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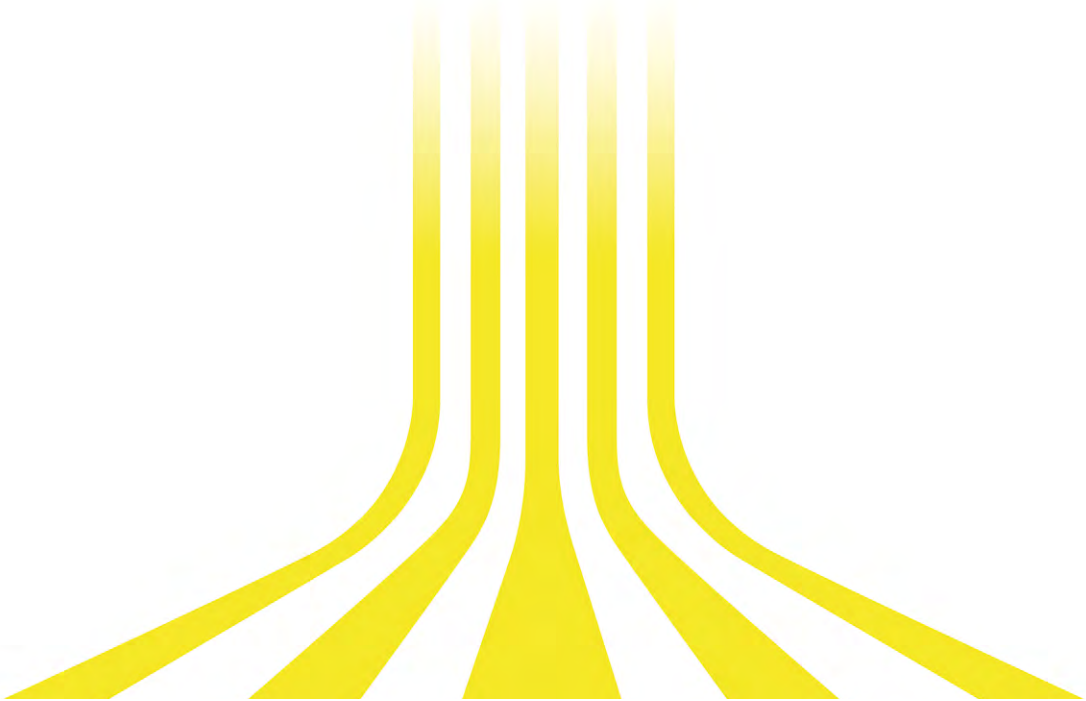
Cathay Financial Holdings



Cathay Financial Holdings

Corporate Sustainability Report

2015



Each year, Cathay Financial Holdings publishes its annual non-financial report. The "2015 Cathay Corporate Sustainability Report," published in September 2016, covers the financial, environmental, and social initiatives Cathay Financial Holding Co., Ltd (Cathay FHC) undertook in 2015 (from January 1 through December 31).

Reporting Guidelines and International Framework

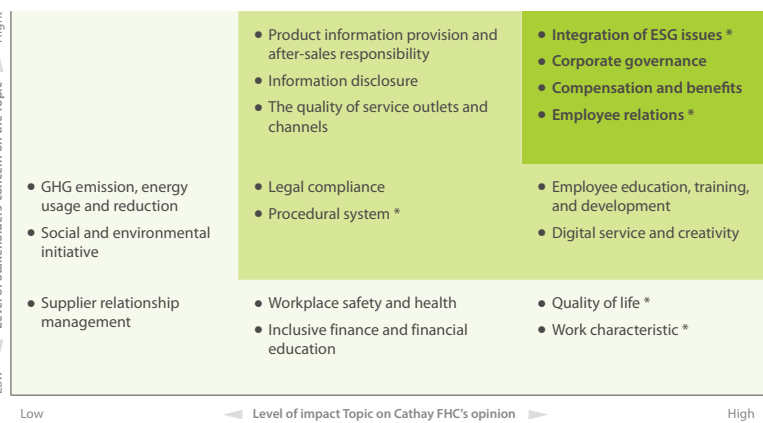
This report is structured in accordance with GRI (Global Reporting Initiative) G4, Financial Services Sector Supplement, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, ISO 26000 Social Responsibility Guidelines, UN Global Compact, Regulations Governing Preparation and Filing of CSR Reports by TSEC and GTSM Listed Companies, Integrated Reporting, Sustainability Accounting Standards, and Sustainable Development Goals (SDGs).

Report Disclosure and Stakeholder Engagement

Report content is closely related to stakeholders' expectation. After years of adjustment, Cathay FHC has established engagement procedures and identified major stakeholders, including investors, government and regulatory authorities, employees, customers, key investees and borrowers, suppliers, CSR experts, and community and NPO/NGOs.

In 2015, we introduced the concept of integrated reporting (IR) by emphasizing opportunities, risks, corporate strategies, and value creation to identify Cathay's five major capitals for the impact evaluation of material issues. When retrieving stakeholders' opinions, we integrated the company's results of Employee Satisfaction and Voice of Customer surveys, substantially increasing feedback scope and representativeness. From among 61 issues, 18 material issues were identified. In 2015, we also clarified the level of impact that each issue has on the company and specifically incorporated interviews with senior executives to identify the counterstrategies that Cathay adopts in response to each material issue.

Cathay FHC Stakeholder Engagement Results and Materiality



* Integration of ESG issues includes risk and opportunity identification, research and development of ESG-related products, sustainable investment and lending
* Employee relations include employees' interaction with supervisors and colleagues
* Quality of life includes work-life balance and work safety
* Procedural system includes the company's internal system and regulations
* Work characteristics include nature of work and autonomous control

Company Name	Cathay Financial Holding Co., Ltd.
Date of Incorporation	December 31, 2001
Brand Spirit	Rediscovering Happiness
Core Values	Integrity, Accountability, Creativity
Headquarters Address	No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan (R.O.C.)
Tel	+886-2-27087698
Number of employees	42,387
Total No. of Business Sites	Approx. 800 locations (including overseas areas)
Total Assets	NT\$7,568,975,030,000
Total Capital Assets	NT\$180,000,000,000
Corporate sustainability website: https://www.cathayholdings.com/holdings/web/csr/csr.aspx email: hpr@cathayholdings.com.tw	

Cathay FHC stakeholder identification and engagement procedure

https://www.cathayholdings.com/holdings/web/CSR_En/TE_1-3-1.aspx

Cathay FHC's eight major stakeholders

Investors

Government and regulatory authorities

Employees

Customers

Suppliers

CSR Experts

Key investors and borrowers

Community and NPO/NGO

GRI G4 Material Aspects, Boundaries, and Inspections Corresponding to Material Issues

This report has been prepared based upon the scope of the consolidated financial statements. It encompasses Cathay FHC and its subsidiaries (namely Cathay Life Insurance (Cathay Life), Cathay United Bank (CUB), Cathay Century Insurance (Cathay Century), Cathay Securities Corporation (Cathay Securities), Cathay Securities Investment Trust (Cathay SITE), Cathay Venture, Cathay Securities Investment Consulting (Cathay SICE), and Cathay Futures), and discloses information that is relevant to Cathay's core region of operations: Taiwan. In addition, based on the five major capitals, their corresponding material issues, GRI aspects and boundaries, and assurances are presented as follows: The Company has engaged PwC Taiwan to corroborate its GRI G4 report using the standards published by the Accounting Research and Development Foundation in Statement of Assurance Principles No. 1, "Audit and Review of Non-financial Information" and ISAE3000, to which PwC has concluded with an opinion of limited assurance. A copy of this opinion is included in the appendices of this report.

Capital	Material Issues	GRI G4 Material Aspects	Boundary	Scope and Basis of Performance Evaluation and Assurance
Financial and Integrity Capital	Corporate governance and procedural system	Anti-corruption and audit	Cathay FHC and its subsidiaries as mentioned before	We engaged EY to audit our financial information in accordance with R.O.C. Statements of Auditing Standards No. 28 "The Auditor's Report on Special Purpose Audit Engagements." All financial numbers in the report are disclosed in NTD.
	Information disclosure	Other material aspects except for product portfolio, audit, and active ownership		
	Legal compliance	Regulatory compliance		
Intellectual Capital	Integration of ESG issues	Product portfolio, active ownership, investment, and audit	Cathay FHC and its subsidiaries as mentioned before , key investees and borrowers	Environmental and social driven financial products and services pertain to all markets where Cathay's products are sold; while most sales activities are in Taiwan, some of the Company's products have expanded to Vietnam, Japan and the United States. PwC is commissioned to perform the assurance of Equator Principles related data.
	Digital service and innovation	Product and services, and product and service labeling		
	Inclusive finance and financial education	Local society, and product and service labeling		
Human Capital	Compensation & benefits, personnel relationships, workplace safety and health, quality of life	Market presence, employment, workplace safety and health	Cathay FHC , and its subsidiaries as mentioned before	Analysis of human resource was based on employment data that the Company had gathered in Taiwan, and covered Cathay FHC and its subsidiaries. Some statistics have excluded the sales force due to the special nature of the business involved. Please refer to footnote disclosures beneath each table for details and formulas.
	Employee education, training, and development	Training and education		
	Work characteristic	Training and education		
Social relationship capital	Product information provision and after-sales responsibility and service outlets and channels	Product and service labeling	Cathay FHC ,and its subsidiaries as mentioned before	We engaged A.C Nielsen to conduct survey of customer service satisfaction. Environmental and social initiatives include Cathay Charity Foundation, and Cathay United Bank Culture and Charity Foundation. Cathay Life's customer complaint quality management system passed ISO10002 certification.
	Social and environmental initiative	Product portfolio, supplier environment assessment, assessment of suppliers' impact on society		
	GHG emission, energy usage and reduction	Energy, Emission		
Natural resource capital	Supply Chain Management	Product portfolio	Cathay FHC , its subsidiaries as mentioned before and major suppliers	Environmental performance was measured based on information published by the government; please refer to footnote disclosures beneath each table for explanations regarding the basis of calculation. Among the measurements presented, greenhouse gas inventory was conducted on Cathay FHC and its and its subsidiaries as mentioned before, including all head offices and major branches located throughout Taiwan; whereas waste and water statistics were surveyed only on the headquarters buildings of Cathay FHC, Cathay Life Insurance and Cathay United Bank. We also engaged BSI to perform an audit on the greenhouse gas emissions, and obtained ISO14064-1:2006 certification.

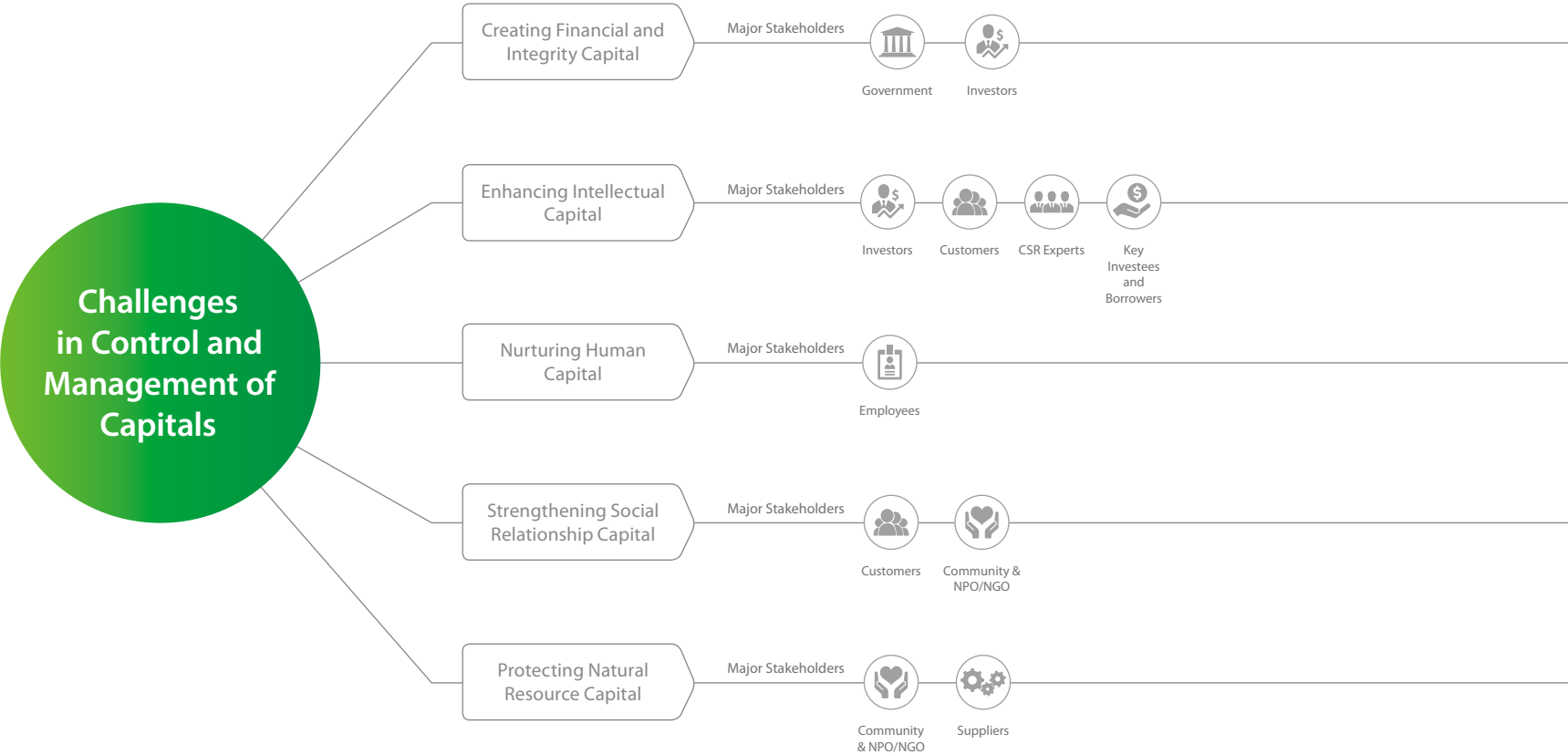
* Corresponding to G4, material aspects added this year: Workplace safety and health, supplier environment assessment, assessment of suppliers' impact on society.



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Message from the Chairman

Leading a Prospective Road, Building a Sustainable Future

Chairman

Hong-Tu Tsai



From socioeconomic development, climate change to information disclosure, 2015 is a year in which many global sustainability issues made a major breakthrough. United Nations Sustainable Development Summit held in September 2015 officially announced 17 Sustainable Development Goals (SDGs), including no poverty, zero hunger, Good health and well-being, quality education, climate action, etc. These goals serve as the basis for global development in 2016–2030. The 21th UNFCCC Conference of Parties (COP21) convened in December proposed the Paris Agreement, which received consensus by all of the participating member states, establishing a framework for regulating global GHG emissions and responding to climate changes after 2020. Strengthening the disclosure of CSR reports has already received consensus by governments and corporations worldwide. Taiwan's Financial Supervisory Commission (FSC) also requested listed and over-the-counter companies in the food, finance, chemical industries and those with a paid-in capital over NT\$10 billion to publish CSR reports. These companies' total operating revenue exceeds NT\$24 trillion, and up to 77% of CSR reports are compiled by companies whose operating revenues are ranked in the top 100. This is a substantial increase compared with that of last year. These positive, revolutionary outcomes are not only inspiring but also motivating.

In recent years, sustainability issues have received global attention. Issues of sustainability in various domains have had substantial breakthroughs. Cathay continues to keep on track with international sustainability trends and to learn related issues, with the expectation of maximizing its influence as a corporate citizen. Thus, Cathay and other industrial operators can jointly strive toward advancing sustainability to realize the sustainable development of Taiwan, the global environment, and societies across the world. Cathay FHC 2015 Corporate Sustainability

Report is the 5th CSR report based on the GRI framework. Cathay conducts self-inspection at all times and accepts all kinds of new breakthroughs. This year, the report incorporated elements of Integrated Reporting, using five major capitals as the basis with integrated focuses on short-, mid-, and long-term corporate values and key outcomes. Our stakeholders can therefore gain a clear understanding of Cathay's sustainable management strategies and practices, enabling us to fulfill our corporate responsibilities.

Thanks to the concerted efforts of our all employees, Cathay FHC was able to turn in a brilliant performance in 2015. Cathay FHC registered a consolidated profit after tax of NT\$57.9 billion. Our subsidiaries Cathay Life, Cathay United Bank, and Cathay Venture also registered record-breaking profits for the year. Meanwhile, we delivered a corporate sustainability performance that has received worldwide recognition. Cathay FHC was selected as a constituent stock of the Dow Jones Sustainability Index, becoming the first and only entrant in the insurance industry in Taiwan. In addition to increasing profit and improving operational performance, as a member of the financial industry in Taiwan, we believe that Cathay holds greater responsibilities in bringing social stability, guiding Taiwanese corporations toward a more positive, prospective business model.

Sound corporate governance is the primary task in the management of corporate sustainability. Besides continuing to implement corporate governance, Cathay FHC also adjusts relevant management regulations as it extends its global presence to control overseas operations. Cathay's efforts in corporate governance have been recognized by regulatory authorities; Cathay achieved top 5% in corporate governance evaluation and was included in the composition of "Corporate Governance 100 Index."

Leveraging the core functions of the financial industry to fulfill social sustainability is one of our long-term management goals. FinTech and SRI are recent focal issues in the financial industry; although FinTech and SRI pose challenges to financial institutions, they improve inclusive finance and perfect the society through financial investments and lending functions. Regarding FinTech, Cathay United Bank introduced a digital marketing system, extensively analyzing customers' needs. Based on the "Keep it Simple" principle, technologies are combined with financial services to offer products that meet customers' needs. Cathay Life has also launched mobile insurance purchasing and claim services and over 90% of our customers made online insurance purchases and insurance claims in 2015. This reveals that a convenient online platform provides a channel through which insurance services can extend their reach to various rural townships and protect more Taiwanese citizens. Regarding SRI, in 2015, Cathay United Bank became the first bank in Taiwan that adopts Equator Principles; thereafter, it developed a complete E&S risk management mechanism. In 2016, the bank completed Taiwan's first local wind power financing project that was implemented in accordance with Equator Principles. Cathay FHC CS Committee has set up a Responsible Investment Working Group, and subsidiary Conning, Inc. adopted UN's PRI initiatives. In future, we hope to tap into our investment and lending capabilities to support quality enterprises that value sustainable development to establish a positive cycle into the society.

Social participation is the foundation to achieving consensus and eliciting tangible changes. The difficulty in achieving sustainability and the fun part of it all involved "people." When people's thinking changes, so do their methods of doing things, and only when that method changes can they yield different outcomes. To achieve this, "perception" and

"participation" are two indispensable keys. Cathay has been inviting its employees to participate in CS Committee conference since 2015, during which employees are informed about Cathay's attitude toward sustainability so that they can internalize the concept into their daily tasks. Beginning in 2015, Cathay has promoted and participated in various types of industry-academia cooperation projects, which cover issues such as business-related FinTech, social enterprise's information disclosure, and calculation of SROI. It is hoped that the effects of sustainability can be disseminated to student generations so that they can prepare themselves for the challenges ahead of them.

Excellent service quality is a never-changing promise Cathay has made to each of its customers. For every sale of new born life insurance policy, it represents not only 80 years of companionship to our customers but also our comprehensive consideration of multiple dimensions while we engage in business expansion. In future, we will continue to leverage the properties of the financial industry, promote the fulfillment of industrial responsibilities, strengthen Cathay's intellectual capital, and collectively build sustainable competitiveness for the future of Taiwan.

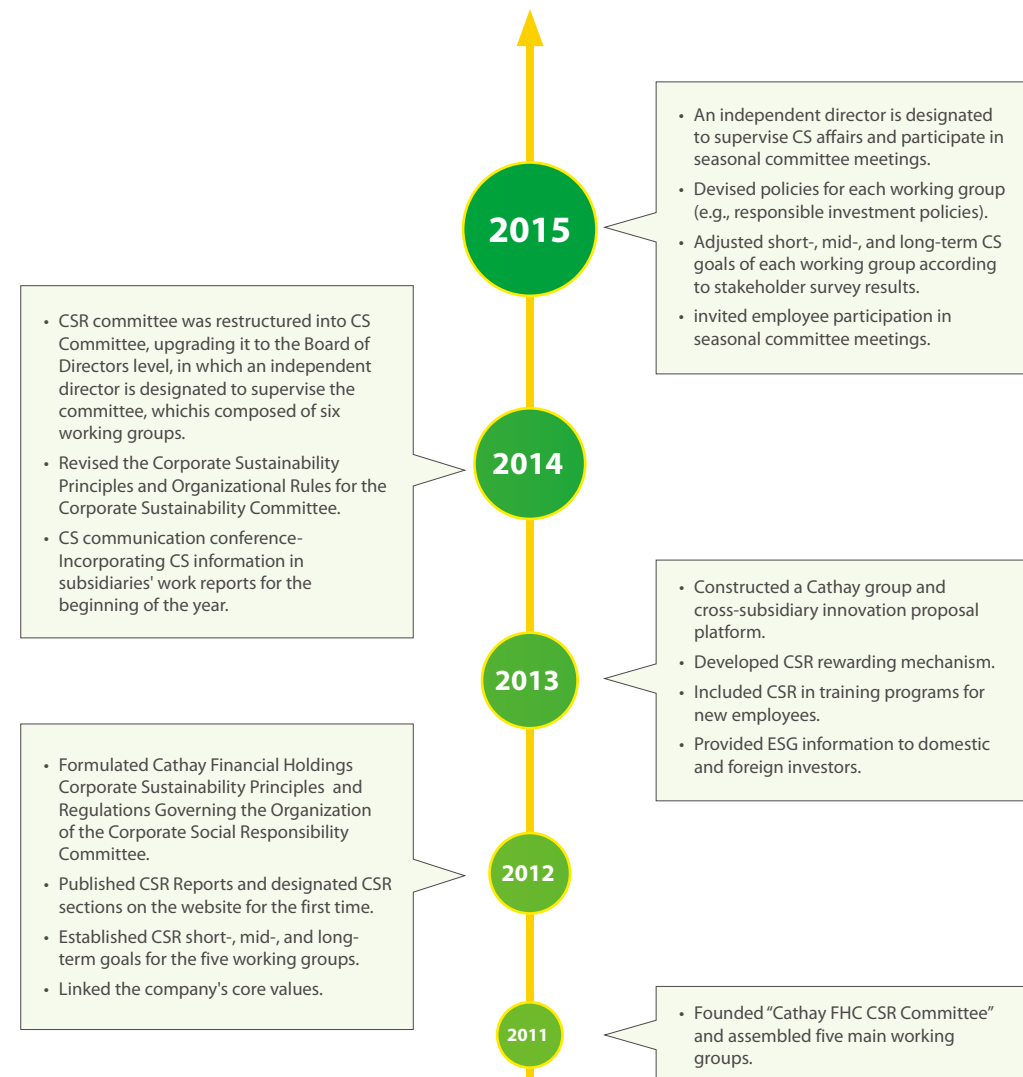


Cathay Financial Holdings Corporate Sustainability Committee Progress

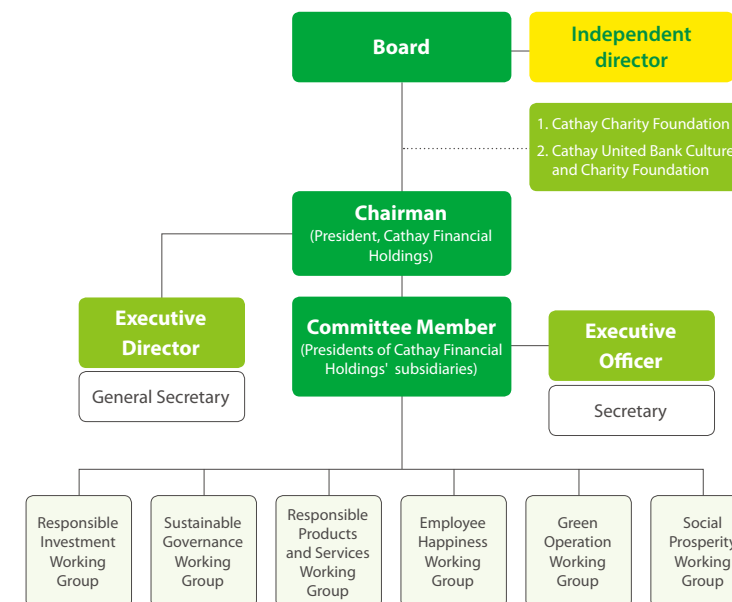
Cathay FHC CS Committee is supervised by independent directors and employees are invited to attend committee meetings to strengthen employees' support to CS affairs.

