

Fubon Insurance

Principles for Sustainable Insurance Report

Chapter 1

Devise Sustainability Strategies and Enhance Business Capabilities

Chapter 2

Establish Sustainability Mechanism and Strengthen Business
Management

Chapter 3

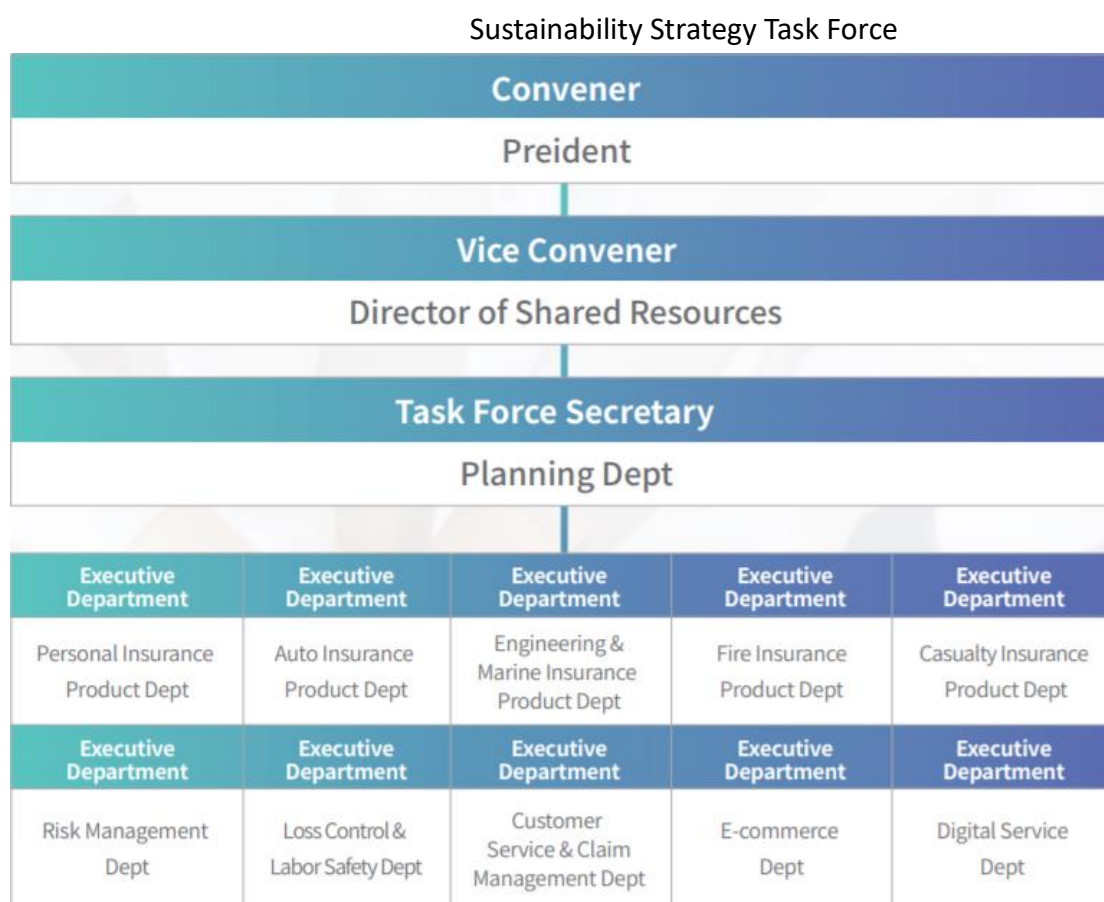
Promoting Sustainable Products to Meet Diverse Needs

Chapter 4

Heading for Sustainability based on Industry, Government, University
and Research Institute Collaboration

1.1 ESG Strategies and Teams

In response to the risks, opportunities and challenges faced by the Company in terms of sustainability, and considering the issues concerned by all interested parties, Fubon Financial Holdings has championed a “ESG Visioning Project”, setting up the ESG Task Force that is subordinate to the Corporate Governance and Sustainability Committee. To make sustainability strategies better meet the needs of the interested parties, the Company adds one more strategy to the previous five ones since 2020, focusing on “Sustainable Governance, Responsible Finance, Innovative Service, Employee Care, Environmental Sustainability and Positive Regard”. It also continues to deepen its initiatives aligned with the United Nations Sustainable Development Goals (SDGs) by leveraging its core competencies. The six strategies are executed by the “ESG Task Force”, of which Fubon Insurance takes an active part in the Responsible Finance and the Innovative Service teams, focusing on strengthening the development of agricultural insurance, green insurance, customer service and innovative financial service. Meanwhile, the execution results and plans will be submitted biannually to the Corporate Governance and Sustainability Committee and the Board of Directors of Fubon Financial Holdings.



