



Cathay Financial Holdings

# Corporate Sustainability Report

2016



國泰金控

Cathay Financial Holdings

Cathay Financial Holding Co., Ltd. ("Cathay FHC") publishes its non-financial report on an annual basis. Our 2016 Corporate Sustainability Report, published in September 2017, covers financial, environmental, and social performance of Cathay FHC in 2016 (from January 1 to December 31).

### Reporting Guidelines and International Framework

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

Company Name	Cathay Financial Holding Co., Ltd.
Date of Incorporation	December 31, 2001
Brand Ethos	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	43,621
Number of Business Sites	About 800 (including overseas locations)
Total Assets	NT\$8,135.14billion
Capital	NT\$133.97billion

Corporate sustainability website:  
<https://www.cathayholdings.com/holdings/web/csr/csr.aspx>  
 email: [hpr@cathayholdings.com.tw](mailto:hpr@cathayholdings.com.tw)

For more information on Cathay's stakeholder engagement, please refer to the website



Cathay FHC's Declaration of Sustainability Values



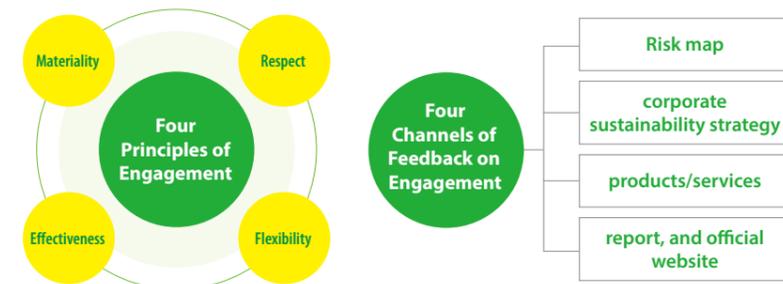
## Procedures for Analyzing Material Issues

The key to corporate sustainability is to identify the issues of stakeholders' concerns and evaluate their degree of association with the company's operations. These issues are disclosed in the report and form the basis of stakeholder engagement. The procedures for analyzing material issues are divided into the following four steps:



## Stakeholder Engagement

Cathay FHC develops strategies for stakeholder engagement, sets up the goals of stakeholder engagement, and establishes the identification basis and channels for feedback based on four principles of engagement. Engagement channels include reports and news releases; investor conferences and charitable activities; employee and customer surveys; and ESG surveys and ratings.



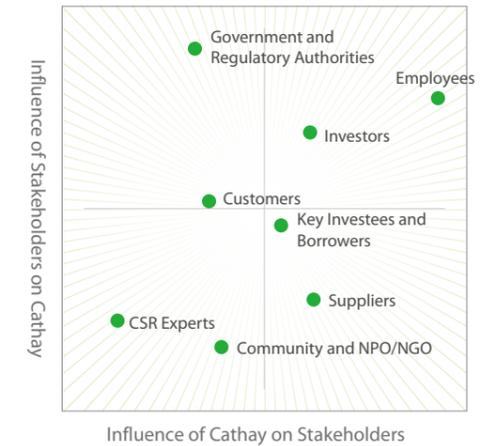
## External Opinions and Strategic Adjustments

In 2016, Cathay FHC called a strategy refinement meeting to analyze 7 ESG surveys, summarize the recommendations proposed by 6 experts from various fields, and draw conclusions on key expectations of six working groups. After 20 discussion sessions with 15 departments, the chairman of the CS Committee, Chang-Ken Lee, called meetings with six working groups to set up the short-, medium- and long-term goals of each group, incorporate material issues in their short-, medium-, and long-term strategies, appoint new members, and establish the Group's four material issues: renewable energy and infrastructure, health and aging, women's interests, and social inclusiveness.

### Analysis Results on Material Issues in 2016

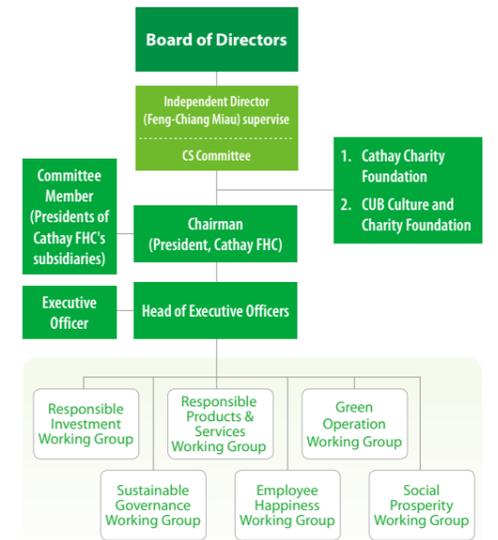


### Results of Influence Survey of Cathay FHC's Eight Major Stakeholders



Note: The survey was conducted by six working groups of the Corporate Sustainability Committee to evaluate the influence of stakeholders on ESG activities, and vice versa.

### Organizational Framework of the Cathay FHC CS Committee



## Declaration of Sustainability Values

Cathay incorporates codes of conduct and several sustainability policies in our Declaration of Sustainability Values, which specifies how we should abide by the code of ethics, conduct business in a legal and reasonable manner, and strive to reduce risks to the environment, society, and corporate governance for the purpose of achieving the triple bottom line positively. Paving the way to corporate sustainability together, Cathay also encourages its business partners, such as suppliers and joint ventures, to sign the declaration.

## Milestones of Cathay FHC Corporate Sustainability Committee

Under the jurisdiction of the Board of Directors, the Cathay FHC Corporate Sustainability Committee is the unit responsible for promoting corporate sustainability. Independent Director Feng-Chiang Miao acts as the supervisor of the CS Committee. Members consist of presidents of Cathay FHC and its subsidiaries. Executive Director and President of Cathay FHC, Chang-Ken Lee, serves as the chairman of the committee. Milestones of Cathay FHC's Corporate Sustainability include:

2011	2012	2013	2014	2015	2016
<ul style="list-style-type: none"> <li>Established the Cathay FHC Corporate Social Responsibility (CSR) Committee and five working groups.</li> </ul>	<ul style="list-style-type: none"> <li>Formulated Cathay Financial Holdings Corporate Sustainability Principles.</li> <li>Published the first CSR Report.</li> <li>Signed the Carbon Disclosure Project (CDP).</li> </ul>	<ul style="list-style-type: none"> <li>Constructed an innovation proposal platform.</li> <li>Developed CSR rewarding mechanisms.</li> <li>Included CSR in training programs for new employees.</li> <li>Provided ESG information for domestic and foreign investors.</li> </ul>	<ul style="list-style-type: none"> <li>The CSR committee was restructured into the Corporate Sustainability (CS) Committee, upgrading it to the Board of Directors level, in which an independent director is designated to supervise the committee.</li> <li>Established the Responsible Investment Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>Invited employees to attend Corporate Sustainability Committee meetings.</li> <li>Responded and selected by DJSI.</li> <li>Signed the Equator Principles (EPs) and became Taiwan's first signatory of the EPs.</li> </ul>	<ul style="list-style-type: none"> <li>Called a strategy refinement meeting to set up the long-term strategy of each working group.</li> <li>Introduced SROI.</li> <li>Signed the Stewardship Principles for Institutional Investors.</li> </ul>

## GRI Standard and External Audit

This report has been prepared based on 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, 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 were presented in the following table. PwC Taiwan was engaged to corroborate its GRI standard 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. The opinion has been included in the appendices of this report.

Capital	Material Issues	GRI Standard or Other Material Aspects	Boundary	Scope and Basis of Performance Evaluation and Assurance
Financial and Integrity Capital	Internal audit/control, Code of conduct	Internal audit		
	Risk management, Information security, Information disclosure	Financial implications and other risks and opportunities due to climate change or other material aspects except for product portfolio, audit, and active ownership	Cathay FHC and the aforementioned subsidiaries	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. Compliance issue is audited by PwC.
	Compliance	Compliance		
Intellectual Capital	Development of ESG products, Sustainable investment and lending	Product portfolio, active ownership, investment, and audit	Cathay FHC and the aforementioned subsidiaries, key investees and borrowers	Environmental and social driven financial products and services pertain to all markets where Cathay's products are sold; though most sales activities are in Taiwan, some of the Company's products have already been marketed in Vietnam, Japan and the United States. PwC is commissioned to perform the assurance of Equator Principles related data.
	Digital finance	Product and services	Cathay FHC and the aforementioned subsidiaries	
	Financial inclusiveness and education	Local society, and product and service labeling		
Human Capital	Employee benefits and friendly workplace	New employee hires and employee turnover		
	Talent recruitment and training	Programs for upgrading employee skills and transition assistance programs	Cathay FHC and the aforementioned subsidiaries	Analysis of human resource was based on employment data that the Company had gathered in Taiwan. Some statistics have excluded the sales force due to the special nature of the business involved. Please refer to the footnotes in each table for details and formulas.
	Workplace safety and health	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		
Natural resource capital	GHG emission, energy usage and reduction	Emissions		Environmental performance was measured based on information published by the government; please refer to the footnotes in the table for explanations regarding the basis of calculation. The scope of greenhouse gas inventory was set based on Operational control. BSI was engaged to perform an audit on the greenhouse gas inventory based on ISO14064-1:2006. A copy of this certification was included in the appendices of this report.
	Supply chain management	Product portfolio, and the social as well as environmental impact of suppliers	Cathay FHC, the aforementioned subsidiaries, Cathay Securities Investment Consulting and major suppliers	
Social relationship capital	Provision of product information and after-sales responsibility, Social welfare	Product and service labeling, mark local society	Cathay FHC and the aforementioned subsidiaries	We engaged external companies 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.

# CONTENTS

Procedures for Analyzing Material Issues	00
Stakeholder Engagement	00
Declaration of Sustainability Values	01
Milestones of Cathay FHC Corporate Sustainability Committee	01
GRI Standard and External Audit	02
Message from the Chairman	04
Process of Creating Value for Sustainable Development	06

## 1 Creating Financial and Integrity Capital 08

Business Performance	09
Leading the Industry's Development through Active Engagement	10
Advancing Corporate Governance	11
Valuing the Rights and Interests of Shareholders	12
Risk Management and Internal Controls	13
Strengthening Compliance System of Cathay Group	14

## 2 Intellectual Capital 15

Sustainable Financing Development Strategy	16
Fulfilling Green Finance	20
Promoting Prosperity with the Community	22
Building an Innovative Digital Outlook	26

## 3 Nurture Human Capital 28

Employee Structure	29
Obtain Future Talent	29
Cultivate Employees' Capacity to Respond to Fast-Changing Environments	30
Respect contemporary trends and values	34
Valuing diversity in the organization and cultivating the capacity to service multiple markets	37

## 4 Preserving Natural Resources Capital 38

Green Operational Strategy, Goals, and Actions	39
Green Initiatives	41
Sustainable Supply Chain Management and Green Procurement	41

## 5 Social Relations Capital 42

Valuing Customer Rights and Interests	43
Improving Customer Experience	45
Increase Public Welfare Influence, Achieve Happiness by Helping Others	46

## APPENDIX 49

## Message from the Chairman

# Leading with Foresight and Building a Sustainable Future

Cathay FHC's Corporate Sustainability (CS) Committee has been established for six years now. It is our honor to be selected as a component of the Dow Jones Sustainability Index (DJSI) for two consecutive years, reflecting the worldwide recognition of our corporate sustainability performance. In response to this affirmation, we undertake the responsibility of further challenges and commit to optimizing our risk management, and integrating consideration of the environment, society and governance (ESG) together with the continuous enhancement of our management performance.

### Improving Management Performance and Optimizing Risk Management

Through the trust and support of our customers, Cathay FHC's total assets exceeded NT\$8.1 trillion in 2016. This is the result of the fact that one out of every two people in Taiwan is a customer of Cathay FHC, in addition to operational improvements, and our core philosophy of "sustainable Cathay; contribution to the community." With the aim of becoming a truly respected Taiwan-based conglomerate, we seek to leverage our base in Taiwan but look to Asia through the continuous expansion of our overseas presence and regional integration.

Cathay FHC completed its Group Risk Map Framework in 2016, which incorporates risk factors such as extreme climate change and aging and health issues. We also took steps to strengthen our corporate ethical management with anti-money laundering and anti-terrorist financing protocols embraced by large international financial

institutions. Meanwhile, Cathay has developed Fintech-related services and a new business model in response to increasing demands to provide customers with quality financial services.

### Three Engines of Growth and Best Practices to Lead

In line with an integrated ESG approach, Cathay has committed itself to connecting the company's three major growth engines of insurance, banking, and asset management with the Principles of Sustainable Insurance (PSI), the Equator Principles (EPs), and the Principles of Responsible Investment (PRI) to enhance corporate sustainability.

In 2015, Cathay United Bank (CUB) became the first bank in Taiwan to adopt the EPs. In 2016, the bank completed Taiwan's first offshore wind power financing project implemented in accordance with the EPs, thus taking a further step in fulfilling the financial industry's pledge to corporate social responsibility. In the same year, Cathay Life Insurance (Cathay Life) committed to voluntarily following the PSI and formed a CS Team to review risk management, product research and development, underwriting and claims, and investment processes. The first compliance report was published in March 2017 in accordance with the four principles of the PSI. Meanwhile, Conning, Inc., a subsidiary of Cathay FHC, adopted the UN PRI initiatives. In 2016, Cathay Life and Cathay Securities Investment Trust (Cathay SITE), acting as asset owners and asset managers, respectively, assisted Taiwan's government in promoting the Stewardship Principles for Institutional Investors. This has meant that Cathay FHC, among financial institutions in

Taiwan, has voluntarily adopted international initiatives to the greatest extent.

We believe that the continuous growth of the financial industry relies on social and environmental sustainability. In view of this, we set up the Cathay Declaration of Sustainable Values to extend our influence to external suppliers and joint ventures and continue to promote sustainable values.

### Focusing on the Four Focus Areas of Corporate Sustainability and Realizing Dreams

In taking steps to fulfill our commitment to sustainability, Cathay has also invited employees to participate in a series of strategic meetings to evaluate internal and external mechanisms and fine-tune targets in the pursuit of our four focus areas of corporate sustainability, namely Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion. These efforts are made in addition to considering international developments and identifying key social issues in Taiwan. In terms of directing our focus on sustainability initiatives, six working groups have continuously committed themselves to guiding investments and driving innovation in line with the UN's Sustainable Development Goals (SDGs). These groups are: the Corporate Sustainability Committee, Sustainable Governance Working Group, Responsible Investment Working Group, Responsible Products Working Group, Employee Satisfaction Working Group, Green Operations Working Group, and Social Prosperity Working Group.



Chairman

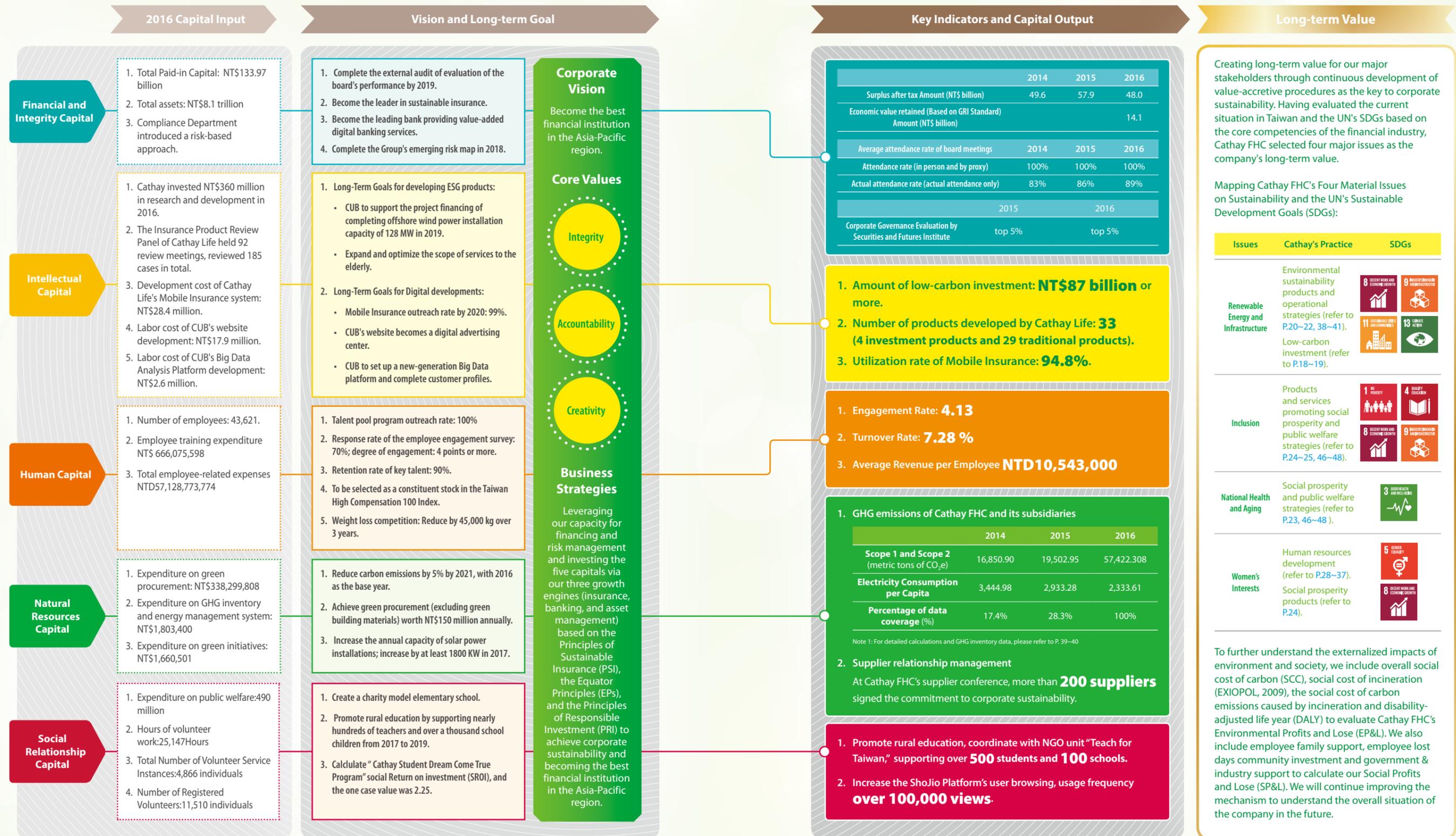
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At the same time, we encourage our employees to realize their dreams through the work they do. Cathay believes that every employee with a dream is working toward realizing it in some way, or realizing it so that they can help fulfil the dreams of others. Dreams, after all, are the bedrock of our achievements. With dreams, goals and resources provided by Cathay, our employees are empowered to do great things. In 2016, we turned this idea into the Cathay Talent Contest whereby the talents of many of our employees with all types of skills were discovered. In 2017, we will run the Cathay Dreamer campaign, a win-win initiative that encourages employees to realize their dreams through participating in the company's growth by means of developing innovative products and services.

Regardless of changes in the economy and the political and social environment, we remain consistently self-reliant. Our strength and the actions we take are not simply in the interests of our organization but also for the benefit of society at large. We look forward to working together to extend our horizon with international perspectives, achieve our dreams through work, and create a new future.

Chairman Hong-Tu Tsai

# Process of Creating Value for Sustainable Development



To further understand the externalized impacts of environment and society, we include overall social cost of carbon (SCC), social cost of incineration (EXIOPOL, 2009), the social cost of carbon emissions caused by incineration and disability-adjusted life year (DALY) to evaluate Cathay FHC's Environmental Profits and Loss (EP&L). We also include employee family support, employee lost days community investment and government & industry support to calculate our Social Profits and Loss (SP&L). We will continue improving the mechanism to understand the overall situation of the company in the future.



# Creating Financial and Integrity Capital

According to the World Economic Forum's Global Risks Report 2017, a variety of intricate transitions are ongoing in the world. Countries have to prepare for low-carbon development and unprecedented technological changes, while adapting to the new global economy and geopolitical landscape. Today, supervising organizational activities and improving organizational operations through the design and control of mechanisms has become key to effective risk management and the use of capital for value creation for an enterprise in the process of achieving sustainable development.

## GOALS

Aspect	2016 Objectives	2016 Achievement	2017 Objectives
Sustainable Governance	Strengthen the internal control system and risk management.	<ul style="list-style-type: none"> <li>Achieved.</li> <li>Completed the Group Emerging Risk Map Framework.</li> <li>Subsidiaries formed the special units or personnel in charge of anti-money laundering.</li> </ul>	<ul style="list-style-type: none"> <li>Formulate a tax policy.</li> <li>Strengthen risk-based education and training.</li> </ul>

- Strategy 1** Strengthen the internal control system and risk management
- Strategy 2** Three Growth Engines Model
- Strategy 3** Extending presence in Southeast Asia

- ★ Country code added to tax-related information disclosures in the annual report. ★
- ★ Subsidiaries formed the special units or personnel in charge of anti-money laundering. ★
- ★ Regulations Governing Evaluation of the Board's Performance adopted third-party certification. ★
- ★ Participated in industry and accreditation associations to facilitate the development of public policies. ★
- ★ In 2016, 88% of Cathay FHC's shareholders attended the shareholder's meeting via electronic voting, ranking Cathay FHC the first among financial holding companies. ★



## Business Performance

In keeping with our commitment as Taiwan's largest financial holding company to continually improving our business, Cathay Financial Holdings ("Cathay FHC") accumulated US\$251.08 billion in total assets as of the end of 2016, demonstrating the trust our customers place in us and their support of Cathay FHC's brand value. We achieved outstanding business results in 2016 with consolidated after-tax profit of US\$1.48 billion and NT\$3.79 earnings per share. Our subsidiaries, Cathay Life Insurance ("Cathay Life") and Cathay United Bank ("CUB"), were the primary contributors.

With the aim of becoming one of the leading financial institutions in the Asia-Pacific region, Cathay FHC and its subsidiaries currently have 153 overseas footprints, over 90% of which located in Asia. Cathay FHC has already established overseas offices in nine countries of ASEAN member states, except for Brunei. Cathay FHC continues to expand its overseas markets in China and Southeast Asia where we integrate regional resources to complete the formulation of our overseas business

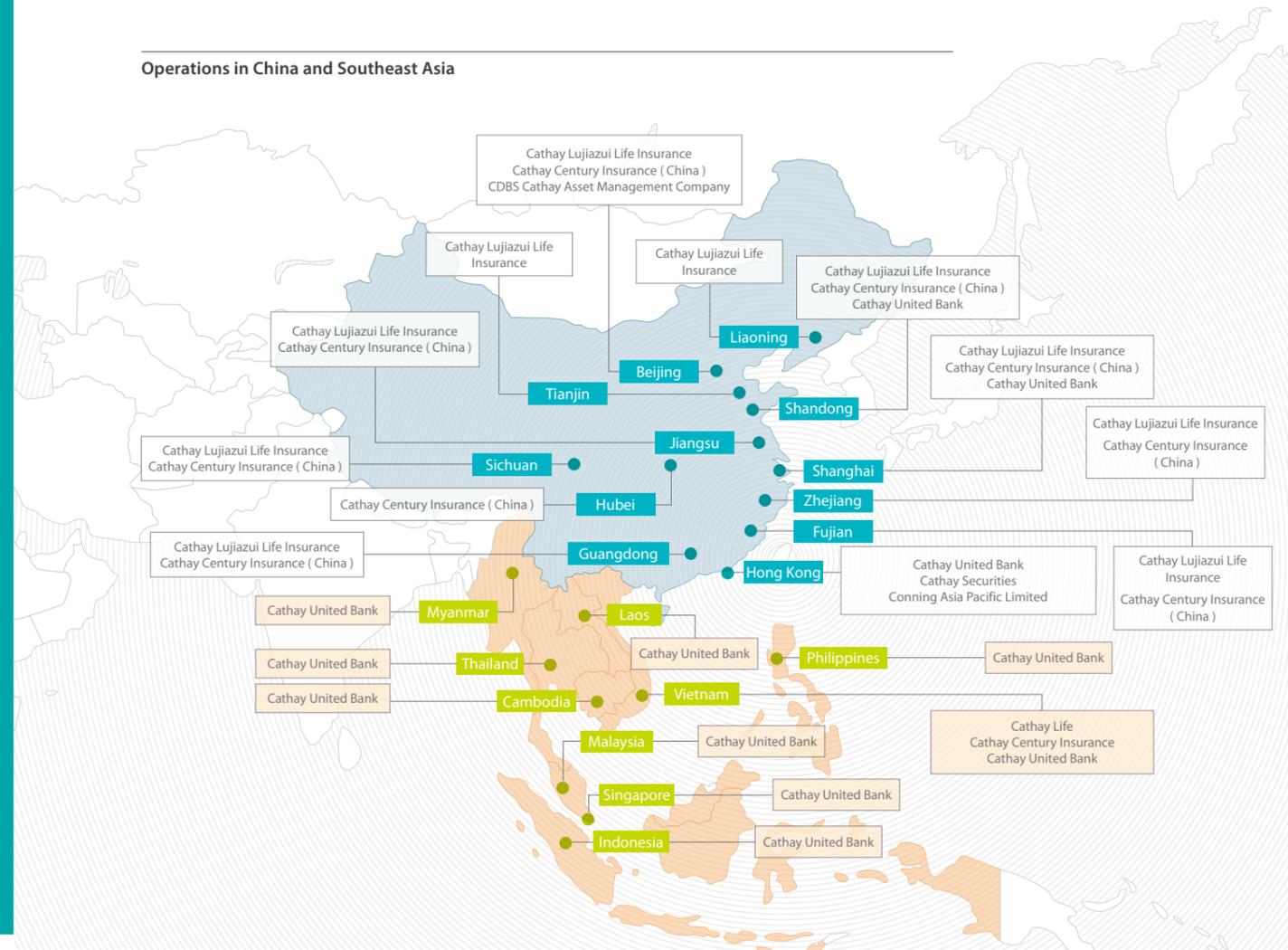
platform and dedicate to developing Fintech-related applications based on future trends for the establishment of all-new business models.

