program in 2020 to support a diverse range of proposals, including protecting the homeland, history, traditions, creative aesthetics, social justice, and challenging physical fitness limits. 662 students participated in the events and we disbursed NT\$3.58 million in the Dream Come True Program. To help elementary schools increase their publicity and attract the investment of more social resources, we launched the first Dream Come True Award and selected 7 elementary schools. With the Award, we encourage teachers in the Dream Come True Program to use text and images to record the stories for making dreams come true, and encourage society to support the sustainable development of the Dream Come True Program. The teachers of the selected elementary schools reported that approximately 80% of the schoolchildren had used the program to achieve self-growth and increase their sense of accomplishment.

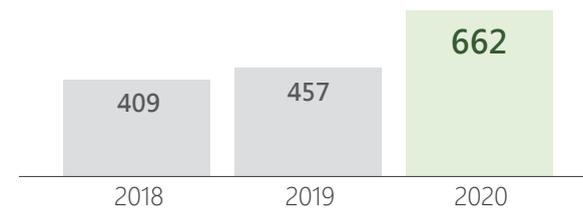
Dream Come True Awards (NT\$10,000)



Number of participating schools



Number of beneficiary schoolchildren



Sharing finance knowledge - Stories of Cathay professionals

Instructors of the CUB education training department provided online lectures to 120 children in 9 selected elementary schools in remote rural areas to teach them the meaning and responsibilities of money and tell stories and professional ethics of banking professionals. Children responded by stating that "I realized that money can be used in such a professional way after the activity."



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Youth Empowerment

Cathay worked with universities and colleges in Taiwan to reduce the gaps in education and professional careers of youths and develop their soft/hard skills for the workplace. We provided multiple industry-academia collaboration programs and internship programs to enhance the competitiveness of young people in the workplace. Cathay provides youths with training and actual work resources to help them tackle emerging social and environmental issues. We also work with partners to find new solutions.

Cathay Youth Excellence Scholarship Helps Young People Achieve Their Dreams

Education is the cornerstone to progress in a society. Cathay started granting Youth Excellence Scholarships in 1980 for young students to be undeterred in pursuing higher education. Starting from 2016, we escalated the program to encourage young people to apply their knowledge to address diverse issues and propose solutions for social and environmental problems. In 2020, NT\$7.37 million were awarded in scholarships to 88 groups, thereby supporting gifted and talented high school students. We enthusiastically assist youth involved in cultural education, elderly care, community development, and eco-friendly causes, working together for a better Taiwan.



88 groups of winners were awarded and received congratulations from the chairman of Cathay Charity Group.

Cathay's Talent Cultivation Internship Programs

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

Cathay Summer Internship Program (CIP)

☆ Program features

- One of the first summer internship programs in the financial industry in Taiwan that has been implemented since 2005
- Provide students with real-world practice in 9 different fields of internships

📚 Training mechanisms

- Dual track of "research projects" and "department practices"
- Exclusive mentor
- Events bringing together CSR and social ability development

🚩 Program results

| | | | |
|--|-------|-------|--------------|
| Number of applicants | 2018 | 2019 | 2020 |
| | 1,827 | 1,724 | 3,040 |
| Number of admissions | 2018 | 2019 | 2020 |
| | 121 | 117 | 132 |
| Cumulative number of employees recruited | 2018 | 2019 | 2020 |
| | 153 | 185 | 206 |
| Cumulative reinstatement rate ^(note1) | 2018 | 2019 | 2020 |
| | 20% | 21% | 20% |

Cathay Agile Internship Program (CAP)

- Implemented in 2018 and cultivates digital talents
- Applicable to internship programs during the semester; students act as project owners

- **Digitization:** combined with 4 digital projects to increase chances of actualizing projects
- **Teamwork:** exclusive mentor strengthens possible project
- **Ability:** helps teams to work in Agile
- **Learnability:** enriched digital learning resources

| | | | |
|--|------|--------|---------------|
| Number of applicants | 2018 | 2019 | 2020 |
| | 287 | 346 | 376 |
| Number of admissions | 2018 | 2019 | 2020 |
| | 17 | 16 | 46 |
| Cumulative number of employees recruited | 2018 | 2019 | 2020 |
| | - | 4 | 10 |
| Cumulative reinstatement rate ^(note2) | 2018 | 2019 | 2020 |
| | - | 12.12% | 12.66% |

Note1: Cumulative reinstatement rate = (Cumulative number of employees recruited through CIP)/Total number of CIP participants.

Note2: Cumulative reinstatement rate = (Cumulative number of employees recruited through CAP)/Cumulative number of CAP participants up to the previous year.

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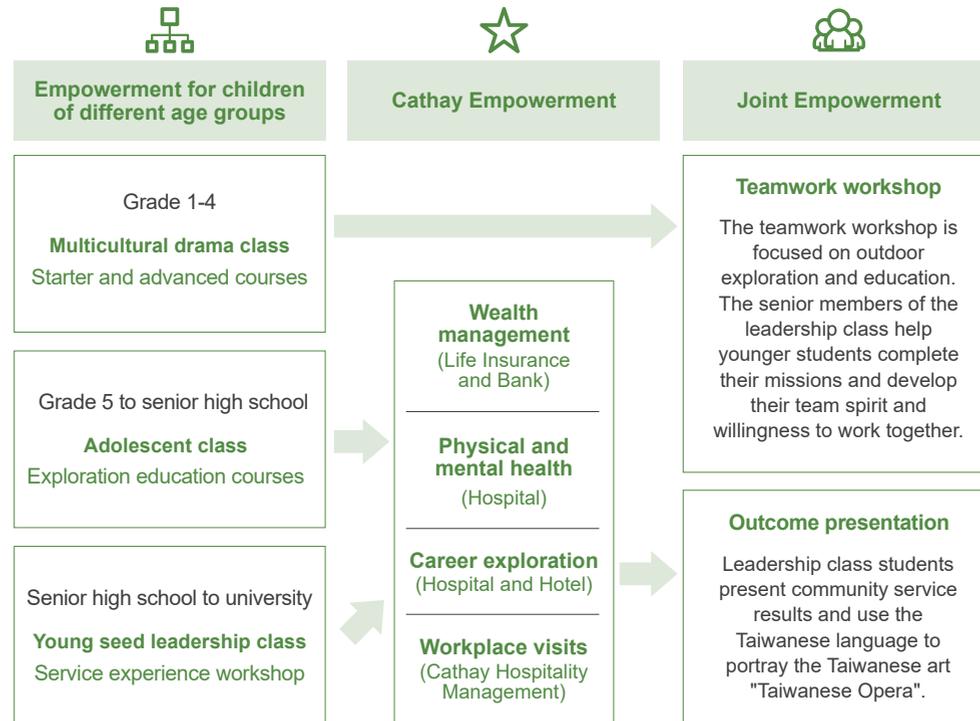
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Dedicated Empowerment Program for second-generation immigrants uncovers boundless potential

Cathay and the Eden Foundation began designing diverse empowerment courses in 2010 to help second-generation immigrants uncover their inherent advantages and potential. We have created customized and exclusive courses for students for 11 years to accompany students in every stage of learning, from elementary school to university.

We designed three categories of courses for second-generation immigrants of different age groups. They include empowerment for separate age groups, Cathay empowerment (connected with core courses), and joint empowerment (multi-age courses). Approximately 65 second-generation immigrants participated in the events in 2020. We calculated the social return on investment (SROI) with the academic institutions to learn about the influence of the project. The SROI in 2020 was NT\$2.36. We used the influence inventory to learn about the combinations and connections of the three major empowerment activities and accumulate learning effectiveness to create more effective and lasting social influence.



Cathay industry-academia collaboration projects integrate research with practical operations

The industry-academia collaboration projects help put the results of academic research to use in real-world industry applications and provide academic institutions with the concepts and actual experience of the industry. The bilateral cooperation and communication spark innovative actions. Cathay provided universities and colleges in Taiwan with approximately 1,000 internship opportunities and 7 industry-academic collaboration projects with a total investment of approximately NT\$26.58 million in 2020, which were distributed based on the requirements of different industries. The cooperation had supported innovation and development in the industry.

Cathay FHC and National Taiwan University: Taiwan monthly GDP and economic forecasts

The Directorate-General of Budget, Accounting and Statistics regularly publishes data on the quarterly gross domestic product (GDP) of Taiwan. The Economic Research Division of Cathay FHC worked with National Taiwan University to create the first monthly GDP calculation and prediction method, and they now announce their research results every quarter. To date, the parties have worked together for 12 years. By working with top scholars, we have studied the economic trends in Taiwan in advance to provide reference information for important decisions made by government entities. The results also effectively enhanced the Company's professional image in economics and financial market research as well as corporate social responsibility.



The Economic Climate and Financial Trends conference hosted by Cathay and the NTU industry-academia collaboration team.

Cathay Industry-academia Collaboration Projects



7 Projects



NT\$26.58 million invested

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Cathay FHC and National Taipei University: Create an ESG database that specializes in Taiwanese companies and publish results of the Taiwan Sustainable Investment Survey



Cathay seeks to overcome the restriction of only using data from a handful of large corporations in Taiwan for international ESG ratings. Cathay and National Taipei University thus worked together on using the SEED(Note) evaluation framework developed by the NTPU corporate sustainability development research team to establish a domestic ESG database for Taiwan. The ESG evaluation items account for both local values and international standards and satisfy the demand of the capital market for ESG studies in Taiwan. Therefore, foreign and domestic institutional investors could acquire ESG reports of companies traded on Taiwan Stock Exchange they need. Cathay also hopes to cultivate Taiwan's first professional ESG analysis team for individual stocks through this cooperation and make use of its unique experience and advantages in the domestic market to provide investors with more ESG insights. This will help increase the ESG analysis ability of Taiwanese industries and encourage Taiwanese companies to strengthen their ESG disclosure and management.

A report published by Association for Sustainable & Responsible Investment in Asia (ASrIA) in 2014 showed that Taiwan's sustainable investing was only US\$7.14 million, far less than Hong Kong, South Korea and Singapore. Taiwanese institutional investors put a lot efforts on sustainable investing, but the amount was remarkably underestimated for the lack of researches. Therefore, Cathay supported the NTPU research team for "Taiwan Sustainable Investment Survey" to compile statistics on Taiwan's sustainable investing and increase Taiwan's visibility and reputation globally. Cathay also expected it can be used as references for the industry and the government to power the continuous growth of sustainable finance in Taiwan. The survey was implemented according to the approaches of Global Sustainable Investment Alliance (GSIA) and 99 institutional investors was invited including insurance, asset management, investment consulting and government funds. The result revealed that sustainable investing assets is approximately NT\$13.9 trillion and the share of SRI in AUM is 31.7% in Taiwan. It's the most complete sustainable investing survey since 2014 for Taiwan.

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

Cathay Climate Change Youth Forum Invites Youths to Take Action

Cathay FHC and CommonWealth Magazine worked together on the "2020 University Student Views on CSR and Climate Issues" survey. We discovered that more than 95% of the university students believe climate change issues to be important and more than 55% of them are willing to take action in response to climate and environmental issues.



Cathay has always paid close attention to climate change issues and understands that training professional talent is a crucial element for finding new solutions. We therefore jointly hosted the "Cathay Climate Change Youth Forum" with National Taiwan University and the Taiwan Youth Climate Coalition (TWYCC). The Office of Energy and Carbon Reduction of the Executive Yuan explained the international trends and government policy planning for global climate governance and energy transformation. Cathay shared information on its climate-related financial disclosures (TCFD) actions and TWYCC provided feasible action plans for young people. 143 registered participants signed up for the event.

Cathay supports youths in taking real actions in response to issues. We used the Cathay Youth Excellence Scholarship to provide the first "creative implementation fund". The project supported 20 teams of young dreamers for their research and proposals for sustainable issues in 2020. A total of 5 teams proposed solutions for climate change issues.

In addition, Cathay signed an MOU for a collaborative internship program with the "International Degree Program in Climate Change and Sustainable Development (IPCS)" of NTU. The program uses the cooperation between academic institutions and companies to jointly train talent with the capabilities for resolving difficulties in different sectors to create a solid academic foundation for the development of climate change prevention in Taiwan.

Cathay Climate Youth Empowerment Program

Industry-academia collaboration
International Degree Program in Climate Change and Sustainable Development (IPCS)



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6 SUSTAINABLE OPERATION MANAGEMENT

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

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

6.1 Response to COVID-19

6.2 Corporate Governance

6.3 Ethics and Compliance

6.4 Risk Management and Internal Control

6.5 Information Security

6.6 Service Quality and Customer Rights

6.7 Digital Finance



Received the highest rating (Outstanding) in the CG6012 (2019) Corporate Governance System Assessment

Cathay FHC once again received the highest rating (Outstanding) together with its subsidiaries Cathay Life and CUB in the CG6012 (2019) Corporate Governance System Assessment.



Included ESG risks in the risk management policy

Cathay included ESG risks in the risk management policy and established the ESG Risk Management Guidelines.



Recognized with the Excellence Award for outstanding performance in the Treating Customers Fairly Evaluation for consecutive years

Cathay Life and CUB once again won the Excellence Award in the Treating Customers Fairly Evaluation; Cathay Century and Cathay Futures received the highest recognition of "Excellent," and Cathay Futures is the only non-government-owned futures company among the 3 futures companies to win the award.



The first financial institution in Taiwan to organize an annual conference on technology

Cathay was the first financial institution in Taiwan to organize an annual conference on technology under the theme "Future of FinTech," which is part of our efforts to become a "technology company capable of providing financial services".



6.1 COVID-19 RESPONSE MANAGEMENT

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Upon the outbreak of COVID-19, Cathay FHC immediately formed an emergency response team for pandemic prevention. President Chang-Ken Lee called together the heads of related departments at subsidiaries to jointly formulate group-wide response measures, allocate resources, and establish a comprehensive management framework, covering reporting mechanisms, workplace management, gatherings, employee benefits, employee redistribution, and stringent management of personnel movement. Different response measures are taken for different severities (levels 1-5) to ensure the Company is fully prepared for an endured pandemic. Furthermore, Cathay also provided relief measures for those affected by COVID-19, and formed a team of volunteers locally to help customers pull through the pandemic.

Emergency Response Management for Epidemic Prevention

Reporting Mechanisms

- Internal/External reporting mechanisms: Companies announce notices and set up contacts for reporting the pandemic situation (including overseas institutions), and establish SOPs for handling employees who are diagnosed with COVID-19. Pandemic prevention measures are reported on a weekly basis and tracked.

Workplace Management

- People who enter public areas are to have temperatures measured. Personnel are required to wear masks in the workplace.
- An inventory of pandemic prevention supplies is periodically taken, and the supplies are distributed to front-line personnel and internal units.
- Designated a meeting room for external visitors, and set up a mail and food delivery area.

Gatherings

- When deemed necessary based on the level of the pandemic situation, physical trainings and education may be moved to online sessions after gaining approval.

Employee Benefits

- Depending on the level of the pandemic situation, clubs/department activities/family day may be canceled.
- In principle, employees are allowed to defer their annual leave and marriage leave for one year.

Employee Redistribution

- Flexible shifts: We designed 2-4 shifts for employees to work flexible hours based on the level of the pandemic situation.
- Remote-working, work from home: We reviewed necessary equipment for plans to be implemented based on the level of the pandemic situation.

Personnel Movement

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

Utilizing Core Competencies to Assist Customers with Epidemic Prevention and Provide Relief

We supported the government by providing our customers with relief and assisting them with epidemic prevention. Cathay Life began providing thoughtful epidemic prevention and relief measures in April 2020, providing mortgage relief measures for health workers, epidemic prevention personnel (e.g. customs, quarantine inspectors, and pharmacists), diagnosed patients who are being quarantined, people who are unable to return to Taiwan due to the pandemic, people under self-health monitoring, and people who are involuntarily unemployed or on unpaid leave, in which customers are eligible to apply for a 0.25% decrease in interest on their residence for own use if their mortgage balance is under NT\$10 million. As of the end of August 2020, we approved 314 applications by loan account.

Furthermore, CUB immediately formed a task force early on in the outbreak (February 2020) and began actively promoting relief measures, including establishing a fully automated process for credit loans from application to disbursement, which allows customers to obtain the funds they need in as fast as 5 minutes. Customers are directed to submit an online application, and the system will automatically provide interest or principal payment deferral services after the application is approved. Besides providing a fast and convenient loan application platform, we also offer a variety of payment channels to borrowers, such as: automatic debit, Line, Internet banking, and ATM.

CUB ranked second in "Self-provided relief loans – Ratio of electronic relief loans" (i.e., the number of relief loan applications, repayment, and drawdown that was completed online as a percentage of all self-provided relief loans approved). CUB approved relief loans to a total of 48,583 consumer accounts and 2,345 corporate accounts in 2020, in which 41 loans were provided by CUB (COVID-19 project) (the borrower did not meet the criteria for relief loans set forth by the Ministry of Economic Affairs, Ministry of Transportation and Communications, Ministry of Health and Welfare, and Central Bank).

Expanding Influence by Forming a Team of Epidemic Prevention Volunteers

The Executive Yuan poured NT\$1.05 trillion into the relief and economic revitalization plan in response to the impact of COVID-19 on the domestic economy, but SMEs and citizens urgently needed professionals in finance to help explain the complicated Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens. Cathay Life, CUB, and Changhua City Office organized and trained a team of 300 volunteers from local companies within 2 days to help citizens and companies quickly understand the contents of the relief plan. A relief service counter was set up in the office of the Changhua City mayor to help resolve any issues with the relief plan, and thereby reduce the losses sustained by society due to COVID-19.

6.2 CORPORATE GOVERNANCE

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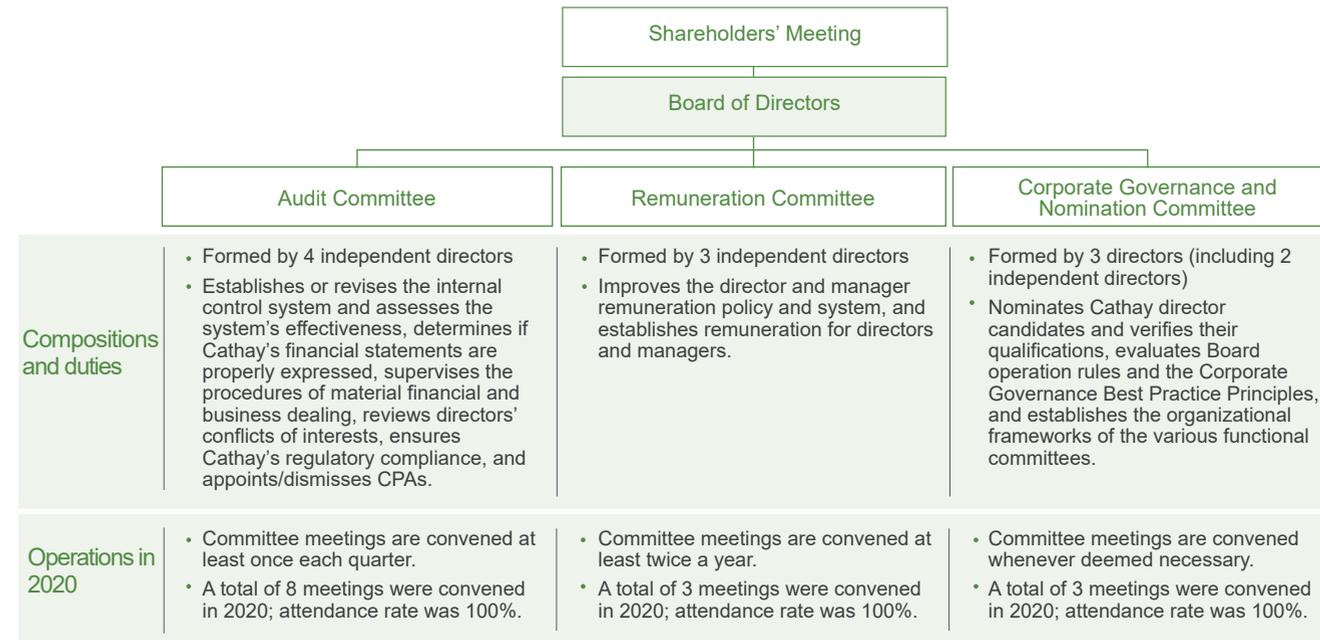
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Cathay FHC continues to improve the diversity, independence, and competencies of its Board of Directors, and is increasing information transparency with an emphasis on the rights and interests of shareholders. In 2020, Cathay FHC once again received the highest rating (Outstanding) together with its subsidiaries Cathay Life and CUB in the CG6012 (2019) Corporate Governance System Assessment, which is organized by the Taiwan Corporate Governance Association.