1.2 Risk Management

Fubon Insurance has formulated full-fledged risk management systems as well as policies and rules, covering risk management mechanisms concerning the market risk, credit risk, country risk, operational risk, asset-liability management and liquidity risk, insurance risk, climate change, emerging risks and reputation risk. As a result, it can effectively identify, measure, monitor and manage various risks. Besides, pursuant to the “Guidelines for Management of Climate Change” and the “Guidelines for

Management of Emerging Risks” of Fubon Financial Holdings, Fubon Insurance annually identifies potential risks and impacts based on industrial characteristics and submits assessment results to its Board of Directors.

Emerging Risks

Risk Factors	Social Risk - Spread of Infectious Diseases	Environmental Risk - Natural Disasters
Situational Assessment	As COVID-19 is spreading globally, it has triggered public concern about global economic recession and market panic, bringing about downward plunge and drastic fluctuations of stock, bond and foreign currency markets as well as energy and metal markets.	Given the potential chilling injury, it can be estimated that damage will be caused to crops, aquaculture and fisheries throughout Taiwan.
Financial Loss	NTD7.31 billion	NTD50 million
Risk Response and Mitigation Measures	<p>1.Equity: The Company should intensify tracking of subject matters given early warnings of higher loss rates and volatilities, observe whether the market stabilizes, and stay prudent in holding more individual stocks with attractive dividend yield for subject matters that are plummeting but with long-term values.</p> <p>2.Debt: As the Company aims at holding mid- and long-term debt investments, it is supposed to withstand short-term price changes, and thus will continue to hold investments in this regard. It is expected to continue authorized transactions once the coronavirus pandemic eases up, and assess whether to add investment-grade bonds with exposure to United States’ country risk in order to boost interest revenues.</p>	<p>1.The Company should choose reinsurers with good credit in a prudent manner, and ensure them to share a percentage of the losses based on credit rating so as to avoid the concentration of risks.</p> <p>2.The Company should inspect the changes in reinsurers’ credit scores and monitor their credit ratings on a regular basis.</p>

Risk of Climate Change

Top Three Major Climate-related Risks and Countermeasures

Risk Type	Risk Profile	Risk Name	Countermeasures
Physical Risks	Chronic	Changes in rainfall (precipitation) patterns and extreme changes in climate patterns	(1) Develop a risk assessment model and sign a contract with RMS, an international natural disaster modeling company, to make joint efforts to study typhoon risk.
		Increase of Average Temperature	(2) Review the business composition, assess potential catastrophe risk events and situations, and monitor the cumulative value of catastrophe risks on a regular basis.
	Acute	Increased Severity of Extreme Weather Events including Typhoons and Floods	(3) Formulate a regulation of special net retained lines for a single insurance risk, reinsure the risk exceeding the net retained lines and make regular inspections. (4) Choose reinsurers with good credit in a prudent manner, and ensure them to share a percentage of the losses based on credit rating so as to avoid the concentration of risks. (5) Make provision for special reserves according to the Acts and regulations in order to respond to losses caused by major accidents in the future.

Situational Stress Test

Situation (Impact Assessment)	Risk Management Mechanism
Accidents Having Biggest Impacts on Risk-based Capital (RBC): Catastrophic Accidents	
Earthquake (RMS/250-year return period)	Check rate adequacy for earthquake insurance and regularly monitor the cumulative value of earthquake risk by using the internal catastrophe model.
	Estimate the Probable Maximum Loss (PML) by adopting models from external vendors (RMS/AIR) twice a year, review whether the catastrophe reinsurance contracts are appropriate and make adjustment accordingly.
	Arrange relevant reinsurers properly and monitor changes in reinsurers' credit ratings.

