

2018 Cathay Life Insurance Corporate Sustainability Report



About This Report

Cathay Life Insurance became the first life insurance company in Asia to comply with the United Nation's Principles for Sustainable Insurance (PSI) in 2016. We incorporate ESG issues into our operations and promote our belief in sustainability to our stakeholders. With the implementation of our strategic focuses-"CARE", we are dedicated to achieving the sustainability vision to "Lead the way in sustainable insurance and ensure the happiness of society."

Reporting Period and Scope

Cathay Life has released PSI disclosure report on an annual basis since 2016. To enhance the quality of disclosure, we published the first "Cathay Life Sustainability Report" in June, 2019. The report covered Cathay Life's sustainability performance in 2018 (1/1~12/31) and issues that stakeholders are concerned about .

The financial data covered in this report is verified by Ernst & Young Taiwan, and is consistent with our annual report, all amounts are denominated in New Taiwan Dollars. The non-financial data in this report is based on the result of self-inventory and comply with GRI Standard. Greenhouse Gas is verified by ISO 14064-1 Greenhouse Gas Accounting and Verification. All the data collection, measurement, and calculation are followed the requirement of local regulations. International standards (such as ISO) are used whenever no local regulations apply. If there are no international standards available, industry or applicable standards are used.

Basis for This Report

This report complies with the core options of the GRI Standards of the Global Reporting Initiative (GRI), and discloses the five capitals using the integrated reporting framework established by the International Integrated Reporting Council (IIRC). Contents of this report also correspond to the UN's Sustainable Development Goals (SDGs). This report also takes into consideration the Financial Services Sector Supplement.

Report Assurance

The Company has engaged PwC Taiwan to corroborate its report complied based on the GRI Standard 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 assurance scope covered the information in 2018. The information in 31 Dec., 2017 or earlier is excluded from the assurance. A copy of this opinion is included in the appendix of this report.

Contact Information

Contact Department: Marketing Planning Department, Cathay Life Insurance

Headquarter Address: No. 296, Section 4, Ren'ai Road, Taipei City, Taiwan

Telephone: +886-2-27551399

Cathay Life Sustainability Mail: CS@cathaylife.com.tw

Cathay Life Sustainability Website:

<https://campaign.cathaylife.com.tw/CorporateSustainability/index.html>



Cathay Life Sustainability
Website

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Message from the President

Ensuring the Happiness of Society

Cathay Life has been undertaking student group insurance since 2016, offering insurance protection to 3 million students to date. In addition, in collaboration with the Ministry of Education, we raise awareness of anti-drug, environmental education, campus safety, and financial management and insurance. We hope to build sustainability mindsets in future generations...

I always encourage our colleagues to realize the humanist spirit of the life insurance industry. In addition to offering insurance services, we try to find solutions for social and environmental issues to fulfill our social responsibility. Cathay Life promises to work with our 30,000 employees as well as the general public to realize a more sustainable future, and to become a force of social security that ensures the happiness of society.

Making Insurance More Thoughtful

An aging society like ours comes with many social issues and are a source of anxiety for many. However, Taiwanese tend to place more emphasis on saving-typed products, and are not yet aware of insufficient insurance coverage that may not cover the expenses of obtaining long-term care and healthcare in the future. Therefore, we are committed to promoting a more well-rounded insurance approach to bridge the risk gaps within the Taiwanese community. More importantly, we hope that everyone can have a long and healthy life. Therefore, we recommend activities that enhance health such as regular exercise to lower the risk of diseases, thereby enhancing the function of insurance from remedy to prevention and prolonging the wellbeing of every family.

Making Life More Sustainable

In addition to elevating social security and public health, we devote ourselves to address environmental considerations, including our internal electronic operations and paperless services for our policyholders. These approaches significantly reduce resource consumption and simultaneously elevate the work efficiency of our employees and the quality of our policyholder services. Cathay Life is also deeply committed to raising public awareness of environmental issues such as climate change, energy conservation, and carbon reduction. We hope to invite more friends to join us protecting our homeland and to forge a sustainable future for ourselves and the coming generations.

Leading the Way to Happiness

The strategic focuses of Cathay Life's sustainability are: **Commitment**, **Accountability**, **Richness**, and **Eco-Living** (C.A.R.E.), which aim to gradually expand the depth and breadth of our sustainable actions. Meanwhile, we continue to comply with the Principles for Sustainable Insurance (PSI), and hope to set an example for the industry and also exert our core competencies to ensure social happiness, living up to the expectations of our 8 million policyholders and the public. We are committed to realizing our sustainability vision—"Lead the way in sustainable insurance and ensure the happiness of society"!





President

Andew Liu



Key Sustainability Achievements

Awards



Won the *CSR Initiative of the Year Award* in *Asian Banking & Finance's Insurance Asia Awards 2018*



Won the *Social Inclusion Award – Taiwan Corporate Sustainability Awards* from *Taiwan Institute for Sustainable Energy*



Won four awards from the FSC, including first place in the *Micro Insurance Contest*, *Excellent Performance Award*, *Initiative Award*, and *Elderly Friendly Award* for small amount whole life insurance



Won the *Best Governance Award* and *Facebook Popularity Award* in the *2018 Taipei Golden Eagle Micro-movie Festival* organized by the *Center for Corporate Sustainability*



Won the *Award of Distinction* in the *2nd CSR Impact Awards* co-organized by *PwC Taiwan Sustainability Service Co., Ltd* and the *Cannes Lions Official Festival Representative in Taiwan*



Won the *Special Award for Buying Power – Social Innovation Products and Services Procurement Award* from the *Small and Medium Enterprise Administration*



Environmental (E)



- ▶ Organized 22 beach cleanups on Earth Day; 7,000 people participated and cleaned over 11 tons of marine debris
- ▶ The first financial institution in global to obtain ISO 20400 conformity with green procurement amount reaching NT\$120 million
- ▶ Investment in the low-carbon green energy industry amounting to NT\$125 billion
- ▶ The only insurance company in Taiwan to participate in the CDP's *Non-Disclosure Campaign*
- ▶ The only insurance company in Taiwan to participate in *Climate Action 100+*



Social (S)

- ▶ Offered Asia's first exclusive *Medical Insurance for Cancer Patients*
- ▶ Customer service satisfaction reached 94%
- ▶ Training per employee reached 202 hours
- ▶ Number of volunteer hours reached 56,000 hours
- ▶ SROI of the Excellence and Happiness Program for New Immigrants reached 3.03



Governance (G)

- ▶ Net profit reached NT\$30.2 billion
- ▶ Compliance training for employees reached 638,800 hours
- ▶ Participated in the Asia/Pacific Group on Money Laundering (APG) Mutual Evaluation
- ▶ The first in Taiwan to issue a Stewardship Report



About Cathay Life Insurance

(I) Company Profile and Business

Company Name	Cathay Life Insurance Co., Ltd.
Date of Incorporation	October 1962
Core Values	Integrity, Accountability, Creativity
Full Time Employees	32,014
Number of Customers	7,740,773 (not including group insurance customers)
Primary Products and Services	Life insurance, accident insurance, health insurance, annuity insurance, and investment-linked insurance
Participation in Key Associations	The Life Insurance Association of the Republic of China, Insurance Society of the Republic of China, International Insurance Society, Life Insurance Marketing and Research Association, Life Office Management Association, Life Insurance Management Institute of the Republic of China, Chinese Insurance Service Association

Note: Chairman Tiao-Kuei Huang is the managing director of The Life Insurance Association of the Republic of China, and the Executive Director of Insurance Society of the Republic of China.

As the leading brand in Taiwan's insurance industry, Cathay Life has endured over half a century of competition and challenges, and gained widespread approval from domestic and foreign institutions for our efforts in insurance, corporate governance, and society. We have won the *Taiwan Insurance Excellence Performance Award*, the top honor in the insurance industry, for seven consecutive sessions, and became the financial institution in Taiwan to be selected into the *Fortune Global 500* list.

» Business Sites

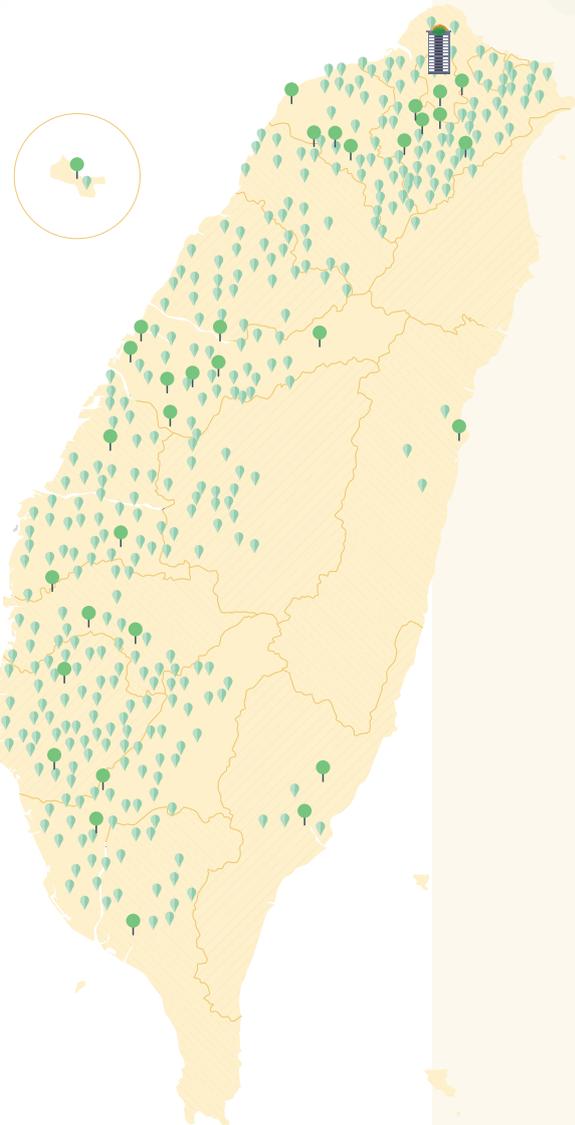
Cathay Life's headquarter locates in Taipei. Our business sites around Taiwan include 33 branches and 300 agencies with over 27,000 sales agents to provide customers with a wide variety of thoughtful products and friendly services. Cathay Life also established service centers around Taiwan for customers to handle issues with their insurance policies at a nearby location.

Faced with challenges of competing on a global scale, Cathay Life initially focuses on Asia and opened its head office in China in January 2005, becoming the first Taiwanese insurance company to expand into China. We also established a branch in Vietnam in December 2007, becoming the first Taiwanese insurance company to establish a subsidiary in Vietnam, and we will continue to expand our presence in the future.



Region	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Offshore Islands
Branches	11	9	10	2	1
Agencies	128	81	83	7	1

Note: Regions are defined in accordance with the Department of National Spatial Planning and Development, National Development Council.





(II) Business Performance

Cathay Life's service philosophy is to be customer-centered. Facing the expectations of 7.74 million customers, we are actively utilizing digital technology to learn the needs of our customers, develop innovative products and services, provide customers with a better service experience, and improve customer satisfaction. We shoulder the responsibility of being the leading brand in Taiwan's insurance industry, and continue to increase financial inclusion, so that more people will be able to gain basic insurance coverage.

Cathay Life continues to improve internal controls and corporate governance while pursuing improved business performance. In 2018, we represented Taiwan's insurance industry to participate in the APG's Mutual Evaluation, and gained great recognition by the foreign evaluation team. As such, we have earned greater trust from our customers, and strengthened our foundation for sustainable development.

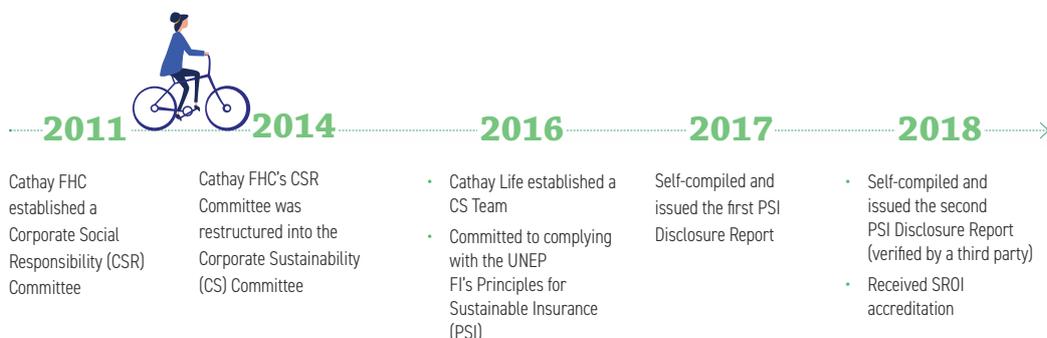
Thanks to the concerted efforts of all of our employees, Cathay Life generated NT\$680.7 billion in premium income in 2018, placing us at the lead in the industry. Cathay Life will uphold the core competency of being people-oriented and the sustainability principle of reciprocity ("benefiting oneself by benefiting others") in its continued pursuit of growth, developing towards becoming "a leading financial institution in the Asia Pacific region".

	2016	2017	2018
Total Assets	5,534,582,859	6,060,689,374	6,351,416,795
Total Premium Income	669,924,000	768,338,000	680,682,334
Operating Income	836,502,388	861,140,395	799,466,715
Net Profit After Tax	30,128,660	36,290,138	30,189,320

Unit: Thousand

Sustainability Measures

(I) Sustainability-related Events



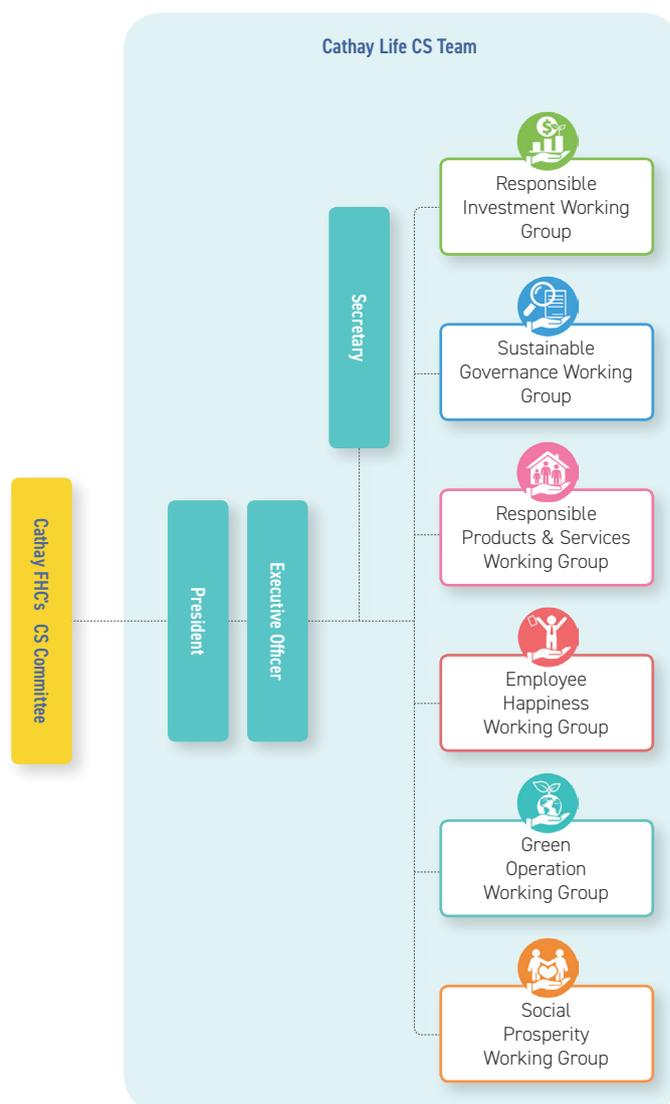
(II) Organizational Structure

Cathay FHC established the CSR Committee in 2011. The CSR Committee underwent a strategic transformation into the CS Committee in 2014 in response to changes in the external environment and adjustments to the internal organization. This transformation extended issue coverage and broadened our viewpoints. The CS Committee was also put under the supervision of independent directors. To align with the UN's SDGs and our core competencies, we established the Four Focus Areas, namely Renewable Energy and Infrastructure, Aging Society and Health, Women Empowerment, and Community and Financial Inclusion.

Cathay Life established its CS Team in 2016 based on the organizational structure of Cathay FHC's CS Committee to step up the implementation of sustainability. Cathay Life became Asia's first life insurance company to comply with UNEP FI's Principles for Sustainable Insurance (PSI), thereby utilizing the core competencies of an insurance company to achieve sustainability through ESG.

Cathay Life CS Team counts with the President as member, who supervises the team's operations. A senior vice president serves as the executive officer and directs team affairs. The team has six subordinate working groups, each headed by supervisors on the vice president level and above who are responsible for managing the members of departments in charge of execution. This arrangement shows that we place emphasis on sustainability measures and are committed to corporate sustainability.

Cathay Life CS Team participates in the FHC's CS Committee meeting each quarter, and also convenes quarterly meetings to monitor the progress of each working group. The team submits a report on the implementation of CS measures to the Board of Directors semi-annually. We issue a PSI Disclosure Report each year to strengthen our information disclosure. Furthermore, we communicate the values of sustainability to shareholders, investors, employees, suppliers, and customers through internal and external channels.



(III) Complying with the PSI

Cathay Life became Asia's first life insurance company to comply with UNEP FI's Principles for Sustainable Insurance (PSI) in 2016. The four principles incorporate ESG into the business decision making process. We are jointly promoting ESG with our customers, partners, government agencies, and other stakeholders. To comply with Principle 4, we issue a self-compiled PSI Disclosure Report on a yearly basis.



Principles for Sustainable Insurance, PSI

UNEP FI launched PSI in 2012. The Principles serves as a global framework for the insurance industry to address environmental, social and governance risks and opportunities.

- Principle 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
- Principle 2. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
- Principle 3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
- Principle 4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Principles	Possible Actions	Stakeholders	Page
Principle I We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations.	<ul style="list-style-type: none"> • The Board • Executive Management 	P.8, 12
	Dialogue with company owners on the relevance of ESG issues to company strategy.	<ul style="list-style-type: none"> • The Board • Executive Management 	P.8, 11
	Integrate ESG issues into recruitment, training and employee engagement programs.	<ul style="list-style-type: none"> • Employee 	P.42-49
	Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics.	<ul style="list-style-type: none"> • Customer 	P.24-25
	Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns.	<ul style="list-style-type: none"> • Employee • Customer 	P.38, 44-45, 58
	Develop or support literacy programs on risk, insurance and ESG issues.	<ul style="list-style-type: none"> • Employee • Customer 	P.34-39, 56-59
	Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management.	<ul style="list-style-type: none"> • Employee 	P.22-23, 44-49
	Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood.	<ul style="list-style-type: none"> • Customer 	P.38-39, 57-60
	Integrate ESG issues into repairs, replacements and other claims services.	<ul style="list-style-type: none"> • Customer 	P.38-39
	Integrate ESG issues into investment decision-making and ownership practices.	<ul style="list-style-type: none"> • Investor 	P.26-33

Principles	Possible Actions	Stakeholders	Page
Principle II We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.	Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues.	<ul style="list-style-type: none"> • Customer • Supplier • Investor 	P11, 29-30, 33, 34-39, 52-55
	Provide clients and suppliers with information and tools that may help them manage ESG Issues.	<ul style="list-style-type: none"> • Customer • Supplier • Investor 	P29-30, 33, 34-39, 52-55
	Integrate ESG issues into tender and selection processes for suppliers.	<ul style="list-style-type: none"> • Supplier 	P.52-53
	Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting frameworks.	<ul style="list-style-type: none"> • Customer • Supplier 	P9, 52-53
	Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues.	<ul style="list-style-type: none"> • Government • Investor 	P6, 22-23, 27-28, 30-33, 54-55
Principle III We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions.	<ul style="list-style-type: none"> • Government 	P.24-25
	Dialogue with intergovernmental and non-governmental organizations to support sustainable development by providing risk management and risk transfer expertise.	<ul style="list-style-type: none"> • Government 	P24, 31-33, 36-37
	Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies.	<ul style="list-style-type: none"> • Investor • Supplier • NGO 	P6, 25, 29-30, 52-53, 57-58, 63-68
	Dialogue with academia and the scientific community to foster research and educational programs on ESG issues in the context of the insurance business.	<ul style="list-style-type: none"> • Academia 	P24, 55, 64-66
	Dialogue with media to promote public awareness of ESG issues and good risk management.	<ul style="list-style-type: none"> • Public 	P6, 34-35, 38-39, 47-49, 54-57, 62-68

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



Stakeholders and Materiality

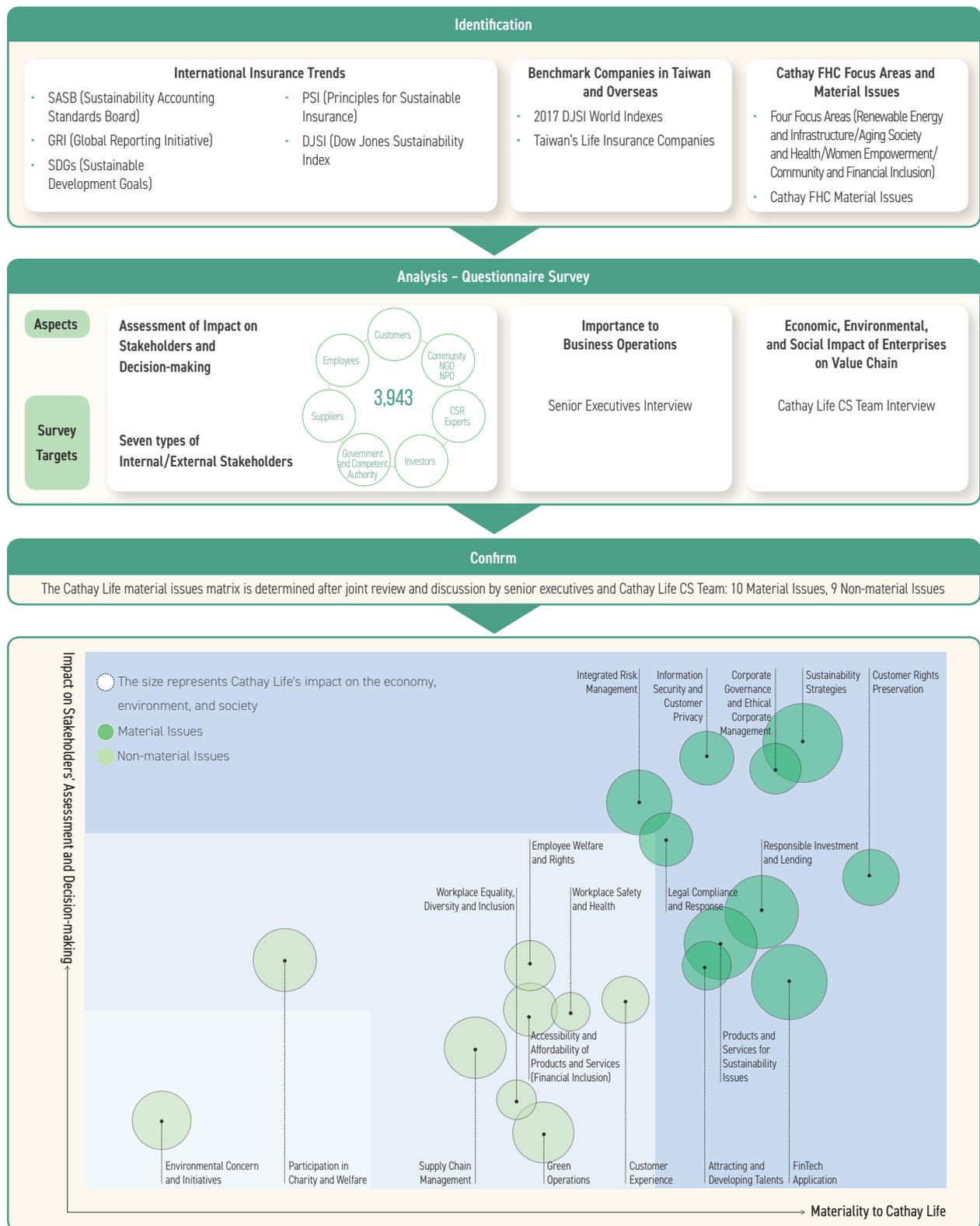
(I) Stakeholder Engagement

Stakeholders	Materiality	Topics of Concern	Communication Channels
 <p>Employees</p>	<p>Talent is key to Cathay Life's competitiveness and innovation. Therefore, Cathay Life provides competitive salaries and benefits, as well as diverse training courses to create a workplace environment that can attract and retain outstanding talent.</p>	<ul style="list-style-type: none"> • Attracting Talents • Talent Cultivation • Compensation and Benefits • Workplace Safety 	<ul style="list-style-type: none"> • Engagement Survey • Training and Development • Mailbox • Forum • Employee Activities • EAP
 <p>Customers</p>	<p>Cathay Life upholds the service concept of being customer-centered, and aims to provide products and services that meet customers' needs, in hopes of gaining greater importance in customers' hearts and creating brand value.</p>	<ul style="list-style-type: none"> • Responsible Products • Friendly Services • Customer Rights • Protection of Personal Information • Legal Compliance 	<ul style="list-style-type: none"> • Satisfaction Survey • Website • Cathay Life App • 0800 Customer Services • Smart Digital Customer Services • Service Mailbox • Policyholder Activities
 <p>Suppliers</p>	<p>Cathay Life works together with suppliers to create a sustainable homeland, starting with procurements and environmental initiatives to reduce the negative impact of operations on the environment.</p>	<ul style="list-style-type: none"> • Green Procurement • Supply Chain Management 	<ul style="list-style-type: none"> • Supplier Activities • Supplier Management System
 <p>Communities/NGOs/ NPOs</p>	<p>Cathay Life combines the expertise and resources of its community partners, NGOs and NPOs, working together to resolve social and environmental issues to gain greater social influence.</p>	<ul style="list-style-type: none"> • Social Care • Community Engagement 	<ul style="list-style-type: none"> • Charity Annual Report • Charity Activities • Media Promotion • Website • Seminars
 <p>CSR Experts</p>	<p>Cathay Life actively interacts with CSR experts and scholars to gain knowledge and understand trends related to sustainability, so as to improve the results of sustainability measures and catch up with domestic and overseas benchmark companies and trends.</p>	<ul style="list-style-type: none"> • Corporate Governance • Customer Rights • Responsible Products • Attracting Talents • Participation in Charity 	<ul style="list-style-type: none"> • CS Report • CS Website • Email • Seminars
 <p>Investors</p>	<p>Investors support Cathay Life's continued growth. Cathay Life actively maintains investor and market relations, information transparency, and timely exchanges.</p>	<ul style="list-style-type: none"> • Business Performance • Corporate Governance • Responsible Investment • Risk Management 	<ul style="list-style-type: none"> • Annual Report • Stewardship Report • Meetings • Public Conferences/Forums • Investor Conferences
 <p>Government and Competent Authority</p>	<p>Cathay Life actively complies with government policies, laws and regulations, and engages in two-way communication and cooperation to drive the development of Taiwan's insurance industry.</p>	<ul style="list-style-type: none"> • Corporate Governance • Legal Compliance • Risk Management • Responsible Products 	<ul style="list-style-type: none"> • Life Insurance Association • Meetings • Email

(II) Materiality Analysis

According to Global Risks Report 2019, released by The World Economic Forum, climate change, data fraud or theft, and cyber attacks are the three hidden worries in the world. Faced with these emerging risks, to combine with our core competencies and seize the opportunities is our task.

