

Cathay Financial Holding Co., Ltd.

2012 Corporate Social Responsibility Report

Rediscovering Happiness



A Word from Cathay

In 2012, Cathay Financial Holding Co., Ltd. (Cathay FHC) introduced a brand ideal we call "Rediscovering Happiness". We believe that happiness is determined not by what one possesses, but how one views these possessions to discover their intrinsic value. By including additional information in our report that is not directly linked to the company's financial performance, we hope to showcase Cathay FHC's process of self discovery, improvement, and transformation to our stakeholders and in turn establish deeper connections and stronger partnerships. Moreover, this publication is dedicated to all of our hardworking employees, whose contributions make it possible for Cathay to stand tall and achieve greater things.

A rapidly changing world is not a crisis, but an opportunity. We sincerely wish that those who want a better future for Taiwan will see the good in the world around them, as Cathay does, and work together to protect and nourish the place we call home.

Do you expect more from Cathay?
Do you want to see Cathay work
towards a more sustainable future?

Visit our website and let us know!

Thank you for reading this report. If you have any suggestions or questions, please contact the Cathay FHC Public Relations Department.
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CSR Website: <https://www.cathayholdings.com/holdings/web/CSR>

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Report Summary

Cathay FHC publishes a corporate social responsibility (CSR) report every year titled The Cathay Financial Holdings 2012 CSR Report, which serves to illustrate Cathay's commitment to economic and environmental issues, employees, customers, and the community over the past year (January 1, 2012 to December 31, 2012). The CSR report also establishes the company's organizational boundaries based on its latest consolidated financial report. In addition, the scope of this annual report has been clearly organized to encompass the six major subsidiaries which operate under Cathay FHC: Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), and Cathay Venture. The majority of information and topics covered in the report focus on Taiwan, where most of our operations are located.

All financial data in this report is public information which has been audited by a CPA, and other statistics have been prepared by Cathay FHC and its subsidiaries and two foundations to help paint a clearer picture of Cathay's financial and non-financial performance. All financial figures are presented in New Taiwan dollars (NTD). In addition, because no major revisions were made to the data for this year's report, calculations and estimates in the chapter Green Finance are based on information and figures released by the government. The utilities data and information disclosed under the environmental section pertain to Cathay Life and CUB, while information regarding community involvement includes the activities of Cathay Charity Foundation as well as the Cathay United Bank Culture and Charity Foundation.

- Current issue: August 2013
- Reporting Principles: Global Report Initiative's G3.1 Sustainability Reporting Framework, Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, ISO26000 Index, Global Compact
- Report assurance: This report has been verified to comply with the accountability principles of materiality, inclusivity, and responsiveness as specified in the AA1000 Assurance Standard, and meets the requirements of GRI G3.1 Application Level A+ according to the AA1000 Assurance Standard by the British Standards Institution (BSI). An independent assurance statement also published as an appendix to this report.
- Previous Issue : August 2012
- Next issue : August 2014 (scheduled)



Innovating for the Future While Embracing 50 Years of Tradition

Changing our mindset affects the way we act; changing the way we act is the only way to achieve different, better results

A Letter from the Chairman

"68, 76, 1124, 1407" – These aren't figures from a financial statement or earnings projection, they are a set of figures that embody the secret to happiness and a sense of social responsibility. "Innovating for the Future While Embracing 50 Years of Tradition" is the commitment that we made to ourselves, as outlined in this Corporate Social Responsibility (CSR) Report issued in 2012, the year that marks the 50th anniversary of Cathay's founding. The key issue that needs to be considered in relation to CSR is: "Where is society heading?" This is a question that warrants deep reflection!

As managers of a business enterprise, the plaudits we receive from investors constitute sufficient validation of our operational performance. However, given that one person in two in Taiwan is a customer of the Cathay FHC, and that one person in two has entrusted assets for us to manage for them, we need to recognize that our operational performance is not the end result, but rather the start of an ongoing challenge. We must face the fact that the experience we have accumulated over the last fifty years may in some respects become a burden in the next fifty years; it may present us with challenges that we need to strive to overcome, so that we can continue on to scale even higher peaks of achievement!

With this in mind, in 2012 the Cathay FHC launched the "New Heights Project." The aim of this initiative is for us to maintain and reinforce our existing strengths, while adopting innovative, cutting-edge ideas, in every aspect of our operations. Our goal is to develop ourselves into one of the leading financial institutions in the Asia-Pacific region. We also want to become the happiest and most joyful financial institution in the region. To this end, despite the challenging economic climate and the constant litany of bad news in the wider business environment, our Group is continuing to remake itself and to achieve an ever more impressive record of performance.

To spread this happiness as widely as possible, in 2012 we travelled 1,124 kilometers, visiting 76 cities, towns and rural communities over the course of 68 days, to record the hopes of 1,407 Taiwanese citizens. During this journey, we discovered that, in reality, happiness is always there; it just needs people to keep making the effort to unearth it. Joy and happiness are infectious. The more than 30,000 people who work for the Cathay have set themselves the challenge of "rediscovering happiness." As long as we keep making an effort to sow the seeds of happiness, if the people providing services are happy, the people receiving those services will be "infected" by that happiness, and will be able to feel it for themselves.

The Cathay FHC CSR Committee was established in late 2011. Using a broad, Group-wide perspective and a "task force" approach that targets particular issues, Cathay is undertaking meaningful, across-the-board CSR activities. In 2012, in the area of corporate governance, besides formulating a set of Code of Operation Integrity and stepping up disclosure, Cathay also



adopted measures in response to new risks relating to climate change, personal data protection, etc. With regard to customer care, we have established a Service Quality Committee and Personal Data Management Committee, to improve the level of service that we provide to customers. In the area of employee care, Cathay has launched a new Performance and Compensation Optimization Program, and has made use of a range of different communication channels. As regards environmental protection, in 2012 Cathay formulated seven concrete objectives, including the implementation of a GHG emission inventory, a program to reduce the energy consumption by 5% within three years and so on. In addition, towards the end of 2012 Cathay decided to become a CDP signatory. In the community involvement area, Cathay has been focusing on leveraging its core competencies and improving financial inclusion. In 2012, Cathay used its experience in loss prevention to become the first non-life insurance company in Taiwan to begin providing safety testing services in schools. We have also made available the results of our Survey of New Immigrant Happiness to the government for use as a reference.

CSR is a long-term plan. Its success depends on the hard work of every Cathay employee, and on the level of support that we receive from society. Any awards or plaudits that we receive during the course of implementing this Project really belong to society as a whole, because "the award belongs to everyone who contributes to the happiness of others!"

Chairman Hong-Tu Tsai

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Sustainable, Harmonious Coexistence – A Value Choice

To ensure the sustainability of business operations, a system is a must, and soft power is the key. We realize that CSR is one of our "soft powers", and we are committed to promoting a virtuous circle throughout ourselves and all of society.

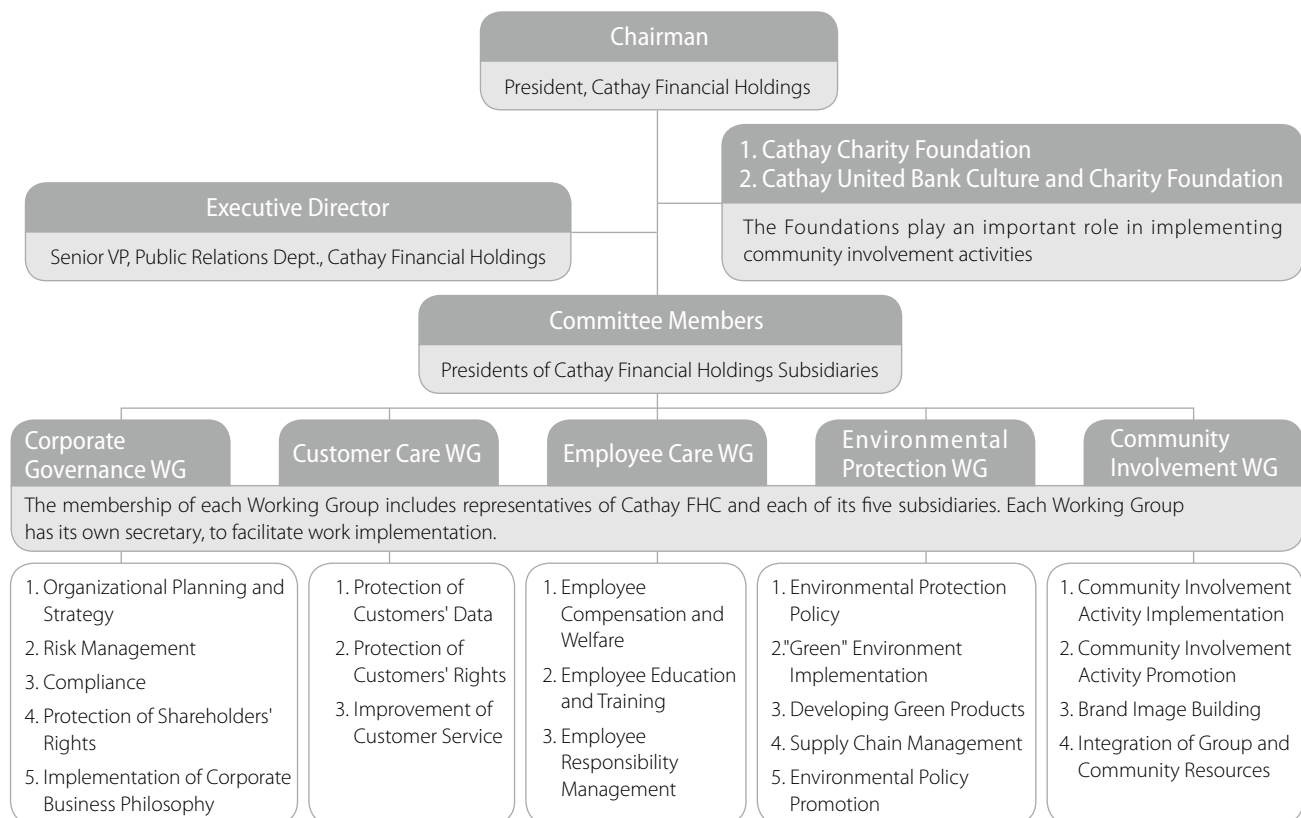
Cathay Financial Holdings and CSR

With the establishment of Cathay FHC CSR Committee in 2011, followed in 2012 by the issuing of Cathay's first CSR Report and the creation of a section dedicated to CSR on Cathay's corporate website, we are now working to refine our long-term efforts in various initiatives to develop a more strategically-focused and effective CSR policy. Cathay's CSR Report will present each year's results, recording in "yearbook" format the stage-by-stage planning and the growth achieved as a result.

Cathay is a practical, down-to-earth enterprise, and this attitude is reflected in structuring the CSR Committee to include senior company decision-makers. As of 2012, three members of the Board of Directors and 60% of Cathay FHC's senior managers were serving on the CSR Committee. The members of the committee's five Working Groups (WG) include representatives of Cathay FHC and its five subsidiaries. This coordinated approach to the issues being addressed by the individual subsidiaries makes it possible to achieve maximum group synergy.

Three members of Board of Directors include in CSR Committee

60% of Cathay FHC's senior managers were serving on the CSR Committee



Cathay Financial Holdings CSR Committee Framework

The main points of the 2012 CSR Committee quarterly meeting are outlined below, including CSR implementation status, special ceremonies to provide encouragement, and CSR training for senior managers. 2012 was a year in which we strove to challenge ourselves. Prior to the holding of the CSR Committee 2012 Fourth-quarter Meeting, the individual Working Groups held numerous meetings to formulate short-, mid- and long-term CSR strategy. As a result of these meetings, we have been able to gradually integrated similar business units into CSR activities as functional support teams. These teams link CSR with core competencies with the relevant plans that are finalized at the CSR Committee Fourth-quarter Meeting before being submitted to the Board of Directors for approval. The individual Working Groups' short-term objectives are summarized at the start of each of the following chapters.

CSR Committee Preparatory Meeting

- Explanation of the organizational structure, manpower structure and functions of Cathay FHC CSR Committee
- Discussion of the draft CSR Committee Objectives
- Education and training: Introduction to CSR



CSR Committee First-quarter Meetings

- Approving the CSR Code of Practice and the Objectives
- CSR Report Compilation and Coordination



CSR Committee Second-quarter Meeting

- Report the results of the CSR Code of Practice approval from the Board of Directors
- Review of the CSR Report compilation status and of the results obtained in the stakeholder survey
- Education and training: Global CSR trends and best practice in the financial sector



4Q'11

1Q'12

2Q'12

3Q'12

4Q'12

CSR Committee Third-quarter Meeting

- Formal publication of our first CSR Report, and establishment of the CSR information pages on the website
- Ceremony to mark the passing of international certification for the CSR Report
- Each Working Group reports its achievements in the first half of the year, and the key areas it will be focusing on in the second half



CSR Committee Fourth-quarter Meeting

- Individual Working Groups submit their short-, medium- and long-term strategy reports
- Internal CSR Commitment signing ceremony
- Education and training: Climate change and financial industry best practice

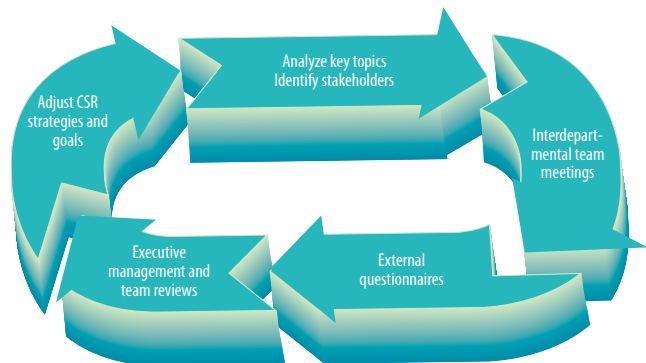


The key to improvement

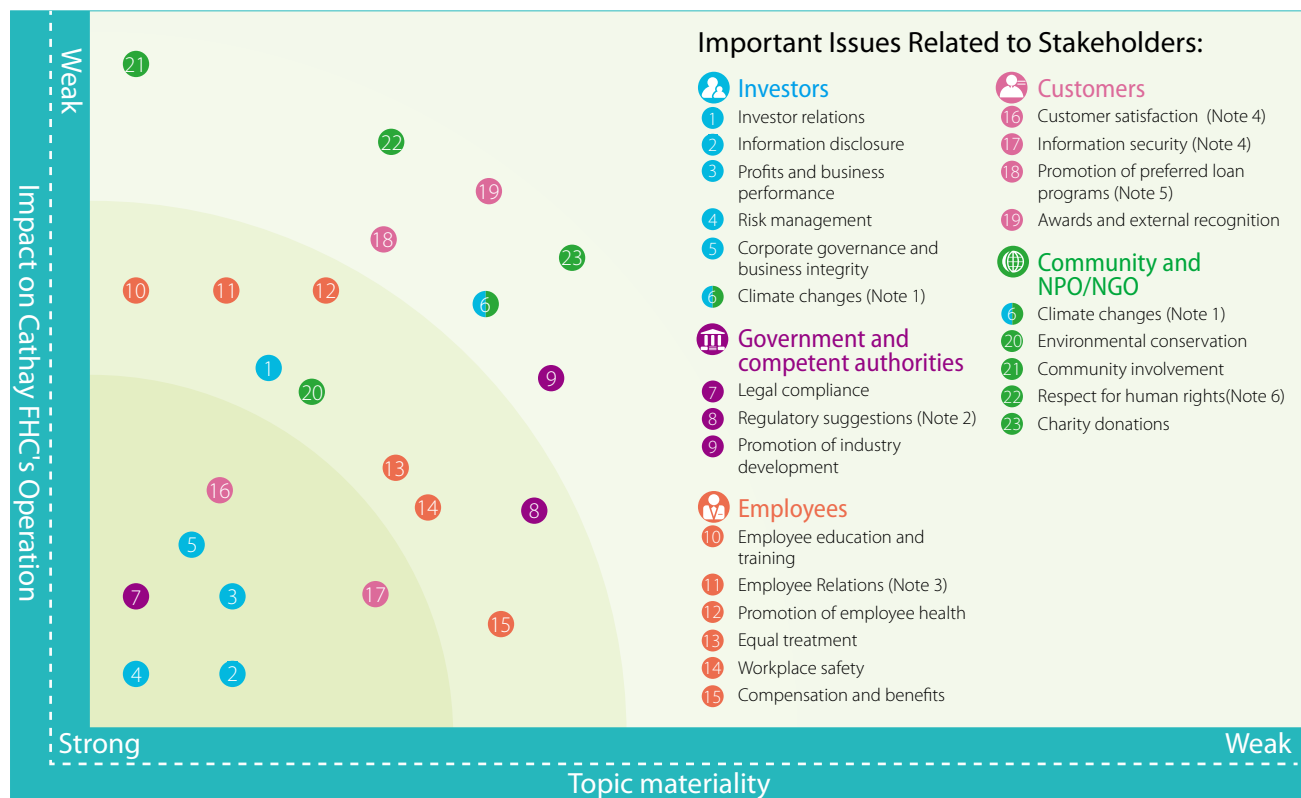
Cathay believes that listening to stakeholders is the key to improvement!

Stakeholder Engagement

External communication is a key step to practicing CSR. For the purposes of identifying primary stakeholders and the concerns of our various stakeholders, we introduced a systematic review process in 2011 which categorizes stakeholders based on their influence, co-dependence, and responsibilities to complete a "materiality matrix" for Cathay FHC. In addition, we collected external feedback over the web in 2012 after publishing our previous CSR report and websites. An executive meeting was held again to make adjustments to the key topic matrix for Cathay FHC. The changes are illustrated as follows:



Cathay FHC Stakeholder Survey Process



Cathay FHC Materiality Matrix

Note 1: In response to the external attention on Climate Changes, we are also in the process of incorporating the topic into our CSR strategies and goals. Consequently, this topic has been added and details can be found under the chapter Green Advocacy.

Note 2: External regulations are an essential part of the financial sector. Cathay has made a number of suggestions regarding the Personal Information Protection Act, the Financial Consumer Protection Act, and RMB Business related laws to the government. As a result, the materiality of "Regulatory Suggestions" is raised.






Note 3: Cathay would like to see happy employees and so has added "Employee Relations" while promoting a number of improvement plans. Please see the chapter Happy Employees for details.

Note 4: Cathay continues to enhance customer services. Impact and materiality of "Customer Satisfaction" and "Information Security" are raised in response to the implementation of the Personal Information Protection Act in Taiwan. Please see the chapters Service Satisfaction and Customer Confidentiality for details.

Note 5: The financial sector has a direct impact on different industries through cash flows. Thus, the importance and impact on operations of "Promotion of preferred loan" have been raised. Please see the chapter Green Financial Products for details.

Note 6: The issues of child labor and racism under "Respect for Human Rights" are the focus of many discussions around the world. In consideration of Cathay's actual operations and the characteristics of the financial sector and its connectivity to the issue, the materiality of the topic has been raised while has been lowered the impact on operations.

Communication with Stakeholders

Stakeholder	Main communication channel	Key achievements in 2012
 Investors	<ul style="list-style-type: none"> • Quarterly corporation/investor meetings • Annual shareholders meetings • Irregular road shows • Designated sections on Chinese/English websites • Instant communication via contact persons and email 	<ul style="list-style-type: none"> • Called disclosure rating enhancement meeting to draft enhancement plans. • Built a CSR website • Scheduled the release of 2013 English annual report • Became a signatory to the CDP • Held 11 investor meetings in 2012 • Held over 250 investor sessions in 2012.
 Government and competent authorities	<ul style="list-style-type: none"> • Irregular inspections in cooperation with competent authorities • Continuous communication with competent authorities • Correct legal compliance • Regular disclosure of company information on the Market Observation Post System and company website. 	<ul style="list-style-type: none"> • Made 14 regulatory suggestions regarding laws including the Personal Information Protection Act. • The photovoltaic energy device project financing of CUB created 5 billion dollars worth of production value for the upstream suppliers in the solar power industry in 2012.
 Employees	<ul style="list-style-type: none"> • Annual employee satisfaction surveys • Annual performance assessments and communication processes • Irregular staff/manager interviews • Internet platform which provides direct contact with the chairman • Internal communication website for employees • Physical message boards 	<ul style="list-style-type: none"> • Launched the Performance and Compensation Optimization Program • Implemented diversified communication channels. • Installed "personalized" physical examinations for managers and overseas employees
 Customers	<ul style="list-style-type: none"> • Annual complaint review meetings at Cathay Life • Irregular satisfaction surveys outsourced to professional agencies • 24-hour customer service hotline and email • Seminars and conferences • Creative proposal competitions/best service competitions • Customer services APP 	<ul style="list-style-type: none"> • Cathay Life and CUB received better customer satisfaction survey results in 2012 than last year • Established the Service Quality Committee to supervise customer services provided by the companies • Established the Cathay FHC Personal Information Management Committee to ensure the safety of customer information. • The bank supported the implementation of verification codes for electronic financial transactions
 Community and NPO/NGO	<ul style="list-style-type: none"> • Charity and cultural events • Press conferences • Charity donations • Involvement in trade associations and organizations • Participation in environmental conservation efforts 	<ul style="list-style-type: none"> • Planned GHG inventory project at group level • Became a signatory to the CDP • Joined 12 key organizations including the CHFRDA, the Bankers Association of the Republic of China, the Life Insurance Association of the Republic of China, and the Taiwan Financial Services Roundtable. • Advocated more lenient regulations for life insurers on investing in public infrastructure projects. Invested \$20 billion in the Designated Industrial Area Development Project for HSR Taoyuan Station. • Invested \$260 million in community involvement in 2012.

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2012 Key Performance

1 out of every 2 people in Taiwan is a Cathay FHC customer

Cathay FHC confirms core values in 2012 to be "Integrity, Accountability, & Creativity"

Cathay FHC after-tax earnings in 2012 grew by 50%

Code of Operation Integrity implemented in 2012

Service Quality Committee established in May 2012

556 Cathay Life offices and POS, 163 CUB branches built the largest network in Taiwan

Consumer satisfaction of Cathay Life, CUB and Cathay Century over 90%

Personal Information Management Committee established in 2013

Formulated 7 concrete objectives in 2012

First solar branch in Taiwan will establish in 2013

As of end of 2012, 49,064 new policies processed by mobile technique, saving 560,000 sheets of paper

Energy saving contest saved more than 2% energy

Starting GHG inventory for all major Cathay business locations across Taiwan

Decided to support CDP and became one of 4 signing financial institutions from Taiwan at end of 2012

2012 Focus Stories

Change Starts Now

Ending the Crisis of Confidence among Securities Trust Enterprises

Taking the Initiative to Actively Respond to Emerging Risk

Cathay Life - Creativity Contest

CUB - The Best Service Rep Contest

"Security" is the only path to online banking. CUB is first to implement the highly safe OTP

A Clean Future for Taiwan

Photovoltaic Energy Project Financing program: an example of a power plant integrated with agriculture, fishery, and office buildings

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71**2012 Key Performance**

"Performance and Compensation Optimization" Program launched in 2012

Employed a total of 12 visually impaired massage therapists in 2012

90% of salespersons passed mobile insurance tests in 2012

In 2012, Cathay launched 8 communication channels to establish communication between employees, supervisors, and the company

5,169 Lin Yuan Volunteers helped for more than 50,000 people, including over 1,078 disadvantaged households

In 2012, CUB's credit card payment donation platform raised more than 0.6 billion NTD

Over an eight-year period, Cathay provided NT\$28.81 million in funding to help new immigrants, with 120,000 individual beneficiaries

Cathay Century is the first insurance company in Taiwan to implement on-site testing and inspection in schools

Cathay has helped cultivate numerous female basketball and table tennis athletes who have represented Taiwan on the international stage.

2012 Focus Stories

Feel exhausted? How about a massage?

Our Time as Cathay Interns

New Immigrants Happiness Survey and financial planning courses

Improving financial inclusion:
● Aboriginal Group Accident Insurance

Leverage core competencies to access social problems :
● Cathay Century's "Accident-Free School" Initiative
● The Professional Baseball Anti-Gambling Fund

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- GRI Financial Services Sector Supplement
- Corporate Social Responsibility Best Practice Principles for TWSE/ GTSN-Listed Companies
- United Nations Global Compact Comparison Table
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Cheerful Management Sustainable Cathay

Corporate Governance Working Group Head

Shun-Yu Chuang, Chief Risk Officer
(Currently President of Cathay Securities Corporation)



Cathay Financial Holdings (Cathay FHC), now in its 11th year, operates subsidiaries including a life insurance company, a bank, a P&C insurance company, a securities dealer, a securities investment trust, and a venture capital company. It is the largest financial group in Taiwan and serves 12 million customers through 735 sales points across Taiwan. In response to the higher demand for financial planning services and changes in the population structure in 2011, Cathay FHC modified its double engine strategy, which was based on the combination of insurance and banking services, and added an asset management platform to include Cathay Securities Investment Trust (Cathay SITE) as a wholly owned subsidiary under Cathay FHC. In 2012, we also founded Cathay Conning Asset Management in Hong Kong for a triple engine strategy, combining insurance, banking, and asset management services. The triple engine strategy serves as the core development strategy for the group to place equal emphasis in all three areas.

Meanwhile, we have entered markets outside Taiwan and taken an aggressive approach to expand overseas. With respect to building a network in China, the Shanghai branch of Cathay United Bank (CUB) has quickly doubled its profits in 2012, and will continue to increase the size of its business and the reach of its service network in China in order to provide a more comprehensive line of services. Cathay Life Insurance (Cathay Life) has opened 10 head offices and branches as well as 32 points of service. Cathay Century Insurance (Cathay Century) has established 17 nodes in 2012 and extended its reach into large provinces in central and western China. Seeing opportunities offered by the growing economy of Southeast Asia, CUB worked with its subsidiary Indovina Bank to create 38 service points in Vietnam, and has acquired 70% of the shares in Singapore Banking Corporation Limited in Cambodia. Cathay Life has set up service points in 6 centrally controlled municipalities in Vietnam, while Cathay Century has opened a headquarters and a branch in Ho Chi Minh City and Hanoi. Our group will continue to increase the number of service points in Southeast Asia to create a complete network and to boost the percentage of overseas revenues in the future.

**1 out of every
2 people**

in Taiwan is a Cathay FHC customer

Cathay FHC Summary

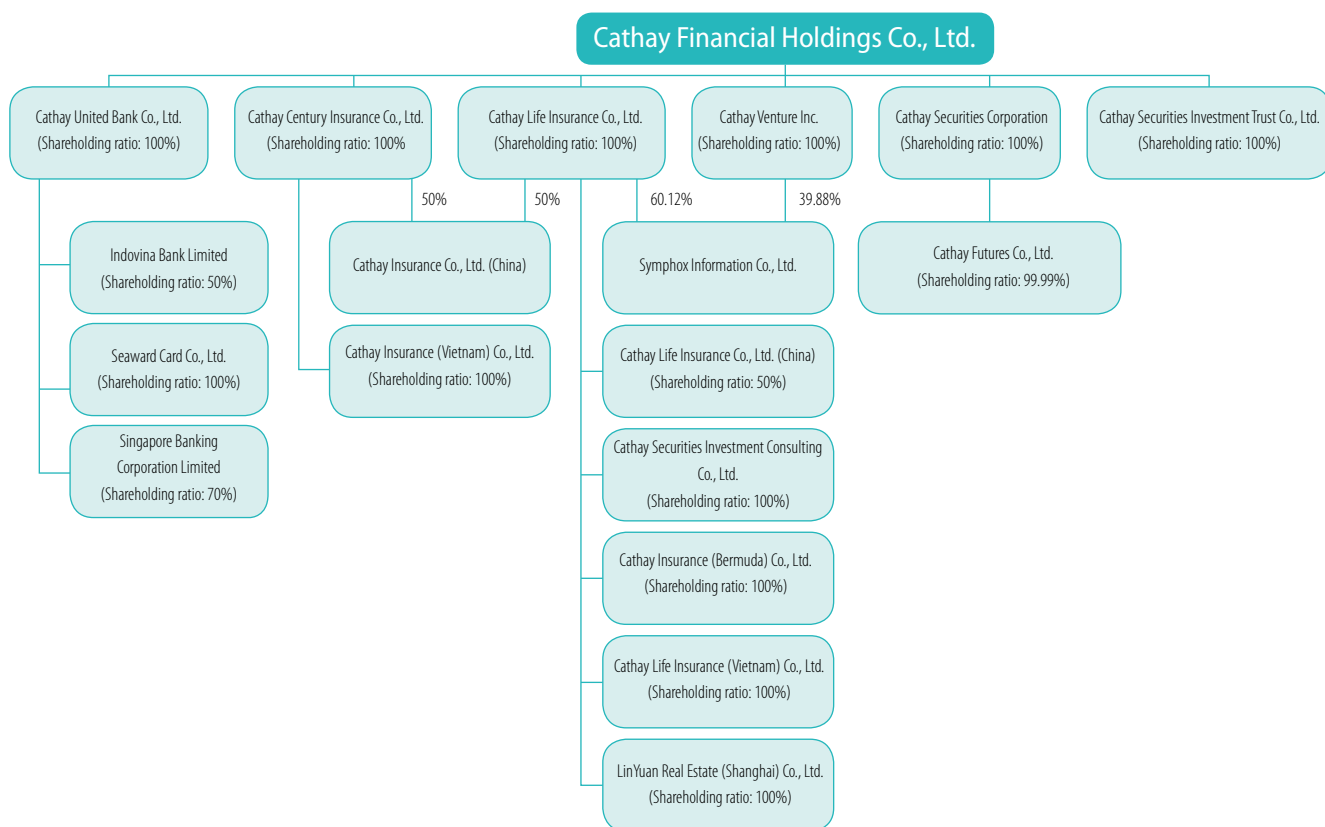
- Establishment: December 31, 2001
- Headquarters: No.296, Sec. 4, Renai Rd., Daan Dist., Taipei City
- Capital: NT\$120 billion
- Subsidiaries: Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), and Cathay Venture

Cathay Life	Established market leader in terms of total assets, total premium income, and points of services
CUB	One of top 3 credit card issuers in Taiwan in terms of cards in circulation and expenditure
Cathay Century	Second largest property and casualty insurer in Taiwan
Cathay Securities	Securities dealer offering one-stop services
Cathay SITE	Largest investment trust company in Taiwan in terms of total assets under management
Cathay Venture	Mainly investing in companies in expansion or maturity stage in Greater China

Looking forward to future development, Cathay FHC launched the "New Heights Project" to ensure the group's continuous growth in the next fifty years. "Integrity, Accountability, and Creativity" have been chosen as the core values of the group. The goals are to increase growth in different business areas, remain the market leader, maximize total shareholder value, and continue steadily along the path toward becoming the best financial institution in the Asia Pacific.