Structure and Operations of the Board of Directors

The Board of Directors is the highest level decision-maker at Cathay FHC, and supervises the Company's overall operational management. The Board of Directors convened 8 meetings in 2020 with an attendance rate of 90%; directors on average have held the position for 9.3 years. Cathay FHC established the Audit Committee, Remuneration Committee, and Corporate Governance and Nomination Committee under the Board of Directors to improve the Board's efficiency. The committees are responsible for reviewing proposals. All proposals are reported to and discussed by the Board of Directors to effectively implement its independent supervision and checks and balances mechanism, and also to oversee resolutions and actions. If there is a conflict of interest with the director or the institution represented by the director, the director shall recuse him/herself, so that benefits are maximized for all stakeholders.



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

Professional Qualifications and Independence of the Board

Cathay FHC adopts the candidate nomination system. All director candidates are nominated and their qualifications are reviewed by the Corporate Governance and Nomination Committee. After candidates are approved by the Board of Directors, they are elected and appointed during the shareholders' meeting. According to Paragraph 3, Article 30 of Cathay FHC's Corporate Governance Best Practice Principles, the members of the Board of Directors shall possess the knowledge, skills, and experience necessary for performing their duties. In response to issues concerning corporate governance and corporate sustainability in Taiwan and abroad, the directors of Cathay FHC actively participate in relevant internal and external training, which covers issues including risk management, corporate governance, corporate social responsibility, AML/CFT, and information security. The average training hours for the directors stood at approx. 10 in 2020.

The Board of Directors shall possess the following abilities:

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

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Board Diversity

Members of Cathay FHC's Board of Directors come from diverse backgrounds, including different industries, academic backgrounds, and professional knowledge and abilities. The Board has 1 female independent director to increase Board diversity. Refer to 2020 Cathay FHC Annual Report [P.80](#) for the implementation of the Board Diversity Policy.

Composition of the Board of Directors

| Non-Executive Director | Executive Director | Independent Director |
|------------------------|--------------------|----------------------|
| 61% | 8% | 31% |

Age Distribution of the Board of Directors

| 51-60 | 61-70 | 71-77 |
|-------|-------|-------|
| 23% | 38.5% | 38.5% |

Gender Ratio of the Board of Directors

| Male | Female |
|------|--------|
| 92% | 8% |

Board Performance Evaluation

To implement corporate governance and improve the Board and Functional Committee's efficacy, Cathay FHC pays special attention to the overall operations of the Board and Functional Committee and thus set up the Regulations Governing the Evaluation of the Board and Functional Committee's Performance in addition to the Guidelines for Evaluation of Directors' Performance and the Guidelines for Directors' Remuneration. Performance indicators, such as compliance, corporate governance, risk management, and corporate sustainability and corporate social responsibility, were also incorporated in the Regulations Governing the Evaluation of the Board and Functional Committee's Performance to ensure the Board and Functional Committee's fulfillment of corporate governance, operations, and corporate social responsibility. In 2020, the result of Cathay FHC's Board and functional committee performance evaluation was "above standard."

To strengthen the independence and effectiveness of the Board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the Board performance evaluation once every three years, starting from 2017. Cathay FHC has commissioned the "Taiwan Institute of Ethical Business and Forensics" to conduct the external performance evaluation of the company's Board of Directors in 2019, and discusses and implements enhancement measures in accordance with the Institute's optimization recommendations.



Board and functional committee performance evaluations (Chinese only)

Shareholder Communication, Rights, and Interests

We attach great importance to shareholder communication (see [P.138](#) of the Annual Report for our shareholder structure), and set up an "Investor Section," "Corporate Governance Section," and "Corporate Sustainability Section" on our website to provide information on our financial position, business performance, and corporate governance in both Chinese and English. Furthermore, we have an Investors Relations Department that periodically convenes investor conferences and handles investor related issues whenever they occur. This ensures the right of investors to inquire and fully understand information on the Company's financial position and business performance. We organized 8 investor conferences in 2020. Shareholders can express their opinions at any time through various communication channels, including the [spokesperson system](#), [investor services](#), and the ["Contact Us"](#) mailbox.

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



6.3 ETHICS AND COMPLIANCE

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Ethical Corporate Management

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

Furthermore, all of our employees have completed our annual training on the Code of Conduct for Employees with a completion rate of 100% in 2020. Cathay FHC established the Code of Conduct for Reporting Unethical or Dishonest Cases and a whistleblower system, which establishes reporting channels, specifies procedures for handling cases, and protects the legal rights of the involved parties. The Company is required to maintain confidentiality of the identity of all involved parties, including the whistleblower and investigation personnel, in order to protect them from unfair treatment or retaliation. We were not involved in any insider trading, anti-competitive actions, monopoly or market manipulation, and immoral or unethical conduct in 2020.

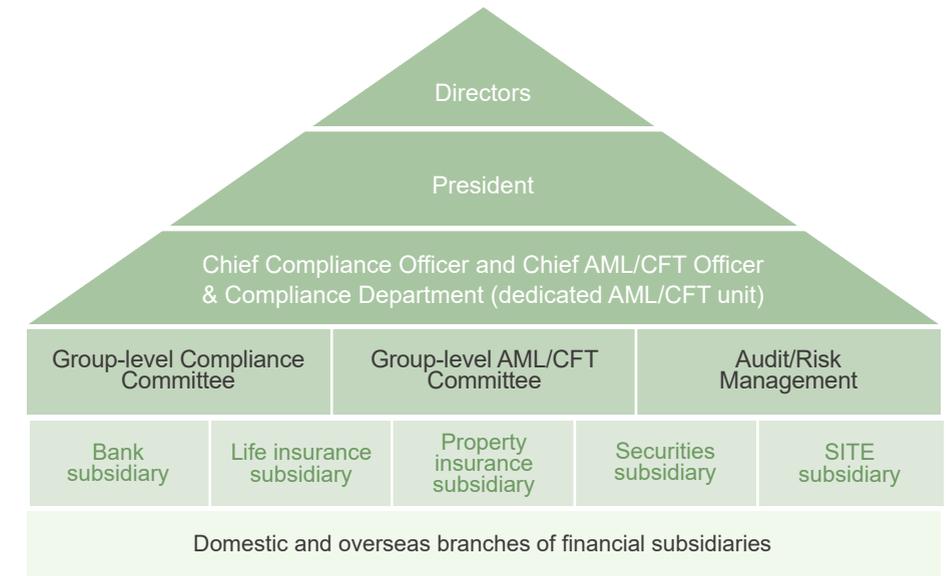


Donations made by the Company (Chinese only)



Compliance

Cathay FHC has closely followed the changes to the global financial and regulatory environments for years, and strengthened compliance management and culture continuously, to ensure that all operations comply with the regulation. The group's compliance and AML/CFT is managed as a whole on the group-level, and implemented by level and region. The Chief Compliance Officer holding concurrent post as the Chief AML Compliance Officer appointed by the Board of Directors is in charge of the management of group compliance, as well as semiannual reports on compliance implementation to the Board of Directors and Audit Committee in 2020. Subsidiaries and second-tier subsidiaries (including overseas) have the same management framework based on their industry laws, management requirements, and scale.



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Systematic Management of Compliance Risks

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



In order to strengthen internal control, we convened a total of 4 group-level Compliance Committee meetings in 2020. We supervised major subsidiaries in establishing a quantified compliance risk assessment mechanism based on characteristics of operational risks in the current phase. We will continue to review implementation results in hopes of optimizing our compliance governance system.

In 2020, we actively worked with the Banking Bureau in an open government legal database, and promoted a base layer database for digitalized compliance management. We actively contacted the Banking Bureau and completed the structured digital data for the legal database of the Banking Bureau and released it, sharing it with companies for flexible application in their legal compliance, enhancing the infrastructure for the digital management of compliance. We continue to research international supervision trends for the internationalization of our compliance, and are implementing a digital platform in phases for group-level compliance to enhance information sharing.

We established a regulation amendment management system to know well and transmit the latest development of regulation immediately. Depending on the level of risk, we implement different management measures that take into consideration both control and efficiency, so that we can respond to the requirements of the competent authority and stay in touch with global supervisory trends rapidly and properly. Due to the impact of COVID-19 in 2020, we conducted a total of 14 remote inspections of overseas compliance, and determined the compliance situation through remote inspection procedures, strengthening the compliance governance of domestic and overseas units through two-way interactions.

We established the whistleblower system to create a corporate culture of integrity and transparency, and have taken protection measures for whistleblowers. The whistleblowing mailbox received 1 report from an internal whistleblower in 2020. We completed an investigation report for the case and closed the case without finding any evidence of violations of the law.

Furthermore, we established the External Compliance Incident Reporting and Management Guidelines for the effective supervision of our subsidiaries. The Guidelines contain risk warning indicators applicable to major violations of the law and downgrading by the financial authority, and establishes reporting procedures for the Board of Directors and managers to rapidly obtain warning information, evaluate, and take improvement measures in response to the group's compliance risks. We also established mechanisms for reviewing penalties imposed on our competitors and the group, and we established group-level and subsidiary-level review standards to monitor the latest changes in supervision and compliance self-inspections. Major penalties imposed on subsidiaries and improvement measures in 2020 are as follows, please see [P.119](#) in 2020 Annual Report for more details.

| Reasons | Improvements |
|--|---|
| <p>Cathay Life</p> <ul style="list-style-type: none"> • Fine of NT\$5.6 million and issued notification to make 6 corrections. • Main deficiencies include product suitability policy, immediate reporting of penalties imposed by overseas supervisory authorities, verification of customer identity, and transaction monitoring. | <ul style="list-style-type: none"> • Completed improvements; strengthened control mechanisms and stepped up education and promotion. |
| <p>Cathay United Bank</p> <ul style="list-style-type: none"> • Fine of NT\$12 million and suspended specific businesses of specific branches for one month. • Main deficiencies include financial consultant management mechanisms and transaction monitoring and management. | <ul style="list-style-type: none"> • Completed improvements; strengthened employee management mechanisms, improved customer care questions, and improved transaction monitoring. |

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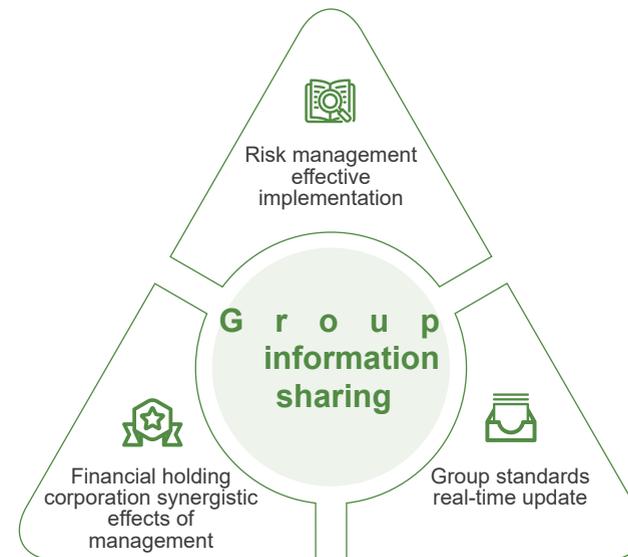
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Developing AML/CFT Mechanisms

Cathay FHC established the AML/CFT Management Guidelines, group-level risk methodologies, risk factors, and important internal control mechanisms, as well as risk warning mechanisms and monitoring indicators, in response to international AML/CFT trends and domestic and overseas supervision requirements. Cathay FHC and all of its subsidiaries continue to develop AML/CFT systems by adopting the risk-based approach; we have also included relevant SOPs in the categories of self-inspection and internal audit, and enhanced customer due diligence and continuous monitoring measures in terms of high risks. We convened a total of 4 group-level AML/CFT meetings in 2020. We will continue to keep pace with the times and improve our AML/CFT management performance in coordination with Taiwan's APG Report, financial supervision, and actual implementation status. We began to step up the application of technologies and big data in 2016 through external technologies and internal R&D. We took the lead in implementing a group-level management enhancement project, and looked into the use of new technologies, such as RPA, AI, and big data analytics, to improve the Group's AML/CFT performance, integrate operating procedures, and improve transaction monitoring performance. The Group AML technology team broke down and reconstructed core AML operations in 2020 using new technologies along with data analysis applications and pain points in the past, maximizing the efficiency of group-level resource use.

Enhancing AML/CFT Data Sharing and Management Mechanisms

We referenced FATF recommendations and the practices of the Bankers Association of the Republic of China, and established group-level information sharing regulations and platform, so as to improve the synergistic effects of group-level management. There are numerous types of information that are shared to achieve sharing and collective learning of technical knowledge and risk warnings. Types of information include group-level lists, types of suspicious transactions, information on suspicious customers/transactions, and exchange of risk data between subsidiaries. In 2020, we continued to carry out periodic reviews and optimization, improve information sharing results, and strengthen cross-business risk management, such as adjusting the cross-business monitoring framework and improving the quality of operations, between subsidiaries to improve overall AML/CFT results at the group level.



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

We arranged a wide range of compliance education and training sessions for different subjects in 2020 in response to the Group's developments and regulatory trends. The sessions took the forms of case sharing, movie appreciation, and group discussions, and covered basic knowledge, including financial supervision, information security, digital technology, and Important International Trends in AML/CFT.

We established the Group Compliance/AML Technology Team in 2020, and developed a wide range of professional abilities and both soft and hard power relating to compliance through the development of digital technologies. We implemented projects to cultivate technology compliance/AML talent, facilitate applications of AML data analysis, and develop AI/new technology applications. We also organized events promoting domestic and foreign laws and international trends, including international practices and trends in transfer pricing, as well as FATCA/CRS compliance. We held a number of educational and promotion events to improve employees' understanding of the law, and were invited numerous times to share our experience in external lectures.

| | | |
|--|---|--|
| 287 General compliance courses | 79 Compliance courses for new recruits | 185 Group AML/CFT in-depth training courses |
| 7 Group compliance sharing club courses | 43 Senior executive compliance courses | 79 Director (supervisor) compliance courses |

6.4 RISK MANAGEMENT AND INTERNAL CONTROL

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Risk Management Framework

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



Risk Management Policy and Reporting Process

Cathay FHC established the risk management policy and individual management guidelines to controls major risks. We included ESG risks (climate-related risk included) in the risk management policy and established the ESG Risk Management Guidelines in 2020.

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

Risk Management Measures and Reporting Mechanisms

We established risk assessment indicators for major risks. All of the indicators were reviewed and approved by the Board of Directors, and are periodically assessed and monitored to determine if the risk exceeds our risk appetite, so that further management measures can be implemented. This risk appetite is subjected to stress-testing to ensure that it remains appropriate given changes in the business environment.

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

Emerging Risk Management

Facing the growingly complex global financial environment, as well as the growing impact brought by technological developments, extreme weather, and demographic issues, we review emerging risks and prepare emerging risk reports each year for review by the Risk Management Committee. The reports are submitted to the Board of Directors to explain our current risks and the risk management system. The group's emerging risks in 2020 include FinTech, information security, and law amendments. We assessed the impact of the risks on our operations and established response measures.

Emerging Risk Identification Procedures

- STEP 1 Risk identification**
Subsidiaries refer to the list of emerging risks compiled by Cathay FHC, take into consideration emerging risks identified by the industry's benchmark company, and then assess the impact and probability of the risks they may face.
- STEP 2 Risk assessment**
Cathay FHC compiles emerging risks of its subsidiaries, identifies emerging risks at the FHC-level to compile the group's risk map, and assesses the impact on operations.
- STEP 3 Responding to risks**
Cathay FHC establishes response measures after assessing the impact of risks on operations. The measures are reported to the Risk Management Committee for monitoring and periodic review.
- STEP 4 Risk Reporting**
Cathay FHC's Risk Management Division periodically reports emerging risks to the Board of Directors, and explains the implementation of risk management.

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

| Description | Impact on operations | Response Measures |
|---|---|---|
| <p> Societal</p> | | |
| <p>Risk of communicable diseases</p> <p>Communicable diseases refer to diseases for which the number of cases exceeded the expected number or form cluster infections within specific areas and specific periods (e.g., COVID-19 mutations after 2020). If the Nipah Virus or other new forms of communicable diseases spread over a large area again in the next 3 to 5 years, we may face possible quarantines of employees or community quarantines, which would impact economic activities such as tourism, entertainment, and consumption. In severe cases, they may cause lockdowns or suspension of industrial production, which would impact the global financial market and increase operational risks.</p> | <p>The spread of new forms of communicable diseases in the future will affect employees' health management. Employees are the Company's crucial foundations for continuous operations. The continuous spread of an epidemic would reduce the quality of financial services and create business or service interruption risks. It would also affect the Company's profitability and create significant negative impacts on the Company's investment and loan positions.</p> | <p>When a spread of emerging communicable diseases occurs in the future, we will establish the prevention task force. The task force will immediately implement business continuity management and processes and response measures. Personnel health management, supplies assistance, and related backup mechanisms are as follows:</p> <ul style="list-style-type: none"> • Established a business continuity management (BCM) plan, considered complex scenarios, stress test results, and conducted drills. • Established backup plans with backup personnel, equipment, and data at a sufficient distance from the original workplace, and implemented split operations (or work from home), using video conferencing and internal operation tools. • Periodically examined the loss ratio of products, and made timely adjustments to rates and the underwriting policy. • Added a communicable disease exclusion clause to all commercial insurance products, and changed to self-insured retention if insurance must be provided to special cases. |
| <p> Technological</p> | | |
| <p>FinTech risks</p> <p>The global FinTech development and adoption of smart phones will impact the Company's business model. The relaxing of regulations for the creation and cross-industry collaboration of Internet-only banks in Taiwan and its innovative business model will impact the Company's digital services and brick-and-mortar branches.</p> <p>We need to change our business model and our operating procedures and focus more on personalized services. For example, need design of product and service interfaces and provide high-quality intelligent customer services. Brick-and-mortar branches must also be transformed to improve the customer experience for digital financial services. However, this transformation will incur significant expenditures.</p> <p>The development of emerging technologies will create a shortage of talent in FinTech and interdisciplinary digital applications. The changes in the business model will require us to pay closer attention to related regulations for FinTech businesses.</p> | <p>Cathay is the largest finance institution in Taiwan and half of the population in Taiwan are Cathay customers. With the rise of Internet-only banks, if we continue to focus on only products instead of also taking customer requirements into account, we may lose customers among the young generation and potential customer groups that have not yet obtained financial services. Such a failure would also affect the user experience and lead to a loss of existing customers. The results would be a lowered market share, which would affect the Company's financial performance.</p> <p>When making adjustments of business models, we will face more regulatory restrictions and risk management issues which may cause significant losses for the Company. In addition, if we fails to cultivate interdisciplinary professional talent and change the organizational operation model, we would not be able to overcome the challenges created by the innovative model and provide customers with a brand-new digital experience.</p> | <p>Cathay FHC established the Digital, Data & Technology (DDT) Center to compile the digitalization requirements within the Group. We periodically evaluate the feasibility of innovative FinTech, so as to step up innovation in digital financial services.</p> <ul style="list-style-type: none"> • Planned digital platforms and strategies for further improve the customer experience. We also created the Group's data ecosystem through new business models to increase competitiveness. • Maintained data structure and data warehouse for better application of big data. We reviewed the business logic for products of our subsidiaries, and further reduce the operating cost. • Value the cultivation of interdisciplinary digital finance talent to face the changes in new business model. We adopted a bi-modal approach to transformation to improve our overall performance. • Collect information on changes in regulations on FinTech businesses and comply to ensure the security and compliance of the management procedures. |

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Human Rights Risk Management

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



Business Continuity Management

Cathay FHC and its subsidiaries have established Business Continuity Management Policy and implemented business continuity management mechanisms. We formulated a Business Continuity Plan (BCP) for different risk scenarios, ensuring that we can resume services as fast as possible when business is suspended due to various disasters, severe epidemic situations, information service suspension, insufficient liquidity, or other events. This will allow us to minimize losses, protect customer rights, and continue to operate. Furthermore, we periodically plan drills for different scenarios to test the effectiveness and completeness of our BCP, and it strengthens our emergency response ability when facing major emergencies.