Cathay Life listens to the voices of stakeholders and communicates through a number of channels. We conducted surveys and interviews to better understand how sustainability issues that stakeholders are concerned about impact corporate operations, and ensure that our sustainability measures meet the expectations of our stakeholders.



Cathay Life Materiality Matrix

(III) Materiality and SDGs

Materiality	SDGs																
FinTech Application																	
Attracting and Developing Talents																	
Responsible Investment and Lending																	
Customer Rights Preservation																	
Products and Services for Sustainability Issues																	
Information Security and Customer Privacy																	
Integrated Risk Management																	
Legal Compliance and Response																	
Corporate Governance and Ethical Corporate Management																	
Sustainability Strategies																	

Sustainability Blueprint

(I) Value Creation Process

To achieve the PSI and comply with FHC’s sustainability value creation process, Cathay Life base ourselves on strategic focuses-“CARE”. As the leader of sustainable insurance, we make **commitment** to ensuring social happiness; combine the core competencies of products and investment to set the paradigm of **accountability**; value the well-being and **richness** in our employees’ and the publics’ life; work together with the public to achieve **eco-living**. Thereby, we will fulfill the sustainability vision to “lead the way in sustainable insurance and ensure the happiness of society”.

» Sustainability Vision

Lead the way in sustainable insurance and ensure the happiness of society

» Value Proposition

Cathay Life combines the core competency of insurance – “being people-oriented” - and the sustainability principle of reciprocity (“benefiting oneself by benefiting others”), and utilizes its power as a corporate citizen to become the industry’s main proponent for responsibility mechanisms in compliance with the PSI. We hope to engage employees, policyholders, society, and the general public, so that they become aware, identify with, and further participate in caring Taiwan’s happiness.

» Strategic Focuses & Directions

Commitment

Strategic Focuses

Solid Governance and Steady Operations
Support Initiatives and Expand Influence

Richness

Strategic Focuses

Healthy Lifestyle and Work-life Balance
Social Care and Value Creation

Accountability

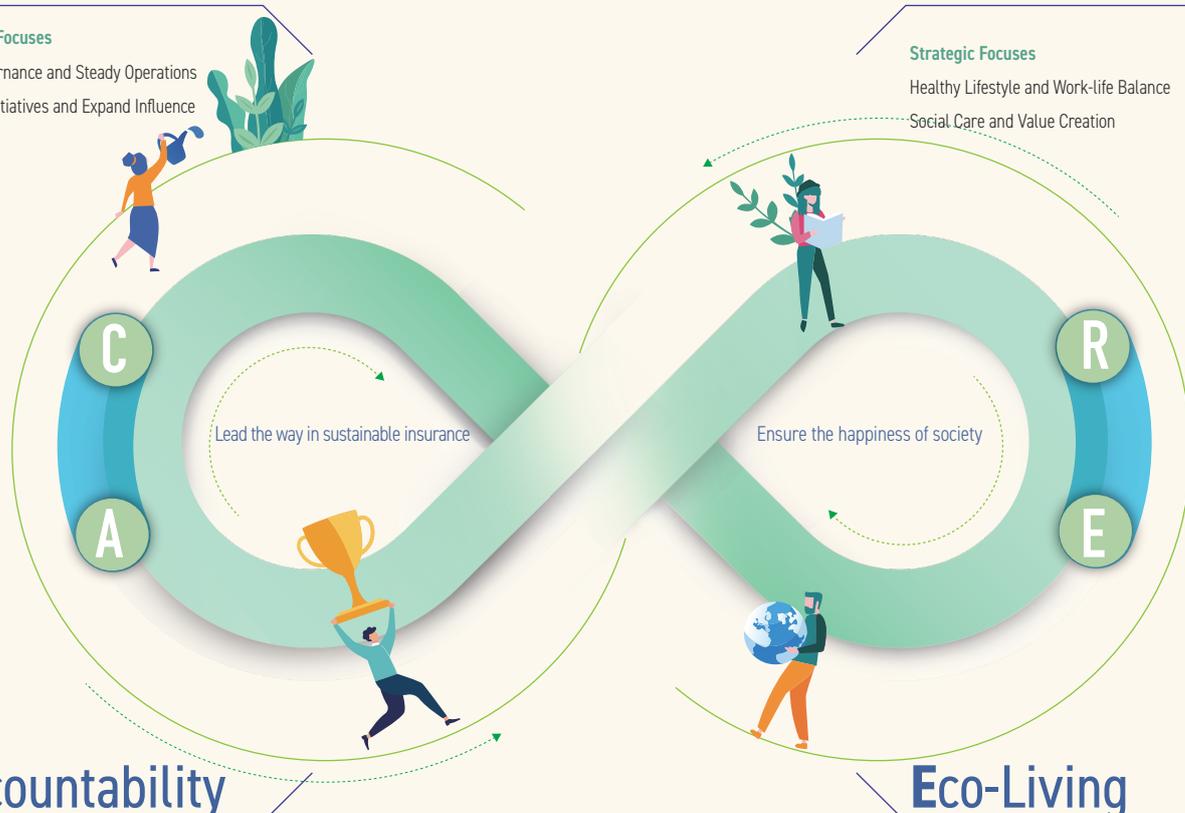
Strategic Focuses

Diverse Coverage and Thoughtful Services
Responsible Investment and Paradigm Proposal

Eco-Living

Strategic Focuses

Green Operations and Impact Mitigation
Eco-Friendliness and Sustainable Homeland



(II) Goals for Sustainability

Commitment



Strategic Direction	Aspect	Short Term (2020)	Medium and Long Term (2025-2030)
Solid Governance and Steady Operations	Corporate Governance and Operation Integrity	Strengthen the competencies of corporate governance units and increase support for the Board of Directors <ul style="list-style-type: none"> Appoint Corporate Governance Officer and staff 	Integrate sustainability into senior executives' performance (2025)
	Information Security and Customer Privacy	Information security and personal data protection training achieve 100% coverage rate	Complete a total of 3 certifications or compliance audits from ISO in information security or personal data protection (2030)
	Integrate ESG into Enterprise Risk Management	Undertake climate risk quantitative model and social risk impact studies	<ol style="list-style-type: none"> Conduct climate risk scenario analysis and social risk qualitative evaluation (2025) Implement control mechanism into climate risk and undertake social risk quantitative model studies (2030)
Support Initiatives and Expand Influence	Responses and Initiatives	Being the leading brand in personal risk management in Taiwan <ul style="list-style-type: none"> Publish reports for trend in personal risk Organize forums for trend in personal risk Develop heat map tools for trend in personal risk 	A benchmark enterprise of sustainable risk management among financial service providers in Taiwan (2025) Expand the scope of reports for risk trend to other ESG aspects A benchmark enterprise that leads investee companies in Taiwan in sustainable development
		As the leader in responsible investment initiatives in Taiwan Participate in "Climate Action 100+" and "CDP Non-Discloser Campaign" Organize one engagement meeting	Participate in "Climate action 100+" (2023) and "CDP Non-Discloser Campaign" Organize one engagement meeting every year Study the viability of participating in other international initiatives for responsible investment (2030)
	Comply with TCFD	<ol style="list-style-type: none"> Coverage rate of carbon footprint check in equity reach 50% Set response strategies for climate change in the listed equity in response to the international trend of researches of industries with high carbon emission 	<ol style="list-style-type: none"> The goals for coverage rate of carbon footprint checks in stock and bond positions are 100% and 30% respectively (2025) Coverage rate of carbon footprint checks in bond position reach 100% (2030) Set climate change response strategies for Cathay's overall investment position (2030)

Accountability

Strategic Direction	Aspect	Short Term (2020)	Medium and Long Term (2025-2030)
Responsible Investment and Paradigm Proposal	Responsible Investment and Lending	Refine the content of ESG risk review <ol style="list-style-type: none"> Study and identify 1 - 2 focus industries based on international trends and ESG risk factors, and adjust investment and lending exclusion lists and watchlists Organize two responsible investment training events targeting investment teams 	Refine the content of ESG risk review <ol style="list-style-type: none"> Adjust focus industries and investment and lending exclusion lists and watchlists based on international trends and ESG factors Organize two responsible investment training events targeting investment teams every year
		Advance stewardship management and facilitate disclosure of responsible investment measures <ol style="list-style-type: none"> Establish individual engagement mechanisms and specify 1 - 2 engagement themes Study international voting standards, refine voting procedures, and disclose voting principles publicly Issue stewardship reports 	Advance stewardship management and facilitate disclosure of responsible investment measures <ol style="list-style-type: none"> Adjust engagement themes based on international trends and ESG risk factors Disclose voting results proposal by proposal in shareholders' meetings Issue stewardship reports
		Aging society and health investment Investment amount grow by 2.5% using 2018 as the baseline year	Aging society and health investment Investment amount grow by 10% (by 2025) and 20% (by 2030) using 2018 as the baseline year
		Low-carbon green energy investments Investment amount grow by 5% using 2018 as the baseline year	Low-carbon green energy investments Investment amount grow by 20% (by 2025) and 40% (by 2030) using 2018 as the baseline year

Strategic Direction	Aspect	Short Term (2020)	Medium and Long Term (2025-2030)
Diverse Coverage and Thoughtful Services	Products and Services for Sustainability Issues: Aging Society and Health	<p>Advance health-promoting concepts</p> <ol style="list-style-type: none"> 1. Launch 1 - 2 insurance products with spillover effect 2. Raise the number of participants in health-promoting events to 200,000 by combining health-promoting products and services 	<p>Create a health-promoting ecosphere (2025)</p> <ol style="list-style-type: none"> 1. Continue to develop insurance products with spillover effect and extend the breadth and depth of health-promoting services by leveraging resources from Cathay as well as other industries 2. Attract participation from the social circles of our employees and policyholders to expand the scope of influence <p>Shape a cultural atmosphere upholding healthy lifestyle (2030)</p> <ol style="list-style-type: none"> 1. Create long-term value for society, policyholders, and our company 2. Accumulate data of long-term health behavior and develop new business opportunities for health-related matters
	Products and Services for Sustainability Issues: Aging Society and Health	<p>Establish an elderly service framework</p> <ol style="list-style-type: none"> 1. Launch 5 products to satisfy the demands of elderly customers annually 2. Provide 5 or more professional new services tailored to the elderly or elder-friendly measures 3. Integrate products and services to perfect the system of insurance protection 	<p>Develop an ecosphere for the elderly (2025)</p> <ol style="list-style-type: none"> 1. Continue to develop products fulfilling the needs of the elderly, and expand the breadth of our services by leveraging resources from Cathay as well as other industries 2. Realize elderly care by collaborations with external organizations and by organizing charity events <p>Shape a brand image of professional elderly care (2030)</p> <ol style="list-style-type: none"> 1. Provide comprehensive and optimized in-depth elderly care to fulfill the requirements of the golden years 2. Improve brand identification and brand loyalty
	Products and Services for Sustainability Issues: Aging Society and Health	<p>Focus on the core of insurance</p> <ol style="list-style-type: none"> 1. Increase sales of protection products by 65% in 2019 2. For preparation of retirement, Cathay Life sets recommended insured amount for 6 major coverage and communicates with people actively 	<p>Cultivate the awareness of protection (2025)</p> <ol style="list-style-type: none"> 1. Continue to disseminate the principle that "happiness requires sufficient insurance coverage" to construct proper concepts of insurance planning 2. Improve public awareness for preparation of retirement so as to adapt to a hyper-aged society without anxiety <p>Create a virtuous cycle of insurance (2030)</p> <ol style="list-style-type: none"> 1. Re-focus on the core of insurance, and facilitate insurance industry towards sustainable development 2. Comprehensively improve basic protections for Taiwanese people
	Products and Services for Sustainability Issues: Financial Inclusion	<p>Enhance and realize financial inclusion</p> <ol style="list-style-type: none"> 1. Fulfill the demands of access: provide 5 or more financial inclusion products 2. Expand the scope of usage <ol style="list-style-type: none"> (1) Provide 5 or more online insurance products (2) Mobile insurance utilization: 90% or above 	<p>Create a friendly financial environment (2025)</p> <ol style="list-style-type: none"> 1. Continue to provide alternative financial inclusion products to fulfill demands for various social groups 2. Improve the access and usage of our products and services with the assistance of FinTech <p>Build a stable society with mutual prosperity (2030) Work towards equal financial services for all social groups, and maximize social stability centered on insurance</p>
	Customer Rights Preservation	<p>Enhance customer satisfaction and ensure all customers being treated fairly</p> <p>Improve service quality and protect customer rights</p> <ol style="list-style-type: none"> 1. Customer service satisfaction score: 90% or higher 2. Relational Net Promoter Score (r-NPS): 15 or higher 	<p>Apply AI to elevate service efficiency (2025)</p> <p>Optimize service efficiency using AI and thereby improve customer satisfaction</p> <p>Elevate the intelligence level of services and optimize customer experience (2030)</p> <p>Pursue a close human-machine collaboration and actively protect customer rights, thereby offering customers innovative values and experiences</p> <ol style="list-style-type: none"> 1. Customer service satisfaction score: 90% or higher 2. Relational Net Promoter Score (r-NPS): 20 or higher
	FinTech Application		Digital service satisfaction score: 90% or higher



Richness



Strategic Direction	Aspect	Short Term (2020)	Medium and Long Term (2025-2030)
Healthy Lifestyle and Work-Life Balance	Attracting and Developing Talents	<p>Expand and implement internal recruitment mechanisms</p> <p>Expand the scope of internal recruitment to include vacancies of general positions; recruit simultaneously from internal and external sources, with replacements by internal candidates accounting for 3% or higher of total recruitment</p>	<p>Fulfill employees' needs for career transfer and form a talent ecosphere (2030)</p> <p>Actively develop diverse talents across groups, and reach an 8% appointment rate via internal recruitment</p>
		<p>Develop multiple training channels and encourage employees' spontaneous learning</p> <p>Continue to advance existing training channels to meet the training hours as required by relevant laws and regulations and fulfill the needs for training of Cathay Life and employees. The overall training hours per employee per year shall be 220</p>	<p>Offer solid, convenient and instant training of high quality (2025)</p> <ol style="list-style-type: none"> 1. Integrate various training resources and actively offer training resources and methods required in improving business operations and refining abilities 2. Study the applications of new technologies, keep advancing and adjusting training methods, and set appropriate personal average training hours
	Workplace Safety and Health	<p>Improve employees' engagement and happiness</p> <p>Analyze the dimensions of engagement and happiness with lower scores and conclude on majors factors for improvement; the goals are 4 or higher in engagement score (on a 5-point scale) and 8 or higher in happiness score (on a 10-point scale)</p>	<p>Become the best employer for our employees (2030)</p> <ol style="list-style-type: none"> 1. Concentrate on employees' needs, and improve the software and hardware environment for employee self-management and flexibility, thereby improving employee engagement and happiness 2. Engagement score shall be 4.2 above; happiness score shall be 8.5 or above
		<p>Construct a safe work environment and promote health awareness</p> <ol style="list-style-type: none"> 1. Implement work environment monitoring for our head office and other buildings owned by Cathay 2. Participants in health-promoting events (lectures and education campaigns) reach 30,000 	<p>Prevent workplace hazards and shape a health-promoting culture (2025)</p> <ol style="list-style-type: none"> 1. Implement differentiation of workplace hazard factors, realize risk management, enhance employees' safety and health awareness, and maintain disabling injury frequency below 0.5 2. Continue to implement employee health checkups and tiered management of anomalies; construct an employee health management system, improve health-promoting events, and maintain employee obesity rate below 50%
Social Care and Value Creation	Workplace Equality, Diversity and Inclusion	<p>Increase the female ratio in senior management team</p> <p>Improve gender balance through policy establishment; female shall occupy at least 20% of all positions in senior management</p>	<p>Continue to promote female employees to senior managerial positions (2030)</p> <p>25% or a higher of positions in senior management shall be female</p>
	Social Care	<p>Encourage employees to do volunteer services and respond to demands from the public with alternative projects</p> <ol style="list-style-type: none"> 1. 60,000 volunteer service hours for charity projects or events in the year 2. 400,000 beneficiaries in charity projects or events in the year 	<p>Develop professional volunteer services and improve social participation (2025)</p> <ol style="list-style-type: none"> 1. Volunteer service hours for charity projects or events reach 84,000 2. Total beneficiaries of charity projects or events: 2.4 million counting from 2020 3. Assemble professional volunteer teams, which use their skills and specialties to improve their targets' knowledge, skills or quality of life
	Value Creation	<p>Introduce charity project management mechanisms and social impact assessment tools</p> <ol style="list-style-type: none"> 1. Apply management tools to systematically record resources, business, and benefits of every projects <p>Optimize projects based on analysis results</p> <ol style="list-style-type: none"> 2. Evaluate the social value and impact of charity project by using the method of SROI 	<p>Exert social influence through charity and embed our image as a charitable brand (2030)</p> <p>Deepen and expand the scope of value creation in social care using SROI</p>

Eco-Living

Strategic Direction	Aspect	Short Term (2020)	Medium and Long Term (2025-2030)
Green Operations and Impact Mitigation	Lower Carbon Emission Generated in Daily Operations	<p>Improving usage efficiency of energy and resources</p> <ol style="list-style-type: none"> The basic goal for carbon reduction is 4% using 2016 as the baseline year; the ideal goal is 8% reduction Promote electronic and mobilized operations to reduce annual paper consumption by 30% using 2017 as the baseline year Complete waste inventories for all rented buildings and representative buildings owned by Cathay Life 	<p>Improve the eco-friendliness of corporate operations</p> <ol style="list-style-type: none"> The basic goal is 14% carbon reduction using 2016 as the baseline year; the ideal goal is 28% reduction (2030) Promote electronic and mobilized operations to reduce annual paper consumption by 60% using 2017 as the baseline year (2025); pursue an annual paper reduction by 70% (2030) Control the volume of waste by 10% using 2020 as the baseline year (2030)
	Respond to Renewable Energy Policies	<p>Develop renewable energy usage plans</p> <ol style="list-style-type: none"> Obtain green or renewable energy certificates Increase the installed capacity of solar panels on Cathay-owned buildings to 200kW 	<p>Increase the ratio of renewable energy consumption</p> <ol style="list-style-type: none"> Pursue a 10 - 20% increase in subscriptions to green energy or renewable energy certificates for Cathay-owned buildings with contract capacity of 800kW or higher (2030) Increase the installed capacity of solar power in Cathay-owned buildings to 500kW (2025) Increase the installed capacity of solar power in Cathay-owned buildings to 850kW (2030)
Eco-friendliness and Sustainable Homeland	Green Supply Chain	<p>Strengthen supplier management</p> <p>Engage suppliers to introduce green procurement</p>	<p>Build a green supply chain</p> <ol style="list-style-type: none"> Cumulative procurement amount via engagement shall account for 50% of green procurement introduced by suppliers (2025) Cumulative procurement amount via engagement shall account for 70% of green procurement introduced by suppliers (2030)
	Sustainable Environment Promotion	<p>Develop alternative solutions to enhance promotion of environmental sustainability</p> <ol style="list-style-type: none"> Pursue a 25% increase in the number of individuals reached by our environmental sustainability campaigns using 2018 as the baseline year Environmental education hours per employee reach 4 hours 	<p>Expand the scope of influence and deepen the promotion of environmental sustainability</p> <ol style="list-style-type: none"> Pursue a doubling in the number of individuals reached by our environmental sustainability promotions using 2018 as the baseline year (2025); pursue a 150% increase in the number of individuals impacted (2030) Promote environmental education for employees and extend its reach to affiliated enterprises (2023) and suppliers (2025)



01

Finance and Integrity Capital

20 Enhancing Corporate Governance

22 Implementing Operational Integrity

24 Strengthening Risk Management



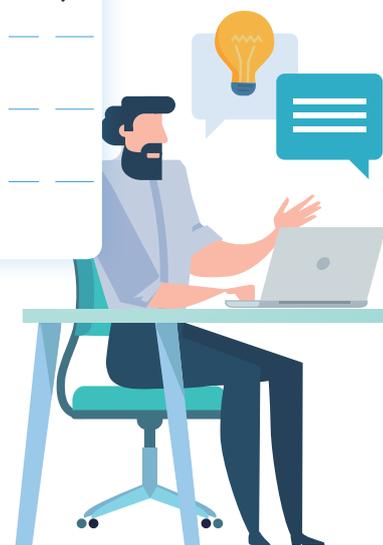
Enhancing Corporate Governance

Sound corporate governance is a foundation of Cathay Life's progress towards sustainable operations. Cathay Life is committed to establishing an effective framework of corporate governance, strengthening the competencies of the Board of Directors, performing the role of the Board of supervisors, and protecting the rights of Cathay Life's stakeholders including shareholders, employees, and policyholders.

(I) Board Diversity

Cathay Life's Board of Directors comprises members from a diversity of backgrounds (in terms of age, gender, professional knowledge and skills, etc.). This facilitates the sound development of its constitution and elevates its effectiveness.