Cathay FHC confirms core values in 2012 to be

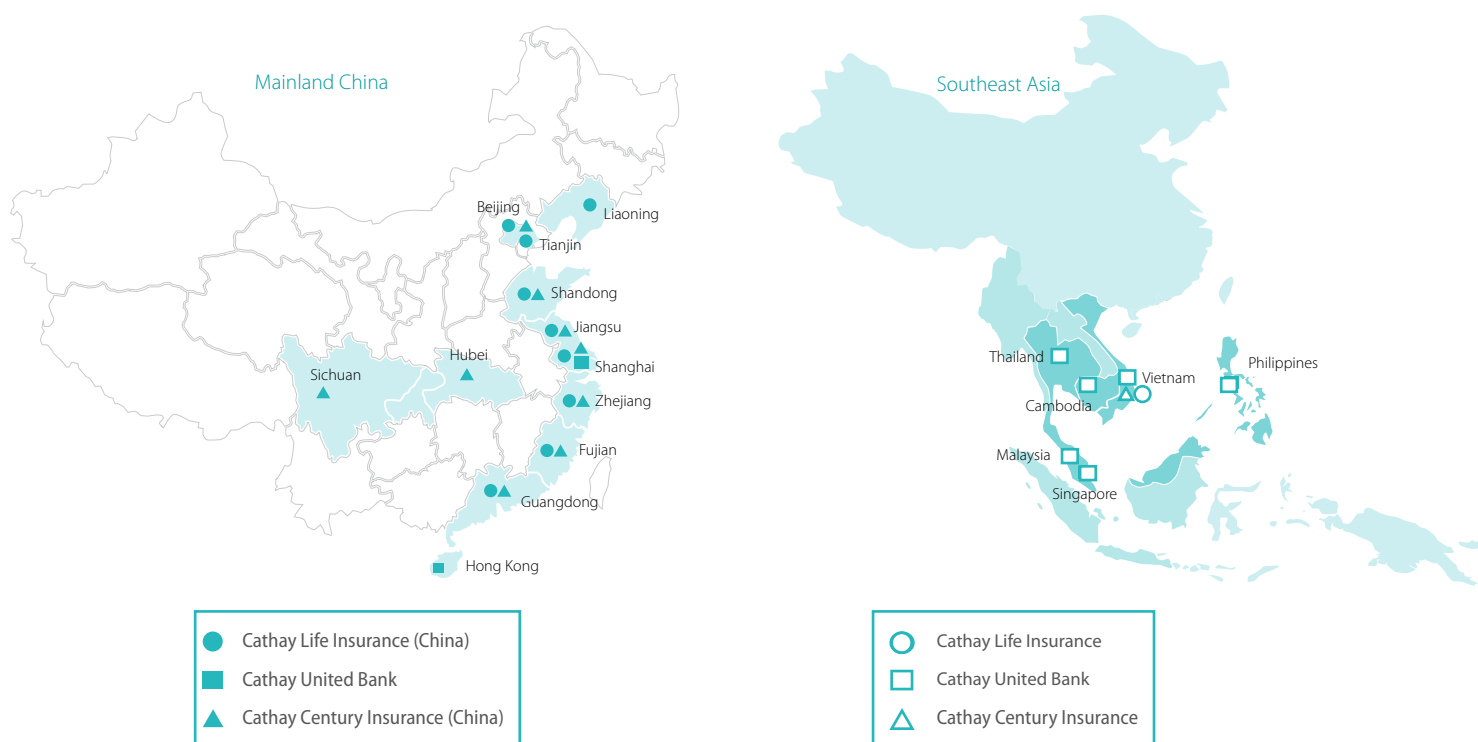
**"Integrity,
Accountability, &
Creativity"**



Parent-Subsidiary Structure

Note 1: Cathay FHC takes an aggressive approach to overseas expansions and business development. In 2012, the bank's subsidiary acquired 70% of the shares in Singapore Banking Corporation Limited in Cambodia, while the life insurance company's subsidiary established Lin Yuan (Shanghai) Real Estate Co., Ltd.

Note 2: Cathay Conning Asset Management referred to in the original Cathay Financial Holdings CSR Report 2011 is not a subsidiary as defined under Article 4 of the Financial Holding Company Act, and therefore is not disclosed in the annual shareholder report or this report.



Cathay Financial Holdings Domestic and Overseas Service Points

Change Starts Now



Cathay FHC has established its core values as Integrity, Accountability, and Creativity. We also launched a three-year "New Heights Project" in mid-May 2012 in order to boost the group's competitiveness. This project involves reinvigorating the organization, building a group culture, and modifying the business structure. The aim is to achieve higher growth upon existing foundation.

"Integrity" is a vital element in any financial institution. It is the reason why customers place their trust in us and an essential principle when we perform our duties. "Accountability" is to actively take responsibility. In order to give Cathay employees a better understanding of accountability and its practice, our executive managers explain the concept and share their experiences, and also collect, commend, and organize events to reward employees for being held accountable. Meanwhile, we also invited the author of the book, Accountability, to give a speech in order to gradually reinforce the attitude of accountability in our employees.

Furthermore, we define "Creativity" as continuously outdoing oneself and achieving a sustainable future. Therefore, we have encouraged employees to review their own responsibilities through a series of creative proposals and competitions within Cathay FHC and its subsidiaries in 2012. The aim was to collect creative ideas and enable these ideas to be approved, reviewed, and assigned to relevant departments regularly by the innovation review team. Moreover, as the leader of the holding group, Cathay FHC has created a proposal platform that spans all subsidiaries to allow the subsidiaries to suggest ways of innovating potential benefits and making improvements regarding the management processes, business models, product marketing, customer services, and investment management from an objective perspective. In the future, we will organize innovation prize contests that are open to everyone in the group in order to encourage employee participation while simultaneously trying to discover and cultivate potential talent in the proposal and competition process.

The journey of reform requires full participation. Therefore, we have reached a consensus through communication, initiated transformation through designing action plans, and inspired all employees to join the effort by having management lead by example. Meanwhile, we demonstrated our commitment to transformation to employees by holding over 50 work meetings within the group, and created a New Heights Project section on the employee portal site in September 2012 to introduce the project, show progress made by subsidiaries, share stories of transformation, as well as offer updates. A message board was also set up to increase communication among employees.

Integrity

Instill confidence in customers, management, and peers

Accountability

I Care! Finish and finish with quality

Creativity

Improve status quo and pursue more, better, faster, and more efficiency in different ways

Creativity starts with daily changes Leaps of improvement start with single steps

The optimization meeting at CUB was initiated in July 2012. A total of 1,438 proposals were received, 38% of which were completed by January 2013. The results included resolving problems actively identified by employees during daily routines, responding to customer expectations, and completing tasks given by supervisors. We expect to further improve this platform and offer more incentives to our employees to show their creativity after releasing the 2013 Contest Guidelines.

Meanwhile, Cathay Life organized an innovation contest called "Creative Madness" to encourage employees to bring creative ideas and new concepts into their work and invigorate the workplace. In addition, in order to break down the barriers between different departments, employees were encouraged to assemble interdepartmental teams to join the contest. The Innovation Consensus Camp was organized in conjunction with the contest with the aim of developing a common language for management and employees to inspire each other and exchange new ideas.

Units that made relevant proposals that passed the preliminary review and achieved the predetermined goals received a Best Functional Unit Award. Executive managers also showed strong interest in the event and expressed their expectation of boosting team spirit of employees and customer satisfaction.



Awards & Recognition

Participating in external award contests and rankings is one of the ways Cathay FHC carries out self assessments, and is also a means of self improvement and inspiring employees. CSR related awards that Cathay won in 2012 are listed below:



General awards

- (July) - Cathay Life received 5 Grand Awards and 7 Awards for Excellence at the 2012 Faith, Hope, and Love Awards. Cathay Century received 5 Grand Awards and 1 Award for Excellence.
- (August) - Cathay FHC won Third Place under the Financial Sector category in Commonwealth Magazine's Corporate Citizen Awards.
- (November) - Cathay FHC won the Silver Medal under the Financial Sector category in the 2012 Taiwan CSR Awards by the Taiwan Institute for Sustainable Energy.



Finance

- (April) - Cathay FHC appeared once again on the Forbes Global 2000 list of leading companies.
- (May) - Cathay FHC was named again, and ranked First Place in the financial sector in Taiwan, in the Top 1000 Cross Strait Enterprises Survey conducted by Business Today.
- (May) - Cathay Life won First Place in revenue again out of 100 financial institutions in the Top 1000 Survey by Commonwealth Magazine in 2011. Cathay FHC topped the chart out of 16 financial holding companies in term of net income.



Environment

- (March) - Cathay FHC won the brand award, SUPER GREEN, by Business Next, and ranked First Place under the financial services category.
- (September) - Cathay FHC was named one of the Green Champions in 2011 by the Environmental Protection Administration of the Executive Yuan.
- (September) - Cathay Securities's mobile office received the Innovative Design of the Year at the 10th Golden Torch Awards by the Outstanding Enterprise Managers Association. We were the only securities dealer to win the award.
- (November) - CUB received an Award for Excellence in Best Business Innovation at the 6th Taiwan Banking and Finance Best Practice Awards.



Employee education and training

- (March) - Subsidiaries within Cathay FHC received awards for outstanding performance under the categories, "Financial Holding Company", "Life Insurance Office Workers", and "Life Insurance Field Force", and an award for excellence under "Property & Casualty Insurance Company" at the Insurance Talent Awards by the Risk Management, Insurance & Finance Foundation. Cathay FHC is the financial group employer most desired by college graduates of finance, risk management, and insurance.
- (May) - CUB received a Labor Safety Award for Excellent Autonomous Management Performance 2011 from the Labor Inspection Office.



- (September) - Cathay FHC was named a Gold Star Enterprise in the Best Companies contest by Taipei City Government Labor Bureau.
- (November) - Cathay Life was granted TTQS Gold Medal Certification by the Executive Yuan.



Community contributions

- (April) - Cathay Charity Foundation was named an Outstanding Blood Donor Organization for the 11th time by the Ministry of the Interior.
- (September) - Cathay Life was awarded gold medals under the categories "Sponsor" and "Advocate", at the 4th Sports Activists Awards by the Sports Administration of the Executive Yuan.
- (November) - The Cathay United Bank Culture and Charity Foundation received the Social Education and Charity Award from the Ministry of Education.



Customer services

- (February) - CUB received first prize in the 2012 Customer Recommended Wealth Management Bank at Wealth Management Survey by Global Views Monthly for the third consecutive year, and also won the Best Perceived Wealth Management Bank under the Overall Survey category.
- (March) - Cathay SITE won the 15th Best Fund Award for the Cathay Small & Medium Cap Fund.
- (April) - Cathay Life was ranked First Place among life insurance companies in the Benchmark Digital Service Provider Survey by Business Next for the second consecutive year.
- (April) - Cathay Life won top prizes under both Favorite Brand and Most Desired Brand at the Young Brand Survey by 30 Magazine for the third consecutive year.
- (July) - CUB received a Consumer Confidence Award and an Excellent Growth Award at the 2012 Wealth Management Survey by Business Today.
- (August) - Cathay Life won the Top 10 Best Companies Award and the Best Customer Satisfaction Award at the 10th Golden Torch Award by the Outstanding Enterprise Managers Association.
- (August) - CUB won the Best Structured Product Award at the Asset Triple A Investment Awards by Asset Magazine.
- (November) - Cathay Life received 4 awards for excellence in Most Recognized Brand, Best Sales Force, Best Claims Services, and Most Recommended on the List of Best Life Insurance Companies by Risk Management, Insurance & Finance.
- (November) - Cathay Life was ranked First Place under Life Insurance Brands in the 2012 Best Brands for Business People by Business Today.
- (November) - Cathay Life and CUB ranked First Place in "life insurance companies" and "banks", respectively, at the 9th Top Service Awards by Next Magazine. In particular, Cathay Life won the Best Services Gold Prize after receiving the largest number of votes.
- (November) - CUB was recognized for excellent performance in Best Financial Trust and Best Electronic Finance at the 6th Awards for Outstanding Financial Firms in Taiwan.
- (December) - Cathay Life received a Golden Security Award in recognition of its credit information security controls from the Joint Credit Information Center.
- (December) - Cathay Securities was named a Security Underwriter with Second Best Performance in First Approved Listing Application in Taiwan in 2012 by the TWSE.



Financial Performance

Cathay FHC showed significant improvement in overall financial performance in 2012. After-tax earnings were \$17.058 billion—a 50% growth over last year—which ranked Cathay FHC fourth in the financial sector. The financial data for the last three years are shown in the table below; details are available in the 2012 annual report for Cathay FHC.

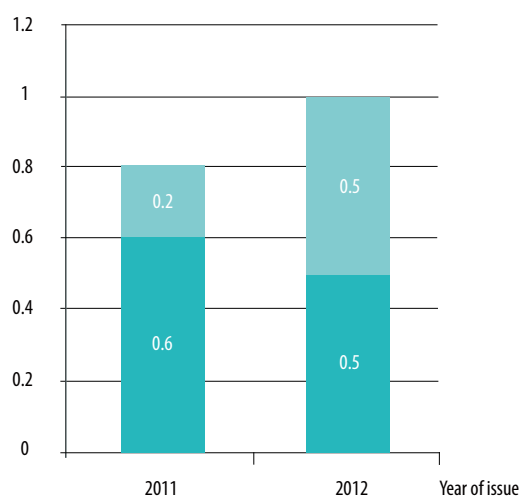
Cathay FHC after-tax earnings in 2012 grew by
50%

Item \ Year	2010	2011	2012
Total assets (NTD, in millions)	4,689,189.5	5,005,402.8	5,435,302.8
Total shareholders' equity (NTD, in millions)	222,506.9	217,711.6	248,584.4
After-tax earnings (NTD, in millions)	4,282.9	11,284.5	17,058.0
After-tax EPS (NTD)	0.41	1.10	1.60
Book value per share (NTD)	21.91	21.02	22.88
Return on equity	1.96%	5.13%	7.32%
Return on assets	0.10%	0.23%	0.33%
Number of shares (in millions)	10,154.4	10,357.5	10,865.4

Note: Statistics are calculated as of December 31, 2012, and are based on consolidated financial statements for Cathay FHC and its subsidiaries.

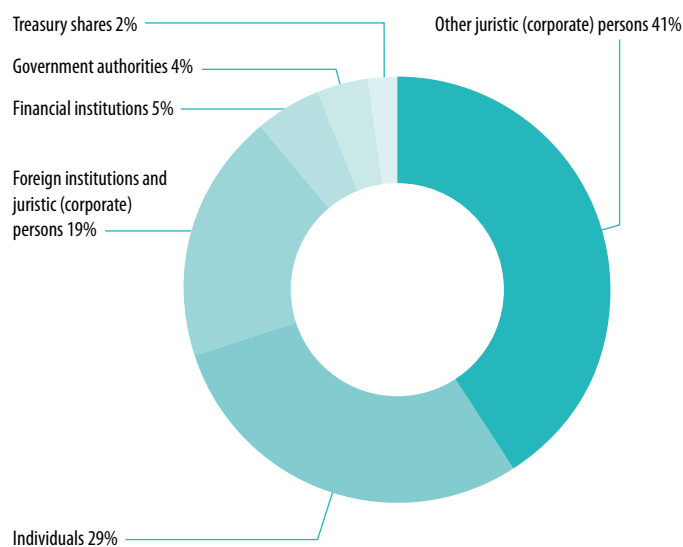
Cathay FHC Dividend Distribution Overview, 2011 to 2012:

Unit: NTD



■ Cash dividend per share ■ Stock dividend per share

Dividend policy



Shareholder structure

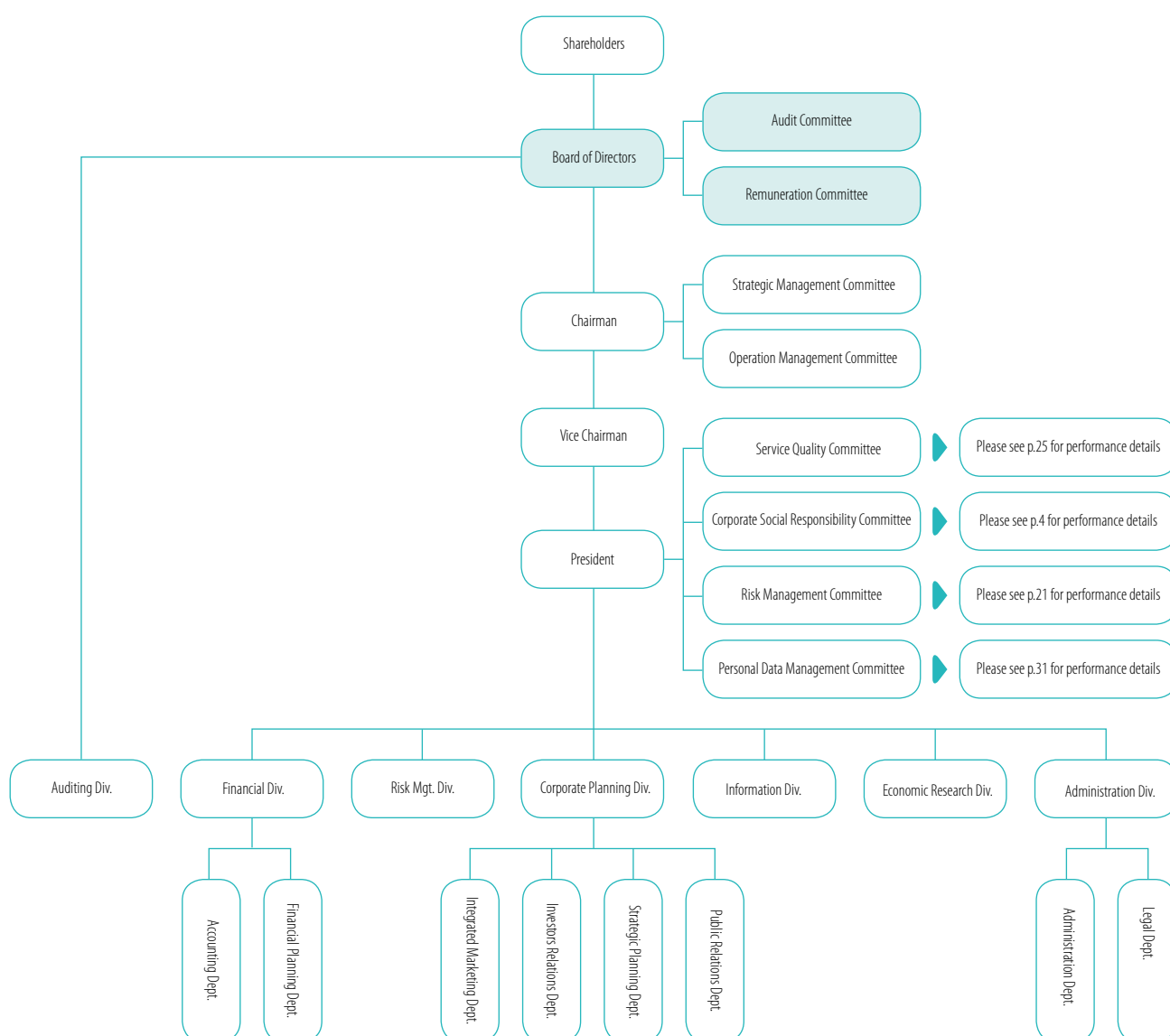
Corporate Governance

Corporate sustainability is rooted in maintaining a firm, robust system of corporate governance. In this regard, Cathay FHC places great emphasis on our system of internal controls in order to secure investor confidence.

Over the years, Cathay FHC has gradually enhanced its various committees to ensure that all operations are handled in a comprehensive manner. At present, there are the Risk Management Committee, the Strategic Management Committee, the Operation Management Committee, Independent Directors, the Audit Committee, the Remuneration Committee, the CSR Committee, and the Service Quality Committee. Detailed milestones are shown in the table below. The committees form the strong, comprehensive backbone for Cathay in its advance to become a sustainable business.

The former Corporate Governance Task Force established in 2010 was merged into one of the five WGs after the CSR Committee was formed. The level of authority was raised to president level of each subsidiary. The current corporate governance WG's goals are to reinforce information disclosure in the short term, to strengthen the functions of the board of directors and exercise the roles of supervisors in the midterm, and to follow global regulatory developments around the world, protect the rights of investors, and increase the degree of disclosure in the long term. In addition, regarding the Articles of Incorporation and important management guidelines, the amendments made in response to internal and external changes in 2012 included the Procedure for Board of Directors Meetings, the Guidelines for Director Performance Evaluation, and the Regulation for Compliance System; the Implementation Directions for Legal and Audit Discussion Meeting was added. Each amendment represented a step towards a more established corporate governance system.

Year	Measures for Strengthening Corporate Governance
2001	<ul style="list-style-type: none"> ● The Risk Management Committee was created to review, supervise, and coordinate risk management operations.
2005	<ul style="list-style-type: none"> ● The Operation Management Committee was created to help the managers keep track of business strategies and long term operations strategies and thereby increase business management performance. ● The Strategic Management Committee was created to establish consensus among managers and increase efficiency and quality of business decisions.
2007	<ul style="list-style-type: none"> ● Independent directors and the Audit Committee were assembled, making Cathay FHC the first financial holding company with an audit committee to comply with Taiwan's Securities and Exchange Act. ● Directors and officers liability insurance was purchased to cover liabilities legally assumed by directors and officers in performing their duties during the terms of office in order to reduce risks to the board members, high level executives, and the company as a whole.
2011	<ul style="list-style-type: none"> ● The Remuneration Committee was created and the Remuneration Committee Organization Regulation was implemented in order to improve company performance. ● An Independent Director Mailbox was created on the website to establish a good communication channel between employees, shareholders, stakeholders and independent directors. ● The CSR Committee was created to accept different topics and achieve the ultimate goal of improving strategic management.
2012	<ul style="list-style-type: none"> ● The Service Quality Committee was created to promote the continuous improvement of customer satisfaction within the group and create customer value.
2013	<ul style="list-style-type: none"> ● The Cathay Personal Information Management Committee was created to demonstrate the company's commitment of protecting customer information and to fulfill management duties



Board of Directors

The company's board of directors—including 10 directors and 3 independent directors—consisted of the same members as in 2011. A total of 7 board meetings were called in 2012, all of which were attended by the 3 independent directors in person with 100% attendance. The board included 3 members of the CSR committee, 2 of which were members of the Cathay FHC CSR committee and 1 a leader of one of the WGs under the committee.

Audit Committee

The company created the Audit Committee in 2007, which was made up of all of the independent directors. A total of 8 meetings were called in 2012. The items on the agenda include: 2011 annual financial statements, 2013 audit plan, the company's plan for raising long term capital, setting the conditions for the company's issues of offshore convertible bonds, and the amendments of Criteria for Handling Acquisition and Disposal of Assets, the Procedure for Board of Directors Meetings, the Market Risk Management Guidelines, the Credit Risk Management Guidelines, the Operational Risk Management Guidelines, the Liquidity Risk Management Guidelines, and the Capital Adequacy Guidelines. The performance of the company's internal control system and the limits of conglomerate concentration are also regularly evaluated by the Audit Committee in order to effectively enhance the functions of the board.

Remuneration Committee

Before the Remuneration Committee was created in 2011, Cathay had the Cathay FHC Manager Remuneration Guidelines and the Cathay FHC Director Remuneration Guidelines to improve business performance. The Remuneration Committee met four times in 2012, and all members attended with 100% attendance. The key proposals that were reviewed included: 2011 director remuneration payments & managers bonuses, regular reviews/adjustments of remuneration for managing directors and managers, and the amendments of the Director Performance Evaluation Guidelines, the Manager Performance Development Guidelines, the Director Remuneration Guidelines, and the Manager Remuneration Guidelines in order to effectively enhance the functions of the board.

Ethical Corporate Management

The name Cathay is associated with being sturdy, reliable, and enduring. To build a trusted brand with an established presence requires years of solid performance and a reputable corporate culture. In 2012, "Integrity" became one of our core values and our constant goals. In March 2012, the company implemented the Code of Operation Integrity based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies in order to establish a corporate culture that focuses on ethical corporate management, implement excellent corporate governance and risk control measures, and create a business environment for sustainable development.

Code of Operation Integrity implemented in 2012

For the practice and measures of ethical corporate management, please refer to the 2012 Cathay FHC Annual Report.

Rating Agency		Cathay FHC	Cathay Life	Cathay Century	CUB	Cathay Securities
Taiwan Ratings	Rating Date	2012.08.24	2012.08.24	2012.08.24	2012.08.24	2012.08.24
	Rating Received	twAA	twAA+	twAA+	twAA+	twA+
	Rating Outlook	Negative (Note1)	Negative (Note 2)	Negative (Note 3)	Stable	Stable
Moody's	Rating Date	2013.01.15	2013.01.15	2013.01.15	2013.01.15	None
	Rating Received	Baa3	Baa2	A3	A2	
	Rating Outlook	Stable	Stable	Stable	Stable	
Standard & Poor's	Rating Date	2012.08.24	2012.08.24	2012.08.24	2012.08.24	None
	Rating Received	BBB+	A-	A-	A-	
	Rating Outlook	Negative (Note 1)	Negative (Note 2)	Negative (Note 3)	Stable	

Latest Credit Ratings

Note 1: Outlook ratings were downgraded for both the life insurance company and the P&C insurance company in the group, leading to an overall adjustment to the holding company's outlook rating.

Note 2: Mainly as a result of adverse external macroeconomic conditions.

Note 3: Mainly reflecting the importance of core subsidiaries, causing them to shift together with the group rating.

Ending the Crisis of Confidence among Securities Trust Enterprises

Incidents such as the scandal involving outsourced discretionary government funds in 2012 and the illegal stock trading and collection of illegal rebates by investment trust managers at the beginning of 2013 had a severe impact on investor confidence and attracted a lot of negative public attention. Cathay SITE not only was not involved in any illegal acts, but also remained committed to its responsibility as the largest asset management company in Taiwan by participating as a vendor in the Fund Industry Self Discipline and Rebuilding Conference and sharing internal stock selection mechanisms with representatives from the government and academia including the Department of Finance of National Chengchi University, the Taipei Foundation of Finance, and the Taiwan Corporate Governance Association in order to achieve consensus and work to develop a sound monitoring mechanisms in the future.

For the purpose reducing investment risks, Cathay SITE created a List of Prohibited Investment, which contained underlying securities selected based on the Taiwan Corporate Credit Risk Index (TCRI). Fund managers will not be able to purchase a stock when the financial structure of the corresponding company does meet certain standards. The control by use of the List of Prohibited Investment combined with filtering by TWSE stock alerts increases the level of investment protection. In addition, we have separated the investment department and the research department in 2013 in order to prevent managers who make investments from illegal stock trading.

Furthermore, regarding the financial incidents in 2012, Cathay SITE implemented internal self discipline measures with higher standards than the requirements of the laws and the competent authorities, including prohibiting managers from buying listed/OTC stocks and securities with rights to shares, raising the frequency of voluntary reporting on own accounts and those held by spouses and minor children and checking these accounts by household, and increasing the size of the review staffs for internal audit and internal control. Under such self discipline requirements, the company has passed many inspections without any error as a result of faulty manager ethics. The company is also trusted by government funds and has obtained the right to manage \$10 billion of discretionary funds in the first quarter of 2013.