In China, the opening of CUB's Shenzhen Branch marked our expansion into the Pearl River Delta region. Our existing banking operations in the Northern, Central, and Southern regions of China have also allowed us to effectively satisfy the needs of our customers. Our insurance business in China has also shown continued growth. Cathay Lujiazui Life Insurance currently operates 11 offices (headquarters and branch offices) and 38 sales and service agencies across China, while Cathay Century Insurance ("Cathay Century") has established a total of 26 branch locations. In 2016, Cathay Century completed a capital injection by Ant Financial Services Group, bringing them in as a strategic investor to further develop our property and casualty insurance business in China.

Concerning our expansion in Southeast Asia, the U.S. and Europe, Cathay FHC has gradually built a complete network in ASEAN. Concurrently, Cathay Life also made equity investments in the Philippines and Indonesia to further strengthen our

Cathay FHC raised capital through the issuance of Class A preferred stock for the first time in November 2016. A total of NT\$49.998 billion was raised through the issuance of 833.3 million shares at NT\$60 per share and an annual interest yield of 3.8%. The funding was allocated for the purpose of strengthening our global presence, of which NT\$35 billion was used to strengthen the capital structure of Cathay Life and its requirements for future business development, while the balance was reserved for the development needs and capital strength of Cathay United Bank.

Operations in China and Southeast Asia



**Cathay FHC's Business Performance in 2016**

As a financial holding company, Cathay FHC focuses on investments and the management of its investees. Our scope of business is as follows:

Company	Business Performance	Primary Products and Services
Cathay Life	Cathay Life recorded a consolidated profit after tax of NT\$30.2 billion for the year, due to continuous improvement in its investment performance. The first-year premium equivalent, a better indicator of the value of the business, was NT\$135 billion, making Cathay Life the market leader.	Life insurance, accident insurance, health insurance, annuities, and investment-linked insurance.
CUB	CUB recorded a consolidated profit after tax of NT\$17.5 billion for the year. Its loan book exceeded NT\$1.4 trillion, with asset quality remaining excellent.	Wealth management, consumer banking, corporate finance, international finance, e-banking, trust services, investments, and sales of financial products.
Cathay Century	Cathay Century secured its position as the second largest non-life insurance company in Taiwan in terms of written premium income.	Car insurance, fire insurance, marine insurance, engineering insurance, and other insurance products.
Cathay Securities	Cathay Securities enjoyed the largest market share in the commissioned trading business, with growth seen in all service categories.	Securities underwriting, proprietary/commissioned trading of local and foreign securities, margin trading, securities-backed lending, share administration, wealth management, and futures introducing broker service.
Cathay SITE	With assets under management totaling NT\$471 billion, Cathay SITE is the largest securities investment trust company in Taiwan.	Securities investment trusts, discretionary investments, securities investment consulting, and futures trusts.
Cathay Venture	Cathay Venture has invested in FinTech, biotechnology, medical treatment businesses, and other quality companies at home and abroad that have competitive advantages for regional development based on industry and market trends.	Cathay Venture is a venture capital company that invests and assists non-listed companies by realizing their potential to create investment benefits.

**2014-2016 Business Performance**

Fiscal Year	2014 (Note)	2015	2016
Total assets (NT\$ billion)	6,944.8	7,569	8,135
Shareholder Equity (NT\$ billion)	439.1	461.1	529.8
After-tax profits (NT\$ billion)	49.6	57.9	48.0
After-tax EPS (NT\$)	3.93	4.58	3.79
Return on equity (%)	12.10	12.86	9.70
Revenue per employee (NT\$ in thousands)	9,145	9,463	10,543
Profit per employee (NT\$ in thousands)	1,114	1,241	939
Return on assets (%)	0.96	0.99	0.77
Outstanding shares (in million)	12,563	12,563	13,397
Cash dividend per share (NT\$)	2.0	2.0	2.0
Stock dividends per share (NT\$)	0.0	0.0	0.0
Book value per share (NT\$)	34.50	36.22	39.10

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.

regional business portfolio. The second stage of our equity investment in Indonesia's Bank Mayapada was completed in 2016, and our total shareholding ratio is now 40%. We will continue to strengthen our partnerships, deepen our penetration into the local markets, and capture opportunities as we further develop our business in overseas markets. As for the asset management business, by integrating Conning Holdings Limited ("Conning") with its core capabilities in the Asian markets as well as Cathay FHC's advantages in Greater China, Cathay FHC aims to build an asset management platform across Europe, the U.S., and Greater China to ignite the third growth engine of Cathay FHC.

**Leading the Industry's Development through Active Engagement**

In promoting corporate and social prosperity, our Code of Operation Integrity and our Employee Code of Conduct stipulate that Cathay FHC and its subsidiaries should participate in public affairs in a lawful manner and ensure that donations are disclosed in accordance with the law. Given the rapid development of digital technologies, financial institutions face competitors from the technology industry and e-commerce platform operators in addition to an investment market where negative spreads prevail. In 2016, Cathay FHC continued to engage in social activities and participated in various associations with the view to gathering the financial industry's consensus and contributing to the development of the industry.

As the chairman of the Financial Planning Association of Taiwan (FPAT), Cathay FHC President Chang-Ken Lee has actively promoted the CFP® certification system to assist in the transformation of financial institutions and talent development in response to the impact of digital finance. In 2016 the number of Cathay FHC employees who obtained the AFP and CFP® certifications was the highest among all financial institutions in Taiwan. Cathay Life was also Taiwan's first financial institution authorized to organize CFP® certification programs. In addition, Cathay Life Vice Chairman Tiao-Kuei Huang, who served as the chairman of the Life Insurance Association of the Republic of China, and Cathay SITE Chairman Hsi Chang, served as the chairman of the Securities Investment Trust & Consulting Association of the R.O.C., have actively facilitated cooperation between the industry and government agencies in policy making and the development of the industry.

For more information on public engagement, please refer to Cathay's website.



**Creating Financial and Integrity Capital**



**Advancing Corporate Governance**

**Promoting Corporate Governance**

Cathay FHC created the Corporate Governance Project Team in 2010 to improve the Group's corporate governance structure. In 2011, the Corporate Social Responsibility Committee (renamed to the Corporate Sustainability [CS] Committee in 2015) was subsequently established to push forward on corporate governance practices. The original corporate governance team was folded into the Sustainable Governance Working Group, one of six working groups under the CS Committee, so as to strengthen the Group's sustainable governance measures with the aim of achieving the triple bottom line of economy, society, and environment positively.

**Professional Qualifications, Independence, and Attendance of the Board**

Starting from the election of the 6th Board of Directors on June 8, 2016, Cathay FHC adopted a candidate nomination system. After the qualifications of all candidates for directorship are

reviewed and approved by the Audit Committee, which consists of all the independent directors of Cathay FHC and the Board of Directors, the list of qualified candidates is then submitted to the shareholders' meeting for election. Cathay FHC's Board of Directors comprises 8 non-executive directors, 3 independent directors, and 1 executive director (Cathay FHC President Chang-Ken Lee). All members are professionals and well-experienced in finance, business, and management matters. The age of the directors is between 51 and 75 years old, with an average of 65. As of December 31, 2016, 9 board meetings took place, with an average attendance rate of 89%. The average term of directors was 8 years (6.5 years for independent directors). To strengthen their independence, Cathay FHC's independent directors will hold a by-election of independent directors at the general shareholders' meeting on June 16, 2017. After one independent director is elected, the average term of directors is expected to be 7.7 years (3.6 years for independent directors)

**Board Diversity**

To strengthen corporate governance and the sound composition and structure of the Board of Directors, Cathay FHC incorporated a board diversity policy in Paragraph 2, Article 30 of the Cathay Financial Holdings Corporate Governance Best Practice Principles, which was formulated in 2014. The related contents and implementations are described as follows:



To achieve its corporate governance goals, the Board of Directors on the whole shall possess the following abilities:

- 01 ) Ability to make operational judgments
- 02 ) Ability to conduct accounting and financial analysis
- 03 ) Ability to manage business activities (including ability to manage subsidiaries)
- 04 ) Ability to handle crisis management
- 05 ) Knowledge of the industry
- 06 ) An understanding of international markets
- 07 ) Leadership
- 08 ) Ability to make policy decisions
- 09 ) Risk management knowledge and skills

**Cathay FHC's Implementation of the Board Diversity Policy**

Core Item	Experience/Field of Work							Background									
	Financial Holding	Banking	Insurance	Securities	Investment Trust / Asset Management	Third-party Payment	Manufacturing Industry	Information Industry	Business	Legal	Finance	Accounting	Banking	Math	Actuarial Science	Land Administration	Electrical Engineering
Name of Director																	
Hong-Tu Tsai	●	○	●	○	○	○	○	○	●	●	○	○	○	○	○	○	○
Cheng-Ta Tsai	●	○	●	○	○	○	○	○	●	○	○	○	○	○	○	○	○
Cheng-Chiu Tsai	●	○	●	○	○	○	○	○	●	○	●	○	○	○	○	○	○
Peter V. Kwok	●	●	○	●	●	○	○	○	●	○	○	○	●	○	○	○	○
Chi-Wei Joong	●	●	○	●	○	●	○	○	●	○	●	○	○	○	○	○	○
Tsu-Pei Chen	●	●	○	○	○	○	○	○	●	○	○	○	○	○	○	●	○
Tiao-Kuei Huang	●	○	●	○	○	○	○	○	●	○	○	○	○	●	○	○	○
Chang-Ken Lee	●	●	●	●	○	○	○	○	●	○	●	○	○	○	○	○	○
Ming-Ho Hsiung	●	○	●	○	○	○	○	○	●	○	●	○	○	○	●	○	○
Min-Houng Hong	●	●	●	●	●	○	●	○	●	○	●	○	○	○	○	○	●
Feng-Chiang Miao	●	●	●	○	○	○	○	○	●	○	○	●	○	○	○	○	●
Tsing-Yuan Hwang	●	●	●	●	●	○	○	○	●	○	●	○	○	○	○	○	○

For the purpose of establishing a sound structure for the Board of Directors, board members should be diversified in terms of expertise (such as financial holding, banking, insurance, and securities), backgrounds (such as business, law, finance, and accounting), gender, or field of work, and be equipped with knowledge, skills, and literacy required to perform their duties.

Furthermore, Cathay emphasizes gender equality in the composition of its Board of Directors. As of December 31, 2016, 60% of Cathay FHC's subsidiaries in Taiwan appointed female directors or supervisors as board members, an increase of 10% compared with 2015. In addition, in order to enhance the board diversity of Cathay's subsidiaries, starting from the 5th Board of Directors meeting on June 20, 2016, Cathay Securities' newly recruited Tina Pan, the Chairman of the Modern Women's Foundation, joined as the independent director. Cathay FHC also reports corporate sustainability-related matters to the Board of Directors every half year to improve the diversity of board issues.

### Evaluation of the Board's Performance and Third-party Certification

To implement corporate governance and improve the board's efficacy, Cathay FHC pays special attention to the overall operations of the board and thus set up the Board Performance Evaluation Policy in addition to the Guidelines for Director Performance Evaluation and the Guidelines for Directors' Remuneration. Performance indicators, such as compliance, corporate governance, risk management, and corporate sustainability and corporate social responsibility, were also incorporated in the Board Performance Evaluation Policy to ensure the board's fulfillment of corporate governance, operations, and corporate social responsibility. These pave the way for corporate sustainability of the overall organization. In 2016, the result of the board performance evaluation was "above standards", reflecting the success of Cathay FHC's efforts to improve the efficacy of board operations.

To strengthen the independence and effectiveness of the board performance evaluation, Cathay FHC will appoint an external independent institution or an expert to carry out the board performance evaluation once every three years, starting from 2017. The measurement indicators, evaluation procedures, achievement standards, and evaluation results will be formulated by the external independent institution or an expert appointed by Cathay FHC. The evaluation results will be submitted to the Board of Directors for reference.

Since June 15, 2007, Cathay FHC has purchased liability insurance for its directors, supervisors, and key staff members, including those from its subsidiaries. This is in line with the legal requirements during their terms in office. The

contents of the insurance policy are reviewed annually. After renewal in 2017, the insured amounts, coverage and premium rates will be proposed at the latest board meeting in order to reduce the risks assumed by the directors, supervisors, and the company and to improve corporate governance mechanisms.

### Audit Committee and Remuneration Committee

The Audit Committee and the Remuneration Committee of Cathay FHC includes all independent directors. In 2016, nine Audit Committee meetings and six Remuneration Committee meetings were held. Starting from the 4th Audit Committee in 2016, Independent Director Tsing-Yuan Hwang served as the convener to call the meeting every quarter and assist the Board of Directors in improving the performance of corporate governance. Major issues to be reviewed and discussed include the establishment of the internal control system and performance evaluations, the appropriateness of presenting the company's financial statements, procedures for handling major financial business, legal compliance, and selection (dismissal) of CPAs. Starting from the 3rd Remuneration Committee in 2016, Independent Director Min-Houng Hong served as the convener to call the meeting at least twice a year, implement corporate governance, and improve the directors' and managers' compensation systems. Major issues to be reviewed and discussed include the establishment of policies, systems, standards, and structures of directors' and managers' performance evaluation and compensation, as well as the establishment of directors' and managers' remuneration.

### Valuing the Rights and Interests of Shareholders

Cathay FHC's website includes details of the spokesperson, investor relations contacts, and a contact email address. Shareholders may express their opinions via email, telephone, or fax. Cathay handles shareholders' suggestions, suspicions or disputes, and legal actions in a timely and prudent manner based on the Rules for Stock Transfer Unit's Response to Shareholders' Inquiries. In addition, Cathay has urged corporate shareholders, including major shareholders as well as insurance, investment trusts, and securities companies, to exercise their right to vote via electronic means. In 2016, 88% of Cathay FHC's shareholders attended the shareholder's meeting via electronic voting, ranking Cathay FHC the first among financial holding companies.



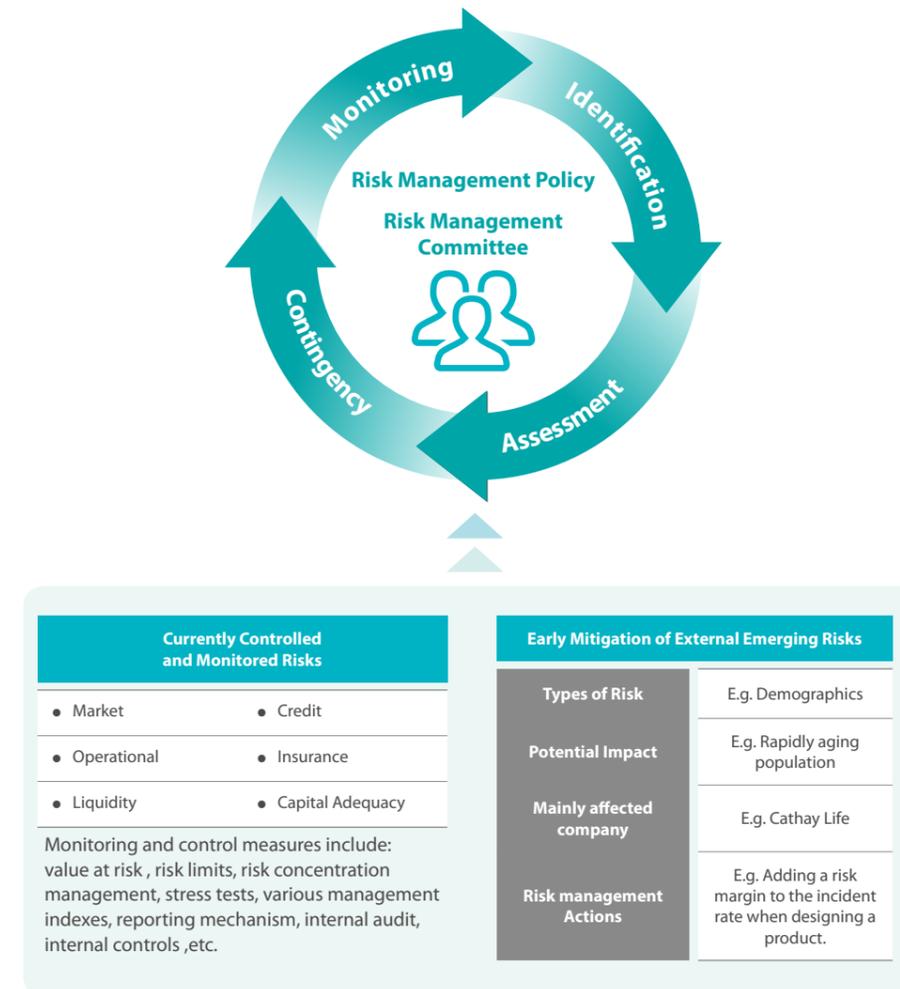
## Risk Management and Internal Controls

Cathay FHC Risk management is based on an enterprise risk management (ERM) framework with the relevant policies and regulations, risk management divisions and committees in place to ensure that sound risk management mechanisms are implemented in the group. Through sound internal control systems, Cathay adopts three lines of defense in risk management and control. The first line of defense is the business operations and management units, which are responsible for controlling operational risks effectively. The second line of defense is risk management and compliance units, which are responsible for the planning, assessment, and supervision of risk management mechanisms as well as giving recommendations. Lastly, the audit units are responsible for reviewing

compliance issues in accordance with regulations and the performance of the risk measures in place. Furthermore, the performance evaluation indicators for all Cathay Financial Holdings employees include "Performance on Internal Controls" and "Performance on Legal Compliance". All of the company's directors participated in corporate governance or risk management training courses.

In response to emerging risks such as climate change, the aging population and the rise in health risks, Cathay FHC began developing an emerging risk map in 2016. The company requires its subsidiaries to assess emerging risks based on risk management procedures so that it can consolidate results to set up risk map. Annual review meeting is held and the progress will be reported to the Corporate Sustainability Committee.

Cathay Financial Holdings — Risks Map



For more information on the risk management organization and the policy structure, please refer to the annual report.



## Strengthening Compliance System of Cathay Group

To ensure that each of its business consistently adhere to laws and regulations, Cathay FHC established the Compliance Department in 2015. In addition to implementing periodic compliance affairs required by current Taiwanese laws and regulations, the Compliance Department has also been engaged in upgrading compliance system of Cathay Group, and holding various types of compliance training program. The department also reports on the state of legal compliance to the Board of Directors and the Audit Committee at least twice a year.

In order to align Cathay Group's compliance system with international standards, the Compliance Department has introduced risk-based approach management practices in 2016 to achieve better control of compliance risk of each business. Moreover, emphasizing the significance of the employees' awareness of compliance, Cathay FHC organized various training programs covering basic and advanced knowledge of compliance and the latest regulatory trends domestically and internationally.

In response to developments in FinTech, the Compliance Department worked with the NTU College of Law to research fintech compliance issues. In 2016, the department organized a conference on FinTech and the law, which covered the latest developments in the financial technology industry and the related laws at home and abroad. The conference was open to the financial competent authorities, financial institutions, legal experts, and law students as a means to provide a foundation of compliance for the FinTech business.

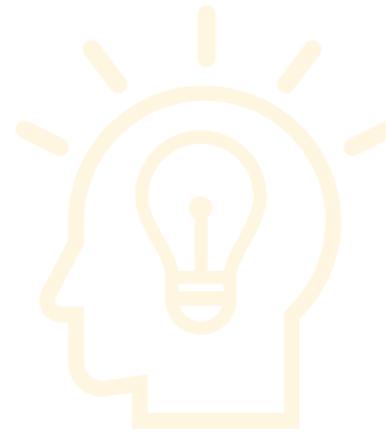
## Balanced Reporting

If Cathay FHC's units have any major compliance deficiency, the Compliance Department would analyze the causes and possible impact of the deficiency, and would propose improvement recommendations. These are reported to the Board of Directors and the progress of improvements is monitored by the Internal Audit Department. As for penalties imposed on subsidiaries by the competent authorities, the Compliance Department has established a reporting and follow-up mechanism, including the submission of remedial plans, proposed recommendations depending on the situation, and keeps track on the subsidiaries' improvement until the deficiencies have been improved completely. In addition, Cathay FHC continues to disclose in its annual report the penalties imposed on its subsidiaries, major deficiencies, and the progress of improvements.

Regarding the penalties imposed on subsidiaries in 2016, the Compliance Department has conducted research on the trend of enforcement actions imposed by domestic and foreign competent authorities. In the cross-group compliance meeting and the Cathay FHC compliance, audit and risk management meeting, we have reached a consensus of strengthening the management of the Group's penalty cases imposed by the competent authorities. Subsidiaries are also required to strengthen the supervision and participation in its business lines, and include compliance risk management as one of major tasks of the Group so as to strengthen compliance system and internal controls.

## Fulfilling Anti-money Laundering/Anti-Terrorist Financing

In tackling issues related to anti-money laundering and anti-terrorist financing, the Group resolved to adopt a risk-based approach in accordance with international standards. In 2016, Cathay FHC continued to optimize its risk assessment methodology, urging subsidiaries to set up dedicated responsible units, committees, cross-group business liaison meetings, and enhance their information systems. In addition, Cathay FHC also continued to improve employees' awareness of anti-money laundering and anti-terrorist financing practices through the publication of the latest information on the matter, organizing various training programs, and we review and strengthen the correct concepts from major current events, in expectation to meet international developments and standards.



- ★ **Cathay Life and CUB established responsible investment team and Sustainable Finance Management Section respectively in 2016.** ★
- ★ **Cathay Life and Cathay SITE signed the Taiwan Stewardship Principles for Institutional Investors in 2016, and became the signatory covering most comprehensive financial services.** ★
- ★ **Cathay FHC was the only Taiwan financial institution who joined as a founding member of the AIGCC relaunch in 2016.** ★
- ★ **CUB completed Taiwan's first financing project for the Phase 1 offshore wind power installations with a capacity of 8 MW.** ★
- ★ **Cathay Century engaged in the fronting business for the offshore wind power construction, making it Taiwan's first insurance company to provide insurance coverage for offshore wind turbines.** ★
- ★ **Cathay Life won the exclusive rights to organize the scheme of "Government Employee Long-term Care Project" of the Executive Yuan, thereby extending the scope of insurance.** ★

# Intellectual Capital

With a focus on the environmental impact and the needs of every corner of the community, Cathay leverages its core competencies to offer products and services that provide protection. In addition, we actively strive to improve the effectiveness of digital services and access to universal finance with the aim of creating a triple-win outcome for business, society, and the environment.



Aspect	2016 Objectives	2016 Achievement	2017 Objectives
<b>Responsible Investment</b>	Host a responsible investment training program in 2016.	In July 2016, Cathay FHC held a cross-subsidiary training program, inviting leaders and experts specializing in responsible investment to share their experiences with our employees across the Group, including Cathay FHC and its five major subsidiaries. Over 30 departments, including risk management and investment-related departments, participated in the training.	<ul style="list-style-type: none"> <li>• Cathay Life and Cathay SITE will disclose their voting results in 2017.</li> <li>• Participate in the CDP non-discloser engagement campaign in 2017 to increase the CDP response rate of Cathay's investee companies.</li> <li>• Cathay Century carries out the internal review in 2017 in accordance with the PSI.</li> </ul>
<b>Green Finance</b>	Complete the financing of the Phase 1 offshore wind power installations with a capacity of 8 MW by 2016.	CUB completed Taiwan's first financing project for the wind power installations with a capacity of 8 MW.	Cathay Century expands the coverage of bicycle insurance to public bicycle project.
<b>Social Prosperity</b>	Cathay Century to launch crop insurance.	Cathay Century launched the Mango Crop Insurance product in 2016.	Build a variety of insurance products that provide comprehensive protection for the elderly to cover economic security, health care, and pay-in-kinds.
<b>Digital Innovation</b>	Continuously develop innovative digital financial services, including mobile services. Utilize mobile platforms to advance marketing and service quality.	Launched Mobile Insurance 2.0, redesigned UI/UX, and introduced smart evaluations to improve usage by customer and sales staff.	Continue to develop mobile products and multi-channel services and provide instant and convenient digital experiences.

- Strategy 1** Provide premium customer experiences with innovative digital finance.
- Strategy 2** Develop novel business model with core competencies.
- Strategy 3** Develop responsible investment/lending guidelines.

## Sustainable Financing Development Strategy

"Sustainable Cathay; Contribution to the community" is the core concept of Cathay FHC's corporate sustainability strategy as our commitment brings impact to Taiwan financial sector and Taiwan society. Cathay Life has over NT\$5 trillion in total invested assets, which is approximately one quarter of the assets of Taiwan life industry. CUB's loan asset ranked No. 2 in outstanding balance among private banks in Taiwan as of December 2016. Cathay SITE is the largest asset management company in Taiwan in terms of assets under management. Cathay has embedded sustainable concepts in the company's three profitability growth engines on its way to becoming one of Asia's best financial institutions. We also follow international sustainable framework and link it to our core competencies.

### Principles for Sustainable Insurance (PSI)

Cathay FHC and its subsidiaries continuously integrate corporate sustainability into our business strategies. In 2016, Cathay Life formed the Corporate Sustainability (CS) Team to follow international sustainability trends and implement more in-depth sustainability practices. Cathay also voluntarily complies with the UNPSI, and initiate various sustainability initiatives based on PSI four principles. In March 2017, Cathay Life published its first PSI disclosure report.

Cathay Life embeds ESG issues into business procedures and work together with stakeholders to raise the awareness of ESG. Cathay Life Insurance has reviewed and integrate ESG issues into all the procedures, including the risk management, product development, claims/underwriting, and investment. Cathay Life has dedicated teams to manage and monitor on regular basis to see whether the procedures is well performed.