Deeply Rooted Risk Management Culture

We adopted the three lines of defense model for risk management and internal control, and continue to enhance the model's effects. The 2020 audit used the three lines of defense as the direction for future optimization of the group, and offered recommendations for business units, management units, and audit units. In addition to adjustments to optimize the first line of defense (self-audit), second line of defense (risk management/compliance), and third line of defense (audit management) based on our goals, we will direct our future efforts to strengthening a complete model with three lines of defense. Units on the second and third lines of defense continue to strengthen internal risk management. Besides publishing monthly law, risk and audit periodicals, sharing information of relevant issues and actual cases of regulatory compliance, risk management and auditing, units conduct compliance and internal control self-evaluations and self-inspections every six months, in order to identify potential risks of each unit and verify that operations are in compliance with related systems.



The Board of Directors and management of Cathay FHC are required to take corporate governance or risk management courses to raise the risk awareness of all employees. All employees in the group are also required to take general education courses on risk management. Training completion rate reached 100% in 2020, and a variety of risk training courses are provided to different subjects based on the business of each subsidiary, so that employees are able to effectively control risks.

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

6.5 INFORMATION SECURITY

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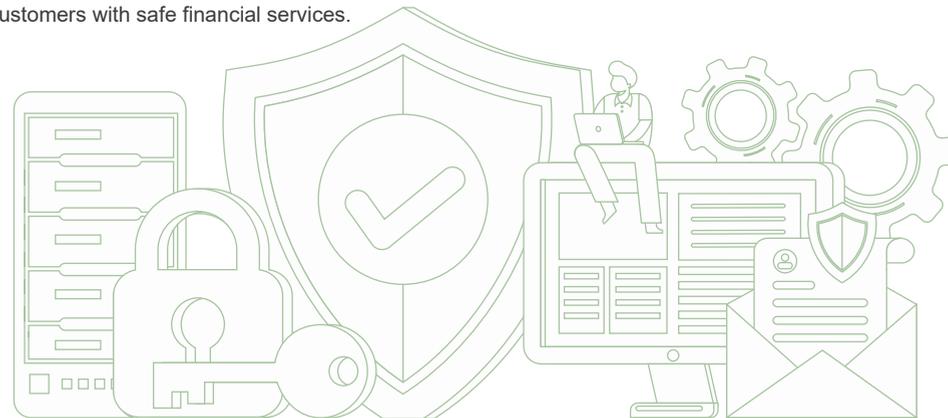
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Information Security Mechanisms

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

Cathay FHC has a cross-company FHC-level Information Security Communications Committee and FHC-level information security incident emergency response team, which is fully dedicated to information security management and quality improvement. Furthermore, Cathay FHC has established the Security Operation Center in 2020 that operates 24/7 to monitor and provide prompt alerts to information security risks. In addition, external consultants and emergency response team are leveraged, which are highly experienced in responding to information security incidents, to provide appropriate and professional recommendations and emergency response support.

Cathay FHC and its subsidiaries have all separately established information security policies, which are subject to approval by their respective board of directors, and all examine the confidentiality, completeness, availability, and compliance of information assets through annual inspections. Cathay FHC's major subsidiaries Cathay Life, CUB, and Cathay Century have all obtained the international certification ISO 27001:2013 Information Security Management System. As of the end of 2020, coverage of ISO 27001:2013 reached 96.5% of the group, and Cathay FHC will assist in promoting the ISO 27001:2013 framework in Cathay Securities, Cathay Futures, Cathay SITE, and Cathay SICE in 2021. This will complete the information security governance framework and management system, and reinforce information security incident warning, reporting, and response procedures to provide customers with safe financial services.



Information Security Education and Training

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

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

Information Security Incident Management

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

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

6.6 SERVICE QUALITY AND CUSTOMER RIGHTS

Treating Customers Fairly and Protecting Customer Rights

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Over 14 million in Taiwan are our customers, meaning that one out of every two people is a customer of Cathay. For years we have held the business philosophy of being "customer-centric," and aim to provide friendlier products and services that better meet customers' needs in everyday life. Cathay values customers' opinions. We have a number of customer complaint channels and a dedicated unit that handles customer complaints. We also established regulations and the highest principle of "actively handling issues and actively showing concern" that requires our staff to immediately contact customers and propose solutions.

Cathay takes the issue of treating customers fairly very seriously, and has incorporated the spirit of treating customers fairly into core businesses. As a result, Cathay Life, CUB, Cathay Century, and Cathay Futures received the highest recognition of "Excellent" in the 2020 Treating Customers Fairly Evaluation. Cathay Life and CUB both placed first in the first Treating Customers Fairly Evaluation in 2019, and both placed first again in 2020. Cathay Century and Cathay Futures did very well in the 2020 evaluation and received the highest recognition of "Excellent." Cathay Futures is the only non-government-owned futures company among the 3 futures companies to win the award.

CUB

Customer Complaint Channels and Dedicated Units

The Financial Service Department is responsible for handling complaints and set up a 24-hour customer service hotline at (02)2383-1000, or call 0800-818-001 on landline; customers can also file complaints by leaving comments on [the official website](#).

Organization / Operations

- Implementing treating customers fairly from a top-down approach: The Board of Directors has created a culture of ethical corporate management and financial consumer protection. The implementation status is reported to the Board of Directors every six months.
- The Consumer Dispute Review Committee consisting of senior executives effectively handles customer disputes.
- Service Quality Teams led by directors and senior executives: A customer-oriented approach is adopted at the FHC-level, and digital technologies are utilized to improve the quality of customer services.
- Education and training are continuously provided to better implement the principles of treating customers fairly.

Key Actions in 2020

- Besides actively handling customer complaints, CUB adopts the perspective of customer rights and systematically manages customer feedback from customer complaints and consumer disputes, and dynamically optimizes and adjusts the customer service process to maintain a good customer experience.
- In addition to using A Fa, the chatbot, to improve customer service efficiency, CUB also sets up financial service stations to realize financial inclusion, providing customers with more convenient and safer fairly-treated services.
- Events related to the principles of treating customers fairly are organized under the leadership of the Board of Directors. For example, winning essays in the treating customers fairly essay contest were selected for employees to learn from each other, in order to create a corporate culture of treating customers fairly.

Cathay Century

Customer Complaint Channels and Dedicated Units

The Customer Service Center is responsible for responding to customer inquiries and handling consumer disputes, and established the Cathay Century Insurance Consumer Dispute Settlement Procedures to protect consumer rights. Customers can call the customer service hotline 0800-212-880 and provide their real name to file a complaint to Cathay Century.

Organization / Operations

- The principles of treating customers fairly are included in semi-annual compliance self-evaluations to ensure the principles are implemented.
- The Treating Customers Fairly Promotion Task Force Meeting is convened on a quarterly basis, and attended by independent directors, the president, and vice presidents of each department to discuss the implementation of policies and improvement plans for customer complaints. Results are then reported to the Board of Directors

Key Actions in 2020

- Invited independent directors to attend meetings of the Treating Customers Fairly Promotion Team starting in 2020 to provide guidance. Established strategic goals and periodically tracked project progress to create a customer-oriented corporate culture. The three main strategies are as follows:
 - Enhance product development – Provide customers with complete protection from risks
 - Improve the service experience – Provide diverse and convenient service channels
 - Improve organizational performance – Establish an iCare service culture
- Develop into the property insurance company that is most in touch with customer needs.

Cathay Life

Customer Complaint Channels and Dedicated Units

The Customer Relationship Enhancement Department established the "Cathay Life Insurance Consumer Dispute Resolution Procedures" and "Cathay Life Insurance Guidelines for Handling Customer Complaints" to protect consumer rights. It also set up a customer complaint hotline at 02-2162-6205 to optimize the efficiency of handling customer complaints.

Organization / Operations

- Organization management: We established the Treating Customers Fairly Committee according to the Treating Customers Fairly Committee Charter. The president is the chairperson and senior executive VP of the Customer Relationship Enhancement Department is the vice chairperson of the committee.
- Board participation: The Board of Directors receives continuing education according to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, in order to implement corporate governance and improve Board performance. Furthermore, all directors, supervisors, and responsible persons have completed the Company's annual internal training courses.
- Apart from showing determination to make treating customers fairly a part of the corporate culture and shaping the DNA of Cathay Life, Cathay Life stepped up the implementation of measures for treating customers fairly and established systems in three aspects "policy formulation," "implementation supervision," and "actual participation," in order to effectively enhance Board functions and implement corporate governance.

Key Actions in 2020

- Independent directors directly supervise the improvement of internal controls for major disputes, and aim to improve the quality of operations through system, education, and implementation, as well as establish tracking mechanisms; actively participated in committee meetings and education and training in treating customers fairly, and personally provided guidance.
- Strengthened internal control and management on the first line of defense to protect customer rights. Enhanced the management mechanisms for the second and third lines of defense to thoroughly implement the three lines of defense, further integrated the three lines of defense to reduce repetitive work, and gradually achieved the three major goals of internal control, expanding from internal control supervision mechanisms to implementing the three lines of defense, in order to complete the Company's internal control mechanisms.
- Became the first company to establish 24 KPIs based on strategies to verify if treating customers fairly is properly implemented and its results, and periodically examined the attainment of KPIs through rolling wave planning to pursue better performance.

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Cathay Securities

Customer Complaint Channels and Dedicated Units

Pursuant to the Enforcement Rules for Handling Customer Complaints and Financial Customer Dispute Settlement Procedures, the dedicated customer complaint unit at Cathay Securities is the Digital Operations Center, which is responsible for handling customer complaints and case closure. Customers can ask questions by calling the customer service hotline (02)7732-6888 or visiting the official website.

Organization / Operations

- Organization management: Established the Treating Customers Fairly and Service Quality Team in accordance with the "Guidelines for Establishing Treating Customers Fairly and Service Quality Teams," and appointed the head of a division at the Digital Operations Center as the team's chairperson.
- Organization operations: Pursuant to the guidelines above and the "Principles and Strategies for Treating Customers Fairly," the Treating Customers Fairly and Service Quality Team periodically collects information on project and implementation results, convenes quarterly and annual meetings, and prepares implementation reports on the principles, policies, and strategies for treating customers fairly, which are submitted to the Board of Directors.

Key Actions in 2020

- Improving the customer service experience by understanding what customers need: Learned what customers need through qualitative interviews and improved services based on quantitative satisfaction surveys; also added 5 NPS nodes, distributed 50,000 questionnaires, and made 2,500 calls to show care. Also was the first in the industry to implement a chatbot, which provides services over 10,000 times a day.
- Senior executives took this very seriously, and in addition to investing NT\$1 million in training for front-line service personnel, the president led first-level managers to participate in basic level customer services. Invested a higher percentage in information security than competitors to ensure secure transactions for customers.

Cathay SITE

Customer Complaint Channels and Dedicated Units

The Customer Service Department is the handle complaints dedicated unit, if customers meet the problems with Cathay SITE, can look for improvement via the service hotline (02)7713-3000, e-mail, fax, or visit in person.

Organization / Operations

- Implement regulations on annual education and training hours.
- Periodically report the implementation status to the board of directors each year.

Key Actions in 2020

Reported the implementation status of the principles of treating customers fairly to the Board of Directors in Q1 2020, and adjusted contents of the principles of treating customers fairly in coordination with the implementation status and response to laws and regulations, fully implementing financial consumer protection.

Raising customer satisfaction and creating service value

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

Cathay has a Service Quality Committee that sets the Group's service policy based on the principles of protecting customer rights and treating customers fairly. The committee periodically reviews service strategies and projects together with each subsidiary. Meanwhile, the Service Quality Team assembled by each subsidiary plans, implements, and follows up on service quality improvement plans, and listens to the voices of customers so that the Group can continue to provide higher quality services.

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

| 2018 Satisfaction | 2019 Satisfaction | 2020 Satisfaction | 2020 Satisfaction Goal | Satisfaction Performance |
|--------------------------|-------------------|-------------------|------------------------|---|
| Cathay Life | | | | Overall rate of customer service satisfaction increased 3.4% compared with the previous year. Feedback regarding customer experience in each link of services is obtained through NPS. Located key pain points of customers services and determined to find response plans for making improvements. |
| 94.0% | 94.3% | 97.7% | 90% | |
| CUB | | | | Satisfaction with the Customer Service Center reached the goal and increased 1% compared with the previous year. Added correlation analysis and focused on each contact with customers to first make improvements to issues that customers are the most concerned about and affects their satisfaction. |
| 90.9% | 91.5% | 92.5% | 90% | |
| Cathay Century | | | | Besides continuing to lead in certain indicators, implemented numerous measures in coordination with the formal launch of chatbot – Alpha in September 2020, in hopes of improving the service experience of customers who call the 0800 number and optimizing the claims process to maintain customer satisfaction. |
| 96.3% | 96.8% | 97.3% | 90% | |
| Cathay Securities | | | | In 2020, we adopted for the first time a new satisfaction rating scale in cooperation with an international market research institute. For reasonable comparisons, the survey also includes the satisfaction of major industry peers. The results show that Cathay Securities ranked first in the industry, and we continue to develop towards achieving our satisfaction target in the future by improving the digital experience. |
| 91.3% | 98.3% | 86.0% | 90% | |
| Cathay SITE | | | | Keep on satisfying our customers with good interactions and relationships into obtain more potential demands. |
| 87.1% | 89.1% | 89.25% | 88% | |

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Improving the service experience to satisfying customers' needs

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

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

Cathay Life

NPS framework deployment

Established 15 service nodes in the customer journey from online to offline, periodically examined NPS changes through an automated dashboard and the customer response management back-end, and formulated strategies for optimizing the customer experience. Tracked the performance of cross-departmental cooperation during quarterly service quality meetings to improve the quality of services.

Key breakthroughs in 2020

The average tNPS of online nodes increased 3% in 2020, and shows that customers are gaining an improving digital service experience. rNPS increased from 6.5 in 2019 to 16.6 in 2020, showing that overall service performance has gained customers' support and recommendation.

Commissioned an external professional consultant at the end of 2020 to reconstruct the customer experience map and analyze customers' key factors in NPS, and then examined the performance of node deployment on this basis to further increase overall NPS.

CUB

NPS framework deployment

The Customer Service Center began conducting tNPS surveys during customer calls each day, and analyzed the correlation between feedback from questionnaires, the reasons for the calls, and products purchased by customers; this served as the basis for exploring deficiencies in the customer experience, providing feedback to relevant units each month for formulating strategies to better meet customers' needs. Established the digital platform NPS mechanism, and used NPS along with customer interviews or ease of use testing to help achieve a platform experience design that better meets users' needs and expectations.

Key breakthroughs in 2020

The Customer Service Center's tNPS was 61.4 in 2020, up 9.7 points compared to the 51.7 in 2019, and shows that overall services are supported and recommended by customers.

In terms of overall NPS in December 2020, the Internet banking app increased 12% compared with the same period last year, while Internet banking increased 33% compared with the same period last year.

Cathay Century

NPS framework deployment

Deployed a total of 25 nodes online and offline. Besides keeping track of customers' opinions through the NPS opinion management back-end and visualized graphs each day, also attempted to replicate the customer experience at each node through quarterly meetings and cross-departmental communication and cooperation, in order to find core issues and potential solutions to provide customers with a better service experience.

Key breakthroughs in 2020

The average tNPS of digital channel nodes remained stable in 2020, but improved in all physical channel nodes, including individual claims closure (increased 4 points), service counters (increased 6 points), and policy holder services (increased 3 points). rNPS also slightly increased. This shows customers' support and willingness to recommend Cathay Century's overall services.

Cathay Securities

NPS framework deployment

Reviewed customer service records and established 6 NPS service nodes for testing. An NPS questionnaire is issued after customers experience services, customer service representatives make calls in response to recommendations customers make on the NPS questionnaire, so as to understand the usage of service nodes by each customer. Cathay Securities continues to optimize the customer service experience through cross-departmental communication and collaboration.

Key breakthroughs in 2020

95% of Cathay Securities' customers complete account opening and transactions online, and NPS is mainly for online service nodes. A total of 2 online service nodes and 1 counter service node were added in 2020; over 1,000 calls were made to show care, and 213% more questionnaires were collected compared with 2019. Continued to improve the services of each node based on customer feedback, which allowed the score of important nodes to maintain an upward trend.

Cathay SITE

NPS framework deployment

Collected customers' recommendations or opinions on the company's brand, products, and services through satisfaction and NPS surveys, into catch effective feedback from the survey results for constantly improving customer service experience.

Key breakthroughs in 2020

The NPS was 53 points in the 2020 satisfaction survey report, compared with 2019 has 30% increase, it's the significance on products and services of Cathay SITE's efforts.

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

Cathay DDT and subsidiaries have jointly developed a next generation chatbot with "dual AI brain", Alpha, that can streamline customer service processes and was designed with real-life chat dialogues. The dual AI brain consists of two components, FAQ and NLU. The "FAQ brain" can answer questions which are frequently asked by users, while the "NLU brain" can handle questions that are considered to be complex and unclear. In 2020, "Alpha" were brought from CUB and Cathay Life to Cathay Century, Cathay Securities, and Cathay SITE, which made Cathay FHC the only financial institution in Taiwan to provide a chatbot for various tasks in the fields of Customer Service. After Alpha was launched in Cathay Century, Cathay Securities, and Cathay SITE, it has been used nearly 900,000 times with user satisfaction reaching 4.6 stars (5 stars in total). Furthermore, Alpha is used an average of 900,000 times each month on the digital channels of CUB and Cathay Life, and accounts for at least 60% of customer service calls. In the future, Cathay will look into more applications for group-wide users to enjoy exceptional customer services, and also allow Alpha to develop from a "chatbot" into a comprehensive "AI-powered assistant".