We believe that in addition to passive prevention of fraud, we need to also take an active approach. Therefore, we measure ourselves against international standards and aim to align the company with internationally accepted practices. The aim is to develop Taiwan into a more internationally competitive player and a financial platform for foreign investors who are looking to enter China.



Legal Compliance System

Legal compliance is one of the vital elements in the financial sector. A company must observe the principles of good faith and implement a legal compliance and risk management system in order to effectively avoid the risks of potential sanctions, regulatory punishment, material financial losses, and damage to reputation as a result of failure to comply with the laws, rules, and guidelines. A company may also apply the practice to keep the society from spending additional resources and costs for a company's failure to comply with the law.

Hence, the company and its subsidiaries have all established internal Regulatory Compliance Systems. In addition to appointing executive managers to be Chief Compliance Officer according to the applicable laws, creating compliance units and personnel, implementing compliance reporting and education mechanisms, and continuing to refine the aforementioned compliance mechanisms, the company and its subsidiaries actively promoted Legal Compliance System Reviews in 2012 to conduct overall reviews of the compliance systems for the company and its subsidiaries and to organize Unit Compliance Seminars in order to strengthen internal channels of communication. Furthermore, a communication platform for the three core elements of internal control, compliance, risk management, and audit, has been created through the Legal and Audit Discussion Meetings in order to reinforce the legal compliance framework for the companies within the group.

Audit system

Cathay FHC has created an overall audit system and the Audit Division which reports directly to the board of directors. The responsibilities and the results in 2012 are shown as follows:

Responsibilities of Audit Division

- To assist in building internal control systems
- To conduct reviews according audit plans
- To follow up on improvement of internal/external audit opinions
- To supervise the audit practices in subsidiaries and evaluate results

Results in 2012

- Completed regular reviews of Cathay FHC and 6 subsidiaries according to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries and issued 14 review reports with quarterly follow-ups on improvements.
- Completed monthly, quarterly, and annual reviews of the Shareholders Affair Office under the Administration Division, and conducted reviews of transactions involving financial derivatives by the Finance Division and issued project review reports.
- The internal control and internal audit systems were amended in April 2012 and approved by the Audit Committee and the board of directors.
- The 2012 Statement on the Internal Control System has been issued jointly in the name of the chairman, the president, the chief auditor, and the chief compliance officer to confirm that the company has complied with the applicable laws, established an internal control system, implemented risk management, and been audited by a fully independent audit department with reports submitted regularly to the board of directors and the Audit Committee. The statement has been disclosed in the annual shareholder report and on the company's website.

Risk Management

Cathay FHC risk management is built using the framework of enterprise risk management (ERM). The senior management plays an active role in risk management activities in Cathay FHC and its subsidiaries in order to ensure the level of risk exposure, to effectively manage business risks, to increase capital utilization efficiency, to achieve business targets and to increase shareholder equity, and to secure protection for and long term commitments to the customers.

With respect to overall risk framework, we have adopted a triple defense system. The foremost operational and management units in the subsidiaries are considered to be the first line of defense that ensures effective control of operational risk; the risk management unit is the second line of defense to facilitate planning, evaluation, recommendation and supervision of the risk systems; the audit unit is the third line of defense to review the compliance and performance of the guidelines and systems. In addition, we have created the risk management department, the risk management division, and the Risk Management Committee to ensure smooth communication of risk related information and identification of key risks, including market risk, credit risk, operational risk, and liquidity risk. Please see the illustration on page 22 for details on Cathay FHC risk management framework and operations. In particular, the Risk Management Committee meets once a month to verify the normal operation of risk management mechanisms and to review the results of risk management practices in order to ensure the company's risk tolerance. A well-established risk management system has enabled Cathay Life to win the Risk Management Award by the Taiwan Insurance Institute for three consecutive years, demonstrating its position as the market leader.

In addition, regarding new issues such as a constantly changing market, extreme weather conditions, and rising health risk, an overall risk management policy for Cathay FHC has not been formulated, but the issues with a material impact have been included in the risk management systems for the subsidiaries and monitored. For example, Cathay Century purchased a natural disaster risk management system developed by Taiwan Risk Management in 2010 in consideration of more severe risks for property and casualty insurers such as climate changes and natural disasters. The system is used to assess potential losses as a result of natural disasters such as a typhoon, flood, or earthquake. The analysis results are used to formulate the risk transfer plans including the necessary structure and amount of reinsurance. The financial impact on the company will continue to be monitored after occurrences of specific natural disasters.

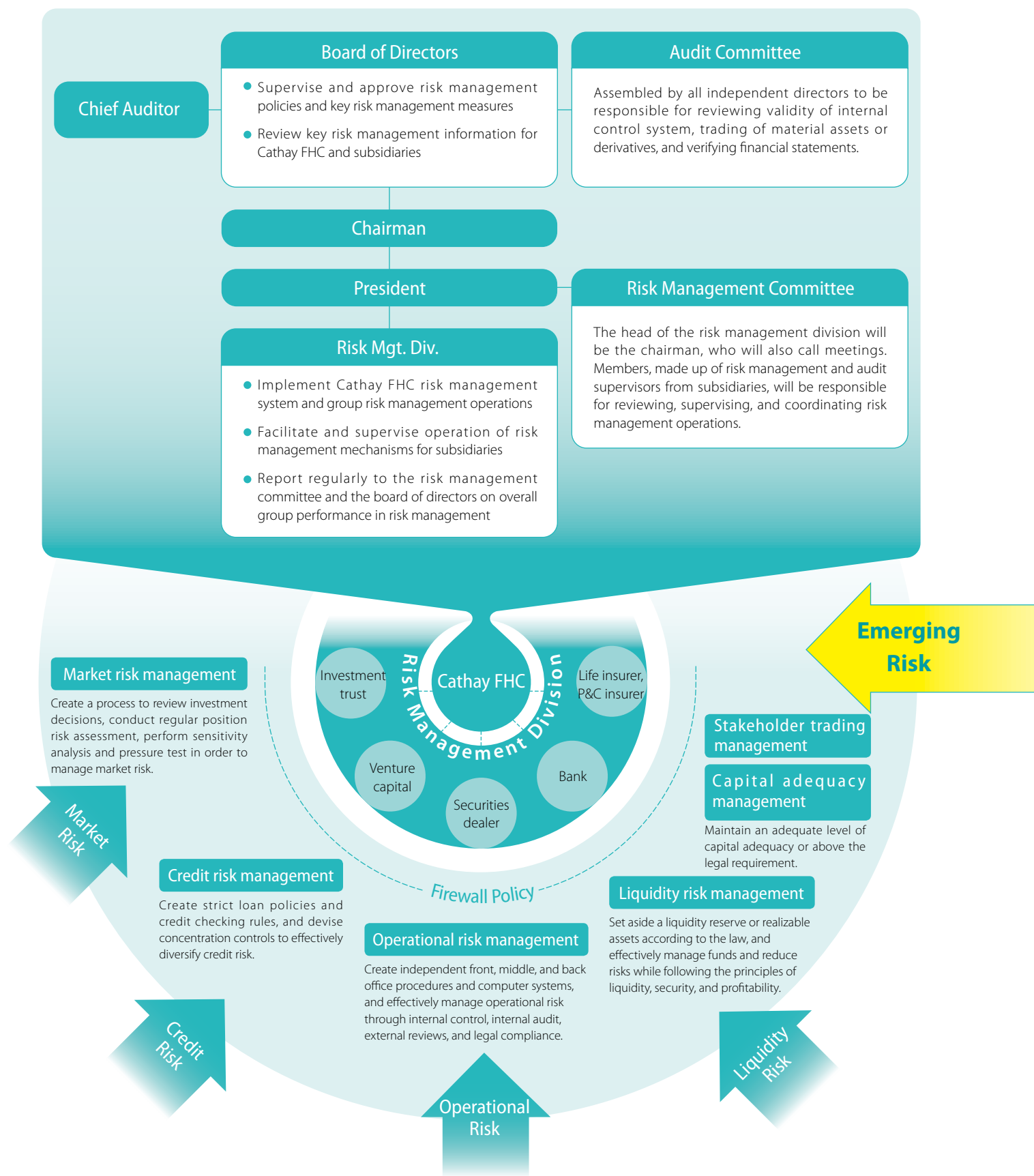
Emergency response

Cathay has implemented Major Event Reporting Guidelines to be used by Cathay FHC and its subsidiaries as guidelines in the event of significant crises. Meanwhile, we have also implemented the Credit Risk Event Reporting Procedure in order to reduce the impact on the company in case of a major event happening to a loan account or issuing company of an underlying security. Furthermore, we will assemble emergency response teams in case of emergencies that may affect public confidence in the company or natural disasters caused by climate changes. The president of each company or a designated manager will be appointed as the convener to handle the emergencies with the aim to eliminate the crisis in the shortest time or to minimize the damage to the company.



Chang-Ken Lee, President of Cathay FHC

"A financial institution is in the business of risk control. The largest risk is not knowing the sources of risk. Therefore, we create a risk control oriented culture in which frontline employees play the role of gatekeepers. More systematic, scientific methods of risk detection will be developed in the future, including increasing the sharing of risk control experience."



Cathay FHC Risk Management Framework and Operations

Taking the Initiative to Actively Respond to Emerging Risk

Roadmap of Promoting Disaster Prevention in Taiwan

Loss prevention is a core competency for a non-life insurance company. For the purpose of helping enterprises strengthen their internal risk management capabilities, Cathay Century has been holding 3~4 "Cathay Century Insurance Loss Prevention Seminars" per year since 2005. The issues addressed in the seminars included fire insurance, construction insurance, marine cargo insurance, etc. These seminars are held on a substantial scale than any other comparable events in the industry, and have been extremely well received. Meanwhile, we have also developed a wide category of modeling and analysis techniques to help clients implement risk evaluation with respect to natural disaster, fire, and employee evacuation, achieving us the goal of providing innovative services.

With the great earthquake struck Japan on March 11, 2011 and the severe flood occurred in Thailand in the same year, 2011 was considered one of the worst years for the global non-life insurance industry. Global reinsurers therefore raised the reinsurance premium with respect to natural disaster coverage, leading to a situation that enterprises in Taiwan are suffering from the raising cost of insurance against natural disasters. In response to these circumstances, in 2012, Cathay Century continued with its long-standing efforts with respect to loss prevention, a total of four loss prevention seminars were held, speeches with insight were given by meteorological experts and engineering consultants, and representatives from 250 firms attended. In 2013, we will be continuing to work together with domestic and international experts who strived for practical disaster prevention techniques to promote the development of disaster prevention in Taiwan, and will further speed up industrial communication and exchange activities as well.



- A "Seminar on Risk Potential and Risk Management of Natural Disasters in Taiwan" was held on April 19 – 20, 2012
- A "Seminar on Construction Insurance Loss Prevention" was held on August 17 and August 20, 2012
- A "Seminar on Crisis Management and Loss Prevention" was held on November 9, 2012

Owing to the acceleration of climate change in recent years, there have been significant changes in Taiwan's climate and rainfall pattern. It becomes a commonplace for the occurrence of flash flood after several hours of intense rains. In order to assist our clients in dealing with the contingency from typhoons and heavy rainstorm, Cathay Century has been integrating GIS technology with potential flood charts to provide clients with information of likely flood risk in a particular environmental and hydrological condition. Furthermore, we help clients evaluate the effectiveness of their flood prevention measures and thereby helping them cope with the increasing risk of flood associated with climate change.

Responding to the New Personal Information Protection Act

For the purpose of complying with regulatory requirements and reinforcing protection of personal information, Cathay FHC and its subsidiaries formed a Personal Information Management Implementation Task Force in October 2011 and employed an external consulting firm to incorporate functions of personal information management into existing information security management system in order to avoid reducing management efficiency by having too many overlaps in the system and to achieve consistency in management. Furthermore, we have also created a personal information invasion emergency response team to carry out emergency responses when invasion of personal information has occurred. See page 29 for details.



Cheerful Care Customers First

Customer Care Working Group Head

Alan Lee, Senior Executive Vice President
(Chief Executive Officer-Corporate Banking, Cathay United Bank)

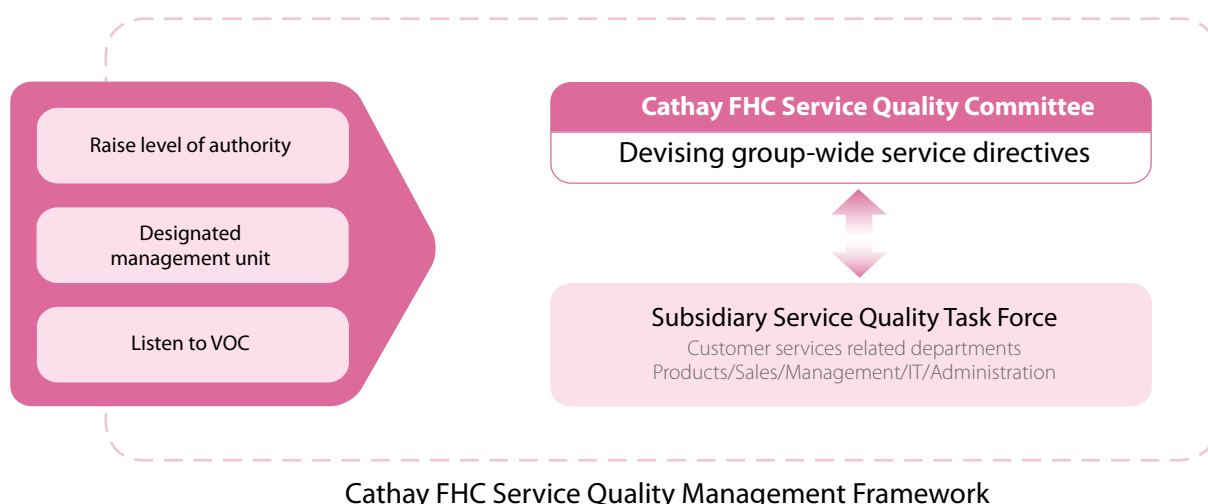


Management expert Peter Drucker once said that the purpose of business is "to create a customer." In Taiwan, every company in the financial sector offer highly similar products and services. However, we believe that honesty, thoughtfulness and professional service is the golden standard of serving customers and is the only way to distinguish our company.

Cathay has a large, varied customer base. In order to integrate effectively, Cathay FHC established the Service Quality Committee in May 2012, with the presidents of each subsidiary as members. The committee is responsible for setting up service directives in order to integrate resources within the group and enhance service quality. Service Quality Task Forces established in the subsidiaries and hold regular monthly meetings with departments related to customer services to formulate projects to enhance service quality, while listening to the Voice of the Customer (VOC). The task forces are responsible for planning, implementing, and tracking projects to enhance service quality in order to uphold the service philosophy of putting customers first in effort to establish the improvement of customer satisfaction as the universal objective.

Service Quality Committee

established in May 2012



Cathay FHC Service Quality Management Framework

In 2012, the Service Quality Committee collected service quality practices from peers and companies in other industries both in and outside of Taiwan. The subsidiaries established "service indicators" for each point of service. Subsidiaries regularly monitor the performance of these indicators from a customer oriented perspective, aiming to satisfy customer needs in every step of our service process.

In addition, the Customer Care WG under the CSR Committee devises the short term directives in order to enhance customer service and customer rights:

- Added electronic services, including paperless mobile services and mobile phone services to increase interaction with customers through multiple channels.
- In response to the Personal Information Protection Act, implemented related management systems in order to protect customer rights.

	Point of Service	Service Indicator
Face-to-face services	Salespersons, financial planners, service counter staff	E.g. waiting time for teller services
Remote services	0800 customer hotlines, electronic services	E.g. waiting time on the telephone
Back office services	Claim payments, credit card application, account services	E.g. response speed

Cathay Financial Holdings Service Index

Enhancing Customer Service

Cathay has been an active player in the local community for 50 years. A dense network of service points across Taiwan, friendly service representatives, 24/7 customer service hotline and the automated online services satisfy the financial needs of customers in Taiwan. The features of different service channels are shown as follows.



Teller services

556 Cathay Life offices and POS, **163** CUB branches built the largest network in Taiwan

Services reaching into remote areas

The two largest companies under Cathay FHC both have the largest number of service points in Taiwan among our peers. Cathay Life has 556 offices and service points across Taiwan, ready to serve customers in both urban and rural areas. CUB is the private bank with the largest number of branches in Taiwan, with 163 branches as of the end of 2012. In addition, 7 branches are located in less populated cities and counties to provide a complete service network.

SME finance consulting desks

SME finance consulting desks have been created in 40 branches that are specialized in SME financial services in order to facilitate better business soundness for SMEs by offering one-stop financial services.



One-stop Service Channels



House visits

26,000 agents equipped with Mobile Office to provide professional services

Active attention to prevent service interruptions

Cathay Life fully understands that an insurance policy is a long term relationship between the company and the customer. Starting in 2011, a customer who has not been in contact with the company for one year or longer will receive a visit from one of the agents to provide policy review of and the latest news about services. More than 1.4 million customers were visited in 2011 and 2012.

Cathay's mobile insurance has made a significant improvement in efficiency. Not only has information been collected via iPad, but customer signatures can be provided directly on an iPad before the policy is automatically approved and paid by credit card—becoming effective immediately! Mobile policy administration and mobile claim services give representatives a chance to provide services at customers' homes as a mobile counter.

Cathay Securities has created a Mobile Office system for service representatives, who use iPad to look up customer transactions, stock inventory, and latest research reports as well as real time customer orders in order to provide investment services that customers require.





Automated facility services

CUB has **1,860** ATMs across Taiwan

Convenient companion to MRT riders

The MRT is an important mode of transportation for Taipei residents and a key component of the public infrastructure that takes Taipei a step toward a greener future. CUB has been providing financial services in MRT stations for 15 years by providing ATMs, Easy Card machines, and coin machines. Now, CUB offers Easy Card credit card and preferred loans for MRT riders, aiming to serve the large commuting population.

Accessibility services

CUB integrated personnel from its planning, operations, and IT departments to collaborate with an automation equipment firm to make the Accessibility ATM a reality. In addition, teachers from the Taipei School for the Visually Impaired were invited to test and fine-tune the new ATM. As of the end of 2012, CUB became the first bank to set Accessibility ATM in MRT station, and has completed four ATMs for the visually impaired, which allows them could follow the oral instruction to complete withdrawals and balance inquiries on their own.

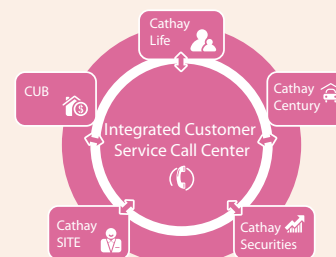


Telephone service hotlines

0800 lines available for life insurance, bank, P&C insurance, manned by **372** professionals 24 hours a day

24-hour integrated telephone services

Telephone service is an important channel for customers to seek assistance in an emergency and a firewall against fraud. Cathay offers fast, convenient telephone service. A customer can call any one of the telephone customer services operated by the subsidiaries, and can automatically be transferred to the relevant service line operated by another subsidiary for avoiding the inconvenient of redialing and that the number is correct. In addition, Cathay SITE sends regular EDMs to customers who have not made any transactions for a year and makes calls to offer lists of suitable products for offering inactive customers non-stop service.



Online, mobile services

All subsidiaries have online transaction platforms and are working on introducing mobile services

Innovative Apps to simply life

For our customers' convenience when looking up benefits and special discounts offered by the group, Cathay FHC introduced the industry's first integrated financial app, My MobiOne in 2011. The app enabled 12 million Cathay FHC customers to track real time financial information and convenient services to satisfy daily needs.

In September 2012, Cathay Century introduced free Drive Safe APP, which integrated the GPS positioning, photography, and recording features provided by smartphones. The app is not exclusively offered to Cathay Century customers but anyone who encounters an accident. The QR code on the Drive Safe policy bag can be scanned to download the Cathay Century Drive Safe APP to assist the car owner to collect accident information by following the standard, correct procedure. It aims to resolve problems that the average car owners would not know how to handle.



The quality of our services has met the approval of professional institutions. Cathay Life received ISO 9001 certification in 1998 and was the first company in Taiwan to pass ISO 10002 (customer satisfaction and complaint handling in organizations) in 2010. Cathay Life excelled itself in 2012 by passing a review by a standard committee made up of academia, the industry, and government and becoming the first insurance company in Asia to pass SGS Service Quality Certification. It is clear that Cathay Life's commitment to serving its customers now matches that of an international corporation.

We uphold three core values: Integrity, Accountability, and Creativity. Creativity is the power driving progress. Therefore, Cathay Life not only organizes events to encourage employees to put forward proposals and exercise creativity. In December, we held the Beyond Imagination creativity contest, where an innovation platform was created on the company's webpage to invite the public and students to compete with other creative minds as individuals or as teams. We emphasized that services should be built on the foundation of sincerity and responsibility, or in other words, "Accountability". Hence, CUB followed suit and held the Best Service Rep contest in July 2012 to encourage its employees to become better services representatives. Given that it increased customer satisfaction, all front line employees showed enthusiasm and created an active atmosphere that won a constant stream of praise from the customers.



SGS Qualicert Quality Certification



Cathay Life - Creativity Contest

Got a creative idea but no way to turn it into reality? Want to design the ultimate insurance product or have a new idea about insurance or service? Cathay Life held the Beyond Imagination creativity contest with \$300,000 in prize money between December 2012 and January 2, 2013, and provided a platform for creativity and innovative ideas. The public was invited to inspire creative financial projects to build an innovative, high quality insurance company with excellent customer care.



CUB - The Best Service Rep Contest

"Happy with our services? Give us a score!"

150 Best Service Reps were selected in the contest and received recognition, certificates, and prizes. The top three Best Service Reps shared their ideas of service: service is to "satisfy customers", service is to "make friends with customers", and service is "do it well in the first time". Customers also sensed the active approach and the sincere attitude throughout the contest and expressed much approval and praise!

Service Satisfaction

The financial industry is a service industry. Customer satisfaction is one of the key items to be reviewed. Therefore, all subsidiaries under Cathay FHC conduct their own satisfaction survey on different subjects.

In 2007, Cathay Life started outsourcing satisfaction surveys to external experts to provide a basis for service enhancement and development in a diversified range of services that meet customers' insurance needs. In addition to organizing the Best Service Rep contest in 2012, CUB also conducts constant satisfaction survey to refine the service quality at contact points with the customers. In 2008, Cathay Century created the Satisfaction Assessment Task Force, which was made up by department heads from units such as human resources, audit, and operations. Meetings are called monthly to assess positive customer feedback and complaints and formulate plans for improvement, and include the assessment results as part of the annual performance evaluation. In 2012, Cathay SITE also conducted an online transaction satisfaction survey on 60,000 electronic trading service users to provide a basis for the revamping of the website. The aim was to reach deep into the customer base of electronic transactions. Cathay Securities plans to implement five service indicators to monitor customer satisfaction in 2013.

	Cathay Life	CUB	Cathay Century	Cathay SITE	Cathay Securities
Satisfaction survey items	Sales agents, telephone customer service centers, service center counters, claim services, and outbound call services	Best Service Rep contest at counter, telephone services, and online services	Telephone services, claim services, and administrative services	Official website and online transaction options	New accounts, first/ electronic transactions, and VIP services
Performance 2012	Overall satisfaction at 92.1%, increasing from 88% in 2011.	Satisfaction at 94.9%, increasing from 89% in 2011	Satisfaction at 91%	Overall higher than 70%	Scheduled to be implemented in 2013

2012 Cathay FHC Service Satisfaction Performance

At Cathay Life, the quality of customer service is important for us. We aim to achieve 90% customer satisfaction for all services. Starting in 2011, sales agents have been encouraged to take the initiative to visit customers who "have not been in contact with the company for a year or more." The overall satisfaction rose to 92.1% afterwards. In addition, CUB is also committed to increasing service satisfaction. The service satisfaction survey in 2011 showed that customers desired a faster response for emails. After reviewing and adjusting the processes, in 2012, we received positive feedback from customers because of our improvement in efficient email response, which has significantly increased our customer satisfaction.

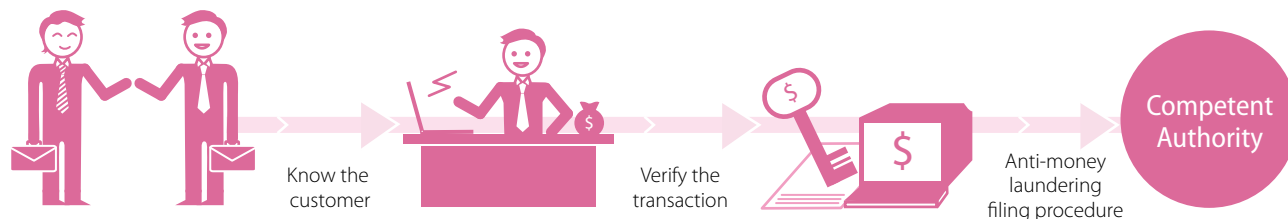
Protecting Customer Rights

Rationalizing Product Development Policy

Product development at Cathay is founded on rational product development based on customer needs. For example, in recent years, Taiwanese people have become frequent travelers, with more than 9.6 million trips taken every year. Most of people purchase travel insurance, however, in case of an accident, whether the beneficiary can actually use the accidental death benefits becomes an important issue for the public. Therefore, Cathay has made a special effort to integrate life insurance, banking, and property and casualty insurance service, and introduced a first-in-the-industry service, Travel Insurance with Automatic Conversion of Accidental Death Benefits to Insurance Trust. The program allows a bank to incorporate the option of converting death benefits to a trust as selected by the customer into the claim systems of the life insurer and the property and casualty insurer, creating a one-stop insurance and trust integrated mechanism. Furthermore, the program ensures the benefits can be used to take care of the beneficiary as intended by the customer.

Assisting Customers to Identify Their Own Risk Tolerance

In addition to integrating the "Know Your Customer" (KYC) policy into our services, we have implemented internal audit mechanisms to monitor special, unusual transactions. All subsidiaries of Cathay FHC conduct product adequacy reviews based on the customer's investment habits. These reviews help hedge risks and impose transaction restrictions on minority groups (e.g. seniors of age 70 and above) and suspicious high risk customers in order to ensure effective customer protection and anti-money laundering mechanisms.



Customers who are purchasing new policies from Cathay Life will not only receive detailed explanations from sales agents at the beginning, customers will also receive calls from the telephone customer services to confirm that the customers have fully understood the contents of their policies. The telephone interviews can also be used to verify the correct mailing addresses of the customers in order to ensure that the customers can actually receive information from the company in the future.



Cathay Life Outbound Call Center

Compulsory telephone interview to **1.2** million customers annually

Outbound calls to confirm understanding of products

Verifying contact information to ensure rights in the future

Unconditional acceptance of the policy may be cancelled before telephone interview is completed

Reminder of Customer Rights

At Cathay Life, we understand that an insurance policy is a long term contract, and customers often forget their entitlements (e.g. annuity or endowment payment to be collected) as time passes. A customer rights reminder system has been specially created to prompt a reminder of entitlements due in the upcoming month when the customers contact the company through various channels. The practice changes the conventional passive nature of services to an active approach.

CUB introduced the Auto-Fund, a disciplined automatic investment mechanism to stop losses or earn profits, since people tend to miss the optimal opportunity to cease or gain from investments. The Auto-Fund Automatic Stop Loss Earn Profit Investment Mechanism was introduced in 2012. Investors not only can set stop loss/earn profit percentages, at which the system will automatically redeem the fund and secure the cash in advance, but also will receive automatic notices from the system to keep track of cash flow.

Debt Management with Concerns Project

In response to the Double-Card Debt Crisis of 2008 and the implementation of consumer debt clearance regulations, CUB took

the initiative to provide debt management services by planning the Simple Debt Management Project. Eligible applicants include low income households, patients with critical illnesses or more than mild physical/mental disabilities, victims of major disasters, workers unemployed for three months or more, special case families, and people whose income depend significantly on seasons/weather or market conditions. Flexible repayment plans are offered based on individual circumstances to help customers manage their debts, to improve customer relations, to create more communication channels, and to handle special cases. The number of cases was 2,429 in 2012, most of which were special case families at 23% (including families with single parents or victims domestic violence).