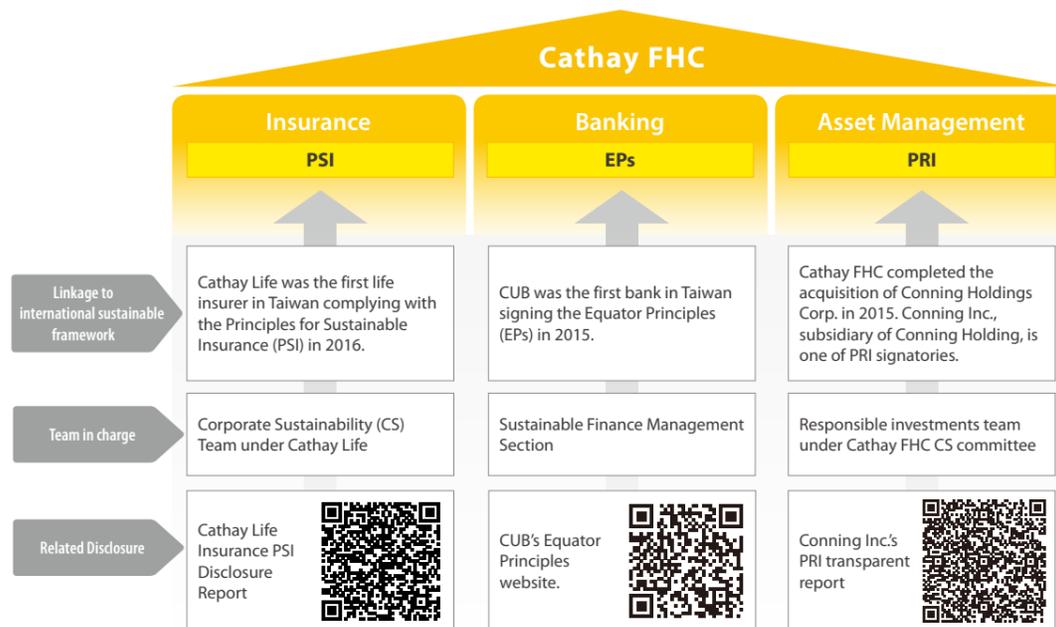
### Equator Principles (EPs) and ESG guidelines for corporate lending

Cathay United Bank adopted the EPs in 2015, and released a series of guidelines in 2016, including Regulations Governing the Project Finance of Equator Principles of Cathay United Bank, Corporate lending ESG specification flow chart, covenant templates relevant to different EP categories, and EPs management system. CUB also conducts training courses for business units and colleagues in related departments and the training materials are available on the website so that colleagues can access anytime. In 2016, CUB undertook five EP-conforming Project Finance cases which include one Category A case, one Category B case, and three Category C cases.

In May 2016, the bank also established Sustainable Finance Management Section responsible for the EPs, corporate sustainability development, and post-loan management. This Section is dedicated to promote sustainable finance more comprehensively.

Cathay United Bank issues ESG guidelines for corporate lending in 2017 to extend scope for "responsible lending" to all corporate borrowers.

Cathay FHC follows international sustainable framework



## Intellectual Capital



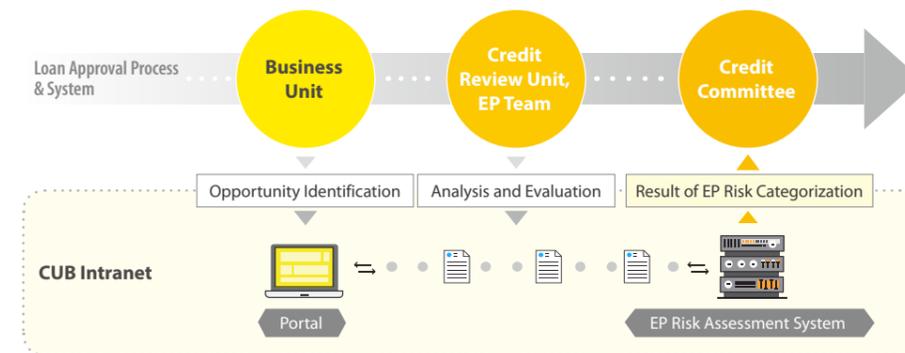
Corporate borrowers have to agree to follow environmental protection and social responsibility terms when applying for loans. The bank shall review the customers' ESG performance during the process of loan application and post-loan management. ESG performance includes whether

the customers violate environment, integrity, labor, and human rights-related regulations. Meanwhile, CUB integrates ESG risk management and corporate governance into the credit lending procedures to achieve the objectives of business growth and sustainable development.

Cathay Life's ESG integration framework on product development, underwriting, and claims

ESG Point of entry	Risk Management	Product Development	Policy Underwriting	Post-Sales Management and Claims Mechanisms	Investment
<ul style="list-style-type: none"> <li>Add ESG emerging risks</li> <li>Set investment/lending limits and management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Understand ESG trends</li> <li>Incorporate ESG emerging risks</li> <li>Consider the suggestions from stakeholders engagement</li> </ul>	<ul style="list-style-type: none"> <li>Improve performance and promote paperless operations</li> <li>Incorporate ESG issues into the underwriting process</li> </ul>	<ul style="list-style-type: none"> <li>Review the product details and offer flexibility to customers when significant ESG incidents occur</li> <li>Trigger critical disaster claims mechanism when significant ESG incidents occur</li> </ul>	<ul style="list-style-type: none"> <li>Cathay investment exclusion policy and lending review</li> <li>Integrate ESG factors</li> <li>Sustainability themed investing</li> <li>Corporate engagement and shareholders' actions</li> <li>Investment mandate management</li> </ul>	
Integration of ESG issues	✓	✓	✓	✓	✓
Monitor and management	✓	✓	✓	✓	✓
Relevant pages in the report	Risk map P.13	Cathay ESG product/service integration P.20~25	Performance of mobile insurance and online card service P.26	Critical disaster claims mechanism P.45	Our efforts of responsible investment P.18~19

### Loan Approval Process for EPs Projects



### The first financing case following the Equator Principles

Cathay United Bank worked with Swancor to complete the first financing case in Taiwan, complying to the Equator Principles, in support of renewable energy.

Formosa Wind Power Co., Ltd, the related entity of Swancor, received the first permit (Electrical Industry Power Generation Equipment Setup Permit) in Taiwan, to establish an off-shore generator farm in the Taiwan Strait. During the process, Formosa Wind Power had numerous communications and negotiations with local communities, fishermen groups, the central government, and local government. The expert panels on ecological marine hold six environmental impact evaluations and reviews to mitigate the possible impact to lowest level.

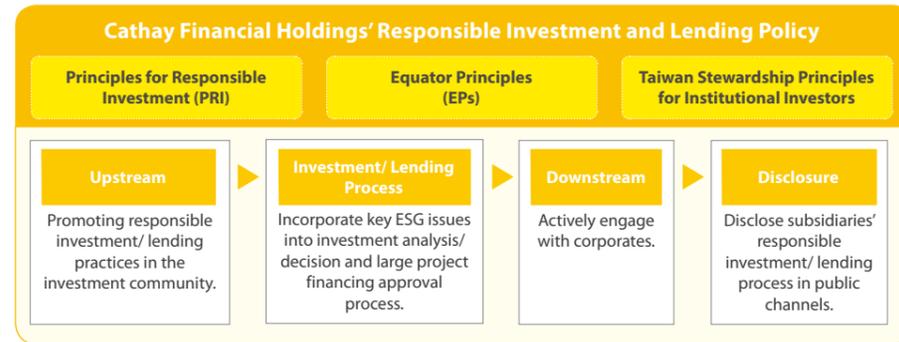


### Principles for Responsible Investment (PRI)

Cathay FHC was the first Taiwan financial institution having the responsible investment team in 2014. This team is under Cathay FHC CS committee, and led by Chief Investment Officer of Cathay FHC. There are a total of eight members representing Cathay FHC and subsidiaries to shape Responsible Investment/Lending Policies including investment/lending exclusion policy.

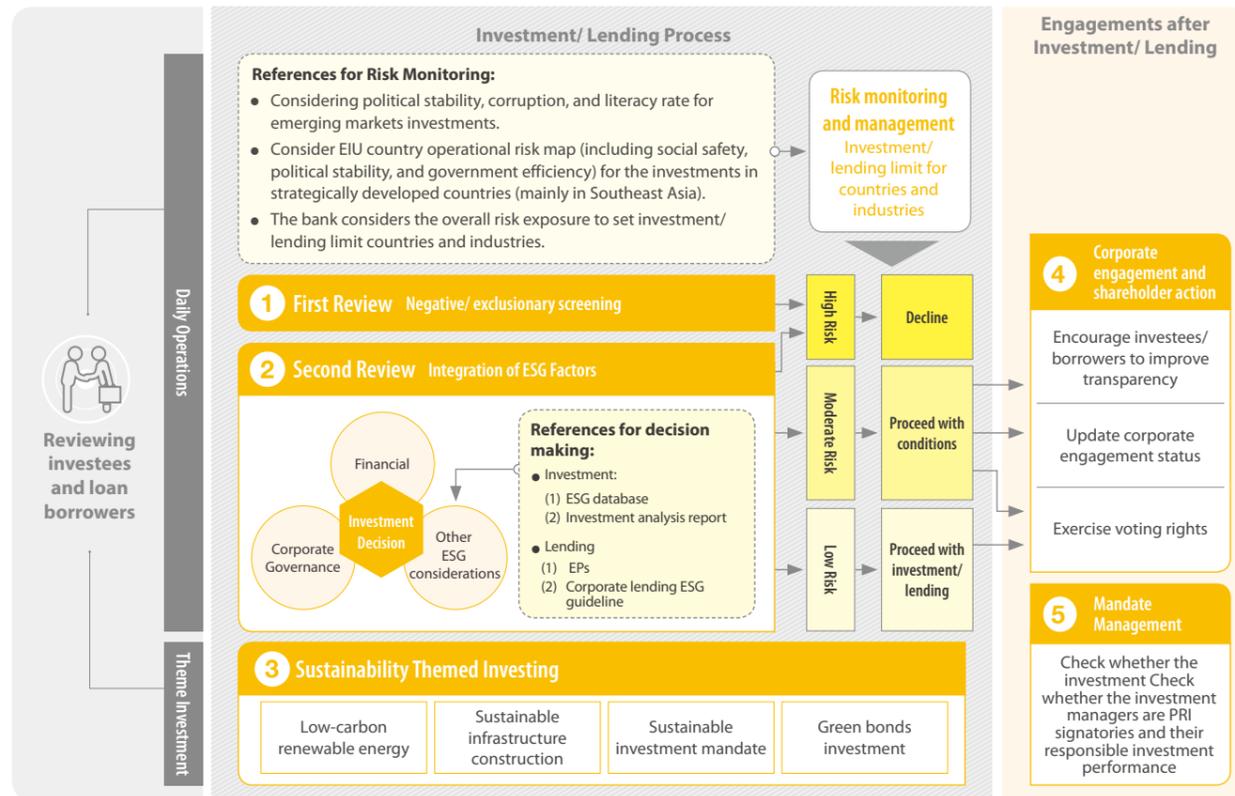
To build an in-depth responsible investment procedure, Cathay Life and Cathay SITE act as the role of asset owner and asset manager helping the Taiwan government to promote the Stewardship Principles for Institutional Investors. Cathay became the signatory in July 2016 and was one of the signatories covering most comprehensive financial services. In 2016, Cathay Life expanded the coverage of responsible investment to all portfolios, such as private equity, equities, and fixed income.

#### Cathay FHC's responsible investment and lending policy framework



Integrating seven types of responsible investment listed in the Global Sustainable Investment Alliance (GSIA) report and UNPRI framework, Cathay's investment and lending procedures are as follows:

#### The ESG integration flowchart of Cathay FHC's responsible investment and lending



### Intellectual Capital

Please refer to the following details for Cathay FHC's responsible investment practices.

Types of responsible investment	Cathay FHC's responsible investment performance
<p><b>1 Negative/exclusionary screening</b></p>	<ul style="list-style-type: none"> <li>Cathay SITE expanded exclusion list to all mutual fund investments in 2013. Cathay FHC also has its own investment/lending exclusion policy, which includes the list of industries and countries with high-risk. The Responsible Investment Working Group reviewed the list regularly.</li> </ul>
<p><b>2 Integration of ESG factors</b></p>	<ul style="list-style-type: none"> <li>Cathay believes that companies with shared CSR value will bring benefit to each other over the long run.</li> <li>In 2014, Cathay SITE started to consider CSR report as one of the assessment factors at their risk assessment meeting for Taiwan equities.</li> <li>Cathay Life also refers to the data from international ESG database to evaluate ESG performance of portfolio companies. We consider the corporate philosophy, corporate developments, corporate governance, corporate responsibilities and financial conditions while assessing investments in equities and bonds. We immediately mitigate the impact if there are controversial issues or ESG risk.</li> <li>Cathay FHC added more training programs from July 2016 onward to increase investment teams' awareness of responsible investment and the use of ESG information. We invited the experts specialized in responsible investment to share their experiences with employees across the Group, including Cathay FHC and five major subsidiaries. Over 30 departments, including risk management and investment teams, participated in the training programs.</li> </ul>
<p><b>3 Sustainability themed investing</b></p>	<ul style="list-style-type: none"> <li>Cathay Life searched for more ESG database from 2015 and embed it to the investment analysis process. We will continuously improve the process of ESG integration going forward.</li> <li>Cathay Life requests the architects following the green building standards for all the new buildings design. For example, we invested in the Ruifang Ally Logistics Park B7 section in Taipei and the Taichung Wuri E-Commerce Building in 2016. Both projects were awarded with the certifications of green building. About the overseas real estate investment, Cathay Life collected information of the building's energy efficiency when investing property in the UK to understand the building's energy efficiency. Moreover, Cathay plans to issue sustainable real estate policy in 2017 as the guideline for future management.</li> </ul>
<p><b>4 Corporate engagement and shareholder action</b></p>	<ul style="list-style-type: none"> <li>Cathay holds high regard for the green industry. The company participated in the LCI Registry initiated by the Global Investor Coalition (GIC) since 2014. Our total investments in eight low-carbon industries defined by the GIC have exceeded NT\$87 billion in the end of 2016.</li> <li>Cathay Life also actively invests in residential sewage treatment systems in addition to solar-power generation. In early 2016, Cathay Life established a joint venture company with a domestic property insurance company and water resources company in the business of residential sewage treatment and water resources development. We hope to support local governments with better public sewage systems and improve the quality of the living environment. The investment amounted to NT\$328 million.</li> <li>Cathay SITE launched the Environmental Trend Fund for many years. The fund reached NT\$350 million as of the end of 2016. The fund's annual investment outperformed the benchmark by 7% in 2016.</li> <li>Our investment in culture and creativity industry amounted to over NT\$100 million in 2016 based on the standards set by the Banking Bureau. The amount reached nearly NT\$300 million if including sponsorships.</li> </ul>
<p><b>4 Corporate engagement and shareholder action</b></p>	<ul style="list-style-type: none"> <li>Cathay Life and Cathay SITE issued its voting policies in 2016, and they will disclose the voting results to fulfill their roles as active investors in 2017. Cathay Life has been assessing the proposals of shareholder meetings of investee companies in Taiwan on a case-by-case basis for a long while. In January 2017, we launched the Cathay Life Stewardship Principles. We do not support the proposals if the investee companies fail in corporate governance or cause damages to the environment and society.</li> <li>70~80% of the sizable companies (more than NT\$ 10 billion investment) invested by Cathay FHC and its subsidiaries have received CDP questionnaires for years. Cathay FHC decides to participate in the "non-discloser engagement campaign" initiated by CDP in 2017 encouraging Cathay's investees/borrowers to disclose related information more transparent. We believe working with other institutional investors engaging with the corporates will improve the CDP response rate and urge the corporates to pay more attention to climate change.</li> </ul>
<p><b>5 Mandate management</b></p>	<ul style="list-style-type: none"> <li>96% of overseas investment managers mandated by Cathay Life for the management of equities, bonds, PE and hedge fund are the signatories of the UNPRI. The rest of the aforementioned investment managers are also regulated by the local authorities or have been actively engaged in responsible investing. Going forward, Cathay Life will consider investment managers' performance on responsible investment when selecting our mandate managers.</li> </ul>



Cathay FHC was the only Taiwan financial institution who joined as a founding member of the Asia Investor Group on Climate Change (AIGCC) relaunch in 2016. We are also one of its AIGCC working group members and participate in the monthly conference calls discussing the international trends of climate change. We help to review and comment on the draft reports issued by AIGCC or other organizations advocating climate change. AIGCC announced the report, "Investing for the Climate in Asia," in the conference of "PRI in person 2016" in Singapore, and CIO of Cathay FHC was invited to share our experience with global institutional investors.

## Fulfilling Green Finance

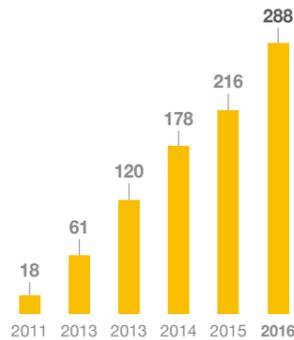
According to the World Economic Forum's Global Risks Report 2017, environmental risk is the most urgent of all risks. Regarding renewable energy and infrastructure, Cathay FHC's subsidiaries have developed products and services and applied an innovative business model to break through dilemmas, with the aim of achieving environmental and economic sustainability.

Promoting Transformation of Renewable Energy	Supporting the Transformation of Transportation	Linking Customers' Power	Supporting Promising Startups
<b>CUB Cathay Century</b>	<b>Cathay Century</b>	<b>Cathay SITE</b>	<b>Cathay Venture Cathay Securities</b>
<ul style="list-style-type: none"> <li>Project Financing for Renewable Energy</li> <li>Renewable Energy Equipment Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Eco-Car Insurance</li> <li>Bicycle Rider Comprehensive Insurance</li> <li>MRT Contractors' All Risks Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Cathay Global Ecology Fund</li> </ul>	<ul style="list-style-type: none"> <li>Supporting Promising Startups</li> <li>Counseling Environmentally Related Industries to be Listed</li> </ul>



Photovoltaic Green Energy Financing

Total installed capacity of solar energy at home and abroad (MW)



Note1: According to the Industrial Technology Research Institute, solar energy equipment in Taiwan generates somewhere between 1,000 kWh and 1,500 kWh per kW. Take the average of 1,250 kWh per kW into calculation. According to data published by Taipower, the average electricity consumption of every household in Taiwan in 2016 was 303 kWh.

Note2: Based on data published by the Bureau of Energy in 2015, the CO<sub>2</sub> emission was cut by 0.528 kg with every kWh of power consumption reduced. Calculation was based on Bureau of Energy's 2011 conversion rate of: 389 tons CO<sub>2</sub> absorption per year by 1 Da'an Forest Park.



### Promoting Transformation of Renewable Energy

#### Renewable Energy Financing Project

After years of development, solar power plants are still not popular in Taiwan due to the following three major problems:

- Funds** - Solar power plants require large and long-term investment of funds.
- Locations** - The solar power plant requires one hectare of land for 1MW capacity, and it is difficult finding suitable locations.
- Ultra-high voltage power cables** - Taipower's power grid has a capacity limit, which is unfavorable for large projects.

At present, solar power generation is benefiting from the maturing of technologies, economies of scale, and a lower setup cost, making it the mainstay of the government's renewable energy program. By 2025, the installed capacity of solar power plants is expected to reach 20 GW. In addition, open agricultural land, such as of the Yunlin coastal subsidence area, has been used to accelerate the development of solar power plants.

Cathay Life invested insurance funds into renewable energy. In 2014, Cathay Life participated in the Galaxy Energy Solar Power Project led by AU Optronics and later founded a joint venture with Neo Solar Power Corporation and Sino-American Silicon Group to invest in solar power stations in 2016. Cathay Life continues to develop low-carbon green industries in response to the government's renewable energy policies.

CUB's Project Finance Department identified project financing for renewable energy as its priority for the next five years. Since 2010, CUB has engaged in project financing for solar power stations, making it Taiwan's first and largest bank to finance solar power stations. As of 2016, the accumulated installed capacity at home and abroad was 288 MW, with a 15-times growth rate over the past six years. The annual capacity of 360 million kWh can supply 100,000 households. The annual reduction in CO<sub>2</sub> emissions of 190,080 metric tons is equivalent to 489 times the carbon absorption capacity of Da'an Forest Park. Market share stands at nearly 30%. In June 2016, the Ministry of Economic Affairs awarded CUB with the "Photovoltaic System-Financial Service Excellence Award" in recognition of its outstanding performance and quality services.

Existing investments in solar panels encourage the stratified use of land. Most solar panels are installed on top of existing buildings, such as barns, greenhouses, logistics warehouses, and schools. In addition, Cathay provides comprehensive financial services by integrating Cathay Life's real estate, CUB's financing customers, Cathay Century's renewable energy equipment insurance, thereby bringing the Group's synergy into full play.

The government of Taiwan also plans to achieve offshore wind power capacity of 3 GW by 2025. Thanks to the long and narrow Taiwan Strait, Taiwan is a suitable place for the development of offshore wind power plants. CUB completed the country's first syndicated loan for an offshore wind power project in 2016. The project can provide 21 million kWh of clean power, reducing 11,099 tons of CO<sub>2</sub> per year, equivalent to 29 times the carbon absorption capacity of Da'an Forest Park. CUB will continue to support the project financing of Phase 2 with offshore wind power installation capacity of 120 MW and assist the developer in achieving capacity of 128 MW by 2019.

## Intellectual Capital



### Renewable Energy Contractors' & Erection All Risks Insurance

Since 2010, Cathay Century has provided Contractors' & Erection All Risks Insurance for projects in the green energy industry, including the construction of hydroelectric power plants and solar photovoltaic power generation equipment. Following CUB's syndicated loan to the offshore wind power project, Cathay Century started offering offshore wind power engineering insurance in 2016, making it Taiwan's first property insurance company to provide insurance coverage for offshore wind turbines.

### Supporting the Transformation of Transportation

#### MRT Contractors' All Risks Insurance

Construction work carries with it a considerably high risk of third-party casualty losses. In the event, having good insurance coverage not only can reduce the burden on the constructors, but provides life and property protection for the third party. Cathay Century offers all risks insurance to MRT contractors against losses caused by natural disasters, accidents, and third-party liability during the construction of MRT projects.

#### Eco-Car and Bicycle Rider Comprehensive Insurance

Cathay Century launched the "Eco-Car Insurance" in 2013 and was the first insurance product based on the idea of green energy. As of the end of 2016, Cathay Century insured a cumulative total of 9,971 vehicles, in line with the government's efforts to assist the green industry while encouraging drivers to support environmental protection and helping with the transformation of Taiwan's transportation.



Bicycle-Rider Comprehensive Insurance was awarded the "Top 10 Outstanding Product" of the Golden Torch Award organized by Outstanding Enterprise Manager Association.

Targeting bicycle insurance, Cathay Century took the lead in the industry and launched the "Bicycle-Rider Comprehensive Insurance" in 2016. The project bridges the gap where most public bicycle riders are not covered by insurance. In 2016, the total number of underwritten cases reached 1,004. Entrusted by the Non-life Insurance Association of the Republic of China, Cathay Century will launch

the first "Public Bicycle Accident Insurance" in June 2017 to encourage more citizens to ride bicycles. In addition, this product extends coverage to most public bicycle riders and meets the diverse needs of green consumers.

### Linking Customers' Power – Cathay Global Ecology Fund

Cathay SITE is optimistic about investment in industries related to environmental protection over the next 50 years. Cathay Global Ecology Fund focuses on industry stocks related to energy-saving technologies, clean energy, water resources, and environmental protection and provides investors with mutually beneficial opportunities of environmental protection and asset growth. The performance of the fund in 2016 exceeded the index by 7%. At the end of 2016, the total value of the fund was NT\$350 million.

### Supporting Promising Startups

Cathay Venture has been committing capital into unlisted companies involved in environmentally friendly businesses. As of the end of 2016, investments in companies in the environmentally friendly businesses accounted for NT\$580 million of the investment portfolio, which represents 18.4% of the total investment amount.

Based on its core competencies, Cathay Securities continues to support environmental and green energy companies in raising capital through IPOs or via refinancing. Four green energy-saving corporate financing projects were underway in 2016, either in progress or under planning. Through its involvement, Cathay Securities hopes to assist environmentally friendly companies engage in further development work by soliciting funds in the capital market.

Note: Environmentally friendly businesses include water treatment industry, photovoltaic industry, wind power industry, etc..