The "2016 CSR Report Survey in Taiwan" published by CSRone and Sinyi School of National Cheng-Chi University indicates that 60% of companies that issue CSR reports have already assembled Corporate Sustainability Committee, which communicates, coordinates, and educates departments. In the committee, 40% of the chief commissioners are either Chairman or President, who assist with raising the efficiency of departmental coordination. Research also revealed that a CSR committee encourages companies to formulate short-, mid-, and long-term goals in corporate governance, economy, environment and society dimensions.

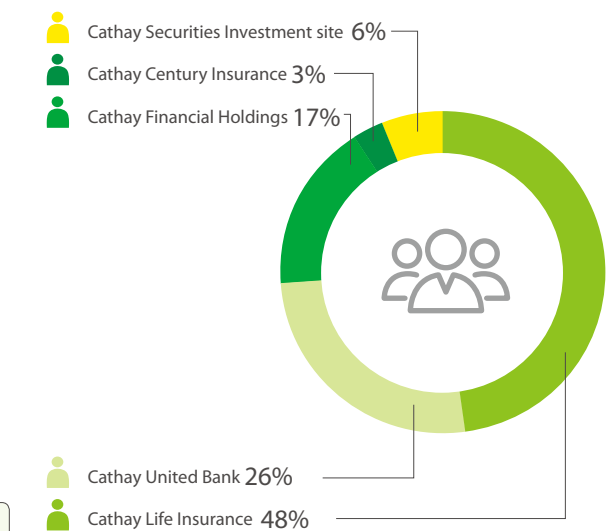
Since Cathay FHC's establishment of CSR Committee in 2011, we have responded to changes in external environment and endeavored to raise the awareness of internal employees through years of organizational adjustment and changes, internalizing the spirit of CSR in corporate decisions and core values to strengthen employee participation and increase information disclosure. In 2014, the CSR Committee underwent strategic transformation into CS Committee to extend issue coverage and broaden viewpoints. Apart from including independent director supervision, we invite employees to join in committee meetings to strengthen their recognition to CS affairs.



▼ Cathay FHC CS Committee Organizational Framework



▼ Employee Participation in 2015 CS Committee Meeting



External Opinions and Strategic Adjustments

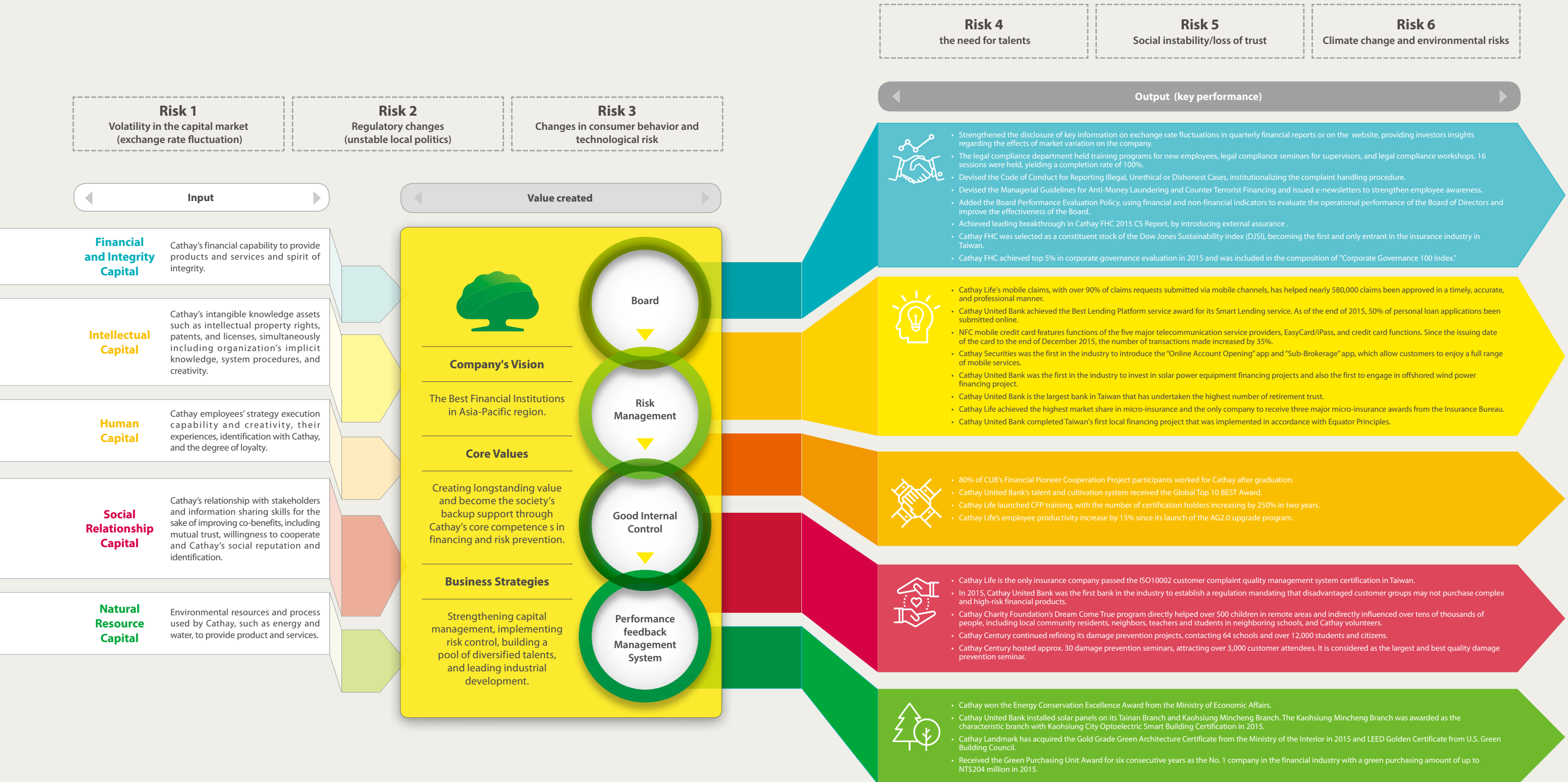
Corporates striving toward sustainability is a process whereby all stakeholders co-create value; therefore, we have always valued our stakeholders' opinions. In 2014, our key strategies in response to stakeholders' opinions include responsible investment/lending and new strategy for social initiatives. We have established charity strategies, and our subsidiary Cathay United Bank become Taiwan's first bank that adopts the Equator Principles.

In 2015, to continuation of our commitment in responsible investment/lending and in stakeholders' concerns with regards to ESG issue integration, we

signed the Road to Paris advocacy campaign in response to COP21, and after introducing the Equator Principles, we completed the first financing project in Taiwan that was implemented in accordance with the Equator Principles to support the development of renewable energy in Taiwan. Meanwhile, combining our commitment in a new strategy for social initiatives with employees' awareness on personnel relationship, we also held numerous Workplace Happiness activities for employees, in which the issues on "the discovery of happiness" are internalized. Furthermore, in academic seminars, we discovered that IR would be the future trend; therefore, we decided to integrate IR concepts into this year's report, becoming the first company in the financial industry in Taiwan to introduce integrated reporting and to adopt ISAE3000 verifications simultaneously.



Business Environment and Value Creation Model





Message from Committee Members at the CS Committee Meeting

Chairman of Committee, Chang-Ken Lee: CSR is an integral part of corporate sustainability. Cathay has been dedicated to the promotion of corporate sustainability. However, there is still much room for improvement in the future. Regarding various operating activities, employees should capitalize on their core competencies and create added benefits. Meanwhile, CSR has become the universal language commonly used in the business community. Therefore, cooperating with various companies and creating a positive cycle are goals we strive toward in the future.

Committee Member, Ming-Ho Hsiung: Group wide CSR are not only beneficial to the expansion and promotion of related trends and concepts among subsidiaries, but also an ethical model that is good to the society. Although Cathay Life has achieved a high level of standard in numerous domains, it still expects to continue leveraging its core competencies in sustainability issues to resolve environmental and social problems.

According to the Abridged Life Table published by the Ministry of Interior in 2015, Taiwanese have an average life span of 79.84 years. This number indicates that for every life insurance policy sold, Cathay must ensure robust operation for another 80 years. Facing rapid changing global financial market and vigorous development of emerging markets in Southeast Asia, Cathay continues reminding itself and envisioning how to seize optimal timings to sustain for long periods as Taiwan's financial institutions facing excessive competition, low profits, and undersized operations.



Creating Financial and Integrity Capital

Business Performance

We delivered brilliant performance in 2015, with our subsidiaries, Cathay Life, CUB, and Cathay Securities making a record high profit. This achievement proves the effectiveness of our internal restructure and strategic expansion to the Asian market.

In expansion into Southeast Asia, Cathay currently has 140 overseas footprints, with over 90% established in Asia. Cathay set up footprints in nine out of ten ASEAN countries, including Vietnam, Cambodia, Singapore, Laos, Malaysia, Thailand, Philippines, Myanmar, and Indonesia, forming a complete Southeast Asia platform. Also, we successfully acquired Conning Holdings Corp. in 2015, enabling us to enter the US and European markets and to support developments and demand in Asia market. By introducing diversified financial products and services from European and

US market, we provide various products and services to our customers in an effort to being first successful Taiwanese insurance company investing in overseas asset management company.

Due to the extraordinary performance of its strategy, Cathay won first title in the 2015 Financial Holding Company Overall Business Performance Evaluation. Responding to low-interest environment, limited investment opportunities, and fluctuating financial market, Cathay Life allocates in diversified assets, and focusing on professional training, institutionalized investment process and strategies for robust expansion that accounts for risks and benefits. Thanks to these efforts, Cathay Life won the «AsianInvestor» Institutional Excellence Awards in 2015 being recognized as the best investment institution in Taiwan and Hong Kong regions.

Creating Financial and Integrity Capital

Creating value for shareholders is a basic responsibility of a company. Reducing price fluctuations, improving our foundations of integrity, and become a company with quality and fair price are fundamental principles we abide by.

Strategy 1

Reducing volatility in capital market

To reduce the impact of low interest rate, exchange rate, and stock market changes, Cathay applies its resources to construct a solid and extensive research foundation, helping us to identify and respond to risks, when dispersing investment portfolios and realizing risk management.

Strategy 2

Three Growth Engine Model

Cathay FHC endeavors to build three growth engines of, insurance, banking, and asset management, with the goal of becoming a comprehensive financial group, providing one stop shopping and extending the value chain for life insurance and banks.

Strategy 3

Extending presence in Asia

In light of globalization, regionalization, rise of Asian markets, and government policy, the financial industry in Taiwan must expand outward. Cathay employs various approaches including branch expansion, equity investments, mergers and acquisitions, and strategic alliances to grow offshore business.

Strategy 4

Strengthening internal control and risk management

Cathay has actively adjusted its organizational structure as new risks emerge. We established Compliance Dept., International Management Dept., and other professional management divisions. Meanwhile, we develop a high-spec risk management mechanism for self-regulation to keep perfecting our sustainable governance mechanism.

Strategy 5

Strengthening the structure and function of the Board of Directors

We review different aspects of operation and continue increasing the diversity and independence of the Board of Directors as well as improving shareholders' interest. In addition, we align the performance of Board of Directors with sustainability performance to enhance the structure and operations of the Board.

▼ Operations in China and Southeast Asia





▼ 2015 Business Performance of Cathay FHC and Subsidiaries

Company	Business performance	Primary Products and Services
Cathay Life	Cathay Life recorded a consolidated profit after tax of NT\$38.4 billion for the year. The total premium income was NT\$645.2 billion. The first-year premium equivalent, a better indicator of the value of business, was NT\$102 billion, making Cathay Life the market leader and its investment performance keep improving.	Life insurance, accident insurance, health insurance, annuities, and investment-linked insurance.
CUB	CUB recorded a consolidated profit after tax of NT\$18.8 billion for the year. The market position of both corporate banking and consumer banking operations grew, while remained sound asset quality.	Wealth management, consumer banking, corporate finance, international finance, e-banking, trust services, investments, and sales of financial products.
Cathay Century	Secured its position as the second largest non-life insurance company in Taiwan regarding written premium income.	Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance.
Cathay SITE	With Assets Under Management (AUM) totaling NT\$430.5 billion, it is the largest securities investment trust company in Taiwan.	Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.
Cathay Securities	Both after-tax profit and earnings per share reached record heights in 2015, as growth was seen in all service categories.	Securities underwriting, proprietary/consigned trading of local and foreign securities, margin trading, securities-backed lending, share administration, wealth management, and futures introducing broker service.
Cathay Venture	Actively expands FinTech business and discover potential companies with high level of identification in the capital market. Mainly focuses on companies founded within the Great China Region.	The subsidiary is a venture capital company that invests and assists non-listed companies by realizing their potentials to create investment benefits.

Fulfillment of responsibilities to secure the development of the financial industry

To ensure and promote the stability of the financial industry, Cathay Life assisted competent authorities in the resolution of problematic financial institutions without affecting operations, shareholder equity, and solvency. Cathay Life has completed the takeover of the assets, liabilities, and operations of Global Life Insurance Co Ltd. and Singfor Life Insurance Co. Ltd. in July 2015 while the rights of about 500,000 policy holders remain unaffected. Customers continue to enjoy the resources and comprehensively integrated

quality financial services offered by Cathay. With respect to the employees of the acquired companies, Cathay Life will fulfill its corporate social responsibility and guarantee the rights of employees in accordance with the employee resettlement agreement, thereby maintaining the stability of society and the industry. In this case, Cathay FHC demonstrated the philosophy of sustainable operation and social contribution. Cathay Life was also for this reason commended with the Taiwan M&A Award-Most Influential M&A Award.

2013-2015 Business performance

Fiscal Year	2013	2014(Note)	2015
Total assets (NT\$ billion)	6,177.3	6,944.8	7,569
Shareholder equity (NT\$ billion)	379.5	439.1	461.1
After-tax profits (NT\$ billion)	38.0	49.6	57.9
After-tax EPS (NT\$)	3.12	3.93	4.58
Return on equity (%)	10.82	12.10	12.86
Revenue per employee (NT\$, in thousands)	8,814	9,145	9,463
Profit per employee (NT\$, in thousands)	855	1,114	1,241
Return on assets (%)	0.84	0.96	0.99
Outstanding shares (in million)	11,965	12,563	12,563
Cash dividends per share (NT\$)	1.5	2.0	2.0
Stock dividends per share (NT\$)	0.5	0.0	0.0
Book value per share (NT\$)	31.37	34.50	36.22

Note: The Company and its subsidiaries are applicable to the 2013 International Accounting Standards as of January 1, 2015, which was also the basis for revision of the 2014 financial statement.



Creating Financial and Integrity Capital

Information Transparency and Public Disclosure

Financial Information

Cathay FHC publishes quarterly financial reports and issues annual report in May. Also we publish shareholder's meeting handbook and supplementary information on the MOPS 30 days before the shareholders' meetings. To increase investors' awareness of the impacts of market variation, We strengthen the disclosure of key information about exchange rate fluctuations on MOPS and in the quarterly financial reports (e.g., distribution of exposure to foreign exchange risks, hedging effectiveness, foreign exchange risk value, and pressure test evaluation results) so the public could gain a better understanding of risk-related information.

For general public

For investors

Promotion of disclosure across industries

Non-Financial Information

Disclosure of framework and content of non-financial information evolve over time. As the leader in the industry, Cathay FHC CS Report is the first to adopt the GRI supplementary guidelines in 2012, the first to use GRI G4 in 2013, and the first to introduce CPA verifications in 2014. Moreover, in 2015, we introduced the idea of Integrated Reporting for the first time, leading financial sectors in Taiwan to make breakthroughs with the expectation of co-building a disclosure-friendly culture with various industries across Taiwan.

For investors who need ESG information, Cathay also ensures transparent disclosure of such information. In 2015, Cathay's CDP disclosure scores continue to ascend to 95 points. The company also responded to DJSI questionnaire for the first time and was selected as a component of the emerging market, the first Taiwanese entrant in the insurance sector.

Apart from self-disclosure of non-financial information, Cathay also promotes information disclosure across industries. In 2015, we participated in conferences organized by Industrial Development Bureau, Bureau of Foreign Trade, Foundation of Taiwan Industry Service, and BCSD during which Cathay shared its reporting experience. Continued follow-up Cathay FHC and its subsidiaries with bond investment and credit balance over NT\$10 billion, we found 70% of those companies were the targets of CDP survey. With the promotion of ESG disclosure in Taiwan, 80% of those companies published CSR reports in 2015, and the response rate rose from nearly 60% in 2014 to over 80% in 2015, demonstrating our continuous effort has paid off.



Balanced Reporting

Cathay FHC has assigned its Compliance Dept. to document and propose improvements on all penalties imposed by the authority. The documents are reported to general manager then to the board of directors while improvement process is followed up by the Internal Audit Dept., so as to enhance the internal audit and control system. Furthermore, it discloses cases involving fines over NT\$600,000 in this report.

▼ 2015 Penalties and Corrective Actions for Cases Involving Fine over NT\$600,000

Company	Description of deficiency	Status of the Improvement
Cathay Life	5/6/2015 Negligence in the review process for travel insurance policies purchased over the counter at the airport → Fine of NT\$600,000	Deficiency was improved; reporting and enquiring mechanism were strengthened.
	12/22/2015 Violation of Insurance Act during investment process → Fine of NT\$1.2 million and issued notification to make corrections	Strengthened evaluation of derivative hedging and reinforced investment risk control in 2016.
Cathay Century	3/3/2015 Violation of Insurance Act in review operations for group injury insurance policy → Fine of NT\$1.8 million	Revised the Cathay Century Regulations Governing Personal Insurance Application and Approval Procedures, and achieved written approval from the authorities recognizing the improvement.
	3/12/2015 Violation of Insurance Act in the deficiencies listed in the Business Fire Hazard Insurance Project Inspection Report (13F124) → Fine of NT\$2.4 million and issued notification to make corrections	Added a temporary insurance application operating procedure in the insurance review and approval process. Sales cannot issue insurance policy before the effective date must complete the temporary insurance application operation and include it in internal control systems.

Cathay strengthens the disclosure of key information on exchange rate fluctuations in quarterly financial reports or on the Market Observation Post System (MOPS) to provide investors with insights regarding the effects of market variation on the company.

Quarterly Financial Statement



Annual Report



Analyst Meeting Info.



Cathay FHC made breakthrough in CSR Report, by introducing CPA verification in 2015.

Corporate Sustainability Report



Annual Report on Charitable Works



Cathay FHC was selected as the component of Dow Jones Sustainability Index (DJSI), becoming the first and only entrant in the insurance sector in Taiwan.



Cathay FHC was listed top 5% in companies in the second Corporate Governance Evaluation in 2015 and was included in the "Taiwan Corporate Governance 100 Index."

Cathay FHC devised the Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases, proclaiming the detailed grievance mechanism in 2016.

Company	Description of deficiency	Status of the Improvement
Cathay Century	4/28/2015 Violation of Insurance Act in the deficiencies listed in the General Sales Inspection Report (103F139) → Fine of NT\$1.2 million	Automobile insurance applications are handled according to the total premium table and risk premium, and to evaluate the vehicle loss rate and determine increase/decrease in insurance premium.
	10/14/2015 Violation of the Insurance Act in online insurance application procedure for comprehensive travel insurance policies → Fine of NT\$600,000	The online insurance service has been suspended since October 15, 2015 and customers are guided to online insurance purchase platform.

Sound Sustainable Governance Mechanism

In 2014, the Financial Supervisory Commission launched its first corporate governance evaluation. In 2015, TWSE selected the components of the Taiwan Corporate Governance 100 Index base on corporate governance evaluation, liquidity, and financial indicators. Cathay FHC actively participated in the evaluation, and stood out in the aspects of "Information Transparency" and "Corporate Social Responsibility", making it list top 5% among all companies participated in the "Corporate Governance

Evaluation" for 2 consecutive years (1st and 2nd) and was additionally selected as the component of Taiwan Corporate Governance 100 Index (note). Also, Cathay FHC was rated the highest ranking of A++ in the Information Disclosure and Transparency Ranking (IDTR) organized by TWSE and TPEx for two straight years (11th and 12th), illustrating Cathay's commitment to information disclosure.

Note: Samples of these indices include companies listed on TWSE, including domestic companies and first listed foreign companies but excluding TDR.

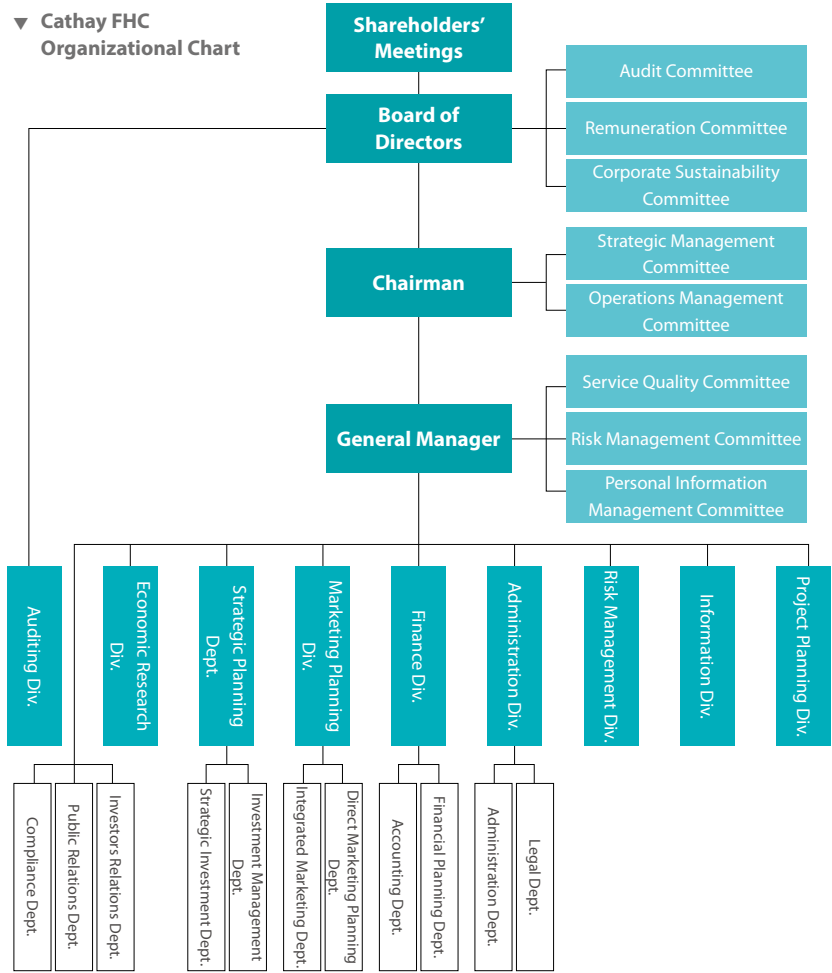
Sound reporting mechanism to implement the DNA of integrity

Cathay FHC's internal auditors cover all key operations in Taiwan. In 2012, Cathay FHC established the "Code of Operation Integrity" and built a reporting mechanism in which the Board of Directors, Audit Committee, and Auditing Div. are in charge to handle internal violations of integrity management. External reporting is accepted via Independent Director mailbox.

