



2019 Cathay Century Insurance PSI Disclosure Report



國泰產險

Cathay Century Insurance

Message from the President

You Are Never Wrong To Do The Right Thing

Oxford Dictionaries declared “climate emergency” the word of the year for 2019. The latest statistics of Munich Re show that typhoons, wildfires, and floods cause up to US\$150 billion in damages worldwide. Extreme weather is no longer an abstract term and Taiwan suffers from its impact as well. If we do not take emergency action against climate change, we will soon face irreversible damage to the global environment.

Cathay Century Insurance has closely followed climate risks and issues for years, and constantly examines the industry's negative impact on the environment through international environmental initiatives. We take four concrete actions under the strategy of internal mitigation and external adaption utilizing our core abilities in the property insurance industry. We hope to thus strengthen society’s ability to respond to disasters, develop low carbon business processes, and offer services with green values:

- **Action 1: Climate risk management**

Cathay Century Insurance plans loss control seminars for extreme weather and complex disaster issues, and uses the typhoon and flood risk assessment model of Taiwan Risk Management Co. to provide corporate customers with typhoon and flood risk management solutions, in order to further lower the losses and impact they face from disasters.

- **Action 2: Develop green insurance products**

Cathay Century Insurance uses its core insurance business to respond to climate change initiatives, and offered the first insurance product designed with green and eco-friendly concepts with consideration to disaster prevention requirements. We support the government’s energy and transportation transition policy through numerous green insurance products, helping farmers respond to climate change, stabilizing government finances, and jointly developing low-carbon sustainable cities.

- **Action 3: Low carbon service process**

The Company began digital transformation internally in 2017, using mobile devices and AI automated tools to replace paper operations with digital technology, exerting every effort to achieve green operations with paperless, low carbon insurance service processes.

■ **Action 4: The first to determine the green footprint of insurance policies**

Cathay Century Insurance was the first in the industry to establish Product Category Rules (PCR) for property insurance services in accordance with regulations of the Environmental Protection Administration (EPA), in order to promote scientific management of carbon emissions from insurance services, and identify future hotspots in the Company for carbon reduction. We also compiled a carbon inventory of service processes and calculated the carbon footprint of carbon insurance services is 1.8 CO₂e per case. We became the first property insurance company to obtain the EPA's "carbon label" in 2020. We will direct our efforts towards obtaining the "carbon reduction label" in the future.

Cathay Century Insurance insists on doing the right thing and continues to expand its internal efforts into society. I believe that more people will be willing to take action once they understand. As more people take action, we will have the chance to change the future!

**President, Cathay Century Insurance
Chen Wan-Hsiang**



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

Aspect 1: Company Strategy

Dimension	Item
<p>Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance integrates ESG issues into the decision-making of daily company operations, including the development and design of insurance products, underwriting, claims, investment, risk management, work environment, and community engagement. 2. Cathay Century Insurance's CS Team is subordinate to Cathay FHC CS Committee and supervised by independent directors. 3. Cathay Century Insurance's CS Team meets on a quarterly basis to discuss ESG issues with senior executives, and also discloses important work progress and outcomes of working groups. 4. Cathay Century Insurance's Board of Directors approved the establishment of the Treating Customers Fairly Promotion Team in 2019, in which the president serves as the convener. The team creates the culture of treating customers fairly from a bottom up approach, and examines the implementation of treating customers fairly in all businesses, in order to improve the customer experience. The team periodically reports progress to the Board of Directors. 5. In response to the implementation of IFRS 17, Cathay Century Insurance carries out operations according to the schedule set by the competent authority, and reports work progress to the Board of Directors every quarterly. Cathay Century Insurance completed a difference analysis report in 2019 for transitioning to IFRS 17, and submitted the report to the Board of Directors in November.
<p>Dialogue with company owners on the relevance of ESG issues to company strategy</p>	<p>Independent directors are invited to attend meetings of Cathay FHC CS Committee each quarter to offer advice.</p>