Name of Director or Supervisor	Gender	Age				Industry Experience						Professional Knowledge						
		41 - 50	51 - 60	61 - 70	71 - 75	Financial Holding	Banking	Insurance	Securities	Technology	Other	Commerce	Accounting	Finance	Law	Mathematics/Actuarial Science	Information Technology	Risk Management
Tiao-Kuei Huang	Male			✓		✓		✓					✓				✓	
Ming-Ho Hsiung	Male			✓		✓		✓					✓	✓	✓		✓	
Tzung-Han Tsai	Male	✓				✓	✓	✓					✓	✓	✓		✓	
Chung-Yan Tsai	Male	✓						✓		✓	✓	✓	✓					
Shan-Chi Liu	Male		✓			✓	✓	✓			✓	✓	✓					
John Chung-Chang Chu	Male			✓				✓		✓	✓	✓	✓					
Chao-Ting Lin	Male	✓						✓					✓	✓			✓	
Yi-Tsung Wang	Male	✓						✓		✓	✓		✓					
Feng-Chiang Miao	Male				✓	✓	✓	✓	✓	✓	✓	✓	✓				✓	
Tsing-Yuan Hwang	Male			✓		✓	✓	✓	✓	✓	✓	✓	✓				✓	
Chih-Ing Tsai	Female		✓					✓		✓	✓	✓	✓					
Tzo-Shing Hsu	Male		✓					✓		✓	✓		✓		✓			
Chih-Ming Lin	Male				✓			✓		✓			✓					





(II) Board Operations

Cathay Life convened a total of 8 directors' meetings in 2018, which all directors attended in person or via proxies, thereby performing the duty of supervising the company's various business operations. In 2018, the results of the overall board performance evaluation was "beyond standards," showing the success of the company's efforts in improving the efficacy of board operations.

Title	Name	No. of Actual Attendances	No. of Proxy Attendances	Actual Attendance Rate
Chairman	Tiao-Kuei Huang	8	0	100%
Vice Chairman	Ming-Ho Hsiung	8	0	100%
Director	Tzung-Han Tsai	5	3	62.5%
Director	Chung-Yan Tsai	8	0	100%
Director	Shan-Chi Liu	8	0	100%
Director	John Chung-Chang Chu	6	2	75%
Director	Chao-Ting Lin	8	0	100%
Director	Yi-Tsung Wang	8	0	100%
Independent Director	Feng-Chiang Miao	6	2	75%
Independent Director	Tsing-Yuan Hwang	8	0	100%
Resident Supervisor	Chih-Ing Tsai	6	0	75%
Supervisor	Tzo-Shing Hsu	7	0	87.5%
Supervisor	Chih-Ming Lin	8	0	100%

Note: Actual attendance rate = no. of actual attendances / 8 (i.e., total no. of directors' meetings in 2018).



Implementing Operational Integrity

Cathay Life upholds its core value of “Integrity, Accountability, and Innovation” and established the “Code of Operation Integrity”, “Code of Ethics”, and “Code of Conduct”. We are committed to shaping a corporate culture that emphasizes legal compliance by promoting regulatory concepts via various channels so as to equip every employee with awareness of compliance and risks. In addition, through the establishment of relevant defense mechanisms and simulations, we enhance our control of and response to the information security issues we face, so that every employee gains the ability to control risks in daily operations.

(I) Legal Compliance

Cathay Life establishes systematic channels for the dissemination of laws and regulations, control and education to raise our employees’ awareness, ensure legal compliance for all businesses, and reduce the probability of operational risks.

Cathay Life features specialized legal compliance units, which send information of legal and regulatory changes to relevant departments, and tracks response and implementation using our patent-certified Legal Compliance Management System. We conduct legal compliance self-evaluations twice a year to ensure compliance and remedy any deficiencies in the operations of our business departments. The result of compliance performance assessment will be included in the criteria of manager assessment to urge them to pay due attention to legal compliance.

We also regularly organize the Joint Meeting on Legal Compliance, Risk Management, and Auditing as well as the Legal Compliance Meeting, seeking to raise awareness of legal compliance and risk management through interdepartmental communication. We continue to implement legal compliance trainings and regularly issue monthly newsletter promoting information such as major changes to relevant laws, personal data protection, information security, AML/CFT, major external events, or businesses related to legal compliance, thereby acquainting employees with the risks in Cathay Life’s operations.

In order to balance overseas business development, our legal compliance units and overseas subsidiaries have co-established a contact mechanism with which we regularly track the regulatory changes and inspections by local authorities as well as improvement status, and plan and implement supervision.



(II) Information Security

Cathay Life has established its information security system as well as customer information management mechanism to ensure customer privacy and the company’s information confidentiality in response to various risks of information security and personal data leakage. Furthermore, in April 2018, we established the Information Security Department to enhance strategic planning and technological management of information security. Through active participation and in-depth intervention in 4 dimensions—system management, information security control measures, risk warning, and crisis communication management, we seek to achieve the effect of early warnings and quick responses.

System Management	Information Security Control Measures	Risk Warning	Crisis Communication Management
<ul style="list-style-type: none"> Obtained cloud security certification ISO 27017 Passed examination by the SWIFT Customer Security Program(CSP) 	<ul style="list-style-type: none"> Established cloud service security risk identification and control Established endpoint information device protection 	<ul style="list-style-type: none"> Completed white hacker offensive and defensive simulations Joined cyber-attack threat information sharing platforms 	<ul style="list-style-type: none"> Established information security incident response mechanism Implemented evidence perpetuation validity reviews



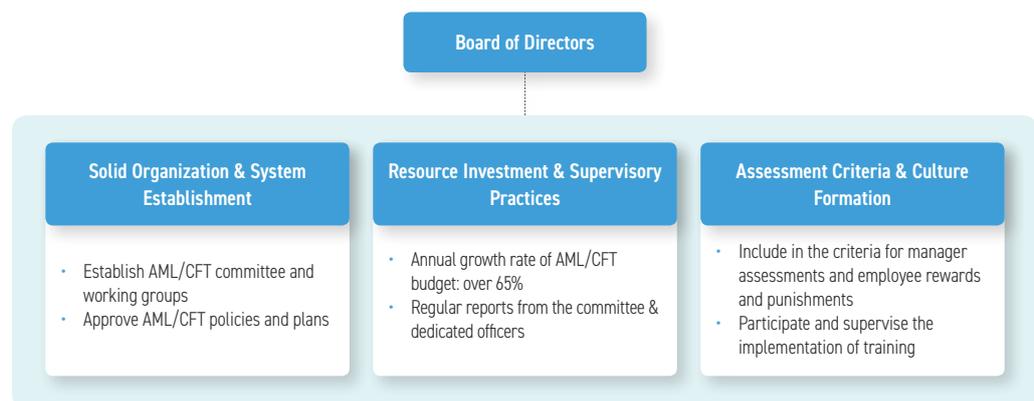


In 2018, Information Security Department have completed relevant trainings of 15 hours per person to acquire required professional skills. We also offer 3 hours of information security promotion courses per person for all of our employees to lay a comprehensive foundation for their awareness of information security. With the strict information security management, there is no significant information security event happening in 2018.

Year	Number of Classes	Trainee	Training Method
2016	258	135,905	Physical & Online Courses
2017	279	165,892	
2018	210	309,785	

(III) AML/CFT

Cathay Life has established its AML/CFT policy, which has been passed by the Board of Directors. We have also established our Anti-Money Laundering and Combating the Financing of Terrorism Committee. Through the guidance of the Committee, along with the cooperation of working groups across departments, and external consultants, we continue to optimize our AML/CFT risk management mechanism and support government AML/CFT policies.



Cathay Life seeks to establish a comprehensive AML/CFT process by implementing control measures in 3 stages--prevention, in-process control and post-hoc review. We also continue to train employees at all levels to strengthen their relevant concepts.



AML/CFT trainees

Total AML/CFT trainees

29,042



Total AML/CFT training hours

284.2 thousand



Cathay Life participated in the 3rd Asia/Pacific Group on Money Laundering (APG) Mutual Evaluation as the representative of the insurance industry. The preliminary results affirmed the collaborative efforts of public and private sectors for the past 2 years that has contributed to significant progress in Taiwan's AML/CFT.

Strengthening Risk Management

Cathay Life has established complete mechanisms, objectives and emergency response plans of risk management to keep track of and promptly respond to business risks, financial risks, as well as emerging risks in relation to environmental or social trends, in order to reduce the possible negative impacts when these risks occur.

(I) Complying with International Standards

In response to the latest International Financial Reporting Standards (IFRS), IFRS 9 and IFRS17, insurance company assets and liability shall be valued base on their fair values. Asset and liability management will confront tougher challenges as our future financial reports will be liable to the impact of market interest rate volatility. Cathay Life has embarked on strategic adjustments in anticipation of changes in future accounting standards. We also increase information transparency and ensure data accuracy by constructing relevant quantitative models and systematically controlling the operations of front, middle and back-offices. On January 1, 2018, we adapted to the standards of IFRS 9 and adopted the overlay approach. In preparation for the coming into effect of IFRS 17, we have also established an interdepartmental working group, introduced a number of projects, and collaborated with external international consultants in order to achieve a smooth adaptation and reduce possible impacts.

In addition, from 2015 onwards, Cathay Life has been participating in the field testings of the Insurance Capital Standards (ICS) proposed by the International Association of Insurance Supervisors (IAIS). To date, we have completed 4 quantitative testings, hoping in doing so to cope with future trends in international insurance supervision, and to raise Taiwan’s international visibility by giving feedback regarding Taiwan’s regional characteristics as well as making relevant suggestions.

(II) Developing Risk Management Systems through Industry-government and Industry-academia Cooperation

Cathay Life, along with the Life Insurance Association and other insurance service providers, have jointly completed the 2017 White Paper of Advice on the Sustainable Development Policy for the life insurance industry to provide relevant advice to the competent authorities, thereby ensuring sound risk management and future development for the insurance industry.

Since 2005, Cathay Life has been collaborating with experts and academics from various countries and disciplines in establishing quantitative models for financial risks and emerging risks, in order to set up an effective risk control and response mechanism. As of the present, we have established 26 models.



Financial Risk Model

Purpose

To increase familiarity with the probability of financial risks and their possible impact when they occur, thus facilitating the day-to-day monitoring of solvency

Practices

To complete all-around financial risk quantification models including the asset valuation model, stochastic market risk factors model, credit default model, asset/liability matching model, R&D on dynamic hedging strategies, thereby developing a comprehensive model for solvency assessment

Emerging Risk Model

Purpose

To cope with the possible impacts brought by an aging society and public health issues by providing more diverse insurance products to assist with economic security and medical care for the elderly, as well as taking relevant risk management measures in advance and complying with IFRS17 standards

Practices

Establish relevant risk quantification models, such as: mortality rate, hospitalization rate, surgery incidence rate, major illness incidence rate, long-term care incidence rate, in order to conduct analysis of future trends and their impacts





(III) Paying Continuous Attention to the Climate Change Risk

Confronted by the increasingly severe impact of climate change, Cathay Life has taken the initiative in promoting the framework of the Task Force on Climate-related Financial Disclosures (TCFD) issued in June 2017 by FSB and implemented management via the following methods:



02

Intellectual Capital

27 Sustainable Investment

34 Sustainable Insurance

36 Financial Inclusion

38 Developing Digital Finance





Sustainable Investment

Cathay Life's total investment assets exceed NT\$6 trillion, accounting for about 1/4 of Taiwan's overall life insurance industry, and making us one of the largest institutional investors in Taiwan. When corporates are attached more closely to the society and environment, we are convinced that through Cathay Life's core competency of investment, we can properly utilize the funds of shareholders and policyholders to support investment targets that focus on sustainable development. From encouraging the development of upright companies and ethical behavior to changing other companies, we can make our environment more sustainable, retain long-term viability of our operations, mitigate the impact of ESG risks, and generate positive economic benefits, all in order to establish a model for corporate accountability and create a sustainable future.



Stewardship Principles
for Institutional Investors

In order to implement corporate sustainable operations and comply with international trends, Cathay Life has been complying with the UN's Principles for Responsible Investment (PRI) since 2015, and became the first insurer in Taiwan to sign Taiwan Stewardship Principles for Institutional Investors in 2016. In 2018, Cathay Life has published the first stewardship report among Taiwanese financial institutions, actively incorporating environmental (E), social (S), and corporate governance (G) into the investment process through system formulation and process adjustment to enhance the long-term value of the Cathay Life, customers and shareholders while fulfilling our duty of responsible investment as an asset owner.

(I) Establishing the Responsible Investment Working Group

In order to become a responsible institutional investor that exerts influence on the market and investee companies, we took the initiative to set up a Responsible Investment Working Group at the end of 2016. We are the first insurer in Taiwan to do so.

The working group consists of fixed-income, equity, alternative investment and financial planning departments and the leader of the group is our executive vice president of investment department, with responsibilities to set short-, medium and long-term goals and specific implementation plans each year to refine and complete our sustainable investment projects. As of the end of 2018, there are approximately 40 members in the working group, 2 of whom are dedicated responsible investment officers.

The Responsible Investment Working Group continues to exchange with and learn from international benchmark enterprises and study their responsible investment measures, as well as periodically organize training courses and participate in external conferences, so as to improve our understanding of responsible investment and international trends. In 2018, a total of 384 Cathay employees participated in our training courses and external conferences. On average, employees received 52 minutes of training.

(II) Stipulating ESG Directions and Policies

We not only comply with the Responsible Investment and Lending Policy established by Cathay FHC, but also establish relevant ESG directions and policies tailored to individual investment businesses of different natures.



Securities
Investment

- The Board of Directors has resolved that both the "Investment Management Procedures" and "Investment Policy" shall stipulate that Cathay Life follow the Principles for Responsible Investment (PRI) during the investment process, and that ESG factors shall be integrated into our decision-making process by refining the investment procedures, utilizing its investment information systems, and referring to the external research resources.
- To fully exercise its expertise and exert its influence as an institutional investor and to fulfill the duties of an asset owner, Cathay Life established its "Stewardship Principles," which incorporates ESG factors into various stewardship activities. By doing so, we can elevate investment values and promote the long-term interests of stakeholders including ourselves, policyholders and shareholders.



Corporate
Lending

Cathay Life's "Responsible Lending Policy" and "Notice for Review of Loans to Corporations" clearly state that PRI must be taken into consideration when conducting corporate lending reviews. An ESG checklist has been designed to assist employees in verifying whether borrowers have acted properly with regards to environmental protection, social responsibility and corporate governance.



Real Estate
Investment

Cathay Life established its "Responsible Property Investment and Management Policy", which states that real estate investments must comply with international sustainability principles including PRI and PSI. Cathay Life continues to improve the performance of its real estate holdings, intensify professional competency training, and improve regulatory compliance so as to engage in the proper utilization of Earth's resources and the proper management of investment and operating risks.

(III) Complying with International Standards

Cathay Life continues to pay attention to sustainability issues and take various relevant actions in accordance with the 7 sustainable investment activities and strategies defined by the Global Sustainable Investment Alliance (GSIA) and the 6 Principles of PRI so as to keep track of ESG risks and opportunities ahead of time.

1. Integrating ESG Factors into Investment Decision-making

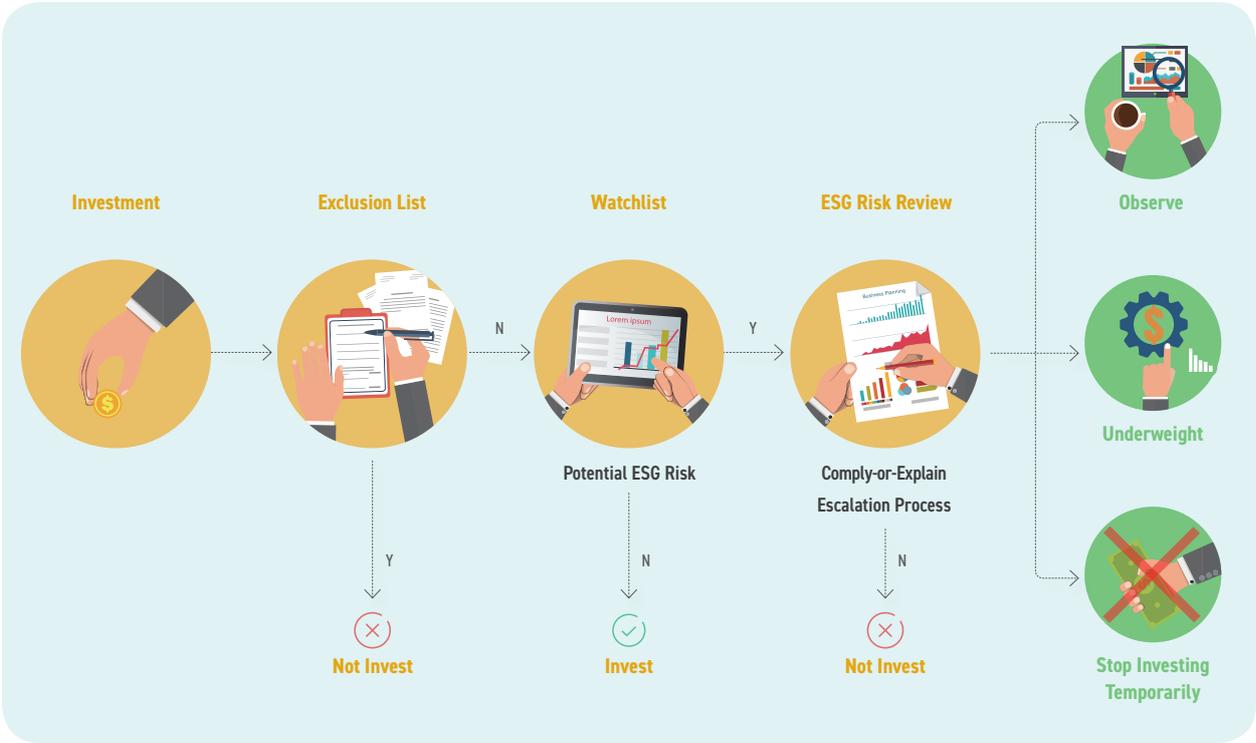
(1) Negative Screening

Cathay FHC and Subsidiaries Investment and Lending Exclusion Policy jointly established by Cathay FHC and its subsidiaries in 2017, build an investment and lending exclusion list which include issuers in the focus industries (e.g., controversial weapons) with high environmental, social and moral risks that lead to negative social impacts, and government bonds issued by countries that systematically violate human rights or exhibit major disputes over human rights, which we review on a yearly basis.

(2) Establishing ESG Risk Review Procedure

We took a step further to establish a watchlist of investment targets with potential ESG risks, thus refining our responsible investment projects in response to external expectations. We reduce ESG risks in investment portfolios by adopting ESG risk review procedures including Comply-or-Explain and Escalation Process. Through this process, investment teams integrate ESG risks into investment decision-making considerations, ultimately leading to decisions regarding investment strategies of either “observe”, “stop investing temporarily”, or “underweight”. A senior manager will grant approval according to factors including risk grades and investment decisions.

In 2018, we completed review of all our listed equities, and reviewed a total of 129 cases using ESG review procedures. We expect to comprehensively adopt this procedure in reviewing fixed income investment targets (non-corporate bonds and corporate bonds) from 2019 onwards and regularly review listed equities and fixed income portfolio’s ESG performance once a year.



(3) Evaluating Counterparty ESC

From 2017 onwards, we have included ESG into considerations of new transaction counterparties in our PE/ HF fund investment selection process.



2. Corporate Engagement and Shareholder Activism

Owing to the tremendous impact of corporate sustainability development on business operations, which in turn affects the rights and interests of institutional investors, and in order to make use of funds more in line with the expectations of shareholders, policyholders and society, Cathay Life believes that constant communication with investee companies to attach importance to ESG risks and opportunities is the best way to increase value for all parties involved. In 2017, we established the *Stewardship Principles* to interact with investee companies through dialogue, engagement and proxy voting, thus demonstrating our stewardship measurement through active ownership. Stewardship reports are published on a yearly basis.



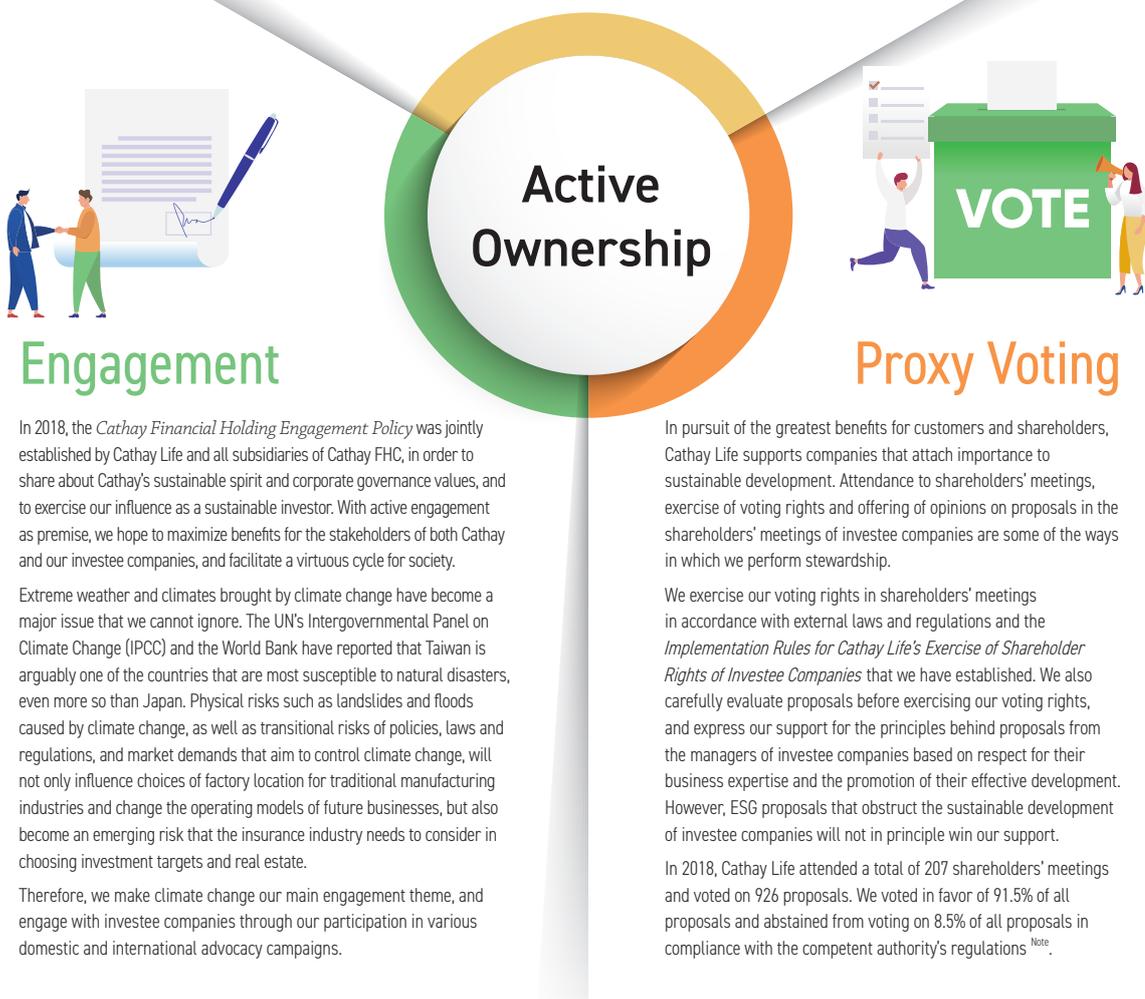
Dialogue



Cathay Life communicates with senior management, investor relations departments, or CSR units of investee companies via telephone conferences, forums, investor seminars, or attendance to shareholders' meetings.

Among the methods of investee evaluation we adopt, we deem company visits the most straight-forward and efficient. Through face-to-face dialogue, we are able to improve our understanding of information on investee companies, discern the gap between disclosed information and actual situation, timely keep track of key risks and opportunities, and refine the soundness of our investment analysis.

A total of 2,476 participants took part in 2018, and a total of and 2,214 visits to 1,052 companies were made.



Engagement

In 2018, the *Cathay Financial Holding Engagement Policy* was jointly established by Cathay Life and all subsidiaries of Cathay FHC, in order to share about Cathay's sustainable spirit and corporate governance values, and to exercise our influence as a sustainable investor. With active engagement as premise, we hope to maximize benefits for the stakeholders of both Cathay and our investee companies, and facilitate a virtuous cycle for society.

Extreme weather and climates brought by climate change have become a major issue that we cannot ignore. The UN's Intergovernmental Panel on Climate Change (IPCC) and the World Bank have reported that Taiwan is arguably one of the countries that are most susceptible to natural disasters, even more so than Japan. Physical risks such as landslides and floods caused by climate change, as well as transitional risks of policies, laws and regulations, and market demands that aim to control climate change, will not only influence choices of factory location for traditional manufacturing industries and change the operating models of future businesses, but also become an emerging risk that the insurance industry needs to consider in choosing investment targets and real estate.

