

Central Reinsurance Corporation

2021 ANNUAL REPORT

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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Nil

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1. LETTER TO SHAREHOLDERS

Dear Shareholders,

Central Reinsurance Corporation was incorporated in 1968. It is the sole domestic professional reinsurance company in Taiwan with more than fifty years of experience in both domestic and international life and non-life reinsurance business. Since its establishment, the Company has been consistently adhering to solid and prudent philosophy while devoting to core business in reinsurance as well as financial management.

The effect of COVID-19 on growth of global economy and the turmoil in international politics and economy have brought operational challenges to the Company. However, thanks to the efforts of all employees and the support of our shareholders, the Company was able to accomplish an exceptional operating result, achieving total operating revenues of NT\$20.4 billion in 2021, up 15.8% from 2020. With prudent underwriting strategy and risk control, the Company achieved not only steady growth in premium income but also outstanding underwriting profits and investment performance. The Company achieved net profit of NT\$2.1 billion, an increase of 36.2%; both financial figures have set record highs. The after-tax earnings per share is NT\$3.5 and the return on equity is 13.78%.

Aiming to build a strong financial foundation and to improve the efficiency of capital allocation, the Company has been maintaining capital structure at a sturdy and comprehensive level, which not only supports the sustainability of its reinsurance business but also reduces the impact of capital market fluctuation. Currently, the paid-in capital stays at NT\$5.9 billion, which is very close to the authorized capital of NT\$6 billion. The equity before distribution of dividends is NT\$16.6 billion, up 23.4% from 2020, and the total amount of technical reserves for retained business is NT\$29.2 billion, an increase of 11.4%.

Both A.M. Best and S&P Global Ratings affirmed the Company's "A" rating with stable outlook, supported by its solid and leading market position in Taiwan, strong capital level, prudent risk management as well as sound operating performance. Meanwhile, Taiwan Rating Corporation rated the Company as "twAA+" with stable

outlook. Long-term good credit ratings not only demonstrate our strong solvency capability to fulfill our commitment to clients, but also contribute to the development of quality business.

The Company is committed to the development of reinsurance business and the creation of profits while attaching great importance to sustainable development; therefore, the Sustainable Development Committee is established under the Board of Directors in March 2022. Besides implementing corporate governance and sound operational system, we have actively cooperated with competent authorities to participate in the development of policy-oriented business as well as social welfare. On the environmental sustainability front, we have incorporated climate change risks into our operational strategic plan and decision-making process in accordance to Task Force on Climate-Related Financial Disclosure (TCFD) framework. To deepen our sustainability culture, we are actively implementing energy conservation and carbon reduction measures, purchasing green products, and making green investments.

We are pleased to append below our 2021 Business Report, which provides a summary of the Company's achievements in implementing the 2021 business plan, budget implementation, financial status, profitability analysis, research and development, as well as highlights of the 2022 Business Plan.

Facing continuous volatility in global financial market and uncertain outlook brought by Ukraine-Russia conflict, the management team will continuously commit to the corporate spirits of "Challenge, Innovation and Teamwork" to pursue stable growth and sustainable development, thereby fulfilling our vision to become "The Best Professional Reinsurer in Asia". We would like to thank you as shareholders for your trust and support and wish you all a healthy and successful year.

Chairman

A handwritten signature in black ink, appearing to read 'Chen Fung Yung', written in a cursive style.

Central Reinsurance Corporation is the sole domestic professional reinsurance company in Taiwan, mainly engaged in non-life and life reinsurance business for domestic and overseas insurance firms. Adhering to its business philosophy of ethical management, stability and integrity, the Company is devoted to maintaining the good order of the insurance market, diversifying risk for its customers, facilitating the development of insurance industry and fulfilling its corporate responsibilities. To ensure sustainable development, the Company operates its business based on the principles of sound corporate governance, customer-focused services, effective fund utilization as well as a business profile that focuses on both sound risk management and stable profitability. In order to enlarge its operational foundation and diversify the risk of geographical concentration, the Company not only diligently grows its domestic market, but also continuously expands its international territory through prudent strategies.

With the collective efforts of all its employees, the Company reports a net income of NT\$2,065,077 thousand for the year of 2021. Appended below is the Company's business report for 2021:

1.1 Implementation of the Business Plan

1.1.1 Business Performance:

The gross premium written for the year is NT\$20,899,658 thousand, being NT\$2,268,019 thousand or approximately 12.17% over the budgeted NT\$18,631,639 thousand. An analysis is provided below based on business type:

1.1.1.1 Non-life Reinsurance: The gross premium written is NT\$17,854,148 thousand, being NT\$2,199,245 thousand or approximately 14.05% over the budgeted NT\$15,654,903 thousand. The difference was mainly due to the increased premium income from health insurance, casualty insurance and automobile insurance.

1.1.1.2 Life Reinsurance: The gross premium written is NT\$3,045,510 thousand, being NT\$68,774 thousand or approximately 2.31% over the budgeted NT\$2,976,736 thousand. The difference was mainly due to the increased premium income from life insurance.

1.1.2 Financial Management:

1.1.2.1 Capital Management:

As at the end of 2021, the total paid-in capital of the Company is NT\$5,903,888 thousand. Total shareholders' equity before distribution is NT\$16,552,411 thousand. The capital structure of the Company remains strong.

1.1.2.2 Reserve Adequacy:

In order to build up a solid financial basis and strengthen its solvency, the Company provides adequate reserves. At the end of 2021, the sum of various reserves is NT\$29,247,311 thousand.

1.1.2.3 Fund Investment:

The investment income is NT\$1,095,430 thousand, being NT\$381,151 thousand or 53.36% over the budgeted NT\$714,279 thousand.

1.1.3 Credit Ratings:

Based on the Company's strong direct relationships with local clients and solid domestic market position, extremely strong capital adequacy and diversified and prudent investment profile, both A.M. Best and S&P Global Ratings affirmed the Company's "A" credit rating with stable outlook. Meanwhile, Taiwan Ratings Corp. also confirmed the Company's credit rating of "twAA+".

Good credit ratings not only help the Company develop reinsuring high-quality business, but also prove the Company's strong solvency to fulfill its commitment to clients.

1.1.4 Sustainable Development:

The Company is committed to the development of reinsurance business and the creation of profits while attaching great importance to specific efforts in Environmental, Social and Corporate Governance (ESG) aspects to facilitate sustainable development.

In terms of corporate governance, we actively implement a sound operational system, improve operating performance and maintain robust finance and adequate solvency in order to create a sustainable business environment and safeguard our customers' and all stakeholders' rights and interests. As for our corporate governance achievements, we have ranked among the top 6% to 20% of the listed companies in the Corporate Governance Evaluation by the Taiwan

Stock Exchange for seven consecutive years.

As far as social participation is concerned, we provide underwriting capacities to insurance companies, assume the task of social security and give emphasis to insurance products related to natural disasters, disadvantaged groups and the aging society. Meanwhile, we actively cooperate with competent authorities to participate in the development of the policy-oriented business and continue to participate in various charity events to give back to society. During the pandemic period in 2021, the Company cooperated with the government's anti-pandemic measures and won the award for “Providing Relief Application Services by the Insurance Industry in Response to the Pandemic”.

On the environmental sustainability front, we have developed “Risk Management Mechanism” and incorporated climate change risks into our operational strategic plan and decision-making process in accordance to Task Force on Climate-Related Financial Disclosure (TCFD) framework. Moreover, the Company has formulated “Central Reinsurance Corporation - Guidelines for Promoting Energy Conservation/Carbon Reduction”, actively implementing energy conservation and carbon reduction measures, purchasing green products and making green investments.