### Promoting Green Finance in Overseas Markets

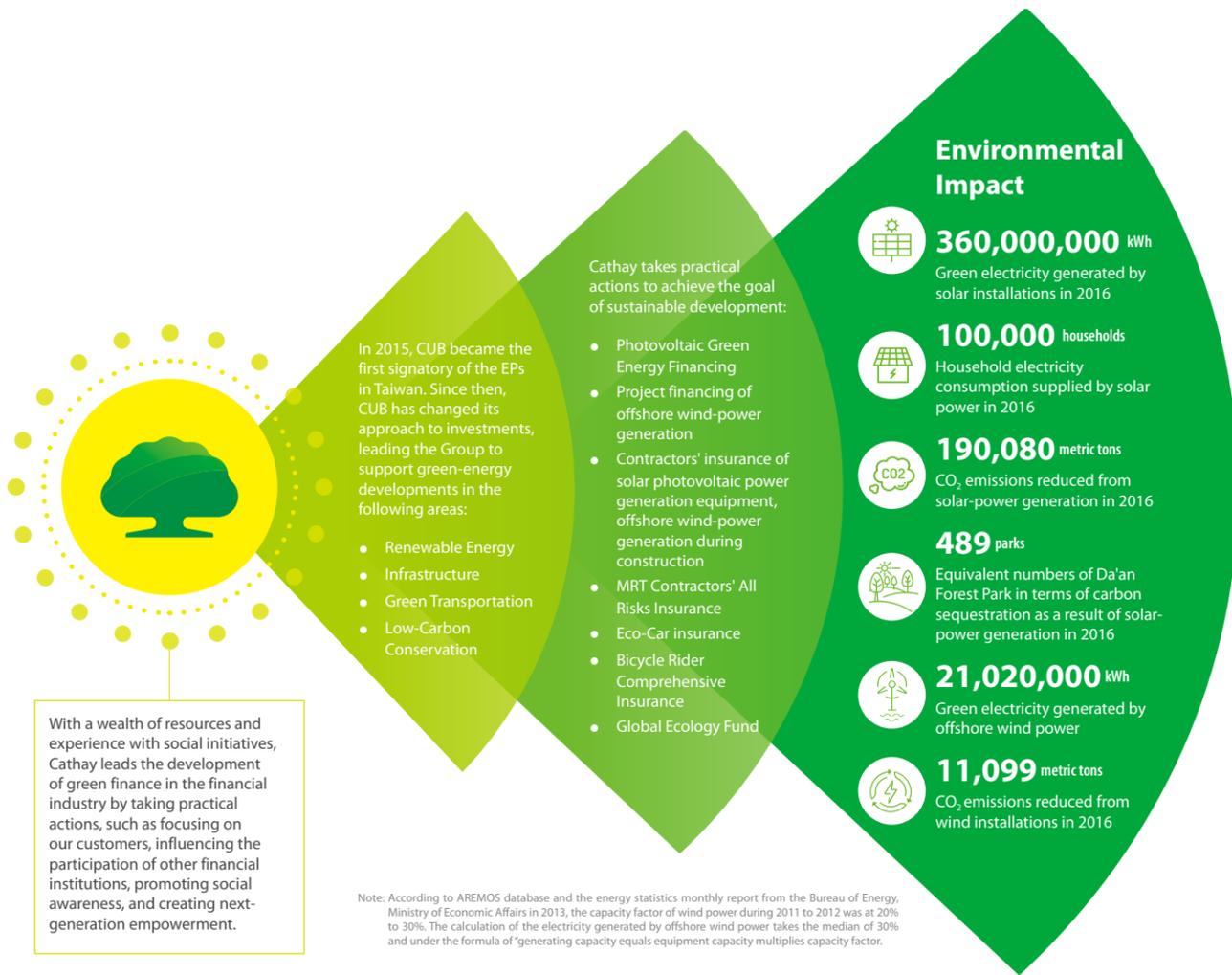
Due to its wide presence with 60 premises in 9 member states of ASEAN, CUB has worked with green energy industries to provide financial services in fast-growing markets such as Vietnam, Cambodia, the Philippines, and Indonesia with the aim of helping Taiwan's green energy industries extend their presence to overseas markets.



### Cathay Securities IPO & SPO Projects in 2016

- Anji Technology Co., Ltd, green energy concept stock, listed in June and raised capital of NT\$139 million.
- Administered to issue a green brand - Scanteak's cooperate bond of NT\$300 million.
- Signed an IPO contract with Ever-Clear Environmental Engineering Corporation, an industrial waste treatment construction planning company.
- Signed an IPO contract with Taiwan Carbon Nano Technology Corporation (carbon nanotubes and related materials).

2016 Performance of Green Finance



Promoting Prosperity with the Community

In fulfilling a people-oriented ethos, Cathay FHC aims to bring happiness to society by providing the elderly, women, and the underserved with products and services that respond to high social risks and expand access to universal finance in innovative ways.

Responding to an Aging Society	Providing Sound Protection for Women	Enhancing Financial Inclusion
<ul style="list-style-type: none"> <li>• Long-Term Care Insurance</li> <li>• Disability &amp; Retirement Trust</li> </ul>	<ul style="list-style-type: none"> <li>• Providing Multiple Safeguards for Women</li> <li>• Providing Sound Insurance Programs for Mothers</li> </ul>	<ul style="list-style-type: none"> <li>• Micro Insurance</li> <li>• Charitable Trust</li> <li>• CPBL Gambling Prevention Trust</li> <li>• Payment of Pre-Paid Service Trust</li> <li>• Crop Insurance</li> <li>• Building an Innovative Digital Outlook</li> </ul>

Intellectual Capital



Responding to an Aging Society

Taiwan will turn into a hyper aged society by 2026, raising the economic burden and medical care needs of the elderly as a social concern for the future. Cathay continues to provide the most complete long-term care products with the aim of bridging the gaps in social welfare and social insurance and to help people to prepare for elderly economic security early.

Long-term Care Insurance and Service

In 2015, Cathay Life launched the "Cathay Life Ching Sung Shou Hu (Easy Caring) Long Term Care Insurance" product which is the first product with focuses on providing coverage of long-term care without death benefits in the industry. Subsequently, the "Cathay Life Shin Jung Hu (Lovely Protection) Specific Injury/ Illness Whole Life Insurance" product was launched with coverage of specific injury and illness. In addition, a popular product, "Cathay Life Shin He Hu Jiou Jiou (Long-Term Protection) Disability Caring Whole Life Insurance", was launched with disability grade table as claims standard. Cathay Life has provided varied coverage to fulfill different long-term care demands.

Responding to the trend of aging and the variable investment environment, Cathay Life launched a variable annuity product, "Cathay Life Fei Yang Ren Sheng (Flying Life) Variable Annuity", which offers "guaranteed death benefit" with monthly refunds in June 2016. This combination can effectively resolve the problem of capital loss of the account value due to market fluctuations. As of the end of 2016, this product sold NT\$ 6 billion in 7 months, garnering a market share at 73%. The sales volume was higher than other products with guaranteed benefits in market.

In 2016, Cathay Life won the exclusive rights to organize the scheme of "2016-2019 Long-term Care Health Insurance for Governmental Employees, Teachers and their Family Members" of the Executive Yuan. Cathay Life offered two products the "Cathay Life Shou Hu Gung Jiau (Protecting Civil workers) Long Term Care Health Insurance" and the "Cathay Life Shou Hu Gung Jiau (Protecting Civil workers) Long Term Care Group Insurance". The long-term care coverage was extended from individual to group insurance.

By 2016, more than 300,000 policies of LTC, quasi-LTC and Disability Caring Insurance were sold, which account for 5% of health insurance policies.

Disability & Retirement Trust

In 2016, CUB launched the Disability & Retirement Trust for the elderly and people with disabilities, which is the first in the industry to allow people to have different types of property entrusted at a time. In doing so, trust properties can be used exclusively for the caring of the beneficiaries and won't be used improperly or appropriated by others. This product assists the elderly and the disabled to enjoy a decent and happy retirement life. In 2016, CUB engaged in 98 cases of the Disability & Retirement Trust with NT\$ 800 million being entrusted.



Prescription Drug Deliveries

According to the World Health Organization (WHO), population aging increases the number of chronic sufferers. Currently, 17 million people around the world die of chronic diseases annually. Cathay Life works with iHealth to provide a free-delivery service for chronic disease prescriptions. Customers may send their chronic disease prescriptions via Line, fax or the website to get the prescription delivery services by professional pharmacists in person. The delivery service is available nationwide.

This service can expand the service range of long term care and can save time and trouble from getting medicine personally for customers. We wish to provide services more than expectation from our customers. From September to December 2016, the delivery service provided for more than 500 people and was highly appreciated by policyholders. The dispensation of medication as well as discounted prices are for Cathay Life's customers exclusively.

Long-term Care Area of Cathay Life's Official Website

In response to aging issues, the "Retirement for the Elderly" Area was set up on Cathay Life's Official Website to help citizens to enhance their financial security, medical treatment, and long-term care after retirement. In addition, Cathay Life also set up the "Government Employee Long-Term Care" Area to provide product information and pre-assessment services with the aim of offering the most comprehensive long-term care services for government employee, educational personnel and their family members.

Pre-Calculation Service Area of Cathay SITE's Official Website

Cathay SITE set up a "Retirement Pre-Assessment" Area to help the retired analyze potential risks after their retirement on its website. Based on a customer's aptitude for investment, Cathay SITE then provides the most suitable products for them. Through pre-assessment, Cathay SITE helps customers understand the keys to a carefree life after retirement.

<p>Retirement for the Elderly Area of Cathay Life's Official Website</p> 	<p>Government Employee Long-Term Care Area of Cathay Life's Official Website</p> 	<p>Pre-Calculation Service Area of Cathay SITE's Official Website</p> 
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A Real-life Case for Disability & Retirement Trust

In Pingtung, the eldest son taking care of his nearly 90-year-old mother would ask mother for money from time to time. His siblings, unable to look after their mother at all times, were concerned about their elder brother misappropriating their mother's savings. They then asked their mother to set up her own trust with NT\$ 3 million, with them served as the trust's supervisors. By doing so, the mother could pay for medical and maintenance costs through trust and enjoy a carefree life.

### Providing Sound Protection for Women

According to statistics from the Directorate General of Budget, Accounting and Statistics of the Executive Yuan, the female labor force participation rate increased from 45% to 50% from 1995 to 2016, reflecting the diversified roles of modern women. More women can be the major financial decision maker in family, so the planning for a comprehensive protection becomes an indispensable issue for modern women.

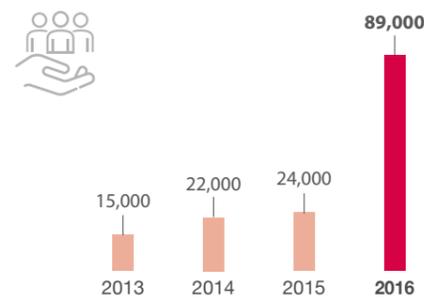
### Providing Multiple Safeguards for Women

With an in-depth understanding of the needs of Taiwanese women, CUB launched the "Phoenix Titanium Credit Card" exclusively designed for women and offered discounts for daily spending. Meanwhile, Cathay Century launched "All-for-You Personal Accident Insurance Project" to cover injuries from serious burns, which safeguards women from burn injuries which is caused easily by housework and increases insurance for skin graft surgery and facial disability. Housework relief insurance is also provided for women.

### Providing Sound Insurance Programs for Mothers

Cathay Life offered a series of insurance products to cover the needs of mothers in facing risks at different stages of life. For example, the "Cathay Life Shou Hu Ma Mi (Protecting Mother) Endowment" and the "Cathay Life Jen Guai Bau Bei (Little Baby) Health Insurance Rider" products provide protection for pregnant women and newborn children, the "Cathay Life Shin Shin Shin Shiang Lian (New Connected Hearts) Variable Universal Whole Life Insurance" product is designed for both a mother and her child. When a child turns 25 years old, his/her mother can transfer the coverage to the child. The "Cathay Life Jian Dan Ai (Easy Love) Variable Universal Whole Life Insurance" product can provide insurance coverage up to 340 times, allowing mothers to receive the highest death benefits under the same budget. The "Cathay Life Shin Shou Hu Yi Sheng (Lifetime Protection)

Number of Cathay Life's Micro Insurance Policies Underwritten (people)



Long Term Care Whole Life Insurance" product is designed for the long-term care of elderly women, which can take care of mother's life quality, while they take care of their own families.

### Enhancing Financial Inclusion

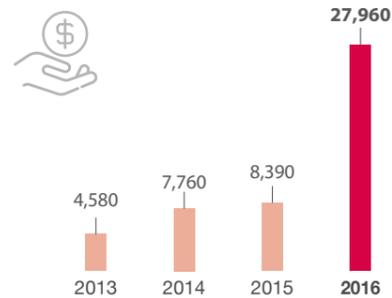
In 2015, there were still 1.2 billion people in Asia underserved by financial institutions. The goal of the WBG Findex is to increase the universal financial access (UFA) of 1 billion people by 2020. In addition to supporting government policies, Cathay also provides new products featuring financial inclusiveness in response to changes in the population and the lack of mechanisms.

### Micro Insurance

Aiming to bridge the gap in social insurance and social assistance mechanisms, micro insurance is for the needs of disadvantaged people with characteristics of low insured amount, low premium and simple coverage. Financial disadvantaged people can apply micro insurance to diversify risks. Cathay Life's Micro Insurance has acquired a nearly 30% market share, ranked as No. 1 in insurance industry. Cathay Life has provided immediate assistance to over 10,000 disadvantaged families. In 2016, Cathay Life received the "Policyholder Ranking Award" and the "Award for Excellent Performance" from government and appreciation certificate for charity donations from society. Cathay Life has won awards for micro insurance for three years continuously.

Cathay Century also provided group micro insurance. As of 2016, Cathay Century issued Micro Insurance to 36,555 policyholders. In the same year, the company offered a micro insurance program to disadvantaged families in Taoyuan City. Policyholders include medium- or low-income families, families requiring child-support, children from the disadvantaged families, and families requiring urgent children and youth living support. In 2016, Cathay Century received two major micro-insurance awards, namely, the "Policyholder Ranking Award" and the "Award for Excellent Performance", and was the only property insurance company among all award winners.

Total Gross Premium of Cathay Life's Micro Insurance (million)



## Intellectual Capital



### Trust Care Mechanism: Charitable Trust, CPBL Gambling Prevention Trust, Payment of Pre-Paid Service Trust

The Trust Department of CUB has always performed professionally in responding to social risks in an innovative way. Under the idea of "bring happiness to society," it shows its value in bringing stability to society and promoting charity. As of the end of 2016, CUB has accumulated Charitable trust fund up to NT\$ 30.3 billion, ranked No. 1 in the industry. By assisting owners of listed companies and successful community leaders in establishing "Charitable Trust" for charitable, educational, and child welfare purposes, CUB aims to make trust funds more transparent and contribute to society.

Furthermore, CUB is the industry's only bank entrusted by the "CPBL Gambling Prevention Trust". After 8 years, CUB set up a "Gambling Prevention Fund" and encouraged players to deposit their pensions in order to build a complete trust mechanism that prevents baseball players from gambling. As of the end of 2016, nearly 220 players joined the CPBL Gambling Prevention Trust; trust

funds exceeded NT\$ 136 million. In recent years, CUB also successfully provided urgent financial relief to 30 players, safeguarding their commitment to true sportsmanship, and enabling baseball fans to enjoy their games at ease.

Based on the characteristics of each industry, CUB launched various types of "Payment of Pre-Paid Service Trust", ranging from food, clothing, accommodation, education, to entertainment to fully safeguard the interests of the public and the needs of companies and consumers. As of 2016, CUB served 50 companies with trust funds of NT\$ 1.28 billion and an estimated 280,000 beneficiaries.

### Mango Crop Insurance

In response to climate change and government protection measures for farmers' income and property security, the "Cathay Century Mango Crop Insurance" product was launched in November 2016, linked to the government's disaster relief efforts. Coverage extends to the loss or damage of mango crops from typhoons, rainfall, and cold weather.

### 2016 Performance of Products Promoting Prosperity with the Society

In response to existing risks and needs in society, Cathay Life, Cathay Century, and CUB launched insurance and trust products to address:

- Aging Issues
- Women Empowerment
- Financial Inclusion

Cathay creates a win-win situation between business and society through diverse public welfare products and services:

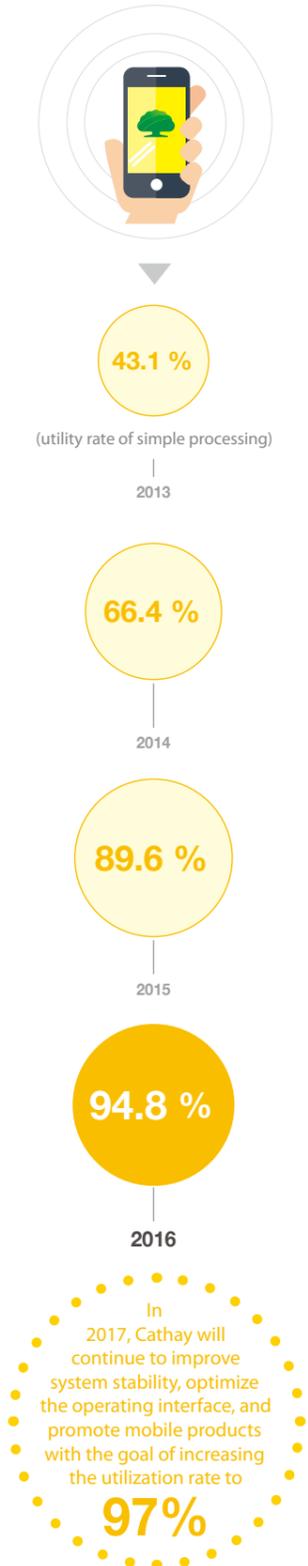
- Long-Term Care Insurance
- Disability & Retirement Trust
- Micro Insurance
- Charitable Trust
- CPBL Gambling Prevention Trust
- Payment of Pre-Paid Service Trust
- Crop Insurance

Cathay attaches great importance to the needs of every corner of society, and serves as a bridge to provide protection by offering products and services that meet the needs of all interest groups.

#### Public Welfare Effect

- 300,000** insurance policies  
Meeting customers needs of long-term care
- 98** cases  
Disability & Retirement Trust designed for the elderly and the disabled
- 10,000** disadvantaged families  
Beneficiaries of Cathay Life's Micro Insurance
- NT\$25,200,000**  
Scale of CUB Charitable Trust
- 467** people  
Reach of CUB's disability campaign
- 220** active CPBL players  
Participants in the Chinese Professional Baseball League Gambling Prevention Trust
- 280,000** consumers  
Secured by the Payment of Pre-Paid Service Trust

Utilization Rate of Mobile Insurance



## Building an Innovative Digital Outlook

In response to the development of digital finance, Cathay formed dedicated teams and independent brands for digitalization and enhanced horizontal alliances from an international perspective. CUB established the Digital Banking Department in 2014; Cathay Life established the Customer Relationship Department in 2015; and Cathay FHC established the Digital Data & Technology Center in 2016. By establishing these units, Cathay addresses the development and needs of financial technology in its subsidiaries, including CUB, Cathay Life, Cathay Century, Cathay Securities and Cathay SITE, and looks for partnerships and investment opportunities.

To engage with the Fintech ecosystem, Cathay FHC joined Plug and Play, a startup accelerator founded in Silicon Valley, in December 2016 and became the anchor partner for topics related to Fintech, which facilitated the interaction between Cathay and international startups in terms of digital finance.



## Cathay Life Proudly Presents Its Comprehensive Mobile Service Platform

To expand its mobile services, Cathay Life integrated technology and service to build the most extensive mobile platform by becoming the first in the industry to launch the "Full Mobile Insurance Service". The function of front desk can be spread to tablets. Customers can receive services, from application to after-sale services, at home conveniently.

In Cathay Life, more than 26,000 salespersons have tablets, making them the largest mobile service force in the industry. From 2013 to 2016, Cathay Life has issued more than 3 million Mobile Insurance policies, accounting for 95% of the total insurance policies in 2016. Originally, applicants had to complete 10 pages of paper information; with the Mobile Insurance service, applicants now only need to fill in 1 page, reducing 90% of paper consumption. The mobile insurance service contributes to CO<sub>2</sub> emission reductions as the amount of carbon absorption of planting 4,947 10 years old trees. Cathay Life's Mobile Claims was the most frequently used service in the insurance industry in 2016, with over 90.3% of claim requests being submitted via the mobile channel, and 620,000 claims approved in a timely, accurate, and professional manner.

Note 1: According to the calculation of the Environmental Protection Administration, EY, saving 1 paper would reduce 0.018kilos carbon emission. Cathay Life's Mobile Insurance has saved 10,611,430 papers in 2016.

Note 2: According to the United States Environmental Protection Agency, reducing 1 metric ton carbon emission equals planting 25.9 tree seedlings grown for 10 years.

## CUB's Pursuit of Fintech Developments

CUB has actively engaged in the development of financial technology to achieve the integration of Internet banking and physical banking services. The bank also aims to provide customers with a new banking experience through an innovative model of digital finance. CUB strives to provide comprehensive digital financial services. In 2016, the number of customers using MyBank and My MobiBank was 1.64 million. In 2016, the number of credit card online applications in a single month reached as much as 20% of all applications, growing by ten times compared to 2015. The simplified procedures for Smart Lending can circumvent over-the-counter processing. As of 2016, 55% of personal loan applications were completed online. CUB introduced the new banking concept, KOKO, combining banking services with social media and mobile. In 2016, KOKO integrated the iPASS transaction details to help with budget management and provide a more complete customer experience. In August 2016, KOKO was awarded the Asian Banker's "Best Network Integration Initiative" for its channel integration.

## Intellectual Capital



In addition to improving customers' access to financial services through diverse digital channels, in 2017, CUB will create a new-generation Big Data Platform that stores large amounts of data in order to conduct analysis of internal and external data applications and cover more dimensions and over various periods. The platform will enable CUB to strengthen the development of product and channel requirements, refine customer profiles, improve customer experiences, and optimize operational efficiency. In response to the trend of digital finance, CUB will continue to advance physical and digital channels and provide customers with a delightful service experience.

## Cathay Century Provides a One-stop Insurance Purchasing Service

With the increasing popularity of online transactions, Cathay Century has actively promoted a digital service platform and developed the first digital service procedures for one-stop insurance purchases, including online insurance within 5 minutes, electronic policies, and mobile apps designed for overseas emergencies. Available 24 hours a day, this digital service replaces paper documents and manual work, making it environmentally friendly and efficient.

## Cathay Securities and Cathay SITE Focus on Mobile E-commerce Services

The securities industry places great emphasis on fast and instant orders. In 2016, Cathay Securities made an in-depth survey of customers' needs for information on making investments, and then launched the "Stock Picking" App. The securities mobile service is not just a trading platform but also an innovative tool for investors to obtain securities services and for companies to manage customers digitally. As of 2016, 75% of customers who placed orders online engaged in stock trading via this app.

Cathay SITE's "My MobiFund" App is the first of its kind in Taiwan's securities investment trust industry to feature the combination of fingerprint identification and online password unlocking. Launched in 2016, the "My MobiFund" App has been optimized continuously, including notifications of profit and loss, KYC updates, and debit facilities, to provide services that are even more convenient to customers.

**Market share of 27%**

In 2016, there were almost 80,000 online transactions, of which travel insurance accounted for 27%, representing growth of 60% in the past two years.

**147,000 downloads**

My MobiCare is the original car accident self-service app. 147,000 people have downloaded since its launch in March 2012 till December 2016.

**72,000 downloads**

My Trip Asst is the original travel insurance app in the industry. 72,000 people have downloaded since its launch in November 2014 till December 2016. 39,000 people have looked up insurance policies using the app.



# Nurture Human Capital

According to the 2016 Global Human Capital Trends report published by Deloitte, changes brought about by an aging population, low birth rates, and the globalization of business have led to a more diversified labor profile. At the same time, disruptive innovations brought forth by developments in technology continue to challenge the traditional business model and talent standards of the finance industry. These changes go with both challenges and opportunities. As a result, Cathay has focused on how to create an environment to maximize the potential of people and to use human capital to create competitive advantages. "Talent" is at the core of the financial services industry. Cathay has always viewed the cultivation of talent as its source of corporate competitiveness. In addition to selecting and fostering people to enrich our talent base, we have promoted Industry-academic Cooperation between the digital financial industry and academia and supported projects to uncover talent in the development of FinTech initiatives. We expect these projects to provide integrated resources that create a pool of financial elite with innovative thinking.

## GOALS

Aspect	2016 Objectives	2016 Achievement	2017 Objectives
Talent Cultivation	Expand training and transition of financial talents program	Trained over 140,000 trainees	<ul style="list-style-type: none"> <li>Complete ESG courses of the Group.</li> <li>Establish physical and mental health evaluation and improvement mechanisms.</li> </ul>
	Continue to advance AG2.0 to increase the productivity of sales representatives	Increase productivity of entry level employee by 5.4%	<ul style="list-style-type: none"> <li>Expand the Maternity Labor Health Protection Program to the Group.</li> </ul>

**Strategy 1** Obtain talents required for future development and cultivate employee agility to respond to fast-changing environments.

**Strategy 2** Respect contemporary values, heed to employee feedback, and build the foundations for employee happiness: A healthy, safe, and friendly workplace.

**Strategy 3** Value the diversity of the organization and cultivate the capacity for servicing diversified markets.

★ Became the first financial operator to participate in the ATCC Case Competition. The team representing Cathay FHC was crowned national champion. ★

★ Average Revenue per Employee NTD10,543,000 ★

★ Employee engagement rate was 4.13; the response rate was 63%. ★  
★ The turnover rate was 7.28%, which was lower than the industry average. ★

★ A total of 444 individuals applied for maternity leave in 2016. The reinstatement rate was 75.44%. ★

★ The BMI of 13% of employees was lowered to normal levels. ★

★ Diversity in employee nationalities reached 13 nationalities. ★  
★ Initiated the "2016 GGC, ASEAN, and India Market Talent Training Program." ★



## Nurture Human Capital

### Employee Structure

Cathay FHC employed a total of 43,621 employees in 2016. There were 176 part-time office staff, accounting for 0.4% of the total. The Company hired a total of 459 employees with disabilities, accounting for 1.05% of the total; the number exceeds the legal requirements.

Part-time office staff  
**176** (0.4%)

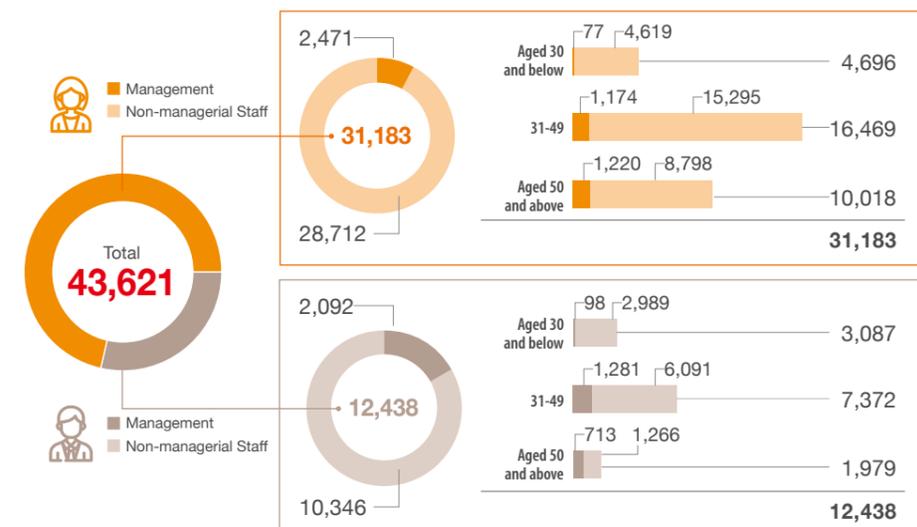
Employees with disabilities  
**459** (1.05%)

#### Full-Time Employees by Location and Education Level

Distribution						Education		
Taiwan		Overseas		Total	Total	Master's Degree and above	University/College	High school/Vocational School and below
Female	Male	Female	Male					
31,142	12,267	41	171	43,621	4,434	24,643	14,544	

Note: Definition of Part-Time Employee includes back office hourly employee and contractor.  
Office staff part time: 0; temporary worker: 298; hourly employee: 142; Contract employee: 34.