Therefore, we make climate change our main engagement theme, and engage with investee companies through our participation in various domestic and international advocacy campaigns.



Proxy Voting

In pursuit of the greatest benefits for customers and shareholders, Cathay Life supports companies that attach importance to sustainable development. Attendance to shareholders' meetings, exercise of voting rights and offering of opinions on proposals in the shareholders' meetings of investee companies are some of the ways in which we perform stewardship.

We exercise our voting rights in shareholders' meetings in accordance with external laws and regulations and the *Implementation Rules for Cathay Life's Exercise of Shareholder Rights of Investee Companies* that we have established. We also carefully evaluate proposals before exercising our voting rights, and express our support for the principles behind proposals from the managers of investee companies based on respect for their business expertise and the promotion of their effective development. However, ESG proposals that obstruct the sustainable development of investee companies will not in principle win our support.

In 2018, Cathay Life attended a total of 207 shareholders' meetings and voted on 926 proposals. We voted in favor of 91.5% of all proposals and abstained from voting on 8.5% of all proposals in compliance with the competent authority's regulations^{Note}.

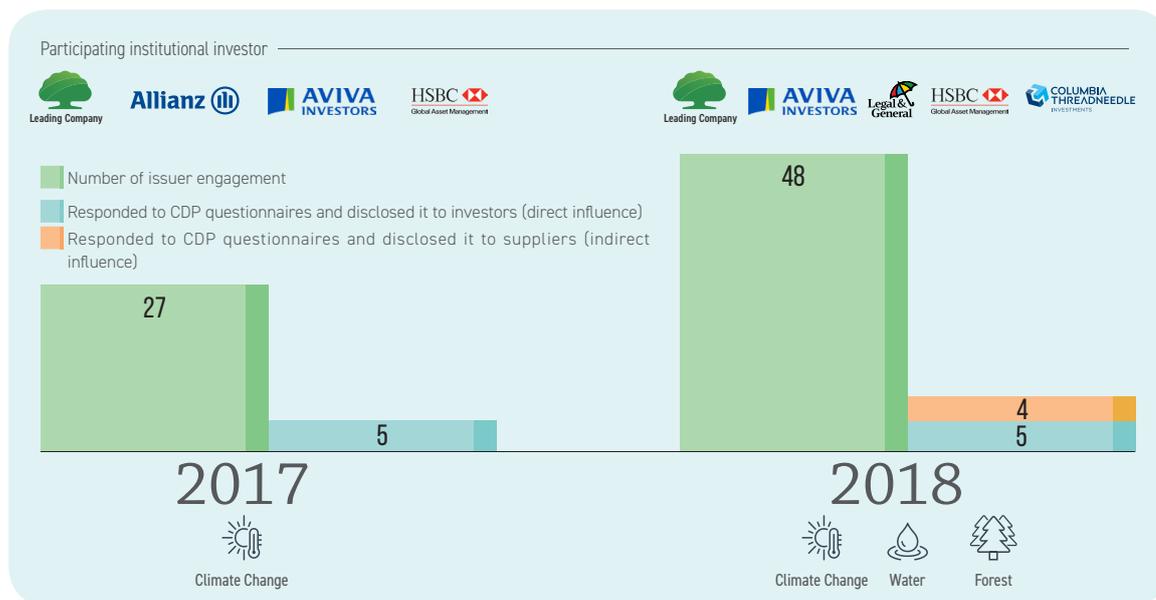
Note: According to Articles 146-1 and 146-5 of the Insurance Act, insurance companies may not vote in director and supervisor elections of investee companies listed in Taiwan, hence the abstention votes for proposals related to the appointment of directors and supervisors. The insurance enterprise can cast a vote in the election of directors or supervisors at the company being invested.

(1) Engaging in the CDP Non-Discloser Campaign

In 2017 and 2018, we became the only financial industry in Taiwan to engage in the CDP Non-Discloser Campaign. We encouraged companies in Taiwan which have yet to participate in the response to CDP questionnaires to do so, thus facilitating the disclosure of corporate measures related to climate change.

In 2018, we expanded the campaign. The companies we communicated with grew from 27 to 48, and the types of questionnaire we encouraged responses to grew from 1 (“climate change”) to 3 (“climate change,” “water,” and “forest”). After communicating with the companies, 5 responded to CDP questionnaires and disclosed it to investors, 4 responded to CDP questionnaires and chose to disclose it to customers, while 20.8% of the companies promised in their replies to respond to the questionnaires within a period of 3 years.

Encouraging Companies to Respond to CDP



(2) Organizing the Climate Change Forum

Climate risk has a tremendous impact on Taiwan. Cathay Life hopes to mitigate its impact on the environment through exercising our core competencies in investment. For this reason, we co-organized the Climate Change Forum with Cathay FHC in 2017 and 2018, calling for the investee enterprises to join us in paying attention to the risks and opportunities brought by climate change.

In 2018, we collaborated with CDP and PwC Taiwan in organizing conferences and workshops to help investee companies further understand CDP questionnaire structure and TCFD framework. A total of 86 individuals and 55 enterprises participated; the average satisfaction score reached 4.42.



We organized Climate Change Forum in 2018, inviting CDP and business leaders to have panel discussion.

(3) Familiarizing the Insurance Industry and Investee Companies with the Importance of ESG

In addition to sharing our practical experience in industry and investment, and assisting the government in establishing a responsible investment framework, Cathay Life also participated in relevant forums to urge other service providers in the finance industry to realize PRI and fulfill obligations related to the stewardship principles for institutional investors.

Considering Taiwanese enterprises’ unfamiliarity with ESG issues, Cathay Life also took advantage of relevant activities to demonstrate that institutional investors have started paying attention, in addition to the financial performance of investee companies, to issues other than financial performance (ESG), in hopes of increasing financial and non-financial (ESG) information transparency and improving the quality of interaction between investors and international ESG grading institutions.



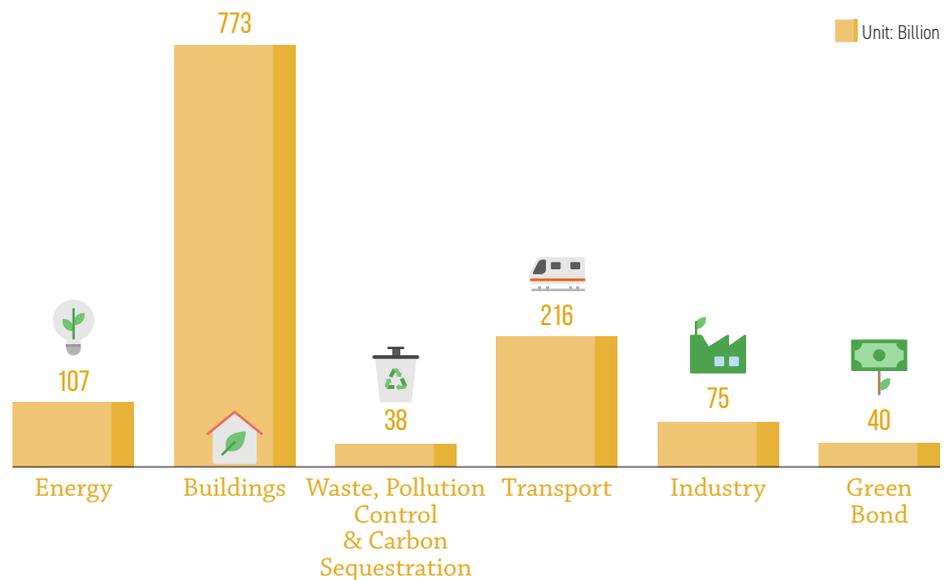
We familiarize the insurance industry and investee companies with the importance of ESG.

3. Thematic Investments

(1) Responding to Low Carbon and Green Energy Requirements

In recent years, due to global warming, severe climate change has severely impacted human environment and life. Therefore, 195 countries around the world signed the *Paris Agreement* at the United Nations Climate Change Conference 2015 (COP 21), as to take concrete actions in combating climate change and slowing down the pace of global warming. The goal is to control the global average temperature rise to within 2 degrees and make efforts to keep it within 1.5 degrees by 2100.

In order to achieve this goal, it is estimated that the global investment in clean energy and clean technology must exceed US\$1 trillion annually. As an island country situated in a high-risk zone, Taiwan cannot afford to ignore the incoming threats of extreme weather. In response to the global low-carbon economy transition, we are actively investing in low-carbon and green energy industries in line with *SDG7: Affordable and Clean Energy* and *SDG11: Sustainable Cities and Communities*. As of 2018, our total investment amount in low-carbon and green energy reached NT\$125 billion (3.4% growth compared to 2017), contributing to building happiness in the world.



On the domestic front, the government has also been actively promoting the *5+2 Industrial Innovation Plan* in the hopes that green finance will become the focus of future investment and assist the successful development and transition into green industries. In this regard, Cathay Life has been actively investing in related industries, and was awarded the “Investing in New Key Industries – Financial Investment Group” award in the 2018 *Insurance Competition* organized by the Financial Supervisory Commission. At the end of 2018, Cathay Life invested NT\$317.1 billion in the *5+2 Industrial Innovation Plan*, emphasizing our support for 5+2 key industries and assisting their fundraising efforts.



Other innovation investments are listed below:



Solar Power

We have been jointly investing in solar power with AU Optronics since 2014. In 2016, Cathay Life initiated a model of joint venture with solar energy service providers in the form of special projects. Under this model, we have successively formed joint investments in the following companies: CM Energy Co., Ltd. (with Light Master Technology); Hsin Jih Tai Corp. (with New Solar Power Corp.); and Cathay Sunrise Corp. (with Sino-American Silicon Products Inc.), thus promoting solar power industrial clusters and setting an example for other companies in the insurance industry. As of the end of 2018, the total investment approved by the Financial Supervisory Commission amounted to NT\$3.42 billion, the highest in the insurance industry.



Green Bonds

In support of the first round of green bond issuance in Taiwan, Cathay Life purchased US\$30 million in green bonds (approximately 17% of the total amount issued in the first round), while the total invested in green domestic and foreign bonds by Cathay Life as of the end of 2018 amounted to NT\$4.03 billion (up 132% from 2017).



Green Building

Since 2016, Cathay Life has ensured that all architectural designs commissioned for development-related investments conform to green building design principles. As of the end of 2018, we have constructed 13 green buildings (2 more since 2017), obtained green building certificates for 15 construction projects (3 more since 2017), and invested NT\$77.3 billion in green building financial development (up 5.1% from 2017).

Certification	Rating	Certification Gained (no.)	Certification Pending (no.)
Leadership in Energy and Environmental Design	Gold	2	
	Silver		1
LEED-EBOM (Category: existing buildings)	Platinum	1 The first building in Taiwan's insurance industry	
Energy Performance Certificates	B	1	
	D	1	
The Green Building Certification of Taiwan	Diamond	1	
	Platinum	1	
	Silver	7	2
	Bronze	1	1

Note 1: The LEED rating system includes 4 levels: Platinum, Gold, Silver, and Certified.

Note 2: The EPC rating is based on a scale from A (Very efficient) to G (Inefficient).

Note 3: Taiwan's green building certificates include Diamond, Platinum, Silver, and Bronze.

(2) Investment in Water Treatment

According to the *United Nations World Water Development Report 2019*, safe drinking water and sanitation are basic human rights. The average annual rainfall in Taiwan is approximately 2,500mm, over twice as much than the global average, and it can be considered a country with abundant rainfall. However, its dense population, steep slopes, vulnerability to monsoons and typhoons, and its uneven rainfall patterns cause it to have potential water shortage crises. Taiwan is listed among countries with water scarcity by the United Nations.



Cathay Life has long been concerned with the issues of environmental sustainability. In addition to climate change risks, addressing issues related to *Goal 6: Clean Water and Sanitation* of the SDGs is crucial at present. Cathay Life is the first life insurer in Taiwan to establish a joint venture with a water resources supplier. We hope that areas can have better public water supply by investing in public sewage treatment and water resources development. The total investment amount as of 2018 is NT\$1.2 billion.

(3) Investment in Infrastructure

Since infrastructure plays an important role in providing people with basic needs and laying the foundation for national development, and in order to maintain economic and social growth, eradicate poverty, and adapt to the impacts of climate change, infrastructure improvements will be crucial for continued sustainability. Cathay Life has invested in infrastructure-related industries to fund sustainable urban development and change people's lifestyle in line with *Goal 8: Decent Work and Economic Growth* and *Goal 9: Industry, Innovation, and Infrastructure* of the SDGs. The total investment amount as of 2018 is NT\$536.2 billion (25.4% growth compared to 2017).

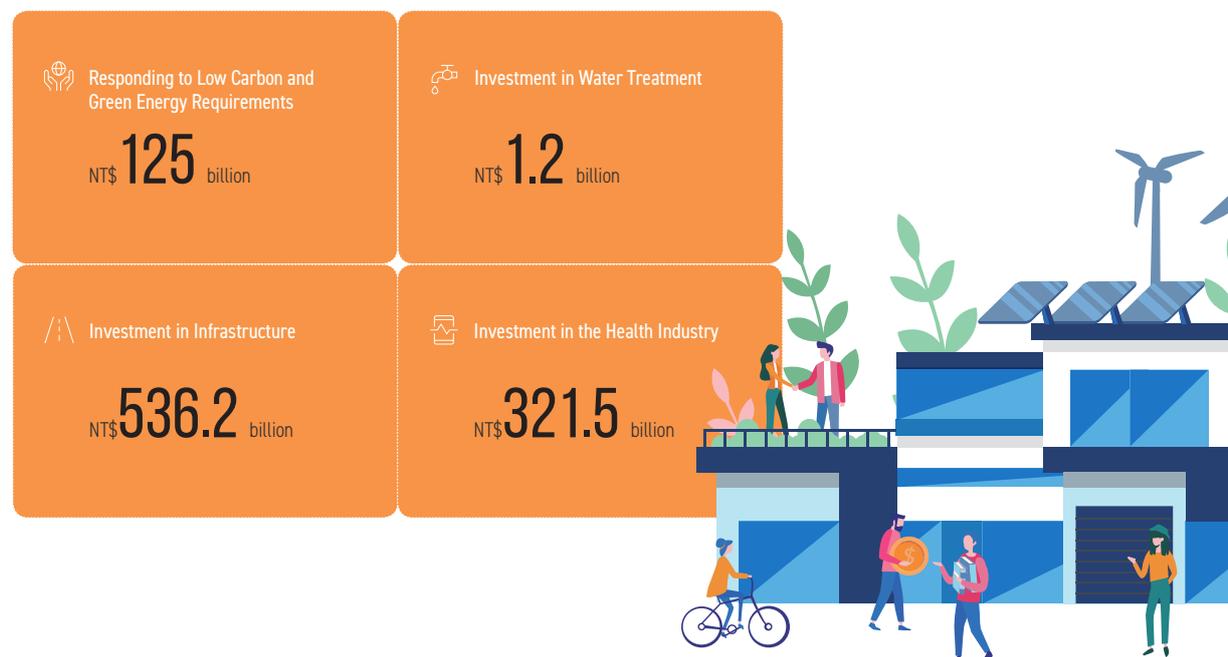
(4) Investment in the Health Industry

Health is a prerequisite for human survival. It is also essential for sustainable development. However, according to the *United Nations Population Fund (UNFPA)*, one of the worse crises of the 21st century is "aging population". With the rapid demographic changes, tremendous impact and demand will be placed on the medical system. In order to promote human health and well-being in line with *Goal 3: Good Health and Well-Being* of the SDGs, Cathay Life actively invests in health-related industries such as drug development and biotechnology. The total investment amount as of 2018 is NT\$321.5 billion.

4. Asset Manager Mandating and Monitoring

To ensure our mandate partners fulfilling their duties as asset managers, we will take if they are signatories of PRI into consideration as an one of evaluation items for mandate partner selection process. Cathay Life also takes ESG into consideration when signing contracts with mandate partners and reviews their ESG performances annually. Thereby we hope to encourage them to attach greater importance to ESG risks and opportunities.

As of the end of 2018, 98% of our mandate assets were managed by asset management companies that are either PRI signatories or who have follow the government stewardship code in place, up 3% from 2017.



Sustainable Insurance

According to statistics from the Life Insurance Association of the Republic of China and Taiwan Insurance Institute, Taiwan has the highest insurance penetration in the world with each Taiwanese citizen having 2.4 insurance policies averagely. But, death benefits only are NT\$560,000, far lower than the average household spending of NT\$810,000 for a year. If any misfortunes happen to a family's breadwinner, the family would fall into dire circumstances.

Happiness of a family is based on a stable economic foundation and the peace of mind can be obtained from having protection. Cathay Life implemented the "Protection Product Promotion Campaign" in 2018 to help people build their own safety net. The campaign promotes the importance of having insurance protection, and takes action by providing insurance products to help people transfer their risks of long-term care, disability, and medical care. We utilize our people-oriented core competencies of insurance, respond to government policy and provide greater protection.

Taking Care of Yourself is the Best Gift for Family

The new "Happiness Protection Website" gives the younger generation a taste of what it is like to care for the elderly through the micro film – "Multiple Choice About Love," which asks the open question "Care your family vs pursue your dreams?" The conversation between family revealed that they put one another first, and guided the audience to ponder on the idea that "taking care of yourself is the best gift for family." The micro film attracted great attention with as many as 1.64 million views.

Seven documentaries including "This Girl is Sick" were filmed to encourage people to realize that planning insurance protection is important. The documentaries allow real stories to reach more people, so that they will reconsider the value of insurance protection. As of the end of 2018, the average insured amount of life insurance increased by 4.4 times, and sales of protection products grew by 74%.

Cathay Life observes social development trends and provides a variety of options for people to respond to imminent and future impacts. This allows them to prepare in advance and also allows insurance to stabilize society.



(I) Elderly Care

Taiwan formally became an aging society in 2018. The nation's demographic structure will moreover go through drastic changes over the next decade with the elderly population rapidly rising, a trend that will in turn place immense economic pressure on society due to massive costs from the provision of medical care.

Cathay Life offers a wide range of products to help policyholders to formulate a complete insurance protection plan. We also adjusts the insurance application process and relaxes restrictions, so that people who were originally unable to enroll in insurance due to age or physical conditions will have an opportunity to transfer risks of old age through insurance planning, allowing them to enjoy aging life.

Offering Elderly Protection Products

- Petty amount whole life insurance: We were the first to offer petty amount products in insurance industry with the most policyholders and the highest insured amount. We also provide other products of long-term care and cancer as a package with petty amount products to meet the basic protection needs of elderly people.
- Exclusive products for the elderly: We offer a whole life product with specific diseases to the elderly exclusively, in consideration of their physical conditions, and relax restrictions on insurance application to cover common diseases among the elderly (dementia and cancer).
- Meeting different needs on protection: We offered a total of 9 products for long-term care, disability support, and investment-linked products, to fulfill the demands of the elderly.
- Long-term care (LTC) insurance with in-kind payment: We gained approval from the authority to offer the industry's first LTC product with in-kind payment in 2018 and prepare to launch in next year, meeting the needs of the elderly for long-term care more specifically.



Lowering Application Standards for the Elderly

We raised the upper age limit on 7 products, so that the current maximum upper limit for insurance application is 85 years old.

Policy Flexibility

We provide various options for policyholders to deal with different demands from changed life stages. Policyholders can convert their existed policies to preferred coverage and adjust their insurance plans to optimize their quality of life in the golden years.



(II) Health Promotion

According to the National Statistics Report of the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the average lifespan of Taiwanese has increased to 80.4 years in recent years, but the unhealthy interval has also increased to 9 years. This shows the dilemma of poorer health and lower living quality in the later years.

Cathay Life has been an advocate for health promotion recently, by offering insurance with spillover effects and organizing health promotion activities, to create a "Health promotion ecosystem" and to encourage people to acquire the habit of exercise and health management. We hope that these efforts will reduce illness, extend the healthy life expectancy of the nation, and transform the function of insurance from compensation to prevention, thereby enabling people to enjoy a healthy life.

Health Promoting Activity	Health Promoting Product
<p style="text-align: center; color: #f9a825;">Cathay Weight Loss Competition</p> <ul style="list-style-type: none"> From 2017, we began inviting policyholders to participate in our weight loss competitions. For each kilogram in weight lost, Cathay donates NT\$100 for the installation of solar power panels. The income generated from this green energy will be provided to NGO, achieving the effect of donating to charity and promoting green energy by losing weight. In 2018, 2,117 policyholders responded to the event and lost 4,600 kg in weight totally, creating a virtuous cycle among health management, eco-friendly promotion, and elderly caring. 	<p style="text-align: center; color: #f9a825;">Term Health Insurance for Critical Illnesses</p> <ul style="list-style-type: none"> This is the industry's first insurance with spillover effects and encourages policyholders to proactively manage their health. If policyholders health examination results meet standards, they are eligible for a discount on insurance premiums. This is the best-selling product with spill-over effects in the industry. It has gained recognition from public, and also won the IAA Taiwan Best Insurance Product of the Year in 2017, Ten Outstanding Products in the 18th Golden Peak Award, and the Gold Quality Award for Product Innovation Projects in the 7th Insurance Excellence Awards.
<p style="text-align: center; color: #f9a825;">Cathay Walker Project</p> <ul style="list-style-type: none"> By the health promotion interactive digital platform to provide rewards for walking a certain number of steps, designed to help the public to acquire the habit of walking 7,500 steps a day, Cathay Life encourages people to take the first step in health management and acquiring the habit of regular exercise. Around 100,000 people have participated in the project since the project was implemented in September 2018, and the cumulative number of steps was enough to fly back and forth between the Earth and the moon for 27.9 rounds. 	<p style="text-align: center; color: #f9a825;">Whole Life Health Insurance for Critical Illnesses with Walking Rewards</p> <ul style="list-style-type: none"> As an extension of the Cathay Walker Project, when policyholders reach a certain number of steps, they will not only gain extra death benefits, but also a wearable device as rewards. This combination of technology and insurance develops the habit of exercise and allows policyholders to obtain both insurance coverage and physical health at the same time. Around 2,000 policies were sold in 2018, making it the best-selling health promotion insurance of step counting in the industry. Approximately, 50% of policyholders reached exercise goals.



Cathay Walker Website



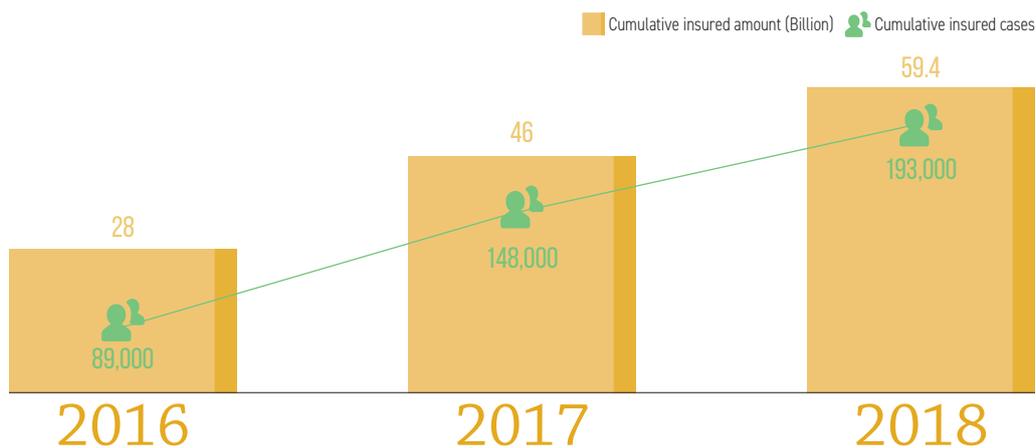
Financial Inclusion

An inclusive financial system can provide equal opportunity to help reduce poverty and promote prosperity. Cathay Life strives to meet requirements on the accessibility of financial services, and also expands the usability of financial services, so that the public can enjoy required financial services equally, achieving the spirit of financial inclusion.

(I) Economic Disadvantaged – Micro Insurance

From 2009, Cathay Life began offering micro insurance to provide basic coverage to the economic disadvantaged. These products cover injury, death, disability and medical expenses. As of the end of 2018, micro insurance provided protection that totaled NT\$59.4 billion for around 190,000 economic disadvantaged people, the highest in the industry. It also provided economic assistance for 466 families to weather the storm.

We won the first place and the excellent performance award in the Micro Insurance Contest held by the FSC in 2018.