1.2 Budget Implementation and Financial Status

The comparison between the actual and budgeted of 2021 was shown as follows:

Year 2021	Actual	Budget	NT\$ thousands
			Achievement (%)
Operating Revenues	20,440,955	18,185,935	112.40%
Operating Costs	17,476,481	16,322,647	107.07%
Gross Operating Income	2,964,474	1,863,288	159.10%
Operating Expenses	493,509	407,117	121.22%
Net Operating Income	2,470,965	1,456,171	169.69%
Non-Operating Income and Expenses	183	0	100.00%
Income Before Tax	2,471,148	1,456,171	169.70%
Income Tax Expense	406,071	245,342	165.51%
Net Income	2,065,077	1,210,829	170.55%

1.3 Profitability Analysis

The table below shows an analysis on the profitability ratios of 2021 as compared to those of 2020. The earnings per share (after tax) for 2021 is NT\$3.50, being NT\$0.93 more than the NT\$2.57 of 2020:

Ratio \ Year		2021	2020	Average
Profitability	Return on Assets (%)	4.48	3.70	4.09
	Return on Equity (%)	13.78	11.92	12.85
	Net Operating Income / Paid-In Capital (%)	41.85	30.26	36.06
	Income from Continuing Operations Before Tax/Paid-In Capital (%)	41.86	30.30	36.08
	Net Profit Margin (%)	10.10	8.58	9.34
	Earnings Per Share (After-Tax) (NT\$)	3.50	2.57	3.04

1.4 Research & Development

1.4.1 Research & Development/Customer Service

1.4.1.1 The Company endeavors to absorb and adopt the most advanced concepts and technologies from the global market to achieve integrated risk management on a continuous basis. With its experience in risk management, the Company provides relevant consulting services to customers. Meanwhile, the Company also assists the competent authority in facilitating risk management policies and regulations for the industry in accordance with government's initiatives. The collective efforts are hoped to help improving the technical standards of risk management for the whole industry.

1.4.1.2 In recent years, the possible impact of climate change on environment and economy has become one of the important risks faced by the insurance industry. The Company continues to research and develop risk analysis methods related to climate change in order to strengthen the control of catastrophe accumulation risk and its resilience.

1.4.1.3 To improve the Company's operational resilience and strengthen its ability to respond to material events, we have adopted the international standard, ISO 22301:2019-Business Continuity Management (BCM). In

the meantime, we have devised operational impact analysis and business continuity management strategies and completed the drill test to ensure that the Company's services will not be interrupted, thereby protecting clients' rights and interests.

- 1.4.1.4 In order to align with the strategic plan, strengthen internal control and improve work efficiency, the Company has developed information security management system in accordance with ISO27001/CNS27001 and regulations. With a complete off-site back-up system and business continuity management, the Company is able to ensure the confidentiality, comprehensiveness and availability of information system as well as reduce probable losses from accidents.

In future, the Company will continue enhancing information security and making system adjustments and upgrades to align with development plan and accommodate to statutory requirements.

- 1.4.1.5 By means of market analysis and consumer demand observation, the Company provides tailored services to achieve higher quality standard and build up marketing competitiveness. Various supporting programs are offered to customers on a timely basis, including underwriting and claim management expertise, new product design and regulatory and actuarial consulting services, etc. The purpose is to solidify customer relationship and create superior business opportunities on an ongoing basis.

- 1.4.1.6 To closely suit the needs of customers, strengthen customer service and enhance its professional image, the Company has held a series of "Life Insurance Underwriting and Claims Seminars" in 2021 including Interpretation of Medical Records, Alternative Surgery (New Treatment Methods), Risk Assessment after Organ Transplantation and Introduction to COVID-19 Disease and Underwriting Assessment.

The Company has organized various professional seminars to satisfy our clients' needs for years. Participants were given the opportunities to discuss on the market status and future trends, share information and improve their expertise. The courses and seminars also contributed to the tightening of client relationship for the Company.

1.4.2 Talent Development

1.4.2.1 The Company administers the following on-job training through its training system:

- (1) Regular Training: Internally, the Company provides regular training on general knowledge and basic skills, including "Orientation for New Employees", "Compliance Training and Promotion", "Internal Audit and Internal Control Self-inspection Training", "Anti-Money Laundering and Countering the Financing of Terrorism Training", "Personal Information Protection Awareness Training", "Information Safety Awareness", "Employee Confidentiality Obligations and Ethical Corporate Management Training", "Risk Management Training" (including senior executives) and "Fire Safety Training". A total of 1,234 persons have attended the training in 2021.
- (2) Professional Training and Statutory Programs: To enhance the employees' professional knowledge and expertise and elevate their work efficiency, the Company also organizes various job-related courses to accommodate the needs of staff at different business operations and job levels. The Company, in the meantime, has assigned its internal auditors, compliance personnel, anti-money laundering and countering the financing of terrorism personnel, accountants and labor safety personnel to attend relevant external training to meet the statutory requirements. A total of 339 employees have attended the external training in 2021.

1.4.2.2 On an ongoing basis, the Company encourages its employees to obtain professional licenses for their jobs. So far, a total of 69 employees have acquired domestic or international licenses on non-life/life insurance and financial management.

- (1) Non-life Insurance Underwriters: 24
- (2) Non-life Insurance Claim Adjusters: 8
- (3) Life Insurance Underwriters: 5
- (4) Life Insurance Claim Adjusters: 3
- (5) Fellow of the Actuarial Institute of the R. O. C.: 2
- (6) International Certificates: CPCU 8 persons, ACII 1 persons, SOA ASA 2 persons, CAS ACAS 1 person, FALU 1 person, FLMI 4 persons, LOMA ACS 2 persons, LOMA AAPA 1 person, LOMA ARA

2 persons, FRM 2 persons, ARM 2 persons, CFA 1 person.

1.4.2.3 To optimize its human resources, the Company endeavors to place employees at the most suitable positions in terms of personal interest and strengths, in the meantime fulfill the Company's human resources strategies. Therefore, during the year, the Company has recruited 25 new employees, arranged job transfer for 6 employees and promoted 21 employees.

1.5 Summary of the 2022 Business Plan

Based on competitive market, regulatory influence and business environment, the Company has established its 2022 business plan as follows:

1.5.1 Business Strategies

1.5.1.1 Strengthen corporate sustainable governance culture and enhance corporate sustainable value.

Fulfill ethical management, ensure corporate social responsibilities, increase information transparency of corporate governance, continuously enhance the compliance system, establish thorough internal controls and improve operational effectiveness of the Board of Directors.

1.5.1.2 Strengthen capital structure management, enhance the effectiveness of fund utilization and maintain strong financial capacity.

(1) Solidify capital base, improve financial strength, expand underwriting capacity and elevate risk tolerance to support sustainable development.

(2) Conduct proper assessment on risk-return relationship, exercise caution in asset allocation to improve the effectiveness of capital utilization and create shareholder value.

(3) Prudently develop international business, pursue a balanced business portfolio to achieve geographic and business diversification and enhance the effectiveness of fund utilization.

1.5.1.3 Focus on customer demands and provide feedback to the insurance market.

- (1) Grasp market trends and organize professional seminars timely, aiming to enhance customer service quality and strengthen customer relationship.
- (2) Listen to customer needs to provide multifaceted and tailored reinsurance services, creating win-win cooperation opportunities.
- (3) Actively participate in research programs relating to actuarial and statistics, insurance operations, risk management, product design and corporate governance, so as to facilitate the development of the local insurance market.

1.5.1.4 Deepen risk management capabilities and strengthen relevant systems.

- (1) Implement risk management strategically; align business decisions with risk management policies.
- (2) Build a business portfolio with equal emphasis on risk management and stable profitability.
- (3) Closely track the development trend of emerging risks to ensure prudent control of catastrophe risk accumulation.
- (4) Ensure the suitability of risk transactions undertaken; effectively implement risk control procedures.
- (5) Instill a culture of risk awareness; strengthen integrated risk management.

1.5.2 Sales Forecast and Basis

With the increase in COVID-19 vaccination and the implementation of economic stimulus by major economies, the impact of pandemic on global economy seems to have gradually eased. The job market and end market are expected to recover gradually. However, uncertainties created by geopolitical risks, unstable supply chains and rising inflation may affect the growth of economy as well as the growth of insurance market.

In recent years, the global reinsurance market has encountered numbers of major catastrophe loss caused by extreme weather events, which includes the flood caused by heavy rainfall in Western Europe and the hurricane Ida happened in the United States. Reinsurers are facing unpredictable catastrophe

risks. Although the reinsurance terms and rates have improved recently, the capital level in the market has not weakened; therefore, the reinsurance market remains competitive. Besides continuing to deepen domestic market, the Company has been prudently developing international business to enhance the diversification of its business portfolio. The Company expects the growth in reinsurance premium income this year will depend on the impact of COVID-19 and catastrophe events on the economic environment and the insurance market.

1.5.3 Important Production and Sales Policies

Facing the challenging environment, the Company will, as a rating A evaluated by international credit rating agencies, adhere to the principles of prudent underwriting and cautious expanding to develop its domestic and overseas business; in the meantime, establish a best business portfolio with integrated risk management and optimized profitability.