1.3 ESG Capacity Building

Fubon Insurance has made skills training plans based on different positions. In addition to professional courses on insurance products, the Company has also incorporated the ESG issues into the annual courses and internal trainings of departments for all staff and first-line managers so that they could take into account the ESG-related issues when offering customer service after learning relevant knowledge and improving their professionalism in insurance, increasingly strengthening the ESG awareness of broader groups. All employees shall take required courses such as ESG-related issues, fair dealing principles and friendly financial services, and further study professional courses based on their positions.

In order to maintain social development and stabilize the economic environment, the Company does not only provide compensation for damages and losses after disasters, but also give priority to precautionary measures. Fubon Insurance was the first insurer to set up the Loss Control Department in 1995, comprising engineers specializing in fields ranging from fire protection, environmental engineering, chemical engineering and industrial safety to electrical engineering, civil engineering, structural engineering and geotechnical engineering. It continuously introduces the latest international

fire safety technologies and specifications, and provides enterprises with customized risk assessment and improvement suggestions, covering electrical safety, fire and earthquake protection, etc. in order to replace negative loss indemnity with proactive loss control.

Objects	ESG-Related Courses (2019)	Course Hours	Objects	ESG-Related Courses (2019)	Course Hours
Sustainability Strategy Task Force(12 people)	Status Quo and Major Trends of Global Sustainable CSR	1h	New Front-line Managers (33 people)	ESG-Related Policies and Trends	2h
	CSR-Related Core Issues and Business Significance	0.7h			
	CSR-Related Core Issues and Cases of Finance and Insurance Industry	0.7h			
	Current Sustainable Development of Insurance Industry	0.5h			
	Climate Risks and Opportunities of Finance Industry	0.7h			

Objects	ESG-Related Courses (2019)	Course Hours	Objects	ESG-Related Courses (2019)	Course Hours
Loss Control Department (17 people)	Accident Cases and Loss Control Measures	3h	All staff (a total number of 2,820 people related to business,underwriting, claims, professionalism, etc.)	Discussion on Personal Insurance from Risk Management Perspective (Including Natural Disasters, Age, Liability and Other Risks)	1h
	Integrity Assessment of Enterprises' Physical Asset Operation (Including Natural Disasters, Operations, Engineering and Other Risks and Improvement Suggestions)	3h		How to Assist Customers in Assessing Enterprise Risks and Planning (Including Natural Disasters, Operations, Engineering and Other Risks)	1h
	Fire Prevention and Evacuation Verification and Inspection Services for Hotels and Department Stores	3h		Dominant Service of Fubon Insurance - Loss Control Service	1h
	Discussion on Risk Management and Disaster Prevention and Loss Control Measures Based on Accident Cases of Chemical Plants	3h		Salesman Management Rules and Relevant Acts and Regulations (Including Insurance Acts, Consumer Protection Acts and Other Financial Regulations)	1h
	Risk Management and Disaster Prevention and Loss Control Measures in High-end Technology Industries and Traditional Industries	3h		Anti-Money Laundering and Countering Financing of Terrorism	2h
	Electrical Fire Prevention and Safety	3h		Personal Information Protection Act	1h
	Discussion on Practices and Cases of Freight Transport Insurance Claims	3h		Principle for Friendly Financial Service	1h
	Risk Assessment of Solar Power Plant	3h		General Labor Safety and Health Education and Training	1h
	Electrical Fire Prevention and Risk Assessment	3h		Analysis of Financial Consumer Protection Act and Fair Dealing Principles	3h
	Risk Management of Manufacturing Industry	3h			