Economic disadvantaged – Micro insurance
 provided protection that totaled NT\$ **59.4** billion for
 around **190,000** economic disadvantaged people

Elderly policyholders – Petty amount whole life insurance
 nearly **180,000** policyholders has been insured, providing a total insurance coverage,
 NT\$ **51.6** billion approximately, against personal risks for society



(II) Elderly Policyholders – Petty Amount Whole Life Insurance

In the past, many elderly people prepared for their funeral expenses by joining mutual aid groups. Instead of gaining protection, however, these groups led to many disputes. Cathay Life expanded its micro insurance to all people, and led the industry in offering the first petty amount whole life insurance in 2017, which offers the largest coverage and can be affordable by almost anyone. The product allows people to get basic coverage, even for those who cannot apply insurance because of age or poor physical condition.

The features of this product are low application requirements and premiums, allowing people to obtain basic insurance coverage easily. As of the end of 2018, nearly 180,000 policyholders has been insured, providing a total insurance coverage, NT\$51.6 billion approximately, against personal risks for society. This is the highest amount of total coverage in the industry. Excepted to respond to government policy, this product received the 2017 Taiwan Corporate Sustainability Awards – Social Inclusion Award as affirmation.

(III) Cancer Patients – The Post-cancer Medical Insurance

The diagnosed number of cancer has continued to increase each year, and the pace has accelerated to one person being diagnosed with cancer every five minutes averagely in 2015. Cancer was once viewed as an incurable disease, but has now taken as chronic disease, because of advances in medicine. After being diagnosed with cancer, many cancer patients finally realize how insufficient their coverage is but can not transfer the risk by applying insurance. They have to face the burden of immense medical expenses directly.

Cathay Life saw the needs of cancer patients for getting coverage so that launched the Asia’s first medical insurance for cancer patients exclusively in 2018. The coverage is for the top 12 most common primary cancers in Taiwan, such as colorectal cancer or breast cancer. This product can cover about 80% of cancer patients and offer them adequate economic and psychological support.

This product has gained widespread social approval and has inspired industry peers to follow suit. Cathay Life also won the 2018 Taiwan Corporate Sustainability Awards – Social Inclusion Award by this achievement.

(IV) High (Vocational) School and Below – Student Group Insurance

Cathay Life hopes to fully utilize its core competencies in insurance and to exert its influence for becoming a force for social stability and bringing happiness to Taiwan. From 2017 to 2018, Cathay Life provided student group insurance with total insured amount of about NT\$3 trillion, protecting 3 million students around Taiwan.

Cathay Life and the K-12 Education Administration jointly implemented the Sustainable Campus Project to provide students with more thoughtful and expanded services. Nearly 6,000 agents as the sustainable campus ambassadors around Taiwan, they have visited schools to enhance students’ awareness of self-protection and sustainability issues continuously.



This product can cover about **80%** of cancer patients and offer them adequate economic and psychological support

Total insured amount of about NT\$ **3** trillion, protecting **3** million students around Taiwan

Developing Digital Finance

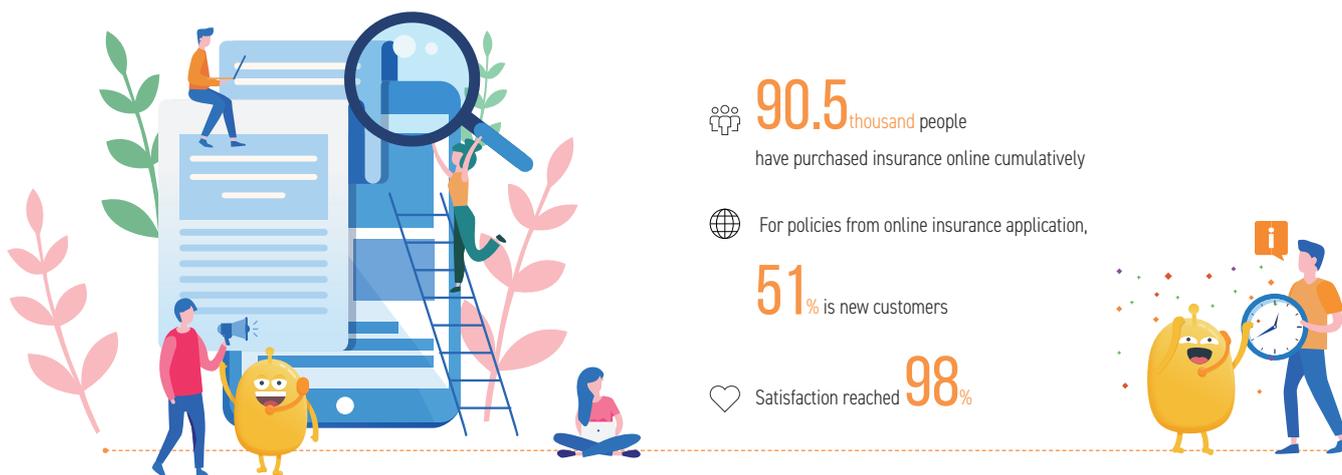
In response to the trend of digitalization, Cathay Life provides a variety of channels or tools to expand the scope of insurance services from face-to-face to online digital services, which can meet the accessibility requirements of policyholders on insurance services. By providing convenient, immediate, and friendly financial services, we optimized the customer service experience and increased service satisfaction.

(I) Online Insurance Application

Cathay Life has begun offering online insurance application services from 2014, establishing a rapid and independent insurance application process with a wide variety of products, such as travel, life and accident insurance. Customers can use the Cathay Life's official website as an interface to apply for insurance friendly and conveniently without uploading or downloading any documents or contacting agents. Applicants can be processed efficiently. Cathay Life also developed a mobile version website in response to the trend of mobile devices. About 40% of policyholders that purchased insurance online in 2018 used the mobile version website for application.



Furthermore, Cathay Life also engaged in cross-industry collaboration to provide policyholders with other value-added services and encouraged policyholders to fully utilize the services, thereby increasing the number of customers that purchase insurance online. The online insurance application service has gained widespread approval from users since it was first offered.



(II) Online Insurance Services

Cathay Life provides a variety of communication channels, such as official website, the Cathay Life app, Facebook fan page, and official Line account. The variety of application channels provides customers with greater convenience and a better experience. Cathay Life is the only insurance provider in the industry that allows policyholders to use their Citizen Digital Certificate for online applications, giving consideration to both the security and convenience of online services. Cathay Life also provides the greatest variety of online insurance services in the industry by offering 28 services in total, including online security application, change of address or payment method. Overall satisfaction and satisfaction of individual digital services all exceeded 95% in 2018, showing that online services do indeed meet requirements of users and also provide a better customer service experience.

Cathay Life constructed the accessible website, complying with standards for friendly financial services and ensuring that people with disabilities and the disadvantaged enjoy equal and convenient insurance services as basic rights. The accessible website received the accessibility label from National Communications Commission and provides users with greater information accessibility.

(III) Smart Digital Customer Services

Cathay Life has begun providing smart digital customer services – Alpha through digital communication channels such as its official website, app, and official Line account to reduce customers' wait time and immediately respond to customers' questions and needs. Alpha can provide policyholder with inquiry services of payment, contract, and payment status. If Alpha encounters



a problem it cannot resolve, it will seamlessly transit the case to service person for continue services. Cathay Life has utilized the learning features of AI to further refine the smart digital customer service system, and will begin providing policy change, claims, and product explanation services continuously, enhancing functions for a better customer experience.

Alpha has been used on average 2,276 times each day since it was launched in September 2018. Its problem solving rate^{Note} reaches 90.6%, and the satisfaction score, 4.7 points, is similar to the level of customer services from person. Alpha has not only increased customer stickiness (number of online members increased by 12% and daily active users increased by 18%), but also effectively increased operational efficiency (reduced services of person by 745 calls). The time of putting on hold of policyholders are reduced by 11 seconds, significantly improving service efficiency.

Note: Problem solving rate is defined as customers not calling customer service person within 1 hour after using smart digital customer services.

(IV) Mobile Insurance

Cathay Life provides mobile insurance services in 2012 in the effort to streamline service operating procedures and improve service efficiency. The Mobile Insurance app integrates insurance application, claims, premiums and policyholder services. By using tablet, the need to fill out paper application forms can be eliminated. The app also provides access to numerous electronic documents, including electronic invoices, electronic insurance policies, and payment detail lists.

The Mobile Insurance app saves the trouble of sending documents back and forth and significantly shortens wait time. It was awarded a patent from the Intellectual Property Office, Ministry of Economic Affairs, and is the first patent to be obtained by an insurer. Since the app was first launched, utilization of services has reached 90% and above, showing that mobile insurance services are widely accepted and meet the expectations of policyholders.

Item	Mobile Application	Mobile Claims	Mobile Policyholder Service	Mobile Premium Payment	Electronic Insurance Policy	Electronic Documents
Number of Cases	1,087,000	717,000	887,000	815,000	544,000	2,079,000
Usage Rate	98.9%	95.3%	91.3%	93.8%	40.1%	39.0%
Paper Saved Amount	10,106,000	1,434,000	1,774,000	1,630,000	5,819,000	37,422,000

Note 1: Numbers of mobile application cases and paper saved amount, including travel insurance and policies sold by brokers, are counting as following: life insurance policy by 10 sheets of paper, travel insurance by 2 sheets of paper, and single policy sold from broker by 10 sheets of paper.

Note 2: Usage rate of mobile application does not include travel insurance and policies sold by brokers.

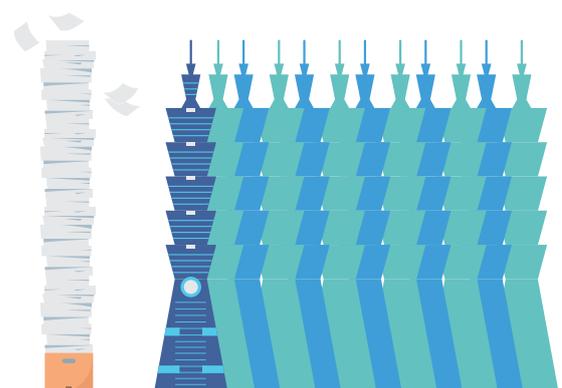
Note 3: Calculation standard for paper saved from electronic insurance policies: single common case by 22 sheets of paper, investment-linked insurance by 80 sheets of paper, and travel insurance by 6 sheets of paper.

Note 4: Use of electronic signature and payment details saved 3,875,000 sheets of paper in 2018.

In response to the increasing prevalence of digitalized services, Cathay Life utilized FinTech to improve its insurance service-related operations. Expanding the scope of services, improving service performance, and increasing customer service satisfaction, this will enhance financial inclusion and create a win-win result for customers, the company, and society.

Saved **62,062,000** sheets of paper in 2018,

equal to the height of **12** Taipei 101 buildings.



03

Human Capital

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Talent Structure

Talents are a precious asset for Cathay Life's continual innovation and sustainable operations. In 2018, Cathay Life's full-time employees amounted to 32,014. We not only attract talents via a variety of channels, but are also committed to creating a friendly, equal and healthy work environment in which employees are able to strike a balance between work and life.

» Distribution of Employees by Region

Category	Taiwan			Overseas			Total
	Female	Male	Total	Female	Male	Total	
Manager	2,171	1,559	3,730	2	25	27	3,757
General Staff	21,893	6,292	28,185	6	66	72	28,257
Total	24,064	7,851	31,915	8	91	99	32,014

Note 1: Figures include full-time employees only.

Note 2: "Managers" refer to office staff with positions not lower than manager and customer service deputy manager, and sales agents with positions not lower than unit supervisor.

Note 3: 29 part-time employees in total, all of whom are hourly employees.

» Composition of Employees by Gender & Age

Category	Female			Male			Total
	Age 30 and Below	31-49	Age 50 and Above	Age 30 and Below	31-49	Age 50 and Above	
Manager	102	971	1,100	143	920	521	3,757
General Staff	2,944	9,799	9,156	2,225	3,192	941	28,257
Total	3,046	10,770	10,256	2,368	4,112	1,462	32,014

Note 1: Figures include full-time employees only.

Note 2: "Managers" refer to office staff with positions not lower than manager and customer service deputy manager, and sales agents with positions not lower than unit supervisor.

Note 3: The average age of Cathay Life employees is 43.7 years old; the formula for calculation = (age group x no. of employees) / total no. of employees.

» Numbers of New and Resigned Employees

Age	New Employees		Resigned Employees
	Female	Male	
Age 30 and Below	1,264	1,131	1,319
31-49	1,483	584	1,555
Age 50 and Above	178	43	236
Total	2,925	1,758	3,110
%	14.63%		9.71%

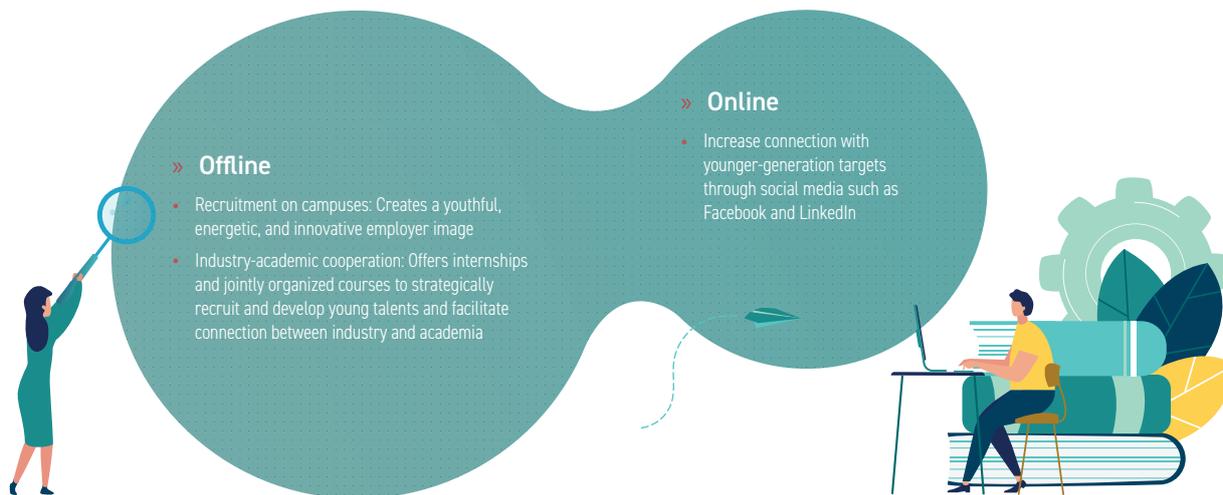
» Figures of Disabled Employees

Year	2016	2017	2018
Number	319	318	319
%	1.04%	1.02%	1.00%

Note: The number of disabled employees is calculated based on the principles provided in the People with Disabilities Rights Protection Act; formula: no. of disabled employees / total no. of employees.

Attracting Talents

Cathay Life reaches potential talents and recruits top talents via a diversity of channels. In response to changes in the external market environment, we have also added new employment categories to recruit talents with specialties in relevant fields, thereby enriching Cathay Life’s talent pool and improving our competitiveness.



(I) Insurance Agents Recruitment

Cathay Life has entered campuses to foster understanding of the life insurance industry among younger generations’ and give them a good impression about our brand, so as to attract more young people to join the ranks of life insurance agents and make early connections with outstanding talents.

» Young Golden Plan

In 2018, we launched the *Young Golden Plan*, recruiting talents from younger generations that identify themselves with insurance business and are ambitious about self-realization. Through a comprehensive talent development mechanism as well as well-defined and accessible channels of promotion, we provide more opportunities of relevant learning and development to incubate professional life insurance consultants and excellent managerial talents. In 2018, both the ratios of new employees and young new employees were higher than those in the same period of the last 3 years.

Project	Target	Content
Pilot Management Associate (PMA) Project	Those holding a college/university degree and above, with ambition to become a sales supervisor	Offers training and financial subsidy for a duration of 2 years, plus development of business and managerial competencies
Star Agent (SA) Project	Those holding a high school/vocational school diploma and above, with ambition to become a top sales talent	Offers a 2-year marketing competency training and a 1-year financial subsidy, plus opportunities for step-by-step learning and development



» Career Diary

We co-organized the *Career Diary* event with City Wanderer, a startup social enterprise. During the event, we planned 3 categories of activities--“Self-exploration”, “Half-day Internship”, and “Inquiry for Senior Staff”, in which various tasks were assigned to our participants to know and experience different modes of work in different occupations, and to help young people explore themselves and their relevant skills to reduce job-seeking stress and find their most suitable careers.





526 individuals registered for the event in 2018, among whom 270 were admitted through training courses to participate in the event. 96% of the participants reported an improved understanding of previously unfamiliar professions; also, their impression for Cathay's brand image underwent a significant change after participating in our "Half-day Internship".

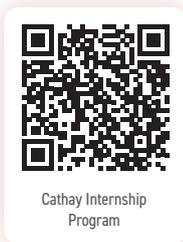
Moreover, *Career Diary* was awarded a Special Award from *Buying Power* organized by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.

(II) Establishment of Office Talent Pool

In response to the rapid changes in financial environment, Cathay Life recruits talents with multiple competencies as well as develops all-around and innovative approaches to improve the competitiveness of our talents.

» Cathay Internship Program (CIP)

Since 2005, we have been implementing the Cathay Internship Program (CIP) to recruit quality talents ahead of time and establish a steady talent recruitment mechanism. Through collaborations with relevant academic institutions in Taiwan, we provide excellent students opportunities to establish connections with the industries and put what they learn from schools into practice, thus not only bringing innovative thinking to our company but also establishing our brand image and elevating our culture identity.



Year	2016	2017	2018
Number of Applicants	551	527	642
Number of Admissions	56	62	54
Cumulative Number of Employees Recruited	61	73	86
Cumulative Reinstatement Rate	23.64%	22.81%	22.99%

Note 1: Cumulative number of employees recruited = Cumulative number of employees recruited through CIP up until the current year.

Note 2: Cumulative reinstatement rate = (Cumulative number of employees recruited through CIP)/Total number of CIP participants (375).

» Establishment of Specialized Talent Pool

As the financial industry is increasingly active in magnifying its presence in Asia, it is becoming urgent to develop FinTech. Cathay Life is also active in cultivating all-around financial talents by offering generous salaries and benefits as well as comprehensive training programs to attract top talents.

Plan	Global Management Associate (GMA) Project	Cathay Investment Manager (CIM) Project	Overseas Talent Pool
Purpose	To develop financial talents with high strategic sophistication and cross-disciplinary approaches	To cultivate well-rounded investment planning talents highly sensitive to investment opportunities	To reserve and foster local insurance talents through elaborate schemes in response to requirements of overseas market development
Practices	Appoint personnel in rotational manner among important planning units (products, customers, channels, marketing, etc.) in Cathay FHC, Cathay United Bank, and Cathay Life, who shall undertake front-office business practices and overseas internships to gain experience and develop all-around financial knowledge	Develop professional knowledge of stock market, foreign exchange, bond, risk management and financial accounting through a year of rotational appointments among investment, transaction and planning departments	Collaborate with administrative departments of international student affairs in universities/colleges for selection of top Vietnamese talents, and develop these talents towards becoming mid-level or executive managers to accelerate the development of the Vietnamese market

Competency Upgrade

Cathay Life continues to accumulate talents and create alternative and innovative channels for learning. Taking advantage of cutting-edge technologies, we also introduce various digital and novel modes of training to universalize access to learning, and thereby comprehensively raise the development potential of employees' professional competencies and careers. In 2018, we became the only enterprise in Taiwan to receive the *BEST Award from the Association for Talent Development (ATD)*.

Item	Category	2016		2017		2018	
		Female	Male	Female	Male	Female	Male
Total Training Hours	Manager	1,538,242		611,957		625,601	
	General Staff	10,859,264		5,264,735		5,859,687	
	Total	9,749,058	2,648,449	4,491,303	1,385,389	4,870,436	1,614,852
Training Hours Per Person	Manager	430		168		167	
	General Staff	400		192		207	
	Total	414	369	191	185	202	203
Training Cost Per Employee		Approx. NT\$18,186		Approx. NT\$16,692		Approx. NT\$17,540	

(I) AG2.0 Agents Upgrade Project

Cathay Life initiated the AG2.0 Agents Upgrade Project in 2013, hoping to comprehensively increase the size of our sales force and improve the quality of their services through a systematized training program.

Standardized Recruiting Process	<ul style="list-style-type: none"> 10 stage recruitment procedure: Name list verification; relationship connection; first interview; life insurance career conferences; life insurance sales agent qualification exams; career seminars; practical training; decisive interview; new employee hiring; home visits by branch managers
Cycled New-Hire Training Program	<ul style="list-style-type: none"> Combining theory with practice, improving marketing skills, and strengthening scenario thinking Improving problem-solving abilities through on-the-job training
Modularized Education System	<ul style="list-style-type: none"> Junior levels: Deepen knowledge and strengthen basic marketing skills Senior levels: Improve all-around competencies of financial insurance planning
Enhanced Supervisory Competency	<ul style="list-style-type: none"> Performance review and planning assists employees in solving problems and planning future action plans In addition to the group training and development, we provide individual training and development, field observation and demonstration to educate employee's correct sales behavior
Cathay Box	<ul style="list-style-type: none"> Supervisor: Integrates schedules, reviews performance and organizational conditions, and keeps track of recruitments and carries out subordinate counseling Individual: Integrates schedules, customer management, and records of visits to help improving the efficiency of personal activity management
Policy Service Personnel Transferal	<ul style="list-style-type: none"> To utilize customer service resources effectively, we reallocating customers lists and service tools for agents, reallocating customers lists and service tools for agents to optimize contact or visits so as to effectively utilize customer resources
Worksite Marketing	<ul style="list-style-type: none"> Agents operate customer service station in worksites such as campuses, civil service and education sites, and offer services and products to these worksites

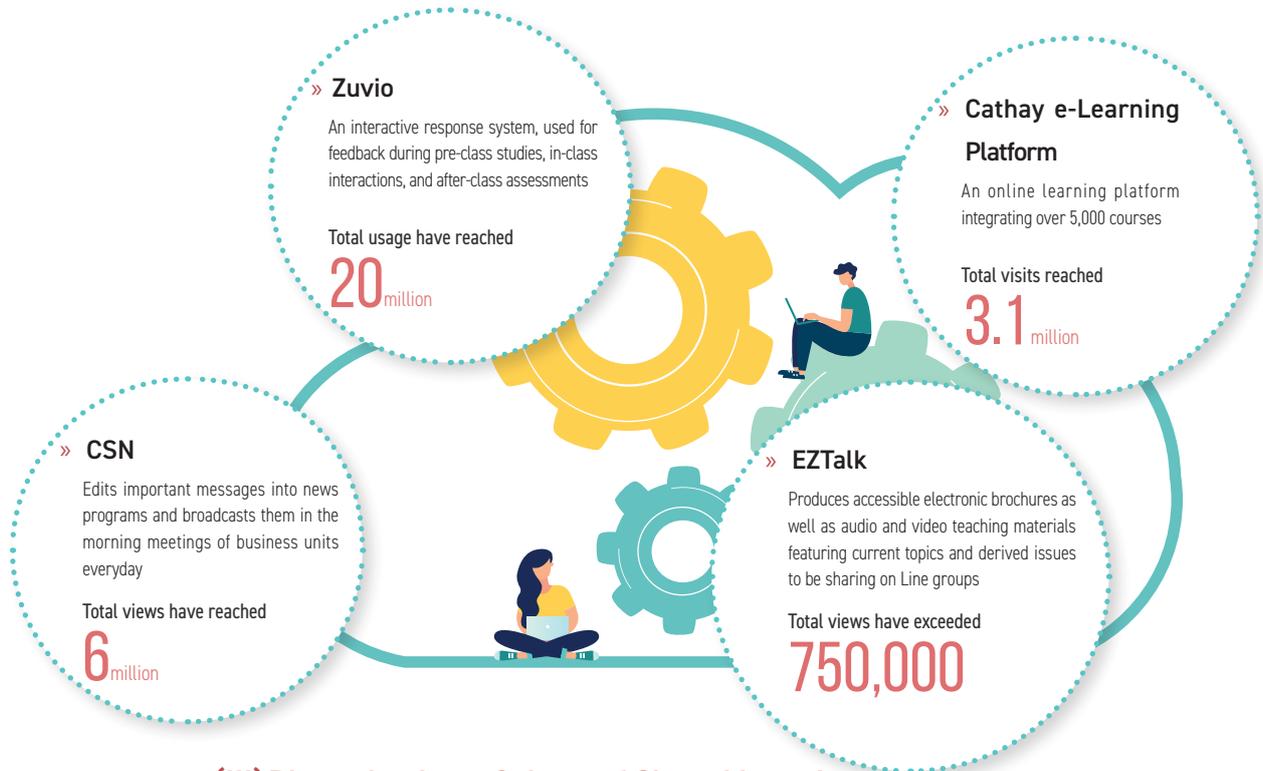
Complying with international standards, Cathay Life has been promoting Certified Financial Planner (CFP®) certification since 2012, in the capacity of which we have been actively improving the financial service skills of sales agents, and committed to providing all-around financial insurance planning services. As of the end of 2018, 292 Cathay employees have been certified as *Applied Financial Planning (AFP)/Certified Financial Planner (CFP)*, making us the leading financial service provider in terms of the number of employees with these certifications.