1.6 Future Development Strategies

The Company is committed to becoming the “The Best Professional Reinsurer in Asia”. The Company has established the following development strategies based on the changes in business environment and market trends:

1. Optimize the advantage of domestic establishment; provide professional services and continuously strengthen the breadth and depth of domestic market.
2. Steadily expand the international market; continuously elevate the operational standards; increase the geographic diversity of the business portfolio and strengthen accumulated risk control and ensure pricing adequacy to enhance the quantity and quality of our overseas business.
3. Develop suitable reinsurance programs to increase underwriting capacity and minimize performance volatility.
4. Regard customer needs; strive for high-quality business and increase service effectiveness to improve customer satisfaction.
5. Continuously elevate the effectiveness of fund utilization and improve asset quality; strengthen fund structure management to pursue steady income growth, thereby ensuring the sustainability of the Company.
6. Pay close attention to risk management as well as the development trend of emerging risks.
7. Instill compliance and internal audit/control procedures; focus on risk management; strengthen corporate governance.
8. Fulfill corporate social responsibilities; achieve sound ethical corporate management to facilitate the continuous development of the insurance market.
9. Cultivate outstanding talents; enhance professional skills and continuously improve business quality.

1.7 Influences of the External Competition, Regulatory Environment and Macro Environment

1.7.1 External Competition

As at the end of 2021, there were three reinsurance companies in Taiwan. Apart from the Company, the other two were General Reinsurance AG Taiwan Branch and RGA Global Reinsurance Company Limited Taiwan Branch. While the high retention ratio maintained by domestic insurers has led to the slowdown of domestic reinsurance market, the momentum in global reinsurance capacity remains abundance. The Company, therefore, is still facing a challenging business environment.

1.7.2 Regulatory Environment

1.7.2.1 Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms

To enhance the transparency and effectiveness of reinsurance arrangements through insurance brokers, and to strengthen risk considerations evaluation of assumed reinsurance, the competent authority amended the aforementioned Regulations on March 3, 2021. The key points of the amended provisions are as follows:

- (1) Amend the content of documents that insurance enterprises should obtain or confirm; stipulate that if an insurance broker intends to commission a foreign insurance broker to approach reinsurers, the conditions that the foreign insurance broker should meet; amend the time limit for obtaining reinsurance contracts. (Amendment of Article 3)
- (2) In the case a non-life insurance enterprise undertakes assumed reinsurance business, it shall evaluate the adequacy and reasonability of the reinsurance premium rates. (Amendment of Article 10)

Based on the aforementioned Regulations, the Company has revised relevant internal rules to ensure compliance.

1.7.2.2 Insurance Act

To encourage insurance enterprises to invest in domestic industries, to strengthen financial structure and ability for risk tolerance of insurance

enterprises, and to improve and strengthen insurance supervisory legislation, the competent authority amended the Insurance Act on May 26, 2021. A summary of the amendments is provided below:

- (1) The basis for calculation of corporate bond investment caps has been changed from "paid-in capital" to "shareholders' equity" in order to raise the cap on what insurance enterprises are allowed to invest in domestic bond markets. Also, a newly added provision allows insurance enterprises to invest in non-guaranteed commercial paper that meets certain conditions. (Amendments of Article 146-1, 146-3)
- (2) Newly added provisions set out net worth ratio along with the current capital adequacy ratio as dual supervisory indicators and evaluation criteria for the grading of the company's capital, in order to reasonably reflect risks. (Amendments of Article 143-4, 143-5, 143-6, 149)
- (3) The competent authority should discharge a responsible person of the insurance enterprise who does not meet qualification requirements set by the competent authority, and when a responsible person violates the restrictions on concurrent posts or prohibitions against conflicts of interest, the competent authority may order the insurance enterprise to make adjustment within a prescribed period of time; the responsible person shall be discharged when the insurance enterprise fails to adjust within the prescribed time period and without justifiable reason. (Amendment of Article 137-1)
- (4) The amended Act authorizes the competent authority to stipulate provisions governing internal handling procedures regarding insurance enterprises' real estate investments, the types of real estate in which investments are allowed, standards and handling principles for determining what constitutes real estate that can be used immediately with reasonable benefit and other requirements. (Amendments of Article 146-2, 168)

Based on the aforementioned Act, the Company has revised relevant internal rules to ensure compliance.

1.7.2.3 Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises

To promote the measure in "Financial Cyber Security Action Plan" that requires insurance companies with a certain scale to appoint a chief information security officer, the competent authority amended Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises on September 1, 2021. Key points of the amendments include the following:

- (1) An insurance enterprise whose total assets in the previous year as audited by a CPA exceeding NT\$1 trillion must appoint a person of at the level of vice president or higher or a person in an equivalent position to serve concurrently as the chief information security officer, who shall oversee the implementation of information security policies and allocation of resources. An insurance enterprise should make adjustment within six months after the amendment taking effect. (Amendment of Article 6-1)
- (2) To simplify the process that insurance enterprises issue the internal control system statement, the statement of information security implementation should be incorporated in the statement above. (Amendment of Article 25)

Based on the aforementioned Regulations, the Company has revised relevant internal rules to ensure compliance.

1.7.2.4 Regulations Governing Capital Adequacy of Insurance Companies

According to Article 143-4 of Insurance Act amended on May 26, 2021, the competent authority amended Regulations Governing Capital Adequacy of Insurance Companies on September 30, 2021. The key points of the amended provisions are as follows:

- (1) Amend the term of the grading of an insurance company's capital in the aforementioned Regulations. Modify the term from "the grading of an insurance company's capital adequacy ratio" to "the grading of an insurance company's capital". (Amendments of Article 5, 6, 7)
- (2) In addition to that the capital adequacy ratio of an insurance company equals or exceeds 200%, the standard for the grading of "adequate

capital” newly added that “the net worth ratio of an insurance company is more than 3% in one of the most recent two periods”. (Amendment of Article 5)

Based on the aforementioned Regulations, the Company has revised relevant internal rules to ensure compliance.

1.7.2.5 Regulations Governing Real Estate Investments by Insurance Enterprises

To strengthen management of insurance enterprises’ real estate investments, to afford insurance enterprises the flexibility in the management of the real estate investments, and to ensure that insurance enterprises’ real estate investments are made for the purpose of obtaining long-term and stable returns, the competent authority issued Regulations Governing Real Estate Investments by Insurance Enterprises on November 12, 2021. The key points of the amended provisions include internal handling procedures regarding insurance enterprises’ real estate investments, the types of real estate in which investments are allowed, standards and handling principles for determining what constitutes real estate that can be used immediately with reasonable benefit and other requirements. Based on the aforementioned Regulations, the Company has issued relevant internal rules to ensure compliance.

1.7.3 Macro Environment

According to updated data released by international institutions such as the International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD) and HIS Markit, the global economy is expected to recover this year, but the growth appears to be weaker than previously expected. With COVID-19 vaccination and effective treatment, the impact of pandemic on humans’ lives has gradually eased. However, the increase in raw material and energy prices, the impact of pandemic on supply chains and the rapid recovery of major economies have significantly elevated the pressure from inflation. Moreover, the recent Russia-Ukraine conflict has exacerbated the problem of supply chains, dampening the strength of global economic growth in the short term.

According to the National Income Statistics and Domestic Economic Situation

Outlook released by Directorate-General of Budget, Accounting and Statistics in late February, the report cited HIS Markit forecasts that the global economy is expected to grow by 4.1%, slightly lower than 5.7% in 2021, with US 3.7%, EU 3.7%, Japan 2.9% and China 5.3%. Due to proper control on epidemic, according to Directorate-General of Budget, Accounting and Statistics, Taiwan achieved a growth of 6.45% in 2021 and is expected to show a 4.42% growth this year; however, the growth rate may still be affected by global economic development as well as financial market fluctuations.

The pace of global economic growth is strongly linked to the level of potential risks. The insurance industry, in term, is susceptible to changes in economic environment. As far as the reinsurance industry is concerned, the risk of climate change has been determined as the main cause of frequent catastrophe losses in recent years. The loss and uncertainty brought by COVID-19 have continuously affected underwriting profits of reinsurers. The renewal results of this year demonstrate that reinsurers have strictly adhere to the discipline of underwriting, terms have improved, and rates have shown an upward trend. However, due to sufficient capacity in the market and ability to fill the market gap, the overall rate increase does not meet the expectation of reinsurers. Facing these challenges, the Company will continue to uphold the principles of stability and sustainability, commit to its core business and enhance capital management to achieve its business objectives.