The "Regulations Governing Reports of Illegal, and Unethical or Dishonest Behavior Conduct Cases" was devised to ensure sustainable operations and development of Cathay FHC and encourage the reporting of any illegal, unethical, or dishonest conduct. The Regulations aims at strengthening the company's internal and external reporting channels, establish more clearly defined procedures, and ensuring the legal rights of the involved parties. The Regulations also specify that the identity of all involved parties including the whistleblower and investigation personnel shall remain confidential and protected to prevent unfair treatments or revenge.

To ensure the sustainable operation and development of Cathay FHC, Cathay FHC Code of Ethics and Employee Code of Conduct were established to guide staff's actions to meet the standard for work ethics and for the stakeholders to further understand the ethics of Cathay FHC. These codes require staff to follow related laws and principles of integrity and prevent conflict of interest during their jobs. In addition, they should not engage in bribery and work for personal benefit. The codes aim at perfecting corporate governance and implementing integrity.

Cathay FHC Organizational Chart



Creating Financial and Integrity Capital

Preventing fraud and strengthening business control and legal compliance

To prevent internal frauds, Cathay incorporated anti-corruption and anti-bribery inspections into annual routine inspection and Employee Code of Conduct. Legal compliance is also included as a compulsory item of employee performance evaluation, thereby fully realizing Cathay's core principles of integrity. The company and major subsidiaries were not involved in any case of corruption or bribery in 2015.

To effectively manage overseas branches, CUB, with the most extensive presence in Asia Pacific regions among subsidiaries, set up an international management Dept in 2015 after devising the Overseas Branch Management Policy in 2014.

To ensure each business abide by laws and regulations. Cathay FHC set up Compliance Dept. in 2015, which designs legal compliance systems, manages and executes the promotion and training of legal

regulations. The department also reports the state of legal compliance to the Board of Directors and Audit Committee at least twice a year. It held 16 sessions including trainings for new employees, seminars for supervisors, and workshops. Training for new employees focuses on basic finance-related laws while Seminars for supervisors provide updates regarding recent major penalties and amendments to internal and external regulations. Workshop emphasizes the impact of rapid changes in financial environment and regulations. Three kinds of training programs target different employee groups respectively, and the training completion rate was 100%. Besides, the Compliance Dept. issues newsletter on specific topics to deepen employees' understanding about laws and regulations. Responding to current financial development, subsequent trainings will emphasize FinTech, money laundering prevention, and international finance-related regulations.

100%



In 2015, Compliance Dept. held training for new employees, seminars for supervisors, and workshops for employees. In total, 16 sessions were held for the three groups of personnel, yielding a completion rate of 100%.

Internal Control Amendments Made in 2015 in Response to Major Policy Changes

	Regulatory changes	Response measures
1	The Financial Supervisory Commission announced the amendment of Article 11 of the Guidelines for Cross Marketing among Subsidiaries of Financial Holding Company on January 9, 2015. When subsidiaries of financial holding companies disclose, refer, or share customer information, the shared information may not contain information other than customer's name or address unless otherwise regulated by law or agreed upon in contract or writing.	The company has revised related regulations and adjusted the scope of disclosing, referring, or sharing customer information. The shared information shall be limited to the customer's name or address unless otherwise regulated by law or agreed upon in contract or writing.
2	TWSE announced the amendment of Article 2 of Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. The amendment added regulations regarding trading activity suspension.	The company has devised and revised related regulations, mandating that when information disclosure meets requirement for suspension of trading activities, procedures as regulated by law shall be conducted to apply for suspension of trading activities from TWSE.

Anti-money Laundering

Because the Compliance Dept. was set up in 2015, plus that international financial institutions generally authorize the Compliance Dept. to manage anti-money laundering and counter terrorist financing; thus, the company revised the Managerial Guidelines for Anti-Money Laundering and Counter Terrorist Financing, changing the authority unit from Risk Management Div. to Compliance Dept. and to issue newsletters about anti-money laundering and anti-terrorist financing regularly. Thus, employees can learn continuously about how to respond to the ever-changing environment. CUB, in 2015, has continued reporting suspected money laundering activities to the Investigation Bureau and preventing money laundering from happening for a few times. The bank also encouraged branches actively care for customers, successfully preventing 20 financial scams with a total of NT\$ 19 million and US\$5,000.



Devised the Managerial Guidelines for Anti-Money Laundering and Counter Terrorist Financing and issued newsletters to strengthen employee awareness



Improving Board Functionality

Professional qualifications, independence, and attendance of the board

Same as those in 2014, the company's Board of Directors comprise 8 directors, 3 independent directors, and 2 outside directors. All members are professional and well-experienced in finance, business, and management. The Audit Committee and Remuneration Committee both consist of all independent directors. Six board meetings took place in 2015, averaging an attendance rate of 86%. In 2015, directors and supervisors averaged 14.5 hours of on-job training per person.

Board diversity

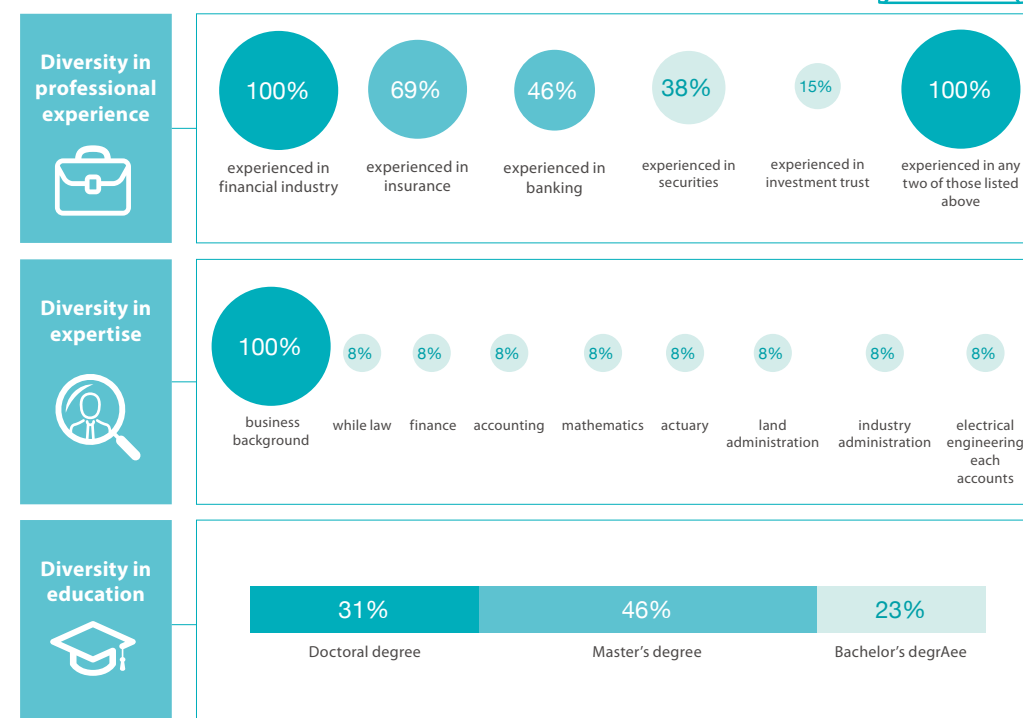
Apart from reporting corporate sustainability matters to the Board of Directors twice a year to increase the diversity of topic discussed in Board meetings, Cathay FHC has also devised policy of board member diversity (e.g., distinct experience, background, gender, or work field) in its Corporate Governance Best Practice Principles in 2014. The "Procedures for Director Election" were further revised in 2015 and the candidate nomination system was adopted. The Procedures clearly stipulate the process through

which directors must be nominated and elected in view of protecting shareholders' rights and mitigating the inconvenience of electing directors via electronic voting. Cathay emphasizes gender equality in composition of Board of Directors. In 2015, 50% of Cathay FHC's subsidiaries in Taiwan appointed female directors as board members.

Addition of Board Performance Evaluation Policy

To implement corporate governance and to improve board efficacy, the company not only follows its existing "Director Performance Evaluation Guidelines" and "Director Remuneration Guidelines", but pay attention to the overall operations of the board. In 2015, the company added the "Board Performance Evaluation Policy". Similar to the Director Performance Evaluation Guidelines, it includes Corporate Sustainability and CSR indicators and establishes performance goals to strengthen the operation of the board and further disclose the Policy on the company's official website and MOPS. The Policy stipulate the evaluation method of the board's overall performance, through which Cathay FHC conducts regular assessments of board performance; in addition, the Policy' evaluation indicators include compliance, corporate governance, risk management, and corporate sustainability and CSR. It ensures the board's fulfillment of corporate governance, operation, and CSR tasks to advance the company

▼ Diversity in Cathay FHC's board of directors (based on 12/31/2015)



Creating Financial and Integrity Capital

toward sustainability. In 2015, the results of board performance evaluation is "above standards", showing the success of the Company's efforts in improving the efficacy of board operations.

Valuing the Rights and Interests of Shareholders

The company's Corporate Governance Best Practice Principles protects shareholder's interest, for example, by appropriate disclosure of information involving shareholders and associated decision-makers. Various corporate governance systems must ensure that shareholders fully understand, participate, and decide upon significant issues. Additionally, to ensure transparency of shareholder meeting procedures, fairness of convening of shareholder meetings, and to increase efficiency in shareholder voting, the company actively responded to TWSE's promotion of electronic voting system and candidate nomination system for election of directors and supervisors. In 2015, 88.99% of shareholders attended shareholder's meeting via electronic voting, ranking Cathay FHC in the 8th position among listed and OTC companies and first among financial holding companies. In 2015, the shareholder meeting also amended the Procedures for Director Election and it will adopt a nomination system for director election in 2016.

Enhance Risk Management and Strengthen Information Security

The core competency of a commercial bank is linking fund suppliers to fund demander to support socioeconomic development, while that of an insurance company is to help customers avert risks and enjoy long-term protection. Both of Cathay FHC's two major subsidiaries must be built on a stable risk management system; therefore, by integrating into the international community, Cathay Life became Taiwan's first and only company actively adopting a more prudent global insurance uniform monitoring system in which a Com-Frame and Global Insurance Capital Standards are used to examine whether the company's internal control, risk management, and solvency meet international standards and to strengthen its risk management.

Based on the Global Economic Crime Survey 2016 by PwC, cybercrime has increased substantially,

ranking the 2nd most reported economic crime. Cathay actively implements employee training and strengthens information security system to prevent the risks due to digital financing. Besides disclosing risk management information regularly, as mandated by authorities, CUB passed the ISO27001 2013 information security modification certification; built an information security management platform integrating management procedures for abnormal events to provide real-time monitoring and advanced warning of information security incidents. Also, an integrated framework of a single contact for risk reporting was developed to enhance the efficiency of reporting and handling urgent incidents.

Since acquiring the ISO27001 international information security certification in 2007, Cathay Life passes annual inspections and continues to review, correct and improve information security. In 2014, Cathay Life was the first in passing the ISO27001:2013 information security verification, the scope including the entire information unit and website e-commerce management unit.

Incorporating Non-Finance Goals in Performance Assessments

Regulations of employee performance management and development require Cathay FHC employees to set personal performance goals base on position, department, and Cathay's strategic goals. Evaluation results serve as reference for salary, promotion and bonus distribution. When Cathay FHC employees are in charge of corporate sustainability tasks, such as involving in the CS Committee, non-financial performance indicators become their performance goals.



In 2015, the company devised the Board Performance Evaluation Policy, using financial and non-financial indicators to evaluate the performance of Board of Directors thus to improve the efficacy of the Board.

In the Future of Financial Services published by the World Economic Forum in 2015, FinTech will substantially alter the fundamental framework of financial services, mode of service delivery, and purchase behavior. The report indicated that new platform-based, data intensive, and capital light models will influence existing industries. Financial industrial operators worldwide must constantly engage in innovation to respond to changes in customer behavior. Meanwhile, developing products and services regarding environmental and social issues must deviate from previous mechanisms to business models that are more acceptable in the market. This will ultimately become an integral part of Cathay's intellectual capital.



Enhance Intellectual Capital

Intellectual capital is the key to differentiation, which enables a financial company to stand out in a constantly changing and competitive environment.

Strategy 1

Continue innovating to provide premium customer experiences

In striking a balance between financial innovation and risk management, we continue to refine our digital mobile services by developing multiple practical mobile-centric apps to afford premium customer experiences and leading the industry with a new banking concept, KOKO, that integrates different dimensions of customers' daily living and open the public to new imaginations of financial services.

Strategy 2

Integrate core competencies to build a novel business model

Providing various financial services to promote industrial transformation and inclusive finance is the key to resolving environmental and social problems. We continue to aid the development of renewable energy industries in Taiwan with product designs and cross-border cooperation. Meanwhile, we extend our insurance and trust services to different disadvantaged groups.

Strategy 3

Develop responsible investment/lending regulations

It is likely that companies experience major negative events, which severely affect their market value. Thus, global responsible investment/lending is important. Cathay FHC will continue promoting responsible investment/lending regulations to identify new risks and determine international best practices, thereby increasing the company's long-term competitiveness.



Enhance Intellectual Capital

Risk Management and Product Research & Development (R&D)

In 2015 the Financial Supervisory Commission (FSC) strongly promoted financial innovation in Taiwan. Regulatory authorities not only accelerated opening domestic markets and inspecting relevant regulations, but also proposed the "financial import substitution" program, with hopes of switching the role of Taiwan's financial institutions in the product chain from a distributor to a developer. Financial innovation involves laws, risk transfer, liquidity, technologies, and competition between technology institutions and financial ones. It also requires a balance between risk management and innovative services. Therefore, the key is how to make appropriate supervision and investment in R&D capacity.

The FSC defined 2015 as the first year of financial innovation, requiring all financial institutions to propose financial product innovation plans. We actively acquire the trends of new business models and extend our digital accesses. We hope to elevate customer experiences and optimize business performance by building a comprehensive customer database and introducing machine learning. Following Cathay United Bank's established a Digital Banking Department in 2014, Cathay FHC and Cathay Life also set up Customer Relation Management Team in 2015, applying big data analysis to ascertain customer information and potential needs. In future, we will evaluate and introduce smart customer services to afford faster and more efficient services.

Product Fair Design and Marketing

Cathay emphasizes product R&D. In 2015, we invested NT\$980 million in R&D. To ensure our products meet market and consumer expectations, comply with legal regulations, and protect consumers' rights and interests, Cathay FHC's subsidiaries had product design procedures, such as new financial product planning evaluation mechanisms for CUB. Additionally, Cathay Life considers the following factors when developing insurance products:

1. The appropriateness and legitimacy of the insurance products.
2. Standard insurance fees and market competitiveness.
3. Feasibility of system administration.
4. Policy goals and feasible methods. Specific ideas, regarding the obligations pertaining to insurance product designs, duties of a prudent manager, target market, and protection of consumers' rights and interest, should be prepared.
5. When designing insurance products, developers should not provide false, fraudulent, and exaggerated advertisement claims regarding the performance of the insurance nor engage in any other conducts that are misleading to others.

Before the developed product being submitted to the regulatory authority for inspection, it will be examined by the Insurance Product Review Panel of the company to evaluate appropriateness, legitimacy and other information, including rates, risk management, information system setting, document print, and personnel training, ensuring that all logistics matters are ready to launch. In 2015, the Insurance Product Review Panel totally held 51 review meetings, reviewing 226 cases.

Logistics Finance

Regarding to the growing need for domestic logistics and storage spaces, we merged with Ally Logistic Property, Connect Logistics etc. in 2014, officially entering the logistics industry. Meanwhile, we invited several logistics managers to conduct planning management, constructed logistics warehouses across Taiwan, and visited several general merchandise retailers, electronic business operators, international brand operators, and other potential warehouse customers to understand their storage requirements, logistics distribution model, fund allocation, and operational management. We hope to create a comprehensive service platform through which customers can access modern-managed logistics and storage services. The platform also provides corporate operation information, corporate financial planning, cash management service, industrial insurance planning, and e-commerce platform installation services. It represents a comprehensive service platform involving logistics, cash flow, and information flow that helps corporations to integrate supply chain resources and create new value for the logistics industry.

Digital Innovations in Financial Services

According to KPMG's Fintech 100 report, FinTech is a global industrial trend that contributed a six-times increase in global FinTech financing projects from 2013 to 2015. Moreover, a senior industry analyst from Market Intelligence & Consulting Institute (MIC) in Taiwan indicated that the core value of FinTech was not overturning financial service but providing a comprehensive financial service experience. Therefore, we have actively advanced toward developing mobile banking, online transaction, and business systems, using innovative digital technology to reduce the limitations of traditional channels, infusing financial services into customers' daily lives to afford premium customer experience.

Please visit the website for Cathay's Risk Management Procedure.





Until 2015, 50% of personal loan applications was completed online by CUB and IBM's Smart Lending.



In KOKO Store, we make close contact with our customers to ascertain their thoughts on products and to know what we can do for them. We found that many customers merely want a "simple" financial service; therefore, our service personnel provides services based on the "keep it simple" concept, supplemented with KOKO's budget management and holiday financial planning talks to promote financial education for the public. Since its opening, KOKO Store has held 32 talks attended by over thousands of people. For young customers, we hosted 18 on-campus meeting, in which over 600 students participated.

Best Lending Platform in Asia Pacific: Smart Lending

Given the rise of digital banking, Cathay United Bank (CUB) established a Digital Banking Department and introduced data marketing systems, extensively analyzing customer's requirements, to provide customers a new banking experience. In 2015, CUB and its technology partner IBM Taiwan won the Best Lending Platform Implementation for 2015 by Asian Banker and the IDC 2015 Financial Insights Innovation Awards (FIIA). CUB was the only bank in Taiwan receiving the Best Data Infrastructure and Best Enterprise Transformation in the Asia Pacific region jointly. These achievements represent the outcomes of Cathay's responses to the bank 3.0.

In the era of bank 3.0, people anticipate services that are efficient, secure, and convenient, and Smart Lending aims to fulfill customer requirements by offering services featuring mobile, efficient, analytical and risk-control. Smart lending is a simple lending procedure that accelerates the application process and eliminates the limitation of walk-in service. This service also increases customers' lending willingness, ensuring the accuracy of credit ratings and credit approval, but also improves operational accuracy for better risk control. Until 2015, 50% of personal loan applications and 30% of underwriting service were completed online.



IDC Financial Innovation Awards

KOKO Midnight Summer: Experience New Digital Life

In 2015, Cathay United Bank started with KOKO's spirit in providing real-time, simple, and fun services and introduced the Music Run™ by KOKO marathon event that received worldwide attention. Combined with digital music streaming platform Spotify, the event enables runners to sing while running, giving rise to an ultimate 5K running music festival involving over 10 thousands people. With different music themes and surprise events, customers could run, sing, and play at the same time, satisfying their entertainment needs all at once. Furthermore, this music festival also invited Noordhoff Craniofacial Foundation, Pearl S. Black Foundation, and Child Welfare League Foundation to join in the activities.

Brand New Banking Concept KOKO: Integrating Financial Services into Daily Life

Since 2013, Cathay United Bank has led the industry in launching several online application services. In 2014, it kept improving services, using My MobiBank to provide various personalized services. In 2015, CUB introduced the new banking concept, KOKO, combining Credit cards, ATM, and KOKO Store connects online and offline, providing a "keep it simple" digital banking service. Customers can top-up, make transfers, payments, split payments, do accounting, and manage their budgets on the app. The app also integrates credit card functions, account keeping, and invoice prize converting, and it enables users to make transfers automatically in friends' gathering or group buying, fulfilling multiple needs jointly. Customers can use the official website or online banking at home to access a multitude of add-value and application services; when outdoors, they can make use of KOKO's multifunctional ATM at the Taipei MRT stations to make transfers quickly, withdrawal, and enjoy local special offers. To date, over 50% of KOKO customers make payment management through their credit card, and 2.6 million customers use online banking.



KOKO, along with "running" and "music," both of which are the passions of youngsters, brings 5K's of fun to everyone.



Mobile Banking Experience

Cathay United Bank's NFC Credit Card Combining Entertainment and Financial Services

Responding to youths, who pursue novel product and are highly reliant on mobile phones, Cathay United Bank introduced the NFC mobile credit card that provides mobile payment function to integrate daily entertainment with financial services. NFC mobile credit card is the only mobile credit card on the market that supports online shopping functions. In December 2015, CUB collaborated with ADTC in launching a multifunctional NFC mobile credit card, featuring the integration of the five major telecommunication service providers as well as EasyCard/iPass, and credit card functions. The number of NFC mobile credit cards issued increases by an average of 23% monthly. At the end of December 2015, the number of transactions made increased by 35%, the amount of transaction grew by 33%, and these figures are increasing continuously

Cathay Life Builds a Completed Mobile Service Platform

In 2015, Cathay Life upgraded the mobile insurance purchase app, version 2.0, and launched electronic policy services. Since it went online, 1.7 million applications have been processed via the mobile insurance purchase app, accounting for near 95% of the total cases processed, demonstrating the convenience of mobile platform to customers. Cathay Life's mobile claims was the most frequently used service in the insurance industry in 2015, with over 90% of claims request being submitted via the mobile channel, and nearly 580,000 claims have been approved in a timely, accurate, and professional manner. In addition to being the top in the industry in terms of percentage, Cathay Life is also dedicated to innovation. The first mobile insurance has served near 1.5 million insurance applicants completing their applications for mobile services, and every month, 20-30 thousands applications were made for changes via the mobile services. Cathay Life leads far ahead of the competitors. In 2015, we invented mobile mortgage loan application services, effectively raised customer satisfaction. In order to keep satisfying customers' digital service requirements, at the end of 2014, Cathay Life started building a user-oriented member website, Online Counter for My Insurance, adopting responsive web design to fulfill customers' multi-monitor browsing requirements. We simplified the operating procedures according to customers' browsing behavior and eye tracking observations; we integrated big data analysis to analyze customers' career phase and products they hold to offer insurance planning advices. To date, we have over a million members, serving 160 thousands persons per month.

Cathay Century Provides a One-stop Insurance Purchasing Service

Upholding the spirit of green insurance, Cathay Century developed the first digital service procedure for "one-stop insurance purchasing service," providing customers a complete platform with online insuring, online payments, electronic policy and mobile apps. Such platform enhances customer experience; improves efficiency and achieves environmental protection. Policyholders can easily purchase insurance by simply following online procedures.

Cathay Securities Creates Safe, Convenient Mobile Services

Responding to digital finance trend, Cathay Securities launched Taiwan's first "Online Account Opening" app, which provides additional protection to investors' equity through an electronic identity verification mechanism. With a mobile device on the palm of their hands, customers can easily complete online applications by uploading photographs of documents necessary for opening an account. Cathay Securities further makes customers' lives easier by sending verification passwords via email and SMS verification message so they can complete the opening of a securities account without having to step outside. Meanwhile, we stresses customers' personal information; therefore, our Online Account Opening App incorporated a one-time password (OTP) delivery system and digital certificate verification mechanism, providing a careful confirmation steps to verify customers' intention and to reduces the risk of privacy invasion.