#### Employee Distribution Table by Gender, Age and Title



Management  
45.8% Management 54.2%

Non-managerial Staff  
26.5% Non-managerial Staff 73.5%

Note 1: The Average age of Cathay's Employees is 40.97.

Note 2: Management: Refers to general employees who bear the administrative responsibility for managing other employees or unit.



### Obtain Future Talent

#### Attract and establish Talent Pool

In a fast-changing external environment, it has become critical to grasp opportunities and effectively manage risks. To achieve these goals and to obtain top talents who identify with our corporate values has become Cathay's first step in strengthening its human capital base.

In addition to deepening Industry-academic Cooperation with existing partners, Cathay also strived to obtain interdisciplinary talents in 2016 and uncovered talents with a variety of potential. We utilized multiple platforms and channels, such as participation in the 2016 ATCC Case Competition, to meet the challenges of a global financial in transition. Cathay also worked with the Graduate Institute of Technology, Innovation & Intellectual Property Management of National Chengchi University and cultivated 80 FinTech professionals in the first semester of this academic year. We also participated in the Google Digital Mars Initiative.



Nurture Human Capital

Cathay FHC Partners with HackNTU

Cathay partnered with HackNTU for the first time this year and combined elements such as FinTech, the gaming industry, smart life, social design, blockchain and Big Data technologies with social issues based on program development. Cathay provides consultation and lectures by its FinTech team and invites winning participants to join our innovative teams with investment from Cathay FHC.

Champion Team of the 2016 ATCC

Cathay FHC participated in the ATCC Case Competition for the first time in 2016 and became the first financial institution to do so in developing FinTech ideas through the creativity of young students. Participating students provided feasible and competitive business models under the guidance of Cathay FHC's professional team of instructors. The "Junction" team from NTU (National Taiwan University) representing Cathay FHC was crowned national champion.



First Calculus World Cup

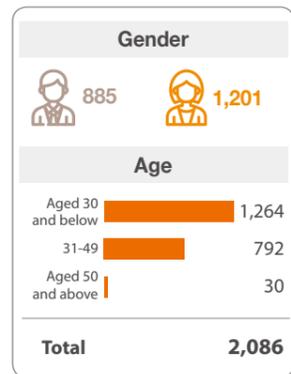
Cathay co-organized the first Calculus World Cup (CWC) in 2016. The event attracted over 2,000 students from 45 nations in online competitions. Participants included students from Cambridge University in the United Kingdom, Tsinghua University in China, Carnegie Mellon University in the United States, Saint Petersburg State University in Russia, and other renowned international universities.



Cathay Internship Program (CIP)

Cathay makes full use of its internship and cooperative educational programs to identify talents early on in their careers. The Cathay Internship Program (CIP) provides outstanding students with opportunities to jump-start their careers. It also builds awareness of core values and incorporates multiple soft activities to account for all prerequisites for success.

New Employee Statistics



Note: Sales agents and marketing specialists were not included due to the special nature of their jobs.

CIP Recruitment Statistics

Year	2014	2015	2016
Number of Applicants	1,248	1,185	1,659
Number of Admissions	92	89	113
Accumulated Number of Recruitment in the Group (Note1)	50	70	105
Accumulated Recruitment Rate (Note2)	20.2%	20.8%	23.4%

Note 1: Accumulated Number of Recruitment in the Group added up till the year.  
 Note 2: Accumulated Recruitment Rate=(Accumulated Number of Recruitment in the Group added up till the year)/Accumulated Number of Admissions of CIP.

Cultivate Employees' Capacity to Respond to Fast-Changing Environments

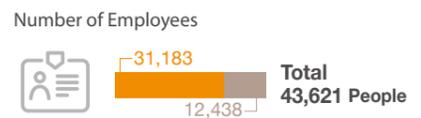
Provide an independent learning environment and various career developments

Cathay has operated for over half a century and achieved a leading position in the market. To respond to fast changes in the financial markets and fulfill Corporate Sustainability, we launched "Project New Heights" for large-scale organizational transformation in 2012 with a view to advancing our plans to becoming an international benchmark organization. In 2016, we continued to implement our development strategy along three engines of growth — "Insurance + Banking + Asset Management" — as we seek continued growth and advance toward becoming "A leading financial institution in the Asia-Pacific region". Faced with an uncertain economic environment, Cathay believes that investment in talents remains the top priority.

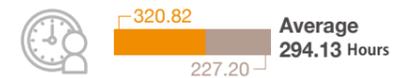
To ensure that our professionals with different functionalities are able to become optimal partners in corporate development and strategic execution, we have established comprehensive training programs in accordance with the developmental requirements of different levels of employees. The Group spent a total of NT\$666,075,598 on employee trainings<sup>Note</sup>.

Note: In 2016, the scope of training spending was reviewed and only the categories that are directly related to trainings are counted in.

Employee Training Hours



Average training hours per full-time employee



Note: Employee Training Hours includes hours from internal trainings, external seminars, online courses and CSN (Cathay Super Net). The variety of trainings offered aimed to satisfy Cathay employees' different types of learning needs. In 2016, new calculation method was used for calculating hours from morning training sessions, CSN and online courses.

AGILE Talent Development Program

Cathay initiated the Agile Talent Development Program as follow-up to "Project New Heights". The Agile program is customer-centric and incorporates four major aspects, including agency capacity upgrade (AGents), internalization of technological intelligence (Intelligence), establishment of leader talent pool (Leaders), and accumulation of innovative and sustainable energy (Energy) to focus on professional, interdisciplinary, and internationalized training strategies. The purpose is to adapt to fast-paced competition, cultivate agile talents, and achieve the vision of becoming "A leading financial institution in the Asia-Pacific region".



Agency Capacity Upgrade (AGents)

AG2.0 On-the-Job Training & Classification Education

The AG2.0 Agents Upgrade Project systematically classifies education and job-related operations to establish an environment for independent learning in business units. Cathay's 13th month retention rate ranks first in the industry and the average monthly productivity of middle- to entry-level employees increased by 5.4%. In response to FinTech trends, tools such as the Cathay Box App are used to increase the efficiency of employee services; the Group also acquired 27 FinTech patents.

The World's First CFP® Corporate Training Institution

Cathay Life brought together external experts and scholars with the company's internal lectures team to formulate a comprehensive CFP® Talent Cultivation Program. This program has six major modules and provides dedicated training and professional exchange communities in all regions to encourage the professional enhancement of sales personnel. About 500 employees have passed the examinations (including CFP® and AFP). Cathay Life is currently the financial institute with the most international Certified Financial Planner (CFP®) in Taiwan.





### Internalization of Technological Intelligence (I)

#### Financial Talent Transition Training Program

Talent requirements in the financial industry have changed dramatically due to the immense impact brought on by FinTech. Cathay FHC has established Digital, Data & Technology Center while Cathay Life and CUB have Digital Innovation Teams and Digital Banking Departments respectively led by senior-level executives who develop strategies and supervise the organization in the execution of plans. The Group has defined the success profile of digital talents and designed a FinTech Talent Development Program through diversified recruitment, professional training, and interdisciplinary development, among others. The Group also actively forms strategic alliance with external entities to keep abreast of the latest developments and to connect with potential talents. CUB continued to invest in the development of digital finance talents in 2016, with related training courses amounting to nearly 10,000 hours.

		Focus of Development
Management Talent	Executives	Three aspects, including key trends in the financial industry, innovative leadership and strategic planning, and strategy execution and effectiveness improvement.
	Middle to Junior Managers	Four areas, including innovation for decision-making, multinational management, innovative management, and Generation Y management.
Digital Financial Talents		Provide modularized training in user experience, user interface, mobile networks, customer experience, system architecture, social media marketing, data analysis, and algorithm technologies to develop disruptive innovation, cross-industry and data analysis expertise.
Digital Finance Transition for All Employees		Customer-oriented, data analytical, entrepreneurial (transformational leadership), and agile organizational capabilities.



### Establishment of Leader Talent Pool (L)

#### Three Main Management Trainee Programs

<b>Cathay Life's CIM Investment Specialist</b>
Outstanding performers in the one-year professional financial training and comprehensive rotations in the financial investment system (front-desk, middle office, and back-office) are rewarded with opportunities for rotation overseas.
<b>CUB's CMA Asia Banker</b>
The program aims to cultivate talents in 8 major sectors, including corporate/private banking, financial markets, and digital financing. Talents can discover management thinking by rotating in the front-desk, middle office, and back-office for 30 months and participating in the research of various projects.
<b>Cathay FHC's GMA Finance Strategist</b>
The program provides comprehensive cross-company and interdisciplinary financial training, supplemented with actual business experiences to help talents connect with markets. Internship overseas are also designed to broaden their international horizons.

#### Establish a Talent Pool to Systematically Identify Potential Candidates

Cathay has established the Leadership Development and Cultivation Committee where the presidents from companies of the Group serve as committee members and organize regular meetings to select talents for training, career experience, and expansion of functional capacities.

The Potential Talent Program (PTP) consists of a candidate pool and a training system built in accordance with talent development coherence and organizational function characteristics. It employs comprehensive selection and development mechanisms to train the height and breadth of judgement in decision-making. The program improves learning performance through periodic reviews and management, and lays out the requirements for promotions and rotations, thereby providing a career development roadmap for talents.

#### Comprehensive Talent Cultivation: Job Rotation Mechanisms

In building an environment that retains talents, the company values opportunities for learning and development besides providing competitive compensation and benefits. We have brought in the Group Personnel Rotation Regulations and the Talent Exchange and Cultivation Implementation Guidelines for Cathay FHC Companies to benefit from rotations and cultivate interdisciplinary talents within the organization.

Cathay FHC and its subsidiaries encompass a diversity of finance industries including life insurance, banking, property insurance, securities, investment,

## Nurture Human Capital



venture capital, futures, and investment consulting. By providing inter-departmental and inter-company rotation opportunities, top employees can continue to take on new challenges and develop their interdisciplinary strengths. The percentage of open positions filled by internal candidates in Cathay was 60.8% in 2016.



### Accumulation of Innovative and Sustainable Energy (E)

#### Internal Innovation and Knowledge Management

Cathay has built a culture of institutional innovation from the inside out. It initiated the innovation proposal platform and knowledge management platform. Cathay believes that innovation comes from ideas exchange and sharing. In 2016, Cathay FHC initiated the "Sharing Club", which encompassed 7 different themes and involved the participation of over 70% of employees. Among those who shared their knowledge were senior managers and entry-level employees. The contents included work skills and the transfer of knowledge and experience. Cathay Life's "Sky Tree" social learning platform for sales employees has accumulated over 1 million views since its establishment in 2013. "Sky Tree" recorded the changing process of employees of practicing and sharing, which formed positive energy. As a result, 4,300 articles and 39 books of discussion were published. For office staff, "Cathay+" knowledge management platform was launched in 2014. In addition, the Company established a learning database to enhance the management and propagation of organizational knowledge.

In 2016, Cathay welcomed employees who had ideas, ideals, and dreams onto the Cathay Talk stage, allowing them to become a Cathay lecturer

in the spirit of learning from sharing. Cathay Talk was modeled on TED, which allows the lecturer to freely share all types of thoughts, stories, and life experiences, while providing listeners with a source of learning to achieve growth. The event attracted 80 employees, with 27 selected to become Cathay lecturers, attend professional TED lecture training courses, and receive instructions from personal coaches. Cathay Talk recorded a total of 29,508 visits on the E-Learning platform.

#### Education to Internalize the Concepts of Corporate Sustainability

In its effort to fortify the philosophy of Corporate Sustainability within the organization, Cathay organized themed CS education in 2016 and provided related training for the various needs of recruits, execution personnel, and mid- to senior-level executives.

In addition, Cathay has included corporate sustainability contents in the biannual Million Dollar Round Table (MDRT) course since 2015. The idea goes hand in hand with the values pursued by the MDRT, such as family, health, education, career, services, finances, and the idea of "comprehensive development" whereby MDRT members are encouraged to use their own passion and resources to give back to the society. Cathay also invited groups on the ShoJio Charity Platform to meet with the MDRT and exchange ideas. Cathay expects to provide advanced CS courses in three main themes, including environmental, social and corporate governance (ESG), and to organize the Social Return on Investment (SROI) internal sharing meeting.

Cathay embraces change brought forth by disruptive innovation. Our rich learning resources and a culture for sharing encourage employees to embrace change and think outside the box for continued growth and sustainability.



	Recruits	Regular Employees	CS Execution Personnel	Middle to Senior Executives
Basic Courses	Instill the philosophy of corporate sustainability in recruits on their first day at Cathay.	Periodic usage of internal publications, social media, and sustainability newsletters to introduce new knowledge on corporate sustainability and case studies, and allow colleagues to participate in the CS committee.	Assign over 50 colleagues from different companies of the Group to participate in the Corporate Sustainability Elite Training Program organized by the Taiwan Institute for Sustainable Energy and systematically learn about the important structures and issues of CS through external performance evaluation and comparison and observing benchmark enterprises.	Arrange CS seminars for senior executive meetings.
Advanced Strategy Courses	Global Trends	--	Allow employees to participate in external seminars and exchanges during office hours. Issues covered in 2016 included food, water resource risks, the aging society, social influence, disaster prevention, to name a few.	Invite experts and scholars to the CS committee each quarter to discuss trends such as green finance and social influence investments.
	Responsible Investment and Lending	--	Invite renowned international investor evaluation institutes such as RobecoSAM, MSCI, and Bloomberg to share their experiences with Cathay as we strive to learn best practices on the global stage.	
	The Environment	--	Organize periodic Environmental Education Seminars.	Seminars

## Respect contemporary trends and values

### Respecting Human Rights

Cathay respects human rights. In addition to complying with local labor regulations and international frameworks such as the United Nations' Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, and the Global Compact's Ten Principles, we also adhere to the related regulations of the UN International Labour Organization. Furthermore, the Group specifically formulated important guiding principles in <Code of Conduct for Employees> to safeguard important rights of employees, such as freedom of association. Employees are required to understand, agree to, and abide by the Code from the first day they join the Group. At the same time, Cathay has established human rights due diligence to conduct periodic impact analyses, management, and improvement of focus targets.

The <Human Rights Risk Assessment and Management Process> takes into account an international human rights framework, the Company's development strategy, as well as group discussions at Cathay FHC's Corporate Sustainability Committee. Topics are selected after consulting stakeholders, including employees, external consultants, scholars, and experts. Information sources such as health risk assessments and employee-employer communication are selected in accordance with the topics. The risk assessment levels of various topics are periodically reviewed and high-risk groups are identified for target management.



For details of the Human Rights Risk Assessment and Management Form, please refer to:

#### Annual Salary (Male: Female)



Note 1: Annual Salary: Fixed Pay+Meal Subsidiaries+Variables.

Note 2: Difference between genders in Executive Level resulted from the gap between President and Vice president. Currently all presidents in the Group are Male.

## Superior Compensation and Benefits

Cathay believes the growth of company is closely connected to employees' efforts. In 2016, consolidated after-tax profit of Cathay is NT\$ 48 billion, and the average employee benefit expense for non-managerial employee was NT\$1,157,961 per person in 2016, increased from NT\$ 1,103,517 in 2015, approximately 5%. In addition, all office staff employees have an annual review of compensation. In the past 3 years, the average pay increased about 3.38%, and Cathay FHC has become a constituent of the Taiwan High Compensation 100 Index.

At the same time, Cathay continues to build a happy enterprise. We have a comprehensive staff welfare system. Based on the principle of taking care of its employees, Cathay has set up Breastfeeding Rooms, treatment rooms, regular physical examinations, workplace massage rooms, birthday gifts, children's education subsidies, staff training allowances, and subsidies for childbirth, weddings and funerals, among others. Cathay also organizes tours, hikes, club activities, and other comprehensive employee welfare measures as well as friendly competitions, singing contests, and family day events, to name a few.

### Active Communication with Employees

To gain a deeper understanding of employees' thoughts on work, Cathay conducted a Group employee engagement survey in 2016 and the response rate was 63%. The survey results indicate that as many as 90% of employees are proud to be a part of Cathay and are willing to dedicate extra

#### Employee Benefit Expense for Non-Managerial Staff

	2015	2016	Difference	Growth rate
Total employee benefit expense for non-managerial staff (NT\$)	44,892,159,662	45,227,638,520	335,478,858	0.75%
The number of non-managerial staff (persons)	40,681	39,058	-1,623	-3.99%
Average employee benefit expense for each non-managerial staff (NT\$)	1,103,517	1,157,961	54,444	4.93%

Note 1: Non-managerial staff refers to employees who do not bear the administrative responsibility for managing other employees or units.

Note 2: "Employee benefit expense" are all forms of consideration given by an entity in exchange for service rendered by employees, including salary, labor and health insurance, pension and other expenses provided to employees in accordance with IAS 19 "Employee Benefits".

Note 3: Cathay Securities Investment Consulting (Cathay SICE) is not included in the scope of the Company's 2016 Corporate Sustainability Report. However, since Cathay SICE was included in the scope of Company's 2015 Corporate Sustainability Report, the 2015 data shown in the Table is the result of adjusting and deducting total employee benefits for non-managerial employees and the number of non-managerial employees of Cathay SICE in 2015, which maintains consistency in the calculation of "Average Employee Benefit Expense" and has comparability.

The first Cathay "Family Day" was organized in 2016. Employees were encouraged to bring their children to work with them to experience a full day of work in the finance industry and the corporate environment. Exciting events included pop quizzes on the Group's basic information, the Cathay anchor experience, and a tour of the Cathay FHC offices. The exciting agenda provided the "working" children with so much fun on the day that they wished to come to work with their parents every day.



## Nurture Human Capital



efforts to make the Company better. Corporate sustainability elements were included in the survey and 90% of employees are willing to implement CS in their daily work. Going forward, Cathay will include the results of this survey in future goals and continue to use the voice of its employees as the power to move ahead. To allow employees to freely express their opinions, Cathay formed the <Guidelines for Implementing Employee-Employer Communication> in 2015 to convene such regular meetings. In accordance with the law, both labor and management of Cathay FHC and its subsidiaries elect representatives to file reports and conduct discussions on various major issues between labor and management, facilitate sufficient communication, reach a consensus, and formulate resolutions for implementation. A total of 16 meetings were held in 2016.

The Group provides a variety of learning and development opportunities, a compensation system superior to others in the industry, as well as comprehensive benefits, various communication channels and mechanisms for labor-management meetings to increase work performance, enhance employees' expertise, and increase work satisfaction rate. Cathay has an overall employee engagement rate of 4.13 out of 5 points and a turnover rate that is substantially below the industry's average.

#### Turnover Statistics

Number of Employees in Service in 2016	16,269
Accumulated Resigned Employees in 2016	1,184
2016 Turnover Rate	7.28%
2015 Turnover Rate	8.21%

Note 1: According to 2016's new definition of turnover rate, sales agents and marketing specialists were not included due to the special nature of their jobs. Turnover Rate of 2015 was recalculated based on 2016's new definition.

Note 2: In 2016, office staff involuntary turnover rate was 0.04%.

### Health and Safety Management Procedures

A healthy and safe workplace is the foundation for employee happiness. Cathay believes that a company cannot be competitive without healthy and happy employees. To implement this philosophy, Cathay FHC has established occupational safety policies and the Group's occupational safety team convenes meetings to periodically review health and safety strategies as well as the implementation progress of various plans. Cathay's physical examination report includes analysis based on gender and age groups, rank, and field and office employees. The top-three health issues are highly correlated to obesity and cause potential risks for cardiovascular and other chronic diseases.

To lower the aforementioned health risks, Cathay has established daily health-hazard risk management procedures to ensure employee

health and safety. Employees are classified based on results of physical examinations and therapists follow up on irregularities in high-risk groups with higher risk levels. At the same time, therapists also refer employees to resident doctors based on requirements and the willingness of each individual. They also coordinate with the employee's supervisor on making the required adjustments for work. With regard to occupational safety management, in the event of a disaster, the attending doctor will conduct an inspection of the injury. The occupational safety supervisor compiles the requirements for the employee, while the occupational safety department is notified to provide care and the necessary assistance. Subsequently, a therapist will continue to track the employee's recovery progress and assess whether reinstatement is appropriate. The case is closed after the reinstatement status of the employee is verified. A Statistical Analysis Report of Occupational Hazards is submitted regularly to the Occupational Safety Committee each quarter. Cathay has also established the following measures for creating a safe work environment:

1. Arrange for first-aid personnel to receive qualified first-aid training. The workplace is also equipped with first-aid equipment.
2. Conduct periodic inspections of the illumination and carbon dioxide concentration in the workplace environment.
3. Conduct physical examinations and safety and health training for new recruits before starting work.
4. Organize periodic physical examinations and safety and health training for current employees.

#### Occupational Hazards Statistics

Occupational Injuries	66
Occupational Deaths	0
Lost Days	1,811
Disabling Injury Frequency Rate (FR)	0.86%
Disabling Injury Severity Rate(SR)	23.59%
Absence Rate	0.0189%

Note 1: Frequency of Disabling Injuries(FR)=case\*(10<sup>5</sup>)/ Total Working Hours per Year

Note 2: Severity of Disabling Injuries(SR)=Lost Days\*(10<sup>5</sup>)/ Total Working Hours per Year

Note 3: Absence Rate =Lost Days/ Total Working Days per Year

Note 4: Number of Lost Days is consistent with numbers reporting to occupational injury system of Occupational Safety and Health Administration, Ministry of Labor.

### Health Risk Mitigation Plan

Cathay also actively organizes a series of health promotional plans such as the weight-loss competition, Walking321, and the Cathay Run. We use attractive rewards and group competition mechanism to encourage employee participation. Cathay General Hospital and Cathay Healthcare

For more information of Occupational Health and Safety, please refer to:



### Walking 321

In 2016, Cathay Life launched 2 month long "Walking321" events combined with mobile devices. To encourage employees to walk for health at least 30 mins, 2 km per day, Cathay Life provided incentives such as lottery draws and feedback with insurance protection. In this innovative way, health had become easier and more interesting. "Walking321" had attracted more than 3,000 employees to join with 16,000 km walked, and 9680,000 kJ burned in total.

Management Center also pitched in, providing nutritional outpatient consultation aerobic courses, among others. In addition, for the prevention of cardiovascular disease, Cathay commissioned mobile blood pressure measurement stations whereby healthcare therapists visited various units to make measuring blood pressure convenient, increase employees' willingness to accept examinations, and instill a healthy habit of regularly measuring blood pressure. Metabolic syndrome screening increases employees' understanding of the status of their health to make improvements. A total of 5,860 employees were serviced in 2016.

Cathay FHC organized the Weight-Loss Contest for the first time in 2015. The event was expanded in 2016 and a weight-reduction goal of 15,000 kg was set and successfully accomplished. In 2016, the BMI of 13% of participants was lowered from overweight to normal levels, which reduces the risk of cardiovascular diseases. And the results of the competition were linked to charitable donations in which Cathay donated NT\$100 to a charity for every 1 kg of employee weight loss. The donations



Gifts for Mommy



Statistics of Reinstatement after Parental Leave

Number of Parental Leave Applications	Female		412
	Male		32
No. of Employees Subject to Reinstatement	Female		313
	Male		25
No. of Employees Reinstated	Female		238
	Male		17
Reinstatement Rate	Female		76.04%
	Male		68.00%
<b>Total</b>		<b></b>	<b>75.44%</b>

Note: Reinstatement Rate=(No. of Employees Reinstated/ No. of Employees Subject to Reinstatement)\*100%

Cathay Run

Cathay FHC held Cathay Run in 2015-2016, in which 4,000 employees and their family had a great time together. Cathay Run came in the form of relay race which emphasized on teamwork. The case that the employee rush to Cathay Run venue with luggage right from airport after overseas business trip showed the spirit of teamwork. Some also provided feedback such as: "Joining Cathay Run with colleagues brought positive impact on daily cooperation between teammates".



were used to construct photovoltaic panels and the proceeds from the sale of electricity were used by the charity to sponsor health events for the elderly. The series of events created a positive cycle in which Cathay employees lost weight, reduced carbon emissions, and improved the health of the elderly. In the future, we set a 3-year weight-reduction goal of 45,000 kg. Cathay also promoted the Maternity Healthcare Protection Program for female employees. Pampering of mothers, baby gifts, mother-care courses, and parent-child interaction courses are organized in accordance with requirements, from pregnancy to the post-natal stage. The company actively provides care and trace of health, which wins popularity from employees.