2. COMPANY PROFILE

2.1 Date of Incorporation

October 31, 1968

2.2 Company History

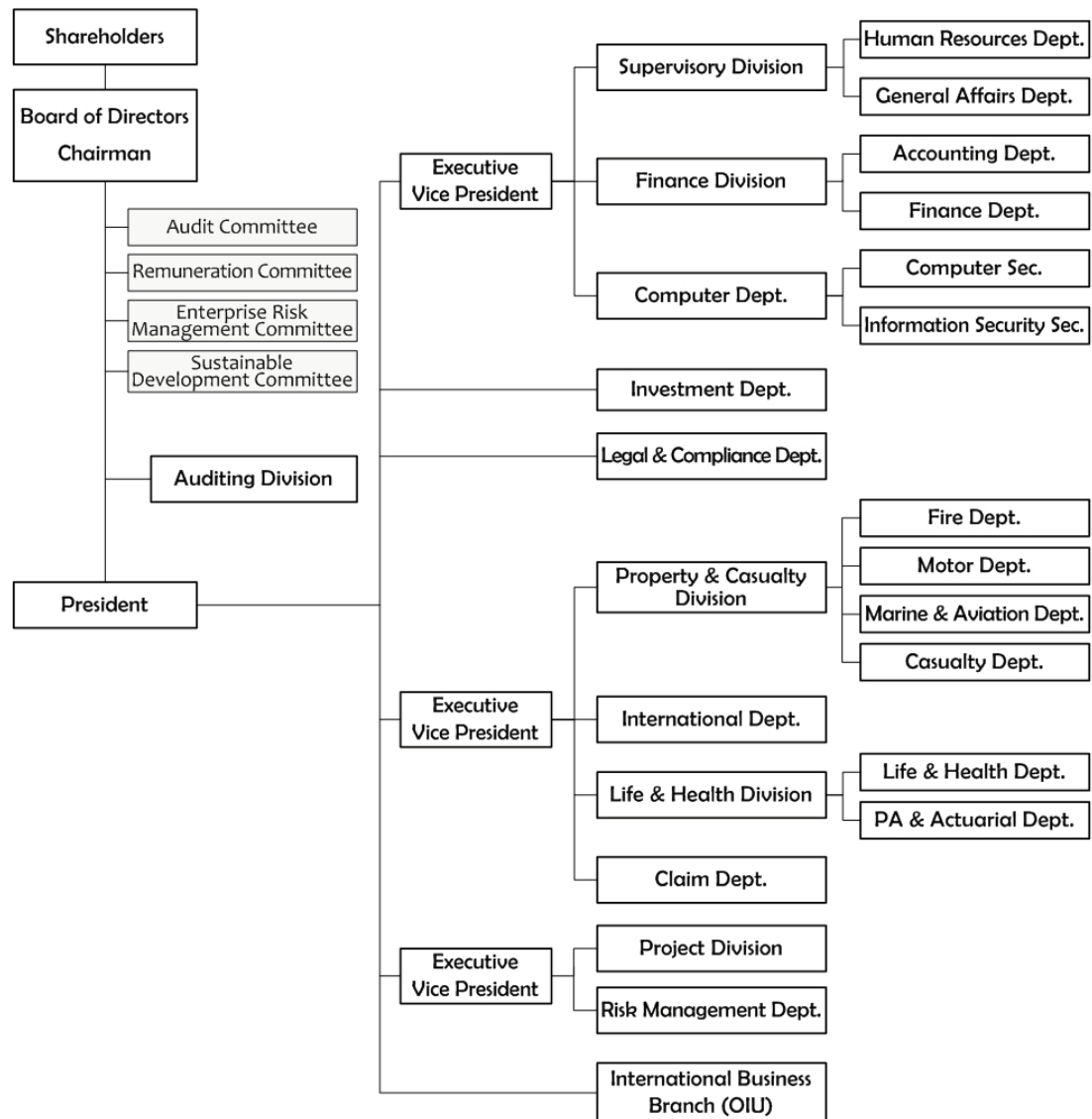
1968~1999	On October 31, 1968, the Company was founded with a capital contribution of NT\$15 million by the Ministry of Finance (MOF) and based on experience from the Reinsurance Department of the Central Trust of China. Using Central Reinsurance Corporation as its full name, the Company is the sole domestic professional reinsurance company in Taiwan. On November 24, 1972, the Central Reinsurance Corporation Act was enacted and promulgated. Since then, the Company has gone through capital injections several times. By the end of 1999, the capital was increased to NT\$3,000 million, among which, 87.04% came from the Ministry of Finance and 12.96% came from the domestic insurance industry.
July 2000	On July 6, 2000, the Company's stocks were officially listed on Taiwan Stock Exchange. The Ministry of Finance allocated NT\$45 million shares for public underwriting, completing the first phase of stock release with the percentage of shareholding by the Ministry of Finance being dropped from 87.04% to 71.27%.
April 2002	The Taiwan Residential Earthquake Insurance Program was officially implemented on April 1, 2002. The Ministry of Finance appointed the Company as the manager of the residential earthquake insurance pool.
July 2002	On July 11, 2002, the Ministry of Finance began the second phase of stock release, with the percentage of government shareholding falling to 48.12%. Since then, the company has gone private.
August 2003	On August 7, 2003, the Company increased its cash capital by NT\$600 million and paid-in capital from NT\$3,000 million to NT\$3,600 million. Evergreen Group became the largest shareholder of the Company. On behalf of the Taiwan Residential Earthquake Insurance Fund, the Company issued catastrophe bonds in the U.S. and successfully completed fundraising in New York, U.S. on August 25, 2003. This is the first time that our country has issued catastrophe bonds in the international market, with a total issuance amount of US\$100 million and a tenor of 3 years. By doing so, it not only further protects our country's residential earthquake insurance but also suggests that our insurance industry is more in line with the international capital market.
June 2004	On June 23, 2004, the abolition of the "Central Reinsurance Corporation Act" was announced by the Presidential Decree Hua-Zong-Yi-Yi-Zi No. 09300118321.
November 2004	On November 4, 2004, the Company increased its cash capital by NT\$600 million and paid-in capital from NT\$3,600 million to NT\$4,200 million.
August 2005	On August 31, 2005, the Company increased its cash capital by NT\$800 million and paid-in capital from NT\$4,200 million to NT\$5,000 million.
September 2005	On September 26, 2005, the Company was awarded the "Reinsurance Industry Contribution Award" in the 9th Asia Insurance Industry Awards by Asia Insurance Review.
October 2005	On October 26, 2005, the Amendment to the Company's Articles of Incorporation was approved by the special shareholders' meeting to reduce the number of directors from 9 to 7; meanwhile, directors and supervisors were re-elected, and the number of directors representing Evergreen International Corporation increased to 5.
October 2006	On October 20, 2006, the international credit rating agency Standard & Poor's and the domestic Taiwan Ratings Corporation upgraded the Company's financial strength ratings to A- and tw AA+, respectively. The aforementioned rating maintained the same from 2007 to 2012.

August 2007	On August 21, 2007, the Company increased its capital by NT\$250 million from retained earnings and paid-in capital from NT\$5,000 million to NT\$5,250 million.
June 2008	On June 13, 2008, the regular meeting of shareholders re-elected directors and supervisors. After the re-election, there were two independent directors among the seven directors.
August 2008	On August 22, 2008, the Company increased its capital by NT\$262.5 million from retained earnings and paid-in capital from NT\$5,250 million to NT\$5,512.5 million.
June 2010	On June 10, 2010, the international credit rating agency A.M. Best upgraded the Company's financial strength ratings to A. The rating has been maintained up until now.
June 2013	On June 10, 2013, the international credit rating agency Standard & Poor's upgraded the Company's financial strength ratings to A. The rating has been maintained up until now.
July 2013	On July 29, 2013, the Company increased its capital by NT\$110.25 million from retained earnings and paid-in capital from NT\$5,512.5 million to NT\$5,622.75 million.
June 2014	On June 11, 2014, the Annual General shareholders' meeting re-elected directors. After the re-election, there were three independent directors among the nine directors. In the meantime, the Audit Committee is set up to replace the supervisor.
January 2016	On September 8, 2015, the Company acquired the Financial Supervision Commission's approval to its application for the establishment permission of the Offshore Insurance Unit. The Offshore Insurance Unit started the business on January 1, 2016.
July 2018	On July 31, 2018, the Company increased its capital by NT\$281.14 million from retained earnings and paid-in capital from NT\$5,622.75 million to NT\$5,903.89 million.