Dimension	Item																												
Integrate ESG issues into recruitment, training and employee engagement programmes	<p>1. The e-learning platform was used to promote anti-money laundering, information security, compliance, risk management, and treating customers fairly courses for overall compliance performance. The completion of all compliance courses reached 100% with 10,208 people completing 14,414 hours of training in 2019.</p>																												
	<table border="1"> <thead> <tr> <th data-bbox="557 551 804 757">Course Name</th> <th data-bbox="804 551 1043 757">Course Audience</th> <th data-bbox="1043 551 1287 757">Number of Trainees that Completed Training</th> <th data-bbox="1287 551 1544 757">Hours of training completed</th> </tr> </thead> <tbody> <tr> <td data-bbox="557 757 804 862">Anti-money Laundering</td> <td data-bbox="804 757 1043 862">All employees</td> <td data-bbox="1043 757 1287 862">2,107</td> <td data-bbox="1287 757 1544 862">2,107</td> </tr> <tr> <td data-bbox="557 862 804 967">Information Security</td> <td data-bbox="804 862 1043 967">All employees</td> <td data-bbox="1043 862 1287 967">2,133</td> <td data-bbox="1287 862 1544 967">2,133</td> </tr> <tr> <td data-bbox="557 967 804 1019">Compliance</td> <td data-bbox="804 967 1043 1019">All office staff</td> <td data-bbox="1043 967 1287 1019">1,741</td> <td data-bbox="1287 967 1544 1019">1,741</td> </tr> <tr> <td data-bbox="557 1019 804 1124">Risk Management</td> <td data-bbox="804 1019 1043 1124">All employees</td> <td data-bbox="1043 1019 1287 1124">2,124</td> <td data-bbox="1287 1019 1544 1124">2,124</td> </tr> <tr> <td data-bbox="557 1124 804 1229">Treating customers fairly</td> <td data-bbox="804 1124 1043 1229">All employees</td> <td data-bbox="1043 1124 1287 1229">2,103</td> <td data-bbox="1287 1124 1544 1229">6,309</td> </tr> <tr> <td colspan="2" data-bbox="557 1229 1043 1279">Total</td> <td data-bbox="1043 1229 1287 1279">10,208</td> <td data-bbox="1287 1229 1544 1279">14,414</td> </tr> </tbody> </table>	Course Name	Course Audience	Number of Trainees that Completed Training	Hours of training completed	Anti-money Laundering	All employees	2,107	2,107	Information Security	All employees	2,133	2,133	Compliance	All office staff	1,741	1,741	Risk Management	All employees	2,124	2,124	Treating customers fairly	All employees	2,103	6,309	Total		10,208	14,414
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	<p>2. Cathay Century Insurance established the “Project Team for Strengthening the Three Lines of Defense” to strengthen its compliance system and operational risk management mechanism. Internal control personnel part of the first line of defense “plan, establish, and maintain internal control procedures,” “establish internal control indicators and actively report abnormal or risk events,” “supervise internal controls of departments and plan self-inspections,” and “execute internal control education and training.” The second line of defense provides assistance, supervision, and education and training. The third line of defense examines the implementation and effectiveness of internal controls to comprehensively improve the management of internal control quality.</p>																												
<p>3. Cathay Century Insurance continues to provide ESG education and training for better understanding of international trends, principles, and practices of responsible investment. In 2019, a total of 73 participants received 80 hours of training.</p>																													

4. Employees are encouraged to obtain the Certified Anti-Money Laundering Specialist (CAMS) certification, and 4 supervisors have obtained the certification.
5. Cathay Century Insurance raises employees' environmental protection awareness through environmental education, and published 12 education presentations through the online green education website. We also organized two environmental education events with over 1,200 participants, encouraging employees to participate in environmental protection and reduce the negative impact on the environment.
6. We use results of the Employee Satisfaction Survey as a basis for planning employee care activities and various policies. The survey comprises seven aspects, specifically corporate sustainability, organizational commitment, employee happiness, organizational commitment, leadership and management, and job involvement, in hopes of better meeting employees' needs. The overall satisfaction score in 2019 was 4.15, higher than the previous year.

Year	2017	2018	2019
Overall satisfaction	4.15	4.13	4.15

Aspect 2: Risk Management and Underwriting

Dimension	Item
<p>Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company's transactions</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance planned and established the ESG review process for insurance product development, ensuring that ESG related risks and opportunities are carefully identified for every new product. Starting in 2020, Cathay Century Insurance will examine if the issues, contents, structure, and target customers of new insurance products comply with ESG according to the "Product Development ESG Checklist." 2. To promote environmental and ecological protection and sustainable economic and social development, Cathay Century Insurance integrated risk identification and assessment for ESG (Environmental, Social, and Governance) issues into the underwriting process: <ol style="list-style-type: none"> (1) Environmental issues: We support the government's policy to promote the green energy industry by underwriting risk on good renewable energy business, thereby promoting environmental protection. (2) Construction method issues: We offer opinions based on our loss prevention and underwriting experience to help construction companies determine if a construction method is suitable, if the construction environment is safe, and also assess the risks associated with construction facilities, target objects, or related personnel in the construction process, lowering overall cost of social security. (3) Risk planning issues: Emphasis is placed on whether or not the insured's assets and liabilities are given reasonable consideration and guarantee, ensuring that losses will be fully compensated to achieve social and economic stability. (4) Customer protection issues: Underwriter must look into the policyholder's insurance requirements and fit based on the following principles when taking a case. <ol style="list-style-type: none"> A. Determine if the applicant has insurable interests in the subject matter insured. B. Determine if the construction contract has insurance-related provisions to understand insurance requirements. C. Evaluate if the application conditions (or insurance terms of the