Cathay expanded the application of the chatbot – Alpha to property insurance, securities, and securities investment trust. It does not only provide more precise solutions for pain points in customer services, but also effectively improve efficiency for corporations, maximizing the value of human-machine collaboration.

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Personal Information Protection

Sound Personal Information Management System

Cathay FHC established a Personal Information Management Committee and a sound personal information management system to properly manage personal information. Facing rapidly changing new technologies and new types of cyber attacks, Cathay Life, CUB, and Cathay Century successively obtained the BSI 10012:2017 Personal Information Management System certification to actively protect customer rights. We are transitioning to new international standards in coordination with international privacy protection trends via international certification institutions, which allow us to comply with the EU's General Data Protection Regulation (GDPR). We are also incorporating the provisions of the new version into the personal information protection process, and continue to upgrade personal information protection mechanisms to provide customers with secured services and system environments.

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

Infringement Personal Information Management Mechanism

Cathay FHC and its subsidiaries collect, process, and use personal information in accordance with the Personal Data Protection Act and related laws and regulations. Customers are informed of the purpose for collecting personal information and who the information will be shared with, and will not exceed the scope necessary for specific purposes. Customers' rights to access, request to view, make a copy, correct, supplement, cease the collection, processing, and use, or request the deletion of personal information are explicitly stated. All third parties are required to comply with company policies relating to personal information protection. Cathay FHC has aligned its personal information management mechanism with international standards in response to the EU's GDPR, and monitors the optimization and implementation of protection measures, as well as emergency response procedures and drills. Cathay FHC is able to provide more considerate and complete services through these layers of protection for customer data and rights, so that customers and partners can rest assured when they provide their personal information. Cathay FHC and its subsidiaries were not fined for any infringements on personal information in 2020.

In addition to the Personal Information Protection and Administration System (PIPAS) established by CUB, Cathay Life established a private cloud "Personal File Administration Classified Section" in 2020, which improves personal information protection by limiting the personnel with access rights and the time that files can be accessed, thus lowering the risk of important personal information stored on personal computers being leaked. Furthermore, major subsidiaries maintain the effectiveness of their personal information certifications each year to keep our personal information management mechanisms up to date. Cathay Life (subsidiary) implemented PCI DSS in 2020 to enhance encryption and access mechanisms, and expects to obtain the certification of international credit card organizations in 2Q 2021 to ensure transaction security for policy holders.

Complete Personal Information Protection Education and Training

Cathay FHC organizes annual campaigns, education, and training for raising all employees' awareness towards personal information protection, so that they understand the regulatory requirements, the scope of their responsibilities, and the various mechanisms, procedures, and measures related to the protection of personal information. The completion rate of personal information training of Cathay FHC and its subsidiaries was 100% in 2020.

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

Continually strengthen response measures to personal data incidents

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

Cathay FHC and its subsidiaries attach great importance to the protection of customers' personal information, and were not involved in any customer personal information violations in 2020, which can be verified by the penalties announced by the FSC and material information announced on the MOPS. Still, we handled a total of 17 personal information cases (see the table below for details), either received from customers through complaint channels or found through investigations conducted by sales managers. After looking into the cases, we found that most cases were the result of sales agents neglecting to inform customers of third parties. We have obtained the customers' understanding and will continue to step up education, training, and promotion for service personnel. Cathay FHC will continue to strengthen and monitor the use of customers' personal information, and improve related protection measures to reduce personal information breach incidents.

| Personal data related cases | Announcements of the competent authority | Self-investigation |
|-----------------------------|--|--------------------|
| Cathay FHC | 0 | 0 |
| Cathay Life | 0 | 12 |
| CUB | 0 | 2 |
| Cathay Century | 0 | 3 |
| Cathay Securities | 0 | 0 |
| Cathay SITE | 0 | 0 |
| Total | 0 | 17 |

6.7 DIGITAL FINANCE

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Cathay FHC is undergoing a business transformation driven by digital, data, and technology, and is actively building a data-driven culture, with an aim to turn into a technology company with Cathay-as-a-Service (CaaS) as the core. In 2020, Cathay has become the first financial institution in Taiwan to organize an annual tech conference. In the conference "Future of FinTech" we shared the shift from product-oriented business models to customer-oriented business models. We will continue to work with business partners in different industries to offer financial services that meet consumer needs, creating a comprehensive ecosystem driven by digital, data and technology to shape the future of finance.



Cathay showcased the abundant results of digital transformation efforts and shared its insights, and future outlook of FinTech in the annual tech conference.

Digital

Cathay Robo uses science-based wealth management to support a sustainable future

CUB launched [Cathay Robo](#) in 2018, a science-based wealth management to significantly reduce misjudgment caused by psychological factors, providing investors with the personalized investment goals and strategies, and avoiding investors to make irrational decision after taking all factors into consideration.

Cathay Robo has numerous quantitative investment models based on asset allocation strategies and academic principles, and is the first in Taiwan to use a glide path to find the time and volatility with the highest expected return. It monitors market fluctuations around the clock and provides effective adjustment recommendations. It then uses the rebalance function to optimize the investment portfolio. When the investment markets were impacted by COVID-19 in early 2020, the portfolios of Cathay Robo performed better than the market, and successfully assisted customers in securing a stable future.

Cathay Robo and Cathay SICE jointly offered the "sustainable new trends" investment portfolio, which gives consideration into both macro economics and key trends. It is the first decision-making system module of Cathay Robo to incorporate ESG principles in selecting funds with sustainable investment value, linking together investment and sustainability for the common good of the world.



Cathay Robo uses science-based wealth management to help investors make balanced investments.



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Fragmented insurance products better meet customers' needs for protection

Digital, Data & Technology (DDT) at Cathay FHC Center and Cathay Century apply the "the platform structure for fragmented insurance products" and launch the industry's first e-commerce experiential platform "BeSafe.". The platform uses a micro-service middle platform and corporate information integration structure to provide a more flexible capability of supporting the development of innovative businesses, fragments products and over 30 insurance options, so that customers can freely choose the insurance that meets their needs when going out or commuting to work.

Furthermore, Cathay Century engaged in cross-industry data cooperation with FETC and launched an innovative insurance product "ETC Highway Insurance" on "BeSafe," so that customers can pay based on their usage, fulfilling highway commuters' needs & safety.



Fragmented insurance provides personalized insurance product recommendations, and allows customers to select more suitable insurance products based on their needs.

Data

"Cathay Shield" significantly improves financial risk management efficiency

CUB led the industry in developing "Cathay Shield," which focuses on the perspective of a single customer, based on its understanding of the importance of "real-time data immediacy" and "risk management." "Cathay Shield" uses algorithms for the collection and centralized management of data across platforms, and integrates online and offline monitoring. It identifies whether or not customer transaction patterns are fraudulent transactions to reduce losses from credit card fraud, and prevent a wide range of financial crimes, significantly improving financial risk management efficiency. It provides CUB customers with a secure financial transaction environment, and assists in real-time risk prevention and management for all financial scenarios and products.

This new data and technology solution has made CUB a pioneer in the digital transformation of Taiwan's financial industry, and was also recognized with the Silver Award in the Technical Innovation of the Year in the 2020 International Business Awards®.



Technology

Cathay creates an excellent customer experience with well-developed blockchain technologies

The DDT is actively exploring blockchain technologies and key applications. The DDT has rapid self-mining and blockchain-building abilities which were rarely seen in the industry, and it has combined blockchain with the superior financial services of subsidiaries for commercial applications in different scenarios.

Cathay FHC was the first in the industry to be involved in the Internet of Vehicles by launching the "Internet of Electric Vehicles Blockchain Financial Platform" in 2020. The platform encrypts data and stores evidence through blockchain, and accesses driving data, including driving duration, time, speed, mileage, and braking, of electric vehicles with the permission of the owner. Cathay FHC expect to link the platform to the insurance and financial services of Cathay Century and CUB to provide car owners with faster and more convenient services, such as loan applications, insurance claims, and personalized product recommendations, which will significantly improve internal operating procedures and provide a better customer experience.

Cathay FHC and CUB took the lead in working with financial institutions in the "global trade sharing blockchain," in order to more efficiently provide corporate loans and strengthen banks' risk management ability. We combined the DDT's blockchain technology with the trade expertise of major financial institutions to form an inter-bank alliance. The first wave of applications will target import/export trade services, and banks in the alliance will be able to rapidly access a company's trade information on the blockchain, which will improve the efficiency of providing corporate loans and prevent companies from loan flipping.

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Cathay Financial Innovation Lab completed proof of concept for 6 financial innovations

Cathay Financial Innovation Lab was initiated in 2019 to access industry leading innovative technologies around the world. Cathay selected 9 out of 400 startups with mature technologies that could potentially be applied on a larger scale in different scenarios. DDT collaborated with Cathay Life, CUB, and Cathay Century in running proof of concept (POC) projects for 6 innovative financial services. Scenarios included FinTech, InsurTech, MedTech, RegTech, PropTech, and AI. Out of 9 startups, the achievement rate of POC was nearly 70%, which is way higher than that of startup accelerators (only 20-30% completed POC). Cathay will continue to look into the application of cutting-edge technologies to improve its operational performance and user experience.

Medical Technology Lunit X Cathay Life

Cathay Life worked with the Korean medical technology company, Lunit, to utilize AI deep learning technology to assist in the diagnosis of chest and lung diseases using chest x-rays. The technology is expected to increase the speed and accuracy of medical image analysis. Cathay Life provided nearly 200 chest x-rays that were determined by a medical laboratory technologist as the sample for POC, and Lunit's advanced AI model gave diagnoses using the sample. The AI model was 83% accurate for positives and 92% accurate for negatives with overall accuracy reaching 90%.

ClearQuote X Cathay Century

Cathay Century worked with the Indian insurance technology company ClearQuote in using AI image processing technologies to analyze and determine vehicle damages, hoping to use this technology as the basis for reviewing vehicle insurance claims. In the future, Cathay Century plans to integrate the technology into the vehicle insurance process and further apply the technology in underwriting and claims. After it accumulates sufficient data on vehicle parts, claims, and repair logic in Taiwan's market, it will develop next generation services for real-time vehicle damage appraisal. The integration of vehicle insurance services and InsurTech will optimize operating time and make insurance payout more accurate, providing outstanding customer experience in Taiwan's property insurance market.

People

Increasing data technology talent and contributing to exchanges in FinTech

Cathay FHC's digital data talent increased rapidly in 2020. The DDT, for example, has nearly 700 people who are mostly from CUB, Cathay Life, and Cathay Century, and have greatly benefited the group's digital transformation. Outside the scope of their routine operations, subsidiaries continue to accelerate their digital transformation through "situation rooms," in which outstanding talent that handle the operations of each subsidiary are moved to where they are needed, using an organization that is agile, diverse, innovative, and rapidly makes decisions, thereby improving internal operational efficiency and providing innovative customer services and experience.

Cathay FHC's digital data talent has also attracted the industry's attention, and they continually increase their influence through a number of technology clubs, which help technical talent in different industries better understand FinTech. We participated in 10 large scale annual conferences around Taiwan, co-organized over 10 gatherings with technical communities, and reached over 5,000 people in 2020. We were the first financial institution to speak at many of the gatherings, and average satisfaction of the events reached 85%.

Elevating the digital expertise of local Vietnamese talent

Cathay Insurance Co., Ltd. (Vietnam) is focusing on digital organization and talent planning to expand its digital services and improve its service quality. The company is undergoing comprehensive reform in organization, talent, and training with the goal of accelerating its digital transformation. With regard to organization, it is building its own digital team using resources of Cathay Century and the DDT. With regard to talent, the company is actively cultivating and recruiting digital planning / marketing / maintenance personnel to increase its planning and execution abilities for large projects, and increase specialized talent with digital marketing experience and digital channel maintenance experience. It also regularly examines market pay to provide talent with the most suitable stage for their career development. With regard to training, the company combined the project experience of Cathay Century and the DDT in planning 15 orientation courses in Vietnamese with a 3-phase evaluation mechanism, in hopes of helping new employees more quickly adapt and enhance their professional abilities.

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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 region."

Reporting Period

Cathay FHC has been issuing non-financial reports on an annual basis since 2011. The Cathay FHC 2020 Corporate Sustainability(CS) Report issued in July 2021 presents Cathay FHC's economic and environmental (E), social (S), and governance (G) performance in 2020 (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 2020.

Basis for this Report

This report is compiled in accordance with the core options of the GRI Standards of the Global Reporting Initiative (GRI). Contents of this report also correspond to the UN's Sustainable Development Goals (SDGs). This report also takes into consideration the Financial Services Sector Supplement, 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 Deloitte & Touche (Taiwan) and published in Cathay FHC 2020 Annual Report. The non-financial data is based on the declared information to competent authorities or audited by external management system accreditations authorities.

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

Report Verification and Assurance

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

The Company has engaged PwC Taiwan to perform assurance procedures on the selected sustainability performance information of its corporate sustainability report compiled based on the GRI standard and the selected sustainability performance information in relation to SDGs using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, "Audit and Review of Non-financial Information" and ISAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendices of this report.

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

| | |
|---|--|
| Company Name Cathay Financial Holding Co., Ltd. | Mail cscathay@cathayholdings.com.tw |
| Date of Incorporation December 31, 2001 | Tel +886-2-27087698 |
| Brand Spirit Rediscovering Happiness | Full-time Employees 47,478 |
| Core Values Integrity, Accountability, Innovation | Total Assets NT\$10.95 trillion |
| Headquarter Address No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.) | Capital NT\$ 147.03 billion |
| Contact Department Corporate Sustainability Office, Cathay FHC | Corporate Sustainability Website https://www.cathayholdings.com/en/holdings/csr |

7.2 ESG PERFORMANCE DATA

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ESG Performance Data

Table 1: Themed Investing/Lending ^{Note1~2}

As of December 31, 2020

| Unit: NT\$ billion | 2017 | | 2018 | | 2019 | | 2020 | |
|---|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | Investment | Loan | Investment | Loan | Investment | Loan | Investment | Loan |
| Low Carbon | 118.3 | 31.5 | 132.7 | 18.3 | 142.5 | 22.7 | 174.8 | 25.2 |
| Renewable Energy | 12.5 | 7.7 | 11.4 | 12.3 | 11.1 | 10 | 11.9 | 11.4 |
| Architecture | 66.1 | 0.8 | 77.7 | 0.4 | 79.2 | 7.8 | 74.6 | 3.2 |
| Waste Recycling | 4.7 | 1.3 | 4.6 | 2.2 | 3.4 | 1.9 | 4.2 | 3.5 |
| Transportation | 19.9 | 21.7 | 24.3 | 3.3 | 31.4 | 2.8 | 54.7 | 7 |
| Energy Saving Industry | 12.1 | 0.0 | 8.7 | 0.1 | 6.6 | 0.1 | 15.1 | 0.2 |
| Green Bond | 2.9 | 0.0 | 5.9 | 0.0 | 10.8 | 0.0 | 14.3 | 0.0 |
| Infrastructure | 442.5 | 61.6 | 551.0 | 40.5 | 603.1 | 55.5 | 662.3 | 66.9 |
| Transportation Facilities | 33.8 | 30.0 | 30.9 | 6.2 | 40.2 | 4.8 | 52.3 | 5.3 |
| Facilities of Public Utilities | 393.5 | 30.3 | 462.5 | 28.9 | 493.3 | 40.3 | 526.4 | 43.4 |
| Social Housing and Elderly Residence Projects | 0.9 | 0.0 | 0.0 | 3.3 | 0.0 | 8.3 | 0.0 | 15.2 |
| Environmental Remediation Facilities | 4.7 | 1.3 | 4.6 | 2.2 | 3.3 | 1.9 | 3.4 | 3.1 |
| Infrastructure Construction and Software | 9.6 | 0.0 | 53.0 | 0.0 | 66.2 | 1.0 | 80.2 | 0.0 |
| Aging Society and Health | - | - | 344.7 | 13.3 | 404.7 | 10.9 | 401.4 | 32.6 |
| Health Service | - | - | 70.1 | 3.0 | 62.5 | 1.8 | 115.3 | 2.6 |
| Life Supporting Service | - | - | 0.0 | 0.1 | 0.0 | 0.2 | 0.0 | 0.2 |
| Financial Management | - | - | 132.3 | 0.2 | 163.4 | 0.1 | 113.5 | 0.1 |
| Sports Service | - | - | 0.1 | 2.0 | 0.1 | 1.8 | 0.8 | 1.8 |
| Manufacturing of Pharmaceuticals and Health Product | - | - | 99.4 | 0.5 | 115.5 | 1.1 | 119.4 | 2.7 |
| Medical and Rehabilitation Equipment | - | - | 28.9 | 3.5 | 28.3 | 1.4 | 32.6 | 3.4 |
| Sales of Pharmaceutical and Medical Goods | - | - | 6.3 | 2.1 | 29.5 | 2.1 | 9.7 | 2.7 |
| Sporting Goods | - | - | 7.5 | 1.9 | 5.5 | 2.3 | 10.1 | 3.9 |
| Facilities Supply | - | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.3 |
| Community and Inclusive Finance | - | - | - | - | 5.2 | 4.0 | 7.8 | 3.9 |
| Micro Finance | - | - | - | - | 4.4 | 0.0 | 4.5 | 0.0 |
| Education | - | - | - | - | 0.8 | 4.0 | 3.3 | 3.9 |
| Water Resource | - | - | - | - | - | - | 7.2 | 0.9 |

Table 2: Corporate Loan ESG Review Status ^{Note3}

As of December 31, 2020

| Unit: Projects | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|-----------|
| Rejection or opinion of the Credit Review Committee | - | - | - | 35 |
| Declined loan application due to ESG event | - | - | - | 4 |

Table 3: Equator Principles Projects

As of December 31, 2020

| Unit: Project(s) | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|----------|
| Cases that reached Financial Close in accordance with EP regulations for disclosure | 2 | 5 | 2 | 2 |
| Category A cases | 0 | 1 | 1 | 0 |
| Category B cases | 0 | 1 | 0 | 0 |
| Category C cases | 2 | 3 | 1 | 2 |

Note 1: "-" means that the data were not collect for the current year.

Note 2: All the number is rounded to the nearest integer.

Note 3: Due to the adjustments and improvements of the corporate loan ESG review procedures in 2020, there was no data from previous years.

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Table 4: Results of Cathay Life ESG Risk Review for Investee Companies ^{Note1}
 As of December 31, 2020

| Unit: Project(s) | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------------|
| Cases with potential risks reviewed in escalation process. | - | 129 | 246 | 240 |

Table 5: Asset Manager Mandating and Monitoring ^{Note2}
 As of December 31, 2020

| Unit: % | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|-----------|
| Mandate position managed by asset manager who are either PRI signatories or have followed the government stewardship code | 95 | 98 | 99 | 99 |

Table 6: Investment Portfolio Carbon Footprint
 As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------------|
| Investment portfolio carbon intensity (tCO _{2e} /\$m revenues) | - | 337 | 311 | 281 |
| Coverage (by position) (%) | - | 78.7 | 77.4 | 100 |

Table 7: Corporate Engagement ^{Note3}
 As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|----------------------------|------|------|------|-----------|
| Direct engagement (No. of) | 28 | 49 | 51 | 79 |

Note1: Cathay Life has reviewed all listed equity and fixed income (non-corporate bonds and corporate bonds) investments every year since 2019.