Family Bonding Courses



Related Family Care and Menstrual Leave

Family Care Leave	Female		613
	Male		146
Maternity (Paternity) Leave	Female		1,024
	Male		516
Menstrual Leave	Female	6,973	

Nurture Human Capital



Valuing diversity in the organization and cultivating the capacity to service multiple markets

According to the "How Diversity Can Drive Innovation" report in the Harvard Business Review, a company with more diversity in its corporate leadership delivers better business performance and innovation and is 70% more likely to win market share. A team with members who share a client's ethnicity is 152% more likely to understand a customer. As of 2016, Cathay has established operational offices in 9 out of 10 ASEAN nations. The number of employee nationalities has reached 13 in 2016. In providing services to various types of markets, Cathay employees are comprised of different genders, and come from diverse backgrounds, nationalities, and cultures. This is exemplified in sales representatives who are immigrants or indigenous people. The Company also has policies to encourage employees from diverse backgrounds, such as women, disabled individuals, indigenous people, and overseas employees, to safeguard fair opportunities and a friendly work environment. In 2016, women accounted for 54% of management level in Cathay and there were zero sexual harassment cases, showing strong results of an equal and friendly workplace. At the same time, Cathay has advanced the policy of "operating local markets with local expertise" and will in the future increase the number of local hires in its overseas operations to 85%. We have the following policy and programs to ensure the implementation of our value of "Diversity inclusion and equal opportunity", which is mentioned in our (Human Rights Policy).



ASEAN-India Market Talent Training Program

The Group's resources are leveraged to expand across Asia. This includes internationalization of the talent pool and hiring international talents in local regions. We continue to support our international operations and enhance profitability by strengthening mid- and office staff corporate functions and deepening the resources of our talent pool. Cathay FHC collaborated with the Global Brands Management Association (GBMA) on the 2016 GGC, ASEAN and India Market Talent Training Program as a way to encourage outstanding talents from Southeast Asia to join the overseas business of the Cathay FHC Group.

In addition, the Vietnam Students Insurance Experience Camp appointed multiple Vietnamese students to work in Taiwan, Vietnam, and other locations. Meanwhile, CUB's CMA Asian Banker Program that was launched in 2005 also started recruiting graduates from China, Cambodia, and Vietnam.



Cathay Talents Challenge

One in every two individuals in Taiwan is a customer of Cathay. In order to provide services to diverse customers, Cathay's sales representatives also come from different backgrounds and provide customers with the most considerate services. The recruitment philosophy of "advancing dreams and working together" was launched in 2016 in the Cathay AG2.0 Agents Upgrade Project. An internal report found that Cathay sales representatives included several experts with outstanding skills who are known across the world. Through the "Cathay Talents Challenge", we have successfully uncovered a group of sales representatives who accurately exemplified the ideals of "being rich and free while living a meaningful life". These individuals include a former professional SBL basketball player, dancers, drummers, lifeguards, and others globally renowned for their exceptional skills.

Women in Management

	Number of Women in Management	% of Women in Management
2014	2,592	54.86%
2015	2,488	53.89%
2016	2,471	54.15%

Former SBL Player Li-Kai Huang is Now an Expert

Li-Kai was once a player in the SBL team, Kinmen KaoIiang Liquor. When he joined the life insurance industry, the professional qualifications test in his first year had been difficult for him, since he was not endeared to studying. He was also mistaken as a fraudster by clients, because of his height. With resilience acquired through repeated practice, Li-Kai succeeded in obtaining the related financial licenses and won the trust of clients. Over 50% of his clients are basketball players. He paid special attention to the structure of all products to incorporate insurance sales into sports, chats, and discussions of current issues. There were obviously rejections from basketball players in the process but Li-Kai, well-versed in basketball and insurance, explained to his friends by using real-life examples such as the importance of reducing the risk of discontinued income caused by injuries. He is now a consultant to his friends and has achieved the perfect integration of his knowledge in basketball with insurance.



# Preserving Natural Resources Capital

According to Taipower's official website data, power supply shortages occurred more frequently in 2016 — with 80 days of "orange alerts" versus just 1 day in 2013. With increasing awareness of climate change and excessive PM2.5 measures, survival of the human species on Earth will require drastic changes. Corporate development needs to take into consideration social (people), environmental (planet), and economic (profit) factors. In response, Cathay FHC has continued to promote its green business plan and expand the scale of green initiatives in the hopes of strengthening its environmental protection efforts and achieving environmental sustainability in cooperation with its employees, suppliers and customers.

## GOALS

Aspect	2016 Objectives	2016 Achievements	2017 Objectives
Greenhouse Gas	CUB to complete a GHG inventory of 165 branches within three years.	<ul style="list-style-type: none"> <li>Achieved ahead of schedule.</li> <li>Completed GHG inventory of the group, representing 434 operational sites in Taiwan.</li> </ul>	CO <sub>2</sub> emissions reduced by 1% compared with 2016.
Renewable Energy			Increase solar-power installations capacity by at least 1,800 KW.
Green Procurement (Excluding green building materials)			Procurement amount of at least NT\$150 million.

- ★ Completed GHG inventory of the group representing 434 operational sites in Taiwan. ★
- ★ Hosted the electricity saving competitions for customers and employees, saving 1 million kWh of power in total. ★
- ★ Hosted a supplier conference with attendance of 200 suppliers, conducted a supplier survey, and invited suppliers to sign the commitment to corporate sustainability. ★

- Strategy 1** Advance environmental and energy management to reduce climate and environmental risks.
- Strategy 2** Expand Influence for the creation of a sustainable supply chain.
- Strategy 3** Integrate core competencies to support green finance.



## Green Operational Strategies, Goals, and Actions

<b>Policies</b>	<ul style="list-style-type: none"> <li>Cathay FHC Environmental Policy.</li> <li>Cathay FHC Directive for Energy Saving and Carbon Reduction.</li> </ul>
<b>Management Structure</b>	The Corporate Sustainability Committee is supported by the Green Operations Working Group, and is responsible for Cathay's green business management. The Corporate Sustainability Committee reports operational status to the presidents and independent directors at the semi-annual meetings.
<b>Long-Term Goals</b>	<p>Cathay's three environmental management objectives:</p> <ol style="list-style-type: none"> <li>Energy-saving and carbon-reduction: CO<sub>2</sub> emissions reduced by 5% by 2021, with 2016 as the base year.</li> <li>Green procurement (excluding green building materials): The annual amount of procurement of up to NT\$150 million.</li> <li>Renewable energy: Increase the capacity of solar installations year by year; by at least 1,800 KW in 2017.</li> </ol>
<b>Actions</b>	<ul style="list-style-type: none"> <li>Cathay Life and CUB's headquarters continued to obtain ISO 14001 and ISO 50001 certification.</li> <li>Promote the sustainable management of real estate. Obtain green building certification.</li> <li>Hold the electricity saving competition for employees and customers.</li> <li>Prioritize the procurement of environmental-friendly or energy-saving goods and equipment.</li> <li>Organize the supplier conference to commend green suppliers and invite suppliers to sign the commitment to corporate sustainability.</li> </ul>

## Environmental Data Inventory and Resource Management

In 2012, Cathay Life was the first to obtain the ISO 14001 certification. In 2013, Cathay FHC President Lee Chang-Ken signed Declaration on Greenhouse Gas Reduction; meanwhile, Cathay Life also introduced the ISO 50001 energy management system. In 2016, Cathay Life and CUB's headquarters obtained ISO 14001 and ISO 50001 certification. In addition, the GHG inventory of all 434 Cathay's operational sites in Taiwan was certified. Moreover, a five-year carbon-reduction goal was set and it will be achieved through the installation of energy-saving equipment and various energy-saving measures.

One of our key action plans is to increase the production and use of clean energy with the view of reducing GHG emissions and preventing global warming from worsening while meeting the needs of social and economic development. Since 2016, Cathay Life evaluated the solar-power installations at its logistics parks. In 2017, a solar-powered roof, with a capacity of 1,800 KW, will be installed at the logistics park in Dayuan. In 2013, CUB established first solar-powered roof branch in Taiwan and has expanded its presence gradually. At present, two solar-powered branches have the capacity of 3,960 kWh per year, which reduce carbon emissions by 30,000 kg. The third solar-powered branch at Ruihu will be set up in 2017.



## GHG Emissions and Energy Consumption of Cathay FHC and Its Subsidiaries

	2015	2016
<b>Scope 1 GHG Emissions (metric tons of CO<sub>2</sub>e)</b>	1,174.82	3,613.23
<b>Scope 2 GHG Emissions (metric tons of CO<sub>2</sub>e)</b>	18,328.14	53,809.08
<b>Scope 1 and 2 GHG Emissions (metric tons of CO<sub>2</sub>e)</b>	19,502.95	57,422.31
<b>Total Energy Consumption (GJ)</b>	132,684.07	378,600.69
<b>Energy Consumption per Capita (GJ/person)</b>	11.06	8.67
<b>Total Electricity Consumption (kW)</b>	35,178,796	101,911,131
<b>Electricity Consumption per Capita (kW)</b>	2933.28	2333.61
<b>Scope 3 GHG Emissions (Taiwan HSR and Air Travel) (metric tons of CO<sub>2</sub>e)</b>	-	2,157.0

- Note 1: Scope 1 GHG emissions factor was quoted from the GHG Emissions Factor Table published by the Environmental Protection Administration of the Executive Yuan (Version 6.0.3, January 2017). Fixed emissions sources: Diesel: 2.61 KgCO<sub>2</sub>/L; liquefied petroleum gas: 1.752 KgCO<sub>2</sub>/L; natural gas: 1.88 KgCO<sub>2</sub>/M3. Mobile combustion sources: Diesel: 2.61 KgCO<sub>2</sub>/L; automotive gasoline: 2.26 KgCO<sub>2</sub>/L.
- Note 2: No biodiesel was added to diesel in 2016. Thus, the biodiesel-related factor was not used in the calculation.
- Note 3: The electricity emissions factor (0.528 metric tonnes CO<sub>2</sub> per MWh) was based on the Electricity Emissions Factor 2015 published by the Bureau of Energy of the Ministry of Economic Affairs.
- Note 4: The GWP value used in the GHG inventory was based on the warming trend of the Fourth Assessment Report published by the IPCC in 2007. If that report has no reference value, the warming trend of the Fifth Assessment Report published by the IPCC in 2013 is used.
- Note 5: The number of employees in the inventory was 11,993 in 2015 and 43,671 in 2016.
- Note 6: Scope 3 GHG emissions: Business Travel Emissions from air travel (excluding Cathay Pacific air due to lack of information) and Taiwan's High-Speed rail travel were defined by GHG protocol 2015 (V2.6).



**First in Taiwan: CUB-Solar-powered Roof Branches**

1. Ming Cheng Branch (2013): Monthly capacity of 2,000 kWh. Reduces carbon emissions by 18,000 kg per year. The first solar-powered branch in Taiwan.
2. Tainan Branch (2014): Monthly capacity of 1,960 kWh. Reduces carbon emissions by 15,000 kg per year.
3. Ruihu Branch (2017): Capacity of 31.2 KW is expected to be installed.



**Cathay Landmark**

In addition to a rainwater harvesting system, the building is equipped with low-radiation double-layered glass, LED lighting, and water-saving sanitary appliances. It has been awarded the Taiwan Green Building Gold Certificate and the LEED Gold Certificate. The occupancy rate exceeded 50% in one year. Tenants include large multinational corporations, such as Microsoft, Oracle, and Société Générale.



**2016 Environment-related Data of Cathay FHC and Its Subsidiaries**

Category	Entity	Value
Water Consumption (million cubic meters)	Cathay FHC headquarters	0.0047
	Cathay FHC and its subsidiaries	1.343
Waste Consumption (metric tons)	Cathay FHC headquarters	11.69
	Cathay FHC and its subsidiaries	2884.43
Recycled Amount (metric tons)	Cathay FHC headquarters	4.03

Note 1: Water consumption and waste consumption of Cathay FHC and its subsidiaries in 2016 were estimated based on the actual inventory data per capita obtained at key operations.

Note 2: Cathay FHC will perform the water consumption inventory of the group in 2017.

Note 3: The recycled amount at Cathay FHC's headquarters includes paper, plastic, cans, glass, kitchen waste, batteries, CDs, and mobile phones.

**Sustainable Commercial Real Estate Management**

Cathay Life is the largest insurance company in Taiwan. In addition to its outstanding record in insurance, Cathay Life also performs well in real estate investment and operational management. Cathay believes that corporate sustainability, environmental sustainability and social prosperity have to be fulfilled in tandem with the pursuit of profits from the investment, development, and management of commercial real estate.

The Cathay Landmark, built by Cathay Life in the Xinyi District of Taipei in 2015, was awarded the Green Building Gold Certificate by the Ministry of the Interior and the LEED Gold Certificate by the U.S. Green Building Council. Subsequently, with the support of all the tenants, the Cathay Financial Center became the first business in the domestic financial industry to apply for the LEED Gold Certificate for Existing Buildings in the area of operational management. The certificate is expected to be obtained in 2017. In the future, real estate projects developed and managed by Cathay Life will continue to apply for the Green Building Certificate in order to mitigate negative impact on the environment and residents.

**Cathay's Real Estate Developments in 2016**



**Green Initiatives**

**Enhanced Information Disclosure**

Corporate sustainability relies on the support of all stakeholders. Information disclosure is the basis of facilitating cooperation between Cathay and its stakeholders. In 2012, Cathay FHC signed the Carbon Disclosure Project (CDP). In addition to the continuous support of the CDP, Cathay improved its carbon management based on the feedback of the CDP and sponsored CDP-related seminars and presentations so as to raise its awareness of and response to climate risks and opportunities. In 2015, Cathay also signed the Water Disclosure Project and the Forest Footprint Disclosure Project, both of which are the key foundations of responsible investment and credit risk management. Cathay is the only company in the domestic financial industry that has signed the Road to Paris, jointly proposing with other global corporations to the UNFCCC COP21 with the aim of keeping the rise of global temperature below 2 degrees Celsius.

**Energy-Savings Competition for Insurance Buyers and Employees**

Cathay Life put the idea of energy saving into practice by encouraging everyone to reduce GHG emissions through reducing electricity consumption. In 2016, Cathay Life organized the energy-savings competition for employees and customers. Cathay Life encouraged them to set the air conditioning temperature at 26 degrees Celsius and to keep the habit of switching off lights and unplugging. The competition saved 1.07 million kWh of energy in total, equivalent to the consumption of more than 100,000 households per day, 680 tons of carbon emissions, or the carbon sequestration of 2,268 trees per day.



The customers, who won the electricity-saving competition, were awarded with electric motorcycles.

**Sustainable Supply Chain Management and Green Procurement**

Cathay emphasizes its responsibility and influence on the supply chain. We have actively implemented supplier relationship management, supplier management processes, procurement policies, and supplier evaluation mechanisms. Cathay has prioritized the procurement of environmentally friendly and energy-saving products and set up the Green Supplier Database. On the procurement platform, suppliers with environmentally friendly and energy-saving accreditation were marked with green procurement tags for easy screening. In 2016, Cathay achieved green procurement to the value of NT\$300 million, including environmentally friendly building materials used for real estate development. To strengthen our emphasis on green procurement, we removed green building materials that fluctuated greatly based on the history of procurement and set the annual goal of green procurement to at least NT\$150 million.

As a way to extend our influence to the environment and on society at large, Cathay FHC and its subsidiaries hosted the supplier conference in December 2016 with an attendance of more than 200 suppliers. At the conference, Cathay commended representatives of 26 green suppliers and invited suppliers to sign the commitment to corporate sustainability. In addition, a supplier survey was conducted to understand how they implemented ESG and the issues they were interested in regarding corporate sustainability. The survey was used as a reference to help us advance the management of relationships with suppliers.



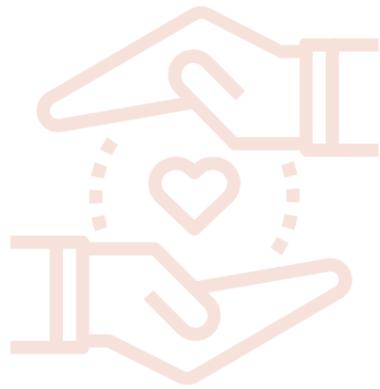
President of Cathay FHC commended the Green Supplier of Cathay.

**Cathay Suppliers' Commitment to Corporate Sustainability**

"We devote ourselves to fulfilling green supply chain management, waste reduction and pollution prevention, and improved energy utilization in accordance with the laws and regulations in respect of labor conditions, occupational safety and health, environmental protection, and labor rights."

For more information on Cathay's supplier relationship management, refer to the Company's website.





# Social Relations Capital

Cathay's ethos is premised on the "Five-Heart Services" and the belief that "Providing happiness to people is happiness itself." These ideals underscore our brand and secure customer interests and customer satisfaction. We identify various public welfare issues and concentrate our core resources to resolve them in order to build a sense of "happiness fulfillment" in Taiwan's society.

## GOALS

Aspect	2016 Objectives	2016 Achievements	2017 Objectives
Social Prosperity	Cathay Excellence and Happiness Project for Second-Generation Immigrants to continue cooperating with universities in hosting the "Professional Teacher Training" course.	Cathay assisted 22 junior high and elementary school teachers, and 11 pre-service teachers on a visit to Vietnam and Indonesia to gain international and multi-cultural experiences.	International Seminar on New Immigrants join the World Cafe Model for the expansion, and invited domestic and foreign experts and scholars to group discussion.
	Cathay to increase the participation rate in the ShoJio Charity Platform in terms of user browsing, usage frequency and benefits.	<ul style="list-style-type: none"> <li>10 events were organized in 2016, resulting in growth of 16% from the previous year.</li> <li>The total number of visits on the website amounted to 75,007 (16% year-on-year growth).</li> </ul>	Enhance the connection between group resources and social issues on the ShoJio Charity Platform to increase the usage rate and provide more diversified contents.
	The Cathay Dream Come True Program to continue supporting children in remote areas and help elementary students achieve their goals.	The Cathay Dream Come True Program supported over 14 schools and provided Dream Come True Scholarships to nearly 300 children in remote regions in 2016.	Increase the number of remote schools supported in the Cathay Dream Come True Program and continue to support more children.
Customer Relations	<ul style="list-style-type: none"> <li>Increase customer satisfaction.</li> <li>Lower the number of customer complaints.</li> </ul>	<ul style="list-style-type: none"> <li>The customer satisfaction rate of Cathay Life increased meaningfully by 1.5% from 2015.</li> <li>The number of customer complaints at Cathay Life fell significantly by 16.57% from 513 cases in 2015.</li> </ul>	Pass re-certification of acquired international certifications and enhance early warning of customer complaints and subsequent follow-ups, while actively notifying customers to protect their interests.

### Strategy 1

Enhance public welfare strategies to be in line with the United Nations Sustainable Development Goals (SDGs) and create new horizons for public welfare projects through care and diversity.

### Strategy 2

Focus on customer interests and improve service quality to build the most heartwarming customer experience.

★ Cathay Financial Holdings invested a total of NTD\$30,5651,877 to sponsor 300 cultural and creative industries in 2016. ★

★ The Cathay Immigrant Second-generation Empowerment plan provided assistance to 500 students in 2016 and supported the participation of 240 teachers. ★

★ Cathay Life supported the Hondao Senior Citizen's Welfare Foundation to promote the walk-in care service. Donations of handheld tablet computers to caregivers helped them to manage and monitor remote medical care. The tablets were used 88,680 times in 2016. ★

★ Cathay Life obtained the ISO 10002 certification for six consecutive years with the highest ratings and remains the only insurance company in the industry to acquire both ISO 9001 and ISO 10002 certification. ★



## Valuing Customer Rights and Interests

### Customer Satisfaction Management and Complaint Mechanisms

Cathay FHC values significantly its customers' opinions. In addition to organizing the quarterly Cathay FHC Service Quality Committee meetings, the subsidiaries also assign large, credible consulting companies to conduct annual satisfaction surveys, establish dedicated units to process complaints, and formulate internal regulations for the monitoring of customer service quality. In 2016, Cathay Life won the CommonWealth Magazine's First Prize in the "Best Reputable Insurance Enterprises" category for 9 consecutive years, while CUB was awarded the "Top Service Award" by Next Media Magazine.

Cathay Life reviews the service quality evaluations monthly or quarterly via telephone interviews or emails. It introduced and passed the ISO 10002 certification for the first time in May 2010 and



organizes project teams with SGS to conduct site visits and information verification on an annual basis. Since the year after obtaining certification, Cathay Life has achieved the highest rating in the certification for six consecutive years and it is the only insurance company in the industry that has acquired both ISO 9001 and ISO 10002 certifications. In order to gauge the opinion and the service experience of the policyholders, Cathay Life applied the Net Promoter Score (NPS) to the satisfaction surveys of policyholders in 2016. Cathay Life will continue to scrutinize the index in the future as a reference to improve customer service experience.

Cathay FHC has started to conduct comprehensive customer service experience inspections and provided action plans for optimizing service procedures. In response to developments in mobile finance in the future, the Company will also integrate smart technology applications to improve the overall customer service experience with the goal of continuing positive interactions with customers in order to build the reputation of the brand in the public praise.

### Management of Insurance Brokers and Agencies

Brokers and agencies have always been important suppliers. Cathay Life has established the "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies". The Guidelines maintain the quality of new insurance contracts of insurance brokers and agencies and control the number of inappropriate sales. In 2016, 64,874 cases were reviewed in periodic inspections. If any broker or agent fail to meet the standards, the Company will respond with the necessary renewal and control mechanisms.

	Cathay Life	CUB	Cathay Century	Cathay SITE	Cathay Securities
Satisfaction Survey Items	<ul style="list-style-type: none"> <li>Sales</li> <li>Customer service center</li> <li>Claims services</li> <li>Phone care services</li> </ul>	<ul style="list-style-type: none"> <li>Phone services</li> </ul>	<ul style="list-style-type: none"> <li>Phone services</li> <li>Claims services</li> <li>Administrative services</li> </ul>	<ul style="list-style-type: none"> <li>Website impression</li> <li>Online transactions</li> <li>Distributors</li> </ul>	<ul style="list-style-type: none"> <li>Digital services</li> <li>Customer service center</li> </ul>
2016 Performance on Customer Satisfaction	94.4%	82.5%	96.7%	84.85%	92.6%
2016 Number of Complaints	1,677	1,243	252	98	2
Complaint Channel and Dedicated Unit	The Insurance Customer Service Department is responsible for processing complaints and improvements to the quality of internal controls through telephone interviews.	Customers can leave messages on the official website or dial the 24-hour customer service line if they have any questions or in the event of consumer disputes.	The Insurance Customer Service Department is responsible for processing consumer disputes and the establishment of the "Cathay Century Insurance Consumer Dispute Settlement Procedures" to safeguard consumer interests.	The Insurance Customer Service Department is responsible for processing customer complaints and reports while prioritizing the protection of financial consumers.	Customer Service Center is responsible for dealing with complaints and executing "Financial Consumer Dispute Settlement Procedures" to increase the efficiency and quality of processing consumer disputes.

### Constructing a Comprehensive Information Security and Personal Information Protection System

As the domestic financial industry advances into the digital era, the number of Internet trading continues to rise and the importance of personal information protection is paramount. The financial industry is one of the top-five industries that are most vulnerable to information leaks. Cathay FHC internalizes the protection of personal information to demonstrate its commitment to personal information security. The Company has established the Personal Information Management Committee, the Personal Information Review and Management Team, and the Personal Information Emergency

Response Team, to attach highly importance to the security of its customers' personal information. The Company organizes an annual personal information management meeting to review stakeholders' opinions on the personal information management system, risk assessment results, the team's reports, and conducts response exercises every other year.

The main subsidiaries of Cathay FHC have established their own Information Security Policy, reviewed on an annual basis to ensure their confidentiality, integrity, availability, and compliance. This helps to raise employees' awareness of information safety and protects information assets from interference, destruction, invasion, or harmful acts or attempts for any reason.

#### Information Security and Personal Information Protection Training

Cathay continues to use the following channels to conduct training and education of information security and personal information protection to allow employees to fully understand the Company's information security policy, the requirements of the Personal Information Protection Act, and the Company's Personal Information Management Regulations in order to instill information security and personal information protection into daily operations and the core values of the organization.



The main subsidiaries of Cathay FHC have also set up different measures for protecting personal information. Highlights of these measures are described below:



### Improving Customer Experience

#### Providing Five-Heart Services and Winning Customers' Hearts

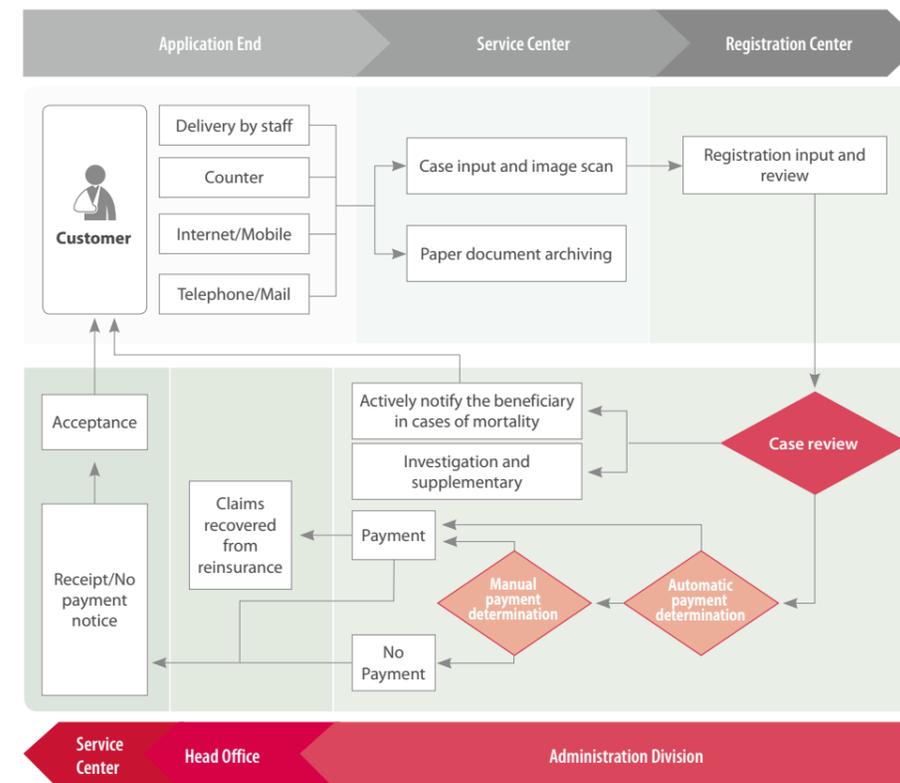
Cathay FHC's subsidiaries provide customers with a full spectrum of comprehensive financial services. In addition to the depth and breadth of services, they hope to offer considerate services to each customer at each service point. At the same time, the Company retains the spirit of warmth, sincerity, patience, care, and sympathy embodied in its "Five-Heart Services" as a way to fulfill its fiath of "Providing happiness to people is happiness itself". Cathay Life began the advancement of the "Five-Heart Services" in 177 service centers across Taiwan in 2008. Through SGS Qualicert renewal certification in 2016, Cathay Life was certified again by demonstrating Cathay Life's commitment to the philosophy of "Service is always better than best." as it provides customers with customer-centric, world-class services.