Given the rise of mobile payment methods, information security is emphasized. Cathay Securities launched an "iTouch" login system in which customers could acquire authorization through fingerprint sensing and quickly received their e-transaction password. Based on our customer feedback, we discovered that customers usually encountered problems in locked password or forgetting their passwords. Accordingly, we launched the "Online Password Center" through which customers can obtain solutions to their password-related concerns. In 2015, the number of active e-transacting users increased by 8.7%, and the number of calls made to our customer center regarding password problems decreased by 9.6%. We effectively created the best customer experience via digital services.

According to Taiwan Securities Association, at the end of August 2015, nearly one million investors across Taiwan held sub-brokerage accounts for foreign investment; this number is 40% greater than that of last year. Subsequently, Cathay Securities introduced Taiwan's first independent Sub-Brokerage app and the app attracted 4,500 customer to log in within three months. This app serves as an entry point for Taiwan stock investors to enter the international community, affording banking consumers a more diverse means of investment and asset allocation.

↑ 23%



The number of multifunctional NFC mobile credit cards issued increases by an average of 23% monthly. At the end of December 2015, the number of transactions made grew by 35%.

In 2015, over 90% of claims request were submitted via the mobile channel, and nearly 580,000 claims have been approved in a timely, accurate, and professional manner.

Cathay Securities leads its industry peers to introduce the Online Account Opening app and Sub-Brokerage app that combine information security measures, enabling customers to enjoy a comprehensive mobile services safely.

Goals

In response to the changing market needs, Cathay continuously works on digital innovation of financial services, and develops mobile services. We capitalize on mobile devices to optimize marketing and service quality.



Finance and a Good Society

Given we believed in the path of corporate sustainability, finding a balance between financing mechanisms and their benefit or damage to socioeconomic development has always been our top concern. We are advancing products and services in response to environmental and social issues. In the future, through continual revisions and the participation of various experts, we anticipate that one day, existing mechanisms can be completed and we can apply novel business models to solve existing challenges and improve these mechanisms.

Green Finance

Energy intelligence indicates that energy investments must increase to US\$2,000 billion to prevent global warming from exceeding 2°C, suggesting that breakthroughs in financial innovations and technologies are important for low-carbon transformation. In COP21 Paris, financial institutions also indicated that successful climate financing requires information transparency, investment incentives, and reasonable market price. When these criteria remain underdeveloped, Cathay FHC still wishes to work with the financial industry in Taiwan, collectively promoting greening of this land.

Supporting the Development of Green Industries	Reducing risk of green products	Linking Customers' Power
<ul style="list-style-type: none">Low-carbon investment registryCathay United Bank's solar energy loansWind power loansSupporting Promising Startups	<ul style="list-style-type: none">Green vehicle insuranceBicycle insurance	<ul style="list-style-type: none">Cathay Global Ecology FundDigital Finance

Low-carbon Industry Identification

In 2014, Cathay participated in Global Investor Coalition on Climate Change (GIC) to discuss the definition of the eight major low-carbon industries and target applicability. In 2015, after internal applications were adequate, we submitted related data to GIC and we provided suggestions to CDP for adjustment to question items, facilitating multiple benefits. Meanwhile, we gradually confirmed the international identification on low-carbon industries. The eight major low-carbon industries were classified based on the Climate Bonds Initiative (CBI)

 Energy Solar, wind, biomass energy etc.	 Industry Energy efficiency, non-energy-generated GHG reduction, cleaner production	 Transportation Passenger and freight mode switching and efficiency, mass transit	 Agriculture and forestry Sustainable forest management, verifiable agricultural GHG reduction practices
 Buildings Green buildings, energy efficiency technologies or products	 Waste pollution control & carbon sequestration	 Information & communication technology Fiber-optic cabling supporting broadband, data centers, and smart grid	 Multi-channel financial measures The business public and private equity with carbon weighting, fixed income and carbon markets or related instruments



Enhance Intellectual Capital

Renewable Energy Development: Solar Energy and Wind Power Loans

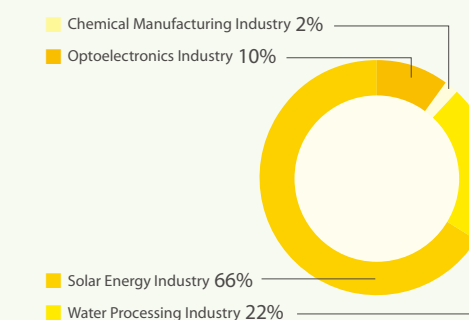
Cathay United Bank's Photovoltaic Green Energy Financing involves developing a power plant evaluation model (including climate information, power generation evaluation) based on the feasibility of a financial model for the initial period. The evaluation model serves as a basis for financing evaluations to provide long-term loans that help corporates/citizens install photovoltaic systems that generate clean power, thereby creating multiple beneficial outcomes. As of 2015, Cathay United Bank had near 30% of the share of the market. Being the first bank in Taiwan to offer photovoltaic green energy loans, CUB successfully extended its financing experiences to USA, China, and Japan. The bank financed a total installed capacity of 216 MW at home and overseas, including 1,023 solar power stations with 173.5 MW in Taiwan. Each year, the approved loan applications for power generation facilities can reduce CO₂ emissions by 155,385 tons, equivalent to roughly 399 times the carbon absorption of Da'an Forest Park. Furthermore, the installation of the aforementioned power generation facilities instigated investment of NT\$16 billion from upstream industries, creating favorable economic benefits.

Of the top 20 high-quality offshore wind farms across the world, 16 of them are located in Taiwan Strait. In 2015, Cathay United Bank took lead among its industry peers again, investing in offshore wind power green energy financing project. It is expected that the first phase, 8 megawatt-offshore wind power generation facility will be completed before the end of 2016. This facility will provide 32,000 kW of clean power, reducing 17,020 tons of CO₂ per year, roughly 43 times the carbon absorption of Da'an Forest Park.

Supporting Promising Startups

Cathay Venture has been committing capital into unlisted companies involved in the environmental friendly business. At the end of 2015, companies in the green industry accounted for NT\$442 million of the portfolio. Other types of environmental industries are as listed below.

▼ Proportion of Cathay Venture Capital in 2015



Cathay Securities keep helping environmental and green energy companies raise capital through IPOs or via refinancing. Cathay Securities has 5 green energy conservation corporate financing projects, currently in progress and under planning in 2015, financing over NT\$700 million. These projects primarily focus on environmental protection industries involved in waste and wastewater treatment. Looking forward, we will plan to provide financing services for green energy and energy efficiency industries such as battery technologies and smart grid companies, with the expectation of helping environmentally friendly companies engage in further development by soliciting funds in the capital market.

The following are Cathay Securities' projects supported/assisted in 2015

- Counseled Filtrafine (ID: 4556; an industrial wastewater treatment provider) for wastewater and water resource treatment (NT\$96 million)

IPO cases still under counseling or pending

- Anji Technology (ID: 6477; solar energy)
- Jetbest (ID: 4741; nanoscale eco-ink)
- Ever Clear (project planning for industrial wastewater treatment processors)
- Taiwan Carbon Nanotube (carbon nanotube and related materials)

Green Vehicle and Bicycle Insurance

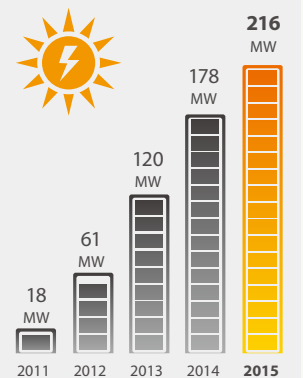
In 2013, Cathay Century launched the first "Green vehicle insurance," integrating environmental protection concept into insurance, offering discounted premiums on hybrid cars, electric cars and electric motorcycles. At the end of 2015, there are 5,126 vehicles were insured under this policy. Bicycle insurance was introduced in response to increasing popularity of cycling sports. Cathay Century partnered with Huanan Insurance in 2014 to develop Taiwan's first diversified, content-rich bicycle insurance policy specifically for cyclists. In November 2015, we developed a new-generation bicycle insurance, which is the only product in the market that incorporates theft, collision, and responsibilities of rental bicycles into insurance coverage. This not only provides collision and responsibility insurance protection to bicycles, but ensures the safety of the cyclist.

Cathay Global Ecology Fund

Given the urgency required for environmental protection issues, Cathay SITE allocates 60% of the net asset value in Cathay Global Ecology Fund in industry stocks related to environmental protection, alternative energy, water resource, agricultural product, and biotechnology. This fund provides investors with mutually beneficial opportunities of environmental protection and asset allocation. At the end of 2015, the total value of the fund was NT\$381 million.

Solar Energy Financing Project

Total capacity and carbon reduction performance of overseas and domestic solar power stations



Reduced CO₂ emission
155,385 Tons/Year

=399 Da'an Forest Park

Note 1: According to the Industrial Technology Research Institute, solar energy equipment in Taiwan generates somewhere between 1,000 kWh and 1,500 kWh per kW. Most of the solar power facilities are located in central/southern Taiwan and produce an average of 1,350 kWh per kW. Based on data published by the Bureau of Energy in 2014, the CO₂ emission was cut by 0.522 kg with every kWh of power consumption reduced in 2013.

Note 2: Calculation was based on Bureau of Energy's 2011 conversion rate of: 389 tons CO₂ absorption per year by 1 Da'an Forest Park.



Cathay United Bank was the first in the industry to invest in solar power equipment financing projects and also the first to engage in offshored wind power financing project.



Prosper with the Community

In Finance and the Good Society by Robert J. Shiller, an economist and Nobel Prize winner stated that throughout the course of history, public asset ownership and control rights (e.g., land and housing) have all promoted social improvement, economic growth, and group identification. Thus, only by allowing public involvement in financial systems to gain information access can people perceive themselves as part of a financial capitalist rather than being the victim of wealth and selfish behaviors. Subsequently, they can then accept financial innovation with an open attitude.

Enhance inclusive financing

- Micro-insurance
- Crop insurance
- Charity micro-credit project
- ATMs for the visually impaired

Increase financial security of disadvantaged groups

- Care Trust mechanism
- Establish a regulation mandating that disadvantaged customer groups cannot purchase complex and high-risk financial products

Sound social mechanism

- CPBL Gambling Prevention Trust
- Long-term care insurance
- Retirement trust for elderly people



Cathay Life achieved the highest market share in micro-insurance and the only company received three major micro-insurance awards from the Insurance Bureau

Goals

Cathay Century is expected to introduce "Crop Insurance" for compensating the losses of farmers suffered from natural disaster.

Micro-insurance

Micro-insurance refers to simple insurance policies with low premiums or low coverage limits, providing basic protection to financially disadvantaged people via insurance mechanisms for risk dispersion and planning. Since Insurance Bureau approved the micro-insurance policy in 2009, Cathay Life has issued this insurance policy to 78,000 applicants, providing immediate assistance to over 70 disadvantaged families. In 2015, Cathay Life acquired near 20% of share in the market, ranking No. 1 in the life insurance industry and the sole company to receive three major micro-insurance awards from the Insurance Bureau, namely, Policyholder Ranking Award, Award for Excellent Performance, and Micro-insurance Action Award, as well as a certificate of appreciation for charity donations. Cathay Century has also kept encouraging its employees to promote micro-insurance policies since its launch of micro-insurance in 2010. The total amount of insurance premium reached about NT\$570,000 in 2015, which granted us the Micro-insurance Competition Performance Excellence Award from the Financial Supervisory Commission.

Crop Insurance

Responding to the changes in probability and impact from natural disasters incurred by climate change, Cathay Century is expected to introduce "Crop Insurance" for compensating the losses of farmers suffered from natural disaster. The first crop insurance will cover mango, aiming to support government policies and reduce farmers' losses caused by natural disasters.

Charity Micro-credit Project

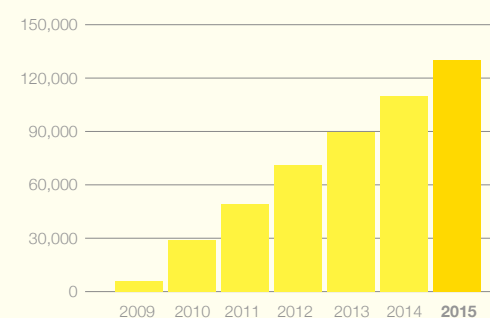
In December 2015, Cathay United Bank cooperates with Small and Medium Enterprise Credit Guarantee Fund in initiating a charity micro-credit project.

We concerns disadvantaged groups and social corporations and embraces those who have exerted their utmost effort in cultivating and protecting our land. Thus, we extend our reach to service them, and hoping to help charities or social enterprises grow by developing a complete credit mechanism including field visits, reviews, guidance, periodic inspection, and terminal-end marketing resource integration.

Trust Care Mechanism: Gambling Prevention Trust, Disability Trust, Retirement Trust

For many years, Cathay United Bank has been collaborating with the Taiwan Professional Baseball Players Association (TPBPA), the Chinese Professional Baseball League (CPBL), and baseball teams, to run the "Gambling Prevention Fund" and "Contract Trust" for professional baseball players. After seven years, the trust fund accumulated more than NT\$130 million, and including retired players, it has serviced near 340 players, becoming the most solid support safeguarding domestic baseball players. The trust account of some players has exceeded NT\$3 million, and over 20% of players have accumulated over NT\$1 million. In recent year, we have also successfully provided urgent financial relieve to over 50 players, which safeguarded

Value of CPBL Gambling Prevention Fund



their commitment to true sportsmanship, enabling baseball fans to enjoy their games at ease.

According to the Ministry of Interior, there are approximately 1.14 million people with physical and mental disabilities in Taiwan and over 400 thousand people with intellectual disability, mental illness, dementia, in vegetative state, and multiple disabilities. Thus, "People with Disabilities Rights Protection Act" encourages trust institutions to provide property trust services. Cathay United Bank has undertaken the service of Disability Trust for many years, providing low-threshold, customized trust so that trust properties can be used exclusively on caring for the beneficiaries and ensuring that their properties are not utilized or appropriated by others. The bank pays the beneficiaries' necessary fees (including daily expenses, medical fees, nursing homes, and caretaker fees) according to the contract. If the security of real estate right is of a concern, it can be included in the scope of the trust. In 2015, we were invited by social welfare institutions such as associations for autism, associations for the physically handicapped, and down syndrome care associations, to share experience. At the end of December 2015, the disability trust consigned to us for management amounted to NT\$258 million, benefitting 46 physical and mental disabilities.

Cathay United Bank also helps senior citizens manage their properties with trust. The service targets include senior citizens who live alone; are orphaned or veteran, or live in nursing homes due to their dementia or disability condition. Some pious children also entrust the pension fund of their elderly adult at home to trust management. With our years of experience, we designed simple multiple choice questions based on the daily expenditures of elderly people. For different groups of elderly people, standard contracts can be

modified by adding individual provisions to fulfill customers' diverse needs and prevent improper use of properties by others or deceptive behaviors, thereby enabling elderly people to live happily and with dignity. At the end of December 2015, NT\$503 million retirement trust was entrusted to CUB, benefitting 293 senior citizens, making the largest scale and the highest number of retirement trusts in Taiwan.

Long-term Care Insurance Service



In September 2015, Cathay Life launched the Cathay Life Long-Term Care Insurance, the first insurance in the industry that merely focuses on long-term care protection (no death benefits). If the beneficiaries meet the criteria for long-term care, there are a one-time long-term care rehabilitation insurance premium, a long-term care insurance premium paid monthly for a maximum of 192 times, and an exemption fee (fulfilling long-term care criteria or disability level of 1 to 6). For young policyholders with limited budget or high-price life insurance, they can purchase long-term care protection at a cheaper rate.

Cathay Life's long-term care products are complete. Besides general long-term care and disease-type long-term care insurance, we provide disability care insurance, offering long-term care protection and adopting disability level as an insurance claim standard. This insurance is highly accepted. The most popular policy is Cathay Life (new) Permanent Disability Insurance. People have realized the potential need for long-term care, as of 2015, over 150,000 Long-Term Care Insurance and Permanent Disability Insurance policies were sold.



Cathay United Bank manages the largest scale and the highest number of retirement trusts in Taiwan.

To raise the awareness of people on early preparation for long-term care, Cathay Life Insurance launched a micro-film YoYo Nursing Class, in which the heavy burden shouldered by long-term caretakers is manifested in active ways. After the microfilm was aired, it had attracted over 300,000 viewers within a month, hoping to educate people aged 30 to 40 years about long-term care and the importance of prior preparation. Furthermore, Cathay Life led other industry peers in the launch of "Network of FUN Nursing Care," a website dedicated to long-term nursing care, providing budget calculation according to users' needs and product recommendation. Through this web page, users can quickly ascertain the long-term insurance protection suited to their needs.

Network of FUN Nursing Care:





Responsible Investment and Lending

Based on the 2014 Global Sustainable Investment Review report announced in 2015 by GSIA, the total asset of global responsible investment increased considerably in recent years, from US\$13 trillion in 2012 to US\$21 trillion in 2014, and sustainable investment as a percentage of total investment funds also increased from 21.5% to 30.2%. Meanwhile, as of December 2015, 82 banks have adopted the Equator Principles, covering many financing projects for global emerging markets. That is, whether it is responsible investment or Equator Principles, it has gradually become the universal language used in the new-generation financial management.

According to the data as of June 2015 provided by TEJ, SITCA, Taiwan Central Bank and Taiwan National Statistics, the assets of Taiwan financial institutions, stock market capitalization, government & corporate bond balance and mutual fund AUM amounted to NT\$64.8 trillion, 27.1 trillion, 9.1 trillion and 3.6 trillion, respectively. These figures indicate Taiwan will definitely make positive contribution to international responsible investment if we fully utilize the financial assets.

Cathay FHC CS Committee assembled a new Responsible Investment Working Group in 2014; official mechanism was established in 2015, the CIO of Cathay FHC as the group leader with 8 members, responsible for developing responsible investment policies and internal strategy. The key achievements in 2015 include Cathay United Bank became first bank in Taiwan adopting the Equator Principles in March; Cathay FHC established the Responsible Investment and Lending Policy in December, while attending external responsible investment initiatives and seminars to share our practice and philosophies.



CIO of Cathay FHC joined Social Responsible Investment (SRI) seminar: Shareholder activism

Responsible Investment: Leading the Financial Industry in Taiwan

Consistency and pragmatism have always been Cathay's persistence. When corporates are attached more closely to the society and environment, we believe the most crucial corporate social responsibility of financial institutions is to properly weigh out the funds operated by institutional investors and to maximize the effects on the market and the invested company. Up to July 2015, 1,380 institutions have signed the PRI, with a total asset of US\$59 trillion. Cathay FHC's subsidiary Conning Asset Management also signed PRI and the content covers the following:

- We will incorporate ESG issues into investment analysis and decision-making process.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG.
- We will promote acceptance and implementation of the principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the principles.
- We will submit individual reports on our activities and progress with regards to the implementation of PRI.

In 2015, Cathay Life promoted self-discipline regulations for asset management of the insurance industry. We specified in the regulations that environmental protection, corporate integrity, and social responsibility are considered when making investments, aiming at orienting the capitals of insurance industry toward responsible investment. Concerning property investment, we also collected and included building's energy efficiency information in the investment evaluation of UK properties to monitor the status of investment target's energy efficiency compliance.

In 2010, Cathay SITE decided to list stocks that are against social responsibility on the forbidden investment list of government funds, and in 2013, this list was applied to all the investment of Cathay SITE. The quarterly reports for 14 designated funds from the Bureau of Labor Funds of Ministry of Labor disclosed the implementation status of CSR for all major shareholdings. In 2014, Cathay SITE also made CSR report as one of its regularly assessed criteria to promote responsible investment by encouraging good behavior.

Responsible investment encourages companies with excellent CSR performance and drives the society toward a positive cycle. Regulatory authorities and corporations in Taiwan are expected to work together to internationalize Taiwan's Corporate Governance 100 Index, Top Salary 100 Index, and Employment Creation 99 Index, and adopt international practices to transform Taiwan's indices into internationally approved responsible investment indices.



Responsible Lending: Creating a Historical Milestone

In order to maximize the effect of financial industry on CSR, Cathay United Bank (CUB) signed the Equator Principles (EP) in March, 2015 and became the first EP-adopting bank in Taiwan. In accordance with the Equator Principles, CUB developed credit lending and review processes, established review and post-lending environmental monitoring regulations, and stipulated appropriate EP covenants based on different EP risk categories. In addition, CUB devised an information management system of EP risk assessment and a series of training programs that strengthen employees' understanding of EP regulations, hence fulfilling CUB's commitment to introducing international EP review standards into Taiwan.

Since its adoption of EP on March 23, 2015, CUB has received four EP-conforming financing cases as of December 31, 2015; three of the cases are categorized under Project Finance and the other of the cases is Bridge Loans. They are described as follows:

Project Financing

With the collective efforts of our employees, CUB acquired three international EP-conforming project financing in Indonesia, Australia, and Vietnam in 2015. Two cases were Category B whereas the other was Category C.

Bridge Financing

In 2015, CUB facilitated a Category B bridge financing case. In this project CUB collaborated with Formosa I Wind Power, a subsidiary of the listed company Swancor, which had been awarded the Wind Power Offshore System Demonstration Incentives by the Ministry of Economic Affairs. The project was the first financing project in Taiwan implemented with Equator Principles. CUB granted the bridge financing needed for early development at the Miaoli Zhunan Offshore Wind Farm, specifically for the sea meteorological observation tower construction and wind turbine procurement. Formosa I Wind Power commissioned a professional independent third-party consulting firm to review the Environmental Impact report on its Wind Power Construction Plan, to complete relevant differential analysis in terms of environmental and social risk management, and to develop detailed action plans. Formosa I Wind Power was also committed to effectively managing environmental and social risks according to the Equator Principles.

Cathay United Bank: EP bank website



CUB completed Taiwan's first local financing project in accordance with the Equator Principles.



IMD World Talent Report 2015 by International Institute for Management Development reported that Taiwan ranked No. 50, same as last year, in the brain drain criterion out of the 61 countries assessed, indicating that the brain drain situation in Taiwan has not been improved. In recent years, Taiwan government proposed a Global Talent Competition Scheme: Contact Taiwan to resolve the situation; correspondently, Cathay proposed relevant plans.



Nurture Human Capital

“Talent” is the core of a financial service industry. Cathay has always viewed cultivation of talent as the source of corporate competitiveness. In addition to selecting and fostering talents to enrich our talent base, we activated industry-academic cooperation in digital financing and talent pool cultivation project since the trend of FinTech. We expect this project would create a pool of financial elites with innovative thinking through integrated resources.

Strategy 1

Actively attract and foster future talents and promote employee’s continual development

Regarding the risk of brain drain and FinTech and our ambition in the Asian Pacific markets, we recruit potential talents from campuses and invest abundant resources in cutting-edge fostering projects, enabling our talents to develop professional, diversified, and internationalized thinking, leveraging their potential to create maximal value for the company. Moreover, we invest many resources in introducing innovative tools to encourage lifelong learning and continual innovation among employees.

Strategy 2

Create a workplace for employees to work positively and live happily

A safe and equal workplace is the basic promise we make to our employees. Because talents are Cathay’s most crucial resources, we endeavor to create an excellent working environment where employees can dedicate themselves to work worry-free. In addition to building multiple channels through which employees can communicate their ideas to managements, we also create employees’ happiness with healthy and philanthropic concepts.