Note2: Cathay Life and Cathay Century are included.

Note3: In 2017-2019, the number only includes engagement through CDP Non-Disclosure Campaign and Climate Action 100+.

Table 8: ESG Products and Services
 As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|--------|--------|--------|---------------|
| Installed capacity of the solar power plants financed by CUB (MW) | 361 | 477 | 517 | 574 |
| Installed capacity of the offshore wind farms financed by CUB (MW) | 8 | 128 | 768 | 768 |
| Cumulative insured amount of Renewable Energy (Hydroelectric Power, Solar Power, Wind Power) Contractors' & Erection All Risks Insurance (NT\$100 million) | 92.4 | 265.8 | 913.2 | 1,172 |
| Cumulative premium income from Green Vehicle Insurance (NT\$10,000) | 13,363 | 15,769 | 18,367 | 22,025 |
| Cumulative insured cases of Green Vehicle Insurance (No. of cases) | 7,620 | 9,356 | 11,325 | 14,135 |
| Bicycle Insurance cumulative insured amount (NT\$10,000) | 284 | 561 | 867 | 1,269 |
| Cumulative insured cases of Bicycle Insurance (No. of cases) | 1,244 | 2,410 | 3,672 | 6,128 |
| Public Bicycle Insurance cumulative insured amount (NT\$10,000) | - | 95 | 504 | 1,292 |
| Cumulative insured cases of Public Bicycle Accident Insurance (10,000 persons) | - | 340 | 1,853 | 4,760 |
| Amount of funds raised for green and environmentally friendly enterprises (NT\$100 million) | 6.89 | 4.24 | 1.15 | 3.35 |
| Amount of investments in promising environmentally friendly startups (NT\$100 million) | 4.69 | 4 | 3.52 | 4.49 |

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Environmental Performance Data

Table 9: GHG Emission

As of December 31, 2020

| Unit: tCO ₂ e | 2017 | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|------------------|
| Category 1 | 3,091.92 | 3,272.04 | 3,438.27 | 3,816.05 |
| Category 2 (Market-based emissions) | 55,431.36 | 52,487.76 | 51,331.48 | 56,427.61 |
| Category 1+2 (Market-based emissions) | 58,523.29 | 55,759.80 | 54,769.75 | 60,243.66 |
| Category 3 (Transportation) | - | - | 38.77 | 27.03 |
| Category 3 (Business travel) | 2,588.8 | 1,178.1 | 1,029.7 | 175.2 |
| Category 4 (Operational waste and Product procurement emissions) | 194 | 995.14 | 3,114.83 | 2,017.9 |
| Category 5 (Product use stage and End of product life emissions) | | 998.59 | 1,555.74 | 1,643 |

Note:

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

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

3. The Bureau of Energy adjusted the electricity emission factor for Category 2 Electricity Emissions, so the calculation uses the updated factor, which is 0.533 (2019), 0.554 (2017 and 2018) and 0.509(2020) kg CO₂e/kWh.

4. The number of employees at locations in the scope of inventory was 44,445 (2017), 45,961 (2018), 46,990 (2019), and 47,267(2020)

5. Business travel emissions are emissions from THSR rides and flights taken by employees. Emissions from flights are calculated according to data from the ICAO and Taiwan High Speed Rail (34g CO₂e/person-km). In addition, as business travels are implemented in accordance with the Cathay's business needs and are not a major category of emissions, it is not included in the management indicators.

Table 10: Green Operation

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---|-------------|------------|------------|--------------------|
| Total energy consumption (GJ) | 368,443 | 361,637 | 355,463 | 407,020 |
| Electricity consumption (kWh) | 100,057,000 | 98,476,090 | 96,462,714 | 110,862,737 |
| Renewable energy use (kWh) | 53,000 | 77,000 | 156,000 | 272,000 |
| Aggregated solar panels installed (Kw) | 1,979.12 | 3,412.88 | 5,621.78 | 6,800 |
| Direct water consumption (m ³) | 643,859 | 619,271 | 627,950 | 711,445 |
| Direct water consumption intensity (m ³ /person) | 14.49 | 13.47 | 13.36 | 15.05 |
| Estimated total domestic waste (ton) | 3,574.59 | 3,409.36 | 2,914.54 | 2,558.75 |
| Recycling (ton) | 731.56 | 1,576.92 | 1,327.33 | 1,022.74 |
| Domestic waste (ton) | 2,843.03 | 1,832.44 | 1,587.21 | 1,536.01 |
| Waste intensity (Kg/person) | 63.97 | 39.87 | 33.78 | 32.50 |

Table 11: Sustainable Procurement

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|------|------|-------|--------------|
| Green procurement amount (100 million) | - | 3.17 | 5.2 | 3.03 |
| Local procurement ratio (%) | - | - | 95.89 | 99.20 |

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Human Resources Performance Data

Table 12: Number of Full-time Employees/Distribution by Region ^{Note1~2}
 As of December 31, 2020

| | Taiwan | | | Overseas | | |
|-------------|---------|---------------|--------|----------|---------------|-------|
| | Manager | General Staff | Total | Manager | General Staff | Total |
| 2020 | | | | | | |
| Female | 2,724 | 30,203 | 32,927 | 7 | 26 | 33 |
| Male | 2,277 | 12,063 | 14,340 | 45 | 133 | 178 |
| Total | 5,001 | 42,266 | 47,267 | 52 | 159 | 211 |
| 2019 | | | | | | |
| Female | 2,656 | 30,358 | 33,014 | 10 | 65 | 75 |
| Male | 2,231 | 11,745 | 13,976 | 34 | 124 | 158 |
| Total | 4,887 | 42,103 | 46,990 | 44 | 189 | 233 |
| 2018 | | | | | | |
| Female | 2,650 | 29,678 | 32,328 | 7 | 31 | 38 |
| Male | 2,261 | 11,151 | 13,412 | 63 | 120 | 183 |
| Total | 4,911 | 13,412 | 45,740 | 70 | 151 | 221 |
| 2017 | | | | | | |
| Female | 2,534 | 28,977 | 31,511 | 6 | 33 | 39 |
| Male | 2,150 | 10,571 | 12,721 | 60 | 114 | 174 |
| Total | 4,684 | 39,548 | 44,232 | 66 | 147 | 213 |

Table 13: New Employee Statistics ^{Note3~5}
 As of December 31, 2020

| | Female | | | Male | | | Average hiring cost |
|-------------------------------------|------------------|------------|------------------|------------------|------------|------------------|---------------------|
| | Age 30 and under | Age 31-49 | Age 50 and above | Age 30 and under | Age 31-49 | Age 50 and above | |
| Number of new recruits (percentage) | 522(2.97%) | 328(1.87%) | 7(0.04%) | 476(2.71%) | 352(2.00%) | 13(0.07%) | 112,284 |
| | 857(4.88%) | | | 841(4.78%) | | | |
| Total | 1,698(9.66%) | | | | | | |

Note1: This table only includes full-time employees.

Note2: There are a total of 288 informal employees, including part time employees, interns, hourly employees, and contractors.

Table 14: Employee Turnover Statistics ^{Note6~9}
 As of December 31, 2020

| | Female | | | Male | | | Total | Turnover |
|--|------------------|----------------|------------------|------------------|----------------|------------------|-------|----------|
| | Age 30 and under | Age 31-49 | Age 50 and above | Age 30 and under | Age 31-49 | Age 50 and above | | |
| Voluntary turnover (does not include retirement) | 329 | 378 | 21 | 202 | 305 | 31 | 1,266 | 7.2% |
| Voluntary turnover (includes retirement) | 329 | 404 | 89 | 202 | 310 | 114 | 1,448 | 8.24% |
| Involuntary turnover | 2 | 8 | 3 | 6 | 9 | 8 | 36 | 0.20% |
| Total turnover | 331 (1.89%) | 412 (2.34%) | 92 (0.52%) | 208 (1.18%) | 319 (1.82%) | 122 (0.69%) | 1,484 | 8.44% |
| | 835 (4.75%) | | | 649 (3.69%) | | | | |

Table 15: Number of Employees by Gender/Age ^{Note10~11}
 As of December 31, 2020

| | Female | Male | Age 30 and under | Age 31-49 | Age 50 and above |
|-----------------|--------|--------|------------------|-----------|------------------|
| Taiwan | | | | | |
| Manager | 2,724 | 2,277 | 342 | 2,736 | 1,923 |
| General staff | 30,203 | 12,063 | 9,313 | 21,653 | 11,300 |
| Total | 32,927 | 14,340 | 9,655 | 24,389 | 13,223 |
| Overseas | | | | | |
| Manager | 7 | 45 | 0 | 20 | 32 |
| General staff | 26 | 133 | 5 | 131 | 23 |
| Total | 33 | 178 | 5 | 151 | 55 |

Note3: Salespeople and marketing specialists are excluded in the table above due to their special characteristics.

Note4: If personnel in Note 1 are taken into consideration, then the total number of new employees is 6,585 and the ratio of new employees is 13.87%.

Note5: This table only includes full-time employees, part-time employees are not included due to difficulty of data collection.

Note6: Salespeople and marketing specialists are excluded from turnover rates in the table above due to their special characteristics.

Note7: This table only includes full-time employees.

Note8: If personnel in Note 1 are taken into consideration, the number of employees separated in 2020 was 7,106 and turnover rate was 14.97%.

Note9: Total turnover rate was 8.98% and 9.51% in 2018 and 2019, respectively, and voluntary turnover (excluding retirement) was 8.50% in 2019.

Note9: Due to the difficulty of collecting data on personnel not employed full-time, such employees are not included in the table.

Note10: The average age of Cathay employees is 41 years old; the formula for calculation = (age group * number of employees)/total number of employees.

Note11: Definition of managers: Employees who assume managerial roles and administrative duties.

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Table 16: Statistics of Female Managers^{Note1} As of December 31, 2020

| | | 2017 | 2018 | 2019 | 2020 |
|---|-----------------------|-------|-------|--------|---------------|
| % of Female employee | Office staff | - | - | 60.68% | 61.78% |
| | Insurance sales agent | | | 76.15% | 77.74% |
| % of Females in management positions | Office staff | 53.4% | 53.3% | 36.67% | 41.39% |
| | Insurance sales agent | | | 59.85% | 59.18% |
| % of Females in junior management positions | Office staff | 57% | 56.5% | 46.42% | 48.17% |
| | Insurance sales agent | | | 59.85% | 59.18% |
| % of Females in top management positions | | 25% | 26.9% | 27.52% | 28.49% |
| % of Females in the revenue generation department | | 57% | 58.8% | 58.72% | 58.34% |

Table 17: Comparison of Male and Female Managers' Annual Salaries (male:female) As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---------------------|---------|---------|---------|----------------|
| High-level manager | 100:90 | 100:78 | 100:91 | 100:93 |
| Mid-level manager | 100:109 | 100:109 | 100:106 | 100:106 |
| Entry-level manager | 100:110 | 100:110 | 100:112 | 100:112 |
| General staff | 100:94 | 100:93 | 100:96 | 100:96 |

Table 18: Full-time Non-managerial Employees Salary Information^{Note2} As of December 31, 2020

| | 2018 | 2019 | 2020 | YOY |
|---|--------|--------|---------------|--------------|
| Average No. of full-time non-managerial employees (People) | 19,710 | 19,924 | 20,226 | 1.52% |
| Mean salary of full-time non-managerial employees (NT\$1,000) | 1,229 | 1,350 | 1,350 | 0.03% |
| Median salary of full-time non-managerial employees (NT\$1,000) | - | 1,045 | 1,074 | 2.81% |

Note1 : Based on the DJSI's definition, top management positions are Senior VP or higher positions (inclusive) but there is no relevant positions for the insurance sales agent.

Note 2: The numbers were calculated according to "Notes on Reporting of Full-time Non-managerial Employees Salary Information" and "FAQ" published by Taiwan Stock Exchange Corporation.

Table 19: Statistics of Employee Training Hours^{Note3} As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|------------------|------------------|------------------|------------------|
| Total training hours (Hours) | | | | |
| Male | 1,584,024 | 1,878,344 | 1,991,416 | 2,112,356 |
| Female | 4,786,631 | 5,331,416 | 5,748,622 | 6,123,546 |
| Manager | 669,791 | 697,398 | 799,383 | 831,393 |
| General staff | 5,700,864 | 6,512,362 | 6,940,655 | 7,404,509 |
| Legally required training | - | - | - | 621,172 |
| Non-legally required training | - | - | - | 7,614,730 |
| Total ^{Note4} | 6,370,655 | 7,209,760 | 7,740,038 | 8,235,902 |
| Training hours per person (Hours) | | | | |
| Male | 123 | 138 | 141 | 145 |
| Female | 152 | 165 | 174 | 186 |
| Manager | 141 | 140 | 162 | 165 |
| General staff | 144 | 159 | 164 | 175 |
| Legally required training | - | - | - | 13 |
| Non-legally required training | - | - | - | 160 |
| Total Average ^{Note4} | 143 | 157 | 164 | 173 |
| Number of active employees (People) | 44,445 | 45,961 | 47,223 | 47,478 |
| Training cost per employee (NT\$) | 14,394 | 15,033 | 15,559 | 14,904 |
| OHS training (Hours) | - | - | - | 76,683 |
| Total online training (Hours) | - | - | 1,056,465 | 4,726,167 |
| Average online training (Hours) | | - | 22.37 | 99.54 |

Note3: Cathay FHC's training hours include the number of course hours subsidiary employees complete at the company, number of hours of external trainings, number of hours employees participated in external conferences and forums, number of hours learning on CLN, and number of hours watching CSN, hours of other online training, and hours of morning sharing sessions among business units.

Note4: Training hours are categorized by gender, management roles, and regulatory requirements. Refer to corresponding statistics for total/average total training hours.

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Table 20: Parental Leave Statistics Note1

As of December 31, 2020

| | Female | Male | Total |
|--|--------|------|------------|
| Number of parental leave applications in 2020 | 446 | 53 | 499 |
| Expected number of employees reinstated from unpaid parental leave in 2020 (A) | 338 | 41 | 379 |
| Actual number of employees reinstated from unpaid parental leave in 2020 (B) | 249 | 25 | 274 |
| Reinstatement rate = B/A | 74% | 61% | 72% |
| Actual number of employees reinstated from unpaid parental leave in 2019 (C) | 317 | 34 | 351 |
| Number of employees still active 12 months after being reinstated from unpaid parental leave in 2019 (D) | 290 | 27 | 317 |
| Retention rate = D/C | 91% | 79% | 90% |

Table 21: Family Care Related Leave Statistics

As of December 31, 2020

| | 2017 | | 2018 | | 2019 | | 2020 | |
|---|--------|------|--------|------|--------|-------|---------------|--------------|
| | Female | Male | Female | Male | Female | Male | Female | Male |
| Family care leave (People-times) | 1,859 | 334 | 1,424 | 295 | 2,877 | 573 | 2,764 | 670 |
| Maternity/paternity leave (People-times / Days) | 1,854 | 443 | 1,085 | 497 | 47,648 | 2,776 | 32,019 | 2,873 |
| Menstrual leave (Days) | 21,019 | - | 27,885 | - | 35,926 | - | 39,231 | - |

Table 22: Workplace Diversity and Inclusion

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---|------------|------------|------------|-------------------|
| Employees with disabilities (People/Percentage) | 445(1.00%) | 515(1.12%) | 466(1.06%) | 474(1.07%) |
| Indigenous employees (People) | 200 | 223 | 315 | 301 |
| employees' nationalities (Number of countries) | 20 | 14 | 15 | 18 |

Table 23: Absence and Occupational Safety Statistics Note 2-6

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|---------|--------|--------|---------------|
| Occupational injuries (People) | 101 | 74 | 85 | 72 |
| Occupational deaths (People) | 1 | 0 | 1 | 0 |
| Disabling injury frequency rate (FR) | 1.15 | 2.00 | 2.24 | 1.56 |
| Disabling injury severity rate (SR) | 92.01 | 27.8 | 32.14 | 31.04 |
| Days of absence (Days) | 153,039 | 33,332 | 29,081 | 27,163 |
| Absence Rate (%) | 1.47 | 0.72 | 0.63 | 0.58 |

Table 24: Employee Engagement Survey Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|------------------|------|------|------|-------------|
| Engagement score | 4.20 | 4.14 | 4.14 | 4.19 |
| Response rate | 77% | 85% | 78% | 71% |

Note1: Reinstatement rate = (number of employees reinstated/number of employees who should be reinstated)*100%

Note2: Disabling injury severity rate = Number of days lost * (10 to the power of 6)/Total working hours (year).

Note3: Days of absence = Sick leave + Occupational injury leave; Number of days required at work = Number of work days (special leave not yet deducted) = Number of current employees at the end of the year * Number of work days announced by the Directorate-General of Personnel Administration.

Note4: Insurance agents are excluded from the statistics in the table above due to their special characteristics. If insurance agents are considered, the number of occupational injuries is 72, occupational deaths is 0, FR is 1.56%, SR is 31.04%, lost days is 186,207 days, and the absence rate is 1.57%.

Note5: There were no contractor-related occupational safety events in year 2020.