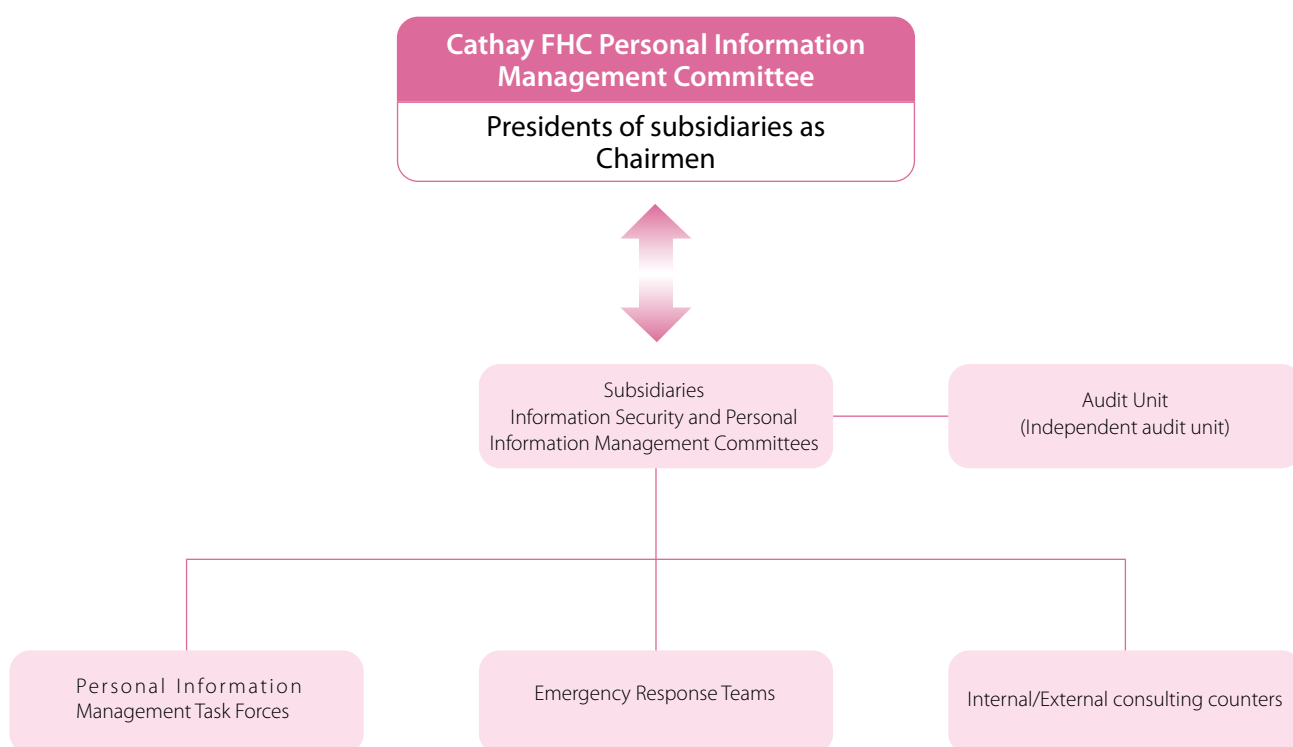
Customer Confidentiality

Privacy Protection

Nowadays, customers have more control over the use of their personal information, and the issue of personal data protection is gaining attention. As a demonstration of our commitment to protect customers' personal data and to exercise due diligence, Cathay FHC created a "Joint Statement of Confidentiality by Cathay FHC and subsidiaries" on our website to explain the ways in which customer information is collected, stored, and protected and to specify the ways to change information and refuse cross selling.

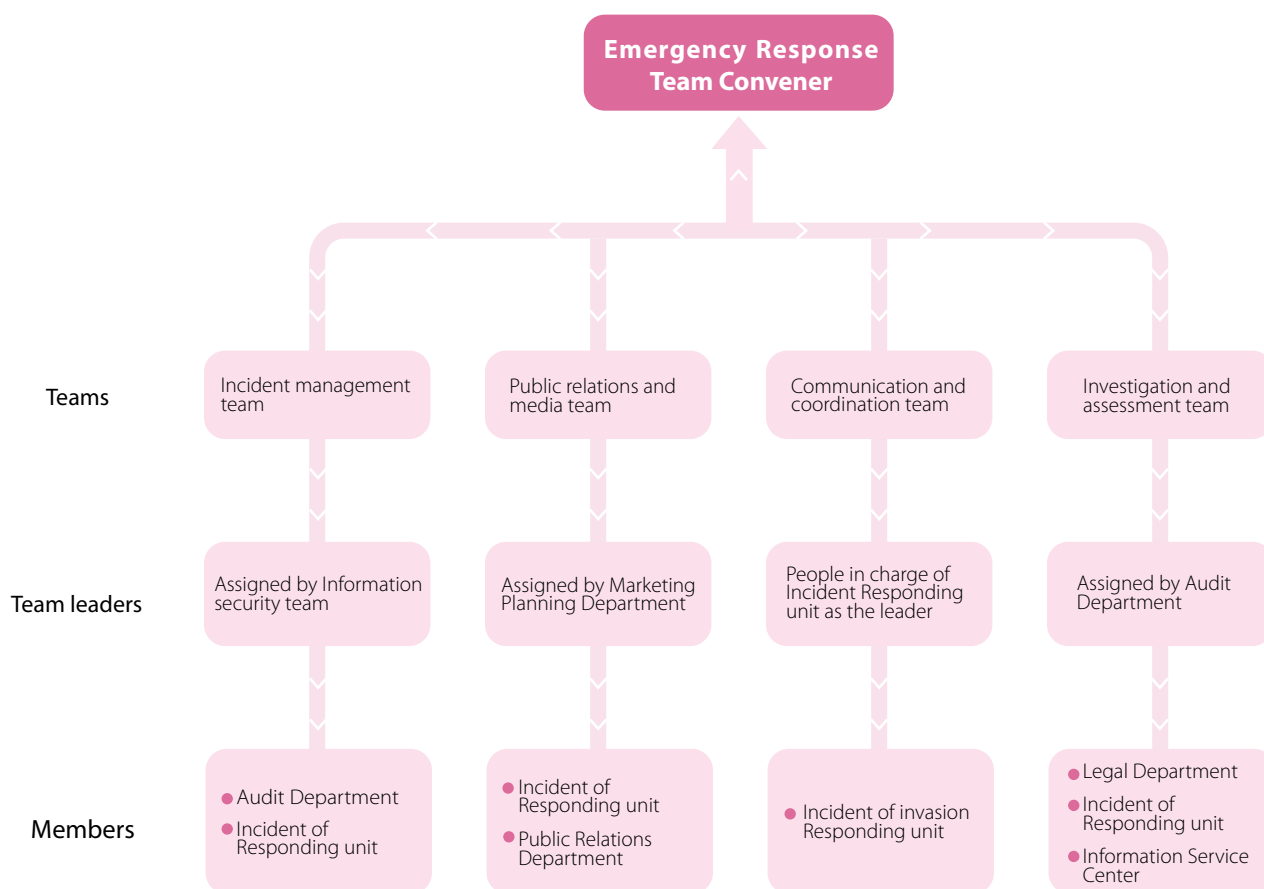
The Cathay FHC Personal Information Task Force was assembled in 2011 with a group of external consultants. The task force assisted the subsidiaries build personal data management systems in order to ensure compliance in operations. The Personal Information Protection Act came into effect in October 2012. The Cathay FHC Personal Information Management Committee was made up by the presidents of the subsidiaries in 2013 to devise Cathay FHC's personal data protection policy. Information Security and Personal Information Management Committees were established in the subsidiaries to design personal data protection programs and to promote personal data management systems in order to ensure the safety of customer information.

Cathay FHC Personal Information Management Committee established in 2013



Cathay FHC Personal Data Protection management framework

Furthermore, we have created a Personal Information Invasion Emergency Response Team and continue to conduct regular drills to ensure a timely response when invasion of customer information occurs. The aim is to protect customers' rights. Cathay Life, for example, has a Personal Information Invasion Emergency Response Team structured as follows:



Emergency Response Team Organizational Chart on the Invasion of Personal Information

Information Security

With respect to the safety of existing information, we have adopted both internal process and external review techniques. Internally, personal data management review items have been included as part of the regular and irregular internal/external information security reviews. Furthermore, Cathay Life and CUB have passed the ISO 27001 standard for information security management systems. On the basis that information security is not limited to several single key business processes but encompasses the entire IT operation, the scope of information security certification was extended to include IT processes related to e-commerce. The responsibility to ensure information security also has been extended from IT departments to other operations departments in order to ensure the safety of customer information.

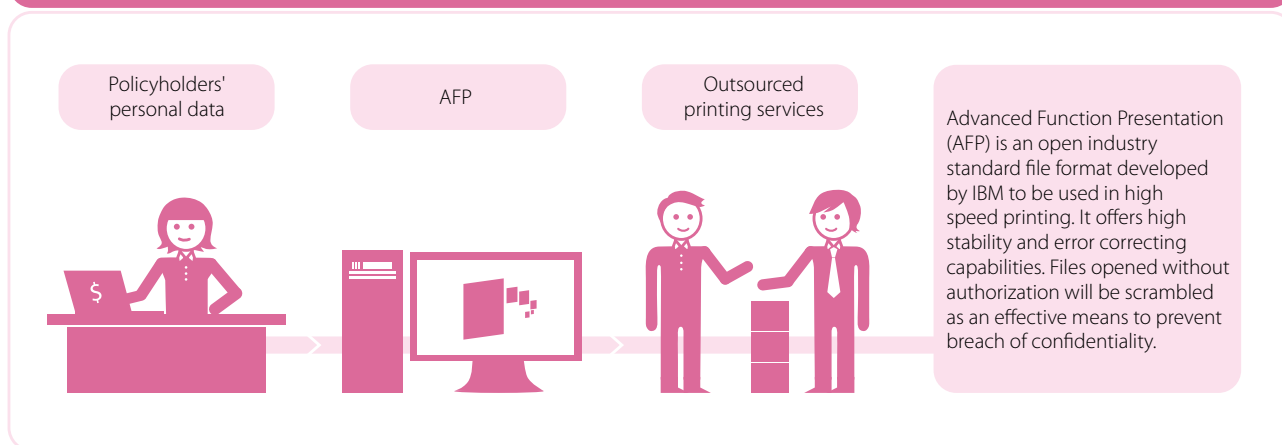
● Transmission Protection of Transaction Information

All outsourcing service providers employed by the subsidiaries of Cathay FHC that handle customers' personal data (e.g. printing and mailing of notices or statements) will be subject to regular onsite inspection, which will be recorded to ensure the operations of the outsourcing service providers comply with the terms and conditions of the contract.

Cathay Life has taken a step further to ensure all related raw data of the customers will not be captured, copied, or leaked. In 2012, the company was first to implement the AFP (Note) file format in providing data to outsourcing service providers to be printed, packaged, and mailed. The original information from the customer is kept inside the company. The existing forms with large databases, such as payment notices, not only comply with the receipt processing procedure, but also offer better protection for customer information.

Starting in 2012,
we were the first to
implement **AFP**
encoding
to protect customer
information

First to implement AFP encoding in 2012 to ensure safety of customers' personal data



In 2012, CUB developed the e-transaction mechanism with the highest level of security in Taiwan: One-time Password (OTP). The password is transmitted through safe encoding protection to a personal hardware and boasts the first offline encoding feature in the industry in Taiwan. A new random combination is generated for each transaction and cannot be predicted. The passwords cannot be reused or used if expired, which dramatically increases the security for online transactions and effectively protect customer rights.

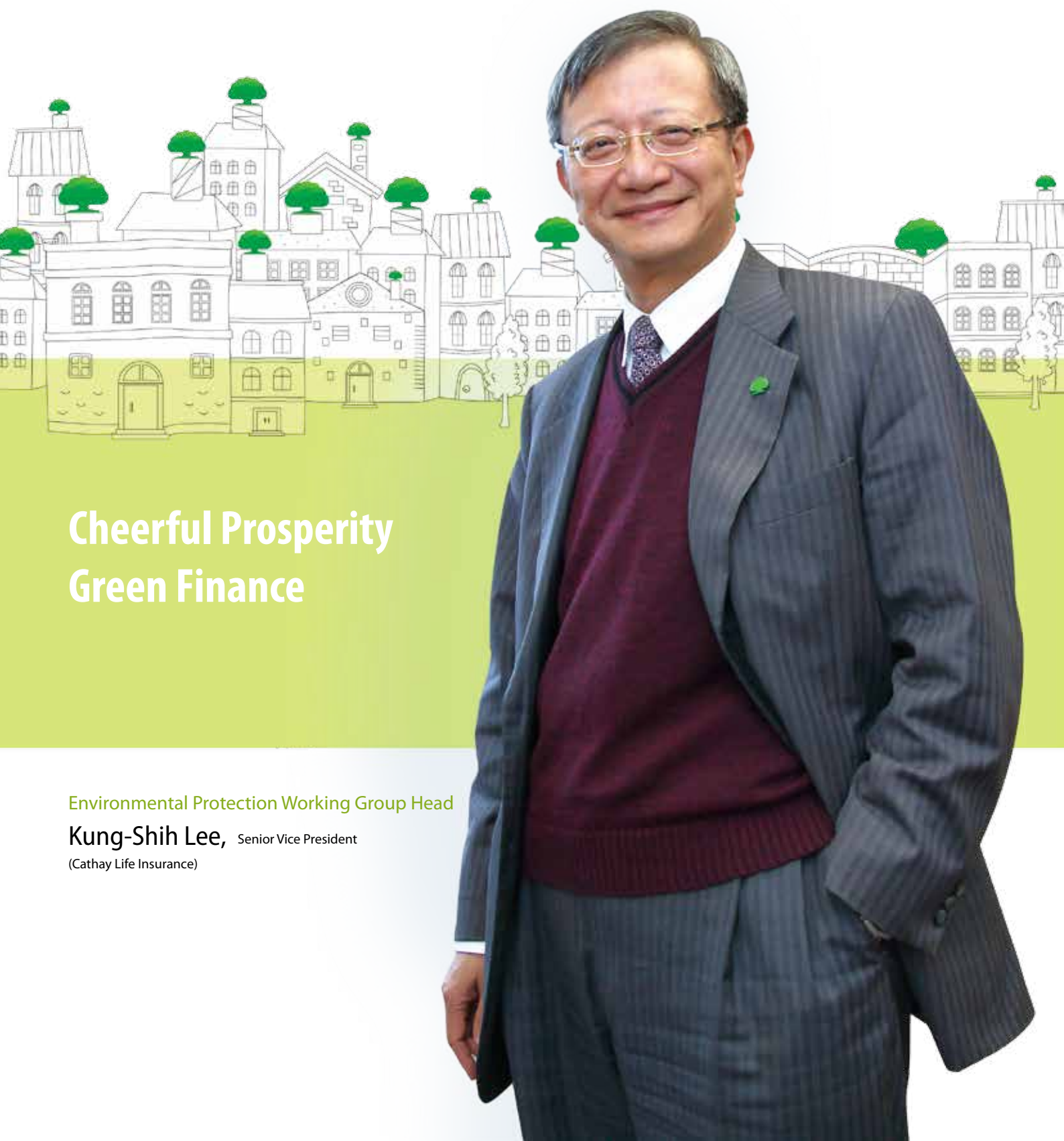
"Security" is the only path to online banking. CUB is first to implement the highly safe OTP.



● Attention to personal data laws, training for all employees

For the purpose of ensuring awareness and effective practice of information security management, Cathay FHC subsidiaries conduct regular IT training, accompanied by irregular external training sessions. Various means of training are applied to reinforce the awareness of information security in all employees. Suitable courses are designed for different positions in order to instill the concept of information security into daily routines. 100% of the employees of Cathay FHC and its subsidiaries have completed training on the Personal Information Protection Act.

Attention to personal data laws, training **100%** completed



Cheerful Prosperity Green Finance

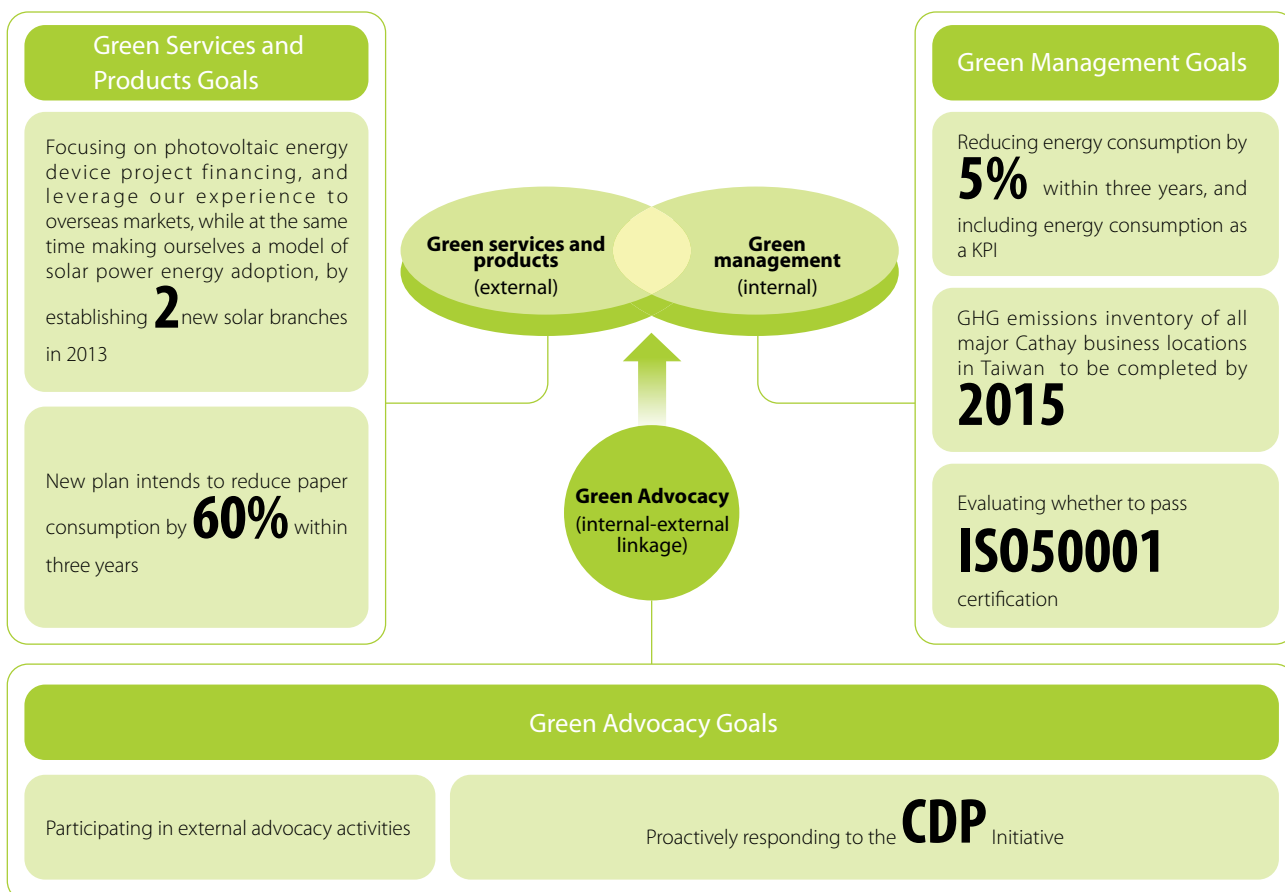
Environmental Protection Working Group Head

Kung-Shih Lee, Senior Vice President
(Cathay Life Insurance)

"The financial sector is different from the manufacturing sector. Financial sector firms don't have factories, so they only have office buildings to worry about, making this an inherently low-emission industry. We can't really do anything more, can we?" This type of thinking is common both inside and outside of the financial industry. It is also an area where we are making a major effort to communicate more. While the financial sector's direct energy consumption is relatively limited, we can support a transformation toward a low-carbon economy in terms of cash flow and through the intimate relationships we have with many industries. Through our support, we can change business models and even transform consumer behavior. Our next major goal is to become a leading financial institution in the Asia Pacific region. By setting such a goal, we are aware that it will have numerous obstacles to overcome, and we will need to constantly adjust our strategy in response to changing circumstances.

In 2012, besides implementing "mobile insurance" service and introducing photovoltaic energy device project financing, we also became one of the pioneer financial institutions in Taiwan to implement a GHG emissions inventory of all major Cathay business locations throughout Taiwan. In addition, we have begun to engage in environmental issue related communication both with our suppliers and employees, with the aim of boosting environmental awareness. Also, in order to monitor and follow up project implementation status more effectively, in 2012 the CSR Committee's Environmental Protection Working Group endeavored to formulate clear goals and plans, aiming to get subsidiaries' sales and product development divisions integrating their core competencies to develop new financial products that relate to the green economy, and to leverage the experience Cathay has accumulate with "green loans" in the development of overseas markets. The concrete goals and strategies are outlined below.

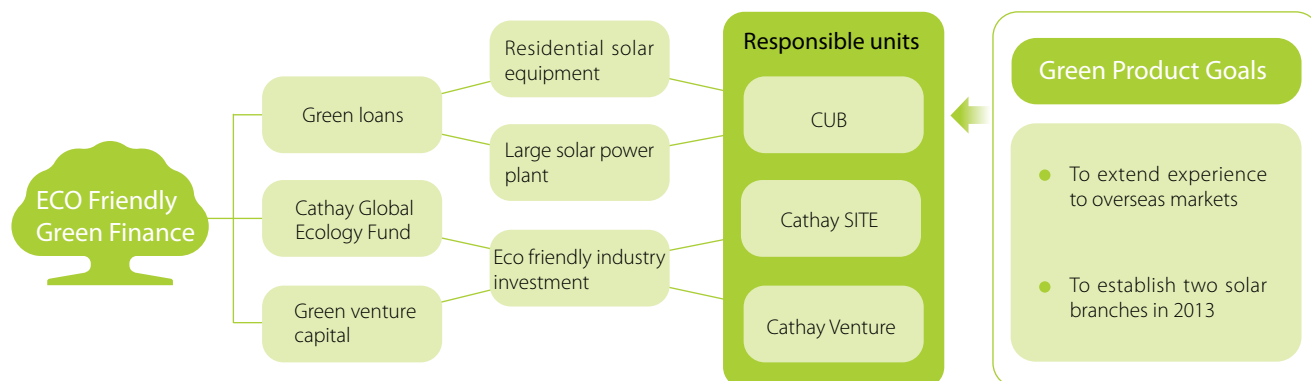
Formulated **7** concrete objectives in 2012



The Key "Green Finance" Goals and Strategies Formulated by Cathay FHC in 2012

Green Financial Products

For the purpose of accelerating the effort to promote green finance, Cathay FHC, as a financial institution, leads its subsidiaries to make careful plans, and pioneers by offering various green financial products. These products include green loans from the bank and eco-funds from the investment trust company, alongside investments in eco-themed industries that the company makes. We believe environmental conservation and the economy should complement each other, running side by side in order to achieve effective implementation. With respect to customers, an effort can be made to promote eco-friendly ideas, and expand our customer base. With respect to industries, support for development can be offered to relevant industries in order to advance toward sustainability with real actions.



Green financial products and responsible units

Innovative solar financing, promoting multilevel land use

The transformation of energy is the key to the transformation of the green economy. There is an abundance of sunlight in central and southern Taiwan, where the climate provides an advantage in the development of the solar power industry. Cathay FHC considers the promotion of green finance as a part of its CSR practice and therefore introduced "Solar Power Plant System Financing" and "Residential Solar System Financing" in 2010. As of the end of 2012, the total capacity financed by Cathay was 42.088MW, growing by 2.3 times compared to the previous year and accounting for 32% of the solar power loans in Taiwan. The resulting carbon emission reduction was the equivalent of 30,228tons (Note 1), which is the equivalent of 78 Da'an Forest Parks (Note 2). The goal is to achieve an "everybody-wins" situation between the public, government, solar power companies, and banks, and achieving eco-friendliness and carbon reduction.

Meanwhile, this lending model established by CUB has won numerous major awards. It was also recommended by the government in August 2012 and was the only Taiwanese bank to attend the 2012 Cross-strait Cooperation Instruction of Renewable Energy Resource to share the solar power financing model and advertises our successful story in Taiwan.

On the other hand, a large investment in solar power equipment is a barrier for the average household who decides to invest. In 2012, CUB has selected the Mincheng Branch in Kaohsiung as a testing point with sufficient sunlight and a suitable location to begin the installation of solar panels, and will collect information on power generation and consumption. Furthermore, we also have plans to install a second solar powered branch in Tainan. The experience from the two branches will provide case studies in future advertising to general households.

Solar loans in 2012 with total capacity of **42MW**, 2.3 times more than in 2011

Market share of CUB solar loans in 2012 at **32%**

Planning solar branch: **First** solar branch in Taiwan completed in January 2013

Note 1: Industrial Technology Research Institute - an average 1,000 - 1,500 kWh of power generated per kilowatt installed capacity in Taiwan. As the sites are concentrated in Central and Southern Taiwan, the calculation is based on an average 1,350 kWh of power generated per kilowatt. According to the announcement 2013 by the Bureau of Energy, MOEA - 1 unit of power saving is equivalent to a reduction of 0.532 kg CO₂ emission

Note 2: Bureau of Energy - 1 Daan Forest Park absorbs 389 tons of CO₂ every year.

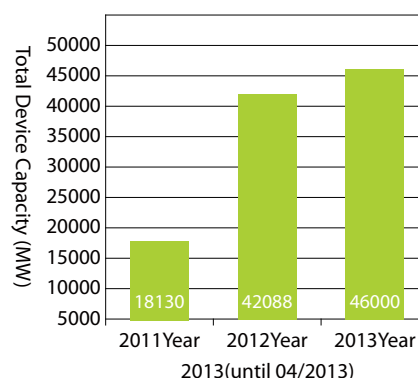
A Clean Future for Taiwan

Photovoltaic Energy Project Financing program: an example of a power plant integrated with agriculture, fishery, and office buildings

The feed-in tariff system implemented by European governments once launched the solar power industry into fast growth. Many had high expectations for solar power, considering it a business of the future and an inevitable trend. As governments cut subsidies for solar power and the price fell as a result of excessive production, the once popular industry now stands in a negative light in equal measure. Banks would not touch solar power. As the related industries in Taiwan struggle to stay in business, we have to ask ourselves, can Cathay apply its core competencies in the area of renewable energy?

CUB broke away from the stereotype of the solar power industry being a high risk industry at the end of 2010 and offered special loans for the downstream markets. In addition, CUB established a SOP which did not place much emphasis on collaterals but instead on sales revenue and growth potential. The solar power plant system financing has issued to loans with a total capacity of 42MW since its introduction. The residential solar system financing was introduced at the end of 2011 and offered preferred financing for people who wanted to install solar power equipment on top of their own houses. It was estimated that the annual returns for people who installed the equipment could reach 16.6% over a period of 20 years. The two programs effectively resolved the problem of funding for individuals and corporations, and also supported the government's effort to promote multilevel land use and diversified power sources.

Performance of the CUB Photovoltaic Energy Project Financing



Stopping the Brain Drain; Multilevel Land Use

The life on a farm is hard and offers little income guarantee. The difficulty in relying completely on the weather makes farmers seek work elsewhere. As a result, the farming community has experienced the problem of an aging population. Can solar power provide a separate stable source of income for farmers besides farming and ranching?

A land owner in Southern Taiwan commented that he was going to sell the family estate after inheriting it and move to the city. He said, "CUB's financing program gave me the chance to build a solar power generation system on top of the pond and keep my land while getting an additional income from regular electricity generation." For example, for every one acre of farmland that has solar power equipment installed, the revenue from electricity generation can reach 10 million dollars a year. This project allows farmers to remain on their land and also pass both the land and the power plant to the next generation



Cross Industry Alliance between Ranching and Renewable Energy

Solar panels installed on rooftop generate electricity and reduce heat at the same time. CUB helped to build the first solar powered pig farm in Taiwan through a special loan. According to the owner, "since the solar panels were installed, direct sunlight does not come into the building and so the temperature dropped by 2 to 3 degrees in the summer. The pig farm now has a better production rate and we even pay less for the cooling facility electricity bill!"



Cathay Global Ecology Fund

The fund invests across the globe, mainly in securities related to environmental conservation businesses. The design of the product and the investment portfolio both consider the spirit of CSR, and only focus on companies that are able to improve the global environment. The size of the fund has been decreasing in recent years because investors have become more cautious toward risky investments due to the financial crisis. Cathay will continue to pursue long term, stable, and quality investment performance in order to increase the size of the fund. The applicable investment strategies focus on selecting enterprises with the following characteristics:

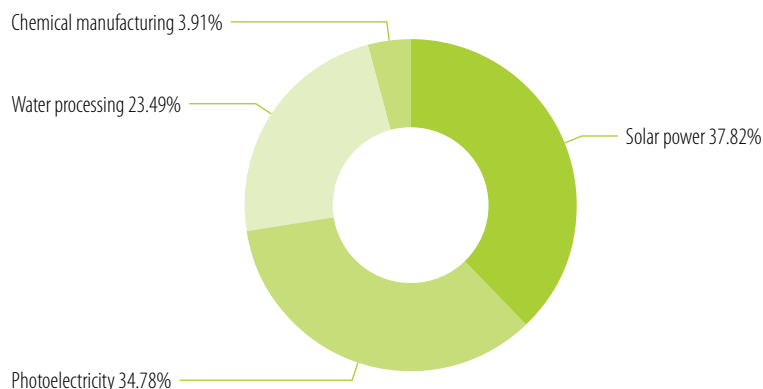
- 1.Environmental conservation enterprises
- 2.Alternative energy enterprises
- 3.Water resource enterprises
- 4.Agricultural products and relevant biotechnology enterprises
- 5.Other medical, conservation, bulk commodities, energy, and services that are consistent with eco-friendly trends.