Nurture Human Capital

Employment and Compensation

A 2015 survey published in Cheers Magazine reported that “a good salary and bonus system” was selected by freshmen and corporations to be a key working condition. At the end of 2015, Cathay had a total employee size of 42,387 and its average salary per entry-level employee (both front office and back office included) is 109% of industry average and 103% of listed company average (Note 1). In addition to pursuing diversification, equality, and a happy working environment, we also invested substantial resources in employee welfare and training. In 2015, Cathay spent a total of NT\$44.9 billion on employee welfare for entry-level employees, an increase of 22% compared with last year. Cathay also expended a total of NT\$50.333 billion on employee salary, welfare, and training, an increase of 7.56% compared with last year. Cathay SITE also received the Outstanding Salary Increase Award in 2015. Given the generally low salary level in Taiwan’s industry, we offered salaries that are

not only superior to the statutory minimum but also better than the industry average level. In 2015, an employee overall satisfaction survey was conducted on eight dimensions, namely, overall satisfaction, organizational identification, organizational change, work demonstration, learning development, leader communication, compensation and benefits, and interpersonal support. The results indicated a minimal growth of 3% in the dimension of compensation and benefits, suggesting that relevant measures improved employee satisfaction. We also hired disabled persons in excess of the statutory requirement. The proportion of employees with disabilities hired reached 1.07% Note in 2015. (Note 2)

Note 1: Based on the statistics of the Department of Census, Directorate-General of Budget, Accounting and Statistics, Executive Yuan, employees in the financial and insurance industry in Taiwan earn a monthly average salary of NT\$84,696 per person; therefore, Cathay’s monthly average salary per person (NT\$ 91,965) is 109% of industry average. In accordance with TWSE’s Overview of Average Salary Increase for Employees of Listed Companies in Taiwan, which was announced in 2014, the average salary of listed company employees was NT\$1.07 million; therefore, the average salary of Cathay employees is 103% of listed company average.

Note 2: The proportion of employment was calculated based on the principles of “the Handicapped Rights Protection Act” in Taiwan.

▼ Cathay’s Basic-Level Employee Average Salary and Welfare

Item	2014	2015	Difference	Growth
Total employee welfare for non-managerial staff (NT\$)	36,755,485,075	44,925,763,620	8,170,278,545	22.23%
Number of non-managerial staff (persons)	37,189	40,709	3,520	9.47%
Average employee welfare for every non-managerial staff (NT\$)	988,343	1,103,583	115,240	11.66%

Note 1: “Non-managerial staff” refers to staff who do not assume managerial roles and administrative duties.

Note 2: According to the Employee Benefit definition from International Accounting Standard No. 19, employee welfare expense refers to benefits provided in any form in exchange for service of employees, including salary paid to employees, health insurance, pension contribution, and other employee benefits.

▼ Full-Time Employees by location and education level

Company	Distribution				Education Level			Total
	Taiwan		Overseas		Master's Degree and above	Bachelor's Degree/College degree	High school / Vocational School and below	
	Female	Male	Female	Male				
Cathay FHC	110	73	0	0	128	53	2	183
Cathay Life	23,283	6,880	5	72	1,874	13,885	14,481	30,240
CUB	5,605	3,235	25	70	1,512	7,029	394	8,935
Cathay Century	1002	1,016	6	28	225	1,587	240	2,052
Cathay Securities	303	297	0	0	149	419	32	600
Cathay SITE	145	119	0	0	121	137	6	264
Cathay Venture	19	43	0	0	26	35	1	62
Cathay SICE	6	10	0	0	13	3	0	16
Cathay Futures	20	15	0	0	19	15	1	35
Total	30,493	11,688	36	170	4,067	23,163	15,157	42,387

Note 1: Regarding Cathay’s overseas employee, 17.5% are females and 82.5% are males. Regarding Cathay’s local (Taiwan) employee, 72.3% are females and 27.7% are males.

Note 2: University/college degree holders represented the largest group of employees in Cathay at 54.6%, followed by high school/vocational school graduates and below at 35.8%, while holders of master’s degree and above represented 9.6%.



▼ Managers/General Employees by Age and Gender

Company	Title	Female			Total	Male			Total
		Age 30 and below	Age 31-49	Age 50 and above		Age 30 and below	Age 31-49	Age 50 and above	
Cathay FHC	Manager	0	17	1	18	0	17	7	24
	General employees	34	56	2	92	11	34	4	49
Cathay Life	Manager	0	77	57	134	58	230	208	496
	General employees	2,739	11,195	9,220	23,154	1,877	3,498	1,081	6,456
CUB	Manager	0	243	89	332	0	215	135	350
	General employees	1,541	3,585	172	5,298	822	1,938	195	2,955
Cathay Century	Manager	0	18	1	19	0	152	45	197
	General employees	330	596	63	989	157	579	111	847
Cathay Securities	Manager	0	6	4	10	0	22	15	37
	General employees	44	239	10	293	33	211	16	260
Cathay SITE	Manager	0	12	2	14	0	21	5	26
	General employees	11	118	2	131	2	80	11	93
Cathay Venture	Manager	0	1	0	1	0	1	1	2
	General employees	0	5	0	5	0	8	0	8
Cathay SICE	Manager	0	5	0	5	0	3	0	3
	General employees	1	14	0	15	0	12	0	12
Cathay Futures	Manager	0	0	0	0	0	8	2	10
	General employees	2	17	0	19	8	24	1	33
Total	Manager	0	379	154	533	58	669	418	1,145
	General employees	4,702	15,825	9,469	29,996	2,910	6,384	1,419	10,713

Note: 31.8% of managers in Cathay are female and 68.2% are male; 73.7% of general employees are female and 26.3% are male.

▼ 2015 New Employee Statistics

Company	Gender		Age			Total
	Female	Male	Age 30 and below	Age 31-49	Age 50 and above	
Cathay FHC	16	12	18	9	1	28
Cathay Life	2,380	1,311	1,855	1,715	121	3,691
CUB	1,133	945	1,363	695	20	2,078
Cathay Century	125	117	123	101	18	242
Cathay Securities	75	84	32	119	8	159
Cathay SITE	18	8	5	20	1	26
Cathay Venture	1	2	1	2	0	3
Cathay SICE	3	3	0	5	1	6
Cathay Futures	3	20	8	14	1	23
Total	3,754	2,502	3,418	2,665	173	6,256



Interns, school teachers, and banking officers participating in industry-academia cooperation outcome exhibition

Fostering Potential Talents

Statistics presented by World Bank indicated that the gap between higher education and industry requirements caused 43% of young people across the world to face risks of unemployment and low wage. In recent years, FinTech and regional industry expansion have impacted financial industry in Taiwan, further impeding youths from establishing a link between what they learned and the current industry status. Accordingly, Cathay offers a reasonable compensation, aggressively promote industry-academia cooperation and internship program, and build a large-scale exchange platform, increasing industry-academic interactions. To support our business expansion into the Asia Pacific region, we actively recruit outstanding talents overseas.

Working as Learning : Financial Pioneer Project

In 2014, Cathay United Bank launched an Industry-Academia cooperation pilot with Feng Chia University. Students intern at Cathay for three months. After their internship, they are given the chance to work full time for Cathay. With abundant educational resources and mentor guidance, students could quickly learn financial practices and join the bank's workforce immediately. Through this approach, many outstanding talents were recruited. Because of the effectiveness of this approach, we increased the scale of this operation in 2015, expanding from one school to including six schools across Taiwan. Apart from on-the-job training, field trips and exhibitions are held to expose interns to the financial industry from multiple dimensions. CUB initially offered 20 quota for the Financial Pioneer Project and raised it to 60 in 2015. 80% of the interns returned to serve Cathay, manifesting Cathay's effort in industry-academia cooperation to create mutually beneficial outcome.

Early Talent Cultivation: Cathay Internship Program (CIP)

Cathay always solicits talented students. We believe that if outstanding students can gain practical experience during their study period, it will exert a positive influence on their future development.

Through "project research" and "department practices" dual internship model, CIP students can not only practice management planning, actuary, financial investment, and information insurance, but also blend into the workplace as early as possible. Since its launch in 2005, the program has received enthusiastic responses among schools.

Elite Base: Chengchi University Elite Think Tank Assembly

Following the idea of early linked to outstanding students, we were the first in the industry to join the Elite Think Tank Assembly in 2015 held by the National Chengchi University. Working with eight other benchmark companies, a cooperating network was built to construct a business administration educational platform, offering multiple learning channels for development of outstanding competitive talents who meet organizational requirements. The Elite Think Tank Assembly holds quarterly Think Tank Forum, in which experiences of leading companies are shared with other member companies to pursue excellence and further refine the professional capabilities of executives.



Cathay FHC join the National Chengchi University Elite Think Tank Assembly

80%

Cathay United Bank's Financial Pioneer Project achieved a reinstatement rate of 80%.

▼ CIP Recruitment Statistics

Year	2013	2014	2015
Number of applicants	1,090	1,248	1,185
The number of admissions	76	90	87
The number of recruitment	19	21	Number who are still studying

Note: Because there are follow-up appointments, the number of recruitment in 2013 is higher than that disclosed last year.



CIP returning to Cathay

Through CIP, I was able to gain insight into the company's operation, meet friends from different background, and gain a rich life experience. It's difficult to complete the project in as short as two months, but my mentor and everyone in the department were happy to share their experiences and assist me. It helped me considerably and made me want to work for Cathay.

Intern Ya-Chih Lo from National Tsing Hua University in 2015



CUB has delivered excellent performance in talent cultivation, enabling the bank to be the winner of the Global Top 10 BEST Award in the financial industry from the Association for Talent Development (ATD).

Campus Cultivation: Practical Course Cooperation Project

Apart from CIP, to book outstanding talents in advance, we also enter campus to extend the reach of our training programs. Since 2009, Cathay Life partnered with National Chengchi University Postgraduate Institute of Risk Management to engage in a cooperative education project. Each year, "Insurance Business Administration Seminar" is held



Cathay Life and college/university students jointly partaking in industry-academia cooperation project

to share knowledge about insurance market and practical experiences with students. In light of the FinTech trend, as of 2016, Cathay United Bank and National Kaohsiung First University of Science and Technology signed the big data industry-academia cooperation project, Applying Big Data Analysis of Online Communities to Develop a Bank Word of Mouth Analysis and Management System, aiming at building a pool of talent for corporations.

Fostering Elite: AG2.0

Cathay Life continued promoting its AG2.0 Sales Elite Training Program, placing additional emphasis on collating experiences of success and distinctive customer management tools. Through this program, new sales could quickly become sales elite. To date, Cathay Life has cooperated with 26 colleges/universities and over 100 students, guiding students in cutting-edge projects, which are integrated with a welfare system that is superior to that of other industry peers, thereby fostering potential, talented sales.

Strategic Talent Cultivation

Cathay FHC and its subsidiaries have integrated their resources to enhance their international perspectives and extend their presence in the Asia Pacific region. Fostering finance professionals with international viewpoints and strategic thinking. We also made our overseas employees visit Taiwan to attend a training program regularly to promote employee interaction. For example, Cathay United Bank hosted a training workshop at the end of 2015. The workshop achieved 94% satisfaction, indicating a high level of recognition from employees.

With the rise of FinTech, Cathay requires and expects its employees to stay up-to-date about the trends of innovation and FinTech in the current era. The company values and invests in employee development, refinement, and cultivation of interdisciplinary capabilities. Based on the career development of employees at different levels, we combined current issues, planned a comprehensive range of training program, and trained talents who are able to accept future challenges. In 2015, Cathay spent a total of NT\$1.005 billion on internal and external training program for employees; average training hour per employee are 307 hours. Besides, Cathay United Bank's talent and cultivation system demonstrated exceptional performance in 2015, enabling the bank to be the winner of the Global Top 10 BEST Award from the Association for Talent Development (ATD).



Full range of Finance Elites



國泰金控
Cathay Financial Holdings

GMAAssociate finance strategist

Group/Global Management Associate (GMA) Finance Strategist program spans 2.5 years, during which participants work in various domains, experience working at the front desk, and travel overseas for internship program to gain a professional understanding of products, customers, distribution channel, and sales marketing. The program aims at cultivating finance strategists with highly strategic and interdisciplinary thinking.



國泰人壽
Cathay Life Insurance

Pioneer CIM Investment Specialist

Cathay Life actively extends its global presence and promotes investment diversification and internationalization. In 2016, it officially launched the CIM Investment Specialist Training Program, which spans one year recruiting 30 elites per year. With a solid financial training, a comprehensive adjustment of financial investment system, and a prudent evaluation system, the program cultivates master investment manipulator who can foresee business opportunities.



國泰世華銀行
Cathay United Bank

CMA Asian Banker

CMA Asian Banker Program was launched in 2005; participants are exposed to corporate finance, retail banking, and financial marketing domains in addition to working front, mid, and back-line to become an Asian banker with international perspectives, highly strategic thinking and practical experiences. As at the end of 2015, the program has trained 70 participants 21 of whom are working as supervisors (30%).



Nurture Human Capital

Cathay Employee Training Hours

Company	Average Employee Number (persons)				Total Training Hours (hours)				Average Training Hours per Person (hours)			
	Female	Male	Manager	General employees	Female	Male	Manager	General employees	Female	Male	Manager	General employees
Cathay FHC	109	74	42	141	1,510	1,493	1,843	1,160	14	20	155	8
Cathay Life	23,288	6,952	630	29,610	9,872,302	2,577,915	161,040	12,289,177	424	371	367	415
CUB	5,630	3,305	682	8,253	271,097	156,468	46,628	380,937	48	47	210	46
Cathay Century	1,012	1,040	216	1,836	58,702	43,897	9,101	93,498	58	42	109	51
Cathay Securities	303	297	47	553	7,427	7,557	2,598	12,386	25	25	105	22
Cathay SITE	145	119	40	224	2,570	2,063	864	3,769	18	17	51	17
Cathay Venture	6	10	3	13	58	164	56	166	10	16	56	13
Cathay SICE	20	15	8	27	150	137	37	250	8	9	22	9
Cathay Futures	19	43	10	52	110	590	224	476	6	14	45	9
Total	30,532	11,855	1,678	40,709	10,213,926	2,790,284	222,391	12,781,819	609	563	1,120	590

Note: Statistics includes self-organized/third party-organized training and daily morning satellite training sessions provided by Cathay Life.

Active Cultivation of International Finance Specialist

To continue improving the quality of our sales personnel, Cathay Life started encouraging employees to obtain Certified Financial Planner (CFP) certification in 2013 and actively arranged relevant training courses. As of 2015, over 2,900 employees participated in the CFP training; 248 successfully gained certification (including CFP and AFP) and the number of certification holders exceeded by 250%. To support the activation of bank 3.0 policy implemented by financial competent authorities, Cathay Life integrated internal and external training resources and invited Conning, the global top 10 asset management company, to plan advance courses such as investment forum, continuing to strengthen the financing capabilities of certification holders.

AG2.0 Program

Cathay Life launched the AG2.0 upgrade program for sales in 2013, and saw an overall employee productivity increase of 15% as a result of measures such as streamlining the recruitment process, new employee connecting training, salesperson management by grades, and enhancing executive competencies. In 2014, a scientific management tool called Cathay Box app was developed to replace the conventional 4Ps of marketing. The app created a brand new customer-oriented 4Ps of marketing: People (aim at the target audience), Process (navigate the customer visit process), Prediction (forecast dynamic demand), Performance (demonstrate performance). It also helps to customize a timely personalized sales model. Through activity management and subordinate coaching, combining mobility and big data analytics, the app builds connections between sales and supervisors, allowing the passage of experience from seniors to juniors. In 2015, the average monthly productivity of middle- and lower-level positions increased by 21%.

Innovative Model: An Online Gaming Interactive Learning Platform

Technology brings opportunities and challenges. Therefore, we employ digital technologies to train employees, apart from innovating digital products. In 2015, we cooperated with Professor Bing-Cheng Yeh of Center for Teaching and Learning Development of National Taiwan University to introduce a new integrated teaching tool and learning model. There are three pillars of this training model to enrich teaching resources and increasing employee learning performance: Promotion of Cathay Education Cloud, Research and Development of Video Application Courses, and Expansion of Interactive and Game Learning.

Cathay Life also cooperated with Professor Yeh to introduce an innovative PaGamO game-based educational courses and Zuvio Cloud Real-Time Feedback System. We integrated a standard certification test with game-based education system to motivate autonomous learning among employees. According to data of Life Insurance Association, Cathay Life is the company with the highest passing rate on personal insurance test for sales, indicating that incorporation of PaGamO game-based learning increased certification passing rate (over 96%).



Cathay Life applying PaGamO game-based educational course



Cathay Life promoted CFP, with the number of certification holders growing by 250% in two years.

AG2.0

During the first two years of Cathay Life's AG2.0 program, the overall employee productivity increased by 15%.

Goals

Continue improving the production capability of employees by AG2.0 program of Cathay Life and refining training, education, and recruitment processes.



Goals

Responding to digital transformation and digital financing, CUB will continue expanding career transfer training program for employees.

Talent Transformation Training Program for Digital Financing

To accelerate the fostering of digital finance professionals, Cathay United Bank offered a Finance Talent Transformation Training Program in 2015, focusing primarily on managerial professionals, digital finance professionals, and transformation of digital banking for employees. Four key training indicators, namely, customer orientation, data analysis, agile organization, and revolutionary leadership, were used to supplement the program. At the end of 2015, CUB trained near 60,000 people, initiated a variety of digital revolution activities, developed business model for future banks, and created a novel financial service emphasizing customer experience and consultation services.

Key success indicators for digital transformation of CUB



Balance between Work and Life

Cathay cares for the mental and physical health of employees and endeavors to create a friendly workplace. Based on the statistics published by the Ministry of the Interior, Taiwan averaged a crude marriage rate of 6.58‰ (the ratio of number of marriages for the year to the total population) and a crude birth rate of 9.10‰ (the number of new born for every 1,000 people each year) in 2015. Cathay employees averaged a crude marriage rate of 22‰ and a crude birth rate of 28‰, which were several times above the national average, showing that the company strongly supports employees' families. We also provide diversified communication channels and commit to build a happy working environment.

meeting is also held to facilitate information sharing, inform about key points in the company's strategic development, praise employees who demonstrate exceptional performance, and allow employees to engage with executives face-to-face.

In addition to actively communicating with employees, Cathay also value employees' career development and personal interests. Since February 2014, lectures by luminaries are held and 19 elites from the industrial and academics are invited, wherein luminaries are invited to share their work experience and life experience, providing innovative and interdisciplinary perspectives to encourages employees to deviate from existing perspectives and develop a new perspective which they can apply at work.

Diversified Communication Channels

In 2015, Cathay drew up guidelines for implementing regular employer-employee meetings, in which effective employer-employee communication and cooperation are formally included in the company's regulation, providing a direct channel to listen to the voices of employees. Quarterly town hall

Happy Work, Happy Life

Cathay endeavors to build a workplace filled with happiness for employees so that employees could enjoy work and a multitude of care programs are offered. In 2015, Cathay launched the "love handles and belly fat weight loss competition," providing a large prize money, nutritionists, and fitness training, to increase employees' health awareness, develop



Press conference for the weight loss competition



CUB at the Gifts of Fun, Food for Happiness charity event

exercising habit in employees, and boost their health. 9,638 employees participated in the competition and a total weight loss of 12,000 kg was achieved. Most of the participating employees expressed how the competition helped them improve their physical and mental health, gain a tacit understanding with their colleagues, and grow closer to their family and spouse by exercising together.

Cathay United Bank hosted a charity happiness food cart event, titled Gifts from Food for Happiness, by sponsoring high-quality afternoon teas of social enterprises to deliver happiness to disadvantaged groups and the company's employees. This event created a positive, caring organizational atmosphere and cohered employees' solidarity, enabling employees to enjoy happy afternoon by doing good deeds.

Workplace Safety and Gender Equality

To build a friendly, equal, and safe workplace, Cathay formulated the Cathay FHC Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace in 2005. We implemented a GO Health Protection Plan for Female Employees to ensure the safety and health at work and implement the concept of gender equality. Salary levels for male and female employees of all grades were approximately 1:1

Cathay FHC 2015 Salary Comparison Sheet

Level	Average Monthly Salary Ration (Male: Female)	Average Monthly Salary Ration (Male: Female)
Senior manager	100:91	100:90
Mid-level manager	100:84	100:84
Entry-level manager	100:91	100:91
Other	100:88	100:88

Use of Family Care Leave

Company	Family care leave		Maternity/paternity leave		Menstrual leave
	Female	Male	Female	Male	Female
Cathay FHC	0	0	9	3	10
Cathay Life	365	74	658	272	6,377
CUB	240	46	377	337	759
Cathay Century	2	1	69	51	82
Cathay Securities	3	2	19	13	7
Cathay SITE	11	2	7	7	38
Cathay Venture	0	0	0	0	0
Cathay SICE	0	0	1	4	0
Cathay Futures	0	0	0	0	0



▼ Unpaid Parental Leave Statistics

Company	Number of parental leave applications		Number of employees reinstated from Unpaid Parental Leave		Number of employees reinstated from Unpaid Parental Leave		Reinstatement rate	
	Female	Male	Female	Male	Female	Male	Female	Male
Cathay FHC	3	0	2	0	2	0	100%	-
Cathay Life	215	19	109	15	92	13	84%	87%
CUB	165	13	112	16	85	7	76%	44%
Cathay Century	25	2	3	1	2	1	67%	100%
Cathay Securities	6	1	4	1	3	1	75%	100%
Cathay SITE	3	0	3	0	2	0	67%	-

Note 1: Cathay Venture, Cathay SICE, and Cathay Futures were excluded from the above statistics because there was no application for unpaid parental leave.

Note 2: Reinstatement rate = (number of employees reinstated in 2015/number of employees who should be reinstated in 2015)*100%

▼ 2015 Occupational Hazard Statistics

Company	Occupational injuries	Occupational deaths	Lost working days	Frequency of disabling injuries	Severity of disabling injuries	Absence Rate
Cathay Life	13	0	244	1.33	24.95	45.98
CUB	50	0	789	2.85	35.11	83.27
Cathay Century	1	0	1	0.17	0.17	0.45

Note 1: A total of 64 employees had suffered occupational injuries in 2015

Note 2: No events had occurred in Cathay FHC, Cathay Securities, Cathay SITE, Cathay Venture, Cathay SICE, and Cathay Futures; they were excluded from the above statistics as a result.

Note 3: Sales forces of Cathay Life and Cathay Century were excluded from the above statistics due to the unique nature of their business activities.