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Social Performance Data

Table 25: Cathay Walker Promotion Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---|------|------|-------|----------------|
| Cumulative participants (10,000 people) | - | 10 | 22 | 28 |
| Cumulative steps (100 million steps) | - | 343 | 1,754 | 3,912.5 |

Table 26: Financial Planning Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|------|-------|-------|--------------|
| Amount of debits for systematic investment plans of Cathay Securities (NT\$100 million) | - | - | 1.55 | 53.34 |
| Amount of assets in the Disability & Retirement Trust (for elderly and disabled people) (NT\$100 million) | 9.41 | 12.05 | 12.65 | 16.87 |
| Effective beneficiaries of the Disability & Retirement Trust (for elderly and disabled people) (people) | 423 | 346 | 319 | 316 |
| Amount of assets in CUB's CPBL Gambling Prevention Trust (NT\$100 million) | 1.5 | 1.35 | 1.32 | 1.54 |
| Active players in the CPBL effectively prevented from gambling under the CPBL Gambling Prevention Trust (people) | 252 | 244 | 234 | 270 |

Table 27: Financial Innovation Promotion Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|-------|-------|--------|--------------|
| Utilization rate of Mobile Application (%) | 97.80 | 98.89 | 99.15 | 99.3 |
| Utilization rate of Mobile Claims (%) | 93.75 | 95.34 | 95.82 | 94.8 |
| Utilization rate of Mobile Premium Payment (%) | 52.70 | 93.80 | 97.18 | 75.9 |
| Utilization rate of Mobile Policyholder Service (%) | 91.30 | 91.30 | 91.20 | 89.9 |
| Utilization rate of Electronic Insurance Policy (%) | 24.60 | 40.10 | 58.20 | 96.1 |
| No. of electronic documents (10,000 documents) | 191.7 | 207.9 | 226.38 | 247.2 |
| Number of patents for insurance technologies (Items) | 61 | 82 | 94 | 110 |
| Digital user accounts of CUB (10,000 accounts) | 314 | 366 | 422 | 502 |

Table 28: Financial Inclusion Promotion Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---|---------|---------|---------|----------------|
| Cathay Life small amount whole life insurance policies (number of policies) | 157,929 | 178,521 | 200,791 | 219,420 |
| Cumulative insured amount of micro insurance (NT\$100 million) | 584.2 | 751.0 | 895.0 | 972.0 |
| Cumulative insured cases of micro insurance (10,000 people) | 18.9 | 24.5 | 27.9 | 29.7 |
| Cumulative claims cases of micro insurance (number of policies) | 349 | 514 | 683 | 867 |
| Cumulative amount of student group insurance (NT\$1,000 billion) | 3 | 3 | 3 | 3 |
| Cumulative insured cases of Cathay Life student group insurance (10,000 people) | 308 | 300 | 300 | 300 |
| Amount of assets in CUB's Charitable Trust (NT\$100 million) | 379.2 | 378.17 | 376.3 | 375.24 |
| Cumulative donations in Charitable Trust (NT\$100 million) | 2.06 | 3.85 | 3.93 | 3.1 |
| Cumulative insured amount of Cathay Century crop insurance (NT\$ 10,000) | 1,175 | 2,867 | 4,104 | 5,586 |
| No. of ATMs for the visually impaired (No. of ATMs) | 122 | 123 | 122 | 124 |

Loans under the financial inclusion policy

| | | | | |
|--|-------|-------|-------|----------------|
| Cumulative balance of loans to MFIs (US\$ 1 million) | 27.9 | 34.5 | 58.6 | 83.4 |
| Cumulative balance of SME loans (NT\$100 million) | 1,519 | 1,781 | 2,094 | 2,284 |
| Cumulative balance of preferential loans for social enterprises (NT\$ 10,000) | 1,600 | 2,005 | 2,132 | 2,125 |
| Cumulative number of social enterprises that received preferential loans (social enterprises) | 4 | 6 | 8 | 9 |
| Amount of Small Personal Loans (NT\$100 million) | 596.5 | 714.3 | 876.0 | 1,011.3 |
| Total amount of small credit loans for customers aged 35 or younger (at the time of their application) (NT\$100 million) | 149.4 | 171.3 | 204.1 | 223.1 |

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Table 29: Charity Investment Categories and Amount

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|-------------|-------------|-------------|--------------------|
| Cash donation (A) (NTD) | 357,293,091 | 424,256,888 | 377,777,449 | 352,233,556 |
| Time contributed (B) (NTD) | 26,130,573 | 44,462,961 | 51,971,599 | 54,237,991 |
| Supplies donation (C) (NTD) | 1,203,300 | 12,360,090 | 7,027,080 | 6,115,918 |
| Management expenses (D) (NTD) | 9,576,804 | 16,131,576 | 16,134,077 | 18,781,670 |
| Total (NT\$100 million) | 3.9 | 4.9 | 4.5 | 4.31 |
| Business promotion (%) | 54 | 48 | 54 | 49 |
| Community engagement (%) | 45 | 44 | 45 | 48 |
| Charity donations (%) | 1 | 8 | 1 | 3 |

Table 30: Volunteers Participation

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|--------|--------|--------|----------------|
| Hours of volunteer participation (Hours) | 52,130 | 59,811 | 96,284 | 101,305 |
| Participating volunteers (persons) | 7,920 | 14,146 | 16,992 | 20,471 |

Governance Performance Data

Table 31: Personal Information Security Implementation Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------------|
| Completion rate of personal information training (%) | 100 | 100 | 100 | 100 |
| No. of personal data privacy violations at Cathay Life (No. of cases) | 0 | 0 | 1 | 0 |
| No. of personal data privacy violations at CUB (No. of cases) | 0 | 0 | 0 | 0 |
| No. of personal data privacy violations at Cathay Century (No. of cases) | 0 | 0 | 0 | 0 |
| No. of personal data privacy violations at Cathay Securities (No. of cases) | 0 | 0 | 0 | 0 |
| No. of personal data privacy violations at Cathay SITE (No. of cases) | 0 | 0 | 0 | 0 |

Table 32: Information Security Implementation Results

As of December 31, 2020

| | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------------|
| Completion rate of information security training (%) | 100 | 100 | 100 | 100 |
| No. of information security violations at Cathay FHC (No. of cases) | 0 | 0 | 0 | 0 |
| No. of information security violations at Cathay Life (No. of cases) | 0 | 0 | 0 | 0 |
| No. of information security violations at CUB (No. of cases) | 0 | 0 | 0 | 0 |
| No. of information security violations at Cathay Century (No. of cases) | 0 | 0 | 0 | 0 |
| No. of information security violations at Cathay Securities (No. of cases) | 0 | 0 | 0 | 0 |
| No. of information security violations at Cathay SITE (No. of cases) | 0 | 0 | 0 | 0 |

7.3 PRI / PRB / PSI IMPLEMENTATION STATUS

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Implementation status of the Principles of Responsible Investment (PRI)

 **Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.**

- Established the Responsible Investment and Loan Policy and Investment and Lending Exclusion Policy.
- Established the ESG risk review process and Investment Management Principles for Sensitive Industries.
- Cathay Securities Investment Trust incorporated external ESG database into the investment decision assistance system.
- Regularly organized education and training events for the investments teams.
- Defined themed investing and strengthen investments in sustainable investment targets.
- Cathay Life implemented impact investing and followed up on the results.
- Monitor the carbon emissions of the investment portfolio and calculated climate risks for management.
- Cathay SITE launched ESG investment products such as the Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF and Cathay Sustainability Private Equity Fund.

 **Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.**

- Established the Group's Engagement Policy and defined main engagement strategies.
- Cathay Life, Cathay SITE, Cathay Century, CUB and Cathay Securities have all signed the Taiwan Stewardship Principles for Institutional Investors and established voting policies. They disclose their votes each year.
- Interacted with investee companies through dialog, engagement, and exercise of voting rights to demonstrate the stewardship management as an active owner.

 **Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

- Participated in CDP Non-Disclosure Campaign encouraging the investee companies to disclose their carbon emission data and climate change management measures by responding to CDP questionnaires.
- Participated in Climate Action 100+ initiative and encouraged investee companies to strengthen climate risk disclosure and management.
- Held the Sustainable Finance and Climate Change Summit and encouraged companies to pay attention to ESG disclosure and management, and actively respond to climate change.
- Engage investees according to Cathay engagement strategies and encourage companies to improve ESG disclosure and strengthen climate change management.

 **Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.**

- Actively participated in various activities to share Cathay's responsible investment actions and has been urging financial peers to strength their actions on responsible investment.
- Actively engage with the government by sharing the global practices and trends of responsible investment. Aiming to encourage government agencies to be aware of the importance of responsible investment and deepen the growth of responsible investment in Taiwan
- Requested mandate asset managers to comply with the Investment and Lending Exclusion Policy and integrate ESG into investment process. We also ensure the asset managers have signed the PRI and local stewardship principles.
- Supported academic institutions in surveys on sustainable investment in Taiwan to understand the current state of sustainable investment in Taiwan and to encourage industries and the government to continue to promote sustainable investment.
- Cathay Securities provided ESG research reports for individual stocks to mitigate shortages in ESG analysis in Taiwan and help investors implement responsible investment.

 **Principle 5: We will work together to enhance our effectiveness in implementing the Principles.**

- Participated in AIGCC (Asia Investor Group on Climate Change) to increase international investors' awareness of risks and opportunities in climate change and low-carbon investments and cooperate to strengthen investor engagement.
- Participated in the Ceres Valuing Water Finance Task Force and worked with international financial institutions for promoting water management of global investor and corporate in response to global water challenges.
- Participated in Climate Action 100+ and CDP Non-Disclosure Campaign to work with international investors and improve engagement effectiveness.

 **Principle 6: We will each report on our activities and progress towards implementing the Principles.**

- Cathay FHC publishes the Corporate Sustainability Report every year to disclose the progress on responsible investment.
- Cathay FHC publishes the ESG Integration Report.
- Cathay Life publishes a Responsible Investment and Stewardship Report every year.
- CUB, Cathay Century, Cathay Securities and Cathay SITE publishes a Stewardship Report every year.

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Implementation status of the Principles for Responsible Banking (PRB)



Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

In terms of alignment, the identification and implementation of important SDGs and implementation plans are summarized below:

- The Bank has identified 9 Sustainable Development Goals (SDGs) with significant impact to align the Bank's business strategies and programs with the SDGs, the Paris Agreement, and other social objectives, and to develop action plans for the implementation of the SDGs by the relevant departments of Corporate Sustainability (CS).



Principle 2: Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

In terms of impact and target setting, the analysis and setting are conducted in 2 stages, as summarized below:

- Based on the PRB methodology, 6 areas where the Bank's businesses will have a significant impact on the SDGs and the Paris Agreement are identified (5 areas with positive impact and 1 with negative impact):

1. Positive impact:

- Renewable energy loans
- Social enterprise loans
- Micro loans
- Promotion of products for seniors
- FinTech

2. Negative impact:

- Loans to high carbon emission industries

- For the above 6 areas, 2 of them with particularly significant impact are selected and targets are set in accordance with the PRB requirements, as follows:

1. Renewable energy loans (positive impact):

- Target setting: The balance of renewable energy loans to reach 85% of the balance of electricity generation loans by 2025.
- Tracking: Regularly tracked every quarter.
- Progress: 76.08% in Dec. 31, 2020, up 6.85% from 69.23% in Dec. 31, 2019.

2. Loans to high carbon emission industries (negative impact):

- Target setting: Cease undertaking new financing cases of coal-fired electricity generation.
- Tracking: Regularly tracked every quarter.
- Progress: "No new financing case of coal-fired electricity generation" since Oct., 2019. Thus, the target was achieved in Oct., 2019.



Principle 3: Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

For the above 6 areas, 2 of them with particularly significant impact are selected and targets are set in accordance with the PRB requirements, as follows:

- As a pioneer in green finance, the Bank undertook the first solar project financing, the first Equator Principles (EP) case, and the first syndicated loan of offshore wind farm in Taiwan. In 2019, the Bank also hosted the largest syndicated loan of offshore wind farm in the Asia-Pacific region, engaging with customers to generate positive environmental and social benefits.
- Through online and offline digital integration of front, middle and back-end offices, the Bank aims to provide customers with omnibus and seamless digital services, creating a brand new digital channel and digital financial system.
- The Bank promotes preferential loans for social enterprises, supports the development of social enterprises, and cooperates with social enterprises on projects such as "Bonus Point Donation" and "Christmas Bazaar for Social Enterprises" to engender social influence.
- With the financial expertise, the Bank promotes the "Professional Baseball Players Anti-Gambling Trust" and the "Care Trust for Seniors" to foster a healthy culture of professional sports, ensure the safe and secure use of customers' assets, and create significant social value.



Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

In terms of stakeholders, in addition to identifying key stakeholders, the Bank has strengthened consultation, interaction and cooperation with relevant stakeholders to achieve positive environmental and social impact, as summarized below:

- The Bank and Cathay FHC co-organized the "Cathay Sustainable Finance and Climate Change Summit" to engage with customers, regulators, academics, NGOs, and other Cathay Group subsidiaries for idea exchange and networking. With great media exposure, the Summit delivered positive environmental and social impacts to Taiwan.
- The Bank conducted customer satisfaction surveys to understand the demands of the customers and the local communities, so as to leverage the Bank's expertise to enhance social welfare through financial services.
- The Bank participated in external evaluations, such as the Finance Best Practice Awards by Taiwan Academy of Banking and Finance and Taiwan Corporate Sustainability Awards (TCSA), and received affirmation; the awards were announced to the public through press release. The Bank will exceed the expectations of customers and achieve sustainable management.
- The Bank exercised its core function and cooperated with the police to prevent fraud, and was recognized by the National Police Agency as a meritorious unit for assisting in stopping fraud.
- The Bank collaborated with Cathay FHC to hold a supplier assembly to promote suppliers' recognition of sustainability and improve their production/operations.

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 Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

In implementing the current governance structure and management of PRB, a top-down system and culture has been established. The summary description is as follows:

- In terms of PRB implementation, the Board of Directors (BoD) is the supervisory unit and the CS team is the management unit. The PRB implementation progress is reviewed in quarterly CS meeting, and the CS team secretary unit reports the implementation progress to the BOD every 6 months.
- Regarding staff training, the Bank has added PRB e-learning courses to strengthen the corporate culture of responsible banking.

 Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

The Bank leads the industry in following the international sustainability framework, and is the first bank in Taiwan to voluntarily adhere to the PRB of the UN. Transparency and accountability related descriptions are as follows:

- The Bank's PRB implementation progress report will be disclosed to the public and investors on the Bank's corporate sustainability website and Cathay FHC's CS report on a regular basis starting this year.
- The Bank has appointed an accounting firm to provide assurance on this PRB implementation progress report; please refer to the "Summary of Subject Matter Assured".
- To demonstrate our commitment to corporate sustainability and PRB, the Bank discloses the implementation of the Equator Principles and results of ESG review of corporate loans in the Cathay FHC's Corporate Sustainability Report each year. In 2020, the Bank also amended the "Principles Governing Sustainable Environmental, Social, and Governance (ESG) for Corporate Loans" and "Rules Governing Project Finance of Equator Principles" to improve the implementation of EP and ESG risk management.

Implementation status of the Principles for Sustainable Insurance (PSI)

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

Corporate strategy

- Cathay Life Insurance established the Cathay Life Corporate Sustainability (CS) Team in 2016 in compliance with Cathay FHC's CS Committee Organizational Framework. The President is a member who supervises the team's operations.
- The team incorporates ESG issues into decision-making for routine operations, reports the progress of corporate sustainability to the Board of Directors every six months, and periodically meets with senior executives to discuss ESG issues.
- We incorporated ESG in employee education and training and provided courses on issues such as compliance, information security, anti-money laundering/counter terrorism financing, etc. to create a culture of compliance.
- We have created a diverse and equitable workplace, provided diverse internal communication channels, and created a diverse learning environment to support employees' career development.

Risk management and underwriting

- Cathay Life Insurance adjusted its strategies for investments, products, and fees in advance to smoothly transition to and reduce the impact of IFRS 17.
- We adequately manage diverse risks through the development of quantified models for financial risks, emerging risks, and climate risks based on internal and external research.
- We incorporated ESG considerations in underwriting processes such as ethical hazards, fairness, inappropriate sales, and personal information protection.
- Cathay Life established models and systems to help calculate the risk scores of new contracts and automatically issue alerts for underwriting personnel to enhance reviews.
- Cathay Century established risk identification and assessment mechanisms for sensitive industries such as power plants and the petrochemicals industry.
- We included the level of participation of the insured in ESG as a part of the underwriting review process to encourage environmental sustainability and health promotion.
- Cathay Century established the ESG issue review process for insurance products. New products shall be reviewed in accordance with the "Product Development ESG Issue Checklist".

Products and services

- We launched a diverse range of products for sustainability issues including sustainable finance products, inclusive finance products, and digital innovation products.
- We used insurance competencies to help each group gain a safety net of basic coverage and transformed the function of insurance from compensation to prevention.
- Being customer centric and establish Treating Customers Fairly Committee to listen to the voices of customers, and use the power of digital technology and innovation to provide customers with a more convenient, safe, and fast service experience.

Claims management

- We carefully managed fraud risks to ensure collective risk diversification for insurance.
- We immediately activate rapid claims mechanisms in the event of a major disaster and actively provide comfort and consultation services, reduction of premiums, and consolation money to provide policyholders with the best assistance.
- Cathay Life Insurance led the industry in promoting mobile insurance to improve the quality of claims services. We also provide a variety of claims services to simplify the claims application procedures for customers.
- We enhanced digital services to help customers monitor claim settlement progress and other information with convenience at all times.

Sales promotion

- Cathay Life fully implements information disclosure and comprehensive telephone interviews, and uses a variety of materials to improve customers' insurance awareness to help them fully understand the products they purchased and their interests.
- Insurance underwriting and claims personnel receive education and training for protecting customer rights and interests.
- We used education and training for employees and organized activities to promote values such as low-carbon initiatives for protecting the environment, fraud prevention, and loss control when selling and promoting products.

Investment management

- We incorporated the United Nations Principles for Responsible Investment and integrated ESG in existing investment procedures to enhance the management of ESG risks and opportunities.
- We implemented stewardship, monitored investee companies, and promoted ESG management through dialogue, engagement, and voting.

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

- We enhanced paperless services and promote electronic insurance policies; Cathay Life and Cathay Century calculated the carbon footprint of insurance services and became the first life insurance company to receive the "Carbon Reduction Label" and the first property insurance company to receive the "Carbon Label" from the Environmental Protection Administration. The labels help consumers identify and choose suitable products.
- Cathay Life's Cathay Walker health promotion program used an app and reward mechanisms to encourage people to develop healthy exercise habits.
- Cathay Life launched spillover-effect policies and provided discounts for insurance premiums to encourage policyholders to adopt a healthier lifestyle.
- We communicated our requirements for green procurement to suppliers and we established partnerships to demonstrate our influence in the green supply chain.
- Cathay Century planned loss control seminars on issues related to extreme weather and compound disasters. It also used the "TRM RiskTracer -TY/FL Portfolio" to provide corporate customers with risk management solutions for typhoons and floods.
- Cathay Century provides the technology for simulating personnel evacuation to help customers establish evacuation drill plans and reduce the casualties and economic losses in the event of an accident.
- We engaged investees to encourage them to improve ESG disclosure and management.
- We held the Sustainable Finance and Climate Change Summit to increase the ESG awareness of Taiwanese companies and the government and established a platform for sharing trends and experience in sustainable finance, climate change, and the circular economy.
- We required outsourced asset managers to implement responsible investment management and included it in the contracts.
- Cathay Century focused on the commitment to corporate sustainability and actions of partner insurance, reinsurance, and insurance brokers such as whether they have signed the Principles for Sustainable Insurance (PSI).
- We encouraged insurance brokers and agents to enhance paperless service and Cathay Century provided them with corporate risk seminars, loss control, and other education and training and digital materials.



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

- Cathay Life worked with the K-12 Education Administration of the Ministry of Education in anti-drug campaigns on campus, and engaged in industry-academic cooperation to create games for preventing drug abuse and improve the effectiveness of anti-drug campaigns.
- Cathay Life represented Taiwan in the Asia/Pacific Group on Money Laundering (APG) evaluation of 2018 and obtained the best results in the Asia Pacific.
- We responded to government policies and actively invested in sustainable industries.
- Cathay Century worked with the Bureau of Transportation of Tainan City Government and Chiao Tung University in 2020 to integrate the resources of industry, government, and academia and jointly create the campus transportation risk map for Yongkang District, Tainan City and identify hot spots for traffic accidents.
- Cathay Century worked with municipal governments on public bicycle insurance to provide protection for riders of public bicycles while supporting the low-carbon transportation transformation in Taiwan.
- Cathay FHC held the Climate Change Youth Forum in collaboration with the Ministry of Education to increase the climate change awareness of youths and provide youths with channels and resources for taking actions to counter climate change.
- Cathay Life participated in the sustainable finance and TCFD affairs organized by the Insurance Associations to share practical experience and help promote sustainable practices in the industry.
- Cathay Life became the first financial institution in Taiwan to sign the Taiwan Stewardship Principles for Institutional Investors and take the lead in implementing the stewardship.
- Cathay Life worked with the National Police Agency and Criminal Investigation Bureau on anti-fraud campaigns.
- Cathay Life and partners completed the first supervision sandbox case in the insurance industry in Taiwan and led the industry to explore how to use technology to meet the needs of customers.
- Cathay Century supported the policies of the Council of Agriculture and developed a series of insurance products for agricultural products to increase the coverage for farmers with insurance and enhance their capacity for restoring farming operations after disasters.
- Cathay Century discussed regulatory flexibility with the Bureau of Labor Insurance and National Development Council to resolve the issues of food couriers. As the industry's representative, we developed "fragmented insurance policies for food couriers".
- Cathay Century was the first in the industry to establish the Product Category Rules for "property insurance services" in accordance with the regulations of the Environmental Protection Administration to support the EPA's "Carbon Footprint" labeling policy for Taiwanese products and reduce the difficulty in other companies' promotion of products with carbon footprint labels.