3. CORPORATE GOVERNANCE REPORT

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department Name	Department Responsibilities
Supervisory Division	Human Resources Department: Responsible for organizational structure and staffing, employee recruitment, appointment, dismissal, and transfer, assessment and promotion, education and training, salary and bonus, pension and severance, insurance and compensation, labor relations, and other matters assigned by superiors. General Affairs Department: Responsible for documents, seals, books, affairs, property custody, safety protection, and matters not specified in other departments and offices.
Finance Division	Finance Department: The Finance Department is in charge of funding, investment risk control, cashing, securities settlement, custody and other back-office operations, revision of regulations related to corporate governance, etc. Accounting Department: Responsible for accounting, administrative duties relative to board meetings, share affairs management, and other services.
Investment Department	Responsible for the planning and use of funds.
Project Division	Responsible for operation planning such as analysis of the insurance market development trends, business operation planning, actuarial services and statistics, etc.
Property & Casualty Division	Responsible for treaty reinsurance in domestic non-life insurance and facultative reinsurance in domestic and overseas non-life insurance. Fire Department: Responsible for underwriting and related retrocession arrangement of fire reinsurance. Marine & Aviation Department: Responsible for underwriting and related retrocession arrangement of marine & aviation reinsurance. Motor Department: Responsible for underwriting and related retrocession arrangement of automobile reinsurance. Casualty Department: Responsible for underwriting and related retrocession arrangement of non-life reinsurance other than fire reinsurance, marine & aviation reinsurance, and automobile reinsurance.
International Department	Responsible for underwriting and related retrocession arrangement of international non-life treaty reinsurance.
Life & Health Division	Responsible for domestic and overseas life treaty reinsurance and facultative reinsurance. Life & Health Department: Responsible for underwriting and related retrocession arrangement of life insurance and health insurance. PA & Actuarial Department: Responsible for underwriting and related retrocession arrangement of accident insurance and life insurance actuarial services and statistics, etc.
Computer Department	Responsible for planning, control, and security maintenance of information systems and computer operation and maintenance Under which there are two sections: (1) Information Security Section in charge of information security related services. (2) Computer Section in charge of information system development and computer facilities maintenance and management.
Risk Management	Responsible for risk management matters such as the establishment and implementation of an integrated risk management system, the

Department Name	Department Responsibilities
Department	establishment, analysis and application of risk quantification modules, and the control of catastrophe accumulation risk and risk tolerance, as well as actions required for anti-money laundering and countering the financing of terrorism.
Legal & Compliance Department	Responsible for legal affairs and regulatory compliance.
Claim Department	Responsible for reinsurance claims.

3.2 Directors and Management Team

3.2.1 Information on Directors

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Tenure (Years)	Date of Initial Election, Appointment (Note 3)	Shareholding when Elected		Present Shareholding (Note 6)		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Experience & Education (Note 4)	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Evergreen International Corp.	-	2020.05.28	3 Years	2002.10.29	207,419,251	35.13	207,419,251	35.13	-	-	0	0	-	-	-	-	-
	Republic of China	Representative: Yang, Cheng-Tui	M 81~90 years old	2020.05.28	3 Years	1993.09.29	Not applicable	0.18	1,080,771	0	0	0	0	0	Please refer to pages 29~33	Director, The Non-Life Underwriters Society of The Republic of China Vice Chairman, Insurance Society of the Republic of China	-	-	-
Director	Republic of China	Evergreen International Corp.	-	2020.05.28	3 Years	2002.10.29	207,419,251	35.13	207,419,251	35.13	-	-	0	0	-	-	-	-	-
	Republic of China	Representative: Tai, Jiin-Chyuan	M 61~70 years old	2020.05.28	3 Years	2014.06.11	Not applicable	0	0	0	0	0	0	0	Please refer to pages 29~33	Director & President, Evergreen International Corp. Director: Evergreen Marine Corp. (Taiwan) Ltd. EVA Airways Corp. Evergreen International Storage &Transport Corp. Evergreen Aviation Technologies Corp. Evergreen International Corp. UNI Airways Corp. Evergreen Sky Catering Corp.	-	-	-

March 29, 2022

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Tenure (Years)	Date of Initial Election, Appointment (Note 3)	Shareholding when Elected		Present Shareholding (Note 6)		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Experience & Education (Note 4)	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Evergreen (Shanghai) Hotel Ltd. Advanced Business Process Inc				
Director	Republic of China	Representative: Cheng, Ching-Fen	F 61~70 years old	2020.05.28	3 Years	2020.05.28	Not applicable		35,422	0.01	0	0	0	0	Please refer to pages 29~33	President, Central Reinsurance Corp.	-	-	-
Director	Republic of China	Evergreen Marine Corp. (Taiwan) Ltd.	-	2020.05.28	3 Years	2020.05.28	49,866,466	8.45	49,866,466	8.45	-		0	0	-	-	-	-	-
	Republic of China	Representative: Wu, Kuang-Hui	M 51~60 years old	2021.01.01	2.4 Years	2003.10.29 (Note 7)	Not applicable		0	0	0	0	0	0	Please refer to pages 29~33	Director & Chief Executive Vice President, Evergreen Marine Corp. (Taiwan) Ltd. Director, Advanced Business Process Inc. Supervisor: UNI Airways Corp. Evergreen (Shanghai) Hotel Ltd.	-	-	-
Director	Republic of China	Ministry of Finance, R.O.C.	-	2020.05.28	3 Years	1968.10.31	120,239,773	20.37	82,895,773	14.04	-		0	0	-	-	-	-	-
	Republic of China	Representative: Lee, Yi-Fen	F 51~60 years old	2020.05.28	3 Years	2011.06.15	Not applicable		0	0	0	0	0	0	Please refer to pages 29~33	Deputy Director General, Dept. of Planning, Ministry of Finance, R.O.C.	-	-	-
	Republic of China	Representative: Chen, Kuan-Pao	M 61~70 years old	2020.05.28	3 Years	2014.07.25	Not applicable		0	0	0	0	0	0	Please refer to pages 29~33	Director General, Dept. of Secretarial, Ministry of Finance, R.O.C.	-	-	-

Title (Note 1)	Nationality or Place of Registration	Name	Gender / Age (Note 2)	Date Elected	Tenure (Years)	Date of Initial Election, Appointment (Note 3)	Shareholding when Elected		Present Shareholding (Note 6)		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Experience & Education (Note 4)	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Republic of China	Chou, Yu-Cheng	M 51~60 years old	2020.05.28	3 Years	2014.06.11	0		0	0	0	0	0	0	Please refer to pages 29~33	CPA, NengShiang Certified Public Accountants Independent Director: Axcen Photonics Corp., Acon Optics Corp.	-	-	-
Independent Director	Republic of China	Chang, Bing-Huang	M 51~60 years old	2020.05.28	3 Years	2020.05.28	0		0	0	0	0	0	0	Please refer to pages 29~33	Partner of Liu, Chang & Partners	-	-	-
Independent Director	Republic of China	Liu, Wei	M 51~60 years old	2021.07.15	1.87 Years	2021.07.15	0		0	0	0	0	0	0	Please refer to pages 29~33	Contract Advisor of Chevron Industrial Gas Inc.			

Note 1: For statutory director, both the names of the legal entity and its representative are required to be disclosed; for representative of statutory director, the name of the legal entity should also be disclosed, and the aforementioned information should be noted and filled in Chart 1 below.

Note 2: Please list your actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

Note 3: To fill in "the Date of Initial Election, Appointment" of the directors and supervisors, the discontinuation of tenure should be footnoted.

Note 4: To fill in the "Experience" of director and supervisor, detailed job titles and work responsibilities should also be described if he/she previously worked for the auditing accounting firm or the Company's affiliates.

Note 5: The chairman of the Board of Directors and president or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response: None.

Note 6: The Company had issued 590,388,750 shares when current Board of Directors was elected on 2020.05.28. As of 2022.03.29, the Company has issued 590,388,750 shares.

Note 7: Mr. Wu, Kuang-Hui has served as a supervisor of the Company from 2003.10.29 to 2014.06.11 and serves as a director of the Company from 2021.01.01 till present.

Note 8: The Company has established the Audit Committee instead of supervisors.