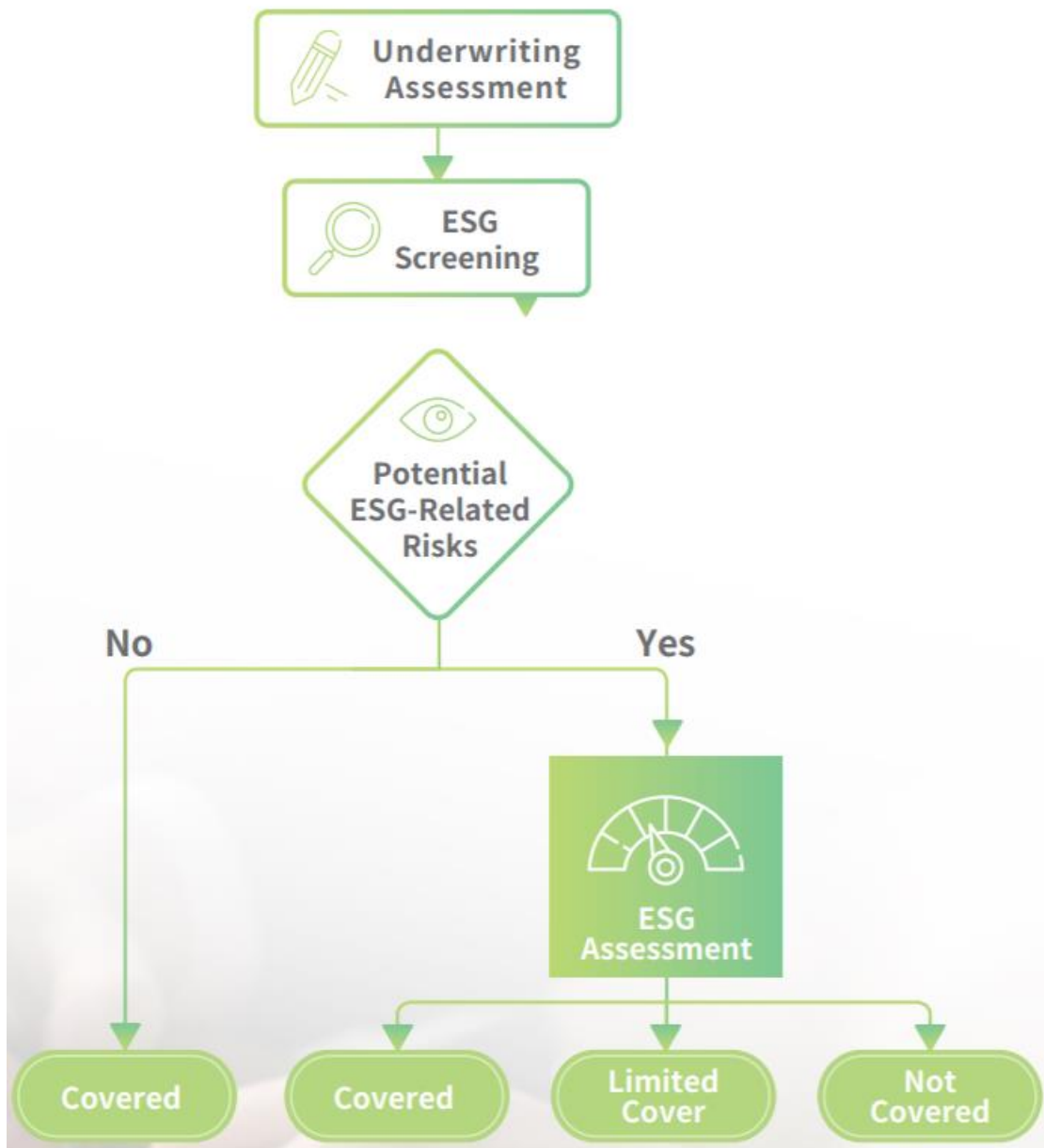
1.4 Human Rights Commitments

In terms of the workplace environment, the Company does not only abide by the labor-related Acts and regulations, but also declare its support for the international human rights conventions including the “Universal Declaration of Human Rights” published by the United Nations, and adheres to the “Human Rights Policy” of Fubon Financial Holdings to safeguard the human rights of employees. The Company conducts human rights risk assessments for all employees on a regular basis, and develops risk control and mitigation measures based on the risk level from the assessment results. Furthermore, it assesses and manages the potential risk issues faced by employees through human rights due diligence in order to avoid any violation of human rights. It also formulates the “Prevention Plan for Illegal Infringement in the Execution of Duties” and the “Maternal Health Protection Plan for Female Employees” to create a safe, friendly and non-discriminatory workplace environment with mutual respect. In the employment context, the Company explicitly stipulates in relevant regulations that there shall be no new recruitment of child labor, and no differential treatment or discrimination in the employment of workers because of their gender, age, sexual orientation, physical or mental disability, race, class, religion, political party, marital status or appearance in order to protect the rights and interests of employees. Every one shall be provided with equal job opportunities provided that they meet the job requirements including their abilities and qualifications.

2.1 Underwriting Management

In order to standardize the underwriting risk management of personal insurance and business insurance, control underwriting risks effectively, and put in place risk selection, risk diversification and risk control, Fubon Insurance has formulated the “Measures for Management of Underwriting Risk” based on the “Principle for Management of Insurance Risk”, incorporated ESG-related issues into the underwriting process, and established the exception management mechanism to implement ESG-related risk management.