	<p>construction contract) match the construction risk and scale.</p> <p>3. For sensitive industries, such as: power plants and petrochemical industry, risk identification and assessment mechanisms are specified for the underwriting process, and applications are selectively approved based on ESG risk, so as to fulfill our social responsibility.</p>
<p>Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics</p>	<p>1. Cathay Century Insurance implements processes of the Personal Information Management System (PIMS) and Information Security Management System (ISMS), including internal and external issue evaluation, asset inventory, risk assessment, performance indicator evaluation, management review, and internal and external audits, for better control over the PIMS and ISMS. We also obtained the ISO 27001:2013 and BSI 10012:2017 certifications. We expanded the certification of our PIMS in 2019, and the expanded scope of personal information collection, processing, and use includes: 1) Underwriting and claims related operations of the head office for auto insurance, fire insurance, health insurance, injury insurance, and travel insurance. 2) Insurance premiums and commission related operations of the Financial Operations Section. 3) Management and maintenance operations of the Risk Management Department's personal information management system. 4) Support for IT operations, such as system development, operation, and maintenance, of the Information System Maintenance Department and Information System Development Department.</p> <p>2. The natural disaster risk model of Taiwan Risk Management Co. is used to assess risk retention and estimate potential loss from natural disasters, such as earthquake, typhoon, and flood, on a quarterly basis. A risk assessment report is then compiled for proper management of natural disaster risk. We included parameters of climate change analysis scenarios in the typhoon and flood model for loss simulation. The model gives consideration to the weights of the parameters rainfall and rainfall intensity, and includes 4 representative concentration pathways (RCPs) (i.e., 4 scenarios of different GHG emissions, air pollutant emissions, and land use conditions), and 3 periods (near future 2016-2035, middle of the century 2046-2065, and end of the century 2081-2100), analyzing a total of 12 scenarios as the basis for evaluating natural disaster reinsurance arrangements.</p> <p>3. Cathay Century Insurance considers the ESG participation of the insured</p>

during underwriting. In practice, premiums will be increased or reduced for some insurance products, such as: green vehicle insurance offers a 10% discount on premiums to encourage citizens to purchase hybrid vehicles, electric vehicles, and electric scooters, in hopes that drivers will participate in energy conservation and carbon reduction; the director and officer (D&O) liability insurance uses negative news of management, financial position, etc. as factors for adjusting premiums, and companies with poorer corporate governance will need to pay higher premiums.

4. Cathay Century Insurance not only monitors its capital as required by the law, but also completed its Own Risk and Solvency Assessment (ORSA) report in 2015 to better assess its solvency. We periodically assess our risk appetite to verify the coverage of the special reserve under the Company's equity and liabilities. The identification of and response to emerging risks, such as climate change, are included in the report, which describes physical disaster risk prevention and plans for the development of green energy products, showing greater attention to climate change issues.

Aspect 3: Product and service development

Dimension	Item
<p>Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management</p>	<p>1. Cathay Century Insurance fully utilizes the core competencies of insurance, specifically loss prevention, reduction, and sharing, in the implementation of various loss control projects, and incorporates ESG issues into product development, underwriting, and services processes. Therefore, ESG related products and services can be described from four aspects, namely green insurance, inclusive finance, loss control, and low-carbon marketing, in hopes of contributing to society and the environment:</p> <p>(1) Green Insurance</p> <p>A. Renewable energy</p> <p>Insurance coverage for hydroelectric power, solar power, and wind power plants and their equipment provided by Cathay Century Insurance reached NT\$91.32 billion in 2019, meeting the need of companies for insurance coverage in the construction phase and operation phase. This is greatly beneficial as it increases the willingness of banks to provide loans, drives overall industrial development, and creates a sustainable positive cycle in energy transition.</p> <p>B. Low carbon transportation</p> <p>The concept of co-living space in urban areas formed imperceptibly, and it is very common to ride public bicycles across districts. Cathay Century Insurance expanded the counties and cities covered by public bicycle insurance for co-living space in June 2018, so that the general public will not put themselves at risk because they are not clear whether or not they are covered by insurance. As of the end of 2019, the insurance covers Kaohsiung City, Tainan City, Taipei City, New Taipei City, Taoyuan City, Miaoli County, Pingtung County, Hsinchu County, and Hsinchu Science Park, helping the implementation of the low carbon transportation policy.</p> <p>(2) Inclusive Finance</p> <p>We promote inclusive finance in coordination with the United Nations to create a financial system that effectively and comprehensively provides services to all levels and groups of society. We use our core</p>

competencies in insurance to provide the following coverage:

A. Economically Disadvantaged

Besides providing micro insurance for the underprivileged to gain basic coverage, we also subsidized the micro insurance premiums of 18 organizations for the underprivileged in 2019 to increase financial inclusion, and was recognized with the Excellence Award for Micro-insurance Performance from the Financial Supervisory Commission (FSC).

B. Farmers

Utilizing the successful experience from mango crop insurance, Cathay Century Insurance noticed the massive cumulative loss of approximately NT\$4 billion in guava around Taiwan caused by natural disasters over the past 15 years, and introduced an insurance policy for guava in 2019 that uses various parameters, such as typhoon wind speed and cumulative rainfall, as the basis for claims. Once the data from weather stations reaches the attachment point, we actively notify farmers to file a claim, in hopes that policy holders will rapidly receive an insurance payout after each disaster, so they can carry out subsequent repairs. This way farmers will no longer be at the mercy of nature and will gain sufficient compensation when they sustain damages.