Note 4: Occupational injuries and deaths include those that were suffered while commuting and during work activities outside normal hours

Note 5: The number of work days lost includes Saturdays and Sundays

▼ Cathay Employee Turnover Rate

Company	Average employee size in 2015	2015 Accumulated Resigned Employees	2015 Employee Turnover	2014 Employee Turnove	Resigned Employees - 2015				
					Gender		Age		
					Female	Male	30 and below	31-49	Over 50
Cathay FHC	183	10	5.46%	4.46%	6	4	3	7	0
Cathay Life	30,240	3,383	11.19%	4.98%	2,219	1,164	1,244	1,720	419
CUB	8,935	1,607	17.99%	9.51%	826	781	805	748	54
Cathay Century	2,052	194	9.45%	7.28%	104	90	68	104	22
Cathay Securities	600	91	15.17%	15.64%	55	36	21	63	7
Cathay SITE	264	16	6.06%	7.50%	13	3	2	13	1
Cathay Venture	16	1	6.25%	22.93%	0	1	0	1	0
Cathay SICE	35	3	8.57%	6.90%	1	2	0	2	1
Cathay Futures	62	10	16.13%	32.61%	0	10	6	4	0

Note 1: Turnover rate formula = (cumulative number of resigned employees / average employee size) * 100%



Ulrich Beck, a German sociologist, stated that contemporary society has shifted from an industrial society to a risk society. The intimate human interactions resulting from globalization as well as interoperability of various mechanisms have substantially increased chances of degradation in both natural and social systems. Therefore, how to disperse risks and acquire public trust and support are key to organizational sustainability. Furthermore, according to the 2015 PwC Taiwan CEO Survey, more than 60% of CEOs in Taiwan expressed concern regarding the material risks that geopolitics (62%) and social instability (60%) may impose upon company operations. The financial industry specializes primarily in intangible products and services; therefore, relationship capital will be our key consideration when devising sustainability plan.



Strengthen Social Relationship Capital

To strengthen social relationship capital, Cathay first identifies key stakeholders: customers and community and NGO. For customers, the most important thing is protecting customer rights and providing a complete service to create brand value. For community and NGOs, we must win the trust of the society by integrity management and magnifying the social impact. For mutual prosperity with the society, we actively identify social changes and risks and promote social advancement, hoping that we will become driver of positive social changes in Taiwan and a corporate citizen trusted by stakeholders.

Strategy 1

Value Customer Rights

We believe that social relationship should be built on emphasizing customer rights by controlling customer service quality and satisfaction, strengthening after-sales responsibility and customer complaint mechanism, and building an effective method for protecting personal information.

Strategy 2

Improve customer service

By forming alliances, we developed a complete cross-strait claims program for customers; for emerging risk impacts, we adjusted claim standards, and for major public safety incidents, we offered efficient and thoughtful services.

Strategy 3

Magnify the social impact

We uphold the core spirit of accountability, integrating Cathay's resources, leveraging core competencies, showing a concern for the development of the next generation, and promoting integration between industry-academia cooperation and charity works.



ISO10002

Cathay Life was the only insurance company passing the ISO10002 customer complaint quality management system certification in Taiwan.

Valuing Customer Rights and Interests

Customer Service Quality and Satisfaction Management

Cathay FHC's major subsidiaries consign large, credible survey companies for satisfaction survey annually. In 2015, Cathay Life and CUB consecutively won the Next Media Magazine's Top Service Award. Cathay Life performs monthly or quarterly service quality examinations via telephone interviews or emails. Cathay Life has achieved the highest rating on the SGS service certification test for four years consecutively and it is the only insurance company in the industry passing the ISO10002 customer complaint quality management system in Taiwan. CUB extended the scope and frequency of its customer satisfaction survey in May 2015, sending questionnaires to customers who have provided their email address. Customer feedback is included as a reference for optimization of service and product contents.

To earn customer trust, we not only rely on customer complaint mechanism and satisfaction survey, but also how we respond to customer requests in major incidents. Since 2005, Cathay FHC has formulated and constantly revised the Regulations Governing the Handling of Major Incidents, requiring every units to report major incidents to the corresponding contact window and responsible supervisors. Responding to the company's overseas expansion in 2014, we added Guidelines for Handling of Major Emergency Incidents in Overseas Branches of Cathay FHC and Subsidiaries, improving risk control of overseas branches.

Strengthening After-sales Responsibility and Customer Complaint Mechanism

Cathay Life and Cathay Century have designated an independent complaint handling unit, responding to customer demands immediately. In addition, phone interviews are conducted to implement complaint prevention. Cathay Life uses an automated system to issue notifications regarding unpaid or overdue insurance payment, suspension, and expiration, and to inform our sales to visit customers, thereby identifying potential customer complaints and facilitating early prevention.



Cathay Life and Cathay United Bank consecutively won the Next Media Magazine's Top Service Award

Customer Satisfaction Survey

	Cathay Life	CUB	Cathay Century	Cathay SITE	Cathay Securities
Satisfaction survey items	<ul style="list-style-type: none">SalesCustomer service centerClaims servicesPhone care services	<ul style="list-style-type: none">Phone services	<ul style="list-style-type: none">Phone servicesClaims servicesAdministrative services	<ul style="list-style-type: none">Website impressionOnline transactionsDistributors	<ul style="list-style-type: none">Web servicesTelephone service
2015 overall performance	92.9%	82.6%	95.3%	83.7%	93.7%

2015 survey added automated access and overall service evaluation. Evaluation of automated access was inconsistent, resulting decline in overall satisfaction.

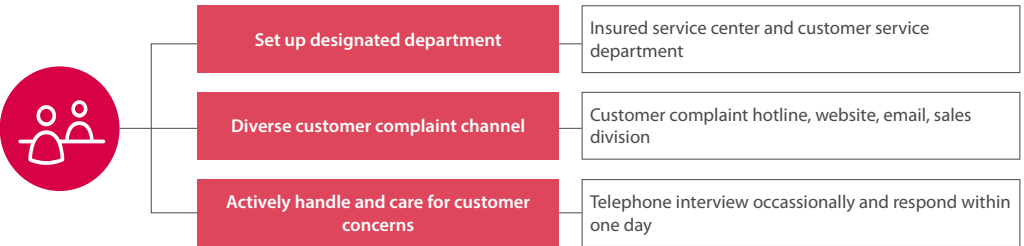
2015 overall satisfaction score decreased since "Fund Products" item was rated worse. In the future, Cathay SITE will work closely with Conning Asia Pacific Limited and Cathay SICE, to build a global asset management platform to effectively improve this item.



Strengthen Social Relationship Capital

Cathay Life set "Minor Dispute Handling Guidelines" and given frontline staff, such as 0800 operators and service center personnel, the proper authority to resolve customers' disputes immediately. Cathay United Bank, in principle, handles customers' appeals within one business day by responding and providing explanations to customers. If the appeal cannot be handled within a day, we will actively follow the progress and reply within seven business days.

Three core customer complaint mechanisms of Cathay FHC and its subsidiaries



Establishing a Regulation Preventing Disadvantaged Customer Groups from Purchasing Complex and High-risk Financial Products

To exercise the due care of good administrators, Cathay United Bank established a protective mechanism for disadvantaged groups. A series of protective measures are established for customers with an education level of junior high or below, aged 70 years or above, or those who hold proof of critical illness/injury. By adopting a prudent review control, we prevent disadvantaged groups from purchasing certain products and employed additional protective measures. We also audio-record the entire sales process during which we explain to customers about the transaction content and risks involved, ensuring that they understand the content fully to avoid overly complex or high-risk financial products jeopardizing customer rights.

Building a Sound Personal Information Protection System

Information security has always been a major concern in the financial industry, and its importance increases as we progress into the mobile banking era. To manifest our commitment and persistence to information security, Cathay FHC has assembled a Personal Information Management Committee, Personal Information Review and Management Taskforce, and Personal Information Emergency Response Group. Furthermore, we devised Personal Information Handling Policy and Personal Information Infringement Management Policy; held annual information security meetings to review stakeholders' opinions regarding our personal information management system, risk assessment results, and review taskforce reports; and conducted emergency response drills on a yearly basis. Cathay FHC's major subsidiaries have also set up different measures for protecting personal information; the highlights of these measures are described below:

Cathay Life	<ul style="list-style-type: none">As the first life insurance company in Taiwan to obtain a dual verification of information application system, we continued to maintain the validity of our BS 10012 - Personal Information Management System certificate in 2015 and our information application system passed the third ISO 27001: 2013 Information Security System three year re-verification.
CUB	<ul style="list-style-type: none">Information Security Management System ISO27001:2013.Information Security Standard for payment card industry, PCI DSS V3.1.Expects to acquire BS10012: 2009 Personal Information Management Standard in 2016.
Cathay Century	<ul style="list-style-type: none">Passed ISO27001 information security management system certification.Expects to reinforce information security designs on our mobile e-commerce website like identity verification mechanism and prevention of new forms of network attacks.
Cathay Securities	<ul style="list-style-type: none">Every year, we consign external information security companies to conduct source code scanning of the company's transaction and customer service websites to prevent defects in our information security system.Network data loss prevention system was introduced to prevent leakage of personal information via email or websites.Verifiably encrypted signatures (VES) were introduced to strengthen the prevention of personal information leakage.
Cathay SITE	<ul style="list-style-type: none">Network data loss prevention system was introduced to prevent leakage of personal information via email or websites.

Goals

Cathay Century will strengthen website information security design in 2016; CUB will acquire BS10012: 2009 Personal Information Management Standard in 2016.



Improving Product Service, Creating Brand Value

Cathay Life upholds the spirit of innovative services and pursuit of excellence; continues to improve its products and services according to different social requirements, and enriches its social relationship capital while improves its brand value. The following section presents our key performance in fulfilling social requirements through active service in 2015:

Frequent cross-strait interaction	Impact of emerging risks	Material disastrous events
<ul style="list-style-type: none">First to acquire approval for signing an agreement with an insurance company in ChinaSigned a Mutual Handling of Insurance Claim Service Agreement	<ul style="list-style-type: none">Relaxing standard for MERS-CoV insurance claims and providing claims upgrade serviceFirst to establish the Claims Prepaid Service	<ul style="list-style-type: none">Establish an Emergency Respond Force at the first instanceProvide hospitalization prepaid service and quick claims service and offer subsequent preferential service depending on situation

Comprehensive Cross-strait Claims Service

Cathay Life continues to develop a diversity of convenient service channels. At the beginning of 2015, Cathay Life became the first government-approved life insurance company in Taiwan to expand the scope of its cross-strait claims service by signing a Consignment of Handling of Insurance Claims Service Contract with China Life Insurance and Cathay Lujiazui Life Insurance. Cathay Life now gives policy holders the convenience of making claims at any of China Life Insurance's 3000 service centers across 36 cities in China when any covered incidents occur during their stay in China. The claims include all types of claims and assistance, surpassing the previous limitations in which policy holders merely access a sound service in Taiwan, enhancing protection for the policy holders during their cross-strait interaction.

Optimizing Insurance Claims Standard for Emerging Risks

According to World Economic Forum (WEF), large-scale infection disease that spreads rapidly is the second largest risk in 2015. Cathay Life therefore provided a comprehensive response mechanism. In 2015, when MERS-CoV epidemic increased in South Korea and gradually impacted Taiwan, we found that medical insurance policies implemented before 1998 excluded coverage on statutory infectious diseases. However, considering the standpoint of policy holders, Cathay Life decided to relax its policy standard in

reference to the period during which SARS and H7N9 affected Taiwan, enabling new and old policy holders to quickly obtain their claims and medical assistance.

Because hospitalization in an isolation ward is required for cases of infectious disease such as MERS, Cathay Life offers claims upgrade service based on the standard for hospitalization into intensive care units when policy holders are diagnosed with this type of disease. Regarding added claims service, policy holders insured under the hospitalization medical insurance policy can apply for the Pre-Paid Claims service, the first service introduced in the insurance industry in Taiwan, during their hospitalization period. Policy holders can receive a maximum of 7-day advance claim without having to wait until discharge or submit any documents, enabling them to receive immediate care and assistance at the first instance.

Providing Efficient, Thoughtful Services during Major Disaster Events

Cathay emphasizes disaster response capabilities and builds a standard operating procedure based on our previous experiences. In unexpected major disaster, we not only initiate our claims service at the first instance and survey our policy holders' situation, but also dispatch team leaders of our volunteers from various regions to integrate regional and local administrative resources, quickly mobilizing Cathay volunteers and resources to assist disaster victims.



An explosion incident had occurred at Formosa Fun Coast in June 2015; in response, Cathay Life immediately formed an emergency response team acquiring the latest update to the condition. At the same time, service personnel and volunteers were assigned to provide their assistance in hospitals, confirm status of injury, and provide advances payment for hospitalization and immediate claims service. The company also set up a 0800 free service hotline, providing 24h-assistance with claims related operations.

Moreover, Cathay Life offered various services, including policy renewal holdover, housing loan principal and interest holdover, and policy loan interest deferment. For renewal premium payments and policy loan interest due for payment in July 2015, disaster victims are given a 3-month holdover period. If borrowers of mortgage loans are victims themselves or parents of victims, and they cannot repay the loans due to the explosion incident, they may apply for a deferment of one year on their mortgage.



Strengthen Social Relationship Capital

Implementing the Spirit of Cathay: Happiness is Giving Happiness to Others

Cathay FHC extended its brand vision of Rediscovering Happiness in 2015, embracing "Happiness is Giving Happiness to Others" as its philosophy to realize social welfare. With the corporate core value of Integrity, Accountability, and Innovation, corresponding to our belief of "corporates is built on the needs of the society," we have always been dedicated to establishing ourselves as an excellent sustainable company that brings stability and happiness to the society.

In 2015, Cathay FHC invited over thousands of audiences to support the dream concert performed by a visually impaired drummer, Lu Yue-Jun. Afterward, we produced a documentary titled "A Little Drummer" attracting over 2 million views within two days after being aired Cathay believes that helping children realize their dream and spreading this power of happiness are the best form of social investment because support and trust from the society is a pivotal foundation to consolidating corporate development. To implement social improvement, we devised the Cathay FHC Corporate Citizenship and Philanthropy Strategy in 2015 on the basis of our core spirit, Happiness is Giving Happiness to Others, integrating Cathay's resources and assembling the core competencies of each subsidiary to maximize the capacity of Cathay FHC in charity.

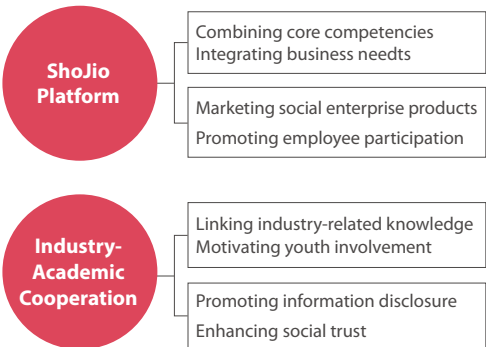
Co-Creating Social Enterprise Ecosystem

Corporate sustainability strategy must be improved as environmental and social problems intensify day by day. We believe that supporting social enterprises can facilitate social and environmental sustainability and help adolescents, who wish to make a difference, realize their dreams. With various resources, Cathay support social enterprises from a macroscopic perspective, using community marketing platforms and industry-academia cooperation to facilitate the construction of a social enterprise ecosystem from multiple dimensions.

ShoJio: Do Good Deeds; Link the Powers of Passion

The "ShoJio" platform was launched online in 2015. It is an e-commerce platform connecting the recourses of Cathay's affiliates Symphox Information. With "share," "buy," and "participate" as the driver of change, we provided the society and NPOs with a channel through which they could build a community, recruit volunteers, and market their products. Meanwhile, Cathay United Bank purchased Moon Festival gift boxes totaling about NT\$2 million to support customer relationship. Cathay Securities launched charity sale of social enterprise products, selling over NT\$ 160 thousand worth of products in just two days. Cathay Life's education training department MDRT hosted the ShoJio Afternoon Flea Market, and promoted social enterprises during training courses, encouraging employees to support social changes.

After "ShoJio" platform was operated for almost a year, we distributed questionnaires to employees to determine their understanding and satisfaction with the platform. According to the survey, over 70% of the employees knew about "ShoJio". However, only 20% of employees had actual experience in using it. Therefore, in 2016, we will promote events which employees are more interested in, such as "Social Enterprise Outbound" and "Food and Agricultural Education," to increase the number of Action for Passion (including social enterprise paid activities and volunteer activities) participants, and to increase user browsing frequency, usage frequency, as well as the actual benefits of the platform.



ShoJio 相揪

24
thematic
events

Sales amount of
NT\$1.6
million

Over
40,000
views

13 organizations
joined the
platform



Goals

Increasing the number
of Action for Passion
to add user's browsing,
usage frequency and
benefit of the platform.



2015 Key Philanthropy Performance

Public Welfare Expenditure	NT\$380 million
Registered Volunteer	11,935
Total number of Volunteer Service times	5,614
Dream-come-true elementary schools	14 (including special cases)
Immigrants returning home	9 groups



In 2015, Cathay supported 20 social enterprises in publishing their annual reports.

Goals

Cathay Happiness Program will continue cooperating with universities in hosting the Professional Teacher Training course and support the company's strategy in cultivating Southeast Asian talents.

Elevated Tree Program in Vietnam: Gives Back to Local Communities

Cathay United Bank has aggressively developed the markets in Vietnamese for years and it has also dedicated to taking root and giving back to Vietnam communities. The bank launched the Elevated Tree Program in Vietnam in 2008, working with local Lawrence S. Ting Memorial Fund and Study Encouragement Association to identify students in need and to offer financial support twice a year. It has devoted VND 4.8 billion since 2008, including a donation of VND 720 million (US\$ 32,892), benefiting 1,200 students for schooling in 2015.

Industry-Academia Cooperation: Promoting Social Enterprise's Information Disclosure

Partners are integral to building a social enterprise ecosystem and students are indispensable to the process. We therefore partnered with the National Chengchi University in setting up a course that combined higher education and social enterprises to attract more students to invest in building a social corporate ecosystem. We invited entrepreneurs, accountants, lawyers, and other experts to share their experience; arranged students to interact face-to-face with representatives of social enterprises; and counseled social enterprises in compiling

annual reports. Communication and information transparency are the foundation to winning the trust of society. Therefore, while supporting social enterprises, we made information disclosure as a key consideration, cooperating with Taiwan NPO Self-Regulation Alliance to initiate Financial Transparency and Effective Governance for the improvement of public understanding and trust toward NPOs. In 2015, we supported the alliance in planning a draft template of annual reports for social enterprises in Taiwan. Meanwhile, we assisted 20 social enterprises in publishing their annual reports, encouraging information disclosure and community building among social enterprises in Taiwan.



Facilitating the Potential Development of New Immigrants

Corporates exist for society. Thus, Cathay actively identifies issues arising from social changes. As early as ten years ago, we started focusing on how new immigrants changed the population structure in Taiwan, making us the first company to show concerns for new immigrant issue. Over time, existing elementary schools enroll one second-generation immigrant for every ten students administered. We therefore shifted our focus from "New Immigrants' Adaptation to Life" to "Education for Second-Generation New Immigrants" and aggressively cultivate; recruit international talents from Southeast Asia.

Excellence and Happiness Project: Diversify Education and Cultivate International Talents

Teachers play a key role in promoting cultural diversification in schools. Supporting our recent expansion into Southeast Asian, Cathay FHC completed its life insurance and bank branches in Vietnam, and integrated its charity events with corporate development strategies. The Excellence and Happiness Project started in 2013, and six Vietnamese classes were held, sponsoring 19 groups of parents, teachers, and students back to Vietnam for brief visit. These visits were incorporated in teaching plans, facilitating the diversification of cultural education in Taiwan. The effectiveness of this program was

recognized by the Ministry of Education, and we are selected as the only private company to join the Ministry of Education's Enjoy Learning Project for New Immigrant Languages.

Since 2012, Cathay Life has organized the Cathay Life Vietnam Exchange Student Insurance Experiential Camp, which includes an introduction to the insurance industry, teamwork, investment planning, and DISC (Dominance, Influence, Steadiness, and Compliance) Personal Trait Analysis, facilitating Cathay's interaction with Vietnamese students studying in Taiwan. In 2015, to maximize the synergistic effect of Cathay, we up-scaled the camp, integrating Cathay Century and Cathay United Bank to manifest Cathay's strengths and ambitions in Asia. Over 300 people had participated in the camp, 10% of whom had entered the job interview, and several Vietnamese elites were successfully recruited.

Secondhand Charity Sale for Environmental Protection and Love Spreading

Cathay Charity Foundation mobilized the power of Linyuan Volunteers, working with social welfare institutions in Taiwan to host four large-scale secondhand charity sales events. Through these sales, NT\$4.74 million was raised and used in supporting impoverished new immigrants, education of single family children, tutorials, and development of financially disadvantaged children. Meanwhile, it serves as our dedication to environmental protection.



Strengthen Social Relationship Capital

Dream Come True Program for Disadvantaged Children



Extending our focus on children's education, we continued innovating our charity strategies by promoting the Dream Come True Program, featuring overturning education, student-center, and the development of autonomous learning capabilities. Since 2013, Cathay Charity Foundation has hosted this program, which deviates from the previous unilateral donation and shifts to realizing dreams by goal setting and achievement. Each year, more than NT\$ 1 million is provided to encourage children in remote areas to believe in themselves and face challenges.

After children achieve their goals, they are invited to attend Cathay's Children Development Camp which includes various activities, such as Cathay Hospital Medical Camp, Cathay Life Risk Management Game, Cathay United Bank financial planning course, Cathay Women Basketball Team experiential activity, Sheraton Grand Hotel western dining etiquette, and Cloud Gate children's choreography class. Through these experiential activities, children's potential can be stimulated to boost their confidence and broaden their viewpoints. The principal of Mingde Elementary School, participating school of the program, shared her thoughts: "The Camp ignites teachers' passion and opens children's world. It is a superb journey."

In total, the three sessions of Cathay Dream Come True program directly helped 31 schools and over 500 children in remote areas and indirectly influenced the local community, neighbors, teachers and students in neighboring schools, and Cathay volunteers. It also generated many touching dream-come-true stories.



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Dream Come True for students at Lili Elementary School, Restoration of the Endangering 300-year Tribal Culture

Lao Qi Jia Tribe, selected as one of the Potential World Heritage Sites in Taiwan, is located in Pingtung. Three hundred years ago, Paiwan people resided in the stone-slab houses at Lao Qi Jia but they were forced to relocate when devastating floods and typhoons struck their village. Thanks to students of the Lili Elementary School participating in the Cathay Dream Come True program, we were able to work with the tribe in restoring the Paiwan stone-slab houses, which is the most structural complete but at the risk of disappearing. The children challenged traditional archery to inherit the tribal skills and to re-demonstrate the resilience of life. During the ceremony of the completion of the restoration, the villagers who had moved to the new village gathered to express their gratitude to their ancestors by performing the Paiwan dance, celebrating the achievement of culture inheritance. The chairman of the Lao Qi Jia Association stated "This is a historical moment! For children who were unfamiliar with Paiwan culture, they were able to re-discover the tribe through Cathay's program, bringing the tribe to light again! From a promise to achieve their dreams to traditional archery, goal achievement, and restoration of the stone-slab house, the program poses a profound cultural meaning, successfully initiating the inheritance of the tribe's culture and demonstrated the power of sustainability."

Lao Qi Jia Dream Come True program



After years of wind and rain erosion, the stone houses were at risk of disappearing.

Students from the Lili Elementary School learning and practicing traditional archery to achieve their goals

Children learning the history of Paiwan architectures

Dream come true! Completion of stone house resto



Dream Come True Program for Sports

We believe that the spirit of Dreams can bring youth life-changing opportunities so we engage in long-term investment in cultivating talented athletes to help them achieve their goals. 2015 is a fruitful year in which Cathay's support to athletes and sports turned in outstanding results. Yet, we are not satisfied with this achievement; we will continue to work with our external partners to help young athletes realize their goals and we hope youths can learn teamwork and mutual respect through sports and competition, developing the spirit of a dedicated athlete.



Table Tennis

The Cathay Women Table Tennis Team, assembled in 2002, comprised mainly young players who are mostly internationally acclaimed players. They attained outstanding achievements in 2015, including championship in the global junior year-end finals for singles, championship in Thailand junior opening for singles, and second place for teams in World University Games.