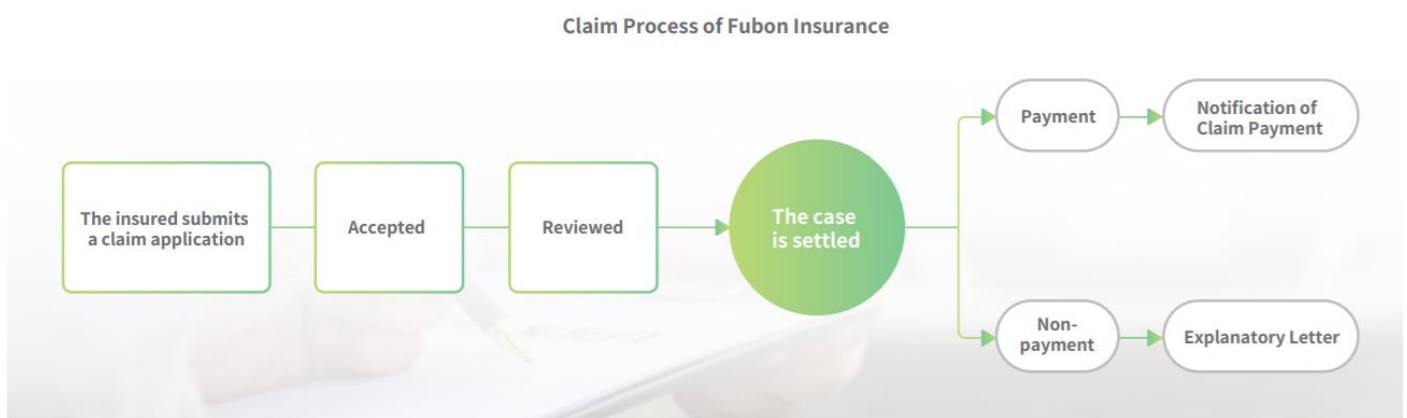
Underwriting Process



2.2 Claims Management

Customers of Fubon Insurance can manage their personal insurance policies on the official website. For any claims-related issues, the customers can either call the claims service hotline 0800-009-888 or inquire the policy service staff. When the Company receives a signed claim application through channels for claims, it will pay out claims by assigning claim adjusters to determine an amount for settlement after they inspect the accident and underwriting information.

Fubon Insurance provides customers with multiple convenient claim channels for choice, enabling customers to file an insurance claim, make inquiries or report accidents through Fubon Insurance’s official website, customer service line, intelligent customer service, fax, M+, Fubon Insurance APP, “FUBON” LINE official account and other online services.



Statutory infectious disease responses

The COVID-19 outbreak that started in early 2020 was characterized as a pandemic by the WHO. In the midst of the pandemic, Fubon Insurance actively launches related insurance to offer professional services to meet customers’ needs and ease their pressure. It also initiates an internal emergency response to cooperate with the government in COVID-19 prevention.

In response to the COVID-19 outbreak, Fubon Insurance initiates insured care services. It not only reduces flight delay exclusions of the travel inconvenience insurance, but also improves the compensation for the health insurance. It also sets up a complete online service list, to allow the insured to search for desired insurance services quickly and buy insurance easily with no need to go to an insurance company. For the insured that must be hospitalized or self-quarantine at home, Fubon Insurance also provides various convenient claim channels. In addition, Fubon Insurance also put on a COVID-19 Specific Care section on its website for COVID-19-related services and products.

Emergency responses

To ensure customers can get instant claim settlement services when a major accident or disaster occurs, Fubon Insurance establishes a major disaster emergency response team operating mechanism, in which the head office sets up a command center while six groups are formed by all departments when there is a major accident. The customer service agents at the place where the accident occurs, set up a specific service counter within 2 hours to keep up to date on the accident, provide the affected customers with

related claim application and consultation services and proactively contact the affected insured for rescue and care.

2.3 Investment Management

Property insurance is the main business line of Fubon Insurance that as an agent of the asset owners, uses its funds and various reserves to make investments. Though Taiwan is not a UN member and cannot sign the Principles for Responsible Investment (PRI), Fubon Insurance still follows the PRI to establish an investment management mechanism for ESG.