C. Cathay Century Insurance follows developments in the trend of aging society, and found a gap in the demand of long-term care institutions and caretakers for coverage. We began developing Long-term Care Institution Liability Insurance in 2019, and formally began offering the insurance on February 27, 2020. We hope to attract even more insurance companies to provide coverage for the long-term care industrial chain, so that long-term care institutions will have more insurance options.

(3) Loss Control

Cathay Century Insurance provides numerous professional services to help customers with ex-ante loss control, and organized 2 loss control seminars and 11 corporate lectures in 2019. We also provided electrical equipment safety inspection services for a total of 96 work days, reducing the risk of customers sustaining losses by helping customers establish risk management awareness and plans.

(4) Low-carbon Marketing

Cathay Century Insurance continues to promote digital operations and services, and develops low carbon business processes through the digital service platform, various apps (such as: Smart Go for auto insurance/Easy Go for personal injury insurance/Travel Go for travel insurance, mobile claims app, and claims operations app), and electronic documents (such as: electronic insurance policies, QR code for terms and conditions), realizing paperless management. These efforts reduced paper use by 18.981 million sheets in 2019, which is the equivalent of saving 2,277 trees.

Note: According to the formula of the Environmental Quality Protection Foundation provided by the Construction and Planning Agency, Ministry of the Interior, each box of A4 paper contains about 5,000 sheets, and each box requires $24/40 = 0.6$ trees to be cut down.

2. “Insurance” × “Loss Control” × “Volunteer Services” is one of the possibilities for combining the core competencies of property insurance with sustainable development. As Taiwan becomes an aged society, we noticed the urgency and importance of long-term care to society. Besides providing long-term care related insurance products and loss control services, Cathay Century Insurance organized two events in 2019 that focus on volunteer services of long-term care institutions. All of Cathay Century Insurance's 12 senior executives participated in the events, and cumulative volunteer hours reached 140 hours. In the future, we hope to gather needs of institutions on volunteer services through insurance agents while they are promoting insurance products, and the needs of each case for volunteer services are open to be filled by all employees in the group. This allows more long-term care institutions, residents, and family members to gain a moment of joy and rest.

Dimension	Item
<p>Develop or support literacy programmes on risk, insurance and ESG issues</p>	<p>1. Cathay Century Insurance established the "comprehensive identification of risks for all ages" strategy based on the loss control vision of "loss prevention education for all ages," exercising our core competency of loss control for social care. We have promoted knowledge of risk management and provided professional testing free of charge, hoping to raise citizens' risk awareness through education and promotion. Our goal is to lower the frequency and scale of accidents, and continually develop and expand the long-term effects of loss control:</p> <p>(1) Student Safety Protection – Accident-free Schools Initiative</p> <p>Our promotions target playgrounds of elementary schools, where the highest ratio of accidents occur on campus. We designed and planned activities for first and second graders for them to correctly use facilities and play games on campus. We implemented the first campus loss control project in the country – Accident-free Campus, which educates elementary school students on campus safety concepts in an entertaining way, making it safer when children are playing on the playground. After 7 years of efforts that started in July 2012, we completed safety inspections of 77 elementary schools, 107 events, and reached over 19,800 elementary school and kindergarten students. These events were held in 14 counties and cities from northern Taiwan to southern Taiwan.</p> <p>(2) Revolutionizing Scooter Safety Education –Accident-free Riders</p> <p>Traffic accidents mainly occur in the 18-24 year old age group. Cathay Century Insurance thus began to promote scooter safety courses for college students in 2015. Events were held in 15 counties and cities around Taiwan. As of the end of 2019, we organized a total of 94 campus activities and reached over 11,850 students. The project passed the certification of Social Value International (SVI) on February 18, 2020, in which the Social Return on Investment (SROI) of project is 3.30, meaning that each NT\$1 invested by the Accident-free Riders Project will create NT\$3.30 in social value.</p>

(3) Bicycle safety education – Accident-free bicycle

According to Ministry of Transportation and Communications statistics of casualties from bicycle accidents in 2015-2017, teenagers in the ages 10-15 years old are the high risk group. Cathay Century Insurance not only offered public bicycle insurance in 2019, but also transitioned from ex-post compensation of losses to ex-ante risk prevention. We began planning the Accident-free Bicycle project targeting third to sixth graders in elementary school. The course combines AR technology with a real demonstration of bicycle riding to give students safe riding and the right traffic concepts, gradually completing Cathay Century Insurance's blueprint for "loss prevention education for all ages."