Cathay SITE
funds at **630**
million dollars
in total

Cathay Venture continues investment in green industries

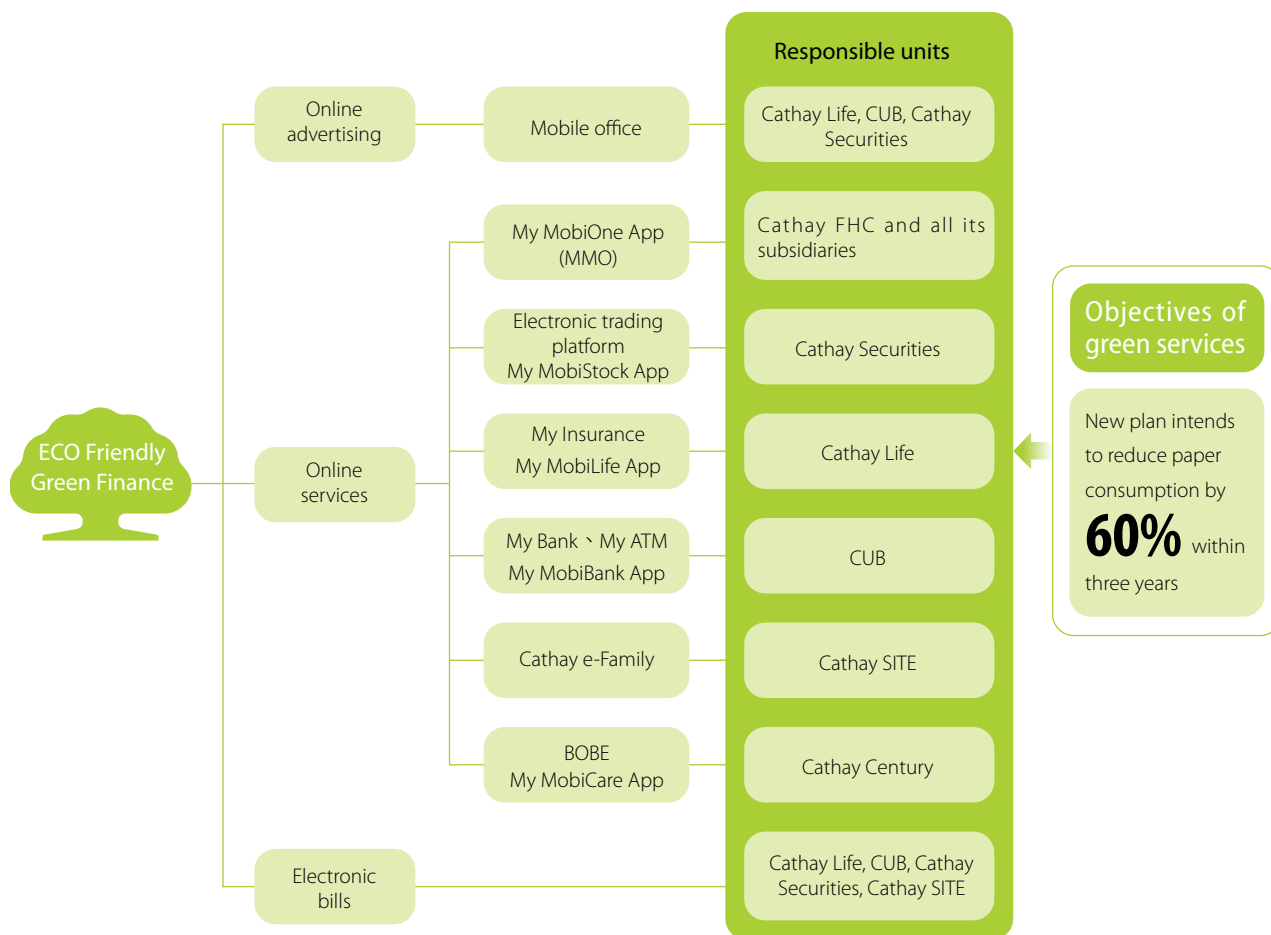
Cathay Venture continues to make venture capital investments in green industries, offering products or services consistent with the concept of energy conservation and environmental friendliness. The deciding factor is whether a product can be accepted by the market and be cost competitive and whether the applicant is in the expansion stage and has earned profits. As of December 31, 2012, the investment in businesses that can be classified as green industries were worth 180 million dollars. The industry classification is shown in the chart below:



Cathay Venture 2012 Green Investment Pie Chart

Building Mobile Offices

While being "paperless" is a simple concept, it involves the behaviors and habits of Cathay's employees and customers. Hence, we utilize new technology, develop new systems, train our employees, and encourage customer to join the effort of preserving and caring for the Earth and reduce carbon emission in our areas of business as well as external marketing activities, product purchases, and after sale services.



Green financial services and responsible units

Online advertising and services

• One-stop mobile services

For the purpose of achieving fully paperless online services and offering a more diversified range of application options, Cathay Life introduced the Mobile Office in April 2011 and its sales agents now do not have to pack their bags full of flyers. All they have to do is open the "Cathay Shelf" on their iPad, and they can demonstrate to customers close to 300 products with their flyers and provisions. If a customer wishes to study details of a particular flyer, it can be sent to the customer right away. In addition, a coverage calculation app is available even without an Internet connection.

For customers who have mortgage needs, the sales agents can utilize the positioning service on their tablets to search collateral prices in the neighborhood, estimate the market prices, calculate principal and interest payments and balance to determine whether a loan transfer would be a better deal, and calculate the land value increment tax in order to provide comprehensive mortgage advice.

In June 2012, Cathay Life was the first company in the industry to introduce mobile insurance. The sales agents can enter the content of a statutory application into their iPad, and the system will automatically search for corresponding personal information. The 3-day process required for a conventional paper application is reduced to only 10 minutes! In addition to new policy purchase through a tablet, change of customer information and application for medical fee advance may also be made through a tablet, shortening the service process.

In October, we implemented another update to turn 280 columns that used to be filled in by hand into automatic formulae to be triggered by electronic signatures and data, which shorten the time to complete an application. Training was provided for the employees at 23 regional offices across Taiwan. As of the end of December 2012, 49,064 new policies have been processed, saving approximately 560,000 sheets of paper. We broke the record for the largest number of applications and the first instant coverage offered 24 hours a day year round—both figures were the highest in the industry.

In addition, Cathay Life makes an aggressive effort to promote various online transactions. The industry leading range of online transactions with 29 items is available under My Insurance Online Service Kiosk. Online transactions were 11% of the services provided in 2011, which grew to 12.8% in 2012.

• Cathay Securities Cathay Sprite HD e-Trading Software

For the purpose of promoting online trading, Cathay Securities launched the new MMS/iPad based Cathay Sprite HD trading software in July 2012. The emphasis was on being "simple, smart, instant, precise, and diversified". It offers a full screen trading platform with sliding price bars, auto browsing history, 50 selected stocks, 16 types of post trading hour graphs and data, and customized stock news among others. The software supports cloud synchronization with stock selection services to allow investors to see the same selections when they log in using their iPads.

The trading volume on the software grew by leaps and bounds. It grew by more than 3 times in less than 3 months. In addition, the mobile office launched in 2011 served its purpose by allowing salespeople to go out and visit customers without having to stay inside to take orders. The company was the only securities dealer to win a Golden Torch Award in "Innovative Design" of the Year.

iPads are used to display
300 insurance products

26,000 agents and **80%**
equipped with an iPad

Cathay Life mobile insurance

Largest number of
applications

Instant coverage
offered 24 hours a
day year round

As of end of 2012,
49,064
new policies
processed, saving
560,000
sheets of paper

Trading volume on Cathay
Securities software grew by more
than **3** times



Mobile Commerce Leader

The Cathay Securities "Cathay Sprite HD" App for iPad took more than six months to develop and modify. From menu icons to the overall screen, the focus was on creating the best presentation. In particular, it works with the new iPad's Retina display, protects investors with mobile commercial needs from hurting their eyes after long hours of watching the stock markets. However, introducing this app was only the first step. There is plan for a trading app for iPhone, which will be accompanied by cloud technology and customized services to offer a one-stop service, after the back office server system is completed. We aim to become a leader in mobile commerce!



Promoting electronic receipts

In order to effectively increase the use of electronic receipts in and outside the company, employees within the group were invited to apply for electronic receipts in 2012. The percentage of employees opting for the switch effectively rose from 57.6% to 80%.

As for encouraging customers, CUB installed a new option to waive the print receipts or inquiries for transactions or inquiries made on ATMs to save paper. We also offer free electronic magazines and other discounts to reward customers who choose to receive electronic statements. The percentage of customers opting for electronic statements rose from 7% in 2010 to 14.35% in 2012.

Percentage of employees
opting for e-receipts rose
from 57.6% to **80%**

Percentage of CUB
customers opting for
e-statements in 2012:
14.35%

Year	Physical statement (copy)	e-statement (copy)	Percentage of e-statements (%)
2010	17,198,367	1,270,518	7%
2011	17,815,878	2,223,842	11%
2012	18,148,814	3,041,779	14.35%

Percentage of CUB e-statements

Cathay Life also offers rewards for using electronic receipts every quarter. A number of prizes were awarded to encourage policyholders to opt for the switch. Moreover, in order to make it easier for the policyholders to apply for electronic receipts, a diversified range of application options were implemented in the second half of 2012. A policyholder may choose to receive electronic receipts by making a telephone call or going online. A total of 567,000 policyholders applied for electronic receipts in 2012, and the target for 2013 is 750,000 policyholders.

守護環境 別再紙上談兵

現在申請紙張全線業務電子化，即可參加抽獎，享享精采超回饋！

活動期間：

- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！
- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！

活動內容：

- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！
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活動獎項：

- iPhone 4S (1台)
- iPad 2 (1台)
- 現金禮券 (1,000元)
- 現金禮券 (500元)

活動辦法：

- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！
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活動地點：

- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！
- 9/14/15 ~ 10/14/15：首次申請「紙上談兵」或「電子聲明」電子化之客戶，即可參加抽獎，享享精采超回饋！

An Eco-Friendly Workplace

A "target" is the best way to inspire action! Therefore, Cathay set three targets for green management in 2012 with the aim to proceed at a steady pace for thorough improvement.

Energy and Greenhouse Gas (GHG) Management

• Implementing GHG Inventory to Establish Carbon Reduction Practice

Cathay FHC started to perform self-examination of our energy consumption in 2012. The carbon emission data of the Cathay Life head office and the CUB head office building were disclosed in the 2011 Cathay FHC CSR Report. Starting from 2013, we will be assisted by consulting units to perform a three-year multi-phase GHG inventory operation for Cathay FHC, its subsidiaries and sales offices. The data will be disclosed to the public while self reviews will be conducted and relevant carbon reduction proposals will be formulated.

Green management target

GHG emissions inventory of all major Cathay business locations in Taiwan to be completed by **2015**

• Training employees and raising awareness of conservation

Cathay FHC has implemented 11 eco-friendly measures under the Guidelines for Energy Conservation and Carbon Reduction. The administration department is responsible for planning and supervising measures of energy conservation. Furthermore, Cathay FHC has appointed energy conservation personnel in every department to be in charge of implementation and raising awareness of employees. In 2012, Cathay FHC supported the Ministry of Economic Affairs in promoting a "5% energy saving in three years" Instructors of energy conservation were introduced at the time to train a pilot team of staff on environment conservation. A number of events were held in the company to raise awareness among the employees.

Green management target

5% energy saving in 3 years, to be included in KPI management

Operations Management

• Introducing an ISO Management System to systematically save energy

Cathay has built an environmental management system based on ISO 14001. Direct or indirect impact on the environment caused by business activities was inspected and the corresponding improvement plans and targets were formulated for continuous reviews and corrections. Cathay Life officially received ISO 14001 environmental management system certification on March 14, 2012 and became the first financial service provider to receive the certification. We will consider introducing ISO 50001 in the future to effectively reinforce the energy control plans. The aim is to achieve the energy saving target through systematic controls and operational procedures.

Green management target

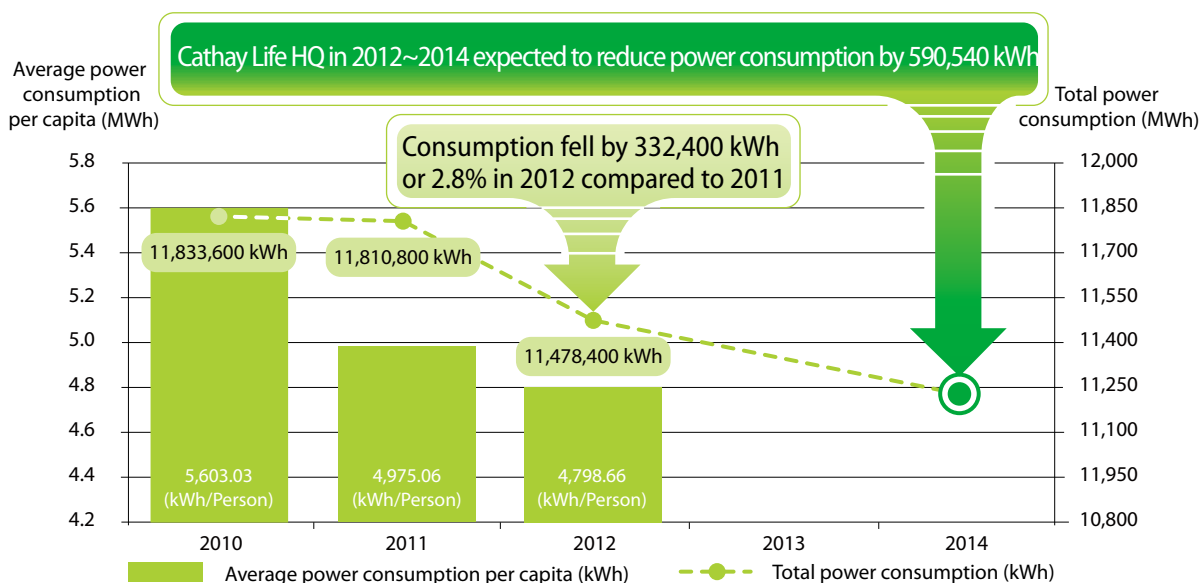
Assess introduction of **ISO 50001**

Carbon Reduction Plan to Save 5% Energy in Three Years

In order for the Cathay Life (the headquarters and other self-owned office buildings: Songshan Building, Yonghe Building, and Jiali Building) and CUB (the headquarters and other self-owned branch buildings: Tianmu Branch, Sanchuang Branch, Siangshan Branch, and Dajia Branch) to achieve the 5% energy saving target in three years (2012-2014), we have set 2011 as the base year

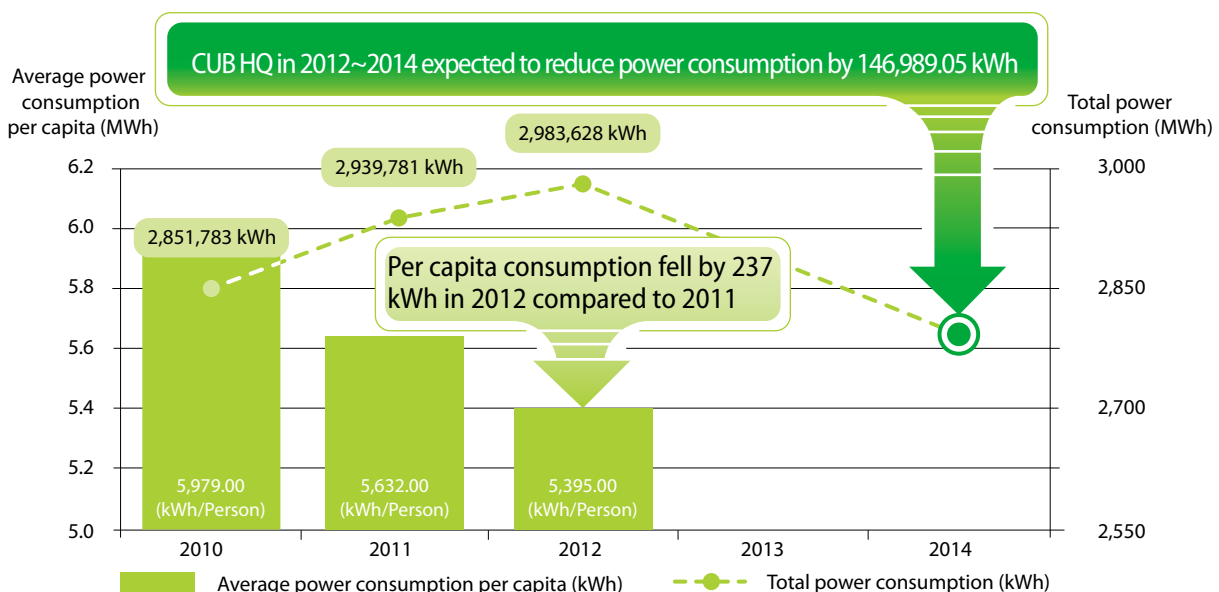
and expect to implement energy saving plans for the higher power consuming equipment like lighting and air conditioning in the office building.

In 2012, the Cathay Life headquarters consumed a total of 11,478,400 kWh. By reducing the operating hours of hot water machines and lunch heaters, the use of automatic shutdown of indoor lighting and reduced partial lighting, and requiring unplugging of electric appliances during off hours, a total of 332,400 kWh were saved. The CUB head office consumed 2,983,628 kWh, increasing by 43,847 kWh due to a larger staff. However, the average power consumption per capita fell by 237 kWh. According to statistics, Cathay Life and CUB consumed a total of 14,462,028 kWh in 2012, the equivalent of 52,063.30GJ, 7,694 tons of CO₂ (same formula as in Note 1 on page 34). It is expected to include other office sites within the inventory scope. The main energy consumption includes gas for company cars and diesel for emergency power generators in the buildings, and the total consumption in 2012 was 8,843.97GJ, 930.0 tons of CO₂. Other indirect GHG emission includes business trips and commuting. The data is difficult to obtain and were not included in the inventory.



3-year power consumption at Cathay Life HQ building

Note: The Cathay Life head office building contains Cathay Life, Cathay FHC, Cathay Century, Cathay Securities, and CSTL.



3-year power consumption at CUB HQ building

● Creating Incentive Systems: Energy Saving & Carbon Reduction Bonuses for Employees

In order to reward employees for successful energy saving and carbon reduction, Cathay Life and CUB held the first sales office energy saving contest in 2012. Scores were given based on the electricity bills of each office and the percentage saving compared to the same period in the previous year. In addition to monthly performance announcements, the energy saving contest and key approaches were announced in executive management meetings and on the Cathay Learning Network-CSNM to raise awareness. Upon the end of the contest, the units with outstanding performance would receive cash prizes as rewards. Electricity bills were effectively cut down through rewards, and employees learned to actively take eco-friendly actions and make saving energy a habit. The contest saved more than 2% energy with enthusiastic participation from the units. The top three units saved more than 5% energy.

Event savings
over **2%**. Top
3 savings over
5%

Company	Period	Number of participants	Benefits
Cathay Life	May – Oct	26,000	Electricity bills reduced by 2.86%
CUB	May – Dec	4,600	Utilities bills reduced by 2.98%

Benefits of energy saving contest in 2012 (May - December)

The amount of energy that a hypothetical company can save by hibernating every personal computer for one hour a day: $\$3/\text{kWh} \times 0.1 \text{ kWh} \times 252 \text{ Working Days} \times 7,230$

computers = **\$546,588**



Monthly Initiative:
Computer Hibernation = Carbon and Energy
Conservation



Cathay Life Energy Saving Contest prizes awarded by the president
An energy conservation topic will be promoted each month

Furthermore, in order to reinforce the awareness of environmental and energy conservation and incorporate actions into everyday life, Cathay Life held the first My Energy Saving Success essay contest to create a platform for the employees to share their practices and experiences in energy saving. From ideas to actions, the environmental conservation contests held by Cathay Life had an impact on the attitudes of Cathay employees toward their lifestyles. We aim to start with our company and along with all sales points across Taiwan so that all employees, customers, and members of the public would be aware of the importance of environmental conservation.



Contest winner and Queen of Energy Savings: Wei-Ting Chou (Cathay Life Longtan Office)

Green management to strengthen business efficiency

Cathay FHC has devised the Procurement Management Guidelines and the Paper Disposal Guidelines, which are supervised by the administration department. In particular, the Procurement Management Guidelines specify that priority should be given to purchases of eco-friendly, energy saving products. In August 2012, Cathay FHC added the requirement that a supplier must comply with the applicable environmental laws to the supplier contract in order to ensure the supplier's compliance with the standards. In addition, Cathay Life implemented an Environmental Management Policy in February 2012 to fulfill its green promise. With respect to energy saving measures in the office, we have been making an effort for many years, including gradually replacing the lighting to T5 energy saving lamps, reducing the number of lights in the hallways and nonworking areas, turning off lights during lunch and off hours, and installing flexible operating hours for air conditioning systems in order to achieve energy savings. The progresses in water usage, recycling, and green procurement in 2012 are shown as follows:

Included in supplier
contract to require
supplier compliance with
environmental laws

Recycling

Item	2011	2012
Disposed batteries	34.2	121.4
Disposed CDs	22.3	19
Disposed cell phones	9.7	2.9

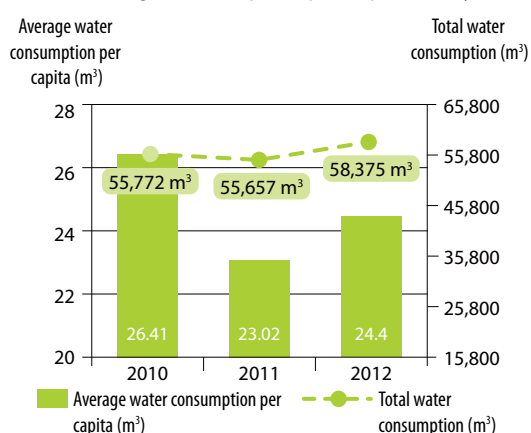
Cathay Life HQ Recycling (kg/year)

Item	2011	2012
Disposed batteries	4.43	4.65

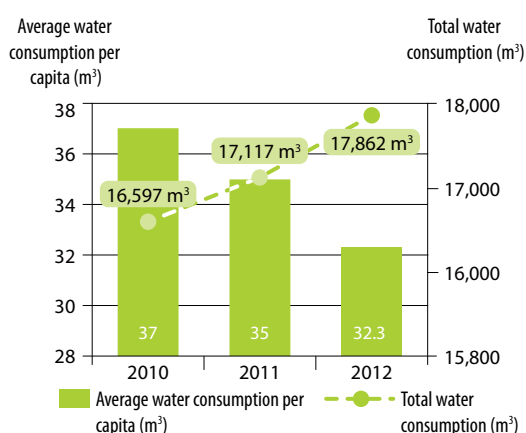
CUB HQ Recycling (kg/year)

Water Consumption

Cathay FHC depends solely on the Taiwan Water Corporation for 100% of its water supply and does not obtain water by any other way, so does not have a significant impact on our water source. Cathay Life's water consumption was 58,375 m³ in 2012 with the average of 24.4 m³ per capita (slightly higher due to use in equipment maintenance compared to 2011). CUB had a higher total consumption due to a larger staff, but the average consumption per capita fell by 2.7 m³.



Cathay Life HQ water usage in last 3 years



CUB HQ water usage in last 3 years

Green Procurement

Cathay FHC spent a total of 150 million dollars on procurement in 2012. It was named an Outstanding Green Procurement Company by the Taipei City Government and the Environment Protection Agency for a third year in a row (2010-2012). The currently running energy saving program (Taipei International Building), for example, continues with the improvement and replacement operations of the energy saving equipment in the building. The annual saving is approximately 298,802.6 units of electricity and the equivalent of 159.0 tons of CO₂ emission reduction. The related procurement projects are shown in the table below:

	2011	2012	Replacement percentage
T5 lamps	1,343 lamps replaced	630 lamps replaced	39%
Air-cooled air conditioners	10 floors replaced	8 floors replaced	32%

Taipei International Building Green Procurement Table

Note: 1. T5 lamps save 30% more energy, and 40.3 kWh can be saved in a year for each one replaced.

2. Air-cooled air conditioners perform 40% better, and 34176.7 kWh can be saved in a year for each floor replaced.

3. According to the announcement 2013 by the Bureau of Energy, MOEA, 1 kWh of power saving is equivalent to 0.532 kg of CO₂ emission reduction.



Percentage of green purchases in 2012

Green Advocacy

In 2012, we started playing an active role in environment related networks and believed that these connections would be the best stimulation for a better performance while the whole company worked toward the same goal. Meanwhile, the company worked with other companies and units to create a positive cycle of communication and sharing for a sustainable environment.

Joining Energy Conservation Patrol Team

Cathay FHC joined the Taiwan Energy Conservation Patrol Team in 2012 and sent electricians to support the team to perform energy inspections in the buildings as needed. The patrol team performed 15 missions in 2012 by providing free energy saving diagnosis services for places including 7-11s and the Da'an District Office.

Replied to CDP questionnaires for 4 years straight and became a signatory

The CDP in the UK is currently an important carbon information disclosure database. Cathay FHC started receiving invitation to answer CDP questionnaires in 2006, making it the first financial institution in Taiwan to be invited. Meanwhile, it is also the most consistent financial institution in terms of its response rate. Cathay FHC signed the official agreement to support the CDP at the end of 2012. The aim was to take advantage of the international platform to engage large global companies as a financial institution to call attention to the importance of carbon risks, opportunities, and management. On the other hand, the content of the questionnaires can be used to review and enhance self management mechanisms. In 2012, we promised to continue to respond to the CDP in the future while actively keep on improving internal measures and enhancing awareness of and responses to climate risks and opportunities.

Decided to support CDP and became one of **4** signing financial institutions from Taiwan at end of 2012

Supporting "Save Energy in Summer" and "Voluntary Energy Saving Declaration for Financial Institutions, Restaurants, and Shoe Stores"



Cathay FHC participated in the "Save Energy in Summer" event organized by the Bureau of Energy, MOEA on May 29, 2012. In addition to its own business venues, the company enforced the prevention of unnecessary loss of cool air and continued to replace lamps with high performance lamps to achieve the purpose of the event. On August 17, our company participated in another event by the MOEA, the "Voluntary Energy Saving Declaration for Financial Institutions, Restaurants, and Shoe Stores" out of its commitment to saving the Earth and environmental symbiosis. The aim was to achieve the 5% energy saving target required by the government policy in three years by participating in the event and taking voluntary energy saving actions. The company utilized actual energy saving and carbon reduction performance to ensure the validity its eco-friendly actions to join the effort to save the Earth.



Cheerful Growth Happy Employees

Employee Care Working Group Head

Joyce Tsai, Senior Vice President

(Administration Dept, Cathay Financial Holdings)



As a company grows and evolves, it is both easier and harder for it to be a happy company. The reason for this is that rules for a large company are more established and more resources are available for employees. On the other hand, the procedures in a large company are also more complex, and more details and variables need to be taken into our consideration. This is a common phenomenon among large companies—but at Cathay, growth represents happiness...

"Happiness is how we see what we view our possessions." Cathay FHC defines the concept as follows: Cathay does not give an employee whatever he wants, but assists him in achieving the goal and lifestyle he expects. Therefore, our most precious and important happiness comes from the time when we know for sure that our employee are receiving the ability to create happiness on their own.

In 2012, Cathay launched the Performance and Compensation Optimization Program to fully adopt mobilization of education and certification, and implemented 8 communication measures to facilitate the communication among the employees, the supervisors, and the company. In addition, the Employee Care WG under CSR Committee set the following items as their short term goals and to be tracked and improved in 2013: establishing talent management mechanisms and Cathay FHC leadership Model, improving performance development and compensation systems, and modifying orientation courses for new employees.

Cathay Employment Policy

Cathay believes that true leadership is recognizing and employing talent. We value every outstanding employee, and are committed to our philosophies of "recognizing skills" and "placing the right skills in the right place" in order to maximize the value of our employees. To protect the labor rights of the employees during employment, we strictly comply with Taiwan labor laws, never employ children or go against the will of our employees. We also help our people understand working guidelines and sign labor contracts with them. Furthermore, to support the employment of minority groups, in addition to employing a certain number of physically/mentally challenged people, the company also actively coordinated with the China Blind Points Massage Association, employing 12 visually impaired massage therapists in 2012. This arrangement provided an additional benefit for employees to enjoy a relaxing break before returning to work.

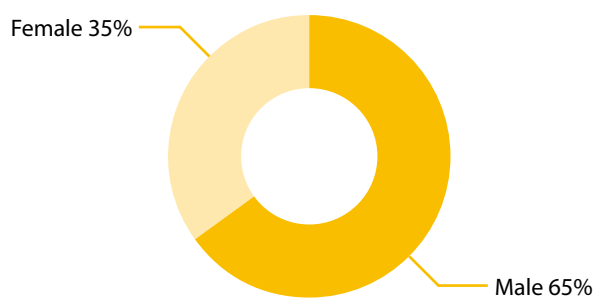
Employed a total of **12**
visually impaired massage
therapists in 2012

At the end of 2012, Cathay FHC had 40,402 employees, of which 29,674 were female (73.45% of all employees). 2,183 employees had management responsibilities, of which 766 were female (35.09% of all managers).