Fubon Insurance signed the Stewardship Codes for Institutional Investors of TWSE Corporate Governance Center and provided proof of compliance in 2018. Fubon Insurance complies with the Corporate Governance Best-Practice Principles for Insurance Companies in its investments. In adherence to the sustainability concept, it properly weighs up the funds operated by the institutional investors to maximize the benefits for customers and beneficiaries.

ESG investment control indexes
I. Did the management team or corporate management have any violation of the principle of good faith during the past year?
II. Did the company commit any act that endangers the public safety and people's lives and property during the past year?
III. Did the upper, middle and downstream supply chains of the company's products have any violation of laws during the past year and did the company continue to cooperate with them?
IV. Did the company have any violation of environmental protection or human rights or major labor dispute during the past year?

3.1 ESG-Related Products and Services

Eco-Friendly products



Eco-Friendly Car Insurance



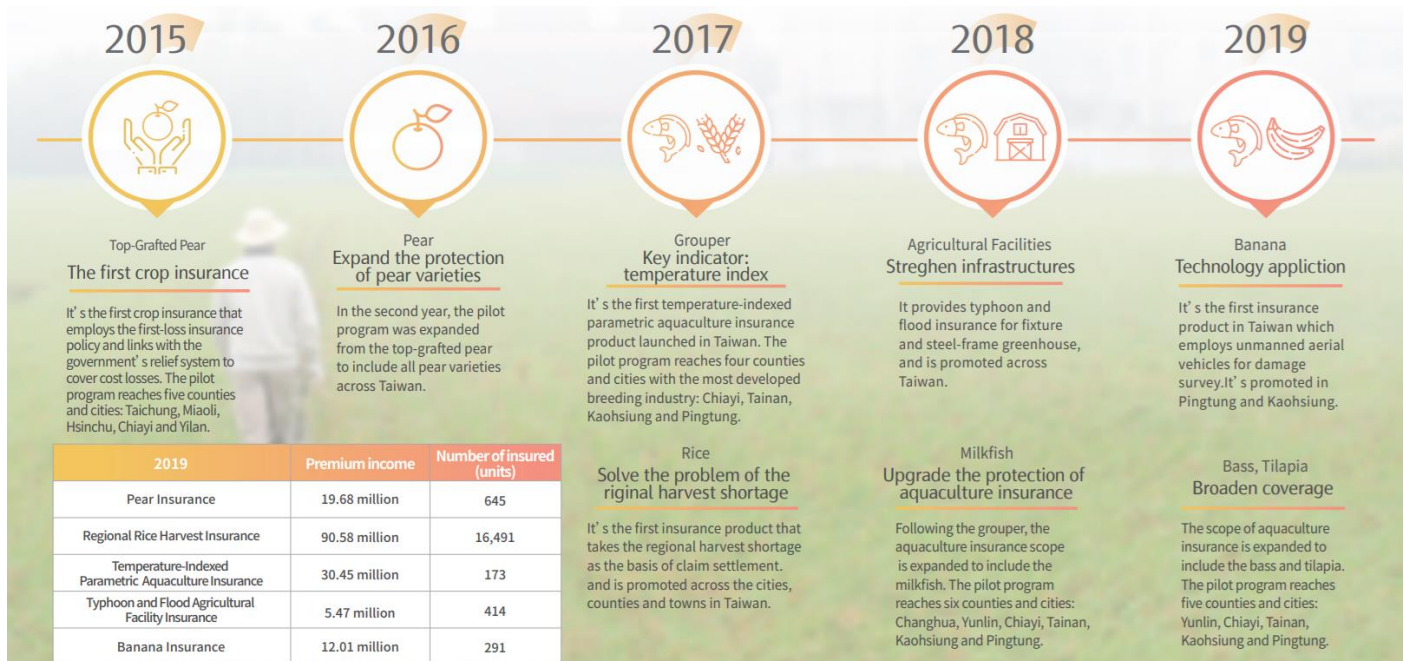
Fubon Usage-Based Insurance



Comprehensive Bicycle Insurance

Society and Governance Related products

Agricultural Insurance



Epidemic Insurance

Under the context that the development and spread of the COVID-19, a notifiable infectious disease, has imposed a severe impact on the citizen’s living patterns and economic capacity, Fubon Insurance released its exclusive “Enterprise Insurance for Anti-epidemic Salary Expenses” in March 2020, which ensures that employees under treatment for infection or under quarantine for contacts with confirmed cases retain salary during isolation by encouraging small business owners to provide salary cover. In April, Fubon Insurance continued to release a personal epidemic insurance project known as “Protection for Epidemic”, which coupled with the “Medical and Other Expenses Compensation Insurance for Notifiable Infectious Diseases”, the “Health Insurance for Notifiable Infectious Diseases” and “Health Insurance for Ten Overseas Sudden Illnesses”, is currently the sole insurance product in the market that provides compensation for home quarantine due to the notifiable infectious diseases. These products can mitigate the economic hardship the public may encounter when they may be diagnosed with the notifiable infectious disease or quarantined at home, and their income may be cut off for inability to work.

Sustainable Insurance Services

In 1995, Fubon Insurance set up the Loss Control Service Department. With the unique consulting service model and loss control technology across the whole enterprise life cycles in place, it endeavors to satisfy customers' demands and help them create a safe environment. And with support from the international reinsurance market, it provides enterprises and the general public with safety protection through insurance products such as the earthquake insurance, typhoon insurance, flood insurance, business interruption insurance and diverse liability insurance, in a bid to achieve mutual benefit and further enhance the social resilience.