Baseball

Baseball is the national sports for Taiwan. We believe a sound baseball development environment requires cultivating top athletes from the bottom and we have dedicated to it for long. We partner with well-known baseball players to ingrain passions in the minds of young players.

It has been four years since Cathay and Wei-Yin Chen worked together in conducting training camps where Chen acts as the coach backed by a strong team support, including a Japanese fitness trainer who were a fitness coach for a Japanese professional baseball team, experienced in sports science, and currently serving at Boras training center. Various activities were held, including Chen and Cathay United Bank partnering to assemble a Charity trust fund; visiting campus grounds for a "Dream Talk" where Chen shared how to attain goal and encouraged students to pursue their dream; and coaching baseball for a day at schools in remote areas.

Basketball

Basketball is one of the most popular sports in Taiwanese schools, with many young players yearning to enter NBA. Cathay's NBA Youth Madness is based on the spirit of realizing dreams. Cathay cooperated with NBA, held the Youth Madness three-on-three baseball tournament which enticed over 100 colleges and universities to join with NBA stars and cheerleading teams. Winning teams win a large sum of scholarships. Champion team can even win a trip to watch NBA in the United States.

We discovered that many youths dream of becoming a sports journalist so we planned a "School Sports Journalist Selection Contest" for students who wish to become an NBA sports journalist. The ultimate winner can accompany the champion team of the 2015 NBA Youth Madness to the United States to realize their dreams. Furthermore, Cathay Life assembled a Cathay Women Basketball Team in 1969 and has devoted to training basketball players. To date, more than 60 players and coaches have represented Taiwan in Olympic games, Asian games and other international competitions. In 2015, the team were champion in Women's Super Basketball League, University Basketball Association, and High School Basketball League.

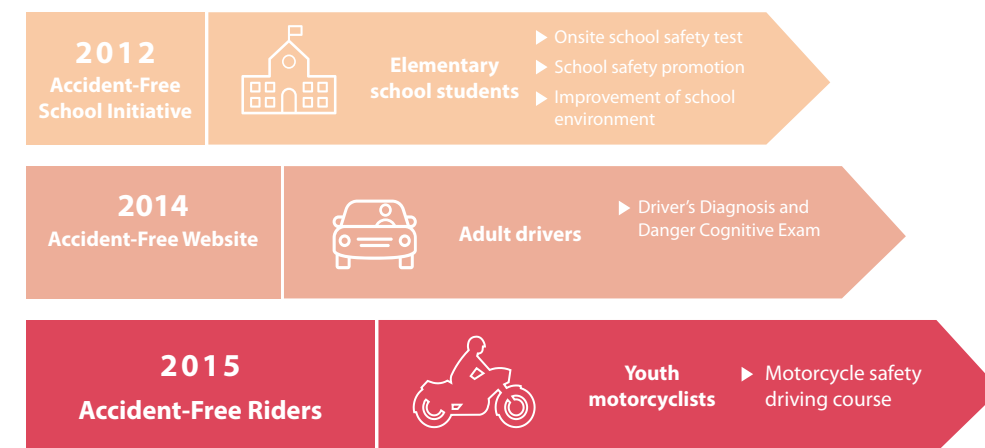


Strengthen Social Relationship Capital

Effective Risk Control, Refining Damage Prevention Projects

Cathay Century continued refining its Damage Prevention Project in 2015. After launching Accident-free School Initiative in 2012, which developed based on its expertise in damage prevention and claims experience, Cathay Century has applied the experience in disbursing claims for traffic accidents to establish the Accident-free Website in 2014. In 2015, the company extended its damage prevention project to motorcyclists. It cooperated with Hsinchu Safety-Educational Center to initiate the Accident-free Riders to youths who are prone to traffic accidents, educating them about safe driving.

Damage Prevention Project Advancements



Accident-Free School Initiative

Through claims data analysis, Cathay Century found most campus accidents happened in elementary schools. Thus, Cathay Century uses its core competence in damage prevention to plan Accident-Free School Initiative. As of 2015, Cathay Century has inspected 64 elementary schools, contacted over 12,000 preschool and elementary school students from 12 counties and cities, and invested over NT\$2.5 million helping 24 elementary schools improve their risk management.

Accident-Free Website

According to statistics presented by the Ministry of Health and Welfare, injuries caused by traffic accident are the primary cause of death for teenagers. Data published by Ministry of Transportation and Communication indicated 90% of traffic accidents are caused by human factors. Thus, starting in 2013, Cathay Century applied its experience in insurance claims for traffic accidents, cooperated with the academia, and referenced foreign government-approved driving test systems to establish an Accident-Free Website in 2014. In addition, Driver's Diagnosis and Danger Cognitive Exam - Taiwan Version were developed to afford crucial safe driving information and intelligence to lower the incidence of traffic accidents in Taiwan.

Accident-Free Riders

In Taiwan, 60% of vehicle traffic accidents involve motorcycles and cases of fatalities mostly involve teenagers aged 18 to 20, based on studies. Subsequently, to achieve safe driving, Cathay Century partnered with Hsinchu Safety-Educational Center, combined the two driving tests, Driver's Diagnosis and Danger Cognitive Exam - Taiwan Version, and promoted the concept of safe driving to adolescents who are prone to traffic accidents.

Damage Prevention Seminar

As corporate insurance awareness increases over time, property insurance companies not only compensate for losses incurred from damages but also emphasize advance insurance advices as well as professional services. Cathay Century offers the best advices about prevention to help customers lower the probabilities of their losses. Since 2005, Cathay Century has held a series of damage prevention seminars. To date, near 30 seminars were held and over 3,000 people attended, which are considered as the largest, high-quality seminars in the industry. In 2015, we continued to host related seminars with a total of three sessions and 302 participants. The overall satisfaction was more than 98%, indicating positive evaluations from customers.

Key performance of the Accident-Free School Initiative



Over **NT\$2.5 million** investment



Contact with **64** schools up until 2015



Contact with over **12,000** students and citizens

Based on the 2015 Global Risks Report published by the World Economic Forum, 50% of the top 10 most influential risks are related to climate change and ecosystems. Climatic risks have gradually influenced corporate development. Furthermore, issues like climate change, water shortage, food safety, and ecosystem deterioration have become the primary driver promoting companies and economies toward sustainable development globally. Thus, we took the aforementioned risks as the motivation to strive toward green action and sustainability.



Protect Natural Resource Capital

At the end of 2015, COP21 has included issues like climate change, reduction of disaster risk, development of green finance, and sustainability, into the global governance framework. Companies have taken actions and participated in related initiatives to show their determinations. As a global corporate citizen, Cathay takes responsibility in environmental protection by the following strategies:

Strategy 1

Expand influence via green management

Cathay dedicates to the reduction of GHG emissions and to environmental conservation, leveraging its role in supply chain, and works with organizational partners and employees to realize the goal of green financing.

Strategy 2

Actively participate in green initiatives

Cathay actively responds to domestic and global initiatives, like Carbon Disclosure Project (CDP) to comply with international standards. Meanwhile, we also join green networks, working together with related corporations and organizations to help the environment.



Protect Natural Resource Capital

Risk of Climate Changes and Cathay's Response

In December 2015, 195 member states have unanimously agreed on slowing the rate of global warming in The Paris Climate Change Conference (COP21); meanwhile, Taiwanese government passed the Greenhouse Gas Reduction and Management

Act at the end of July 2015, marking an era strides toward carbon reduction. As a part of the globe, we emphasize climate change issues, and seize opportunities by identifying risks. We engage in organizational management, energy and procurement management, GHG inventory, and supporting international initiatives, hoping to do good to the earth.

Levels of Expansion	Cathay's response measures
Organization level	<ul style="list-style-type: none"> Established Cathay FHC Corporate Sustainability (CS) Committee, which directly reports to the Board of Directors. The CS Committee is supported by the Green Operation Working Group, and is responsible for Cathay's Green Operation Management. The CS Committee has a Responsible Products and Services Working Group, conducting R&D and promotion of green financial products and services.
Operation level	<ul style="list-style-type: none"> Ongoing introduction of ISO energy and environmental management system to our buildings. Expanded the GHG inventory at the key operations of Cathay FHC and its subsidiaries. Constructed a Green Building and solar-powered branch. Continued supporting the government's green procurement policy.
Disclosure level	<ul style="list-style-type: none"> Regularly disclosing ESG information in annual CS reports, annual reports, and the corporate sustainability section on official website.
Initiative level	<ul style="list-style-type: none"> Signed CDP, including the Road To Paris and "Water" and "Forest" Initiatives. Respond CDP questionnaires and DJSI questionnaires every year. Participated in the low-carbon investment registry platform.
Education level	<ul style="list-style-type: none"> Sponsored NGO-related events on climate and environment. Trained seed teachers on environmental education.

Expanding the Scope of GHG Inventory

In 2013, CEO of Cathay FHC, Chang-Ken Lee, signed the Declaration of Greenhouse Gas Emissions Reduction & Control for Cathay FHC and Subsidiaries, and Cathay FHC finished 46 key operation's GHG inventories in three years. In 2015, the Green Operation Working Group of CS committee decided to expand the scope of inventory in accordance with the introduction of ISO50001. CUB also plans to complete GHG inventory of 165 branches within three years.

In 2015, Cathay FHC's Scope 1 emission was 1,174.815 metric tons of CO₂e (Note 1 & Note 2) and mainly attributed to septic tank, refrigerant related facilities and gas used by corporate vehicles. Scope 2 emission which mainly covered electricity was 18,328.139 metric tons of CO₂e (Note 3). Inventory of Scope 3 emission included business trips, travels for employees, and investment in rentals. For Cathay's overall carbon emission, electricity use accounts the highest proportion (about 94%). Besides, the greenhouse gas emission intensity in 2015 is 1.63 tonnes CO₂e / person (Note 4).

Note 1: Gasoline, diesel (stationary sources), diesel (mobile sources) emission factors based on "Environmental Protection Administration greenhouse gas emission coefficient management table (6.0.2 version

2016/02)", respectively 2.361KgCO₂e / L, 2.615KgCO₂e / L and 2.651 KgCO₂e / L. 7. Global warming trend was based on IPCC Second Assessment Report published in 1995.

Note 2: CO₂ emission factor for the biodiesel reckoning of 1.683 tonnes CO₂ / kiloliter; methane emission factor of 0.0000713 tonnes CH₄ / kiloliter; nitrous oxide emission factor of 0.0000143 tonnes N₂O / kiloliter.

Note 3: Power factor using the latest Ministry of Economic Affairs Bureau of Energy announcement of the 103 annual electricity emission factors 0.521 kg CO₂e / degrees.

Note 4: 2015 greenhouse gas emissions intensity calculation formula, the denominator is the number of employees in the range of inventory.

▼ GHG Emission of Cathay FHC and its subsidiaries

	2014	2015
Scope 1 Emissions (metric tons CO ₂ e)	1,056.38	1,174.82
Scope 2 Emissions (metric tons CO ₂ e)	15,794.52	18,328.14
Total Emissions (metric tons CO ₂ e)	16,850.90	19,502.95
Total Energy Consumption (GJ)	115,660.18	132,684.07
Energy Consumption Per Capita (GJ/ person)	13.14	11.06(note1)

Note 1: The number of employees in the scope of inventory were 8,800 in 2014 and 11,993 in 2015.

Note 2: An error in the web link to statistics formula for electricity bill of a certain location had caused discrepancy in power consumption statistics. This was corrected and verified again by a third-party verification agency. The total carbon emission for 2014 was updated.

Goals

CUB plans to complete GHG inventory of 165 branches within three years.



Cathay won the Energy Conservation Excellence Award from the Ministry of Economic Affairs.

LEED

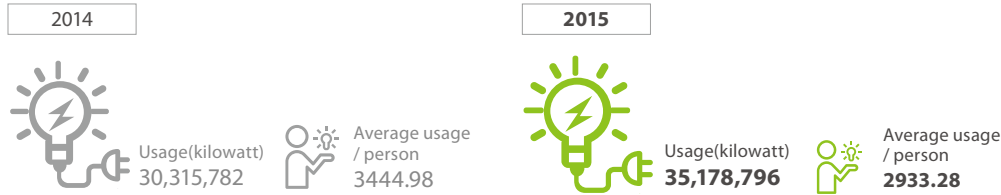
Cathay Landmark in Xinyi District of Taipei City has successively acquired the Gold Grade Green Architecture Certificate from the Ministry of the Interior in 2015 and LEED U.S. Green Building Council Gold Grade Green Architecture Certificate.



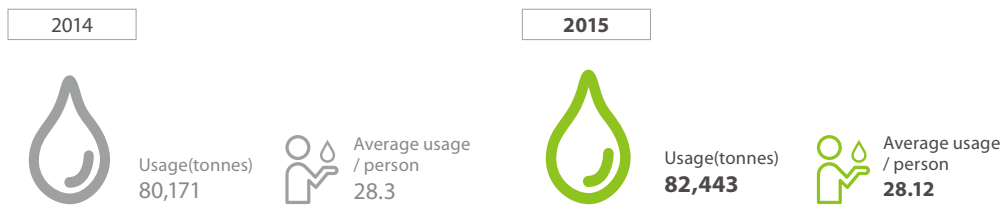
CUB's Kaohsiung Mincheng Branch also won Kaohsiung City Opto electric Smart Building Certification in 2015 due to its solar energy devices and excellent energy conservation design.

In addition to reducing GHG emissions, Cathay also stressed on promotion of recycling and reduction of water usage. The outcomes of our efforts are described below:

▼ Electricity usage of Cathay FHC and its subsidiaries



▼ Water usage of Cathay Life and CUB Headquarter



▼ 2015 Cathay Recycling Statistics of Events (kg/year)

Event Sessions	Waste paper	Aluminum cans	PET bottles	Batteries	Discs
2 sessions	48	143	25	92	28



▼ 2015 Cathay Life HQ Recycling (kg/year)

Recyclables	2014	2015
Batteries	42	131
Waste paper	47,230	40,810
Plastics	877	510
Articles of Metal	624	431

Energy-Saving Management and Green Buildings

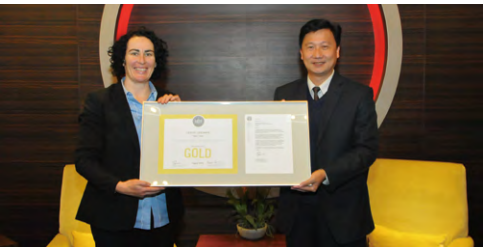
Since 2012, Cathay has responded to the Ministry of Economic Affairs' Financial, Catering, and Shoe Industry Voluntary Energy Conservation Conference, which proposed to save 5% of energy consumption. Action plans were developed based on the amount of energy used in 2011. A total of 27 voluntary energy conservation measures were implemented, saving up to 779,125 kWh (5.1%) of energy in three years. In 2015, Cathay won the Energy Conservation Excellence Award from the Ministry of Economic Affairs.

▼ 2015 CUB HQ Recycling (kg/year)

Recyclables	2014	2015
Batteries	5	None
Waste paper	13,520	13,713
Plastics	1,645	287
Articles of Metal	106	107

Cathay Life conducted buildings' energy and environmental management, which led to the drop of energy consumption in 2014 by 4.73% and won Cathay the honor of Energy Conservation Leader Award-3rd Place in Group A in 2015. Cathay Life Headquarters building participated in the Taipei City Energy-Saving Label Program in 2015, and continued to win building energy-saving label.

CUB's Kaohsiung Mincheng Branch also won Kaohsiung City Opto electric Smart Building Certification in 2015 due to its solar energy devices and excellent energy conservation design. Meanwhile Cathay Landmark in Xinyi District of Taipei City has acquired the Gold Grade Green Architecture Certificate from the Ministry of the Interior in 2015 and LEED U.S. Green Building Council Gold Grade Green Architecture Certificate.



Cathay Landmark won the Gold Grade and Green Building certifications.

Green Procurement

To support the government's green procurement policy, Cathay prioritized in purchasing green label products and reusable, recyclable, and low-polluting products that are recognized by the Environmental Protection Administration. Cathay received the Green Purchasing Unit Award in 2015 for six consecutive years as the No. 1 in the financial industry with a procurement amount up to NT\$204 million.



Cathay FHC was awarded outstanding green procurement organization.

▼ Steps Involved in Cathay's Supplier Management Practices:

1	Open new supplier login	Permit new suppliers to register on a procurement platform and fill in basic information to receive qualification as "general supplier."
2	Approve supplier qualification	After receiving qualification as "general supplier," suppliers must provide advanced information and will become" transacting supplier "after Cathay's procurement units approve the application. The suppliers have to comply with environmental protection rules, occupational safety and health management rules, labor rights rules, and ethical conducts.
3	Sign agreement with transacting suppliers	CSR provision is included in agreement with transacting suppliers, requiring them to comply with relevant supplier rules.
4	Evaluate transacting suppliers	Cathay FHC and its subsidiaries evaluate transacting supplier each year.Suppliers rate below standard have to submit improvement plans or the contracts will be terminated.
5	Onsite inspection of transacting suppliers	Depending on needs, each company conduct onsite inspection of transacting suppliers and request for improvement and re-inspection where necessary.
6	Sharing between transacting suppliers	Prioritize buying reusable, recyclable, and low-polluting or energy saving products based on suppliers' explanation.

Supplier Relationship Management

Although financial industry has a relative indirect relations with its suppliers compared with other industries, we value our duty and influence in supply chain. Therefore, Cathay attaches a greater level of importance to international environmental trend and standard, implementing green supplier management.

Cathay not only holds effective control over suppliers' product quality, delivery dates, and prices, but focuses on whether suppliers follow environmental protection measures, occupational safety and health management, as well as labor and human rights and ethics regulations. In addition, we set procedures for supplier management.

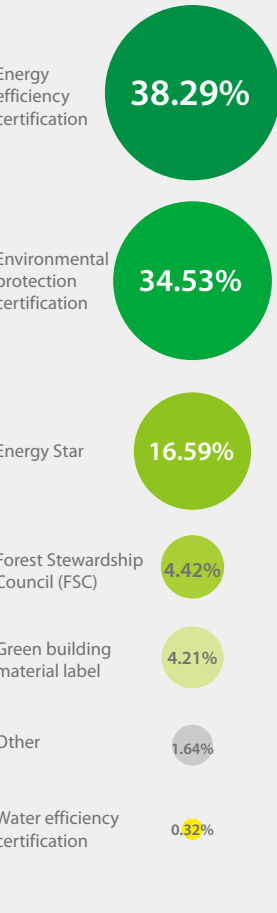
Insurance Brokers and Agencies

Cathay Life largely cooperates with brokerage companies. It has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place. The guidelines serve to maintain the quality of new insurance contracts of insurance brokers and agencies and control the number of improper sales conduct. In 2015, 8,755 sales were checked. If the contracts fail to meet standards, the company determines whether to renew such contracts.

204 million

Cathay received the Green Purchasing Unit Award in 2015 for six consecutive years as the No. 1 in the financial industry with a procurement amount up to NT\$204 million.

2015 Green Procurement Distribution





Green Initiatives

Cathay holds environment educational lecturers regularly. In 2015, we held speeches to help our employees learn community maintenance and heritage preservation, cultivating the idea of co-prosper with the mother nature.

Sign the “Water” and “Forest” Initiative

In 2015, climate change issues had significant progress. With COP21 raising awareness on climate changes globally, CDP also actively promotes the conservation of natural resources. In addition to signing climate change campaigns, Cathay also signed the CDP Water Disclosure Project and Forest Footprint Disclosure Project, using them as the basis for responsible investment and credit risk management.

Forest Debate

Forest accounts for about 60% of the land in Taiwan. In 2015, Cathay, upholding the idea of protecting ecosystem in Taiwan, sponsored Environmental Quality Protection Foundation, and Chinese Forestry Association to host a Taiwan Forest Debate Competition that targets teachers and students of universities and colleges. During the competition, participants thought upon domestic and global issues on forest and worked together toward maintaining Taiwan’s unique forest ecosystem.

Donating Old Mobile Phones to Save Rainforest

According to studies, loss of CO2 absorption from deforestation of rainforest across the world is substantially greater than the CO2 emission from transportation. Furthermore, the rate of deforestation in Indonesia is increasing, and the main reason is illegal logging. Cathay collaborated with Taiwan Youth Climate Coalition (TWYCC) in 2015, as well as many universities to collect old mobile phones, which are then transferred to the NGO, Rainforest Connection. The recycled phones are integrated with solar energy devices, and developed into a sensor that detects the sound waves of logging activities. With the sensors, forest patrol officers can capture illegal loggers in time. The responding universities were twice the number as we expected. A total of 24 universities and 1 organization joined us, collectively accumulating 304 phones that can be used to monitor 912km2 rainforest.



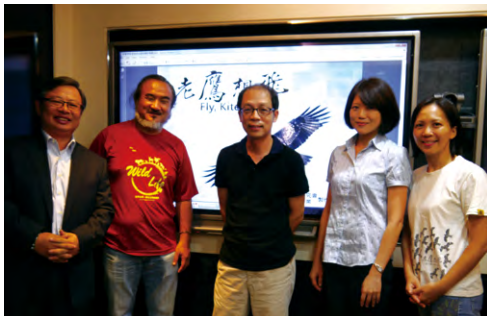
Cathay collaborated with universities to help save the rainforest via recycle of mobile phone.

Taiwan Power Shift: Climate Action Training Camp

TWYCC in organizing the Taiwan Power Shift: climate action training camp. By influencing participants through a variety of activities, we hope that participants would take follow up actions, spreading their influence to communities and schools across Taiwan. Two training camps were held in Taipei and Kaohsiung respectively in 2015. A total of 140 people from four countries had participated, and over 10 environmental groups were invited so that participants were capable of creating more influential actions.

Sponsor Fly, Kite Fly, by Cathay Securities

Cathay’s long-term support of Taiwan’s local documentaries is built on its care for the community and people. Following the production of Sock’n Roll and Beyond Beauty: Taiwan from Above, a movie event for 2,000 people was held in 2015, wherein employees and customers were invited to view an ecological documentary, Fly, Kite Fly, which explores the reason for the extinct ion of black kites(eagles) in Taiwan. Furthermore, we will cooperate with the production team of Fly Kite Fly and Raptor Research Group of Taiwan to initiate a 30-session Action Movie Theater program in elementary schools in remote areas that are the primary habitat of eagles in Taiwan. The program poses significant educational meaning and is expected to increase people’s awareness on co-existence between human and nature.