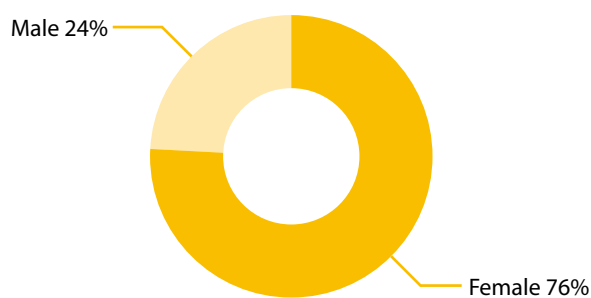
Company	Taiwan		Overseas		Total
	Female	Male	Female	Male	
Cathay FHC	79	57	0	0	136
Cathay Life	24,070	6,893	16	114	31,093
CUB	4,309	2,405	11	57	6,782
Cathay Century	805	846	3	36	1,690
Cathay Securities	251	209	0	0	460
Cathay SITE	126	101	0	0	227
Cathay Venture	4	10	0	0	14
Total	29,644	10,521	30	207	40,402

Employees - by locations

Note: 0.07% of Cathay FHC employees are female overseas employees and 0.51% male overseas employees, while 73.37% are female employees in Taiwan and 26.05% male employees in Taiwan.



Supervisors - by gender



Employees - by gender

Company	Level	Female			Total	Male			Total
		Under 30	31-49	Above 50		Under 30	31-49	Above 50	
Cathay FHC	Manager	1	12	1	14	0	8	5	13
	General employees	25	41	0	66	11	32	0	43
Cathay Life	Manager	15	130	100	245	22	497	231	750
	General employees	3,170	12,560	8,111	23,841	2,291	3,090	876	6,257
CUB	Manager	0	417	58	475	0	315	96	411
	General employees	1,421	2,375	49	3,845	486	1,457	108	2,051
Cathay Century	Manager	0	13	1	14	0	144	36	180
	General employees	279	486	29	794	184	462	56	702
Cathay Securities	Manager	0	4	5	9	0	25	10	35
	General employees	64	178	0	242	42	128	4	174
Cathay SITE	Manager	0	8	0	8	0	22	4	26
	General employees	30	88	0	118	6	66	3	75
Cathay Venture	Manager	0	1	0	1	0	2	0	2
	General employees	0	3	0	3	0	8	0	8
Total	Manager	16	585	165	766	22	1,013	382	1,417
	General employees	4,989	15,731	8,189	28,909	3,020	5,243	1,047	9,310

Employees – by age

Note: 35% of managers in Cathay FHC are female and 65% male; 76% of the general employees are female and 24% are male.

	Master degrees or higher	associate/university	High school diplomas or lower	Total
Cathay FHC	89	44	3	136
Cathay Life	1,651	13,255	16,187	31,093
CUB	986	5,646	150	6,782
Cathay Century	199	1,260	231	1,690
Cathay Securities	109	319	32	460
Cathay SITE	96	127	4	227
Cathay Venture	12	2	0	14
Total	3,142	20,653	16,607	40,402

Employees – by level of education

Note: 51.12% of Cathay FHC employees, the largest single group, have associate/university degrees, 41.10% have high school diplomas or lower, and 7.78% have master degrees or higher.

New Recruits Are Carefully Selected, Increasing Retention

Organization development is the foundation upon which Cathay builds its business. Compared to the expansion of the team, real employee retention is an even better indicator of a company's commitment to retain and train talent while ensuring that the quality of customer services is not impacted by frequent employee turnover. In 2012, most of the subsidiaries under Cathay FHC had decreased their resignation rates, which is the best proof of the company's success in the area.

Furthermore, in order to give students from different academic departments a better understanding of Cathay's operations and to improve the survival rate of new recruits, we approached students through different channels. Cathay organized annual internship program, and collaborated with 10 colleges and universities and 8 faculties in co-op programs. Cathay also organized the Life Insurance Management Seminar with NCCU for the purpose of training more talent in financial services. 68 students attended the Life Insurance Management Seminar in 2012.

In 2012, Cathay hired more than **200** interns through co-op programs and the Cathay Internship Program to serve in the office and in the field



Cathay FHC president led campus recruitment and explained job vacancies



409 candidates attended the 2012 recruiting session in northern, central and southern Taiwan. In-depth discussions were available by specialized area.



"Our Time as Cathay Interns"

Looking back to our own school days, summer mornings were spent in bed if there were no other plans. In contrast, students enrolled in the Cathay Internship Program get up at 7 in the morning, ready for a day packed with learning opportunities. Cathay launched the Cathay Internship Program in 2005, and as of 2012, 300 excellent students have worked as interns in the past summers. In particular, the interns with outstanding assessment results are prioritized for returning to the company as full-time employees. (78 outstanding students were recruited in 2012.)

The summer internship lasts for two months. The departments will determine the topics of study to create a more focused and more effective learning environment for interns throughout the period. Meanwhile, a two-track internship model with "project research" and "hands-on experience" is adopted to accommodate the daily routines in different departments, to give students an understanding of Cathay's actual operation.

For the purpose of allowing interns to experience Cathay's long term commitment to corporate social responsibilities, CSR activities were integrated into the internship program in 2012. The contract farming program, "My One Acre" in support of rice farmers in Taiwan, offers interns a chance to work in rice paddies. All harvests were donated to provide lunch for daycare centers and elementary schools in remote mountain areas by the Cathay Charity Foundation.



Combining internships with CSR activities



Cathay Charity Foundation



Crops by contract farming delivered to provide lunch in 14 daycare centers and elementary schools

Company	Average number of active employees in 2012	Turnover rate in 2012	Gender		Age			Area		Total
			Female	Male	Under 30	31-49	Above 50	Taiwan	Overseas	
Cathay FHC	122	1.63%	1	1	0	2	0	2	0	2
Cathay Life	4,816	4.19%	112	90	119	81	2	200	2	202
CUB	6,588	6.91%	272	183	220	216	19	450	5	455
Cathay Century	1,322	9.23%	64	58	52	67	3	118	4	122
Cathay Securities	432	30.32%	65	66	42	83	6	131	0	131
Cathay SITE	227	11.89%	15	12	4	22	1	27	0	27
Cathay Venture	14	7.14%	0	1	0	1	0	1	0	1

Turnover Rate Statistics

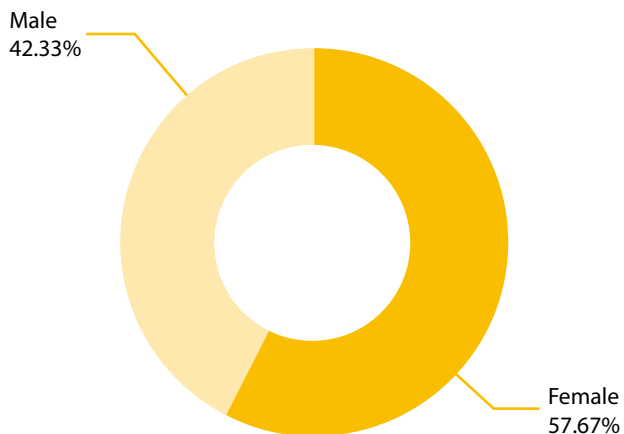
Note 1: Owing to the unique nature of the sales forces of Cathay Life and Cathay Century, they are not included in the data.

Note 2: Formula for turnover rate: Total number of resignations/ average number of active employees *100%

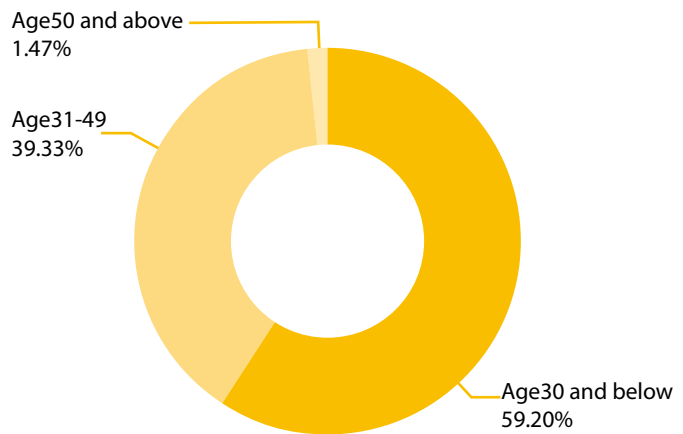
Company	Gender		Age			Area		Total new Recruits / Resignations in the current year (Female/Male)
	Female	Male	Under 30	31-49	Over 50	Taiwan	Overseas	
Cathay FHC	10	6	12	4	0	16	0	16(0/0)
Cathay Life	222	138	306	54	0	360	0	360(16/10)
CUB	438	347	430	342	13	772	13	785(248/168)
Cathay Century	107	82	139	45	5	189	0	189(14/10)
Cathay Securities	144	106	69	175	6	250	0	250(31/41)
Cathay SITE	18	11	9	20	0	29	0	29(1/2)
Cathay Venture	1	0	0	1	0	1	0	1(0/0)
Total	940	690	965	641	24	1,617	13	1,630(310/221)

New Recruit Statistics

Note: Owing to the unique nature of the sales forces of Cathay Life and Cathay Century, they are not included in the data.



New recruits – by gender



New recruits – by age

Compensation & Benefits

Cathay FHC adopts a competency-based pay system, which determines compensation based on education and experience, work performance and competence, position, and professional skills, regardless of gender. The salaries for new recruits are higher than the statutory minimum wage.

Level	Average monthly salary ratio (Male: Female)	Average annual salary ratio (Male: Female)
Executive manager	1 : 0.92	1 : 0.96
Middle manager	1 : 1	1 : 1
Junior manager	1 : 0.94	1 : 0.97
Other	1 : 0.9	1 : 0.9

Employee salary ratio

Performance and Compensation Optimization

For the purposes of maintaining competitiveness in the market and continuing to attract, inspire, and retain top talent in and outside the company, Cathay FHC launched the Performance and Compensation Optimization Program in October 2011. It is a performance management system linked to business strategies and a compensation program linked to duty and position and external markets to strengthen the link between performance and compensation while enabling employees to actively seek responsibilities and continue to enrich personal and professional skills, which will be reflected in performance and create a win-win situation.

We place a great emphasis on employee feedback during the program. Two-way communication is conducted through various channels in order to guide the employees to take a positive attitude toward problems and challenges.

"Performance and Compensation Optimization" Program launched in 2012

1. Creating Performance and Compensation Optimization Website and Program Mailbox

Any questions regarding program progress and results made by employees on the website will be answered by the program task force as soon as possible.



2. Personal Performance Management and Development System (PMD) Instructor Training Sessions

Internal instructors are trained to assist the company in conveying the principles and methods of the system and set an example for the employees. 38 managers were trained to become instructors and play key roles in 60 information sessions.



3. Strategic Consensus Camp

The executive officers of different companies lead the department heads in discussing key strategies for the company.



4. PMD and Interview Seminars

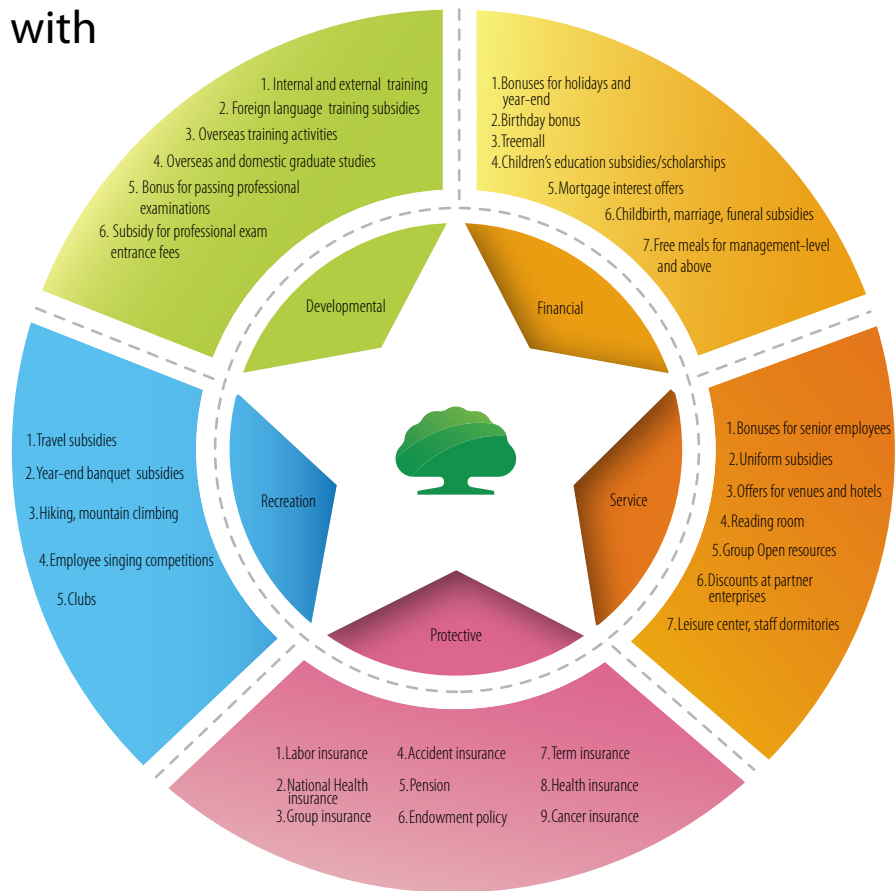
To convey the concept and principles of PMD and to share with supervisors how to discuss setting goals and conduct performance interviews with employees.



Fostering Happiness with Wellness Programs

Salary may provide the motivation to work, but it does not guarantee happiness for an employee. In addition to the five wellness programs, Cathay understands the key to employee loyalty lies in small gestures at the right time and attention from the company.

Furthermore, in order to increase interaction between employees and their families and to relieve stress at work while creating opportunities for leisure activities, Cathay organizes several recreational activities every year, including family days, hiking, games and singing contests that offer numerous prizes. For example, in 2012, Employees' Welfare Committee spent NT\$700 million on benefits and several employee activities for the sole purpose of creating a win-win situation by promoting enjoyment of work and increasing morale.



Cathay's 5 wellness programs

Feel exhausted? How about a massage?

Any office worker who spends a long time in front of a computer would appreciate a massage therapist.

For the purpose of taking care of our employees and supporting employment for physically and mentally challenged people, Cathay FHC started working with the China Blind Points Massage Association in 2012 by employing 12 visually impaired massage therapists to provide shoulder/neck massages. The program is run on a rotation basis with 15 minute sessions to ensure that all employees have the chance to enjoy the service. Meanwhile, in order to fulfill our CSR, we volunteer to organize employee charitable fund drives and make the donations raised every month to the association. We value the balance between employee wellness and services to the community! Feeling exhausted? Come and take a massage break!



● Breast Milk for Cathay Babies

73.45% of Cathay's employees are female. If a female employee stays with Cathay throughout her career, she may start as a young woman and become a mother as well as a member of the Cathay family. In order to enable employees to maintain a positive work-life balance that allows them to spend time with their families, every Cathay employee is entitled to family care leave, parental leave for men, and unpaid childcare leave. In addition, female employees are entitled to menstrual leave. Furthermore, there are lactation rooms in the workplace to provide a quiet, clean, comfortable, and safe environment for mothers.

Company	Number of Employees on Unpaid Parental Leave		Number of Reinstatement		Reinstatement rate		Retention rate	
	Female	Male	Female	Male	Female	Male	Female	Male
Cathay Life	68	3	25	1	37%	33%	100%	0%
CUB	110	20	65	14	59%	70%	75%	50%
Cathay Century	8	2	7	0	88%	0%	100%	100%
Cathay SITE	4	0	1	0	25%	0%	0%	0%

Childcare Leave Statistics

Note 1: The actual number of reinstatements include early reinstatements; in particular, the formula for the survival rate: number of surviving employees in 2012/number of reinstatements in 2011 *100%.

Note 2: The nature of the sales force of Cathay Life is unique and so was not included in the data. Cathay FHC, Cathay Securities, and Cathay Venture are not listed as there were no childcare leave taken in 2012.

Note 3: The survival rates are "0%" because reinstated employees at Cathay Life (male employees only) and CS IT (including male and female employees) in 2011 are no longer with the company.

Utmost support of regulatory requirements:

WIN

For female employees who require menstrual leave, Cathay provides five paid sick days, and half pay after five days for up to an additional 25 days, which are better terms than the requirements in the Labor Standards Act.

WIN

Those who apply for sick/injury leave or childcare leave may opt whether to continue to enroll in the existing social insurance coverage and group insurance coverage provided by the company. For those who continue to enroll in group insurance coverage:



Those on sick/injury leave: Premium payments continue as before the leave.



Those on childcare leave: Premium payments must continue to be paid in full.



2011

Certified Excellent Breastfeeding Room by the Department of Health of Taipei City Government (Note)



Note: Certificate is valid for three years (September 1, 2011 to August 31, 2014).

● Exercising for Fun: Be Healthy!

Cathay encourages a health-conscious atmosphere in the workplace. Since 2007, we have installed 5 health stations throughout Taiwan which provide first-aid treatment, regular checkups, and health consulting services. We also collaborated with local health departments and hospitals to promote health management activities. Furthermore, Cathay organized events to promote exercise and power walking in 2007, and participated in raising health awareness in 2011 by inviting doctors from Cathay General Hospital to offer health seminars and hiring instructors through the Taipei City Da'an District Health Center to direct evening power walking. The participation rate was 37.3% in 2012 (30.5% in 2011), exceeding the standard for excellence according to the

Department of Health in Taiwan (a participation rate above 20% for a workplace with 300 persons or more). Moreover, regarding mental wellbeing, we have provided "employee mental health counseling services" and "stress management seminars". Personalized health examinations are available for managers and overseas employees. The company not only increased budget expenses for health examinations every year, but also designs personal checkup accounts to allocate checkup limits by level of authority and provide optional checkup items in order to meet individual needs by offering personalized examinations.



Doctors and nurses available at the workplace



Fun summer exercises! Climb stairs to win points!

● Caring for Dependents and Retired Employees

To give employees peace of mind to focus on their work, Cathay FHC extends employee benefits to cover dependents by providing group insurance coverage. When a spouse or child of an employee is ill, an inpatient or outpatient payout may be claimed; when there is a death of a dependent, a burial benefit may be claimed. In addition, subsidies are available for dependents participating in group activities such as singing contests or company dinners or trips. Scholarships for the employees' children, partner daycare centers, and discounts for dependents at Cathay General Hospital are also available. The aim is to help the employees focus on the work by providing a comprehensive benefit system.

Meanwhile, Cathay FHC's success today has been built upon the hard work of all of Cathay's people, especially employees from the past. Cathay FHC provides group insurance coverage for retired employees and their dependents as a token of our appreciation. There is a webpage aimed specially at the retired employees. New social clubs were opened in Taichung and Tainan in 2012, to hold birthday parties and retired employee reunions to show our appreciation for them.

Retired employee reunion
2012 joined by 2,100
people with participation
rate at **50%** and the
satisfaction rate at **93%**

Training & Development

A person spends one third of his time at work. Being able to learn from working is the best way to achieve professional development for both employees and the company. Naturally, this is one of the key elements in the drive for creativity. Therefore, we continue to invest a large amount of resources in training professional financial talents to enable each employee to grow with the company and pursue better performance.

For colleagues who have joined Cathay, we have different training themes for new recruits, general employees, and the managers. Cathay Life employees may receive instant, multi-channel education and training through the CSNM (classrooms, satellite, network, mobile learning) and internal instructors. In addition, one-year-experienced office workers at Cathay will be transferred into local sales units in order to familiarize themselves with the field operations. Meanwhile, the bank has created a special CMA sales management training program to effectively create business development opportunities. Senior mentors are assigned in different stages from basic training courses to cultivating leadership skills to assist the staff belonging to CMA in meeting challenges and effectively creating business development opportunities. With respect to instructor training, the program started in Cathay Life and CUB before expanding in 2012 to include Cathay Century and Cathay Securities in order to create a more efficient information network.

Company	Instructor		Total
	Female	Male	
Cathay Life	24	30	54
CUB	59	58	117
Cathay Century	1	1	2
Cathay SITE	5	30	35

Cathay instructor statistics

CSNM Integrated Training Platform for Real-time Learning

Cathay has its own education centers and training facilities, which are often visited by other companies as a benchmark for training environments. Moreover, we have invested NT\$1.2 billion since 2000 in order to accommodate the group's growing business network and to enable employees in different locations to simultaneously receive information and learning resources. We have also been spending NT\$16 million on maintenance and production every year since then. Cathay is the first to provide a satellite video education channel in the life insurance industry. We have also combined web technology to create the CSNM to provide a more convenient means of learning and keeping abreast with market trends through classrooms, satellite, network, and mobile learning.

For example, with respect to the satellite training system, the methods of production and broadcasting are based on those used for professional television channels. The system provides in-house produced training videos that are instant and consistent and offers case studies. The signals are received by offices on both sides of the strait and in Southeast Asia and watched by close to 30,000 salespersons at 433 receiving points across Taiwan every morning. Meanwhile, we conduct regular viewing satisfaction surveys and seminars to get feedback from the employees. We also make constant changes to the contents and improvement for the production.

Furthermore, in response to the prevalence of mobile devices and the growing effort to promote mobile insurance and develop mobile learning, a learning environment has designed to focus on the learners by providing instantly available learning resources. Meanwhile, in order to assist salespersons in learning how to use apps, we have implemented a full mobile learning program and certification. In 2012, 90% of the sales force passed the mobile learning certification, and 80% of the sales force started using iPad to purchase policies and file claims, effectively boosting service efficiency and professional image.

- C** 124 hours orientation for new recruits, 47 hours for salespersons
- S** 25 minutes of satellite program every day, 105 hours a year
- N** 32 hours a year per person on the learning network on average
- M** 90% of salespersons passed mobile insurance tests

Comedic drama Case study analysis Experience sharing



Using lively, dynamic production techniques to enhance learning outcomes

Combine Talent Pool and Learning to Cultivate Staff for International Business

In response to the growing importance of overseas subsidiaries, the overseas training models have been copied from Taiwan. A further step is taken to localize training programs and integrate resources from the parent company in Taiwan and those overseas through the overseas talent pool program. The means include attracting foreign students studying in Taiwan to undergo management and sales training in order to boost stability in overseas human resource development. On the other hand, executive managers with potentials have been sent to study at MIT or for EMBA in China or the Lee Kuan Yew School in order to become managers who can work on par with international level. 14 managers have been sent to study abroad since 1993, and the group has spent more than NT\$50 million in total on training.



Since 1993, **14** supervisors have studied abroad. Total group training expenses have exceeded **50 million**

Company	Average number of active employees		Total number of trainees		Total training hours		Training hours per person	
	Female	Male	Female	Male	Female	Male	Female	Male
Cathay FHC	70	52	140	121	750	503	11	10
Cathay Life	24,086	7,007	978,780	231,988	1,527,005	387,746	63.40	55.34
CUB	4,224	2,365	57,410	34,878	235,936	145,084	55.86	61.35
Cathay Century	808	882	38,465	41,927	48,529	52,897	60	60
Cathay Securities	224	208	1,024	501	14,270.5	7,032	63.7	33.8
Cathay SITE	126	101	698	511	2,926	2,269	23.22	22.47
Cathay Venture	4	10	3	4	24	32	8	8

Employee training hours statistics

Note: Including classroom lessons, different forms of media, online courses, and domestic/overseas study programs; excluding satellite training every morning

Employee satisfaction survey

66% of the employees of Cathay Life took the survey in 2012, 9% more than 2011. Satisfaction was indicated for education and training, job competence, and performance assessment. The overall satisfaction rose to 4.14 points (out of 5 points).

Employee Relations

In 2012, Cathay FHC launched the New Heights Project and started the journey of transformation from inside out. In particular, one of the key tasks was to ensure communication with the employees. Our plan is to promote the core values, install a leadership model, and create activities and channel for communication. The supervisors will set examples for the employees and listen to employee feedback before effectively conveying the company's philosophy and strategies and slowly achieving a consensus among all employees to reach for the summit!

Communication based on core values of Integrity, Accountability, and Creativity

Cathay's core values, Integrity, Accountability, and Creativity, are the constant guidelines for the employees in the process of achieving the goals. We provide training courses for new recruits and active employees along with our systems and activities to help our employees to effectively understand our core values.

Open communication initiated by supervisors setting examples

We are committed to establishing communication channels between employees, supervisors, and the company in order to promote a harmonious employer-employee relationship and increase workplace happiness.

In 2012, Cathay launched **8** communication channels to establish communication between employees, supervisors, and the company

Create internal communication website



Internal New Heights Project website to facilitate communication and comments and allow employees to track progress and give feedback

Learning Management Skills from Supervisors



Face time with the CEO offers learning opportunities and the chance to have in-depth discussions

Regular result reports by stage



CEO and managers post videos and e-news to explain visions and key projects

Innovation Competition



Employees invited to propose innovation to encourage creative ideas on the job and in workplace

Sharing stories



Committed to mutual growth and share successful stories of model departments to inspire employees to achieve goals

The Must-Read" Factbook"



Message board set up for receiving employee feedback and posting company strategies and visions that encourage positive attitudes

Best age gap friendships



Conversations with supervisors without barriers between positions to get employee feedback

Wishing Tree



Proposed by employees for collecting "wishes" for the group and supervisors; helps share personal wishes and work experiences

Workplace Environment

Cathay aims to provide a safe workplace for its employees in terms of four major aspects: building systems, establishing organizations, trainings, and improving equipment. We are also committed to continue to reduce occupational injuries; our goal is to realize zero occupational injuries:

Building systems

- Health and safety guidelines
- Self inspection plan
- Contractor safety management guidelines
- Regular employee checkups every three years
- Carbon dioxide and lighting inspections every six months

Establishing organizations

To manage occupational safety and health, Cathay Life and CUB have Labor Safety and Health Department and Labor Safety and Health administrators in Taipei City and Kaohsiung as well as the regions governed by the Council of Labor Affairs (northern, central, southern Taiwan). In addition, an Labor Safety and Health Committee has been established with 7 members (1 female and 6 males), one third of which represent the employees and chaired by the CEO. A meeting is called each quarter to decide matters related to safety and health planning and administration.

Improving equipment

An program of purchasing ergonomic office furniture to replace existing furniture is implemented to prevent occupational illnesses while avoiding muscle/bone injuries accumulated from sitting at the desk for long hours.

GOAL: Zero occupational injuries!

Trainings

- Provide occupational safety and health trainings to prevent workplace accidents and occupational injuries.
- To provide a diverse range of courses through presentations, videos, and onsite drills (including road safety, firefighting skills, home safety, and first aid). A gradual and interactive approach to teach home safety measures will raise safety awareness inside and outside the workplace.
- Regular and irregular lessons will be provided for safety and health administrators. Onsite static (by documents) and dynamic (onsite) inspections will be conducted in the forms of professional training hours and reinforcement of relevant knowledge. Preventive measures and suggestions for contractor safety and health will be made in a timely manner with instructions and assistance to facilitate the vendors in a joint effort to prevent occupational injuries



Labor safety and health training courses



First aid personnel qualification training



Fire drills



Building lighting and carbon inspection

Company	Occupational injuries	Occupational deaths	Lost working days	Occupational injury frequency	Occupational injury severity
Cathay Life	5	0	19	0.09	0.32
CUB	6	0	34	1.34	7.57
Cathay Century	4	0	9	21.87	49.21

Occupational Injury Statistics

Note 1: There were 15 occupational injuries in 2012; no such incidents occurred at Cathay FHC, Cathay Securities, Cathay SITE, or Cathay Venture.

Note 2: The nature of the sales force of Cathay Life is unique, and is not included in the data.

Note 3: Occupational injuries which occurred on the way to and from work are not included.

Company	Absence rate	Company	Absence rate
Cathay FHC	700	Cathay Life	784
CUB	483	Cathay Century	688
Cathay Securities	543	Cathay SITE	2,199
Cathay Venture	844		

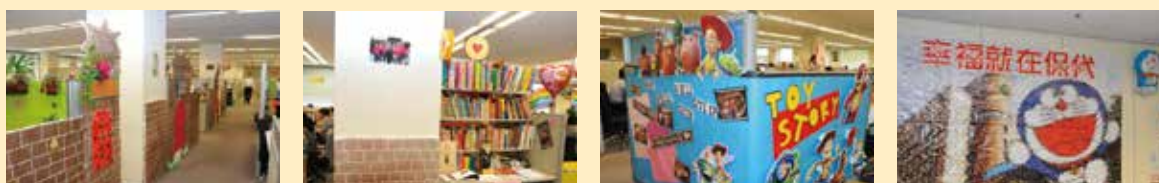
Absence Statistics

Note 1: The number of injuries, deaths, lost working days, incident frequency, and severity are based on the standard million working hours defined by the Council of Labor Affairs for the workers compensation statistics. The absence rate is based on the 200,000 working hours under the GRI formula.