3.2.1.1 Major Shareholders of Institutional Shareholders

March 29, 2022

Name of Institutional Shareholders (Note 1)	Major Shareholders of the Institutional Shareholders (Note 2)	
	Name	Percentage (%)
Evergreen International Corp.	Chang Yung-Fa Foundation	28.86%
	Sheng Shi Corp.	18.00%
	Chang, Kuo-Ming	17.99%
	Lee, Yu-Mei	7.14%
	Chang, Kuo-Hua	6.46%
	Trust Account by Chang, Kuo-Hua (Cathay United Bank)	6.44%
	Chang Yung-Fa Charity Foundation	5.00%
	Chang, Yung-Fa (Deceased)	5.00%
	Yang, Mei-Chen	2.55%
	Trust Account by Yang, Mei-Chen (Cathay United Bank)	2.05%
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A.	7.40%
	Chang, Kuo-Hua	6.04%
	Evergreen International Corp.	4.96%
	Chang, Yung-Fa (Deceased)	3.31%
	Chang, Kuo-Ming	1.60%
	Bank SinoPac as Custodian ALLY HOLDING LTD. Investment Account	0.97%
	Yang, Mei-Chen	0.89%
	Chen, Hui-Chu	0.74%
	Evergreen Steel Corp.	0.72%
	Vanguard FTSE Emerging Markets ETF Investment Account	0.68%
Ministry of Finance, R.O.C.	Government	N/A

Note1: If the directors and supervisors are institutional shareholders, please disclose the name of institute.

Note2: The major shareholders of the institutional shareholder (for those holding more than 10% shares) and its shareholdings percentage should be disclosed. If the major shareholders of the institutional shareholders are institute, please fill in chart 2.

Note3: When the institutional shareholder is not company organization, the mentioned name of institution and its shareholding ratio, which shall be disclosed, are defined as name of endower and its endowment ratio. Noted with “deceased” if endower deceases

Note4: Information is provided by institutional shareholders, Department of Commerce MOEA or Market Observation Post System (MOPS).

3.2.1.2 Major Shareholders of the Company's major Institutional Shareholders

March 29, 2022

Legal Entity (Note 1)	Name of Institutional Shareholders (Note 2)	Major Shareholders of the Institutional Shareholders (Note 3)
Evergreen International Corp.	Chang Yung-Fa Foundation (Note 6)	Chang ,Yung-Fa (Deceased) Chang, Shu-Hua (Deceased) Chang, Kuo-Hua Chang, Kuo-Ming Chang, Kuo-Cheng Evergreen International Corp. Evergreen Marine Corp. (Taiwan) Ltd. Everglory Transport Corp. Evergreen Investment Corp. Eversafty Container Terminal Corp. Evermaster Industrial Corp. Evergenius Computer Information Corp. Everlaural Trading Corp. Ltd. Uniglory Marine Corp.
	Sheng Shi Corp.	Chang, Kuo-Cheng (92.44%) Tseng, Chiung-Hui (7.56%)
	Trust Account by Chang, Kuo-Hua (Cathay United Bank)	N/A
	Chang Yung-Fa Charity Foundation (Note 7)	Chang, Yung-Fa (33.33%) (Deceased) Chang, Kuo-Hua(33.33%) Cheng, Shen-Chih (33.33%)
	Trust Account by Yang, Mei-Chen (Cathay United Bank)	N/A
Evergreen Marine Corp. (Taiwan) Ltd.	Evergreen International S.A.	Chang, Yung-Fa (20%) (Deceased) Chang, Kuo-Hua (20%) Chang, Kuo-Ming (20%) Chang, Kuo-Cheng (20%) Pieca Corp. (20%)
	Evergreen International Corp.	Chang Yung-Fa Foundation (28.86%) Sheng Shi Corp. (18.00%) Chang, Kuo-Ming (17.99%) Lee, Yu-Mei (7.14%) Chang, Kuo-Hua (6.46%) Trust Account by Chang, Kuo-Hua (Cathay United Bank) (6.44%) Chang Yung-Fa Charity Foundation (5.00%) Chang, Yung-Fa (5.00%) (Deceased) Yang, Mei-Chen (2.55%) Trust Account by Yang, Mei-Chen (Cathay United Bank) (2.05%)
	Bank SinoPac as Custodian ALLY HOLDING LTD. Investment Account	N/A

	Evergreen Steel Corp.	Evergreen International Corp. (21.96%) EVA Airways Corp. (9.10%) Continental Engineering Co., Ltd. (6.11%) Chang, Kuo-Hua (5.95%) Chang, Kuo-Ming (5.95%) Chang, Kuo-Cheng (5.95%) Chang Yung-Fa Charity Foundation (5.95%) Wei-Dar Development Co., Ltd, (3.05%) TSRC Corp. (2.89%) Chang Ying Development Corp. (2.12%)
	Vanguard FTSE Emerging Markets ETF Investment Account	N/A

Note 1: Name of the institutional shareholders of chart 1.

Note 2: Name of the major shareholder of institutional shareholders of chart 1.

Note 3: The major shareholders of the institutional shareholder (for those holding more than 10% shares) and its shareholdings percentage should be disclosed.

Note 4: When the institutional shareholder is not company organization, the mentioned name of institution and its shareholding ratio, which shall be disclosed, are defined as name of endower and its endowment ratio. Noted with “deceased” if endower deceases.

Note 5: Information is provided by institutional shareholders, Department of Commerce MOEA or Market Observation Post System (MOPS).

Note 6: The endowers are the endowers listed in the Charter of Endowment of Chang Yung-Fa Foundation.

Note 7: The endowers are the endowers listed in the Charter of Endowment of Chang Yung-Fa Charity Foundation and their endowment as a percentage of endowment property endowed by endowers when Chang Yung-Fa Charity Foundation was established.

3.2.1.3 Professional qualifications and independence analysis of directors

Name and Title	Professional Qualifications and Independence Criteria
Chairman, Yang, Cheng-Tui	1. Education: MBA, the College of Insurance, New York City 2. Professional qualifications and experience: Mr. Yang, Cheng-Tui has been the Chairman of Central Reinsurance Corp. (Central Re.) from 2002, and he is the Director of Non-Life Underwriters Society of the Republic of China and the Vice Chairman of Insurance Society of the Republic of China. Prior to this, he was the president of Central Re. and the Deputy Director General of Dept. of Insurance, Ministry of Finance, R.O.C. 3. Independence Criteria: Mr. Yang meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except he is the top 10 natural person shareholders of Central Re. and he is authorized to be the Director of Central Re. by Evergreen International Corp., the parent company of Central Re.. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0
Director, Tai, Jiin-Chyuan	1. Education: Master of Maritime Law, National Taiwan Ocean University 2. Professional qualifications and experience: Mr. Tai, Jiin-Chyuan is the Director of Evergreen International Corp., and was the president of Evergreen International Corp.. Prior to this, he served as the vice president of legal department of EVA Airways Corp. and Evergreen International Corp successively. 3. Independence Criteria Mr. Tai meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except he is authorized to be the Director of Central Re. by Evergreen International Corp., the Parent Company of Central Re. and sits on the Board of the Parent Company. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0

Name and Title	Professional Qualifications and Independence Criteria
Director, Wu, Kuang-Hui	1. Education: MBA, National Sun Yat- Sen University 2. Professional qualifications and experience: Mr. Wu, Kuang-Hui is the Director and Chief Executive Vice President of Evergreen Marine Corp. (Taiwan) Ltd.. Prior to this, he served as the Executive Vice President of the finance department of Evergreen Marine Corp. (Taiwan) Ltd. and Evergreen International Corp.. 3. Independence Criteria: Mr. Wu meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except he is the Director and Chief Executive Vice President of Evergreen Marine Corp. (Taiwan) Ltd., the juristic-person shareholder holding more than 5% shares of Central Re. and is authorized to be the Director of Central Re. by which company. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0
Director, Cheng, Ching-Fen	1. Education: MBA of Industrial Management, Chung Hua University 2. Professional qualifications and experience: Ms. Cheng, Ching-Fen is the President of Central Re. and has been the Executive Vice President of the Finance Division of Central Re. for many years. 3. Independence Criteria Ms. Cheng meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except she serves as the president of Central Re. and authorized to be the Director of Central Re. by Evergreen International Corp., the Parent Company of Central Re.. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0