2. Promotion of Regular Exercise for All – Cathay Triathlon Team

Cathay Century Insurance is promoting the triathlon and cultivating national athletes, combining charity with employee activities to create a win-win situation for athletes, employees, and the public. We trained 20 athletes who participated in 11 competitions in Taiwan and overseas in 2019, winning 19 championships, 20 second places, and 10 third places. Internally, we organized 4 aerobic yoga and jogging events that 234 employees participated in.

Aspect 4: Claims Management

Dimension	Item
<p>Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood</p>	<ol style="list-style-type: none"> 1. The ratio of customers that use the claims service on Cathay Century Insurance's official website and digital services platform increased each year in recent years. Cathay Century Insurance has a claims section on its official website, and provides easy to understand categories and descriptions to provide customers with the information and documents they need for claims. Customers can also use the convenient online claims progress inquiry function to view their claims progress and records. Furthermore, Cathay Century Insurance's digital services platform uses a graphic design to show the reporting process and progress of cases. It also uses push notifications of Line to update customers on important information, such as claims progress. 2. Cathay Century Insurance systematically assigns cases for bulk sales of auto insurance. A claims officer will actively contact the customer within 24 hours and explain subsequent operations or matters requiring cooperation based on the situation of the case. Text messages or Line push notifications are sent to update customers on the progress of their claims. 3. Cathay Century Insurance's clients service center began to upgrade and optimize its customer service system in 2019. Besides strengthening the real-time customer issue notification mechanism, the system tracks and manages the progress of customer issues. We also implemented the chatbot "Alpha" (expected to be formally launched in 2020 Q2) in coordination with the group's digital development strategy, and customers will be able to use the chatbot on our official website to gain immediate assistance, improving customers' digital service experience. 4. Cathay Century Insurance began to use Net Promoter Score (NPS) in December 2018, and completed the deployment of 2 NPS nodes for individual insurance claims settlement as of the end of 2019. After each claim is settled, we send text messages requesting that customers fill out a satisfaction survey and NPS. The data is then analyzed and provided as feedback for management, ensuring the quality and thoughtfulness of claims, while providing the basis for making improvements. The average NPS of individual insurance claims settlement nodes in 2019 was 79, showing that most policy holders are satisfied with and recommend claims

	<p>services.</p> <p>5. Cathay Century Insurance commissioned Focus Survey Research to conduct a survey in 2019 and found that 96.8% of policy holders were satisfied with Cathay Century Insurance’s overall service performance; 93.3% were satisfied with claims services.</p>
<p>Integrate ESG issues into repairs, replacements and other claims services</p>	<p>Cathay Century Insurance incorporated considerations of ESG issues into the claims process to make the process smoother and also to manage risk.</p> <ol style="list-style-type: none"> 1. Moral issues: When claims personnel of Cathay Century Insurance are handling claims cases, they will report any moral hazard or suspected fraud to their supervisors. Personnel check diagnosis certificates and if claims are filed for different benefits. AML/CFT review operations are also carried out and internal controls have been established. 2. Major environmental and social incidents: Cathay Century Insurance established a major/news incident reporting system for major environmental and social incidents. After the claims department is notified of an incident, it will carry out underwriting and collect information. The major incident reporting platform is used for supervisors at each level to gain information of the incident within 24 hours, so that they can immediately adopt response measures and provide the best services.

Aspect 5: Sales and Marketing

Dimension	Item
<p>Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns</p>	<ol style="list-style-type: none"> 1. Underwriting and claims personnel completed 11,850 hour of education and training as required by law in 2019, ensuring their specialized knowledge and skills and awareness of regulatory compliance. 2. Cathay Century Insurance provides salespeople of Cathay Life with information on loss control activities of Accident-free Campus, and provides activity descriptions to responsible personnel, so that they can communicate and schedule activities with schools. This provides the basis for Cathay Life to develop additional services for student insurance. 3. Cathay Century Insurance’s digital services on Line feature interactive games and posts, including elaborately designed children's drawings, Tree Planting Day, COVID-19, and travel insurance Q&A, for communicating loss control, environmental sustainability, and current issues, raising public awareness of traffic accident prevention, social and environmental issues, and green labels. 4. Cathay Century Insurance uses a variety of digital channels, such as the mobile insurance app, official website, and Line push notifications, to provide internal and external customers with various electronic documents and information on services. This increased the utilization of Cathay Century Insurance's digital operations and services, reduced carbon emissions from paper operations, and realized the goal of low carbon operations.
<p>Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood</p>	<p>Cathay Century Insurance is in full compliance with laws and regulations on insurance product design, review, and sales preparation. Information of insurance products is disclosed on the Insurance Market Observation Post System, the product inquiry area on the website of Taiwan Insurance Institute, the official website of Cathay Century Insurance, and the online platform for consumers to access.</p>