Note 2: Formula: $((\text{Lost working days} + \text{sick days}) / (\text{Average active employees} * \text{Working days in 2012})) * 200,000 \text{ working hours}$.



Creative Workplace Designs



Cathay's creativity trend can clearly be seen in our workplace. In order to encourage creativity and a more lively working environment, Cathay Life held a "Creative Workplace Design Contest" in 2012, which is judged based on creativity, uniqueness, and neatness. The contest was used to revamp the office, giving it a fresh look and making it more pleasant for employees, who often spend more than eight hours a day in the office. In addition, the increased comfort improved work efficiency.



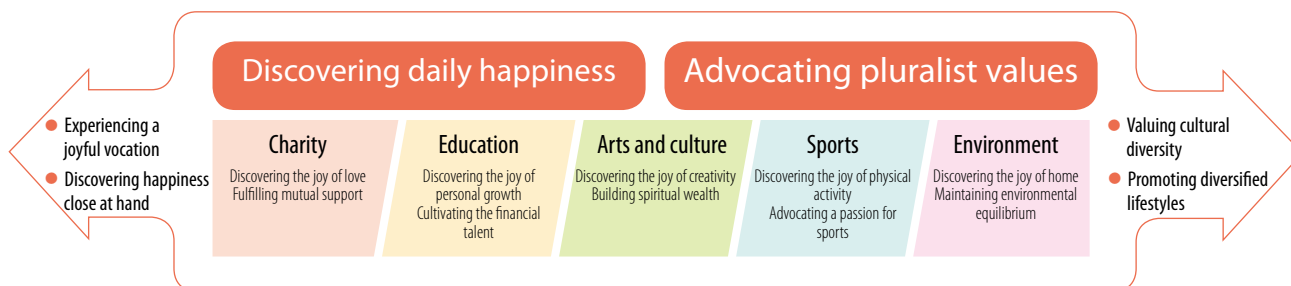
Cheerful Altruism Supporting Our Community

Community Involvement Working Group Head

David P. Sun, Senior Executive Vice President
(Cathay Financial Holdings)



Why is it that, after all these years of hard work by charities, disadvantaged groups still find themselves facing so many difficulties? Why is it that, despite the fact that Taiwan's economy is now growing faster than it was 10 years ago, society as a whole seems to be less happy? In 2012, we are focusing on "Rediscovering Happiness," and hope we can spread awareness of ideas and values that benefit the general public and contribute to social development. At the same time, we hope to enable everyone involved to experience their own joy of participation!



For several decades, Cathay has been mainly involved in following five public welfare activities: charity, education, arts and culture, sports, and environment. Reflecting Cathay's exemplary corporate culture, every social-benefit initiative that Cathay engages in reflects a long-term, step-by-step dedication. For example, the Cathay women's basketball team was founded 43 years ago, the Cathay Nationwide Children's Painting Competition has been held on 37 occasions, and Cathay's scholarship program for policyholders' children was established 36 years ago. Cathay has been providing sponsorships to help Taiwan's Cloud Gate Dance Theatre to put on performances in rural areas for 17 years. The Cathay New Artists Exhibition, which was created to encourage artistic endeavor among young people and has been held on 12 occasions. Cathay has also been involved in helping new immigrants to Taiwan for eight years.

Besides our long history of efforts, Cathay has also effectively uses our own "platforms." Cathay Life has over 30,000 employees and 556 service points throughout Taiwan, as well as the resources of affiliate companies within the Cathay Financial Group. Employees who are interested in volunteering can join the Lin Yuan Volunteer Club. Since the Club launched its first one-day volunteering activities, it has provided assistance to more than 50,000 individuals, including over 1,078 disadvantaged households. CUB has also effectively collaborated with several NGOs to use our credit card payment donation platform to encourage customer participation by awarding dividend points or cash rewards. These small donations added up to more than 0.6 billion in 2012. We are currently planning to revision this online charitable platform and are looking to work with a wider range of partners.

In 2012, the Community Involvement WG of CSR Committee reviewed the social involvement status of individual subsidiary, with the aim of using the current framework stimulate brainstorming of new ideas and to ensure that the various issues are all addressed thoroughly. We have established the following short-term goals, as a basis for gradually moving strategically towards a real "win-win situation" for all concerned:

- Collecting quantitative data, and strengthening employees' sense of participation
- Leveraging and integrating our core capabilities

	Expenditure (NT\$)	
	2011	2012
Charity	74,365,676	21,601,306
Education	77,388,053	75,799,509
Arts and culture	102,327,566	57,598,159
Sports	75,923,400	109,290,598
Environment	2,383,614	1,341,497
Total	332,388,309	265,621,069

Amount Spent on Major Social Involvement in Each Category

Note 1: 2011 is a year with several natural disasters, which makes charitable spending lower in 2012 than in 2011. Spending on arts and culture tends to vary from year to year depending on sponsorship of each year. The main disparity between 2011 and 2012 was the expenditure in 2011 on the Cloud Gate Dance Theatre's new arts, culture and education center in Tamsui.

Note 2: Expenditure on environmental protection in this table are limited to spending on environmental public activities. Other environmental spending details can be found in the "Green Finance" chapter.

5,169 Lin Yuan
Volunteers helped for more
than **50,000** people,
including over **1,078**
disadvantaged households

In 2012, CUB's credit
card payment donation
platform raised more than
0.6 billion NTD

Charitable Concern

In the diversified society of the twenty-first century, there are more people than ever in need of care and support. In a situation where limited resources can be offset by unlimited caring, besides working through our two charitable foundations, the Cathay Financial Group also uses the innovation and R&D capabilities of our subsidiaries to extend the reach of our care, providing useful services and products, and expanding both the scope of care and financial service inclusion.

In addition, we launched the "One-day Volunteer" program to encourage employees to participate in public-benefit activities in 2009. Employees can take one day's paid leave to volunteer. This was followed in 2011 by the establishment of the Lin Yuan Volunteer Club, aiming to use person-to-person interaction to assist those in need of help more directly, effectively, and on a long-term basis. The sharing of such experiences is another important factor to motivate volunteering. With this in mind, seven years ago the Cathay Charity Foundation began to organize events to honor outstanding volunteers. In addition to providing an opportunity to give recognition to those employees who have demonstrated a strong commitment to societal contribution, their moving stories can also have a big impact on the entire staff!

In 2012, Cathay Life celebrated its 50th anniversary. As part of the anniversary celebrations, we decided to take part in the Give & Gain global volunteering initiative organized by Britain's BITC (Business In The Community). In May 2012, this activity saw a total of 18,961 volunteers from 435 companies in 15 countries around the world providing assistance to a total of over 140,000 people. In addition, we designated September 10 as "Joyful Charity Day". On this day 92 public-benefit activities were held throughout Taiwan, activities which were at the same time a celebration of Cathay Life's "birthday." Our volunteers went out into their local communities to provide assistance, sweeping streets, cleaning up scenic areas, and holding charity auctions. In this way, the whole of Taiwan was linked together in a spirit of charitable love and caring.

Activities to help New Immigrants

With the increase in the number of "international marriages", there has been a steady rise in Taiwan's "New Immigrant" population. There are now more than 470,000 new immigrants in Taiwan, and their children number nearly 300,000. This group thus accounts for a larger share of the population than the members of Taiwan's indigenous peoples. By 2020, when many of the children of the new immigrants will have reached adulthood, they will constitute an important component of the new generation that will be making the biggest contribution to Taiwan's economic growth.

Recognizing the rapid growth in the number of new immigrants, in 2005 we began working with social welfare organizations and leading academics and experts to formulate strategies for helping new immigrants and their children. After eight years of hard work, we have made a great deal of progress developing and carrying out measures to help newly-arrived female immigrants adapt to Taiwanese culture, learn the local language, and enhance their childcare skills. The efforts attempt to provide educational support for children of new immigrants. Over the period 2005 – 2012, Cathay provided a total of NT\$28.81 million in funding to assist new immigrants, with 120,000 individuals benefiting from this support.

Recognizing the need for long-term continuous improvement, Cathay knows it cannot solve every issue affecting Taiwan's new immigrants on its own. Therefore, Cathay collaborates with the public sector, NGOs, and academics and experts to formulate proposals which help to support second-generation immigrants. This collaboration has included the Story-telling Team and Travelling Theater, organized by National Chiayi University, the Eden Social Welfare Foundation's Skills Cultivation Camps, an after-school

Enthusiastic commitment to helping others through blood donation



"Ms. A-Hao" has appeared in the list of Cathay outstanding volunteers on an almost annual basis. Having been with Cathay for 34 years, and now approaching retirement, A-Hao was presented with a special Cathay Volunteer Lifetime Achievement Award. During the short film that the Cathay Charity Foundation showed to honor her achievements, she was so moved that she broke down in tears.

It all started when a member of her family suffered severe blood loss, just at the time when Taiwan was suffering from a shortage of blood donors. This personal experience proved to A-Hao just how important giving blood really is. With A-Hao as the main driving force, the Yancheng Volunteer Group's Blood Donation Day expanded until the activity was being held throughout the Kaohsiung region, and the amount of blood given rose steadily, rising to a record 1,851 bags in one day in 2012. Thanks to A-Hao's efforts, a total of over 27,000 bags of blood have been donated in a period of just over ten years.

Although A-Hao will soon be retiring, her son will be taking over from her, ensuring that the impressive tradition of public-spiritedness that she has established will continue.

For over 13 years,
our employees
throughout Taiwan
have donated a total
of **135,251**
bags of blood

Over an eight-year
period, Cathay provided
NT\$ **28.81 million**
in funding to help
new immigrants, with
120,000 individual
beneficiaries

guidance program organized by the World Peace organization, and the Torch Program launched by the Ministry of the Interior in 2012. Moreover, to make these services more effective, we implemented the New Immigrant Second Generation Care Program in DongShan District of Tainan City, where a high percentage of children are the children of new immigrants. The first stage of the program involves after-school activities and special summer and winter camps. Through a diverse range of programs, we are able to identify areas of particular need. We then use in-depth interviews to help provide appropriate services tailored to the special requirements and issues of individuals. In addition, following in the footsteps of the first Caring for New Immigrants International Seminar held last year, in 2012, this conference is being held again on an expanded scale in collaboration with the National Immigration Agency, Ministry of the Interior, and with assistance from the NCCU Department of Sociology. The Seminar will provide a forum for exchanging ideas regarding how immigrants educate and raise their children. Additionally, we are collaborating with the National Immigration Agency on a "New Immigrant Happiness Survey," which shows how content new immigrants are living in Taiwan, an overview of new immigrants' home lives, and how they raise their children. We also continue to leverage our core areas of professional expertise to organize financial planning classes for new immigrants to help them "rediscover happiness."

Collaborating with specialist organizations

Strengthening cooperation with public- and private-sector organizations

Cultivate the next generation

After-school activity program and summer camp in the DongShan, Tainan City

Helping New Immigrants to "rediscover happiness"

"Caring for New Immigrants International Seminar", "Happiness Survey" and, financial planning courses

Care Strategy for Second-Generation Immigrants

One-to-one visits and service for new immigrants

Bringing together Cathay volunteers and experts from specialist organizations to visit/assist new immigrants

Cathay's implementation strategy for assisting the children of new immigrants

Caring for New Immigrants International Seminar



Representatives of government, academia and industry from South Korea, Hong Kong and several other countries met together in Taipei to discuss key policy issues relating to new immigrants in Asia, including population structure, lifestyle adaptation, parenting and children's education.

Junior High School and Elementary School Care Program in DongShan District, Tainan City



More than 300 people have participated in after-school care activities; a Winter Vacation Skills Camp and Multicultural Summer Camp have also been organized, to help strengthen children's capabilities.

Story-telling Team and New Immigrant Care Touring Theater (in collaboration with National Chiayi University)



Using innovative ways to stimulate interest in reading, in 2012 the Story-telling Team helped 7,025 New Immigrant children to strengthen their self-confidence as multilingual individuals.



The Touring Theater, which uses exciting stories to help New Immigrant children appreciate the wisdom and value of their mothers' cultures, has put on a total of nine performances in Kaohsiung, Tainan, Yunlin and Chiayi.

Skills Cultivation Camp and Parenting Capability Enhancement Program (in collaboration with the Eden Social Welfare Foundation)



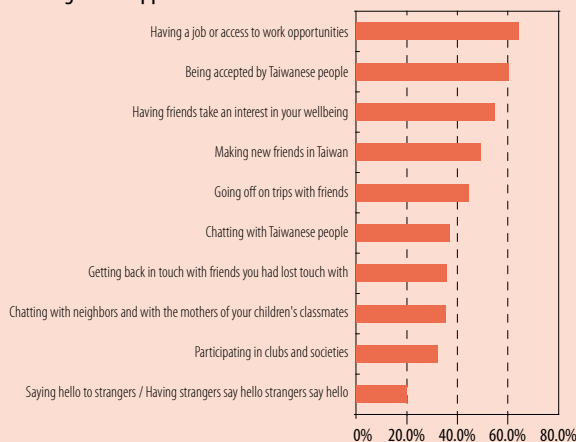
A total of 38 sessions were held in Taipei City, New Taipei City and Yilan County in 2012, benefiting nearly 130 New Immigrants and their children.

New Immigrant Happiness Survey

In 2012, Cathay Life collaborated with the National Immigration Agency, Ministry of the Interior on the New Immigrant Happiness Survey. The survey form was translated from Chinese into 9 languages. A sample of 20,000 respondents was obtained using nationality and district of residence weighting, with the aim of gaining a clearer picture of the reality of New Immigrants' lives in Taiwan. This is the first large-scale survey regarding the quality of life of New Immigrants to be implemented in Taiwan.

The survey results showed that New Immigrants are most concerned about having jobs, and about being accepted by Taiwanese people. The National Immigration Agency has responded to these survey results by collaborating with Job Bank 104 on the creation of a special section for New Immigrants on Job Bank 104's job-seeker website.

Q: Which aspects of their social and human relations bring new immigrants happiness?



Financial Planning and Household Management Classes

In order to help New Immigrants adapt to live in Taipei, Cathay Life has been working with the Department of Civil Affairs, Taipei City Government, with the Pearl S. Buck Foundation, and with the "Si Fang Pao" multilingual newspaper, using the Cathay's core competencies (insurance, financial planning, hospital operation, and construction) to provide a series of financial planning and household management courses for New Immigrants. The course content includes skills for managing household finances, healthcare, first aid, personal safety awareness, etc. The classes were held over the period October 14 to December 2, 2012 at the Wan Hua New Migrant Center in Taipei.

The participants included more than 50 New Immigrant ladies from China, Vietnam, Indonesia, the Philippines, Cambodia and Japan, all of whom were all very impressed by the classes. Similar classes will be held in Central and Southern Taiwan in 2013, with the aim of helping even more New Immigrant households.



Concern for Remote Districts

As part of our long-standing concern and care for aboriginal and disadvantaged schoolchildren, Cathay has been sponsoring the Care for Aboriginal Children Three-Part Program since 2002, totaling 11 consecutive years. In 2012, to expand the scale of employee participation, the Cathay Charity Foundation not only encouraged employees to donate money and volunteer, but also invited employees to apply as models for related publicity posters—with new models being recruited every two weeks—in an effort to encourage even more enthusiastic participation! By the time the activity ended, a total of NT\$7,095,678 had been raised (as of March 31, 2013), which will be distributed in nearly 10,000 New Year Red Envelopes by the Cathay Charity Foundation. The Red Envelopes will then be personally distributed by 600 Lin Yuan Volunteers to disadvantaged children living in 49 remote mountainous districts in various parts of Taiwan as part of the "Winter Warmth Program" activity.

In addition, the 2012 Cathay Children Development Camp, based around the learning theme of "Exploring Different Areas and Future Career Ideas," involved various group subsidiaries, including Cathay General Hospital, whose staff helped children to learn about the healthcare system and offered basic home healthcare advice. The children also had the opportunity to visit the Cathay United Art Center to view work by great artists. Additionally, CUB's expert instructors organized a money management class, using games and activities to teach the children the basics of bookkeeping, saving, and investing. They were also taught how

In 2012, Cathay employees raised
NT\$ 7,095,678
in charitable donations

袁若蘭 Profile:
 > 單位：金控 行銷處
 > 職稱：Angel
 > 興趣：閱讀、攝影
 > 座右銘：夢想、堅持

生命中每件發生的事
都有其原因，
學會看出隱藏其中的祝福！

to protect themselves from fraud and how to use ATM machines safely.

In 2012, Cathay Securities took on the role of Santa Claus. Responding to the IC Broadcasting Company radio station's "Christmas Shoebox Gift Activity" initiative, within the space of just two weeks Cathay Securities donated a total of 289 presents and around 600 kilos of rice. The percentage of employees taking part in this activity exceeded 60%! In fact, company personnel were constantly asking when they could donate again, and whether the same activity would be held next year, showing just how positively Cathay employees feel about this type of activity.

After receiving the Golden Diamond Award, Cathay SITE worked with the Taipei Foundation of Finance to make a positive contribution to society. We decided to donate ambulances or other medical vehicles to improve basic healthcare in remote areas of Taiwan. In 2012, vehicle donation was made to St. Martin de Porres Hospital. In addition, Cathay Life manager Cheng Shu-fang has been donating "Fukang Buses" for helping the disabled out of her own funds. She firmly believes that insurance is a blessing, and that it can be used to help more members of disadvantaged groups who need assistance and support.

Aboriginal Group Accident Insurance

In 2012, Cathay Life launched the Aboriginal Group Accident Insurance policy, in line with the government's efforts to ensure the basic livelihood of Taiwan's economically disadvantaged aboriginal peoples. It is estimated that, over the period from March 2012 to March 2013, a total of 24,000 people will have benefited from this policy, which is expected to better the shortfalls in Taiwan's existing social insurance provision and social insurance mechanisms.



Making medical care more accessible through care!

"Fukang Buses" are intended to help disabled people who need to travel to medical facilities, work, school, or to transact business. However, there are around 1.1 million disabled people in Taiwan, but only 1,074 Fukang Buses, making for an average of 1 minibus for 1,024 people, which is clearly inadequate.



Cheng Shu-fang, a manager with Cathay Life's Chuan-chao Chen-ta Communications Office, began donating to charity three years ago. In December 2012, she expanded the scope of her efforts to raise funds for the purchase of Fukang Buses for use in Taitung County and Pingtung County, both of which have a large geographical area but limited resources. So far, Cheng Shu-fang has donated five minibuses out of her own efforts. Cathay is immensely proud to have employees like this!

Care for the Needy and the Marginalized

Horrifying incidents occur all the time. Recognizing the importance of prevention, in 2007 Cathay began collaborating with ADLINK Foundation's Mixed Disabled Troupe, whose members include people who have lost limbs, the visually impaired, and the hearing impaired. The Troupe's goal is to help people on the margins of society feel that life still has value, and to stimulate concern and empathy. In 2012, we expanded the scope of our efforts to introduce "life-affirming education" to junior and senior high schools in order to counteract the spread of distorted values among schoolchildren. A total of 17 "Prison and Campus Concern" activities have been held throughout Taiwan, planting the seeds for a better future.

Natural Disasters and Emergency Assistance

In June 2012, Typhoon Talim inundated Laiyi Township in Pingtung County with torrential rains. Cathay volunteers were among the first to arrive on the scene to help disaster victims, and Cathay's corporate headquarters immediately began implementing a disaster relief plan. In August 2012, Typhoon Saola made landfall directly over Hsiu-lin Township in Hualien County. Cathay volunteers purchased three truckloads of supplies and delivered them to the affected area, helped local authorities conduct emergency repairs to infrastructure in the aftermath of the typhoon, and helped to clear mud and debris from streets and homes. Just days afterward, Typhoon Tembin—which followed a highly unusual route, striking Taiwan two separate times—caused severe damage to the Hengchun Peninsula and Orchid Island. Cathay volunteers were quick to act once more, assisting with disaster relief efforts and demonstrating Cathay's spirit of "Wherever we are needed, Cathay volunteers will be there."

Over a 12 year period,
the Cathay Cares
Public Welfare Train
has included **77**
activities in **51**
different townships



The "Cathay Cares Public Welfare Train"

The "Cathay Cares Public Welfare Train", an activity which has been held for 12 years, is held in remote areas throughout Taiwan, bringing laughter and joy to local children. In 2009, we started to hold "Spiritual Reconstruction Train" activity in areas which suffered heavy damage from Typhoon. In 2012, the Train was off once again, with a "Happy Magic Lessons Party", bringing much-needed smiles to the faces of children living in the disaster zone.

Liu Hsiang-yun, one of our volunteers who travelled to Orchid Island in August 2012, still shudders when recalling the high winds her plane encountered en route to Orchid Island, but says she was deeply moved by being able to help local children. "Because Cathay volunteers arrived at the scene so quickly and were so effective," she recalls with a chuckle, "children assumed that supplies later sent by the government were from Cathay as well! It was truly a blessing to have been able to help those people!"

Developing Academic Potential

Cathay firmly believes that education is the first step to help people improve their quality of life, and that learning about money matters is a crucial topic everyone must study to function well in society. To this end, we make use of four key strategies—provision of scholarships, collaboration with academic institutions, "practical finance teams", and school activities—to provide a wide range of methods to cultivate children's capabilities. In addition, we focus on preventing illnesses and accidents in school, which are important issues related to the insurance industry.



Scholarships

"Cathay Financial Group Scholarship Program for Children of Cathay Customers" is the oldest and the most extensive scholarship program in Taiwan. In the 36 years since it was first established, more than 100,000 people have applied for the scholarship. "Wan-Lin Tsai Scholarship Selection" was established to support children from low-income families and children who have demonstrated outstanding academic performance. Beneficiaries have included taekwondo athlete Yang Shu-chun (who has represented Taiwan in international competitions) and the visually-impaired inventor Huang Tzu-hsuan. Starting in 2011, a new "Departmental Recommendation" section was added to the scholarship's list, which takes recommendations from department or graduate school heads of the most deserving students to receive financial aid. In 2012, a total of 104 individuals and groups were selected to receive funding of Cathay's scholarship programs.

The Cathay United Bank Culture & Charity Foundation also organizes its annual "Elevated Tree Program: Helping Seedlings Grow Tall", which

incorporates activities such as essay competitions, children's book donation drives, and parent-and-child lectures to help give "young seedlings" opportunities to acquire new knowledge. In 2012, Cathay began providing an online book selection service, so people or schools know what to donate or select, making the program more efficient! In 2012, a total of NT\$10 million was donated which covers the tuition for 7,719 junior high and elementary school students from low-income families. Over 50,000 children were benefited from Elevated Tree Program, and more than 60,000 children's books were donated to 315 institutions since 2004.

CUB's "Vietnam Elevated Tree Program"



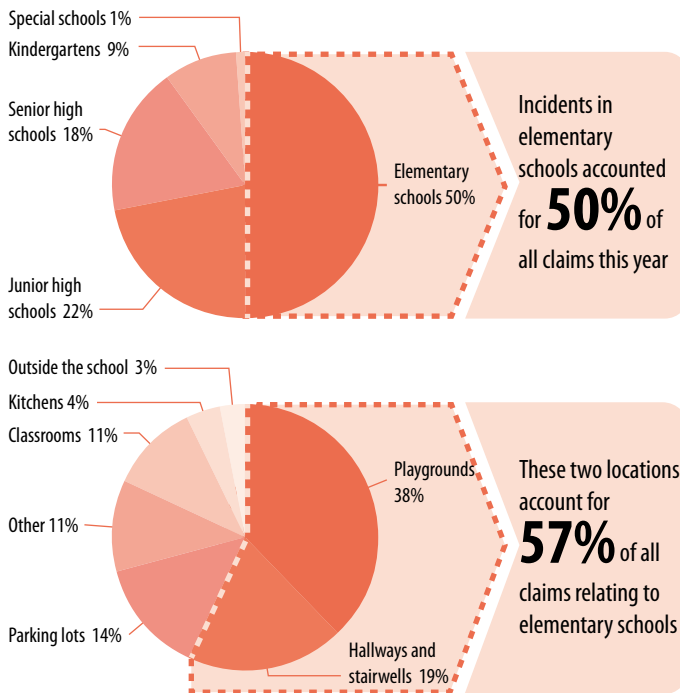
Over a five-year period from 2008 to 2012, CUB donated a total of 2.5 billion VND to help nearly 6,000 Vietnamese children. One child in particular—a girl currently in sixth grade—says that her father died young, causing her family to live in poverty, and that from a very young age she had to accompany her mother on three-hour bicycle trips to buy fish for resale. The day before the award ceremony, her mother fell ill. Upon receiving the scholarship, this young girl was overwhelmed, exclaiming that she would be able to use the money not only to pay for her mother's medical bills, but also to cover her own school fees and therefore remain in school.

School-related Activities

Since 2007, Cathay Century has provided insurance for an average of 1,400 schools every year. In 2010 and 2012, we also provided public liability insurance to K-12 schools by the Ministry of Education centralized tendering system. In addition, Cathay Life has made student group casualty insurance available to all K-12 schools in Taiwan for several years. Our experience and the concept of prevention caused Cathay Life to start holding a "School Care Lectures" activity in 2011, and Cathay Century also started "Accident-Free School" program since 2012, focusing on health and safety issues to build an accident-free school environment.

To enhance the effectiveness of "School Care Lectures," Cathay Life worked with the Red Cross to provide CPR first-aid classes, and donated safety equipment to schools creating a more comprehensive campus first aid network. In addition, Cathay Life arranged Basic Health Classes for teachers, which covered topics including cancer prevention, and were very well-received by the attendees.

After analyzing data collected in 2012, Cathay Century discovered that claims arising from incidents in elementary schools accounted for 50% of all school-related insurance claims. We also found that playgrounds and hallways were the most accident-prone areas (accounting for 57% of all reported incidents). Elementary school students are invariably interested in exploring the world, but they tend to display a low level of safety awareness which causes a high rate of accidents. A particularly serious issue is that Taiwan does not currently have any laws to regulate the safety of school playgrounds. Therefore, by sharing their experience in loss prevention, casualty insurance companies can directly and effectively improve safety!



Cathay Century is the **first** insurance company in Taiwan to implement on-site testing and inspection in schools by expert technicians according to Taiwan's CNS12642 Standard for Child Play Equipment

From July to December 2012, we completed safety inspections at **9** elementary schools

Cathay Century's "Accident-Free School" Initiative



Cathay Century's comprehensive approach to school safety is to divide the causes of accidents into two broad categories: "unsafe facilities" and "unsafe behavior". With regard to the former, we have focused on communication with teachers and school authorities, leveraging our professional experience in testing and inspection for business enterprises and are the first casualty insurance company in Taiwan to conduct on-site inspections of play equipment using the CNS12642 standard. Between July and December 2012, we carried out inspections at nine elementary schools. In addition, we donated NT\$640,000 to purchase ground mats (deduced to be the most likely piece of deficient equipment), and in late 2012 we organized a School Safety Conference for sharing safety-related information and case studies.

Elementary school students are our primary concern for introducing good safety habits. In order to make safety activities exciting and interesting, we collaborated with three organizations: Ogilvy, an advertising agency, which designed cartoon characters that serve as mascots; the Yam Kids, which organized a drawing competition; and Yuan Chuang Marketing, which provided support for holding large-scale activities such as obstacle courses. In organizing the Cathay Century Safety Volunteers Team, Cathay Century employees displayed considerable creativity and enthusiasm. They wrote a background story for the cartoon characters, composed songs and lyrics, carried out recording sessions, and held dance rehearsals. Children participating in the activities had great enthusiasm, too! The message "Don't run, don't jump, and don't get hurt! Stay safe by showing courtesy to others!" was clearly taken to heart!

This kind of activity is contingent on face-to-face contact, so rather than holding one large session, we aim to achieve a long-term, continuous program to improve safety awareness. We plan to organize a "cycle" of inspections, in-school activities, and school safety seminars annually. Cathay will continue to run this project. In 2013, we plan to implement inspections at 20 elementary schools—twice as many as in 2012—and we hope to gradually extend this project to cover the whole country.



Practical Finance Camps

In 2012, Cathay Banking and Insurance Camp, with several Cathay managers serving as instructors, not only offered more classes than before, but also featured participants from banking and insurance courses at several Taiwanese universities and colleges, as well as Cathay Life policyholders and children of CUB wealth management customers. The Cross-strait Finance Seminar, jointly organized by Cathay and the Department of Risk Management and Insurance at National Chengchi University, focused on the topic "The Impact of an Aging Population Structure on the Cross-strait Insurance Industry" in 2012. Finance professors and researchers from eight leading Chinese universities were invited to Taiwan for academic exchanges.

In addition to our more advanced and specialized camps, the Seedlings Money Management Camp — now in its ninth year — focuses on 4th through 6th grade students to let them understand the hard work of making money. Over 80% of kids who joined the courses in 2012 report that they enjoyed the classes and exclaim that money management skills would be useful to them. Teaching children about money management is a long-term endeavor, which is why we prepared a Seedlings Money Management Handbook and established the only children's money management website of its kind in Taiwan. Our goal is to continue helping children learn the importance of money management.