### Improving Claim Services to Efficiently and Accurately Complete Claims

Claims service require promptness and quality of communication in processing cases. Cathay Life actively promotes its online claim services. The "Claims Area" on the official website provides diversified services, such as claims trial calculation and application. Customers can also use "mobile claims" for instant application and track the case progress at any time. The mobile claims usage rate in 2016 was 90.3%, the highest in the industry.

Cathay Life processes an average of 10,000 claims each day. On average, one out of every 2.6 claims made in Taiwan is made to Cathay Life. With such high requirements for claim services, Cathay Life has launched a Claim Service Enhancement Program to raise awareness of our warm and receptive claim services and enhance training in responding adroitly to customer complaints. Cathay Life immediately forms an emergency response team in the event of major disasters to keep abreast of the latest information. Meanwhile, the Company assigns service personnel to contact and comfort families of insured customers. Cathay Life achieved a 43.6% support rate and won the first prize for the assessment report of life insurance companies compiled by Risk Management, Insurance & Finance Magazine for "Best Claims Services".

Operational Flow Chart for Claims



#### 2016 Outstanding Service Ambassador - Pei-Ru Chang, Customer Service Specialist

The customer required long-term dialysis and the recurrence and transfer of cancer cells prevented him from living or working normally. The customer wished to apply for exemption of premiums to reduce his financial burden while retaining basic coverage. Due to the cancer-related symptoms, it became difficult for the customer to talk and drink. I would therefore wait till he finished speaking before verifying his requirements. During the processing of the case, I continuously inquired colleagues in our Service Section about the required documents and actively reported the application progress to the customer. The customer said that he could hear my encouragement every time he visited. What the customer taught me would forever have more value than my contributions.

#### Customer Appreciation Message Board

The policyholder, Ms. Ho, visited the Sanmin Service Center in Kaohsiung toward the end of 2016 to apply for changes in insurance policies. She was greeted by Customer Service representative, Mei-Kuan Li, who actively assisted in the application after understanding the economic reasons for changing the payment level. She also introduced to Ms. Ho the convenient electronic billing and mobile insurance purchase services. Ms. Ho fully appreciated the professional and dedicated replies from customer service and praised the staff for their professional services. She also dialed into the Cathay Life 0800 line to show appreciation for the two customer service representatives.

## Increase Public Welfare Influence, Achieve Happiness by Helping Others

Cathay FHC continues to bring its resources to bear for the stabilization and happiness of society and expand its power of influence over public welfare. We hope to "bring happiness and make dreams come true" in Taiwan's society. In the advancement of public welfare, Cathay's goal is to connect group resources and integrate the core functions of its subsidiaries through "innovative horizons and consideration for diversity".

To effectively assess performance of its investments in charity and to intensify influence, Cathay FHC reviewed the focus targets of welfare activities in 2016. It adopted the corporate community investment evaluation mechanisms of the London Benchmark Group (LBG) to assess the input and

output through quantitative data methods in order to identify deficiencies in the projects. Thus, Cathay adopted the "Dream Come True Elementary School" program as the first step to evaluate the social impact of the SROI demonstration program in 2016. Going forward, Cathay will continue to implement influence analysis of various public welfare programs and use them as the basis for future resource allocations and project improvement.

Cathay connects with various public welfare issues and collaborates with strategic partners from all sectors, making use of core functionalities in resolving diversity issues. We have adjusted the priorities in social welfare and included "Inclusive Care" as the main focus for providing assistance. In order to strengthen social influence, the list of beneficiaries has been expanded to include students, schools, disadvantaged groups, elderly groups and communities. The Group also included health, sports, arts, cultural, and environmental protection into social welfare activities for full implementation.

### Cathay FHC's Corporate Citizenship and Philanthropy Strategy

Inclusive Care	Sporting Activities	Arts and Culture	Environmental Considerations
By working with key strategic partners and investing in the cope capabilities of the financial industry, the Group provides assistance to school children, students, special interest group, the elderly, and various communities, thereby taking practical steps to influence public welfare in Taiwan.	The Group encourages youth sports and promotes the nurturing of the domestic sports scene. Furthermore, in cooperation with relevant institutions, the group also actively promotes activities for elderly communities.	The Group brings to bear its resources available for extending art and culture to every corner of life and to encourage social participation.	Reflecting our corporate logo, a large banyan tree, the group actively promotes ecological charitable activities to raise the community's awareness and emphasizes conservation efforts in order to create a harmonious relationship between man and the environment.

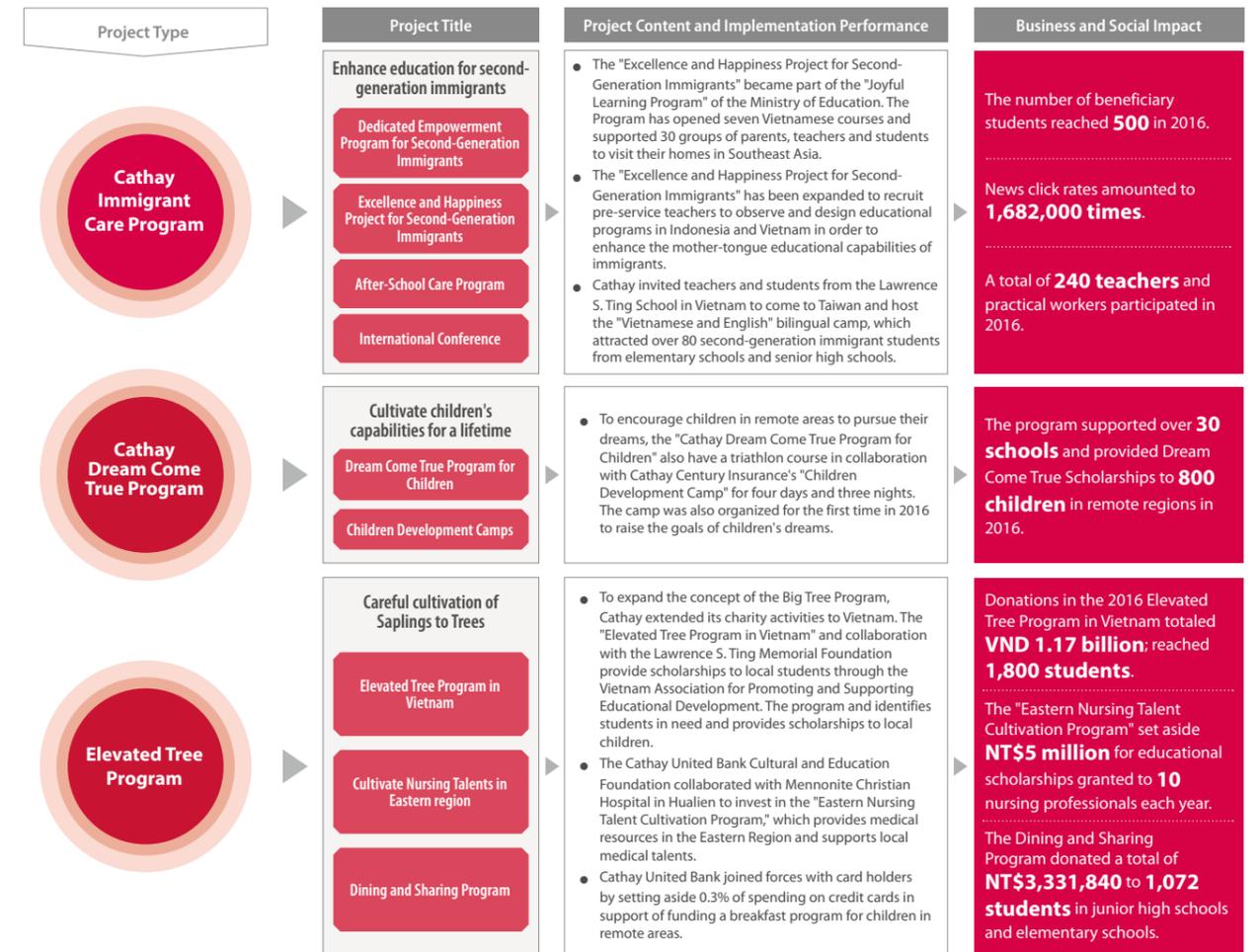
In addition, Cathay also encourages employee participation. The "One-Day Volunteer" program was launched in 2009 while the "Lin Yuan Volunteer Group" was established in 2011. Cathay seeks to encourage long-term participants by establishing a volunteer community network and hosting annual volunteer commendation ceremonies. As of the end of 2016, registered members of the Lin Yuan Volunteers amounted to 11,510 individuals. The volunteers also continue to dedicate themselves to activities such as volunteer visits, natural disaster relief, and other social welfare advancements to spread Cathay's seeds of charity to every corner in Taiwan.

### Collaboration with Strategic Partners to Educate Children, Reduce Learning Gaps, and Create Opportunities for Equal Education

The development of the M-shaped society has caused polarizing differences in educational resources between urban and rural areas as

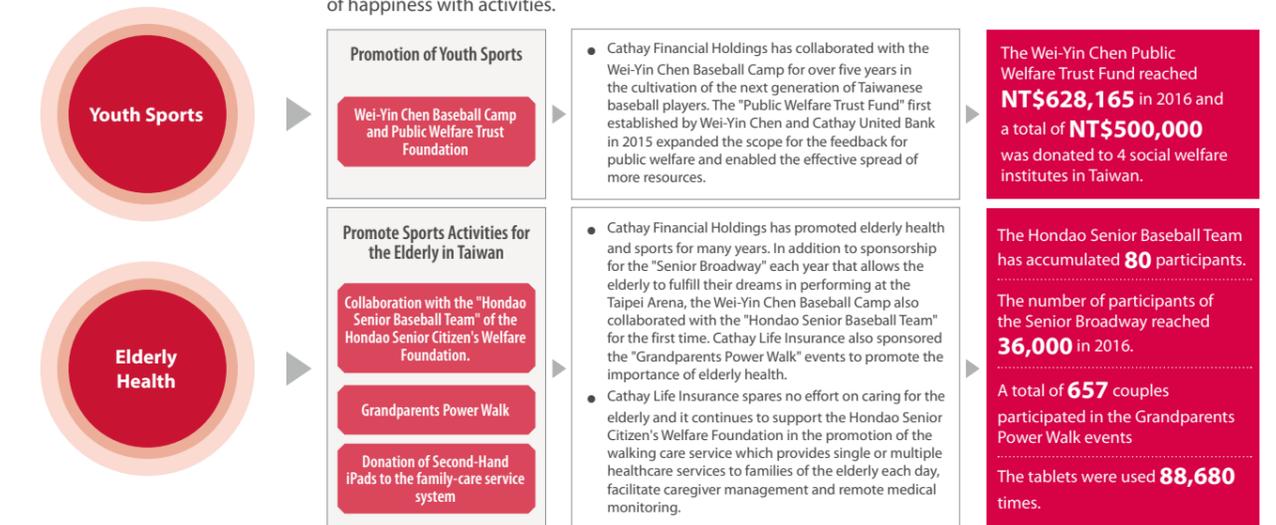
more students face challenges in building their confidence and improving themselves through learning. In addition, in recent years, Taiwan has faced the challenges of a low birth rate, an aging population, and diversified ethnic structures. Cathay has actively promoted the "Cathay Excellence and Happiness Project for Second-Generation Immigrants", the "Cathay Dream Come True Program", and the "Elevated Tree Program" in recent years. It also published the "Little Drummer" documentary video to help disadvantaged children fulfill their dreams. The documentary video attracted close to 5 million views and inspired numerous responses across society. Therefore, based on the brand ideals of "Providing happiness to people is happiness itself" and "Providing happiness to people is happiness itself," Cathay seeks to support the future of the next generation through education and talent cultivation, thereby enabling young children to grow into the pillars of society in Taiwan.

## Social Relations Capital



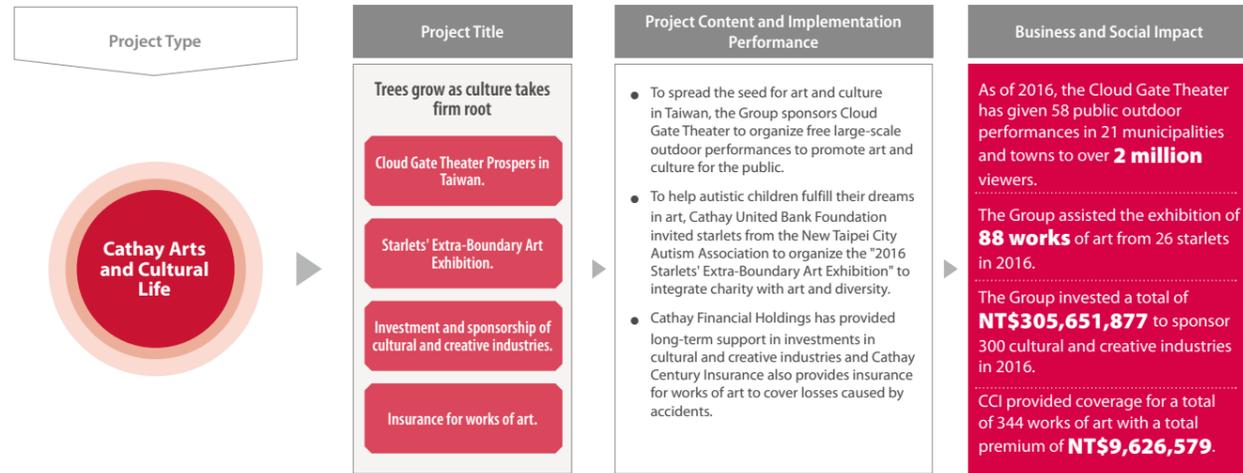
### Promote Health Awareness and Sports for the Youth and Elderly

Cathay firmly believes that each community has their own different goals. To make dreams come true, Cathay has promoted the "Students Dream Come True" programs in recent years as well as supported youth and elderly health initiatives. We seek to allow different groups to achieve their dreams through different means and make the impossible possible, while encouraging the spirit to pursue sports in Taiwan. For the middle-aged to elderly population, we seek to propagate the concept of improving health through sports, allowing them to enjoy a life of happiness with activities.



**A Place for the Arts and Culture at Cathay Life**

It has always been Cathay's wish to utilize the arts and cultural resources of the financial group to encourage public participation. Cathay has a presence in events from dances to music and children's drawing competitions. The Group strives to establish social consensus and advance the appreciation and quality of Taiwanese culture by organizing art and cultural events.



**2016 Key Philanthropy Performance**



Wei-Yin Chen and senior members of the Hondao Senior Baseball Team launched senior baseball activities in Taiwan.

**2014-2016 Charity Investment Categories and Amount (Unit: NTD)**

2016	
Cash Donation	326,586,721
Time Contribution	12,070,560
Practical Donation	3,747,467
Administrative Expenses	1,090,819
<b>Total</b>	<b>343,495,567</b>

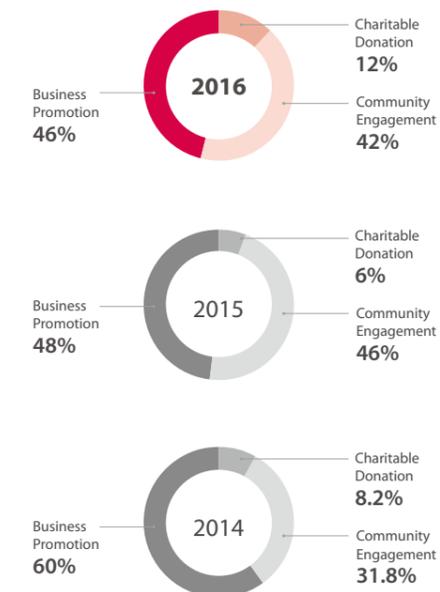
  

2015	
Cash Donation	199,000,000
Time Contribution	14,964,040
Practical Donation	621,988
Administrative Expenses	2,635,740
<b>Total</b>	<b>217,221,768</b>

2014	
Cash Donation	130,000,000
Time Contribution	21,301,640
Practical Donation	0
Administrative Expenses	Uncalculated
<b>Total</b>	<b>151,301,640</b>

**2014-2016 Public Welfare Activity Investment Ratio Description**



The CUB Elevated Tree Program supports the growth of young children.



Cathay Charity Foundation and the Eden Social Welfare Foundation jointly organized a charity bazaar to continue their support for second-generation immigrants.

# APPENDIX

GRI Standard - Universal Standards	50
GRI Standard - Topic-specific Standards	51
United Nations Global Compact Principles	51
ISO 26000 Index	52
Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"	53
Disclosure of Human Capital Data	54

## GRI Standard - Universal Standards

Category	Main issues	Corresponding Section	Page
<b>GRI 101</b> <b>GRI 102-45~102-56</b>	Foundation, Reporting practice	Reporting Guidelines and International Framework	00
		Reporting Principles and External Audit	02
		Appendix – GRI standard table	50-53
<b>GRI 102-1~102-13</b>	Organizational profile (including activities, employee information etc.)	Company Profile Box	00
		Business Performance	09-10
		Nurture Human Capital, Employee Structure	28-29
		Appendix – Human Capital data	54-58
		Sustainable Supply Chain Management and Green Procurement	41
		Leading the Industry's Development through Active Engagement	10
<b>GRI 102-14~102-15</b>	Strategy	Message from the Chairman	04-05
		Procedures for Analyzing Material Issues and the result	00-01
<b>GRI 102-16~102-17</b>	Ethics and integrity	Declaration of Sustainability Values	01
		Strengthening Compliance System of Cathay Group	14
		Respecting Human Rights	34
<b>GRI 102-18~102-39</b>	Governance (including Governance structure, Risk management, Remuneration etc.)	Milestones of Cathay FHC Corporate Sustainability Committee	01
		Advancing Corporate Governance	11-12
		Risk Management and Internal Controls	13
		Superior Compensation and Benefits	34
		Stakeholder Engagement	00-01
<b>GRI 102-40~102-44</b>	Stakeholder engagement	Active Communication with Employees	34-35
		Sustainable Supply Chain Management and Green Procurement	41
		Valuing Customer Rights and Interests	43-44
		Procedures for Analyzing Material Issues and the result	00-01
<b>GRI 103-1~103-3</b>	Management Approach	Process of Creating Value for Sustainable Development	06-07
		Balanced Reporting	14
		Customer Satisfaction Management and Complaint Mechanisms	43

## GRI Standard - Topic-specific Standards

Main issues	GRI Topic-specific Standards	Corresponding Section	Page
<b>Risk management</b>	201-2 Financial implications and other risks and opportunities due to climate change	Risk Management and Internal Controls	13
		Sustainable Financing Development Strategy	16-19
		Fulfilling Green Finance	20-22
		Preserving Natural Resources Capital	38-41
<b>Corporate governance and business performance</b>	201-1 Direct economic value generated and distributed	Business Performance	10
		Process of Creating Value for Sustainable Development	06-07
<b>Talent recruitment and training</b>	404-2 Programs for upgrading employee skills and transition assistance programs	Obtain Future Talent	29-30
		Cultivate Employees' Capacity to Re-pond to Fast-Changing Environments	30
		Agile Talent Development Program	31-33
<b>Employee benefits and friendly workplace</b>	401-1 New employee hires and employee turnover	Appendix – Human Capital data	54-58
<b>Workplace safety and health</b>	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Appendix – Human Capital data	54-58
<b>GHG emission, energy usage and reduction</b>	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions	Green Operational Strategy, Goals, and Actions	39
		Appendix – BSI opinion statement	60

## United Nations Global Compact Principles

Category	Main issues	Corresponding Section	Page
<b>Human Rights</b>	Businesses should support and respect the protection of internationally proclaimed human rights	Respecting Human Rights	34
	Make sure that they are not complicit in human rights abuses		
<b>Labor Standards</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Respecting Human Rights	34
	The elimination of all forms of forced and compulsory labor		
	The effective abolition of child labor		
	The elimination of discrimination in respect of employment and occupation.		
<b>The Environment</b>	Businesses should support a precautionary approach to environmental challenges	Preserving Natural Resources Capital	38-41
	Undertake initiatives to promote greater environmental responsibility	Sustainable Financing Development Strategy	16-19
	Encourage the development and diffusion of environmentally friendly technologies.	Green Initiatives	41
<b>Anti-Corruption</b>	Businesses should work against corruption in all its forms, including extortion and bribery.	Fulfilling Green Finance	20-22
		Declaration of Sustainability Values	01
		Leading the Industry's Development through Active Engagement	10

### ISO 26000 Index

Category	Main issues	Corresponding Section	Page
<b>Organizational Governance</b>	Decision-making processes and structures	Milestones of Cathay FHC Corporate Sustainability Committee	01
		Advancing Corporate Governance	11-12
	Compliance with laws and regulations, and conduct inspections to avoid risks caused by human rights violations	Respecting Human Rights	34
		Risk Management and Internal Controls	13
Risks of enforcing human rights	Respecting Human Rights	34	
<b>Human Rights</b>	Avoid complicity: direct, benefit, silent, etc.	Declaration of Sustainability Values	01
		Leading the Industry's Development through Active Engagement	10
	Resolving grievances	Active Communication with Employees	34-35
	No discrimination against disadvantaged people	Respecting Human Rights	34
		Valuing diversity in the organization and cultivating the capacity to service multiple markets	37
	Protection of civil and political rights	Respecting Human Rights	34
	Protection of economic, social, and cultural rights	Respecting Human Rights	34
	Protection of individual's right to work	Respecting Human Rights	34
		Valuing diversity in the organization and cultivating the capacity to service multiple markets	37
	<b>Labor Practices</b>	Promote employment and employment relationships	Obtain Future Talent
Respect contemporary trends and values			34-36
Conditions of work and social protection		Respect contemporary trends and values	34-36
		Valuing diversity in the organization and cultivating the capacity to service multiple markets	37
Maintain social dialogue		Active Communication with Employees	34-35
Health and safety at work		Health and Safety Management Procedures	35
	Health Risk Mitigation Plan	35-36	
Human development and training in the workplace	Cultivate Employees' Capacity to Respond to Fast-Changing Environments	30	
<b>The Environment</b>	Prevention of pollution	Agile Talent Development Program	31-33
		Preserving Natural Resources Capital	38-41
	Sustainable resource use	Preserving Natural Resources Capital	38-41
	Climate change mitigation and adaptation	Preserving Natural Resources Capital	38-41
Environmental protection, biodiversity, and restoration of natural habitats	Preserving Natural Resources Capital	38-41	
	Preserving Natural Resources Capital	38-41	
<b>Fair Operating Practices</b>	Anti-corruption	Risk Management and Internal Controls	13
		Strengthening Compliance System of Cathay Group	14
	Responsible political involvement	Leading the Industry's Development through Active Engagement	10
	Fair competition	Strengthening Compliance System of Cathay Group	14
		Declaration of Sustainability Values	01
	Promoting social responsibility in the value chain	Sustainable Supply Chain Management and Green Procurement	41
		Strengthening Compliance System of Cathay Group	14
Respect for property rights	Strengthening Compliance System of Cathay Group	14	

Category	Main issues	Corresponding Section	Page
<b>Consumer Issues</b>	Fair marketing, factual and unbiased information and fair contractual practices	Valuing Customer Rights and Interests	43-44
		Valuing Customer Rights and Interests	43-44
	Protecting consumers' health and safety	Valuing Customer Rights and Interests	43-44
		Fulfilling Green Finance	20-22
	Supporting sustainable consumption	Promoting Prosperity with the Community	22-25
	Consumer service, support, and complaint and dispute resolution	Valuing Customer Rights and Interests	43-44
		Valuing Customer Rights and Interests	43-44
	Consumer data protection and privacy	Valuing Customer Rights and Interests	43-44
	Protecting consumers' service right	Valuing Customer Rights and Interests	43-44
		Improving Customer Experience	45
Education and awareness increase	Increase Public Welfare Influence, Achieve Happiness by Helping Others	46-48	
<b>Community involvement and development</b>	Community engagement	Increase Public Welfare Influence, Achieve Happiness by Helping Others	46-48
		Increase Public Welfare Influence, Achieve Happiness by Helping Others	46-48
	Invest in community	Increase Public Welfare Influence, Achieve Happiness by Helping Others	46-48
	Create job opportunities	Obtain Future Talent	29-30
	Develop new technologies	Fulfilling Green Finance	20-22
	Increase wealth and income	Sustainable Supply Chain Management and Green Procurement	41
	Promote education and culture	Collaboration with Strategic Partners to Educate Children, Reduce Learning Gaps, and Create Opportunities for Equal Education	46-47
		Promote Health Awareness and Sports for the Youth and Elderly	47
Enforce responsible investment	Sustainable Financing Development Strategy	16-19	

### 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
<b>The Environment</b>	Environmental policies on financial products or services	Sustainable Financing Development Strategy	16-19
		Fulfilling Green Finance	20-22
<b>Social</b>	Social policies on financial products or services	Sustainable Financing Development Strategy	16-19
		Promoting Prosperity with the Community	22-25
<b>Human Rights</b>	Number of non-managerial staff, amount of employee welfare expenses, and differences from the previous year	Superior Compensation and Benefits	34
		Declaration of Sustainability Values	01
<b>Supplier</b>	Incentives to customers or other counterparties for accommodating environmental requirements of a financial/insurance company	Sustainable Financing Development Strategy	16-19
		Sustainable Supply Chain Management and Green Procurement	41
	Incentives to customers or other counterparties for accommodating social requirements of a financial/insurance company	Declaration of Sustainability Values	01
		Sustainable Financing Development Strategy	16-19
	Management of Insurance Brokers and Agencies	43	
Increase Public Welfare Influence, Achieve Happiness by Helping Others	46-48		

## Disclosure of Human Capital Data

### Employee Structure

(Table: Full-Time Employees by Location and Education Level)

Company	Distribution						Total	Education		
	Taiwan			Overseas				Master's Degree and above	University/ College	High school/Vocational School and below
	Female	Male	Total	Female	Male	Total				
Cathay FHC	113	94	207	-	-	-	207	142	49	16
Cathay Life	23,516	7,107	30,623	5	72	77	30,700	2,022	14,543	14,135
CUB	6,005	3,559	9,564	33	76	109	9,673	1,692	7,853	128
Cathay Century	1,008	1,019	2,027	3	19	22	2,049	237	1,586	226
Cathay Securities	326	303	629	-	4	4	633	171	431	31
Cathay Futures	23	52	75	-	-	-	75	25	48	2
Cathay SITE	145	121	266	-	-	-	266	129	131	6
Cathay Venture	6	12	18	-	-	-	18	16	2	0
<b>Total</b>	<b>31,142</b>	<b>12,267</b>	<b>43,409</b>	<b>41</b>	<b>171</b>	<b>212</b>	<b>43,621</b>	<b>4,434</b>	<b>24,643</b>	<b>14,544</b>

Note:

1. Definition of Part-Time Employee includes back office hourly employee and contractor.
2. Office staff part time: 0; temporary worker: 298; hourly employee: 142; Contract employee: 34.