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

- Cathay Life publishes the Corporate Sustainability Report every year to disclose the PSI progress.
- Cathay Life adopted the CARE sustainability strategies as the framework to establish the Cathay Life Corporate Sustainability website and communicate with stakeholders.
- Cathay Century publishes the "PSI Disclosure Report" each year. The Report includes the results of compliance with the four major PSI principles.
- Cathay Century set up a corporate sustainability section on its official website and updates related information on corporate sustainability each year.
- Cathay FHC publishes the Corporate Sustainability Report every year.

7.4 GRI STANDARDS

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| Transparent Information & Fair Advice for Customers | |
| FN-IN-270a.1 Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers | <ul style="list-style-type: none"> Cathay FHC 2020 Annual Report (XI) Penalties imposed against the financial holding company and subsidiaries in the last 2 years up till the publication date of this annual report, including the weaknesses found and the improvements made https://reurl.cc/5onD07 Cathay Life Insurance Official Website: Information Disclosure-Disposal by the competent authority (Chinese Only) https://reurl.cc/V3V0GQ Cathay Century Insurance Official Website: Information Disclosure-Disposal by the competent authority (Chinese Only) https://reurl.cc/7yx4Z1 |
| FN-IN-270a.2 Complaints-to-claims ratio | "Information disclosure" by the Financial Ombudsman Institution (FOI): Cathay Life and Cathay Century – statistics of complaints and applications for ombudsman services (Chinese only) https://reurl.cc/AgZMn8 |
| FN-IN-270a.3 Customer retention rate | Market Observation Post System for the insurance industry – public information on insurance – single entry point for inquiries (Chinese only) https://reurl.cc/4y9L5j |
| FN-IN-270a.4 Description of approach to informing customers about products | <ul style="list-style-type: none"> Cathay FHC 2020 CS Report 6.6 Service Quality and Customer Rights Cathay Life Insurance Official Website-About Us-Treat Customers Fairly (Chinese only) https://bit.ly/3qzxtSk Cathay Century Insurance Official Website- Information disclosure- Corporate Governance-16.CathayCentury Insurance Consumer Dispute Settlement Procedures (Chinese only) https://reurl.cc/qmeOj0 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 5: Sales and Marketing https://reurl.cc/E2dpdv |

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| Incorporation of Environmental, Social, and Governance Factors in Investment Management | |
| FN-IN-410a.1 Total invested assets, by industry and asset class | <ul style="list-style-type: none"> Cathay Life Insurance Official Website- Information disclosure-Financial Status/Funds Usage Statement (Chinese only) https://reurl.cc/mqgrXG Cathay Century Insurance Official Website- Information disclosure-Financial Status/Funds Usage Statement (Chinese Only) https://reurl.cc/jq0kxM Market Observation Post System for the insurance industry – public information on insurance – single entry point for inquiries - Summary of financial conditions/auditor' certification or audit of financial statements and opinion statement (the 2020 audit report containing an unqualified opinion P.75) (Chinese only) https://reurl.cc/WE9r3x |
| FN-IN-410a.2 Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies | <ul style="list-style-type: none"> Cathay FHC 2020 CS Report Chapter 2 Sustainable Finance and 3.1 Low-carbon Economy (TCFD) Cathay Life Insurance 2020 CS Report – Responsible Investment and Paradigm Proposal https://reurl.cc/kVA7R3 Cathay Life Corporate Sustainability – CS Reports and Other Statements – Cathay Life Insurance Responsible Investment and Stewardship Report https://reurl.cc/kVA7R3 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 6: Investment Management https://reurl.cc/E2dpdv |

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| FN-IN-420b.1 Net premiums written related to energy efficiency and low carbon technology | Cathay FHC 2020 CS Report 3.1. Low-carbon Economy (Green Finance) |
| FN-IN-410b.2 Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors | <ul style="list-style-type: none"> Cathay FHC 2020 CS Report 3.1. Low-carbon Economy (Green Finance) and 4.1 Health Promotion Incentive rules related to health promotion mechanisms were added to the terms of insurance policies in Cathay Life's spillover-effect products (e.g., premium discounts and increases in insured amounts). Prices of the products shall be determined in accordance with relevant rules. 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 3: Product and Service Development https://reurl.cc/E2dpdv |
| Environmental Risk Exposure | |
| FN-IN-450a.1 Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes | <ul style="list-style-type: none"> Cathay FHC 2020 CS Report 3.1 Low-carbon Economy (TCFD) 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 2: Risk Management and Underwriting https://reurl.cc/E2dpdv |
| FN-IN-450a.2 Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance) | <ul style="list-style-type: none"> Market Observation Post System for the insurance industry - The retained claims payments of "typhoon and flood insurance" have been announced in the business summary (No.139) and "insurance claims (incl. reinsurance)" (Chinese only) https://reurl.cc/V3VDey Cathay Century Insurance Official Website- Corporate Sustainable-Sustainable Governance-Risk Management-Climate / Catastrophe Risk Management Mechanism (Chinese Only) https://reurl.cc/9Z8GxY |
| FN-IN-450a.3 Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy | <p>The underwriting process for individual contracts</p> <ul style="list-style-type: none"> 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 2: Risk Management and Underwriting https://reurl.cc/E2dpdv Cathay Century Insurance Official Website- Corporate Sustainable-Sustainable Governance-Risk Management-ESG risk identification and assessment (Chinese Only) https://reurl.cc/9Z8GxY <p>The management of firm-level risks and capital adequacy</p> <ul style="list-style-type: none"> 2020 Cathay Century Insurance PSI Disclosure Report, Aspect 2: Risk Management and Underwriting and Aspect 3: Product and Service Development https://reurl.cc/E2dpdv Cathay Century Insurance Official Website- Corporate Sustainable- Sustainable Governance-Risk Management-Climate / Catastrophe Risk Management Mechanism (Chinese Only) https://reurl.cc/9Z8GxY |

| Code | Corresponding Data |
|---|--|
| Systemic Risk Management | |
| FN-IN-550b.1 Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives | The indicator is not applicable. |
| FN-IN-550a.2 Total fair value of securities lending collateral assets | The indicator is not applicable. |
| FN-IN-550a.3 Description of approach to managing capital- and liquidity-related risks associated with systemic non insurance activities | <ul style="list-style-type: none"> Cathay Life Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report (P.139-140) 3) Liquidity risk (Chinese only) https://reurl.cc/GmdaOv Cathay Century Insurance Co., Ltd. and Subsidiaries Consolidated Financial Statements For The Years Ended 31 December 2020 and 2019 With Independent Auditors' Report 3) Liquidity risk https://reurl.cc/eEWY3L Since the 3rd quarter of 2020, Cathay Century has incorporated the risk management summary of its subsidiary in Vietnam into the risk management report submitted to the Board of Directors; the management categories include the subsidiary's capital adequacy and liquidity risk. In addition, Cathay Century discloses the results of pressure tests and liquidity risk assessments in its ORSA report submitted to the competent authority every year. The report includes an analysis of the impact of non-insurance activities (investments) that are subject to changes in the financial market (e.g., stock market, exchange rate, and bond interest rate change) on the Cathay's assets, calculates the RBC ratio and net worth ratio through based the financial effects, and proposes response and control measures for related risks. |

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SASB – Commercial Bank 2018

| Code | Corresponding Data |
|---|---|
| Data Security | |
| FN-CB-230a.1 • Number of data breaches • Percentage involving personally identifiable information (PII) • Number of account holders affected | <ul style="list-style-type: none"> • Cathay FHC 2020 CS Report 6.6 Service Quality and Customer Rights • Cathay FHC Official Website – Information Security Organization and Mechanisms |
| FN-CB-230a.2 Description of approach to identifying and addressing data security risks | <ul style="list-style-type: none"> • Cathay FHC 2020 CS Report 6.5 Information Security • Cathay FHC Official Website – Information Security Incident Management https://reurl.cc/NXebxn • Cathay FHC 2020 Annual Report (XI) Other material risks and corresponding measures |
| Financial Inclusion & Capacity Building | |
| FN-CB-240a.1 (1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development | Cathay FHC 2020 CS Report 4.2 Financial Health (P.55 & 58) and 6.1 Assist Customers with Epidemic Prevention and Provide Relief |
| FN-CB-240a.2 (1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development | CUB has not announced the number of non-performing loans, and will not disclose this indicator for the time being. |
| FN-CB-240a.3 Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers | CUB has not announced the statistics. |
| FN-CB-240a.4 Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers | <ul style="list-style-type: none"> • During 2019–2020, CUB undertook trusts for people aged 55 or older, and offered discounts on or waived the handling fee for approximately 10-15% of our clients, thus contributing to the protection of elderly people's property. We also provided free consultations on trust and compiled digital trust handbooks based on individual cases to help the public understand the practice of using trusts to protect properties. • Cathay FHC 2020 CS Report 5.2 Youth Empowerment (Sharing finance knowledge- Stories of Cathay professionals) P.67 |

| Code | Corresponding Data |
|--|---|
| Incorporation of Environmental, Social, and Governance Factors in Credit Analysis | |
| FN-CB-410a.1 Commercial and industrial credit exposure, by industry | Cathay United Bank Co., Ltd. and Subsidiaries Consolidated Financial Statements for 2020 (V) (1)Credit concentration risk of the Company (Chinese only) https://reurl.cc/NXebWm |
| FN-CB-410a.2 Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis | <ul style="list-style-type: none"> • Cathay FHC 2020 CS Report 2.1 Overall Structure of Responsible Investment and Lending and 2.3 Responsible Lending • Cathay FHC 2020 CS Report 3.1 Climate strategy and scenario analysis |
| Business Ethics | |
| FN-CB-510a.1 Total amount of monetary losses as a result of legal proceeding associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations | Cathay FHC 2020 Annual Report (XI) Penalties imposed against the financial holding company and subsidiaries in the last 2 years up till the publication date of this annual report, including the weaknesses found and the improvements made https://reurl.cc/5onD07 |
| FN-CB-510b.2 Description of whistleblower policies and procedures | <ul style="list-style-type: none"> • Cathay FHC Official Website – Compliance – Group Whistleblower System (Chinese only) https://reurl.cc/OXWY13 • Cathay United Bank Whistleblower System(Chinese only) https://reurl.cc/E2dVzk • Cathay United Bank Declaration of Internal Control System (Chinese only) https://reurl.cc/ZQx4G3 |
| System Risk Management | |
| FN-CB-510a.1 Global Systemically Important Bank (G-SIB) score, by category | Cathay United Bank is not a G-SIB is a D-SIBs (Domestic Systemically Important Banks), so this indicator is not applicable. |
| FN-CB-510a.2 Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities | <ul style="list-style-type: none"> • Cathay United Bank Official Website – Announcement – Risk Disclosure (Chinese only) https://reurl.cc/R6MYrg • Cathay United Bank Official Website – 2020 Q4 Annual Report (P.5) (Chinese only) https://reurl.cc/YWzYd0 • Cathay FHC 2020 CS Report 3.1 Climate Strategy and Scenario Analysis and Climate Risk Management |

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7.6 UNITED NATIONS GLOBAL COMPACT PRINCIPLES

| Main Issues | Corresponding Section | Page |
|--|---|---------|
| Human Rights | | |
| Businesses should support and respect the protection of internationally proclaimed human rights. | Chapter 5: Empowerment | 60 / 61 |
| Make sure that they are not complicit in human rights abuses | | |
| Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | | |
| Labor Standards | | |
| The elimination of all forms of forced and compulsory labor | Chapter 5: Empowerment | 60 / 61 |
| The effective abolition of child labor | | |
| The elimination of discrimination in respect of employment and occupation. | | |
| The Environment | | |
| Businesses should support a precautionary approach to environmental challenges. | Chapter 3: Climate | 27 |
| Undertake initiatives to promote greater environmental responsibility. | | 27 |
| Encourage the development and diffusion of environmentally friendly technologies. | | 38 |
| Anti-Corruption | | |
| Businesses should work against corruption in all its forms, including extortion and bribery. | Chapter 6: Sustainable Operation Management | 75 |

7.7 ISO 26000 INDEX

| Category | Corresponding Section | Page |
|---------------------------------------|--|---------|
| Organizational Governance | Chapter 6: Sustainable Operation Management | 71 |
| Human Rights | Chapter 5: Empowerment and Chapter 6: Sustainable Operation Management | 59 / 71 |
| Labor Practices | Chapter 5: Empowerment | 59 |
| Environment | Chapter 3: Climate | 27 |
| Fair Operating Practices | Chapter 6: Sustainable Operation Management | 71 |
| Consumer Issues | Chapter 6: Sustainable Operation Management | 71 |
| Community Involvement and Development | Chapter 5: Empowerment | 59 |

7.8 TAIWAN STOCK EXCHANGE CORPORATION “RULES GOVERNING THE PREPARATION AND FILING OF CORPORATE SOCIAL RESPONSIBILITY REPORTS BY TWSE LISTED COMPANIES”

| Corresponding Provisions | Main Issues | Corresponding Section | Page |
|--|---|---|----------|
| Overall | | | |
| Article 3 | The content of the Corporate Social Responsibility Report shall cover the relevant assessments of risks in environmental, social, and corporate governance issues, and establish relevant performance indicators to manage material issues that have been identified. | Chapter 1: Sustainability Governance and Strategies | 07 |
| Environment | | | |
| Article 4 | The products and services designed by individual operating units to create benefits for the environment. | Chapter 3: Climate | 27 |
| Article 4, Paragraph 1, Subparagraph 4, Item (2) | The implementation of corporate governance toward climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, evaluate, and manage climate-related risks, and indicators and goals for the evaluation and management of climate-related issues. | Chapter 3: Climate | 27 |
| Society | | | |
| Article 4 | The products and services designed by individual operating units to create benefits for the society. | Chapter 4: Health | 45 |
| Employee | | | |
| Article 4, Paragraph 1, Subparagraph 4, Item (1) | The number of full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the 3 figures from the previous year. | Chapter 5: Empowerment and Appendix Table 18 | 59 95 |

7.9 SUMMARY OF SUBJECT MATTERS ASSURED

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|--|--|
| Applicable Criteria | SDG Target |
| <p>Table “Statistics of Employee Training Hours”, 2020 training hours per person (Total average)</p> <p>The Group's total employee external and internal training hours in 2020 divided by the Group's total number of employee as of December 31, 2020. Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions. Hours of morning sharing session is calculated by taking the total number of employees that are required to attend morning sessions as of December 31, 2020, and multiplied by the annual attendance rate (1-(total number of leave days taken divided by total number of working days of the year) of sales department, multiplied by the total sharing duration in hours.</p> | <p>4 95</p> <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</p> <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> |
| <p>Table “Corporate Loan ESG Review Status”, As of December 31, 2020, cases of rejection or opinion of the Credit Review Committee and cases of declined loan application due to ESG event</p> <p>The total of corporate loans rejected by or receiving opinions from the Credit Review Committee and the total declined loan applications due to ESG incidents at CUB in 2020.</p> | <p>9 91</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> |
| <p>Table “Results of Cathay Life ESG Risk Review for Investee Companies”, As of December 31, 2020, Cases with potential risks reviewed in escalation process</p> <p>The number of Cathay Life's ESG risk reviewed cases is based on the total number of cases that the company's investment target has been completed the ESG risk review process in 2020.</p> | <p>9 92</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> |

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| Applicable Criteria | SDG Target |
| <p>Total infrastructure investing amount reached NT\$662.3 billion in 2020; Total infrastructure lending amount reached NT\$66.9 billion in 2020.</p> <p>Cathay Financial Holdings and its subsidiaries determine infrastructure investment / lending according to following criteria:</p> <ol style="list-style-type: none"> The industrial classification belongs to the categories of transportation, public facilities, social housing, and environmental improvement facilities. The company's business items include the above categories. <p>Infrastructure investments, including equity and debt, are calculated based on the 2020 book value of each subsidiary; Infrastructure lending is calculated using the original lending amount minus the recovered lending amount.</p> | <p>11 91</p> <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries</p> |
| <p>Total low carbon investing amount reached NT\$174.8 billion in 2020; Total low carbon lending amount reached NT\$25.2 billion in 2020.</p> <p>Cathay Financial Holdings and its subsidiaries determine Low-carbon investment / lending according to following criteria:</p> <ol style="list-style-type: none"> Industry classification belongs to six major categories of energy, construction, waste recycling, transportation, (high efficiency) industry and finance. The company's business items include above six categories. The investments included in the low carbon investment login platform certification, Carbon Clean 200 List, and green bond details in the Bloomberg platform. <p>Low-carbon investments, including real estate, equity, and debt, are calculated based on the 2020 book value of each subsidiary; Low-carbon lending is calculated using the original lending amount minus the recovered lending amount.</p> | <p>7 13 91</p> <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> |

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| Applicable Criteria | SDG Target | |
| <p>Total aging society and health investing amount reached: NT\$401.4 billion in 2020; Total aging society and health lending amount reached: NT\$32.6 billion in 2020.</p> <p>Cathay Financial Holdings and its subsidiaries determine Aging society and health investment / lending according to following criteria:</p> <p>1. The industry classification belongs to the senior and health product and service industry, facility supply and other related industries.</p> <p>2. The company's business items include above categories.</p> <p>Aging society and health investments including equity and debt, are calculated based on the 2020 book value of each subsidiary; Aging society and health lending is calculated using the original lending amount minus the recovered lending amount.</p> | <p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> | <p>91</p> |
| <p>Total community and inclusive finance investing amount reached NT\$7.8 billion in 2020; Total community and inclusive finance lending amount reached NT\$3.9 billion in 2020.</p> <p>Cathay Financial Holdings and its subsidiaries determine Community and Inclusive Finance investment / lending according to following criteria:</p> <p>1. The industry classification belongs to education, microfinance and other related industries.</p> <p>2. The company's business items include above categories.</p> <p>Community and inclusive finance investments, including equity and debt, are calculated based on the 2020 book value of each subsidiary; Community and inclusive finance lending is calculated using the original lending amount minus the recovered lending amount.</p> | <p>1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day</p> <p>4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development</p> | <p>91</p> |
| <p>Total water resource investing amount reached NT\$7.2 billion in 2020; Total water resource lending amount reached NT\$0.9 billion in 2020.</p> <p>Cathay Financial Holdings and its subsidiaries determine water resource investment / lending according to following criteria:</p> <p>1. Industry classification relates to water supply, water treatment, and sewage treatment.</p> <p>2. The company's business items include above categories.</p> <p>Water resource investments, including equity and debt, are calculated based on the 2020 book value of each subsidiary; Water resource lending is calculated using the original lending amount minus the recovered lending amount.</p> | <p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> <p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> | <p>91</p> |