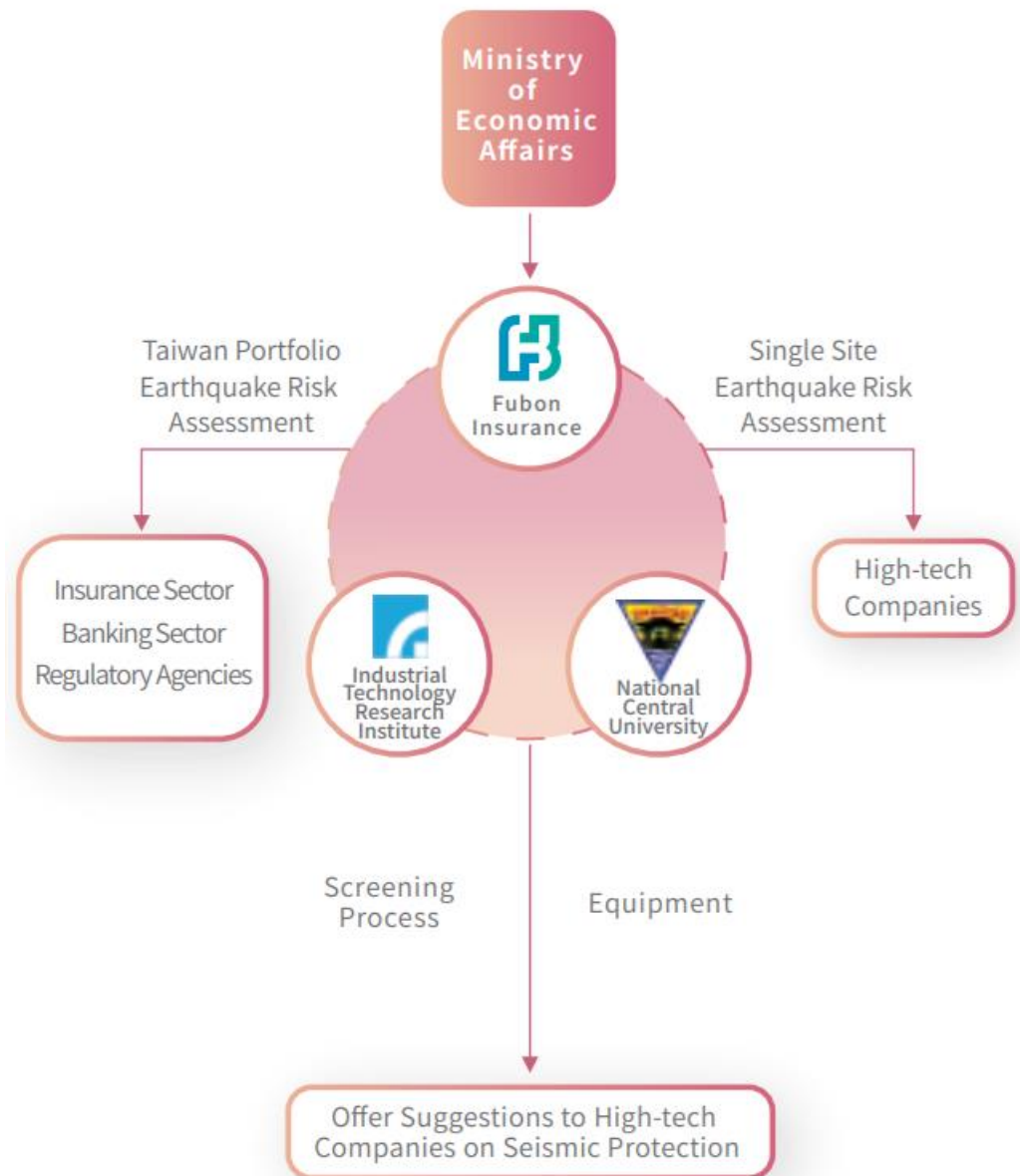
Sustainable
Insurance
Services



4.1 Competent Authority

- Teaming up with the Council of Agriculture to promote a gricultural insurance
- Collaborating with competent authorities to launch electronic compulsory certificates (ECCs)
- Working together with competent authorities to implement a Preservation/Claims Alliance Chain project

4.2 Academic CommunityAcademic Community



Fubon Insurance develops an Earthquake Risk Assessment System through an industry - government - university partnership

4.3 Suppliers

Supplier Sustainability Standards

In recent years, Fubon Insurance has put a high priority on managing supplier sustainability as part of its sustainable development strategy, hoping to exert the influence of the financial sector to strengthen supplier performance on CSR issues and join with suppliers in acting in a socially responsible way. Since 2016, Fubon Insurance suppliers have been asked to comply with the Company's "Supplier Corporate Social Responsibility Code of Conduct," which clearly commits suppliers to safeguard workers' rights, health and safety and the environment and prohibit commissions and kickbacks, and sign the "Supplier Standard of Conduct Pledge." The pledge commits suppliers to comply with the provisions in the Code of Conduct, and it lays out penalties for non-compliance. As of the end of 2019, all suppliers in Fubon's electronic purchasing system had signed the pledge. The contents of the Supplier Corporate Social Responsibility Code of Conduct and the Supplier Standard of Conduct Pledge are posted in the "Purchasing" section of Fubon Financial Holding website.

Supplier Sustainability Assessment

To ensure the quality of services of suppliers and effectively manage the implementation of occupational safety and environmental protection measures, Fubon Insurance assesses and rates suppliers based on their performance record and implementation of the CSR indicators (e.g., environmental protection, labor health and human rights), and downgrades or weeds out those with poor performance in fulfilling obligations and implementing the CSR indicators. For those with excellent quality of service and good performance in implementing the CSR indicators, Fubon Insurance upgrades their compliance level for deeper collaboration.