(Table: Employee Distribution Table by Gender, Age and Title)

Company	Title	Female				Male				Total
		Aged 30 and below	31-49	Aged 50 and above	Total	Aged 30 and below	31-49	Aged 50 and above	Total	
Cathay FHC	Management	0	16	3	19	0	17	9	26	45
	Non-managerial Staff	37	55	2	94	25	38	5	68	162
Cathay Life	Management	77	913	1,101	2,091	97	898	490	1,485	3,576
	Non-managerial Staff	2,749	10,174	8,507	21,430	1,895	2,946	853	5,694	27,124
CUB	Management	0	217	109	318	0	197	140	337	663
	Non-managerial Staff	1,459	4,058	195	5,712	882	2,172	244	3,298	9,010
Cathay Century	Management	0	11	0	11	1	113	45	159	170
	Non-managerial Staff	313	615	72	1,000	141	612	126	879	1,879
Cathay Securities	Management	0	6	5	11	0	27	15	42	53
	Non-managerial Staff	39	258	18	315	29	216	20	265	580
Cathay Futures	Management	0	0	0	0	0	9	2	11	11
	Non-managerial Staff	7	15	1	23	11	27	3	41	64
Cathay SITE	Management	0	10	2	12	0	16	11	27	39
	Non-managerial Staff	14	116	3	133	5	74	15	94	227
Cathay Venture	Management	0	1	0	1	0	4	1	5	6
	Non-managerial Staff	1	4	0	5	1	6	0	7	12

## APPENDIX

Company	Title	Female				Male				Total
		Aged 30 and below	31-49	Aged 50 and above	Total	Aged 30 and below	31-49	Aged 50 and above	Total	
	Management	77	1,174	1,220	2,471	98	1,281	713	2,092	4,563
<b>Total</b>	Non-managerial Staff	4,619	15,295	8,798	28,712	2,989	6,091	1,266	10,346	39,058
	<b>Total</b>	<b>4,696</b>	<b>16,469</b>	<b>10,018</b>	<b>31,183</b>	<b>3,087</b>	<b>7,372</b>	<b>1,979</b>	<b>12,438</b>	<b>43,621</b>

Note: 1. The Average age of Cathay's Employees is 40.97.

2. Management: Refers to general employees who bear the administrative responsibility for managing other employees or unit.

### Obtain Future Talents

(Table: New Employee Statistics)

Company	2016 New Employee					Total
	Gender		Age			
	Female	Male	30 or Below	31-49	50 or Above	
Cathay FHC	25	38	34	27	2	63
Cathay Life	255	145	291	107	2	400
CUB	762	547	800	493	16	1,309
Cathay Century	59	72	93	38	-	131
Cathay Securities	73	51	22	94	8	124
Cathay SITE	11	7	7	10	1	18
Cathay Venture	2	4	2	4	-	6
Cathay Futures	14	21	15	19	1	35
<b>Total</b>	<b>1,201</b>	<b>885</b>	<b>1,264</b>	<b>792</b>	<b>30</b>	<b>2,086</b>

Note:

1. Sales agents and marketing specialists of Cathay Life, Cathay United Bank and Cathay Century, 5,028 people in total, were not included due to the special nature of their jobs.
2. Rate of New Employees=Number of New Employees/ Total Employee Numbers at 12/31/2016=12.82%

(Table: CIP Recruitment Statistics)

Year	2014	2015	2016
Number of Applicants	1,248	1,185	1,659
Number of Admissions	92	89	113
Accumulated Number of Recruitment in the Group (Note1)	50	70	105
Accumulated Recruitment Rate (Note2)	20.2%	20.8%	23.4%

Note:

1. Accumulated Number of Recruitment in the Group added up till the year.
2. Accumulated Recruitment Rate= (Accumulated Number of Recruitment in the Group added up till the year)/ Accumulated Number of Admissions of CIP.

## Cultivate Employees' Capacity to Respond to Fast-Changing Environments

(Table: Employee Training Hours)

Company	Number of Employees			Total Training Hours			Average training hours per full-time employee		
	Female	Male	Total	Female	Male	Total	Female	Male	Average
Cathay FHC	113	94	207	634	906	1,540	5.61	9.64	7.44
Cathay Life	23,521	7,179	30,700	9,749,058	2,648,449	12,397,507	414.48	368.92	403.83
CUB	6,038	3,635	9,673	199,152	119,687	318,839	32.98	32.93	32.96
Cathay Century	1,011	1,038	2,049	43,088	44,238	87,326	42.62	42.62	42.62
Cathay Securities	326	307	633	8,908	9,824	18,732	27.33	32.00	29.59
Cathay Futures	23	52	75	180	345	525	7.83	6.63	7.00
Cathay SITE	145	121	266	3,034	2,135	5,169	20.92	17.64	19.43
Cathay Venture	6	12	18	222	358	580	37.00	29.83	32.22
<b>Total</b>	<b>31,183</b>	<b>12,438</b>	<b>43,621</b>	<b>10,004,276</b>	<b>2,825,942</b>	<b>12,830,218</b>	<b>320.82</b>	<b>227.20</b>	<b>294.13</b>

Note: Employee Training Hours includes hours from internal trainings, external seminars, online courses and CSN (Cathay Super Net). The variety of trainings offered aimed to satisfy Cathay employees' different types of learning needs. In 2016, new calculation method was used for calculating hours from morning training sessions, CSN and online courses.

## Respect contemporary trends and values

(Table: Employee Benefit Expense for Non-Managerial Staff)

Item	2015	2016	Difference	Growth rate
<b>Total employee benefit expense for non-managerial staff (NT\$)</b>	44,892,159,662	45,227,638,520	335,478,858	0.75%
<b>The number of non-managerial staff (persons)</b>	40,681	39,058	-1,623	-3.99%
<b>Average employee benefit expense for each non-managerial staff (NT\$)</b>	1,103,517	1,157,961	54,444	4.93%

Note:

1. Non-managerial staff refers to employees who do not bear the administrative responsibility for managing other employees or units.
2. "Employee benefit expense" are all forms of consideration given by an entity in exchange for service rendered by employees, including salary, labor and health insurance, pension and other expenses provided to employees in accordance with IAS 19 "Employee Benefits".
3. Cathay Securities Investment Consulting (Cathay SICE) is not included in the scope of the Company's 2016 Corporate Sustainability Report. However, since Cathay SICE was included in the scope of Company's 2015 Corporate Sustainability Report, the 2015 data shown in the Table is the result of adjusting and deducting total employee benefits for non-managerial employees and the number of non-managerial employees of Cathay SICE in 2015, which maintains consistency in the calculation of "Average Employee Benefit Expense" and has comparability.

(Table: Annual Salary (Male: Female))

Annual Salary Ratio (Male: Female)	
<b>Executive Level Manager</b>	100:51
<b>Entry to Mid-Level Manager</b>	100:114
<b>Staff</b>	100:106

Note:

1. Annual Salary: Fixed Pay+Meal Subsidies+Variables.
2. Difference between genders in Executive Level resulted from the gap between President and Vice president. Currently all presidents in the Group are Male.

## APPENDIX

(Table: Turnover Statistics)

Company	Number of Employees in Service in 2016	Accumulated Resigned Employees in 2016	2016 Turnover Rate	2015 Turnover Rate
Cathay FHC	207	12	5.80%	5.46%
Cathay Life	4,940	243	4.92%	5.39%
CUB	8,523	706	8.28%	10.33%
Cathay Century	1,607	101	6.29%	8.68%
Cathay Securities	633	83	13.11%	15.17%
Cathay Futures	75	21	28.00%	14.52%
Cathay SITE	266	17	6.39%	6.06%
Cathay Venture	18	1	5.56%	6.25%
<b>Total</b>	<b>16,269</b>	<b>1,184</b>	<b>7.28%</b>	<b>8.21%</b>

Note:

1. Sales agents and marketing specialists of Cathay Life, Cathay United Bank and Cathay Century, 4,010 people in total, were not included due to special nature of their jobs. Sales agents and marketing specialists were also excluded when calculating "Number of employees in Service in 2016 (16,269 people in total)".
2. According to 2016's new definition of turnover rate, sales agents and marketing specialist are excluded from the calculation. The 2015 turnover rate was recalculated based on the new definition.
3. In 2016, office staff involuntary turnover rate was 0.04%.

(Occupational Hazards Statistics)

Company	Occupational Hazards Statistics						
	Occupational Injuries	Occupational Deaths	Lost Days	Disabling Injury Frequency Rate (FR)	Disabling Injury Severity Rate(SR)	Absence Rate	
Cathay FHC	0	0	0	0.00	0.00	0.00	
Cathay Life	Office staff	5	0	277	0.09	4.71	51.29
	Agents	10	0	703	0.17	11.96	25.18
CUB	49	0	828	2.99	50.45	80.71	
Cathay Century	Office staff	2	0	3	0.27	0.41	1.34
	Agents	0	0	0	0.00	0.00	0.00
Cathay Securities	0	0	0	0.00	0.00	0.00	
Cathay SITE	0	0	0	0.00	0.00	0.00	
Cathay Venture	0	0	0	0.00	0.00	0.00	
Cathay Venture	0	0	0	0.00	0.00	0.00	
<b>Total</b>	<b>66</b>	<b>0</b>	<b>1811</b>	<b>0.86</b>	<b>23.59</b>	<b>0.0189%</b>	

Note:

1. Disabling Injury Frequency Rate(FR)=case\*(10<sup>6</sup>)/Total Working Hours per Year; Disabling Injury Severity Rate(SR)=Lost Days\*(10<sup>6</sup>)/Total Working Hours per Year; Absence Rate =Lost Days/Total Working Days per Year
2. Number of Lost Days is consistent with numbers reporting to occupational injury system of Occupational Safety and Health Administration, Ministry of Labor.
3. The system of rules applied in recording and reporting accident statistics is occupational injury system of Occupational Safety and Health Administration, Ministry of Labor
4. Days mean calendar days.
5. Lost Days count begins on the day of registration to the system.
6. Calculation of Lost Days is limited to employees.
7. The Financial Service Industry does not have directly related occupational disease rate (ODR).

(Statistics of Reinstatement after Parental Leave)

Company		Statistics of Reinstatement after Parental Leave						
		Number of Parental Leave Applications	No. of Employees Subject to Reinstatement	No. of Employees Subject to Reinstatement	No. of Employees Subject to and have been Reinstated	No. of Employees Reinstated	Reinstatement Rate	
Cathay FHC	Female	8	5	4	4	4	100.00%	
	Male	0	0	0	0	0	-	
Cathay Life	Female	Office staff	88	49	60	55	70	91.67%
		Agents	154	172	90	60	61	66.67%
	Male	Office staff	2	2	3	1	1	33.33%
		Agents	21	18	8	6	6	75.00%
CUB	Female	119	122	128	94	95	73.44%	
	Male	6	2	10	8	7	80.00%	
Cathay Century	Female	Office staff	30	22	21	20	20	95.24%
		Agents	2	1	1	1	1	100.00%
	Male	Office staff	2	2	3	1	1	33.33%
		Agents	1	0	1	1	1	100.00%
Cathay Securities	Female	8	5	8	3	4	37.50%	
	Male	0	0	0	0	0	-	
Cathay SITE	Female	2	2	0	0	0	-	
	Male	0	0	0	0	0	-	
Cathay Venture	Female	0	0	0	0	0	-	
	Male	0	0	0	0	0	-	
Cathay Futures	Female	1	0	1	1	1	100.00%	
	Male	0	0	0	0	0	-	
<b>Total</b>		<b>444</b>	<b>402</b>	<b>338</b>	<b>255</b>	<b>272</b>	<b>75.44%</b>	

Note: Reinstatement Rate=(No. of Employees Reinstated/ No. of Employees Subject to Reinstatement)\*100%

(Related Family Care and Menstrual Leave)

Total	Family Care Leave		Maternity (Paternity) Leave		Menstrual Leave
	Female	Male	Female	Male	Female
	613	146	1024	516	6973

Valuing diversity in the organization and cultivating the capacity to service multiple markets

(Women in Management)

	2014	2015	2016
Number of Women in Management	2592	2488	2471
% of Women in Management	54.86%	53.89%	54.15%

Cathay Financial Holding Co., Ltd.

2016 Corporate Sustainability Report Summary of Subject Matter Assured

No.	Assured Item	Subject Matter Assured	Page	Reporting Criteria
1	Lost days	Table "Occupational Hazard Statistics", "Lost days : 1,811"	35	The Group's 2016 total number of lost days from disabling injuries reported in the Occupational Injury On-line System of Occupational Safety and Health Administration, Ministry of Labor of Taiwan
2	Board performance indicator	Cathay Financial Holdings has a set of "Board Performance Evaluation Policy" in place. The "Board Performance Evaluation Policy" includes CSR indicators.	12	Refer to page 12 for details
3	Performance on internal controls	The performance evaluation indicators for all Cathay Financial Holdings employees include performance on internal controls.	13	Refer to page 13 for details
4	Insurance Product Review Panel	In 2016, Cathay Life's Insurance Product Review Panel held 92 review meetings and reviewed 185 cases in total.	06	The total number of product review meetings held and the total number of cases reviewed by Cathay Life Insurance Product Review Panel in 2016
5	Utilization rate of mobile insurance	Utilization Rate of Mobile Insurance: 94.8%	07	The total number of applications processed via Cathay Life's mobile insurance purchase system divided by the total number of applications processed by Cathay Life in 2016
6	Insurance brokers and agencies management	Cathay Life has established the "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies". The Guidelines maintain the quality of new insurance contracts of insurance brokers and agencies and control the number of inappropriate sales. In 2016, 64,874 cases were reviewed in periodic inspections.	43	The total number of sales cases reviewed per Cathay Life's "Performance Appraisal and Remuneration Guidelines for Insurance Sales Force, Brokers and Agencies" in 2016
7	Disability & Retirement Trust	In 2016, CUB engaged in 98 cases of the Disability & Retirement Trust	23	The total number of Disability & Retirement Trust contracts accepted and signed by Cathay United Bank during 2016
8	Investment in environmentally friendly businesses	Cathay Venture has been committing capital into unlisted companies involved in environmentally friendly businesses. As of the end of 2016, investments in companies in the environmentally friendly businesses accounted for NT\$580 million of the investment portfolio.	21	The total value of Cathay Venture's investment in the environmentally friendly businesses as of the end of 2016, as measured according to the International Financial Reporting Standards
9	Equator Principles (EP)	In 2016, Cathay United Bank undertook five EP-conforming Project Finance cases.	16	The total number of EP-conforming cases undertaken by Cathay United Bank in 2016
10	Average employee benefit for non-managerial staff	The average employee benefit expense for non-managerial staff was NT\$1,157,961 per person in 2016.	34	The Group's 2016 employee benefit expense for non-managerial staff divided by the Group's total number of non-managerial staffs as of December 31, 2016
11	Training spending	The Group spent a total of NT\$666,075,598 on employee trainings.	30	The Group's total spending on employee trainings in 2016, including directly attributable costs (ex: course fee, instructor fee, stationary, etc.) and allocated cost (ex: classroom rental, training department cost, internal instructor cost, etc.)
12	Total number of new employees and resigned employees	New employee: the number of new employees by gender and age group on page 30, diagram "New Employee Statistics"	30	The Group's total number of new and resigned employee: the number of new and resigned full-time employee by gender and age group per each company's human resource systems as of December 31, 2016  Note: The new and resigned employee statistics do not include the sales agents and marketing specialists of Cathay Life, Cathay United Bank and Cathay Century.
		Employee turnover: the "Accumulated Resigned Employees in 2016" listed on page 35, table "Turnover Statistics"	35	
13	Average training hours per full-time employee	Table "Employee Training Hours", "Average training hour per full time employee: 294.13 hours"	30	The Group's total employee external and internal training hours in 2016 divided by the Group's total number of full-time employee as of December 31, 2016  Training hours include trainings conducted via methods such as web-based training, physical classroom training and morning sharing sessions.
14	Public Welfare Expenditure	Public welfare expenditure in 2016: NT \$490 million	48	The Group's total amount of public welfare related cash donations and promotional activities' expenditures in 2016
15	Scope 3 GHG emission	The Group's Scope 3 GHG emission from employee high speed rail travel and air travel (note: business travel via Taiwan High Speed Rail and air included; data from Cathay Pacific airline is not included due to incomplete information) was 2,157 metric tons of CO <sub>2</sub> e in 2016.	39	The GHG emission from business travel (Taiwan High Speed Rail and air) per GHG protocol, Scope 3, in 2016 Data from Cathay Pacific airline is not included due to incomplete information.  The emission factor used in calculation is based on the carbon footprint published by Taiwan High Speed Rail Corporation and the emission factor from GHG protocol 2015 (V2.6).



# Opinion Statement

## Greenhouse Gas Emissions Verification Opinion Statement

This is to verify that: **Cathay Financial Holdings and its subsidiaries** 國泰金融控股股份有限公司暨子公司  
 No. 296, Sec.4, Ren'ai Rd. 臺灣  
 Da'an Dist. 台北市  
 Taipei City 10633 大安區  
 Taiwan 仁愛路四段 296 號

Holds Statement No: GHGEV 1231

### Verification opinion statement

As a result of carrying out verification procedures in accordance with ISO 14064-3:2006, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with the Cathay Financial Holdings and its subsidiaries for the period from 01/01/2016 to 31/12/2016 is 57,422.308 tonnes of CO<sub>2</sub> equivalent, including scope 1 emissions 3,613.230 tonnes of CO<sub>2</sub> equivalent and scope 2 emissions 53,809.078 tonnes of CO<sub>2</sub> equivalent.
- No material misstatements for the year 2016 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO/CNS 14064-1:2006.
- The emission factor for electricity for the year 2016 is not published by Taiwan government so far, the emission factor used for electricity is 0.528 kilograms of Carbon Dioxide equivalent per kWh instead which may potentially result in different Greenhouse Gas Emission estimates.

For and on behalf of BSI:

Managing Director BSI Taiwan, Peter Pu

Originally Issue: 2017-05-11

Latest Issue: 2017-05-11

Page: 1 of 2



...making excellence a habit.

The British Standards Institution is independent to the above named client and has no financial interest in the above named client. This Opinion Statement has been prepared for the above named client only for the purposes of verifying its statements relating to its carbon emissions more particularly described in the scope. It was not prepared for any other purpose. The British Standards Institution will not, in providing this Opinion Statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used or to any person by whom the Opinion Statement may be read. This Opinion Statement is prepared on the basis of review by The British Standards Institution of information presented to it by the above named client. The review does not extend beyond such information and is solely based on it. In performing such review, The British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this Opinion Statement or matters relating to it should be addressed to the above named client only.



Statement No: GHGEV 1231

Location	Verification Information
Cathay Financial Holdings and its subsidiaries No. 296, Sec.4, Ren'ai Rd., Da'an Dist. Taipei City 10633, Taiwan 國泰金融控股股份有限公司暨子公司 臺灣台北市大安區仁愛路四段 296 號	The Greenhouse Gas Emissions with the Cathay Financial Holdings and its subsidiaries for the period from 01/01/2016 to 31/12/2016 is 57,422.308 tonnes of CO <sub>2</sub> equivalent, including scope 1 emissions 3,613.230 tonnes of CO <sub>2</sub> equivalent and scope 2 emissions 53,809.078 tonnes of CO <sub>2</sub> equivalent.
Cathay Life Insurance Co., Ltd. No. 296, Sec. 4, Ren'ai Rd., Da'an Dist. Taipei City 10633, Taiwan 國泰人壽保險股份有限公司 臺灣台北市大安區仁愛路四段 296 號	
Cathay United Bank Co., Ltd. No.7, Songren Rd., Xinyi Dist. Taipei City 110, Taiwan 國泰商業銀行股份有限公司 臺灣台北市信義區松仁路 7 號	
Cathay Century Insurance Co., Ltd. IF, No.296, Sec. 4, Ren'ai Rd., Da'an Dist. Taipei City 10633, Taiwan 國泰世紀產物保險股份有限公司 臺灣台北市大安區仁愛路四段 296 號 1 樓	
Cathay Venture Inc. 7F, No. 68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist. Taipei 11065, Taiwan 國泰創業投資股份有限公司 臺灣台北市信義區忠孝東路五段 68 號 7 樓	
Cathay Futures Co., Ltd. 19F, No. 333 & 10F., No. 335, Sec. 2, Dunhua S. Rd. Da'an Dist., Taipei City 106, Taiwan 國泰期貨股份有限公司 臺灣台北市大安區敦化南路二段 333 號 19 樓 - 335 號 10 樓	
Cathay Securities Investment Trust Co., Ltd. 6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist. Taipei City 106, Taiwan 國泰證券投資信託股份有限公司 臺灣台北市大安區敦化南路二段 39 號 6 樓	
Cathay Securities Investment Consulting Co., Ltd. 6F., No. 108, Sec. 5, Xinyi Rd., Xinyi Dist. Taipei City 11047, Taiwan 國泰證券投資顧問股份有限公司 臺灣台北市信義區信義路 5 段 108 號 6 樓	
Cathay Securities Corporation 20F, No. 333, Sec. 2, Dunhua S. Road. Taipei City, Taiwan 國泰綜合證券股份有限公司 臺灣台北市敦化南路二段 333 號 20 樓	

Originally Issue: 2017-05-11

Latest Issue: 2017-05-11

Page: 2 of 2

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資誠

Independent Limited Assurance Report

PWCM17000128

To Cathay Financial Holding Co., Ltd.

We have been engaged by the management of Cathay Financial Holding Co., Ltd. (hereinafter referred to as the "Company") to perform assurance procedures on the selected sustainability performance information reported in the 2016 Corporate Sustainability Report (hereinafter referred to as the "CS Report"), and issue a limited assurance report based on the result of our work performed.

### Subject matter assured and reporting criteria

The sustainability performance information selected by the Company (hereinafter referred to as the "Selected Information") and their respective reporting criteria are stated in the "Summary of Subject Matter Assured" in the CS Report.

### Management's responsibilities

The Management of the Company is responsible for preparing and reporting the CS Report and sustainability performance information in accordance with the respective reporting criteria. The Management is also responsible for establishing relevant processes, information systems, and internal controls to prevent the CS Report and sustainability performance information from being materially misstated.

### Our responsibilities

We conducted our assurance work on the Selected Information included in the CS Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any material amendment is required in order for the selected information, in all material aspects, to be in accordance with the respective reporting criteria, and issue a limited assurance report based on the result of our work. We do not provide any assurance on the CS Report as a whole or on the design or operating effectiveness of the relevant internal controls.

### Compliance of independence and ethical principles and Quality control requirement

We have complied with the applicable requirements of the Code of Ethics for Professional Accountants, including integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan  
 11012 臺北市民意路 59 號 27 樓 / 27F, 333, Keelung Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan  
 T: +886 (2) 2729 6666, F: +886 (2) 2757 6371, www.pwc.com/tw



資誠

### Summary of work performed

We conducted limited assurance work on the Selected Information for the Company and its subsidiaries, including Cathay Life Insurance, Cathay United Bank, Cathay Century Insurance, Cathay Securities Corporation, Cathay Securities Investment Trust, Cathay Venture and Cathay Futures. The procedures include:

- Read the CS Report;
- Inquire with personnel responsible for providing the sustainability performance information to understand and evaluate the processes, internal controls and information systems relating to the preparation of the aforementioned information; and
- Based on the understanding and evaluation above, perform analytical review procedures on the sustainability performance information. If deemed necessary, perform selective testing to obtain evidence for limited assurance.

The determination of the procedures performed above is based on our professional judgement, including identifying the areas where there may be risks of material misstatement of the Selected Information, and for those areas, designing and implementing procedures in order to draw our limited assurance conclusion. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

### Inherent limitations

Certain Selected Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

### Limited assurance conclusion

Based on the procedures we have performed and evidence we have obtained, we are not aware of any material amendments that need to be made to the Selected Information referred to in the second paragraph for them to be in accordance with the respective reporting criteria.

### Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Selected Information or related reporting criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan

September 27, 2017



國泰金控  
Cathay Financial Holdings



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