In addition, Cathay Life also encourages our sales agents to join the *Million Dollar Round Table (MDRT)* to broaden their international horizon and improve their professional skills in marketing. In 2018, a total of 698 employees became the MDRT members, and Cathay Life has the highest number of MDRT members in Taiwan.



(II) Creating a Shared Learning Platform via Social Networks

We seek to improve the efficiency of learning by integrating various internal learning resources and channels, combining CSN, Cathay e-Learning platform, Zuvio, EZTalk and live broadcasts to create our *Cathay Super Net*, which facilitates learning experience through immediate interactions, and knowledge sharing.

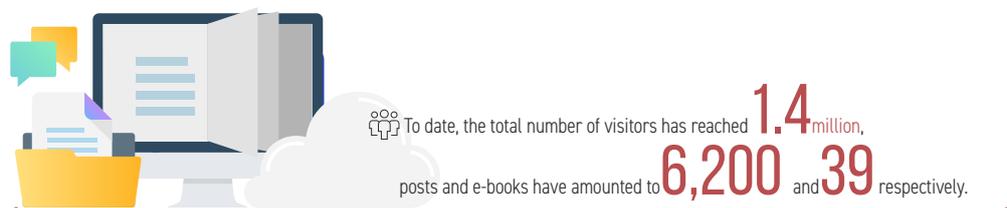


(III) Disseminating a Culture of Shared Learning

In addition to offering diverse channels of learning, Cathay Life also accumulates and passes down our knowledge and experience by establishing internal platforms of knowledge exchange and organizing events to encourage employees to share their professional knowledge, progress of project promotions and career experience, thus creating an internal culture of shared learning.

» Skytree

We constructed our Skytree knowledge sharing platform to optimize AG2.0 implementation and accelerate its promotion, while also encouraging our business units to share experiences and tips of AG2.0 promotion, thereby strengthening the operational autonomy of regional divisions and business units, and the immediacy of knowledge dissemination.



» Cathayer to Cathayer Knowledge Acquisition Program

In this program, our employees share knowledge related to themes including “Professional Domain Knowledge”, “Workplace Practice”, and “Personal Specialties Sharing”. Through 2-day knowledge acquisition workshops, participants produce scripts, based on which they then make mini-movies to be shared via internal platforms. In 2018, we collected a total of 118 mini-topics of relevant knowledge, among which 29 were selected to participate in the workshops, in which 27 mini-movies were made and viewed by 1,828 employees.

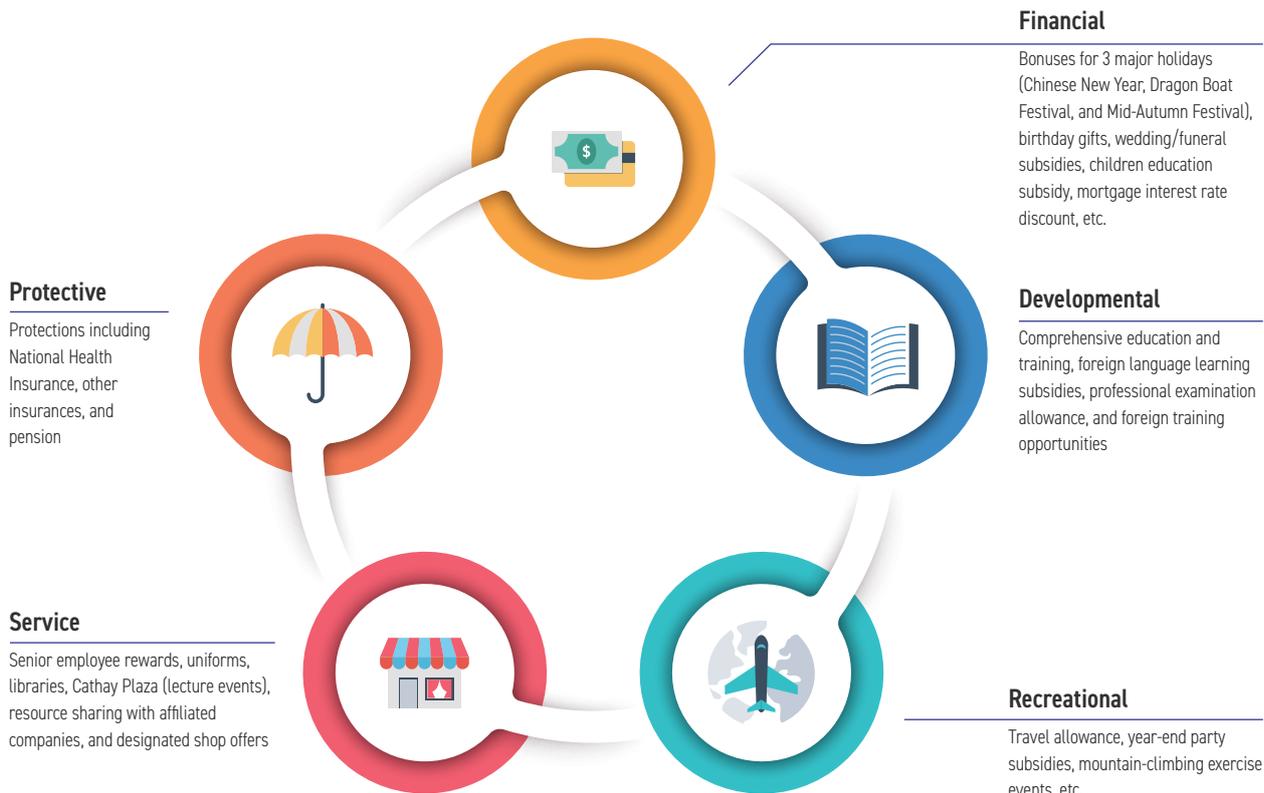


Friendly Workplace

Cathay Life is committed to creating a healthy and tolerant work environment, and putting the principles of human rights and equality into practice. We not only comply with labor laws and regulations as well as relevant international frameworks including the UN's Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, the UN Global Compact, and related regulations of the International Labor Organization, but have also established main directions and principles for employee conduct in Code of Conduct for Employees to protect employee rights.

(I) Diversified Benefit Policies

Cathay is committed to improving our employees' wellbeing by offering benefits in five aspects.



(II) Employee Engagement and Happiness Survey

We seek to understand our employees' overall satisfaction and identification with Cathay Life and to explore the key factors affecting the employees' commitment to work by conducting employee engagement and happiness surveys on a yearly basis, in which we review and track the employees' feelings about the promotion of our policies and their expectations for our future promotion plans.





(III) Advancing Dreams and Working Together

“Important as it is, work should not be done at the expense of the things we love” is the new definition Cathay employees have for workplace happiness. Cathay Life is in support of employee’s pursuit of personal dreams outside of work by exercising the power of themselves and their teams to make life and work more meaningful.

» Cathay Dreamer

In 2018, we launched *Cathay Dreamer 2*, encouraging employees to propose plans in realizing their dreams. With professional assistance and employee fundraising, the proposals were then implemented. In doing so, we not only shaped a positive, active and innovative internal culture, but also continued our “happiness is giving happiness” brand philosophy, thus enabling employees to realize their potentials and make contributions to society.



Cathay Dreamer 2 attracted 69 group participants. 3 dream teams were finally selected and offered NT\$337,000 collected through employee fundraising.

Cathay Uniform Transformers

Recycles used uniforms to be creatively transformed into new objects, such as: eco-friendly beverage straps, iPad tablet handbags, etc.



Cathay Light-Chasers

Recruit employees to form charity performing groups and organizes charity tours around Taiwan to reach 25 orphanages and nursing homes in remote areas and turn musical notes into messages of love for those in need

Soaring in the Sky

Edits videos featuring landscapes of various cities via aerial photography to offer public visual experiences in a massive scale



» Cathay Talents Challenge

Cathay Life possesses 26,000 sales agents, each with their own accomplishments (in dance, sports, music, parade, etc.). We have organized Cathay Talents Challenge for 3 consecutive years to unveil their diverse talents. Every year, 19 Cathay Talents have been selected to participate in the challenge and offered professional training in public speech and Facebook fanpage operating strategies to help them bring their talents to coveted spotlights.

A total of 57 Cathay Talents have been selected over the 3 challenges. They have not only realized their dreams but also actively engaged in social participation to expand the scope of their influence.



楊昌憲是達人2的冠軍，也成為今年增員廣告主角
楊昌憲/業務襄理/陣頭文化推動者

Parade Talent: Yang Chang-Xian

Has been devoting to the art of Guanjiangshou (Lead Generals), a traditional form of parade, and continues to promote traditional parade culture. He also took the leading role in our new recruitment ad after winning the championship for our 2nd Talents Challenge

(IV) Healthy Work Environment

Cathay Life aims to ensure our employees' devotion to work with ease and pleasure by organizing health promotion events and establishing management mechanisms to create a safe, friendly and equal work environment, hoping in doing so to promote our employees' health and wellbeing.

» Occupational Safety Management

In accordance with relevant laws, Cathay Life has appointed 5 occupational safety and health management personnel, who conduct occupational safety and health checks. We have also introduced risk assessment mechanisms and implement 3-tiered management policies, thereby dedicating to the prevention of occupational accidents. We also appoint over 15 occupational health care professionals (registered nurses) at our offices around Taiwan, who are responsible for implementing health-promoting activities and health management tasks as well as regularly implementing occupational safety and health training for employees.

Year	2016		2017		2018	
	Back Office	Front Office	Back Office	Front Office	Back Office	Front Office
Occupational Injuries	5	10	10	36	6	21
Occupational Deaths	0	0	0	1	0	0
Disabling Injury Frequency Rate (FR)	0.09	0.17	0.16	0.61	0.60	0.39
Disabling Injury Severity Rate (SR)	4.71	11.96	3.61	119.04	3.31	21.25
Lost Days	277	703	133479.13		9294.5	159541
Absence Rate	51.29%	25.18%	1.82%		0.745%	2.373%

Note 1: Disabling injury frequency rate (FR) = no. of disabling injuries per million working hours.

Note 2: Disabling injury severity rate (SR) = no. of lost days resulting from disabling injuries per million working hours.

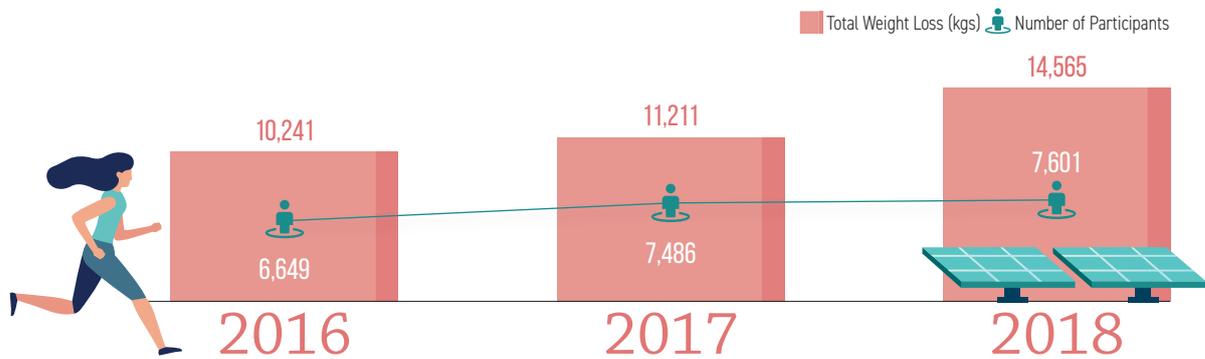
Note 3: Absence rate = Ratio of lost days to total work days in a period of time. Actual lost days include lost days resulting from occupational accidents and occupational sickness leaves. Work days refers to the sum of all Cathay employees' work days in 2018.



» Weight Loss Competition

According to health checkup results, some of our employees face - high blood pressure, high blood lipids and high blood sugar - harbor risks of diabetes and cardiovascular diseases. For this reason, since 2016, we have been organizing the *Weight Loss Competition*, as well as offering lectures on nutrition, consultancy from medical service staff on site, and aerobic exercise training courses.

The *Weight Loss Contest* has even been connected with our charity activities, in which we donate NT\$100 for every kg of body weight lost for the construction of solar power panels; the income from electricity sales is also be reserved for elderly care funds. In 2018, we have converted the donations accumulated through the past 3 years into solar power panel funds, with which we completed the construction of solar power panels for the New Laiyi tribe in Pingtung.



» Employee Assistance Program (EAP)

We introduced the Employee Assistance Program (EAP) in 2018, through which a 24-hour helpline is offered to help prevent and solve employees' issues including psychological wellbeing, legal affairs, health, financial management and others so that our employees can commit to work with a healthy mind and body. 3 free external professional consultations focusing on one particular issue are available for each employee every year. In addition, we also organized 17 promotion seminars, and share articles on topics related to work and life with employees on a monthly basis.

 In 2018, a total of **127** employees used the consultancy service.
 All users have found it helpful for solving problems and improving work performance.



» Cathay Pregnancy Club

Creating a considerate work environment, Cathay Life promotes the *Cathay Pregnancy Club* under our *Maternity Healthcare Protection Program*. We not only seek to understand the requirements of workplace protection from pregnant employees through questionnaires or interviews, but also prepare prenatal and postpartum gift (e.g., baby care products) for new parents to allow them to take care of their babies with peace of mind.

We also organize the *Friendly Family* event series with activities tailored to children in different age groups (e.g., activities in parent-child centers, children cooking competitions, parent-child farm co-learning events, parent-child basketball/table tennis camps, baby crawling races, and lectures by popular doctors), making our contribution to our employees' family happiness.



04

Natural Resources Capital

- 51 Green Operations
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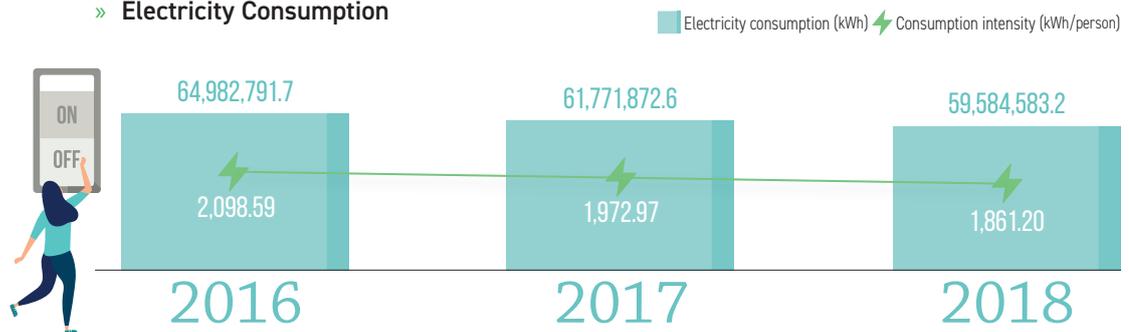




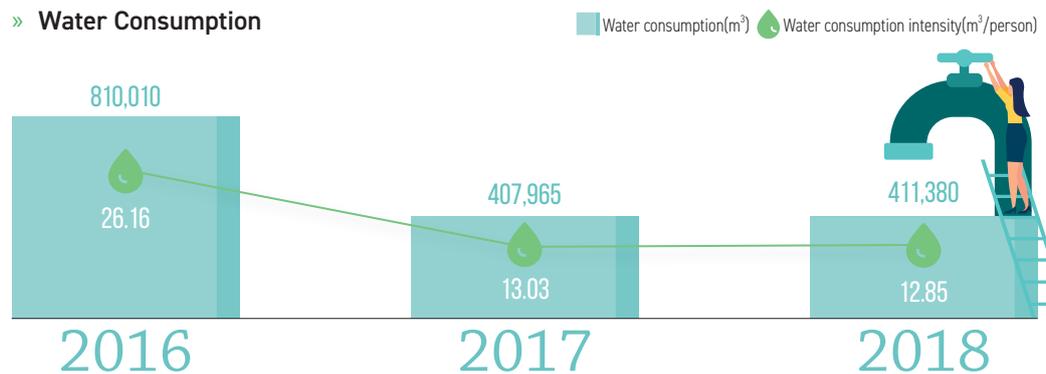
Green Operations

In our effort to mitigate climate change by reducing unnecessary energy consumption, Cathay Life has not only adopted ISO14001 (Environmental Management System) and ISO 50001 (Energy Management System) into our operations, but also regularly examines energy resources used in our operations as well as maintain and upgrade equipment. We also implement environmental education with posters, employees' internal websites, and internal channel (eg. CSN) to encourage our employees to reduce energy consumption and build a sustainable environment.

» Electricity Consumption



» Water Consumption



Note 1: The 2016 water consumption inventories were taken only at the Head Office. Hence, consumption for the year is estimated using the water consumption per capita at the Head Office multiplied by Cathay's total number of employees.

Note 2: The figure for water consumption in 2017 is based on data found in the water bills of our operating locations disclosed on Cathay's official website; ISO 14064 standard was implemented for water consumption inventories in 2018. Figure of 2017 and 2018 have both verified by third party.

» GHG Emission and Overall Energy Consumption

Item	Unit of measurement	2016	2017	2018
Category 1 Emissions	metric ton CO ₂ e	2,004.61	2,096.34	2,174.89
Category 2 Emissions	metric ton CO ₂ e	34,440.88	34,221.62	33,009.86
Category 1+2 Emissions	metric ton CO ₂ e	36,445.49	36,317.96	35,184.75
Category 1+2 Emission Intensity	Metric ton/person	1.18	1.16	1.10
Total Energy Consumption	GJ	237,039.49	225,524.45	216,944.19
Energy Consumption per capita	GJ/person	7.66	7.20	6.78
Category 3 (Business Trips)	metric ton CO ₂ e	354.23	154.12	703.38
Category 4 (Operational Waste)	ton CO ₂ e	53.69	55.92	387.80

Note 1: The new ISO 14064-1:2018 standard was used for our GHG inventory in 2018; ISO 14064-1:2006 was used before 2017. We commissioned SGS to conduct the inspection in 2018 (certificate attached at the end of this report).

Note 2: The Bureau of Energy adjusted the electricity emission factor for Category 2 electricity emissions, therefore the updated factor was used for calculating, resulting in 0.554 (2018, 2017) and 0.530 (2016).

Note 3: The number of employees at locations in the scope of inventory was 30,965 (2016), 31,309 (2017), and 32,014 (2018).

Note 4: Business trip emissions: Emissions from THSR rides and flights taken by employees of Cathay Life are calculated according to numbers given by the Civil Aeronautics Administration (the air route carbon footprint announced each day) and Taiwan High Speed Rail (34 gCO₂e/person-km).

Note 5: Operational waste in 2018 is the carbon emission from domestic waste, recycling and kitchen waste, calculated was based on ISO14064-1:2018; Data from 2016 and 2017 was self-compiled.

Sustainable Supply Chain

Cathay Life’s long-term investment in green operations and green finance is not limited to its own operations, but include collaborations with partners in our progress towards sustainability. Currently, all suppliers support Sustainability Value Declaration, and include green procurement as a priority in our procurement principles. We support eco-friendly suppliers via procurement of their products, and invite suppliers to join us in building a sustainable home via experience sharing in regular supplier conference.

(I) Green Procurement

Cathay Life supports the government’s green procurement policies as well as the development of green industries by making purchases of green product. We include eco-friendly products as priority procurement items in the sustainable procurement procedure of Cathay FHC Sustainable Procurement Policy in the hope of reducing environmental impact brought by our daily operations.

Cathay Life’s procurement priorities include products with eco-friendly, energy-saving, and water-saving labels. For example, we use FSC certified paper, documents printed with soy ink, office furniture with low-formaldehyde certifications, computers with green marks, monitors with the Energy Star label, and uniforms made with eco-friendly and comfortable fabrics, thereby providing our employees a healthy and friendly office space and making our contribution to environmental protection.

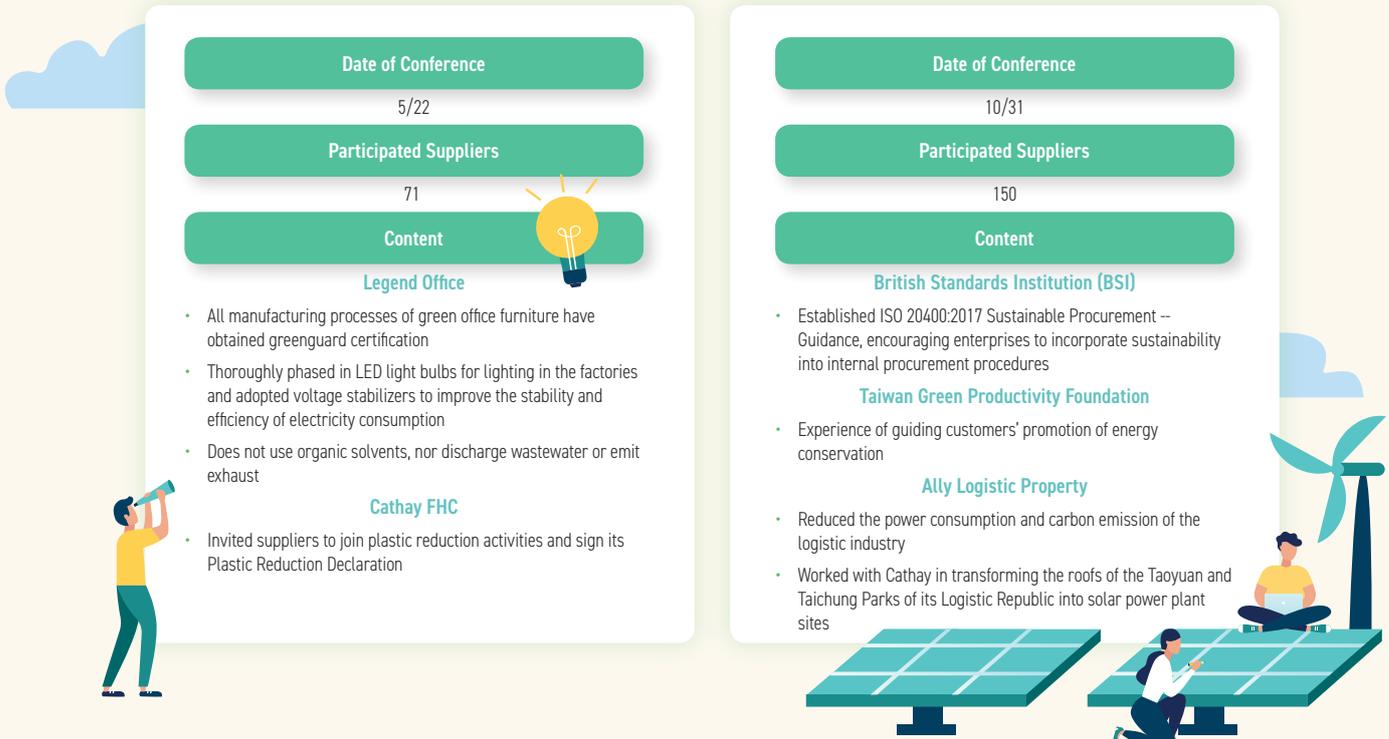


(II) Corporate Sustainability Annual Supplier Conferences

From 2016 onwards, Cathay has been organizing corporate sustainability annual supplier conferences, creating a communication platform for suppliers and experts to share their knowledge about sustainability trends across industries. We organized a total of 2 annual supplier conferences in 2018. Suppliers shared their approaches to sustainable operation and product design. We also invited them to join our plastic reduction activities, and supported green products such as eco-friendly crops by exercising our purchasing powers, collectively realizing the vision of “a sustainable Taiwan and a clean homeland.”