Aspect 6: Investment Management

Dimension	Item
<p>Integrate ESG issues into investment decision-making and ownership practices</p>	<ol style="list-style-type: none"> 1. With regard to investments, Cathay Century Insurance stipulated in the “Investment Management Procedure” and “Investment Policy” that the principles for responsible investment (PRI) must be taken into consideration when utilizing funds, and that industry databases are to be established using internal and external data to monitor industry trends and changes over a long period of time. Investments should be mainly made in industries on an upward trajectory, and investment decisions should consider financial indicators, information transparency, protection of fundamental human rights, whether or not there is a good workplace environment, respect for consumer rights, investment in environmental responsibility, and if the company aims to achieve sustainable development. This will allow our funds to have a positive economic effect, and also create sustainable value for the capital market and general public. 2. Cathay Century Insurance implements the top-down supervision mechanism from the FHC-level for responsible investment and lending, and regularly adjusts and reviews industries of concern and the exclusion list according to the Cathay FHC Prohibited Investment and Lending Policy. 3. Cathay Century Insurance visits companies or attends shareholders' meetings to appropriately communicate and interact with the management of companies it invests in, and thereby implement the Taiwan Stewardship Principles for Institutional Investors. The exercise of voting rights at annual general meetings reached 87.34% in 2019, and the frequency of visits to companies reached 151 times/year. 4. Cathay Century Insurance supports the development of the renewable energy industry by increasing investments in low carbon green industries, supporting development of a low carbon sustainable homeland. The investment watch list is examined and updated each quarter based on the Group's definition and standard for low carbon investment (as of the end of 2019, Cathay Century Insurance held shares of companies in low carbon and green energy industries worth about NT\$250 million), in hopes of driving environmental and economic growth. 5. Cathay Century Insurance’s investment department implemented a sensitive industry control mechanism in the fourth quarter of 2019 to

	integrate sustainable development risks, and prohibited investments in relatively controversial industries, including the tobacco industry, gambling industry, sex industry, nuclear proliferation and biochemical weapon related industries, and tropical forest lumbering industry.
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Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Aspect 7: Clients and Suppliers

Dimension	Item
<p>Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance is actively implementing control procedures for socially responsible investments (SRI) through mandated investment institutions. The mandated institution reports its actual approach and procedures on a quarterly basis to ensure the implementation of responsible investments. 2. Cathay Century Insurance co-organizes supplier conferences with Cathay FHC in hopes of driving suppliers to implement CS through sustainable procurement channels, and jointly contribute to sustainable development: We invited nearly 60 vendors of IT products/gifts/advertising activities/management consulting and training in the first half of 2019, and introduced ISO 45001 Occupational Safety and Health Management and promoted sustainable procurement guidelines. In the second half of 2019, we invited over 160 vendors to participate in Cathay FHC's sustainable supplier conference. During the conference, excellent vendors were commended, and Signify Taiwan Limited, Milk House, and Unity Sustainability Services Co., Ltd. shared their experience with corporate sustainability. 3. Cathay Century Insurance expressed its green procurement requirements to suppliers, and showed the influence of a green supply chain through the partnerships that were built; Cathay Century Insurance's green procurement amount reached NT\$29.839 million in 2019, up about 25.04%.
<p>Provide clients and suppliers with information and tools that may help them manage ESG issues</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance works together with the Task Force on Climate-related Financial Disclosures (TCFD) task force of Cathay FHC and established the "Real estate investment and mortgage team" and "Core product team" based on its property insurance competencies. In 2019, we applied the natural disaster risk model of TRM to help customers (Cathay Life and CUB) within the Group assess the impact on losses to self-owned real estate and mortgage collaterals. We also considered ESG factors and

the demand on agricultural insurance in our product design and development, and began offering guava crop insurance.

2. Cathay Century Insurance has stepped up efforts to promote mango crop insurance in cooperation with local farmers' associations, and explained the contents of the insurance policy at the production area during work hours of the county/city production and marketing group. We hope to thus allow farmers to understand the intent of design and value of the insurance policy, so they will be willing to purchase the insurance and gain coverage for climate risks.
3. Cathay Century Insurance began organizing "loss control seminars" in 2005, which focus on the effects of specific risks on business continuity and disaster prevention. Cathay Century Insurance began planning many issues related to extreme weather and complex disasters in response to global climate change in recent years, and also planned loss control seminars for various industries based on the industry's characteristics. As of the end of 2019, a total of 39 seminars were held and reached 4,081 people.
4. With consideration to the concerns of torrential rain and flooding caused by extreme weather, Cathay Century Insurance provides corporate customers with flood simulation and analysis as well as vulnerability evaluation services, verifying whether or not drainage facilities in surrounding areas have sufficient capacity and vulnerable areas prone to flooding. This provides the basis for flood warning and improving drainage facilities at factory sites, reducing the risk of flooding and preventing asset loss.
5. Cathay Century Insurance carries out field surveys and data collection to assess whether or not solar panels can withstand the strong winds of a typhoon without being damaged, and also provide improvement recommendations to help solar power operators manage their risks. It also lowers the risk of losses caused by natural disasters during the operation and maintenance phase, and will improve the quality of the overall solar power industry. This will help the government achieve policy goals for the green energy industry. As of the end of 2019, we have completed the assessment of 43 project sites.