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|---|--|-----------|
| Applicable Criteria | SDG Target | |
| <p>In 2020, CUB has financed 182 solar sites in Taiwan with a total installed capacity of 57,976.42 KW.</p> <p>1. Solar power stations: The total number of stations approved by Bureau of Energy in 2020.</p> <p>2. Domestic financed capacity: The sum of capacities from the lower of the projects with approval documents issued by Bureau of Energy or Taipower Electricity Purchase Contract and financed by CUB head office and all domestic branches in 2020.</p> | <p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p> <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> | <p>38</p> |
| <p>As of the end of 2020, the balance of SME loans provided by CUB was NT\$228.4 billion.</p> <p>The balance of loans (including overdue receivables) to small and medium-size enterprises as of the end of December 2020 declared by CUB to the Banking Bureau of the FSC.</p> | <p>1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions</p> <p>9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> | <p>55</p> |
| <p>As of the end of 2020, Cathay Century provided insurance for hydroelectric power, solar power and wind power plants and equipment in the amount of NT\$117.2 billion.</p> <p>The total insured amount of renewable energy engineering and equipment insurance cases undertaken by Cathay Century in 2020. The insured amount refers to the total insured amount of insurance policies by the end of 2020, including the original insured amount of the policies and the adjusted insured amount by the end of 2020.</p> | <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p> | <p>39</p> |

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| Applicable Criteria | SDG Target | |
| Cathay FHC used 272,000 kWh of renewable energy in 2020. |   | 42 |
| Cathay FHC's consumption of self-generated renewable energy in 2020 is calculated based on the Taiwan Renewable Energy Certificate (T-REC) obtained by Cathay FHC from the National Renewable Energy Certification Center. | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries | |
| The satisfaction score in Cathay Life's 2020 Agency 2.0 Sales Force Transformation Plan was 95.59%. |  | 63 |
| The satisfaction score for the courses in Cathay Life's 2020 Agency 2.0 Sales Force Transformation Plan. The satisfaction score is calculated using the following formula: original average score based on a five-point scale (1-5) x 20 / 100. | 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship | |
| In 2020, the 7th Dream Come True Program provided a total of NT\$3.58 million in subsidies to 24 schools, benefiting 662 students. |  | 67 |
| The total number of schools that actually received subsidies from the 7th Cathay Dream Come True Program in 2020; the book value of the total donation, and the total number of students participating in the project specified in the application form of each school. | 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes | |
| 143 registered participants signed up for the 2020 Cathay Climate Change Youth Forum. |   | 70 |
| Number of registered participants in the 2020 Climate Change Youth Forum held by Cathay FHC. | 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning | |

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|--|--|------|
| Applicable Criteria | | |
| Table "Full-time Non-managerial Employees Salary Information", 1. Average No. of full-time non-managerial employees 2. Mean salary of full-time non-managerial employees 3. Median salary of full-time non-managerial employees | | 95 |
| The 2020 Cathay FHC information of full-time non-managerial staff salary is calculated according to "Notes on Reporting of Full-time Non-managerial Employees Salary Information" and "FAQ" published by Taiwan Stock Exchange Corporation. | | |
| Table "Comparison of male and female managers' annual salaries (male:female)", Ratios of annual salaries (male:female) for each employee category in 2020. | | 95 |
| "Employee" is defined as individuals who provide services to the company under the supervision of the company (regardless of their nationality). They do not include those who only have contractual relations with the company, business outsourcing, or manpower dispatchers; nor do they include directors and supervisors. The scope of statistics only covers full-time employees in 2020. Definitions: "High-level manager" is equivalent to vice presidents of Cathay FHC (including) or above "Mid-level manager" is equivalent to senior managers of Cathay FHC (including). "Entry-level manager" is equivalent to managers of Cathay FHC (including). "General Staff" refer to employees who do not bear the administrative responsibility for managing other employees or business units, including project managers who do not manage other employees. Annual salaries= basic salary and remuneration The annual salaries ratio for male to female refers to the ratio calculated on the basis of the average annual salaries of male as 100, for example, 100:88 (that is, 100 for male and 88 for female). | | |
| Table "Absence and Occupational Safety Statistics", 2020 Days of absence : 2020 Absence Rate If insurance agents are considered, days of absence is 186,207.25 days, and absence rate is 1.57%. | | 96 |
| Cathay FHC's 2020 Absence Rate = Ratio of lost days to total work days in a period of time; Lost days = Sick leave + Occupational injury leave; Number of days required at work = Number of work days (special leave not yet deducted) = Number of current employees at the end of the year x Number of work days announced by the Directorate-General of Personnel Administration. | | |

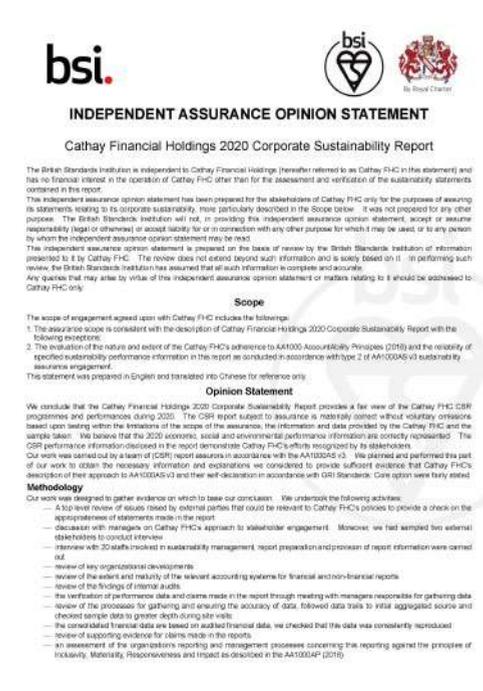
7.10 EXTERNAL ASSURANCE

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Independent Assurance Opinion Statement by BSI



bsi. 

INDEPENDENT ASSURANCE OPINION STATEMENT

Cathay Financial Holdings 2020 Corporate Sustainability Report

The British Standards Institution is independent to Cathay Financial Holdings (hereinafter referred to as Cathay FHC in this statement) and has no financial interest in the operation of Cathay FHC other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of Cathay FHC only for the purposes of assuring its statements relating to its corporate sustainability, more particularly described in the Scope below. It was not prepared for any other purposes. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or by any person by whom the independent assurance opinion statement may be used.

The independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Cathay FHC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Cathay FHC only.

Scope

The scope of engagement agreed upon with Cathay FHC includes the following:

- The assurance scope is consistent with the description in Cathay Financial Holdings 2020 Corporate Sustainability Report with the following exceptions:
- The evolution of the nature and extent of the Cathay FHC's adherence to AA1000 Accountability Principles (2018) and the reliability of specified sustainability performance information in the report is considered in accordance with type 2 of the AA1000AS v3 sustainability assurance engagement.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the Cathay Financial Holdings 2020 Corporate Sustainability Report provides a fair view of the Cathay FHC CSR programmes and performances during 2020. The CSR report subject to assurance is materially correct without voluntary omissions based upon testing within the limitations of the scope of the assurance, the information and data provided by the Cathay FHC and the sample taken. We believe that the 2020 economic, social and environmental performance information is correctly represented. The CSR performance information disclosed in the report demonstrates Cathay FHC's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurance in accordance with the AA1000AS v3. We planned and performed the part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Cathay FHC's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards: Core option were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top-level review of issues raised by external parties that could be relevant to Cathay FHC's policies to provide a check on the appropriateness of statements made in the report;
- discussions with managers on Cathay FHC's approach to stakeholder engagement. Moreover, we had sampled two external stakeholders to conduct interview;
- interview with 20 staff members on sustainability management, report preparation and provision of report information were carried out;
- review of key organizational developments;
- review of the extent and maturity of the relevant accounting systems for financial and non-financial reports;
- review of the findings of internal audits;
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data;
- review of the processes for gathering and ensuring the accuracy of data. Followed data trails to vital aggregated source and checked sample data to greater depth during site visits;
- the consolidated financial data are based on audited financial data, we checked that the data was consistently reproduced;
- review of supporting evidence for claims made in the reports;
- an assessment of the organizations reporting and management processes concerning the reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as disclosed in the AA1000AP (2018).



AA1000
Limited Assurance Provider

Statement No.: SMA-TW-2020049
2021-05-19

For and on behalf of BSI: 
Peter Pu, Managing Director BSI Taiwan

Taipei Headquarter: 2nd Floor, No. 37, Zhonghua 3rd Sec. Rd., Taipei 114, Taiwan, R.O.C.
A Member of the BSI Group of Companies

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and sustainability performance information as well as GRI Standards is set out below.

Inclusivity

In this report, it reflects that Cathay FHC has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been considered in developing and achieving an accurate and strategic response to sustainability. There are fair reporting and disclosure for economic, social and environmental information in the report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Cathay FHC's inclusivity issues and has demonstrated some responsible conduct supported by top management and implemented in all levels among organization.

Materiality

The Cathay FHC publishes material topics that will substantially influence and impact the assessments, decisions, actions and performance of Cathay FHC and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the Cathay FHC's management and performance. In our professional opinion the report covers the Cathay FHC's material issues.

Responsiveness

Cathay FHC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the Cathay FHC is developed and continually provides the opportunity to further enhance Cathay FHC's responsiveness to stakeholder concerns. Topics that stakeholders concern about have been responded timely. In our professional opinion the report covers the Cathay FHC's responsiveness issues.

Impact

Cathay FHC has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. Cathay FHC has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within an organization. In our professional opinion the report covers the Cathay FHC's impact issues.

Performance Information

Based on our work disclosed in the statement, specified sustainability performance information such as GRI Standards disclosures disclosed in the report, Cathay FHC and BSI have agreed upon to include in the scope. In our view, the data and information contained within Cathay Financial Holdings 2020 Corporate Sustainability Report are reliable.

GRI Sustainability Reporting Standards (GRI Standards)

Cathay FHC provided us with their self-declaration of in accordance with GRI Standards: Core option (for each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards: disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Cathay FHC's social responsibility and sustainability topics.

Assurance level

The high-level assurance provided in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

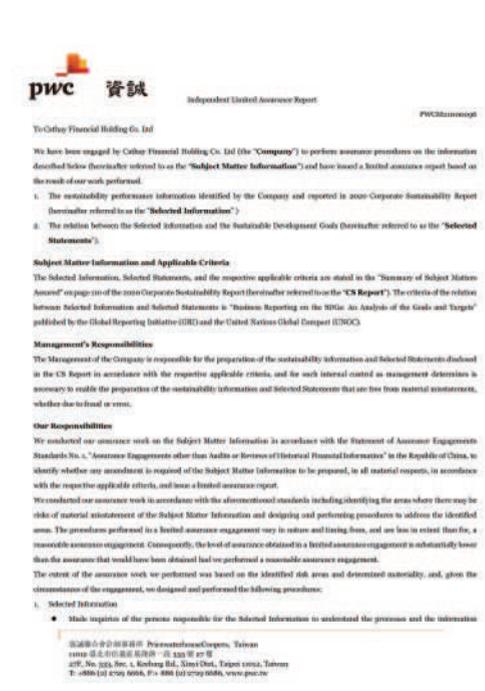
Responsibility

This corporate sustainability report is the responsibility of the Cathay FHC's chairman as declared in the responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of lead auditors experienced in relevant sectors and trained in a range of sustainability, environmental and social standards including AA1000AS (ISO 14001), ISO 45001, ISO 14004 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

Independent Limited Assurance Report



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Independent Limited Assurance Report

To: Cathay Financial Holding Co. Ltd

We have been engaged by Cathay Financial Holding Co. Ltd (the "Company") to perform assurance procedures on the information described below (hereinafter referred to as the "Subject Matter Information") and have issued a limited assurance report based on the result of our work performed.

- The sustainability performance information identified by the Company and reported in 2020 Corporate Sustainability Report (hereinafter referred to as the "Selected Information");
- The relation between the Selected Information and the Sustainable Development Goals (hereinafter referred to as the "Selected Statements").

Subject Matter Information and Applicable Criteria

The Selected Information, Selected Statements, and the respective applicable criteria are stated in the "Summary of Subject Matter Assessed" on page 106 of the 2020 Corporate Sustainability Report (hereinafter referred to as the "CS Report"). The criteria of the relation between Selected Information and Selected Statements is "Business Reporting on the SDGs: An Analysis of the Goals and Targets" published by the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC).

Management's Responsibility

The Management of the Company is responsible for the preparation of the sustainability information and Selected Statements disclosed in the CS Report in accordance with the respective applicable criteria, and the work internal control as management determines is necessary to enable the preparation of the sustainability information and Selected Statements that are free from material misstatements, whether due to fraud or error.

Our Responsibility

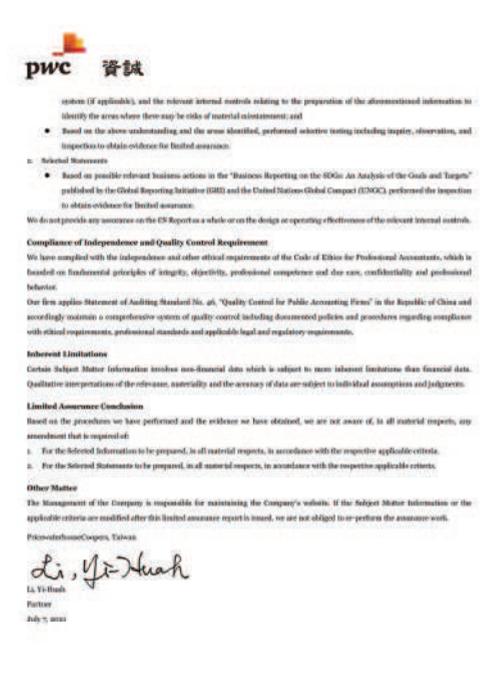
We conducted our assurance work on the Subject Matter Information in accordance with the Statement of Assurance Engagement Standards No. 1, "Assurance Engagements other than audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any misstatements in regard of the Subject Matter Information to be prepared, in all material respects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The nature of the assurance work we performed was based on the identified risk areas and determined materiality, and, given the circumstances of the engagement, we designed and performed the following procedures:

- Selected Information
 - State recognition of the process responsible for the Selected Information to understand the processes and the information

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system (if applicable), and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and

- Based on the above understanding and the areas identified, performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance;

ii. Selected Statements

- Based on possible relevant business actions in the "Business Reporting on the SDGs: An Analysis of the Goals and Targets" published by the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC), performed the inspection to obtain evidence for limited assurance.

We do not provide any assurance on the CS Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standards No. 34, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

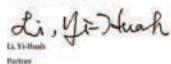
Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of, in all material respects, any misstatement that is required as:

- For the Selected Information to be prepared, in all material respects, in accordance with the respective applicable criteria;
- For the Selected Statements to be prepared, in all material respects, in accordance with the respective applicable criteria.

Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

林怡宏/曹冠宇, Taiwan

Li Yi-Hsun
Partner
July 19, 2021

Message from the Chairman

About Cathay FHC

1. Sustainability Governance and Strategies
2. Sustainable Finance
3. Climate
4. Health
5. Empowerment
6. Sustainable Operation Management
7. Appendix

ISO 14001:2015

bsi.
Certificate of Registration
ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that Cathay Financial Holdings, No. 296, Sec. 4, Ren'ai Rd., Da-an Dist., Taipei City 106436, Taiwan, has been found to conform to the requirements of ISO 14001:2015 for the following scope:

EMS 735138
and operation and maintenance of Management System which complies with the requirements of ISO 14001:2015 for the following scope:

For and on behalf of BSI:
Original Registration Date: 2012-01-24
Latest Renewal Date: 2020-12-21

Chin-Ching, Head of Compliance & Risk - Asia Pacific
Effective Date: 2020-01-13
Expiry Date: 2024-01-13

Page: 1 of 9
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ISO 50001:2018

bsi.
Certificate of Registration
ENERGY MANAGEMENT SYSTEM - ISO 50001:2018

This is to certify that Cathay Financial Holdings, No. 296, Sec. 4, Ren'ai Rd., Da-an Dist., Taipei City 106436, Taiwan, has been found to conform to the requirements of ISO 50001:2018 for the following scope:

EMS 735140
and operation and Energy Management System which complies with the requirements of ISO 50001:2018 for the following scope:

For and on behalf of BSI:
Original Registration Date: 2018-11-21
Latest Renewal Date: 2020-12-26

Chin-Ching, Head of Compliance & Risk - Asia Pacific
Effective Date: 2018-11-21
Expiry Date: 2024-01-30

Page: 1 of 3
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ISO 14064-1:2018

bsi.
Opinion Statement
Greenhouse Gas Emissions
Verification Opinion Statement

This is to verify that Cathay Financial Holdings and its subsidiaries, No. 296, Sec. 4, Jen Ai Rd., Da-an Dist., Taipei City, Taiwan, 國泰金融控股股份有限公司及其子公司, 臺北市 大安區仁愛路四段 296 號, has been found to conform to the requirements of ISO 14064-1:2018 for the following scope:

GHGEV 1983
Verification opinion statement

As a result of carrying out verification procedures in accordance with ISO 14064-1:2018, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with the Cathay Financial Holdings and its subsidiaries for the period from 2020-01-01 to 2020-12-31 was verified, including the direct greenhouse gas emissions 3,816.053 tonnes of CO₂ equivalent and indirect greenhouse gas emissions from imported energy emissions 96,429.133 tonnes of CO₂ equivalent.
- No material inconsistencies for the period from 2020-01-01 to 2020-12-31 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2018.
- The emission factor used for electricity is 0.509 kilograms of Carbon Dioxide equivalent per kWh instead which may potentially result in different Greenhouse Gas Emission estimates.

The other selected indirect GHG emissions listed in the attached table on the next page were also reported and thus verified with limited assurance, and data quality was not considered unacceptable in meeting the principles as set out in ISO 14064-1:2018.

For and on behalf of BSI:
Original Issue: 2021-04-26
Latest Issue: 2021-04-26
Page: 1 of 45

Managing Director BSI Taiwan, Peter Fu
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ISO 20400:2017

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符合性查核聲明
ISO 20400:2017 永續採購

查核對象: 國泰金融控股股份有限公司及其子公司
106436 臺灣台北市大安區仁愛路四段 296 號

查核範圍: 國泰金融控股股份有限公司及其子公司「ISO 20400:2017」，於組織與永續採購過程，本查核係依據國泰金融控股股份有限公司及其子公司，包含國泰金融控股股份有限公司、國泰人壽保險股份有限公司、國泰證券期貨股份有限公司、國泰地產物產保險股份有限公司、國泰綜合證券股份有限公司、國泰證券投資信託股份有限公司、國泰商業投資股份有限公司、國泰證券顧問股份有限公司及國泰期貨股份有限公司所建立之永續採購手冊與供應管理流程，已確認其採購流程遵循「ISO 20400:2017」指引建立。

Managing Director BSI Taiwan, Peter Fu
Latest issue: 2020-12-26
Expiry date: 2023-12-25

審核號碼: SPH 006



國泰金控

Cathay Financial Holdings



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