Name and Title	Professional Qualifications and Independence Criteria
Director, Lee, Yi-Fen	1. Education: Master of Institute of Public Policy Science, College of Law & Commerce, National Chung Hsing University 2. Professional qualifications and experience: Ms. Lee, Yi-Fen is the Deputy Director General of the Dept. of Planning of Ministry of Finance, R.O.C. Prior to this, she successively served as the Senior Executive Officer of the Dept. of Planning and Senior Executive Officer of the Dept. of Secretariat of Ministry of Finance, R.O.C.. 3. Independence Criteria Ms. Lee meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except she is authorized to be the Director of Central Re. by Ministry of Finance, R.O.C., the juristic-person shareholder of Central Re.. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0
Director, Chen, Kuan-Pao	1. Education: Bachelor of Land Economics, National Chengchi University 2. Professional qualifications and experience Mr. Chen, Kuan-Pao is the Director General of Dept. of Secretariat of Ministry of Finance, R.O.C.. Prior to this, he successively served as the Counselor, Deputy Director General and Acting Director General of Training Institute, Deputy Director General of National Property Administration in Ministry of Finance, R.O.C.. 3. Independence Criteria Mr. Chen meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, except he is authorized to be the Director of Central Re. by Ministry of Finance, R.O.C., the juristic-person shareholder of Central Re.. 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0

Name and Title	Professional Qualifications and Independence Criteria
Independent Director, Chou, Yu-Cheng (Convener of the Audit Committee, Member of the Remuneration Committee)	1. Education: Master of Accounting, University of Alabama 2. Professional qualifications and experience Mr. Chou, Yu-Cheng is the CPA of NengShiang Certified Public Accountants. And he was Adjunct Lecturer of Dept. of Business and Management of Ming Chi University of Technology, CPA & Partner of Pricewaterhouse Coopers, and the Vice President of Yuanta Futures Co., Ltd. 3. Independence Criteria: Mr. Chou meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2). 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 2
Independent Director, Chang, Bing-Huang (Convener of the Remuneration Committee, Member of the Audit Committee)	1. Education: LL.M., London School of Economics and Political Science (International Business Law) 2. Professional qualifications and experience: Mr. Chang, Bing-Huang is an attorney and the partner of Liu, Chang & Partners. He completed the training course for insurance policy signers held by the Taiwan Insurance Institute and passed the examination. And he was a partner of Baker & McKenzie Taipei, the partner of K&L Gates, and the partner of Preston Gates & Ellis. 3. Independent Criteria Mr. Chang meets the independence criteria stipulated in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2). 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0
Independent Director, Liu, Wei (Member of the Remuneration Committee, Member of the Audit Committee)	1. Education: Master of Arts in Economics and Energetics, New York University, New York, USA 2. Professional qualifications and experience: Mr. Liu, Wei serves as Contract Advisor in Chevron Industrial Gas Inc.. Prior to this, he was the Director of First Securities Investment Trust Co., Ltd., the Executive Director of JPMorgan Asset Management (Taiwan) Ltd., the Financial Advisory of K2 Management A/S, Taiwan Branch, the Senior Vice President of Dept. of Investment, Prudential Life Insurance Company of Taiwan Inc., the Senior Manager of Nan Shan Life Insurance Co., Ltd., the Head of Research of AIG Investments Consulting Corporation Taiwan Ltd. 3. Independent Criteria Mr. Liu meets the independence criteria stipulated in “Regulations Governing

Name and Title	Professional Qualifications and Independence Criteria
	Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2). 4. Number of other public companies in which the individual is concurrently serving as an Independent Director or the member of Remuneration Committee: 0
Note 1: None of the 9 directors of the Company is in the circumstances stipulated in Article 30 of the Company Act. Note 2: The Company reviews the Independent Directors’ eligibility once a year. The 3 Independent Directors and their spouses, relative within the second degree of kinship, or lineal relative by blood within the third degree of kinship are not the natural person shareholders holding in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings, nor are they directors, supervisors or employees of the Company and its affiliated companies. The 3 Independent Directors are not directors, supervisors or employees of the companies listed in Article 3, Paragraph 1, Subparagraphs 5 to 8 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies " And apart from being an Independent Director and a member of the functional committees of the Company, they do not provide auditing or other professional services for the Company. Accordingly, all of the 3 Independent Directors meet the independence criteria.	

3.2.1.4 Diversity and independency of directors

(1) Diversity of the Board of Directors

- A. The paragraph 3 of Article 22 of the Company’s “Corporate Governance Best- Practice Principles” stipulates the composition of the Board of Directors shall be determined by taking diversity into consideration, and the paragraph 4 stipulates all directors of the Board shall have the necessary knowledge, skills, and experience to perform their duties well. The directors of the Company have expertise in different fields such as Finance & Insurance, business management, law, finance accounting, etc., which can enhance the professionalism of the Board of Directors’ decision-making and improve the Company’s operation and long-term development.
- B. The Board of Directors of the Company consists of 9 directors, 3 of which are independent directors (accounting for 33.33%), 2 directors are the representatives of Ministry of Finance, R.O.C. (accounting for 22.2%), and 1 director who is an employee of the Company (accounting for 11.11%). All directors are Taiwanese.
- C. Gender equality in the board members’ composition is deeply concerned by the Company, and the goal of female rate in board members is at least 20%. The current Board of Directors consists of 9 directors and 2 of whom is female, which accounts for 22.22% of the board.

D. In order to improve corporate governance, the Company modifies the diversity policy in a timely manner according to the actual needs and operation situation of the Board of Directors.

E. The Diversification of the Company's Board of Directors is as follows:

Title	Name	Gender	Business Management	Risk Management	Finance Insurance	Finance Accounting	Law	Assets Management
Chairman	Yang, Cheng-Tui	Male	✓	✓	✓			
Director	Tai, Jiin-Chyuan	Male	✓				✓	
Director	Cheng, Ching-Fen	Female	✓		✓	✓		
Director	Wu, Kuang-Hui	Male	✓			✓		
Director	Lee, Yi-Fen	Female	✓			✓		
Director	Chen, Kuan-Pao	Male	✓					✓
Independent Director	Chou, Yu-Cheng	Male	✓		✓	✓		
Independent Director	Chang, Bing-Huang	Male	✓		✓		✓	
Independent Director	Liu, Wei	Male	✓		✓	✓		

(2) Independence of the Board of Directors

- A. The Company has a total of 9 directors, of which 3 are independent directors, accounting for 33.33% of the total number of directors. In order to strengthen the independence and operational efficiency of the Board of Directors, the Company has formulated the "Rules for the Scope of Responsibilities of Independent Directors". All independent directors perform their duties in accordance with the "Rule of Scope of Responsibilities of Independent Directors" and have not established any improper relationship with the management or the Company's relationship during their term of office. The three independent directors are able to independently and effectively supervise the operation of the Board of Directors.
- B. There is no spousal relationship or the second degree of kinship among all directors of the Company. If the proposal of the board meeting involves the interests of the directors and may damage the interests of the Company, the directors shall not participate discussion and vote on the proposal so as to ensure that the Board of Directors can make a resolution independently and objectively.

3.2.2 Information on Management Team

March 29, 2022

Title (Note 1)	Nationality	Name	Gender	Date of Accession	Shareholding		Spouse & Dependents Shareholding		Shareholding by Other Nominees		Principal Work Experience and Academic Qualifications (Note 2)	Current Position(s) in Other Companies	Spouse or Relatives within the Second-Degree Holding Position as Manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Republic of China	Cheng, Ching-Fen (Note 4)	F	2020.10.20	35,422	0.01	0	0	0	0	1. Executive Vice President, Finance Division of Central Re 2. M.B.A., Chung Hua University	None			None
Chief Auditor (Executive Vice President)	Republic of China	Lin, Cheng-Yen	M	2016.07.01	238	0.00	0	0	0	0	1. Senior Vice President, Risk Management Department of Central Re 2. M.S. in Chemical Engineering, National Cheng Kung University	None			None
Executive Vice President	Republic of China	Chung, Chih-Hung	M	2020.10.01	53,550	0.01	0	0	0	0	1. Executive Vice President, Property & Casualty Division of Central Re 2. M.B.A., National Taipei University	None			None
Executive Vice President (Financial Officer)	Republic of China	Chang, Yung-Ning	F	2021.09.01	0	0	0	0	0	0	1. Executive Vice President, Finance Division of Central Re 2. B.B.A., National Taiwan University	None			None
Executive Vice President	Republic of China	Lin, Yu-Te	M	2021.09.01	0	0	0	0	0	0	1. Senior Vice President, Project Division of Central Re 2. M.B.A. in Actuarial Science, Feng Chia University	None			None
Chief Investment Officer	Republic of China	Chiang, I-Chin	F	2021.10.15	0	0	0	0	0	0	1. Senior Vice President, Mega International Investment Trust Co., Ltd. 2. MBA, The City University of New York	None			None
Deputy Senior Vice President	Republic of China	Hsu, Tzu-Cheng	M	2014.06.16	500	0.00	0	0	0	0	1. Junior Vice President, Personnel Division of Evergreen International Corp. 2. B.L., National Chung Hsing University	None			None