Dimension	Item
<p>Integrate ESG issues into tender and selection processes for suppliers</p>	<ol style="list-style-type: none"> 1. Procurements of Cathay Century Insurance comply with the Regulations for Procurement Management. CSR is listed as a basic condition for procurement contracts, and ESG issues will also be incorporated into provisions as well. We will continue to support the development of green products through our purchasing power, and jointly create a sustainable supply chain. 2. Cathay Century Insurance established the Supplier CSR Guidelines in hopes that all suppliers of Cathay Century Insurance, as well as all members of the supply chain directly or indirectly related to suppliers, will jointly fulfill their CSR according to local laws and regulations, industry characteristics, geographic environment, operating conditions, organizational scale, and employee structure.
<p>Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting framework</p>	<p>Cathay Century Insurance began complying with the United Nations' Principles for Sustainable Insurance (PSI) in 2017, becoming the first property insurance company in Taiwan to comply with the PSI. Compliance results of 2019 will continue to be disclosed in 2020, and customers and suppliers can download the PSI Compliance Report from the website of Cathay Century Insurance to use as reference for compliance.</p>

Aspect 8: Insurers, Reinsurers and Intermediaries

Dimension	Item
<p>Promote the adoption of the Principles</p>	<p>Cathay Century Insurance diversifies its risk through reinsurance to ensure the company's stable operation. When dealing with reinsurers, we not only consider the price, underwriting and claims services, but also their commitment to CS and measures. Of the insurance, reinsurance companies, and reinsurance agents we are currently working with, 23 companies are signatories to the PSI.</p>
<p>Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry</p>	<p>Cathay Century Insurance ensures the promotion of ESG issues by insurance brokers and agents through propaganda and services.</p> <ol style="list-style-type: none"> 1. Insurance brokers and agents are encouraged to use EDM and reduce the use of printed materials for environmental protection. 2. Corporate customer risk lectures, loss control seminars, auto insurance loss prevention training and services are provided to insurance brokers and agents; teaching materials are provided via digital files and digital media to reduce paper use. 3. Besides cooperating with the government's paperless policy, we are also promoting the use of electronic certificates for compulsory auto liability insurance and other insurance policies.

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.

Aspect 9: Governments, Regulators and Other policymakers

Dimension	Item
<p>Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues</p>	<ol style="list-style-type: none"> 1. In response to government promotion of FinTech innovation and development, Cathay Century Insurance is actively applying for patents. We have obtained 9 patents approved by the Intellectual Property Office (IPO), Ministry of Economic Affairs since 2017, in which our "VR driving behavior risk assessment system" and "Smart Go for auto insurance" received invention patents from the IPO. 2. In coordination with the EPA's policy of labeling the carbon footprint of products made in Taiwan, Cathay Century Insurance implemented scientific management of the carbon emission from insurance services in 2019, and was the first in the industry to establish PCR for property insurance services in accordance with regulations of the EPA, lowering the difficulty for peers in the industry to determine the carbon footprint of products and making them more willing to apply. 3. The Council of Agriculture began offering agricultural crop natural disaster insurance on a trial basis in 2015, in hopes of providing greater protection for farmers through insurance. We thus began developing agricultural crop insurance products, and after offering mango crop insurance, we began offering Guava Crop Insurance (typhoon wind speed and rainfall) in 2019. 4. The FSC encourages innovation in the insurance industry. Hence, Cathay Century Insurance worked together with 10 other insurance companies in using insurance blockchain technology to apply for "Security/Claims Alliance Chain" services on a trial basis. In the future, when any unit submits an application for contract change or claims, it can be processed by any of the other 10 insurance companies, thus simplifying the application process for policy holders and shortening the preparation time for applying for claims and security services. 5. Cathay Century Insurance and foodpanda were the first to respond to the Taipei City Self-Governance Ordinance for Food Delivery Platform Management, developing new terms of insurance to provide group injury insurance coverage better than current laws for the over 10 thousand food couriers around Taiwan, improving the quality of Taiwan's overall labor environment.

Dimension	Item
<p>Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance began actively participating in meetings of the Bureau of Labor Insurance in 2016. After communicating with county/city governments and operators and integrating their opinions, we began offering public bicycle insurance in 2018. The injury insurance for riders is the first name-based policy in the industry that requires the rider to complete registration on Ubike's official website to enjoy coverage free of charge. Cathay Century Insurance integrated internal and external resources to increase the registration rate of Ubike in 2019, so as to raise public awareness of insurance enrollment to cover riding risks. According to statistics of the Department of Transportation, the registration rate doubled between May 2019 and the end of the year to 46.26% (Registration rate in 2019: 16.23% in May and 46.26% in December). 2. Cathay Century Insurance discussed regulatory flexibility with the Bureau of Labor Insurance and National Development Council to resolve the dilemma of food couriers. As the industry's representative, we developed "fragmented insurance policies for food couriers" to protect the rights and traffic safety of food couriers.