Date of Conference	5/22
Participated Suppliers	71
Content	<p>Legend Office</p> <ul style="list-style-type: none"> All manufacturing processes of green office furniture have obtained greenguard certification Thoroughly phased in LED light bulbs for lighting in the factories and adopted voltage stabilizers to improve the stability and efficiency of electricity consumption Does not use organic solvents, nor discharge wastewater or emit exhaust <p>Cathay FHC</p> <ul style="list-style-type: none"> Invited suppliers to join plastic reduction activities and sign its Plastic Reduction Declaration

Date of Conference	10/31
Participated Suppliers	150
Content	<p>British Standards Institution (BSI)</p> <ul style="list-style-type: none"> Established ISO 20400:2017 Sustainable Procurement -- Guidance, encouraging enterprises to incorporate sustainability into internal procurement procedures <p>Taiwan Green Productivity Foundation</p> <ul style="list-style-type: none"> Experience of guiding customers' promotion of energy conservation <p>Ally Logistic Property</p> <ul style="list-style-type: none"> Reduced the power consumption and carbon emission of the logistic industry Worked with Cathay in transforming the roofs of the Taoyuan and Taichung Parks of its Logistic Republic into solar power plant sites





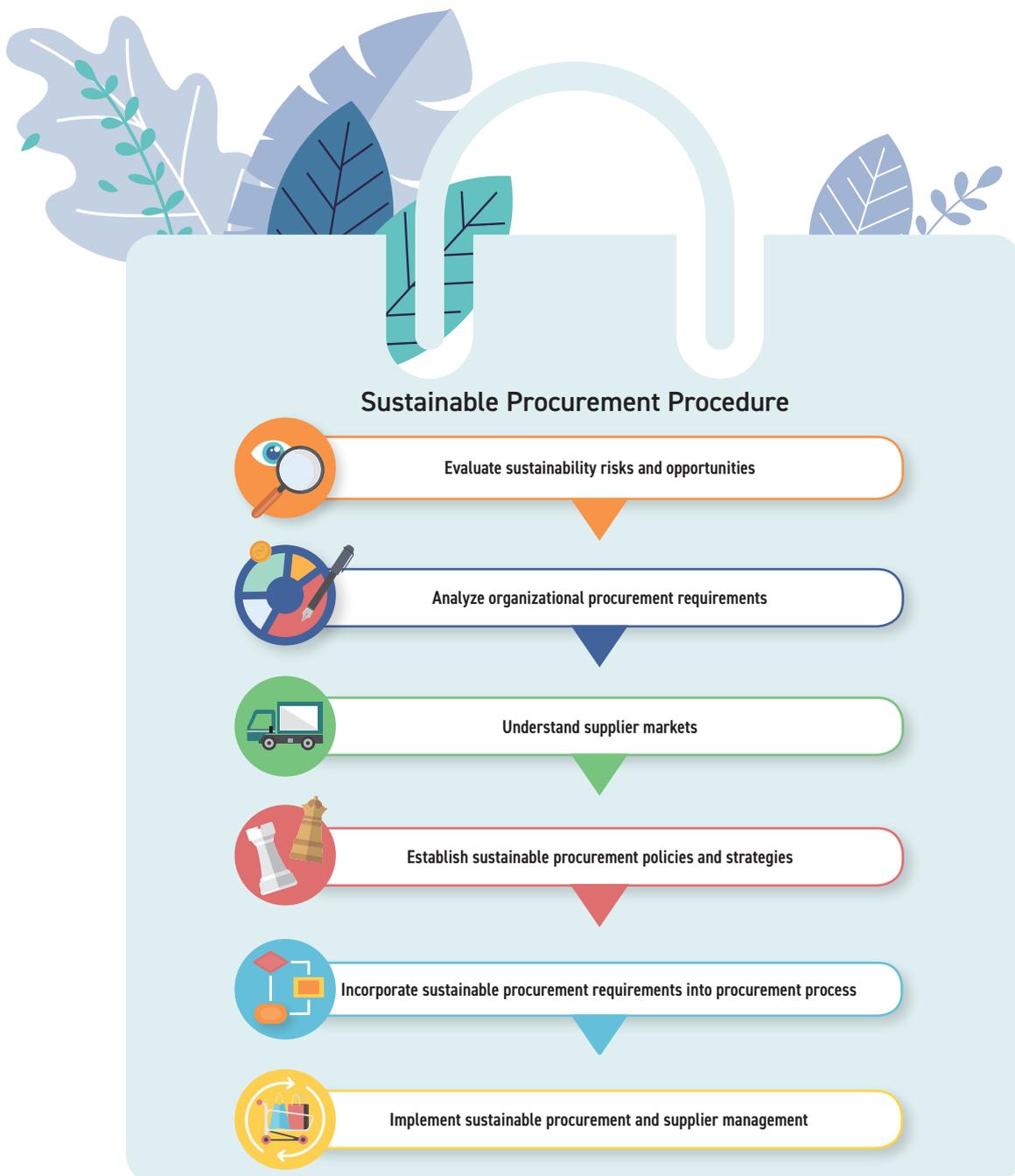
(III) ISO 20400 Sustainable Procurement – Guidance

In 2018, we introduced ISO 20400:2017 Sustainable Procurement – Guidance and passed BSI examination, thus becoming the first in the global finance industry to achieve ISO 20400 conformity.

We established the *Cathay FHC Sustainable Procurement Policy* and sustainable procurement procedure to implement sustainability in the operations of our procurement departments and realize sustainable supply chain management.

ISO 20400 Sustainable procurement – Guidance

Integrates the concept of sustainability into our guidelines for organizational procurement procedures. During the procurement procedure, we consider social, economic and environmental impact, including respect for human rights and ethical conduct, which made by suppliers' products and its manufacturing process. We hope to exert our purchasing power to influence suppliers.



Green Initiatives

As a citizen of the Earth, Cathay Life invites employees, policyholders, and partners to participate environmental protection activities. We hope that our continual campaign will engage the public in environmental issues, with attention, understanding, and taking actions for sustainability, which showing our determination to protect the environment.

(I) Nationwide Beach Clean-up and Plastic Reduction

On Earth Day 2018, Cathay FHC and its subsidiaries had invited more than 7,000 individuals, including employees, their family members, customers, and suppliers, schools and NGOs, to join in beach clean-up at 22 beaches located in 17 counties and cities around Taiwan, with a total of 11 tons of garbage were cleaned up. In addition, all participants were also invited to make a commitment to our Plastic Reduction Declaration, vowing to reduce consumption of plastic products in everyday life and thereby originally tackling the issue of ocean pollution.

Cathay organized “Cathay-Plasticarian”, a plastic reduction activity aiming to encourage our employee to refrain from using disposable plastic products. We focused on 4 product categories—plastic bags, plastic cups used in to-go orders, disposable tableware and plastic straws, which the Environmental Protection Agency had announced a timetable for phasing out, with plastic bags as the first-priority target. Our employees made voluntary commitments to become a “Cathay-Plasticarian”, in which they calculated their daily consumption of plastic bags, set personal reduction goals, and changed their consumption behavior to form a habit of plastic reduction in everyday life. The total participants amounted to 11,097. Based on the theory that each participant could reduce the use of one plastic bag per day, a total reduction of 4,050,405 plastic bags will have been achieved in a year.

Moreover, we established internal platforms for sharing plastic reduction experiences, calling for more participation in our plastic reduction activity. Posts sharing of plastic reduction tips have amounted to 271.

In addition, in order to reduce the use of plastic tableware, we worked with lunch box workshops run by social welfare organizations and encouraged our employees to order eco-friendly meal boxes for lunch. We not only promote environmental protection but also expand the scope of social benefits. In 2018, FHC ordered more than 31,000 eco-friendly meal boxes, thus substantially reduced a significant amount of disposable waste.



Cathay Life Beach Clean-up and Plastic Reduction

From now on, I shall prepare my own shopping bags, cups and tableware, and reduce the consumption of disposable plastic products to help put an end to plastic pollution and create a sustainable home.

Cathay Life's Plastic Reduction Declaration



Actually, this wasn't the first time I took part in Cathay's beach clean-up activities. Since Cathay adopted Budai Beach in Chiayi in 2017, I've been participating in conservation efforts. I think it is most important for people to participate in these activities so as to realize the gravity of the issue and thus change their habits. So this time I even invited my supply chain partners to join me and think about how we can exert our influence to build up the momentum for change.

Jiamao Enterprise, supplier
Miss Yuan

(II) Renewable Energy Certificates

Since 2017, Cathay Life has been participating in Taiwan Renewable Energy Certificates (T-REC) program promoted by the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs (MOEA), Bureau of Energy Environmental Protection Administration, and Taiwan Institutes of Economic Research. In September 2017, we completed the first batch of T-RECs transaction in Taiwan by subscribing to 53 solar power certificates from the National Museum of Marine Biology and Aquarium. In 2018, we subscribed to another 60 aforementioned certificates, and transformed our Zhongxiao Concept Store into a business location that operates 100% on green energy.





(III) Electricity Conservation

To raise the concept of electricity conservation of our employees, we organize the programs of “Interactive Q&As on Electricity Conservation.” This program featuring lively and entertaining content focusing on four main areas—lighting, air conditioning, elevator, and electricity equipment. We encouraged our employees to watch the programs and answer the questions about electricity-saving tips raised in the programs; total participants have reached 24,679.

Besides, we also launched electricity saving competitions, in which electricity consumption volumes by individual departments in summer were calculated in comparison to that of the same period in the previous year. During the 2018 electricity saving competition, a total of 552,161 kWh of electricity was saved, with a reduction rate of 1.96%. We also offered prize money to the top 3 departments in electricity saving performance as a means of encouraging our employees to continuously support electricity and energy conservation.

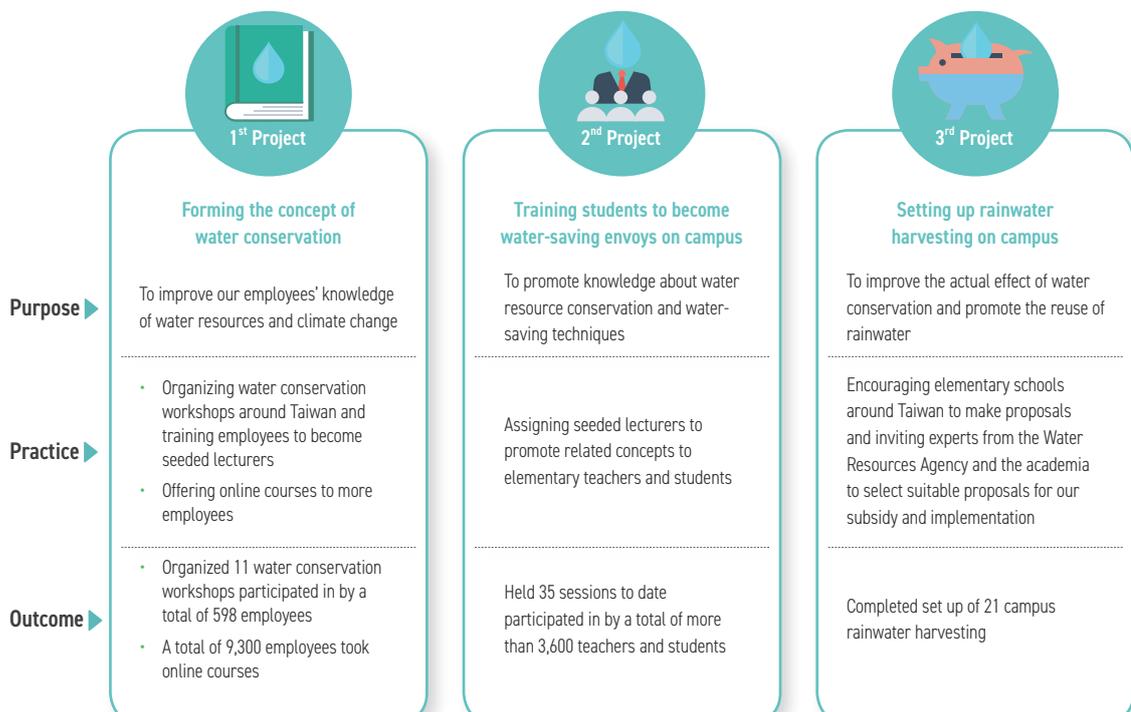
In 2017, we co-developed the “Save the Earth” mobile app with the National Taiwan University of Science and Technology to promote environmental education and knowledge of energy conservation and carbon reduction. Using augmented reality (AR) technologies, this application simulates the ways in which carbon reduction can be achieved in our everyday routines. We dispatched our student group insurance service personnel to promote the mobile app on campus, thus providing schools with more environmental education resources and improving the effect of learning through fun and entertainment.



The app's total number of use has reached **5,782** with both the satisfaction and recommendation scores at **98.8%**.

(IV) Water Conservation

Cathay Life collaborated with the Water Resources Agency and the Ministry of Education in organizing the “Water Saving Tri-project” events, hoping to raise public awareness of water resource issues and promote the concept of water conservation on campus. In 2018, Cathay Life was commended with the Water-saving Society Award awarded by the Water Resources Agency.



05

Social Relations Capital

57 Considerate Services

59 Customer Rights Preservation

61 Collaborative Happiness





Considerate Services

The variety of products and thoughtful services of Cathay Life complement each other, help policyholders effectively resolve pain points in life and improve their service experience and satisfaction. We make insurance more than a contract to compensate losses when an incident occurs, but also a thoughtful helper in daily life and the best partner to accompany policyholders through different stages of life.

(I) Improving Quality of Life

» Senior Broadway Show

Cathay Life has worked together with Hondao Senior Citizen’s Welfare Foundation for four consecutive years in sponsoring the elderly stage show, “Senior Broadway Show”, encouraging the elderly to venture outdoors and go on stage to express themselves. The purpose is to help them build confidence, regain health, and increase their self-worth.



» Prescription Drug Deliveries

To help policyholders with chronic disease and their families enjoy efficient medical services, Cathay Life and iHealth Pharmacy have worked together in providing prescription drug deliveries. Policyholders only need to send their prescription via Line, fax, or official website to get prescription drug deliveries by a pharmacist, who will provide instructions on how to take the prescription drugs and divide the prescription drugs into packages. This service can save policyholders the time and cost originally needed to make hospital visits, and maintain safety and quality of medication for policyholders.



Prescription Drug Deliveries



» Mobile Shower Vehicles Home Services ^{Note}

Cathay Life cares greatly about the quality of life of disability and impairment, and has worked with external professional institutions from 2016 to provide mobile shower vehicles home services in northern, central, and southern Taiwan. From the assistance of professional nurses and caretakers, disabled or bedridden policyholders and their families can maintain their quality of life easier. This service is aimed at helping policyholders regain their dignity and happiness.

Note: This service should be assessed for feasibility by nurses in advance, and was provided by 14 times in 2018.



Mobile Shower Vehicles Home Services

(II) Friendly Financial Services

» Payout for In-patient Hospital Fees

Cathay Life understands the trouble of preparing medical expenses and facing the complex procedures of hospitalization, so that a service, payout for in-patient hospital fees, has provided firstly in insurance industry from 2013. Collaboration with a total of 13 hospitals, including Cathay General Hospital, the Chang Gung medical system, Hualien Tzu Chi Hospital, and Taipei Hospital, claims would be directly deducted from hospital fees when the policyholder is discharged. This service can eliminate the hassle of worrying about claims application and payment of hospital fees.

Satisfaction of customers who used payout for in-patient hospital fees reached 93%. This service was widely approved by the public and won the silver award in the elite division of a contest organized by the Joint Commission of Taiwan, and also inspired industry peers to provide similar services for the good of society.



Payout for In-patient Hospital Fees



» Virtual Queuing

Cathay Life implemented the virtual queuing mechanism to shorten customers' wait time when they call the customer service center. Policyholders can know the possible wait time by mobile device and choose to wait online or make a reservation for calling back. We added a new number-taking queuing mechanism to make the service even more convenient for policyholders.

Virtual queuing services improved service quality for customers calling for assistance.



» Friendly Insurance Services

Cathay Life fulfills its corporate social responsibility by enabling the disabled with friendly online services to make appointments for the customer service center in reality. Policyholders can make reservations by phone to reduce their wait time. Meantime, policyholders can do all the applications through assistance from sales agents at home.

» Translating Coverage into Foreign Languages

Cathay Life notices the gradual increase in the new immigrant population in Taiwan each year, and provides foreign language, mainly in English and Vietnamese, summaries of 20 products that may be popular among new immigrants. This service can eliminate the issue of language while using Cathay's services. We have thus increased their willingness to utilize our insurance services by lowering the language barrier, and assisted new immigrants with gaining the needed coverage.

» Animated Explanation Services for Insurance Knowledge

Cathay Life added an insurance introduction page on its official website to help people who have never purchased insurance to understand and identify with the concept of insurance. Short and lively animations are provided to explain insurance coverage in an easily comprehensible way, helping people to understand the importance of insurance and start making plans to fully utilize the benefits of insurance coverage.



Website for Newcomers to Elevate Insurance Knowledge



Customer Rights Preservation

Cathay Life believes in the importance of providing customer-oriented services, and aims to provide consistently excellent service quality at any service node throughout all of its channels, striving to provide customers with perceivably better services. For the provided high quality and trustworthy services, Cathay Life has placed first in the Consumer Brand Survey for 20 years consecutively.

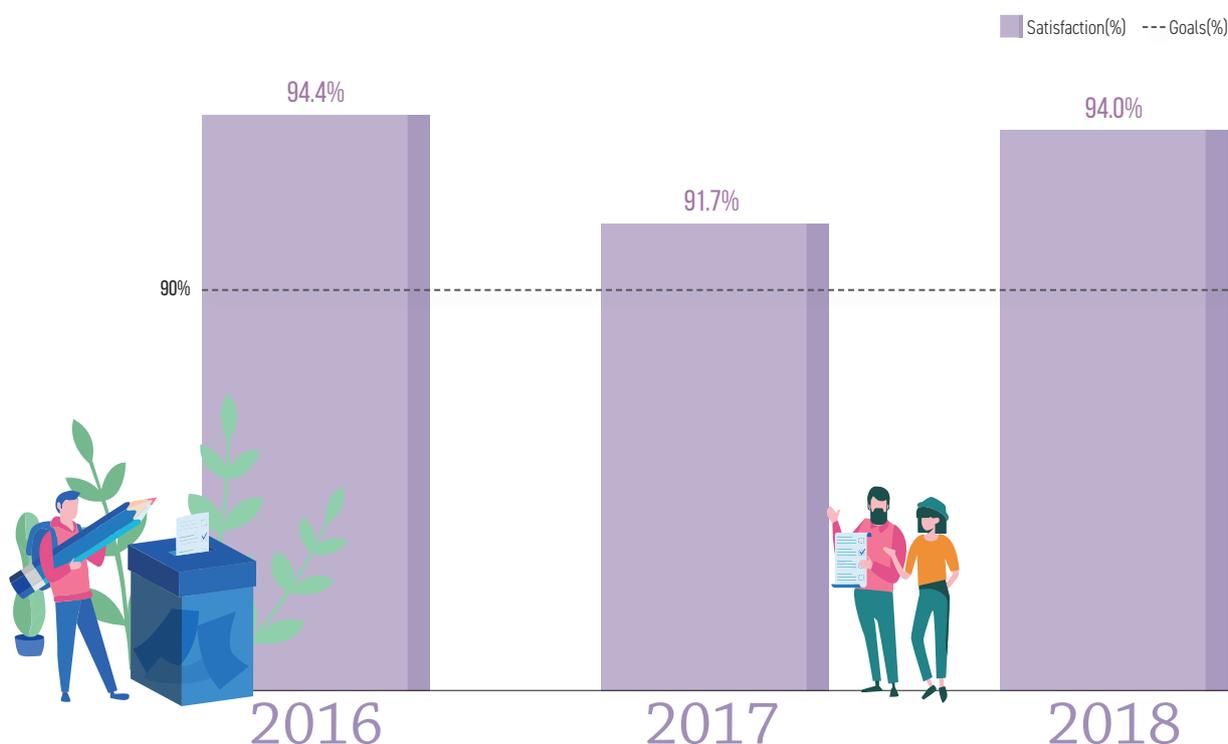
(I) Treating Customers Fairly

Cathay Life established the Treating Customers Fairly Committee in 2018. By making improvements from root and organizational operations, the committee periodically makes proposals to the Board of directors for discussion and resolution. Establishing consensus internally for preventing disputes, this has enabled us to properly protect customer rights and exhibit the results of our corporate culture of providing high quality services.

Furthermore, Cathay Life has an independent and professional unit for dealing grievance, which dedicates to customer communication and disputes resolution to adequately protect customer rights.

(II) Management of Customer Satisfaction

Cathay Life values the feedback provided by policyholders, and outsources overall service satisfaction surveys to market survey companies each year. We examine gaps in our services based on survey results, and then optimize the contents and scope of our services to better meet policyholders' needs.



Cathay Life became the first insurance company in Taiwan to implement the Net Promoter Score (NPS) mechanism to more quickly learn whether or not policyholders are satisfied with services. Our r-NPS reached 7.3 in 2018, and we will refine our service process based on the satisfaction survey and NPS results to meet the needs of our policyholders.

(III) Service Quality Certifications

» Customer Service Center – Only Call Center in the Industry to Achieve Three International Quality Control Certifications

We passed the professional evaluation of AFNOR in 2016 and successfully obtained the EU's EN 15838 : 2009 certification in 2017, which is currently the only international quality standard for customer service centers. Along with the ISO 10001 : 2007 (quality management – customer satisfaction) and ISO 1002 (customer satisfaction and complaints handling) certifications previously achieved, our customer service center is the only one within Taiwan's entire insurance industry to achieve EN 15838, ISO 10001, and ISO 10002 certifications.

Our customer service center furthermore won the 2018 Stevie Awards Contact Center of the Year and runner up in the 2018 ICMI Global Contact Center Awards - Best Large Contact Center.



» Service Center – Implementation of QualiCert Service Certification

We implemented the SGS international service certification, QualiCert, in 2012 and passed re-inspections every year for reissuance to provide internationally recognized service standards. We compiled the contents of counter services into detailed "Service Standards," and continue to improve our services through inspections by professional institutions and undercover inspectors.

» Achieve Both ISO 10002 & 9001 Certifications

Cathay Life achieves ISO 9001 (service quality management system) certification every year, and has integrated services for front and back office and established support mechanisms to realize better customer complaint management. We achieved the ISO 10002 certification for the first time in 2010, and established a project team to carry out strict inspections for service certification each year continuously. To date, we have been recognized by the SGS quality assurance advisor for maintaining the highest standards for 9 consecutive years, and achieve both ISO 10002 & 9001 certifications.



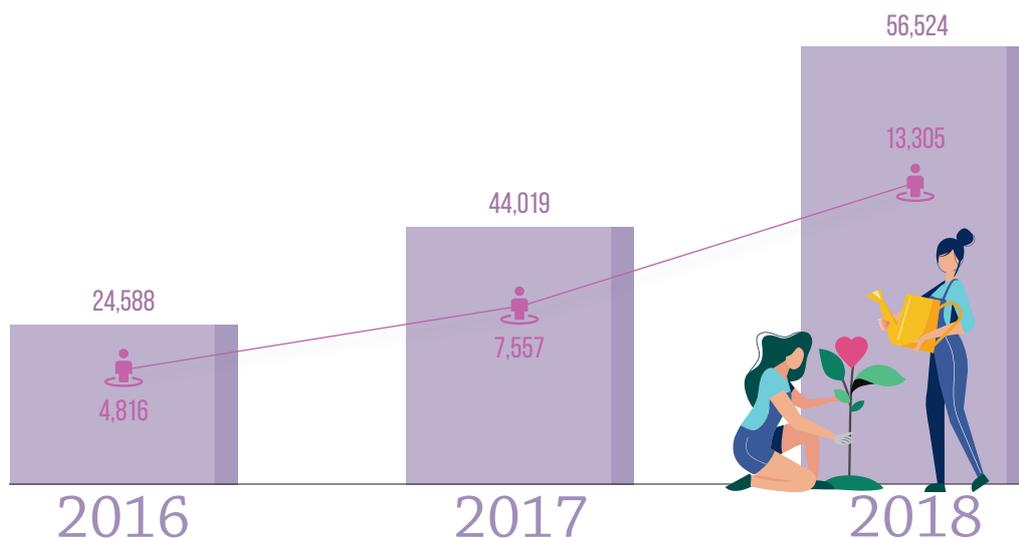


Collaborative Happiness

In line with our brand philosophy of “happiness is giving happiness,” Cathay Life actively encourages employees to volunteer and provides essential resources. From understanding the needs of people from different socio-economic backgrounds, we collaborate with our employees, customers, local communities and NGOs in spreading love and care to those in need.