Cathay Banking and Insurance Camp



Seedlings Money Management Camp

Arts and Culture

Aside from safeguarding tangible assets, Cathay also wants to help people in Taiwan amass "spiritual wealth". To realize this vision, Cathay sponsors a large number of cultural and artistic activities every year, and also organizes long-term collaborations with various groups, dedicating to introducing dancing and painting into the hearts and lives of Taiwanese.

The Beauty of Dance - Cloud Gate Dance Theatre outdoor performances, Cloud Gate 2's performances in schools, and the Metro Street Dance Competition

For 17 years, Cathay has been a proud sponsor of the Cloud Gate Dance Theatre, which has given 190 world-class dance performances in every corner of Taiwan! In 2012, we sponsored the performance of master dance choreographer Lin Huai-min's new work How Can I Live on Without You in Hualien and in Taipei, while the 2012 Cathay Art Festival: Cloud Gate 2 Campus and Community Tour gave performances in Taitung, Taoyuan, Miaoli, Changhua, and Kinmen. Leading choreographers also attended to explain the works being performed, helping audiences to better appreciate the amazing power of dance.

In July 2012, CUB sponsored the "Metro Street Dance Competition" and "Exit Music Festival" in conjunction with Taipei Mass Rapid Transit Corporation, giving young people and commuters a refreshing break away from their busy schedules to enjoy and appreciate art.

The Joy of Painting - The National Children's Painting Competition and the New Century Art Exhibition

Every year, the National Children's Painting Competition and the New Century Art Exhibition attract between 50,000 to 70,000 entrants respectively. Many former prize-winners have gone on to become artists and art teachers. Cathay Life has also worked to promote international exchanges involving these young artists. In April 2012, the prize-winning works from the 35th National Children's Painting Competition were shown in an exhibition at the Moscow International Children's Art Museum, where all of them received



Award-winning children's paintings also won Class One awards in an exhibition at the Moscow International Children's Art Museum, and also won gold, silver, and bronze medals at the Malaysia-Taiwan Children's Art Exhibition in Malaysia, giving international exposure to these young artists' work!

Class One awards. In May 2012, their artwork was also featured in the Malaysia-Taiwan Children's Art Exhibition in Malaysia, where a total of 80 works received gold, silver, or bronze medals. Given that the artistic capabilities of Taiwan's children are clearly world-class, it is all the more important that we work to cultivate their talent, so that their creativity can flourish!

The Fun of Lectures - The Lin Yuan Lifestyle Plaza and Plaza 7 Series Activities



Over the past two decades, more than 540 lectures have been held in Cathay's afternoon lecture series, with over 180,000 people attending!

The program's series of 8 free lectures at the Lin Yuan Lifestyle Plaza in 2012 was extremely varied, and included a "Coffee Expert" demonstration, "Spring and Summer Skincare and Makeup Trends" lecture—which proved especially popular among women—as well as a lecture on one of Taiwan's most popular fruits entitled "Mangoes: A Taste of Happiness". There were also three Plaza 7 activities, adding an extra touch of fun and excitement to Taipei's Xinyi District.

Encouraging Physical Fitness & Sports

People around the world are always excited and feel proud of their country when their nation's sports teams perform well. However, good athletes need to be sponsored early on—not just after they become famous. More importantly, athletes deserve to be supported during the long period of training that precedes their success. Cathay has been applauded for many years for its efforts in cultivating new talent in the sporting field. In 2012, Cathay received the Gold Medal for Sports Promotion and Gold Medal for Sports Sponsorship from the Sports Affairs Council under the Executive Yuan for the fourth consecutive year, highlighting our unwavering commitment to promoting sports and athleticism in Taiwan. The Cathay Life Women's Basketball Team, which achieved its 19th straight year of dominance in the Taiwan league in 2012, and the Cathay Life Women's Table Tennis Team, which celebrated its 10th anniversary in 2012, have participated in international sporting events and proudly represented Taiwan for years. Cathay has also organized numerous sporting events aimed at improving physical fitness levels of Taiwan's youth, including offering sponsorship for Taiwan's major basketball and table tennis competitions, such as the National Boys Basketball Championship and the National Youth Table Tennis Championship. These events help Taiwan's young people acquire the habit of participating in sports, making them healthy in mind and body and filling them with vigor and energy.

Cathay has helped cultivate numerous female basketball and table tennis athletes who have represented Taiwan on the **international stage**

The cradle of national champion: The Cathay Life Women's Basketball Team and Cathay Life Women's Table Tennis Team

Over the years, Cathay has helped cultivate many outstanding female basketball and table tennis players who represent Taiwan in international competitions. Their sweat and tears have paid off with impressive achievements. For example, Chen Szu-yu, a member of the Cathay Women's Table Tennis Team (which has been developing athletes for 10 years), represented Taiwan at the London Olympics in 2012, presented the high caliber of Taiwanese table tennis to the world. The Cathay Women's Basketball Team has enjoyed an impressive record for 43 years. In 2012, the Team won the women's competition in the William Jones Cup, and was also the champion of Taiwan's national women's basketball league for the 19th consecutive year.

For many basketball lovers in Taiwan, the long-established Cathay Life Women's Basketball Team is a team that they have been watching since they were children. Team members are used to practice for six hours a day, six days a week. In 2012, with only two months between the end of the Women's Super Basketball League (WSBL) season in May and the annual William Jones Cup international tournament in July, Despite all challenges including injuries and the clash of academic examinations, the Cathay team came out top during the five-day William Jones Cup, beating the U.S., Malaysia, India, Chungwa Telecom, and Japan teams.

Three-on-three and Five-on-five basketball tournaments, a cheerleading competition, and an NBA experience event

Every young basketball player dreams to play in the NBA. In late 2010, Cathay FHC signed a MoU with the NBA, making Cathay the NBA's official partner organization in Taiwan. This collaboration includes holding a three-on-three basketball tournament for senior high school students, as well as Cathay NBA Youth Madness series activities, including five-on-five tournament and Cathay Girls cheerleading competition for college students. Cathay also arranged for the winning teams to attend an NBA game. In 2012, 978 high school teams registered to take part in the three-on-three competition, while the five-on-five competition attracted 160 teams, and nearly 20 cheerleading squads registered to take part in the cheerleading competition. These events have become a major focus in Taiwan's schools!

Intensive Training Camp

Jeremy Lin's indomitable spirit have inspired many young people to pursue their ambitions. In August 2012, Cathay once again held the "Cathay Youth Dream Camp: Jeremy Lin Basketball Training Camp". When the camp was first announced, there was a near instantaneous response from 2,000 applicants. After preliminary selection sessions in Northern, Central, and Southern Taiwan, a total of 120 lucky junior high and elementary school students were chosen to take part in the four-day camp in August, where they received professional instruction from basketball sensation Jeremy Lin.

In addition to Jeremy Lin, this year's instructors also included Jeremy's basketball coach Doc Scheppler, physical fitness coach Josh Fan, and Jeremy's former teammate and friend David Lee, making for a truly NBA-class training camp. Several members of the Cathay Women's Basketball Team also acted as coaches. While the children found the training challenging, they all said that the experience was invaluable!

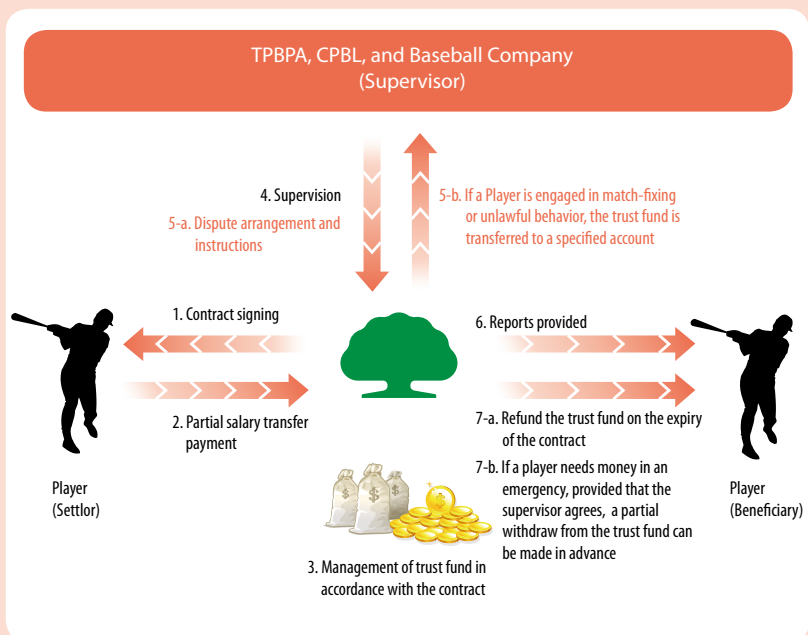


Keepin' It Clean: The Professional Baseball Anti-Gambling Fund

Life for a professional baseball player in Taiwan is very hard. For one thing, a professional's career is short. Although baseball players receive high salaries, if they fail to manage their money properly while they are active, they can easily find themselves in financial straits after their careers end.

In 2009, CUB began collaborating with the Taiwan Professional Baseball Players Association (TPBPA), the Chinese Professional Baseball League (CPBL), and baseball companies, becoming the only bank in Taiwan to manage trust fund for baseball players. Cathy hopes its efforts will help put an end to match-fixing. The "Gambling Prevention Fund" is administered by the bank, and is comprised of 6%~10% of players' monthly salaries and a portion of their signing bonus. The account is managed by the bank according to the wishes of the players, giving them what effectively amounts to a "retirement fund" since baseball players are not covered by Taiwan's Labor Insurance Pension system. If a player is found to have engaged in match-fixing, the fund of that player is confiscated as a penalty. On the other hand, in the event that a player experiences a family emergency before retiring, the player may withdraw funds early at the consent of the fund administrator.

Over the past four years, thanks to the continued efforts of all concerned, professional baseball has gradually started to show signs of recovery. As of December 31, 2012, the Fund contains over NT\$70 million, and is expected to significantly reduce unlawful behavior.



Environmental Protection

Changes in our environment can affect our relationship with nature. A clean, beautiful city can stir a feeling of belonging to one's region and encourage a sense of pride in one's community.

Cathay is committed to being Taiwan's "Big Tree." In terms of environmental protection, Cathay links environmental issues with products, services, and operations, and we also actively promote tree-planting activities in local communities in order to develop green, verdant communities throughout Taiwan. In 2012, we held 10 activities across Taiwan with 1,849 Cathay volunteers and planted a total of 10,865 trees. That being said, we are always striving to go one step further. Instead of organizing one-off, large-scale tree-planting activities, we are focused on choosing the right locations, the right species of trees, and the right organizations to collaborate with, so as to generate maximum benefits. For example, in a tree-planting activity we held in June 2012, we helped restore the Yellow Butterfly Valley in Kaohsiung, an area which suffered serious damage after the construction of the Meinong Reservoir. In addition, in order to boost carbon reduction and environmental protection efforts, Cathay responded to "One Movement" initiative's activity series - "One Tree Per Person: Yes, I can!" tree-planting appeal held by BCSD in April 2012. By working together, we can make a positive impact on our environment!

To promote healthy, low-carbon, LOHAS lifestyles, Cathay participated in the "Working Together to Light up Communities" project, organized by the Taipei branch of the China Youth Corps and with BCSD Taiwan, which involves helping individual communities organize free lectures on environmental issues to enable more citizens to learn about these issues and change their lifestyles for achieving a low-carbon future.

In 2012, **1,849**
Cathay volunteers
planted a total of
10,865 trees

Planting "Story Trees" in Yellow Butterfly Valley: Working together to create a diversified habitat for the Lemon Migrant Butterfly (*Catopsilia Pomona*)

On June 9, 2012, Cathay Charity Foundation arranged for a group of 94 Cathay volunteers and their family members to carry out a "Community Story Tree" tree-planting activity in the "Yellow Butterfly Valley" in Meinong District, Kaohsiung City. The aim of this activity was to get the Lemon Migrant Butterfly (*Catopsilia Pomona*) and other species to return to the Valley, which suffered severe damage as a result of the construction of the Meinong Reservoir. The Foundation undertook the activity in collaboration with local civic groups, showing concern for the local ecosystem, local community, and local culture, injecting new vitality into the concept of environmental protection.

The Cathay Charity Foundation is committed to the ideals of "community greenification, energy conservation and carbon reduction," and to coordinating the efforts of business enterprises, civic groups, and government agencies. Cathay volunteers have worked with the Forestry Bureau, Council of Agriculture, and with Meinong local community and conservation groups to restore the biodiversity of the Yellow Butterfly Valley ecosystem by planting over 170 trees belonging to tree species that attract butterflies and birds, including the Common Gardenia, the Formosan Elderberry, and the Common Tree Fern. The Foundation combined the tree-planting program with in-depth presentations on local history and culture and arranged DIY handicraft activities in local Hakka villages to make the tree planting activity strengthen ties with the local community, and increase knowledge about the Yellow Butterfly Valley, the natural environment, and the Hakka culture of the Meinong area.

Successfully developing and maintaining a habitat with such a diverse variety of species requires long-term commitment and participation by people from all walks of life who possess specialized skill sets and knowledge. We are confident that our volunteers helped make a positive, lasting difference in the Yellow Butterfly Valley that will help restore the local habitat and wildlife and boost preservation efforts.



Appendix- Explanatory Notes

GRI 3.1 Index		Explanatory Notes
4.1	Governance structure	All board directors are male and the average age is 62.
4.2	Indicate if Chair of highest governance body is also executive officer	No one holds two positions
EC4	Significant financial assistance received from government.	Cathay FHC - \$980 million in tax loss carry forwards; Cathay Life - \$1.35 billion in tax loss carry forwards, \$20 million in investment credits
EN1	Materials used by weight or volume.	Cathay is not in the manufacturing sector and does not use raw materials or recycled materials.
EN2	Percentage of materials used that are recycled input materials.	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Cathay does not conduct any business in reservation zone.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Cathay's operations do not have any significant effect or impact on biodiversity in the related communities.
EN13	Habitats protected or restored.	Not applicable
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not applicable
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not applicable
EN19	Emissions of ozone-depleting substances by weight.	Halon fire extinguishers used by Cathay Life have zero emission and do not have any leak.
EN20	NOx, SOx, and other significant air emissions by type and weight.	Cathay is in the financial sector and do not produce any emission of the specified gas.
EN21	Total water discharge by quality and destination.	Cathay's sewage is disposed through the sewage system into rivers and complies with the regulatory requirements.
EN23	Total number and volume of significant spills.	Not applicable
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not in the manufacturing sector; not applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not in the manufacturing sector; not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Cathay is in the financial sector, and financial products are intangible goods and therefore not applicable.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Cathay did not violate any environmental laws in 2012.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not applicable
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Related notices for changes were transferred according to the rules in 5-7 business days.
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	All Cathay employees undergo performance assessments every year.
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	Cathay FHC's subsidiary bank invested in 70% of the shares in the Singapore Banking Corporation Limited in Cambodia in 2012. The contract specified that the existing staff must be kept in order to protect the employment rights of the employees to preserve a stable workplace. The investment accounted for 100% of major strategic investment, while the other investments were financial investments and did not involve any issues of human rights.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	CSR provisions were added to supplier contracts in 2012 to require suppliers to comply with environmental laws and human right laws.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Training in this area is currently not provided and has been included as part of employee training next year.
HR4	Total number of incidents of discrimination and corrective actions taken.	0 case in 2012
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	No action to prevent or obstruct employees from the right to exercise freedom of association.
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	CSR provisions were added to supplier contracts in 2012 to require suppliers to comply with environmental laws and human right laws.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	0 cases in 2012
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	0 cases in 2012
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	0 cases in 2012
SO2	Percentage and total number of business units analyzed for risks related to corruption.	For Cathay FHC, a total of 3 departments or 23% of the departments have undergone analyses of corruption risks.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	The subsidiaries provide regular anti money laundering training for all employees.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not applicable
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Cathay FHC and its subsidiaries do not hold any percentage that constitutes anti-trust or monopoly practices.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not applicable
SO9	Operations with significant potential or actual negative impacts on local communities.	Cathay is in the financial sector, and its operations do not have a significant adverse affect on the local community.
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Cathay is in the financial sector, and financial products are intangible goods and therefore not applicable.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Cathay is in the financial sector, and financial products are not applicable.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	All financial products offered by the company provide print example portfolios or prospectuses for customers to choose from.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	0 cases in 2012
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	In 2012, Cathay FHC and its subsidiaries received a total of 5 orders of correction from the competent authority (FSC); all errors in which have been corrected and improved.

GRI (Global Reporting Initiative)G3.1 Index

◎ Fully disclosed △ Partially disclosed N.A. Not disclosed

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EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	◎	23/36-37
EC3	Coverage of the organization's defined benefit plan obligations.	◎	51-54
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EC5	(Add) Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	◎	51
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	△	43
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	△	47-48
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	◎	6-7
EC9	(Add) Understanding and describing significant indirect economic impacts, including the extent of impacts.	◎	36-37/61-71
Environmental Management Approach and Performance Indicators			
DMA	Disclosures on Management Approach	◎	33
EN1	Materials used by weight or volume.	◎	72
EN2	Percentage of materials used that are recycled input materials.	◎	72
EN3	Direct energy consumption by primary energy source.	◎	41-42
EN4	Indirect energy consumption by primary source.	◎	41-42
EN5	(Add) Energy saved due to conservation and efficiency improvements.	◎	41-44
EN6	(Add) Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	◎	38-44
EN7	(Add) Initiatives to reduce indirect energy consumption and reductions achieved.	◎	41-44
EN8	Total water withdrawal by source.	◎	44
EN9	(Add) Water sources significantly affected by withdrawal of water.	◎	44
EN10	Percentage and total volume of water recycled and reused.	N.A.	N.A.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	◎	72
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	◎	72
EN13	(Add) Habitats protected or restored.	◎	72
EN14	(Add) Strategies, current actions, and future plans for managing impacts on biodiversity.	◎	72
EN15	(Add) Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	◎	72
EN16	Total direct and indirect greenhouse gas emissions by weight.	◎	42
EN17	Other relevant indirect greenhouse gas emissions by weight.	◎	42
EN18	(Add) Initiatives to reduce greenhouse gas emissions and reductions achieved.	◎	35-45
EN19	Emissions of ozone-depleting substances by weight.	◎	72
EN20	NOx, SOx, and other significant air emissions by type and weight.	◎	72
EN21	Total water discharge by quality and destination.	◎	72
EN22	Total weight of waste by type and disposal method.	◎	44
EN23	Total number and volume of significant spills.	◎	72
EN24	(Add) Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	◎	72
EN25	(Add) Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	◎	72
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	◎	35-45
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	◎	72
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	◎	72
EN29	(Add) Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◎	72
EN30	(Add) Total environmental protection expenditures and investments by type.	◎	37-38/44
Social Management Approach and Performance Indicators -Labor Practices and Decent Work			
DMA	Disclosures on Management Approach	◎	47-59
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	◎	47-48
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	◎	50
LA3	(Add) Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	◎	51-54

LA4	Percentage of employees covered by collective bargaining agreements.	◎	47
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	◎	72
LA6	(Add) Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.	◎	58
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	◎	59
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	◎	53-54
LA9	(Add) Health and safety topics covered in formal agreements with trade unions.	◎	58
LA10	Average hours of training per year per employee by gender and by employee category.	△	55-56
LA11	(Add) Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	◎	55-56
LA12	(Add) Percentage of employees receiving regular performance and career development reviews by gender.	◎	72
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	◎	48
LA14	Ratio of basic salary of women to men by employee category, by significant locations of operation.	◎	51
LA15	Return to work and retention rates after parental leave, by gender.	◎	53
Social Management Approach and Performance Indicators - Human Rights			
DMA	Disclosures on Management Approach	◎	57
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	◎	72
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	◎	72
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	◎	72
HR4	Total number of incidents of discrimination and corrective actions taken.	◎	72
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	◎	72
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	◎	72
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	◎	72
HR8	(Add) Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	N.A.	N.A.
HR9	(Add) Total number of incidents of violations involving rights of indigenous people and actions taken.	◎	72
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	◎	72
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	◎	72
Social Management Approach and Performance Indicators - Society			
DMA	Disclosures on Management Approach	◎	61
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	◎	61
SO2	Percentage and total number of business units analyzed for risks related to corruption.	◎	72
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	◎	72
SO4	Actions taken in response to incidents of corruption.	◎	19
SO5	Public policy positions and participation in public policy development and lobbying.	◎	6-7
SO6	(Add) Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	◎	72
SO7	(Add) Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	◎	72
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	◎	72
SO9	Operations with significant potential or actual negative impacts on local communities.	◎	72
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	◎	26
Social Management Approach and Performance Indicators - Product Responsibility			
DMA	Disclosures on Management Approach	◎	25
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	◎	72
PR2	(Add) Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	◎	72
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	◎	72
PR4	(Add) Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N.A.	N.A.
PR5	(Add) Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	◎	29
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	◎	29/31-33
PR7	(Add) Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N.A.	N.A.
PR8	(Add) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	◎	72
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	◎	72

GRI Financial Services Sector Supplement

GRI Index		Extent of Reporting	Page(s)	Explanatory Notes
FS1	Policies with specific environmental and social components applied to business lines.	◎	29/31	
FS2	Procedures for assessing and screening environmental and social risks in business lines.	◎	21-22	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	△	76	With respect to collaterals that are Class C building sites in protected hill areas and prone to flood, mudslides, and other adverse effects of overdevelopment in the environment, CUB has also established applicable requirements.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	◎	21-22	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	◎	6-7	
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	◎	36-38	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	◎	36-38	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	◎	36-38	
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	△	20	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	◎	4-5	
FS11	Percentage of assets subject to positive and negative environmental or social screening.	△	76	In consideration of environmental impact and in response to the Insurance Act, Cathay Life is required to acquire real estate assets and confirm the property is not an aversive facility built with sea sand or radiation contaminated.
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	◎	76	The system has not yet been adopted to conduct related assessments.
FS13	Access points in low-populated or economically disadvantaged areas by type.	◎	26	
FS14	Initiatives to improve access to financial services for disadvantaged people.	◎	27	
FS15	Policies for the fair design and sale of financial products and services.	◎	29-30	
FS16	Initiatives to enhance financial literacy by type of beneficiary.	◎	29-30	

Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

Content		Related Report Section(s)
Chapter 1	General Principles	Cheerful Management Sustainable Cathay
Chapter 2	Exercising Corporate Governance	Cathay Financial Holdings and CSR
		Cheerful Management Sustainable Cathay
Chapter 3	Fostering a Sustainable Environment	Cheerful Prosperity Green Finance
Chapter 4	Preserving Public Welfare	Cheerful Care Customers First
		Cheerful Growth Happy Employees
		Cheerful Altruism Supporting Our Community
Chapter 5	Enhancing Disclosure of Corporate Social Responsibility Information	A Word from Cathay
Chapter 6	Supplementary Provisions	Cathay Financial Holdings and CSR

United Nations Global Compact Comparison Table

Category	10 Principles	Related Report Section(s)	Page(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights;	Cheerful Growth Happy Employees	47
	Make sure that they are not complicit in human rights abuses.	Cheerful Growth Happy Employees	47
	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Explanatory Notes	72
Labor	The elimination of all forms of forced and compulsory labor;	Cathay employment policy	47
	The effective abolition of child labor; and	Cathay employment policy	47
	The elimination of discrimination in respect of employment and occupation.	Cathay employment policy	47
Environment	Businesses should support a precautionary approach to environmental challenges;	Cheerful Prosperity Green Finance	35
	Undertake initiatives to promote greater environmental responsibility; and	Cheerful Prosperity Green Finance	35-45
	Encourage the development and diffusion of environmentally friendly technologies.	Green Financial Products	36-40
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Ethical Corporate Management	19

ISO 26000 Index

Category	Core Subjects and Issues	Related Report Section(s)	Page(s)
Organizational governance	Decision-making processes and structures	Corporate Governance	17-18
Human rights	Due diligence	Audit system	20
	Human rights risk situations	Employee Relations	47
	Avoidance of complicity	Ethical Corporate Management	19
	Resolving grievances	Employee Relations	57
	Discrimination and vulnerable groups	Cathay employment policy	47
	Civil and political rights	Cathay employment policy	47
	Economic, social and cultural rights	Cathay employment policy	47
	Fundamental principles and rights at work	Compensation & bonuses	51
Labor practices	Employment and employment relationships	Cathay employment policy	47
	Conditions of work and social protection	Cathay employment policy	47
	Social dialogue	Employee Relations	57
	Health and safety at work	Workplace Environment	58
	Human development and training in the workplace	Education & Training	55-56
The environment	Prevention of pollution	Carbon Reduction Plan to Save 5% Energy in 3 Years	41
	Sustainable resource use	Building Mobile Offices	38-40
	Climate change mitigation and adaptation	Green Advocacy	45
	Protection of the environment, biodiversity and restoration of natural habitats	Environmental Protection	71
Fair operating practices	Anti-corruption	Ethical Corporate Management	19
	Responsible political involvement	Stakeholder Engagement	6-7
	Fair competition	Ethical Corporate Management	19
	Promoting social responsibility in the value chain	Green management to strengthen business efficiency	44
	Respect for property rights	Ethical Corporate Management	19
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	Assisting Customers to Identify Their Own Risk Tolerance	29-30
	Protecting consumers' Health and safety	Cathay Century's "Accident-Free School" Initiative	67
	Sustainable consumption	Protecting Customer Rights	29-30
	Consumer service, support, and complaint and dispute resolution	Service Satisfaction	29
	Consumer data protection and privacy	Customer Confidentiality	31-33
	Access to essential services	Cheerful Care Customers First	26-27
	Education and awareness	Practical Finance Camps	29-31
Community involvement	Community involvement	Cheerful Growth Happy Employees	61-71
	Education and culture	Developing Academic Potential	66-69
	Employment creation and skills development	Cathay employment policy	47
	Technology development and access	Practical Finance Camps	68
	Wealth and income creation	Practical Finance Camps	66-68
	Health	School-related Activities	66-67
	Social investment	Cathay Global Ecology Fund	36-38

INDEPENDENT ASSURANCE OPINION STATEMENT

2012 CATHAY FINANCIAL HOLDING CO., LTD. Corporate Social Responsibility Report

The British Standards Institution is independent to CATHAY FINANCIAL HOLDING CO., LTD. (hereafter 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 verifying its statements relating to its sustainability, more particularly described in the Scope, below. It was not prepared for any other purpose. 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 to any person by whom the independent assurance opinion statement may be read.

This 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 followings:

1. The assurance covers the whole report and focus on systems and activities during the 2012 calendar year in the CATHAY FINANCIAL HOLDING CO., LTD. including their 6 subsidiaries (CATHAY Life Insurance, CATHAY United Bank, CATHAY Century Insurance, CATHAY Securities, CATHAY Venture, CATHAY Securities Investment Trust) and relevant operations in Taiwan.
2. The evaluation of the nature and extent of the CATHAY FHC's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the 2012 CATHAY FHC Corporate Social Responsibility Report Review provides a fair view of the CATHAY FHC programmes and performances during 2012. We believe that the 2012 economic, social and environment performance indicators are fairly represented.

Our work was carried out by a team of (CSR) report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this 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 AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines 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, we also conduct top management interview
- discussion with managers on CATHAY FHC's approach to stakeholder engagement. However, we didn't have sampled any external stakeholders to conduct interview
- 20 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the findings of internal audits
- review of supporting evidence for claims made in the reports
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008) Conclusions

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G3.1 guidelines is set out below:

Inclusivity

This report has reflected a fact that CATHAY FHC is seeking the engagement of its stakeholders continuously. The

participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CATHAY FHC's inclusivity issues, however, the future report should be further enhanced by the following areas:

- Continually implement corporate core strategy and vision of the company to put CSR idea into practice, especially in breadth and depth of supply chain issues

Materiality

The CATHAY FHC publishes CSR information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the CATHAY FHC's material issues, however, the future report should be further enhanced by the following areas:

- Publishing a written guideline for the methodology to identify and prioritize CATHAY FHC's material issues to enable all departments to follow continuously

Responsiveness

CATHAY FHC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the CATHAY FHC Corporation is developed and provides the opportunity to further enhance the CATHAY FHC's responsiveness to stakeholder concerns. In our professional opinion the report covers the CATHAY FHC's responsiveness issues, however, the future report should be further enhanced by the following areas:

- In order to enhance the reliability of CSR performance in information given to stakeholders, it is encouraging to look for AA 1000 AS type 2 assurance in future

GRI-reporting

CATHAY FHC provided us with their self declaration of compliance within GRI G3.1 Guidelines and the classification to align with application level A+. Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the CATHAY FHC's social and sustainability issues, however, the future report will be improved by the following areas:

- Encouraging systematize the data that cover all partial disclosure performance indicators toward full disclosure in the future in order to strengthen stakeholder's confidence

Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

Responsibility

This CSR report is the responsibility of the CATHAY FHC's chairman as declared in his 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 and Carbon Footprint Verifiers experienced in Engineering sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 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.

For and on behalf of BSI:



Peter Pu
Managing Director BSI Taiwan
25 June, 2013




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