Fly Kite Fly, a charity film sponsored by Cathay Securities

Appendix

GRI (Global Reporting Initiative) G4.0 Table	54
United Nations Global Compact Principles and Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"	58
ISO 26000 Index	59
Sustainability Accounting Standards (SASB) and Sustainable Development Goals (SDGs)	60



GRI (Global Reporting Initiative) G4.0 Table

General Standard Disclosure

Indicator	Description	Corresponding Section	Page
Strategy and Analysis			
G4-1	Provide a statement from the organization's highest level decision-maker	Message from the chairman	4-5
Organization Profile			
G4-3	Name of the organization	Report information	0
G4-4	Report the main brand, products and services	Report information	1
G4-5	Location of company headquarters	Report information	0
G4-6	Report the number of countries where the organization operates, and names of countries	Creating Finance and Integrity Capital	0
G4-7	The nature of ownership rights and legal formats	Creating Finance and Integrity Capital	14
G4-8	Report the markets served	Creating Finance and Integrity Capital	13
G4-9	Size and scale of the organization	Report information	0
G4-10	Composition of employees	Nurture Human Capital	31-32
G4-11	Percentage of total employees covered by collective bargaining agreements	Nurture Human Capital	31
G4-12	Describe the organization's supply chains	Protect Natural Resource Capital	51
G4-13	Significant changes during the report period regarding the organization's size, structure, ownership, and its supply chains	Report information/ Protect Natural Resource Capital	13~14/51
Commitment to external issues			
G4-14	Whether the organization is equipped with the appropriate early warning guidelines	Creating Finance and Integrity Capital	12
G4-15	List externally developed economic, environmental and social charters or other initiatives to which the organization subscribes or which it endorses.	Creating Finance and Integrity Capital/Enhance Intellectual Capital	15/28~29
G4-16	List the public associations and national/international advocacy organizations in which the organization participates	Creating Finance and Integrity Capital/Enhance Intellectual Capital	15/28~29
Identified Material Aspects			
G4-17	List the organization's consolidated financial statements	Creating Finance and Integrity Capital	13~14
G4-18	Explain the process for defining the report content and Aspect Boundaries and how to follow their principles	Report Disclosure and Stakeholder Engagement	0
G4-19	List the material Aspects identified during the process of defining the content of this report	Report Disclosure and Stakeholder Engagement	0
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Report Disclosure and Stakeholder Engagement	0
G4-21	For each material Aspect, describe the Aspect boundary outside the organization	Report Disclosure and Stakeholder Engagement	0
G4-22	Explain the effects of any restatements of information provided in previous reports, and the reason for such restatements	Report Disclosure and Stakeholder Engagement	0
G4-23	Explain any significant changes from previous reporting periods in the boundaries of "Scope" and "Aspects"	Report Disclosure and Stakeholder Engagement	0
Stakeholder Engagement			
G4-24	List the stakeholder groups engaged by the organization	Report Disclosure and Stakeholder Engagement/Business Environment and Value Creation Model	0/8~9
G4-25	The process for identifying and selecting stakeholders with whom to engage	Report Disclosure and Stakeholder Engagement/Business Environment and Value Creation Model	0/8~9
G4-26	Report the organization's approach to stakeholder engagement	Report Disclosure and Stakeholder Engagement/Business Environment and Value Creation Model	0/8~9
G4-27	Describe key topics and concern and how the organization responded to such topics and concerns	Report Disclosure and Stakeholder Engagement/Business Environment and Value Creation Model	0/8~9
Basic Information Concerning this Report			
G4-28	Period of the information reported	Report information	0
G4-29	Previous reporting date	Report information	0

Indicator	Description	Corresponding Section	Page
G4-30	Period of Report	Report information	0
G4-31	Provide a contact person for responding to questions regarding this report or its contents	Report information	0
G4-32	Report the 'in accordance' option the organization has chosen.	Report information	0
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Report information	0
Governance			
G4-33	Governance structure	Creating Finance and Integrity Capital	12~19
Ethics and Integrity			
G4-56	Report whether the organization has appointed an executive level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Cathay Financial Holdings Corporate Sustainability Committee Progress	6~7

Specific Standard Disclosure

Material Aspects	Indicator	Description	Corresponding Section	Page	
Economic	Economic performance	DMA	Disclosure of specific management strategies (supplemented by financial industry)	Creating Finance and Integrity Capital	12~19
		EC1	Report the direct economic value generated and distributed	Business Performance	13~14
		EC2	Financial implications and other risks for the organization's activities due to climate change	Finance and a good society	24~25
	Market Presence	DMA	Disclosure of management strategies	Nurture Human Capital	30~32
		EC5	Report the ratio of the entry level wage by gender at significant locations of operation to the minimum wage	Employment and Compensation	30~32
		EC6	Report the ratio of local residents who were hired to assume executive level position at the organization's major business location	Employment and Compensation	30~32
	Indirect economic impacts	DMA	Specific disclosure of management strategies	Business Environment and Value Creation Model	8~9
		EC8	Significant indirect economic impact, including impact level	Business Environment and Value Creation Model	8~9
Environmental	Products and services	DMA	Disclosure of management strategies	Enhance Intellectual Capital	20~27
		EN27	Reduce the environmental impact caused by products and services	Finance and a good society	24~25
	Overall condition	DMA	General disclosure of management strategies	Enhance Intellectual Capital	20~27
		EN31	Total environmental protection expenditures and investments by category	Finance and a good society	24~25
	Energy	DMA	Specific disclosure of management strategies	Nurture Human Capital	48~52
		EN3	Energy consumption within the organization	Expanding the scope of GHG Inventory	49~50
		EN5	Energy intensity	Expanding the scope of GHG Inventory	49~50
		EN6	Reduction of energy consumption	Expanding the scope of GHG Inventory	49~50
		EN7	Reductions in the energy requirements of products and services	Finance and a good society	24~25



Material Aspects	Indicator	Description	Corresponding Section	Page	
Environmental	DMA	Specific disclosure of management strategies	Expanding the scope of GHG Inventory	49~50	
	EN15	Other indirect greenhouse gas emissions (Scope 1)	Expanding the scope of GHG Inventory	49	
	EN16	Other indirect greenhouse gas emissions (Scope 2)	Expanding the scope of GHG Inventory	48	
	EN17	Direct greenhouse gas (GHG) emission (Scope 1) (Scope 3)	Expanding the scope of GHG Inventory	49	
	EN18	Intensity of greenhouse gas (GHG) emissions	Expanding the scope of GHG Inventory	49~50	
	EN19	Reduction of greenhouse gas emissions	Expanding the scope of GHG Inventory	49~50	
Labor Employment Relations	DMA	Disclosure of management strategies	Nurture Human Capital	30~38	
	LA1	Total number and percentage of new and former employees based on age group, gender, and region	Employment and Compensation	31	
	LA2	Benefits provided for full-time employees only, based on their main bases of operation	Employment and Compensation	31~32	
Training and education	DMA	General disclosure of management strategies	Nurture Human Capital	30~38	
	LA9	Total number and percentage of new and former employees based on age group, gender, and region	Employment and Compensation	31~32	
	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing lifelong careers	Strategic Talent Cultivation	34~36	
	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Strategic Talent Cultivation	35	
Social	Employment diversity and equal opportunity	DMA	Disclosure of management strategies	Nurture Human Capital	30~38
		LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Nurture Human Capital	30~31
	Investment	DMA	Specific disclosure of management strategies	Nurture Human Capital	30~38
		HR1	Report the total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Employment and Compensation	31~32
		HR2	Report the total number of hours devoted to training on human rights policies and the percentage of employees participating in such training	Strategic Talent Cultivation	35
	Non-discrimination	DMA	General disclosure of management strategies	Nurture Human Capital	30~38
		HR3	Total number of incidents of discrimination and corrective actions taken	Workplace Safety and Gender Equality	37
	Assessment	DMA	General disclosure of management strategies	Nurture Human Capital	30~32
		HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Nurture Human Capital	30~32
	Anti-corruption	DMA	General disclosure of management strategies	Creating Finance and Integrity Capital	12~19
SO3		Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Business Performance/Prevention fraud and strengthening business control and legal compliance	13/17	
SO4		Communication and trainings on anti-corruption policies and procedures	Sound Sustainable Governance Mechanism	16~19	
SO5		Confirmed corruption cases and actions taken	Sound Sustainable Governance Mechanism	16~19	

Material Aspects	Indicator	Description	Corresponding Section	Page	
Product and service labeling	DMA	Specific disclosure of management strategies	Enhance Intellectual Capital	20~27	
	PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Enhance Intellectual Capital	20~27	
	PR5	Results of customer satisfaction surveys	Valuing Customer Rights	40	
Marketing communications	DMA	General disclosure of management strategies	Strengthen Social Relationship Capital	40~42	
	PR6	Sale of banned or disputed products	Strengthening After-sales Responsibility and customer Mechanism	40~41	
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Strengthen Social Relationship Capital	40~42	
Customer privacy	DMA	General disclosure of management strategies	Strengthen Social Relationship Capital	40~42	
	PR8	Number of substantiated complaints on customer privacy violations and misplacing customer data	Customer service Quality and Satisfaction Management	40	
Social	FS1/DMA	Policies with specific environmental and social components applied to business lines	Finance and a good society	24~27	
	FS2/DMA	Environmental/social risk evaluation and screening procedure the business line undertakes	Finance and a good society	24~27	
	FS3/DMA	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Responsible Investment and Lending	28~29	
	FS4/DMA	Processes for enhancing employees' ability to implement environmental/social policies and measures	Supplier Relationship Management	51	
	FS5	Exchange of environmental/social risks and opportunities with customers/investors/business partners	Responsible Investment and Lending	28~29	
	FS6	Percentage of business activities (by location, size, and industry)	Business Performance	13~14	
	FS7	Products and services designed to create tangible value for the society	Finance and a good society	26~27	
	FS8	Products and services designed to create tangible value for the environment	Finance and a good society	24~25	
	Audit	FS9	Coverage and frequency the organization has audited state of implementation of environmental and social policies and risk assessments	Business Performance	13
	Active ownershi	FS10	Ratio and number of interactions the organization has undertaken with regards to environmental/social topics and companies in its investment portfolio	Finance and a good society	24~26
FS11		Ratio of the organization's total assets based on positive and negative environmental or social screening	Responsible Investment and Lending	28~29	
FS12		Organization's use of its voting rights or suggestions based on the share it holds to policies regarding voting of environmental/social topics	Finance and a good society	24~26	
Local communities	FS13	Distinction of bases with low population intensity or economically disadvantaged zone by category	Finance and a good society	26~27	
	FS14	Campaign for improvement of financial services for disadvantaged groups	Finance and a good society	26~27	
Product and service labeling	FS15	Fair Design and Sale of Financial Products and Services	Risk Management and Product Research & Development	21	
	FS16	Initiatives to enhance financial literacy by type of beneficiary	Enhance Intellectual Capital	20~27	



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

Category	Main issues	Corresponding Section	Page
Human Rights	United Nations Global Compact Principles		
	Businesses should support and respect the protection of internationally proclaimed human rights	Nurture Human Capital	31-32
	Make sure that they are not complicit in human rights abuses	Nurture Human Capital	31-32
	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Balance Between Work and Life	37-38
	Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies		
	Number of non-managerial staff, amount of employee welfare expenses, and differences from the previous year	Employment and Compensation	31
Labor Standards	United Nations Global Compact Principles		
	The elimination of all forms of forced and compulsory labor	Nurture Human Capital	31-38
	The effective abolition of child labor	Balance Between Work and Life	37
	The elimination of discrimination in respect of employment and occupation.	Balance Between Work and Life	37
The Environment	United Nations Global Compact Principles		
	Businesses should support a precautionary approach to environmental challenges	Protect Natural Resource Capital	48~52
	Undertake initiatives to promote greater environmental responsibility	Protect Natural Resource Capital	48~52
	Encourage the development and diffusion of environmentally friendly technologies.	Protect Natural Resource Capital	48~52
	Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies		
Anti-Corruption	Environmental policies on financial products or services	Finance and a good society	24~25
	United Nations Global Compact Principles		
Social	Businesses should work against corruption in all its forms, including extortion and bribery.	Prevention fraud and strengthening business control and legal compliance	17
	Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies		
Supplier	Social policies on financial products or services	Finance and a good society	26~27
	Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies		
	Incentives to customers or other counterparties for accommodating environmental requirements of a financial/insurance company	Supplier Relationship Management	51
	Incentives to customers or other counterparties for accommodating social requirements of a financial/insurance company	Insurance Brokers and Agencies	51



ISO 26000 Index

Category	Main issues	Corresponding Section	Page
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Human Rights	Compliance with laws and regulations, and conduct inspections to avoid risks caused by human rights violations	Nurture Human Capital	30~38
	Risks of enforcing human rights	Nurture Human Capital	30~38
	Avoid complicity: direct, benefit, silent, etc.	Information Transparency and Public Disclosure	15~17
	Resolving grievances	Nurture Human Capital	30~38
	No discrimination against disadvantaged people	Nurture Human Capital	30~38
	Protection of civil and political rights	Nurture Human Capital	30~38
	Protection of economic, social, and cultural rights	Nurture Human Capital	30~38
	Protection of individual's right to work	Nurture Human Capital	30~38
	Promote employment and employment relationships	Nurture Human Capital	30~38
	Conditions of work and social protection	Nurture Human Capital	30~38
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	Health and safety at work	Nurture Human Capital	30~38
	Human development and training in the workplace	Fostering Potential Talents	33~36
The Environment	Prevention of pollution	Protect Natural Resource Capital	48~52
	Sustainable resource use	Protect Natural Resource Capital	48~52
	Climate change mitigation and adaptation	Protect Natural Resource Capital	48~52
	Environmental protection, biodiversity, and restoration of natural habitats	Protect Natural Resource Capital	48~52
Fair Operating Practices	Anti-corruption	Prevention fraud and strengthening business control and legal compliance	17
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	Fair competition	Creating Finance and Integrity Capital	12~19
	Promoting social responsibility in the value chain	Supplier Relationship Management	51
	Respect for property rights	Strengthen Social Relationship Capital	39~42
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	Risk Management and Product Research & Development	21
	Protecting consumers' health and safety	Strengthen Social Relationship Capital	39~42
	Supporting sustainable consumption	Strengthen Social Relationship Capital	39~42
	Consumer service, support, and complaint and dispute resolution	Valuing Customer Rights	40~42
	Consumer data protection and privacy	Valuing Customer Rights	40~42
	Protecting consumers' service right	Valuing Customer Rights	40~42
	Education and awareness increase	Strengthen Social Relationship Capital	43~47
	Community engagement	Strengthen Social Relationship Capital	43~47
Community involvement and development	Invest in community	Strengthen Social Relationship Capital	43~47
	Create job opportunities	Fostering Potential Talents	33~34
	Develop new technologies	Mobile Banking Experience	22~23
	Increase wealth and income	Enhance Intellectual Capital	21~27
	Promote education and culture	Strengthen Social Relationship Capital	43~47
	Promote health	Strengthen Social Relationship Capital	43~47
	Enforce responsible investment	Responsible Investment and Lending	28~29

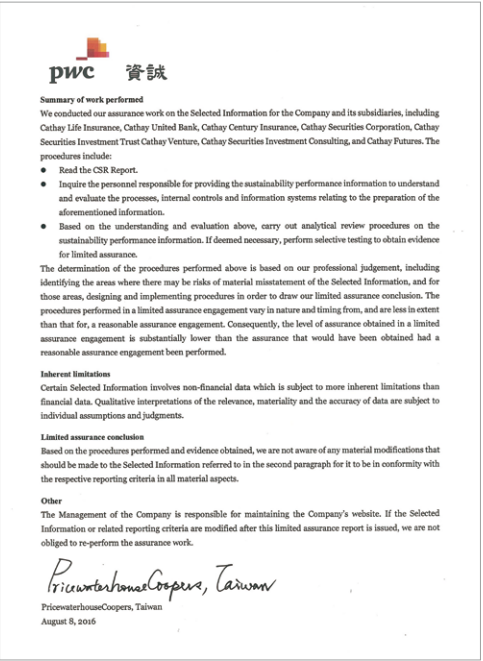
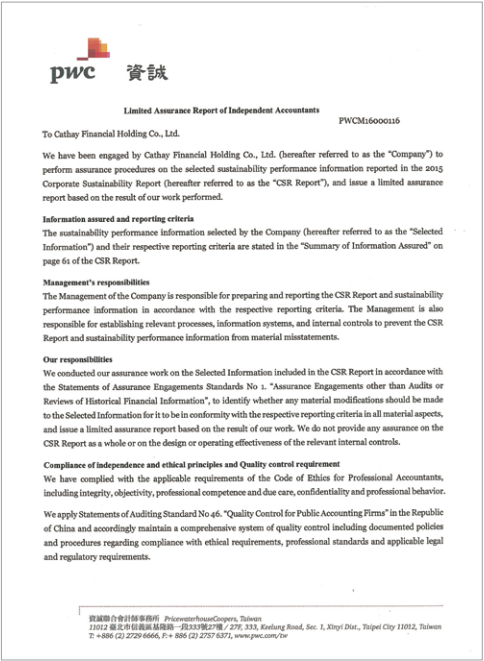


Cathay Financial Holding Co., Ltd.
2015 Corporate Sustainability Report Summary of Information Assured

No.	Assured Item	Information Assured	Page	Reporting Criteria
1	Board performance indicator	The Company has a set of "Director Performance Evaluation Guidelines" and "Board Performance Evaluation Policy" in place to assess the performance of directors and the board periodically. The Policy' evaluation indicators include corporate sustainability and CSR.	18	The Company has a set of "Director Performance Evaluation Guidelines" and "Board Performance Evaluation Policy" to assess the performance of directors and the board periodically. The Policy' evaluation indicators include corporate sustainability and CSR.
2	Insurance Product Review Panel	In 2015, the Insurance Product Review Panel held 51 review meetings and reviewed 226 cases in total.	21	The total number of product review meetings held and the total number of cases reviewed by Cathay Life Insurance Product Review Panel in 2015
3	Insurance brokers and agencies management	Cathay Life has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place. The guidelines serve to maintain the quality of new insurance contracts of insurance brokers and agencies and control the number of improper sales conduct. In 2015, 8,755 sales cases were reviewed. If the contracts fail to meet standards, the company has a set of mechanism in place to determine whether to renew such contracts.	51	Cathay Life has a set of "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in place. And The total number of sales cases reviewed per Cathay Life's "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in 2015
4	Customer satisfaction rate	In 2015, the customer satisfaction rate of CUB's overall phone service is 82.6% In 2015, the customer satisfaction rate of Cathay Securities' overall phone service is 93.7%	40	Customer satisfaction rates calculated per CUB's and Cathay Securities' 2015 overall phone service performance results
5	Corporate Damage Prevention Seminar	In 2015, Cathay Century hosted three damage prevention seminars with a total of 302 participants.	47	The total number of corporate damage prevention seminars held by Cathay Century and the total number of corporate damage prevention seminar participants in 2015
6	Average employee welfare for non-managerial staff	The average employee welfare expense for non-managerial staff was NT\$1,103,583 per person in 2015.	31	The Company's 2015 employee welfare expense for non-managerial staff divided by the Company's total number of non-managerial staffs in 2015
7	Average employee salary	The Company's average salary per entry-level employee (both front office and back office staffs included) is 109% of industry average.	31	The Company's 2015 average monthly salary per entry-level employee (both front office and back office staffs included) divided by the average monthly salary per employee within financial and insurance industries in Taiwan published by the Department of Census, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
8	Total number of new employees and resigned employees	Total number of new employees and resigned employees by gender	32 38	The total number of new and resigned full-time employees by gender per the Company's human resource systems as of December 31, 2015
9	GHG emission intensity	In 2015, the group's GHG emission intensity was measured at 1.63 tonnes CO2e/person.	49	The total GHG emission, scope 1 and scope 2, from operating sites inventoried in accordance with ISO 14064-1 and assured in accordance with ISO 14064-3 by third party examiner divided by the number of employees in the operating sites inventoried by the third party examiner for the year
10	Equator Principles (EP)	As of December 31, 2015, CUB has received four EP-conforming financing cases; three of the cases are categorized as Project Finance and one case is categorized as Bridge Loans.	29	The total number of EP cases reviewed by CUB in 2015
11	Solar Energy Financing	The bank financed a cumulative amount of 1,023 solar power stations with a total installed capacity of 173.5 MW in Taiwan.	25	Solar power stations: As of December 31, 2015, the total number of stations approved by Bureau of Energy. Domestic financed capacity: As of December 31, 2015, the sum of capacities from the projects with approval documents issued by Bureau of Energy and financed by CUB head office and all domestic branches.
12	Green vehicle insurance	By December 31, 2015, a total of 5,126 vehicles were insured under the "Green vehicle insurance" scheme.	25	The number of vehicle insured by Cathay Century Insurance that met specifications published by Taiwan Insurance Institute as of the end of 2015
13	Green procurement	The amount of green purchases in 2015 was NT\$204 million.	51	In 2015, the total purchase dollar amount of item categories listed on pg. 51
14	Volunteerism	The total number of volunteer service instances was 5,614 times in 2015.	43	The total volunteer service instances in 2015
15	Disability trust	There were 46 disability trust beneficiaries as of the end of 2015.	27	The total number of disability trust contract with CUB as of the end of 2015

Sustainability Accounting Standards (SASB) and Sustainable Development Goals (SDGs)

Category	Main issues	Corresponding Section	Page
The Environment	Sustainability Accounting Standards (SASB)		
	Greenhouse gas emissions	Expanding the scope of GHG Inventory	49
	Energy management	Protect Natural Resource Capital	50
	Waste management	Protect Natural Resource Capital	50
	Biodiversity impact	Green Initiatives	52
	Water resource recycling and management	Expanding the scope of GHG Inventory	50
	Fuel management	Protect Natural Resource Capital	50
	Sustainable Development Goals (SDGs)		
	End poverty, achieve food security and improved nutrition and promote sustainable agriculture	Protect Natural Resource Capital	48~52
	Ensure sustainable management of water and sanitation	Protect Natural Resource Capital	48~52
	Ensure access to affordable, reliable, sustainable and clean energy	Protect Natural Resource Capital	48~52
	Take urgent action to combat climate change and its impacts	Protect Natural Resource Capital	48~52
Social capital	Sustainability Accounting Standards (SASB)		
	Human rights and community relationship	Nurture Human Capital/ Strengthen Social Relationship Capital	30~38/43~47
	Customer welfare	Strengthen Social Relationship Capital	39~42
	Security of Customers' Information	Valuing Customer Rights	40~41
	Fair disclosure and trademark management	Strengthen Social Relationship Capital	39~47
	Fair marketing and advertisement	Strengthen Social Relationship Capital	43~44
	Customer relation accessibility	Valuing Customer Rights	40~41
	Sustainable Development Goals (SDGs)		
	Ensure healthy lives and promote well-being for all at all ages	Balance Between Work and Life	36~38
	Ensure inclusive and equitable quality education and promote lifelong learning	Strategic Talent Cultivation	35
	Achieve gender equality and empower all women and girls	Balance Between Work and Life	37
	Make cities and human settlements inclusive, safe, resilient and sustainable	Strengthen Social Relationship Capital	43~47
	Ensure sustainable consumption and production patterns	Enhance Intellectual Capital	21~29
Human Capital	Sustainability Accounting Standards (SASB)		
	Fair Labor Practices	Nurture Human Capital	30~38
	Employee health, safety, and welfare	Balance Between Work and Life	36~38
	Diversity and inclusiveness	Nurture Human Capital	30~38
	Subsidy and welfare	Balance Between Work and Life	36~38
	Employment, development, and retention	Employment and Compensation	31~32
	Sustainable Development Goals (SDGs)		
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Nurture Human Capital	30~38
Leadership and governance	Sustainability Accounting Standards (SASB)		
	Systematic risk management	Enhance Risk Management and Strengthen Information Security	19
	Accident and safety management	Enhance Risk Management and Strengthen Information Security	19
	Business ethics and trading management	Creating Finance and Integrity Capital	15~19
	Competitive behavior	Creating Finance and Integrity Capital	14
	Regulatory and policy influences	Sound Sustainable Governance Mechanism	16~17
	Supply Chain Management	Supplier Relationship Management	51
	Raw material sources	Protect Natural Resource Capital	48~52
Business model and innovation	Sustainability Accounting Standards (SASB)		
	Product and service life cycles	Enhance Intellectual Capital	21~27
	Environmental and social impact of asset and operations	Finance and a good society	24~25
	Product packaging	Enhance Intellectual Capital	21~27
	Product quality and safety	Enhance Intellectual Capital	21~27





國泰金控

Cathay Financial Holdings



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