Aspect 10: Other Key Stakeholders

Dimension	Item
<p>Dialogue with intergovernmental and non-governmental organizations to support sustainable development by providing risk management and risk transfer expertise</p>	<ol style="list-style-type: none"> 1. Cathay Century Insurance used the typhoon and flood risk assessment model provided by TRM for loss simulation, in order to assess physical risks. The software is update every six months based on the experience of the using department, assisting with model revisions and function expansion. Our collaborative partner TRM holds at least one conference every year to provide a detailed description of the update to the model. 2. We met with the short-term care third party reservation platform – ucarer to share the risks, needs, and developments of the care industry, as well as the solutions we are able to provide or insurance products or services we can develop in the future. This serves as the basis for planning long-term improvements, and will benefit the sustainable development of each industry and society.
<p>Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies</p>	<ol style="list-style-type: none"> 1. We visited New Taipei City Sanchongximei Public Elderly Day Care Center, National Taiwan University Hospital Bei-Hu Branch Department of Nursing Home, and Taipei City Ai Ai Nursing Home, interviewed their personnel, and conducted an on-site safety inspection to gain an in-depth understanding of the risks and actual needs for coverage of long-term care institutions and caretakers. We used this as the basis for improving the “Cathay Century Insurance Long-term Care Institution Liability Insurance” and future insurance products and services, contributing to the sustainable development of the long-term care industry. 2. We worked together with the triathlon team (professional athletes that compete in the bicycle event) to effectively communicate safety concepts for riding bicycles, and also jointly planned and organized Accident-free bicycle events and courses. We plan to improve the learning effectiveness and experience of students through “AR bicycle safety education” and “riding demonstration and instructions” course. The results of subsequent events will be shared on We Media, communicating the right traffic concepts and safe riding behavior with the general public.

	<p>3. We aim to implement internal carbon reduction measures using scientific methods, and not only compile a GHG inventory, but also compiled a carbon footprint inventory for property insurance services according to ISO:14067 Carbon Footprint Standards in 2019. The Chung-Hua Institution for Economic Research provided professional guidance that helped us establish PCR for the property insurance industry, which passed third party verification by the BSI. This allowed us to find carbon emission hotspots that consume higher amounts of energy in the insurance service life cycle, and effectively reduce carbon emission.</p>
<p>Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business</p>	<p>1. Cathay Century Insurance began implementing the Campus Risk Map Project in 2017. The project strives to improve the issue of traffic accidents in surrounding areas of college campuses in Taiwan. We began collaborating with Professor T. Hugh Woo at the Department of Transportation and Logistics Management, National Chiao Tung University in 2019, and combined data analysis with the experience of road users. We prepared a campus risk map poster and recommendations report for Asia University based on a field survey, providing analyses of traffic conditions at the school's traffic accident hotspots, recommendations for improving traffic engineering, defensive driving measures for students (road users), and traffic management strategies. We hope to thus lower the probability of traffic accidents among students, and provide students with a safer traffic environment.</p> <p>2. We worked together with the Million Solar Rooftop Project Office and Green Energy and Environment Research Laboratories, Industrial Technology Research Institute, to become familiar with the direction of the domestic solar power policy and industry trends, strengthen our risk assessment techniques for solar power project sites, and improve our loss prevention expertise and underwriting quality.</p>
<p>Dialogue with media to promote public awareness of ESG issues and good risk management</p>	<p>1. Cathay Century Insurance strengthened interactions with consumers through influencers (such as: Guan Shao-Wen and Keoki Black) or key opinion leaders (KOL, such as: Tseng Wan-Ting) to promote risk management concepts in 2019. We used this approach to disseminate the right concept of purchasing auto insurance, traffic safety knowledge, and promote public bicycle insurance (such as: online enrollment in auto insurance, and registration and enrollment for YouBike public bicycle injury insurance), in order to increase public acceptance and Cathay</p>

Century Insurance's influence.

2. We incorporate green and environmental concepts into our public bicycle insurance marketing system, and communicate green consumption concepts with the public through online marketing (section on our official website, Cathay Century Insurance's Facebook fan page, push notifications in the Line group of Cathay FHC salespeople, and official websites of county/city governments), green advertisements (promotion on online media, Kaohsiung MRT lightbox advertisement, press releases), and green collaborations (collaboration with YouBike in app push notifications). We hope to thus contribute to Taiwan's low carbon transformation, and create a win-win situation for companies, consumers, and the environment.
3. Cathay Century Insurance's digital services platform has education, care, and communication functions. Besides irregularly providing important insurance concepts and information on Line, we actively remind citizens of notices and response measures when there is a severe disaster (such as: typhoon), social incident (such as: airline being grounded), and epidemic (such as: COVID-19). We also analyze customers' potential needs through digital interaction trails, provide more accurate contents of communication and risk management information, and create greater added value for customers and society.
4. Cathay Century Insurance issues a PSI Disclosure Report every year on its compliance with the four principles of the PSI.