To further solidify the sustainability management of its supply chain, the Company launched a supplier sustainability assessment system in 2018, and it has organized supplier CSR assessments and supplier training programs and held a Supplier CSR Conference each of the last two years. The year of 2020 will see the continued efforts of Fubon Insurance in supplier sustainability assessment management. Besides, it plans to incorporate supplier CSR performance into the essential criteria to acquire tender documentation or supplier selection scoring criteria, in an endeavor to improve sustainability management performance along with suppliers in a mutually beneficial manner while joining hands with them.

4.4 Industries

Fubon Insurance's Outside Partnerships on Risk

Partner	Area	Description
Risk Management Solutions Inc.	Typhoon risk	Teamed up to study typhoon risk; introduced the best tools from home and abroad to help companies use scientific methods to quantify and manage risks from natural disasters
Taiwan Risk Management Co.	Typhoon/ earthquake risk	After partnering in 2004 to develop an earthquake model, the two sides continued to work together on new models, including a typhoon flooding model.
ITRI Green Energy and Environment Research Laboratories	Solar panel installation risk in a natural disaster	Typhoons Soudelor and Dujuan in 2015 severely damaged solar power plants, and Fubon and the Industrial Technology Research Institute joined hands to study cases of damage to find better ways to fix solar panels in place; related seminars also organized.
Belfor (Germany)	Disaster restoration	Jointly developed tangible loss prevention measures that have helped clients quickly recover from disasters and strengthened their resilience while also bolstering society's ability to withstand disasters and promote inclusive, safe, resilient and sustainable cities.

Technical services of Fubon Insurance to enhance risk adaptability of customers