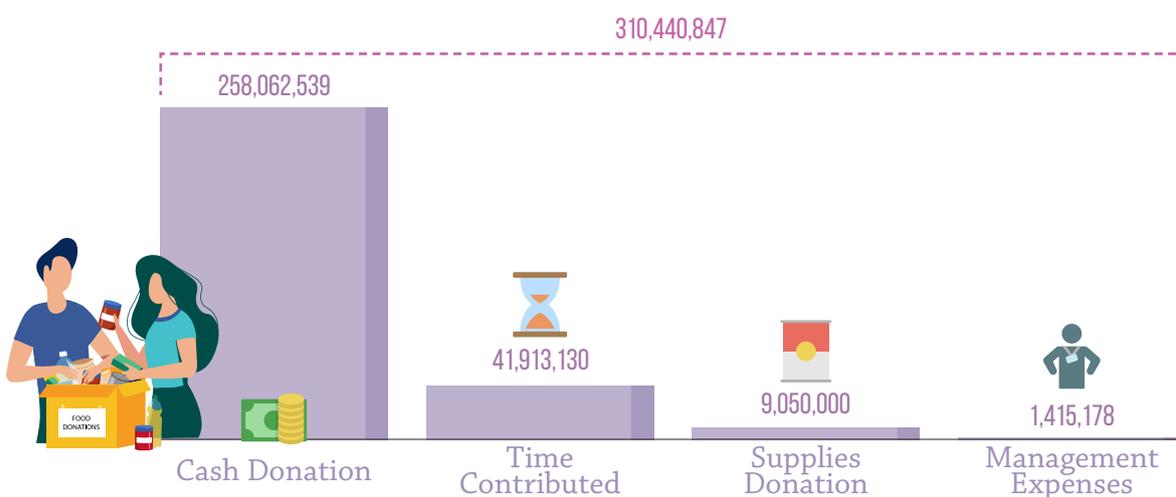
» Volunteer Involvement

■ Hours of Volunteer Participation 👤 Participating Volunteers



» Charity Investment Categories

■ Amount



Cathay Life strives to actively respond to the expectations of stakeholders. In 2018, we continued to dedicate ourselves to charity in “Foreseeing a New Force,” “Revolutionizing Education,” “Dreaming Forward,” “Sustainable Campus,” and “Contributing to Community”. To solve social issues of various dimensions, we set up implementation plans related to our core competencies in finance and insurance. Through these approaches, we not only lower societal risk but also create positive and long-term social impact.



Theme

Target

Plan

Performance Highlight



Foreseeing a New Force

Second-generation Immigrants

- Dedicated Empowerment Program
- English-Vietnamese Camp
- Talent Empowerment Program
- Excellence and Happiness Project



The Social Return on Investment (SROI) of Excellence and Happiness Project stood at 3.03, making us the first insurance company in Taiwan to be certified by Social Value International.



Revolutionizing Education

Students & Teachers in Remote Areas

- Dream Come True Program
- TFT Partnership Project
- After-school Care Program



Up to the end of 2018, Dream Come True Program had supported 60 elementary schools and helped 1,491 students from remote areas fulfill their dreams.



Dreaming Forward

Young Students

- Cathay Youth Excellence Scholarship
- Student and Inmate Care Program



Cathay Youth Excellence Scholarship has offered scholarships amounting to NT\$7.4 million to 79 groups of outstanding students.



Sustainable Campus

High School and Below Students

- Anti-drug
- Environmental Protection
- Campus Safety
- Financial Management & Insurance



The only insurance company in Taiwan to be awarded the "Best CSR Award" by Insurance Asia Award; also awarded "Organization with Drug Control Contribution" by the Ministry of Justice.



Contributing to Community

Local Communities

- Summer Blood Donation Campaign
- Charity Bazaars
- Winter Warmth Program
- Tree-planting Campaign



We have organized Summer Blood Donation Campaign for 19 consecutive years, collecting 305,665 bags of blood that have helped over 910,000 people^(note).
Note: Estimated that, on average, each bag of blood is used by 3 injured persons/patients.



Cathay Charity Foundation





(I) Foreseeing a New Force



New immigrants have brought major changes to Taiwan’s demographic. Statistics show that, as of the end of 2018, new immigrants have amounted to 540,000 persons, and second-generation immigrants has also exceeded 390,000. It is estimated that by 2030, 13% of 25 year-old population will be second-generation immigrants.

Foreseeing the rise of this new force, in 2005, Cathay Life became the first insurance company to engage in immigration issues. Initially, we assisted immigrants to adapt to Taiwanese lifestyle, culture, and language; as the demand for second-generation immigrant education emerged, we have turned our focus to second-generation immigrants’ empowerment by strengthening their advantage of bicultural inheritance and improving their self-identification and confidence.

» Dedicated Empowerment Program

We collaborated with Eden Social Welfare Foundation in organizing “Dedicated Empowerment Program,” aiming to improve the social skills and confidence of second-generation immigrants. We offered courses such as drama classes, adolescence classes, and young leadership classes for different age groups. Aside from courses in dance, film and television, we also arranged for second-generation immigrants to offer volunteer services at Eden nursery homes. We further incorporated our core competencies and offered financial education to help second-generation immigrants establish basic knowledge of risk management and saving.

In 2018, a total of **74** second-generation immigrants took part in above courses; **93%** of the participants found the courses rich and interesting.

Participants in drama classes and leadership classes built their self-confidence and discovered new aspects of their own potential.



» English-Vietnamese Camp

We organized a one-week English-Vietnamese Camp to further motivate second-generation immigrants to learn Vietnamese language and culture. We invited 20 Vietnamese high school students to Taiwan to teach English and Vietnamese through courses featuring everyday scenarios. The camp not only creates a platform for Taiwanese and Vietnamese students to exchange experiences but broadens the international perspective of second-generation immigrants.



» **Talent Empowerment Program**

To help second-generation immigrants studying in high schools or higher education explore their future careers, we drew up plans with three themes by working with our partners. Our partners include Lin Li-chan, Taiwan's first-ever new immigrant Legislator, s.School of Feng Chia University, and TimeMap. The themes are "Southeast Asia Talent," "Risk and Financial Management," and "Career Leadership." Through these courses, second-generation immigrants became better equipped with international perspectives on Southeast Asia, skills to prevent risks and professional knowledge.

In 2018 we designed 9 series of course,
which attracted around **300** participants and received positive feedback.



 Southeast Asia Talent
91% expressed improved understanding of Southeast Asia markets and overseas entrepreneurship

 Risk and Financial Management
95% agreed that the courses were helpful towards future financial security and travel insurance planning

 Career Leadership
86% gained valuable knowledge and a favorable impression of Cathay

I used to think that Vietnam was not as good as Taiwan, but after a visit to Ho Chi Minh City, I don't really find anything inferior to Taiwan there. On the contrary, I started to feel that it'd be good to run a business in Vietnam, and I am considering going back there in the future to pursue a career.

Second-generation immigrants 



» **Excellence and Happiness Project**

Cathay collaborated with National Taipei University of Education to organize the Excellence and Happiness Project. The project subsidized immigrant families' and teachers' return to their maternal grandmothers' home in Southeast Asia during summer vacation. Through this cross-cultural experience, second-generation immigrants became more familiar with their home countries and cultures, while the teachers also broadened their cultural horizons and became able to apply what they learned to their teaching.

Up to 2017, we have subsidized 34 groups of families, teachers and students (total of 189 people) to return to their maternal grandmothers' homes.

In 2018, we furthermore assessed our 2016-2017 project outcomes using the concept of Social Return on Investment (SROI),

and found that every NT\$ **1** invested yielded NT\$ **3.03** in social impact.

We then became the first insurance company in Taiwan to be certified by Social Value International.



(II) Revolutionizing Education

According to surveys conducted by the Child Welfare League Foundation, 71.5% of children from disadvantaged families in remote areas suffer deficiency in education resources, which is over 16 times more than the percentage of students suffering education deficiency from privileged families. Schoolchildren in remote areas tend to have lower self-confidence and motivation for learning because they experience less stimulation from their family, social or cultural environment. The high turnover of their teachers also affects the quality of their learning. Cathay supports passionate teachers to elevate the quality of education in remote areas. By investing in basic infrastructure and encouraging teachers to lead students in self-exploration, we hope to reignite the students' passion and confidence for and help them discover and create a life with more possibilities.

» Dream Come True Program

We launched the "Dream Come True Program" to encourage students in remote areas to pursue their dreams. This program accepts diverse proposals submitted by elementary schools in remote areas, and offers up to NT\$200,000 in subsidy for one-year. This aim is to encourage teachers to lead students in goal setting and accomplishing them through team work (e.g., through activities such as unicycle tour around Taiwan and rescuing green turtle through beach cleanup) to build their self-confidence and develop their problem-solving skills. To create more diverse learning experience, we also integrated the Group's resources in financial competencies, hospital, women's basketball and table tennis teams, as well as from partners such as Cloud Gate Dance Theatre, and planned the Cathay Children Development Camp lasting 4 days for children in these remote areas.

In 2018, "Dream Come True Program" sponsored **16** elementary schools and helped **405** students in remote areas fulfill their dreams.

Up to the present, the program has helped **60** elementary schools and **1,491** students in remote areas accomplish their dreams.

Our heartfelt gratitude to Cathay Charity Foundation for their sponsorship in our maker equipment purchases. Children of Sioulin Elementary School are really lucky to be able to keep up with metropolitan maker education. When well equipped, indigenous children are second to none in learning and creating!

Huang Qing-cong,
Principal of Sioulin Elementary School, Hualien



» TFT Partnership Project

Cathay sponsors Teach for Taiwan (TFT), which trains young talents to teach in remote areas. By doing so, we hope to solve the lack of stable supply of quality teachers in remote areas. We also encourage teachers to adopt innovative approaches for motivating students to learn and improve their academic performances.

This three-year project has sponsored a total of **93** young teachers to teach at **41** elementary schools in remote areas in Yunlin, Tainan,

Pingtung, Hualien, and Nantou, benefiting around **2,800** students and revolutionizing learning in remote areas.

» After-school Care Programs

To bridge the learning gap of students in remote areas, we subsidized after-school care classes in 6 schools in Dongshan Dist., Tainan and Keliao Village, Yunlin, in which teachers were employed to assist students in everyday-life needs and provide academic counseling. We also incorporated the core competencies of Cathay Life and Cathay Hospitality Management in our courses for students in Dongyuan Junior High School. To inspire students' professional potentials, our courses covered financial risk management and career planning.

In 2018 we helped **252** students from Dongshan District of Tainan and **54** from Keliao Village of Yunlin to reduce their learning gaps.



(III) Dreaming Forward

Due to the drastic inequality in education expenditure among families with varying income levels, many excellent students from economically disadvantaged families struggle to focus on their learning and lack the equal opportunity to pursue their dreams. In response to this issue, we offer incentives and support and hold charity performances to help young students overcome economic and other difficulties. In this way, we help them gain equal opportunities to pursue their dreams and develop their physical and mental health. We hope to see their future contributions as members of society and in making Taiwan a better place.

» Cathay Youth Excellence Scholarship

We offer scholarships to economically disadvantaged students in general and vocational high school students who exhibit outstanding performance, extraordinary achievements or contributions, or those who advance substantial research and public welfare proposals aligned with current trends. In this way, we support outstanding young talents and facilitate students' social participation as well as their involvement in education, or communal development, sustainable future, financial technologies, and emerging issues.

In 2018, 79 groups of students received scholarships

totaling NT\$ **7.4** million.



This summer, everyone had to bear the scorching heat at 38°C, and practice under the sun for 12 hours every day for three weeks; during the process we felt sore and aches all over, and we got sunburn and peeling skin. But all the hard work paid off at the moment when we were announced as the winner of the 2018 WAMSB World Championships! Next year, we're going to Canada to win another trophy for Taiwan!

Taipei Municipal Chienkuo High School Marching Band (Winner of Special Achievement Award)



Seeing how all the performers are handicapped but still manage to live happily made me realize how foolish I was to take drugs as a healthy person. I really didn't understand how lucky I've been. I must do good things, stop hurting myself, and be good to my family as soon as I leave this place and start working, so that my life does not go to waste!

Youth inmate from Chengjheng High School



» Student and Inmate Care Program

To support people with disability and provide them with opportunities to showcase their talents, we have been sponsoring the Mixes Disables Troupe since 2007. It is a group constituted of members with different disabilities and has been touring around general and vocational high school and prisons to inspire disoriented students and segregated inmates. The Troupe inspires the younger generation to establish a healthy outlook on life through performances based on true stories that conveys important life lessons in persistence and resisting drugs.

In 2018 it performed to **6,000** audiences at 10 campuses/prisons.





Anti-drug Stage Show Highlights



(IV) Sustainable Campus

Cathay Life not only undertakes student group insurance and offers insurance protection, but seeks to improve the overall benefits of the student group network by collaborating with K-12 Education Administration in promoting the “Sustainable Campus Project”. We introduce “Anti-drug”, “Environmental Protection”, “Campus Safety”, and “Financial Management and Insurance” to schools to improve students’ knowledge of self-protection and raise their awareness of sustainability issues.

Different from standardized and rigid teaching methods, Cathay Life designed customized activities and digital teaching materials to improve students’ learning outcomes. We utilized our specialty in life insurance and collaborated with external industrial, governmental, and academic institutions, we also brought in employees to interact with students and teachers, and created fun and entertaining learning atmospheres.

Topic	Activity	Digital Teaching Materials
 Anti-drug	<ul style="list-style-type: none"> • Stage show: Scenario simulation • Mobile billboard: VR/AR technologies 	<ul style="list-style-type: none"> • Stage show videos • “Outdoor School” animation series
 Environmental Protection	<ul style="list-style-type: none"> • Energy conservation & carbon reduction lectures/summits: Participatory education • Teachers’ workshops: Offering schools new options in teaching materials 	<ul style="list-style-type: none"> • “Save the Earth” mobile app: AR technologies • “Outdoor School” animation series
 Campus Safety	<ul style="list-style-type: none"> • Accident-free schools initiative: Scavenger hunts 	<ul style="list-style-type: none"> • “Outdoor School” animation series • Summer & winter vacation safety promotion EDMs
 Financial Management & Insurance	<ul style="list-style-type: none"> • Board games: Participatory education 	<ul style="list-style-type: none"> • “Outdoor School” animation series

The “Sustainable Campus Project” has reached about 30,000 teachers and students. The digital teaching materials have even been disseminated to schools around Taiwan via K-12 Education Administration’s online education platforms and official letters, offering schools a greater variety of sustainable education resources. Its activities received universal acclaims from students, teachers and parents, with overall satisfaction scores at 95% and higher.

The “Sustainable Campus Project” has received wide recognition, and was awarded “Organization with Drug Control Contribution” by the Ministry of Justice, as well as the 2nd CSR Impact Award jointly organized by PwC Taiwan and the official representatives in Taiwan for the Cannes Lions International Festival of Creativity. The project even eventually enabled Cathay Life to become the only insurance company in Taiwan to receive the “Best CSR Award” from the Insurance Asia Award.



(V) Contributing to Community

Cathay Life has nearly 30,000 corporate volunteers distributed in all regions of Taiwan. We call on our employees' and customers' to participate in social care and broaden the scope of our impact from within, thereby solving social issues in various dimensions and realizing our vision of being a "local good neighbor" by putting in practice the ideal of common good.

» Summer Blood Donation Campaign

To solve the blood donation supply shortage crisis in summer seasons, we collaborated with Taiwan Blood Services Foundation and took advantage of our service availability in all regions of Taiwan to encourage blood donations from local communities and our customers.

In 2018 we set up 297 blood stations and attracted **33,602** blood donors, who contributed a total of **48,699** bags of blood. We have collected **305,665** bags of blood over a 19-year period.

On average, each bag of blood can be used to help 3 injured persons/patients, so we have helped an estimated number of 910,000 persons regain their health.



» Charity Bazaars

Every year, we co-organize three bazaars with Eden Social Welfare Foundation, Taichung YMCA, and Kaohsiung YMCA at which we sell used goods collected from our employees and customers. We then invest the money raised in these events in second-generation immigrant empowerment. These events were held to encourage our employees to participate in charity and raise public awareness of immigration issues.

In 2018, the funds raised in the bazaars amounted to approx.

NT\$ **3.76** million.

It not only encouraged participants to better cherish used goods, but also affirmed our donation of bazaar income toward second-generation immigrant empowerment. This joint effort creates a positive cycle for our society.



» Winter Warmth Program

For 17 consecutive years, Cathay has hosted the Winter Warmth Program in which our employees' donations are used to acquire materials that give warmth in winter. These goods are distributed by our volunteer teams to schools in remote areas, thus expressing our care for teachers and students in these areas and raising public awareness of remote area issues.

In 2018, our volunteer teams visited a total of 86 elementary schools in remote areas across 15 counties and offered materials with love to over **6,000** students.

» Tree-Planting Campaign

We participated in tree-planting campaigns organized by local governments, at which we also promoted our electronic insurance policies, and invited local residents to beautify our communities and practice energy conservation. In doing so, we respond to issues including climate change and environmental protection in compliance with the policies of the Environmental Protection Administration including energy conservation, carbon reduction and greening communities.

In 2018 we participated in **4** tree planting campaigns and **1** bitter vine removal event.

Mikania micrantha (a.k.a. "bitter vine," etc.) is an invasive plant species, whose fast reproduction poses threats to the survival of surrounding plant species, and is therefore also known as "ecological killer," "plant killer," or "green cancer."



Appendix: GRI Content Index

» Universal Standards

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» ISO 14001

Certificate TW18/00044.02

The management system of

Cathay Life Insurance Co., Ltd.

No. 296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

has been assessed and certified as meeting the requirements of

ISO 14001:2015

For the following activities

The scope of registration appears on page 2 of this certificate.

This certificate is valid from 12 January 2018 until 12 January 2021 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 22 December 2021 Issue 1. Certified since 14 March 2012

Multiple certificates have been issued for this scope The main certificate is numbered TW18/00044.00

This is a multi-site certification. Additional site details are listed on the subsequent page.

Authorized by




0005

SGS United Kingdom Ltd
Rosemead Business Park, Elmstam Park, Chesham, CH5 3SN, UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com

HC: SGS 14001 2015 0118 M2
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Certificate TW18/00044.02, continued

Cathay Life Insurance Co., Ltd.

ISO 14001:2015

Issue 1

Detailed scope

Provision of Life Insurance.

Additional facilities

No. 510, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)

No. 581, Jinhua Rd., North Dist., Taichung City 404, Taiwan (R.O.C.)

No. 146, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City 801, Taiwan (R.O.C.)




0005

Page 2 of 2



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» ISO 50001

Certificate TW18/00046.02

The management system of

Cathay Life Insurance Co., Ltd.

No. 296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

has been assessed and certified as meeting the requirements of

ISO 50001:2011

For the following activities

The scope of registration appears on page 2 of this certificate.

This certificate is valid from 12 January 2018 until 12 January 2021 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 22 December 2021 Issue 1. Certified since 23 November 2016

Multiple certificates have been issued for this scope The main certificate is numbered TW18/00046.00

This is a multi-site certification. Additional site details are listed on subsequent pages.

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MS001

SGS Taiwan Ltd. Certification and Business Enhancement
136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District, New Taipei City, Taiwan
t +886 (0)2 2299 3939 f +886 (0)2 2299 3231 www.sgs.com

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Certificate TW18/00046.02, continued

Cathay Life Insurance Co., Ltd.

ISO 50001:2011

Issue 1

Detailed scope

Provision of Life Insurance.

Additional facilities

No. 510, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)

No. 581, Jinhua Rd., North Dist., Taichung City 404, Taiwan (R.O.C.)

No. 146, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City 801, Taiwan (R.O.C.)



MS001

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» 2018 Water Footprint Verification Statement

Statement TW19/00078WFP

SGS

Water Footprint Verification Statement

The Inventory of Water Footprint of Organizational Level

which is calculated by

Cathay Life Insurance Co., Ltd.

No.296, Sec. 4, Renai Rd., Daan Dist., Taipei, Taiwan

Based on life cycle assessment verified as meeting the requirements of

ISO 14046:2014

Basis of Assessment
Cradle-to-Gate

Authorized by



David Huang
Director
Version 1
Issue Date: 26 April 2019
Valid Date: 25 April 2021

TGP 5615D-3 1804
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
New Taipei City 24803, Taiwan
t (02) 22993279 f (02)22999453 www.sgs.com

Page 1 of 11

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 11 of this Statement.

» 2018 Greenhouse Gas Verification Statement

Statement TW19/00109GG

SGS

Greenhouse Gas Verification Statement

The inventory of Greenhouse Gas emissions in year 2018 of

Cathay life Insurance Co., Ltd.

No.296, Sec. 4, Renai Rd., Daan Dist., Taipei, Taiwan

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
2,174.8935 tonnes of CO₂e
Indirect emissions
34,101.0435 tonnes of CO₂e
Direct emissions and indirect emissions
36,275.937 tonnes of CO₂e

Authorized by



David Huang
Director
Date: 09 May 2019
Version 1

TGP 5615A-1 1002
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
New Taipei City 24803, Taiwan
t (02) 22993279 f (02)22999453 www.sgs.com

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This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 11 of this Statement.

» ISO 20400

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By Royal Charter

**Cathay Financial Holdings
and its subsidiaries**

**ISO 20400:2017
Sustainable Procurement
Conformity Statement**

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Taiwan Tel: 886 2656 0393

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By Royal Charter

Conformity Statement

ISO 20400:2017 Sustainable Procurement

Client Cathay Financial Holdings and its subsidiaries
No. 296, Sec. 4, Renai Rd., Daan Dist., Taipei City 10633, Taiwan

Scope **Cathay Financial Holdings and its subsidiaries**, including Cathay Life Insurance Co., Ltd., Cathay United Bank Co., Ltd., Cathay Century Insurance Co., Ltd., Cathay Venture Inc., Cathay Futures Co., Ltd., Cathay Securities Investment Trust Co., Ltd. Cathay Securities Investment Consulting Co., Ltd. and Cathay Securities Corporation, has followed ISO 20400:2017 guideline to implement sustainable procurement. Based on sustainable procurement manual and supply chain management process, the sustainable procurement process of **Cathay Financial Holdings and its subsidiaries** has been checked with the requirements of ISO 20400:2017.



Managing Director BSI Taiwan, Peter Pu

Latest issue 2018-12-26 **Expiry date** 2019-12-25

Statement No.: SPM 001

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Taiwan Tel: 886 2656 0393



資誠

Independent Limited Assurance Report

PWCM18000501

To Cathay Life Insurance Co. Ltd

We have been engaged by Cathay Life Insurance Co. Ltd (“Company”) to perform assurance procedures on the 2018 Corporate Sustainability Report (hereinafter referred to as the “CSR Report”) of the Company, and have issued a limited assurance report based on the result of our work performed.

Criteria

The CSR Report was prepared in accordance with the following applicable criteria:

- The latest edition of the GRI Sustainability Reporting Standards (GRI Standards) and the GRI Financial Services Sector Disclosures published by the Global Reporting Initiative (GRI), and
- the other criteria referred to or designed by the Company based on the Company’s industry characteristics and sustainability performance information reported.

The scope of the aforementioned CSR Report is set out in the “About this report” of the CSR Report.

Management’s Responsibilities

The Management of the Company is responsible for the preparation of the CSR Report in accordance with aforementioned criteria, and for such internal control as management determines is necessary to enable the preparation of the CSR Report that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the CSR 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 amendment is required for the CSR Report to be prepared, in all material aspects, in accordance with the applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the CSR Report, and



資誠

designing and performing procedures to address the identified areas. 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.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the preparation of the CSR Report to understand the processes, information systems (if any), and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed analytical procedures on the CSR Report and, if deemed necessary, performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the design or operating effectiveness of the relevant internal controls regarding to the CSR Report. Our assurance does not extend to information in respect of 2017 or earlier periods disclosed in the CSR Report.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, “Quality Control for Public Accounting Firms” in the Republic of China and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitation

Certain sustainability performance information in the CSR Report involves non-financial data which is subject to more inherent limitations than financial information. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual

assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required for the CSR Report to be prepared, in all material aspects, in accordance with the applicable criteria.

Other Matter

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

PricewaterhouseCoopers, Taiwan



Li, Yi-Huah

Partner

June 28, 2019