Title (Note 1)	Nationality	Name	Gender	Date of Accession	Shareholding		Spouse & Dependents Shareholding		Shareholding by Other Nominees		Principal Work Experience and Academic Qualifications (Note 2)	Current Position(s) in Other Companies	Spouse or Relatives within the Second-Degree Holding Position as Manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Deputy Senior Vice President	Republic of China	Wang, Cheng-Sung	M	2020.01.01	2,142	0.00	0	0	0	0	1. Junior Vice President, Legal & Compliance Department of Central Re 2. B.S. in Banking and Insurance, Feng Chia University	None			None
Deputy Senior Vice President (Principal Accounting Officer)	Republic of China	Liao, Min-Ju	F	2018.01.01	0	0	0	0	0	0	1. Junior Vice President, Accounting Department of Central Re 2. B.B.A., Ming Chuan College of Management	None			None
Deputy Senior Vice President	Republic of China	Wang, Jui-Ching	M	2019.01.01	51,404	0.01	0	0	0	0	1. Junior Vice President, Motor Department of Central Re 2. M.B.A., National Chengchi University	None			None
Deputy Senior Vice President	Republic of China	Liao, Chieh-Chun	M	2020.01.01	0	0	0	0	0	0	1. Junior Vice President, International Department of Central Re 2. M.B.A., in Insurance, Hartford University	None			None
Deputy Senior Vice President	Republic of China	Wang, Mei-Erh	F	2018.12.01	0	0	0	0	0	0	1. Junior Vice President, Project Division of Central Re 2. M.A.S. in Actuarial Science, Georgia State University	None			None

Note 1: Information on the Company's President, Executive Vice Presidents, Senior Vice Presidents, and the supervisors of all the Company's divisions and branch units should be included, and regardless of the title, information on any person of an equivalent post to the President, Executive Vice Presidents, Senior Vice Presidents, should also be disclosed.

Note 2: Experience related to the current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company

Note 3: Where the general manager or person of an equivalent post (the highest level manager) and the chairperson of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent directors, and more than half of the directors not holding positions concurrently as employees or managerial officers): None.

Note 4: President Cheng, Ching-Fen concurrently serves as the manager of Offshore Insurance Unit.

3.2.3 Remuneration of Directors, President and Executive Vice President

3.2.3.1 Remuneration of Directors

Unit: thousands of NT\$; %

Title	Name	Remuneration to directors						Total remuneration (A+B+C+D) and percentage accounted for net income (Note 10)		Relevant remuneration received by directors who are also employees						Total remuneration (A+B+C+D+E+F+G) and percentages accounted for net income (Note 10)		Remuneration received from an invested company other than the company's subsidiary or parent company (Note 11)		
		Compensation (A) (Note 2)		Severance (B)		Compensation to Directors (C) (Note 3)		Allowance (D) (Note 4)		Salary, bonus, allowance (E) (Note 5)		Severance (F)		Compensation to employees (Note 6)					The Company	Consolidated subsidiaries (Note 7)
		The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	Cash	Stock Amount	Cash	Stock Amount					
Directors	Evergreen International Corp. Representative: Yang, Cheng-Tui																			
	Evergreen International Corp. Representative: Cheng, Ching-Fen																			
	Ministry of Finance, R.O.C. Representative: Lee, Yi-Fen	5,769	0	0	4,850	4,850	840	840	11,459	7,015	0			1,597	0		20,071	20,071	12,270	
	Ministry of Finance, R.O.C. Representative: Chen, Kuan-Pao																			
	Evergreen Marine Corp.(Taiwan) Ltd. Representative: Wu, Kuang-hui																			
	Evergreen International Corp. Representative: Tai, Jin-Chyuan																			

Title	Name	Remuneration to directors				Total remuneration (A+B+C+D) and percentage accounted for net income (Note 10)		Relevant remuneration received by directors who are also employees				Total remuneration (A+B+C+D+E+F+G) and percentages accounted for net income (Note 10)		Remuneration received from an invested company other than the company's subsidiary or parent company (Note 11)		
		Compensation (A) (Note 2)		Severance (B)				Compensation to Directors (C) (Note 3)		Allowance (D) (Note 4)					Salary, bonus, allowance (E) (Note 5)	
		The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	The Company	Consolidated subsidiaries (Note 7)	Cash	Stock Amount		Cash	Stock Amount
Independent Director	Chou, Yu-Cheng															
	Chang, Bing-Huang	2,659	2,659	0	0	0	0	155	155	0	0	0	0	0	0	0
	Liu, Wei															
1. Please specify the remuneration policy, system, standards, and structure for independent directors, and describe the relevance to the amount of remuneration based on responsibilities, risks, time invested, and other factors: The remuneration paid to independent directors of the Company is in accordance with the Company's Articles of Incorporation and relevant remuneration regulations, based on their participation in the Company's operations and value of contribution as well as the circumstances of similar business, the distribution method is proposed and reported to the Compensation Committee for its approval and resolved by the Board of Directors. The remuneration to independent directors includes monthly compensation and travel allowance for serving as a member of the Functional Committee. 2. Apart from the information disclosed as above, the remuneration received by the Company's directors has in the most recent year provided services to all companies listed in the financial report (such as serving as consultants for the parent company/financial report of all companies/reinvested businesses who are not employees, etc.): None.																

* The information regarding the directors (general directors who are not independent directors) and independent directors should be described separately.

* The Company has set up an audit committee to replace the supervisor.

* Independent Director Liu, Wei took office on July 15, 2021.

Remuneration Range Table

Range of Remuneration to Directors of the Company	Name of Directors			
	Total remuneration (A+B+C+D)			Total remuneration (A+B+C+D+E+F+G)
	The Company (Note 8)	Consolidated subsidiaries (Note 9) (H)	The Company (Note 8)	Parent Company and All Reinvested Companies. (Note 9、Note 11) (I)
Less than NT\$1,000,000	Cheng, Ching-Fen、Lee, Yi-Fen、Chen, Kuan-Pao、Tai, Jiin-Chyuan、Wu, Kuang-Hui、Liu, Wei	Cheng, Ching-Fen、Lee, Yi-Fen、Chen, Kuan-Pao、Tai, Jiin-Chyuan、Wu, Kuang-Hui、Liu, Wei	Lee, Yi-Fen、Chen, Kuan-Pao、Tai, Jiin-Chyuan、Wu, Kuang-Hui、Liu, Wei	Lee, Yi-Fen、Chen, Kuan-Pao、Liu, Wei
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Chou, Yu-Cheng、Chang, Bing-Huang	Chou, Yu-Cheng、Chang, Bing-Huang	Chou, Yu-Cheng、Chang, Bing-Huang	Chou, Yu-Cheng、Chang, Bing-Huang、Wu, Kuang-Hui
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Yang, Cheng-Tui	Yang, Cheng-Tui	Yang, Cheng-Tui、Cheng, Ching-Fen	Yang, Cheng-Tui、Cheng, Ching-Fen
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				Tai, Jiin-Chyuan
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				

Range of Remuneration to Directors of the Company	Name of Directors			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	Consolidated subsidiaries (Note 9) (H)	The Company (Note 8)	Parent Company and All Reinvested Companies. (Note 9、Note 11) (I)
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				
More than NT\$100,000,000				
Total	9 persons	9 persons	9 persons	9 persons

Note 1: The names of directors should be listed separately (for institutional shareholders, the names of institutional shareholders and representatives should be listed separately) and divided by general directors and independent directors, with the disclosure in aggregate of the paid amounts. Where the director concurrently serves as the general manager or assistant general manager, this table, general manager and assistant manager remuneration table, and remuneration range table should be provided.

Note 2: It refers to the remuneration to directors for 2021 (including directors' salary, allowance, severance, bonuses, incentives, etc.).

Note 3: The compensation paid to directors for 2021, approved for distribution by the Board of Directors on March 17, 2022.

Note 4: It refers to the expenses related to directors conducting business for the year of 2021 (including travel allowance, special disbursement, various allowances, housing, company car, and other physical supplies.) Where the housing, cars, other vehicles, or specific personal expenditure are provided, the nature and cost of the assets provided, the actual value or the fair market value of rent, gasoline, and other payments should be disclosed. If equipped with a driver, please indicate in the note the relevant compensation paid by the Company to the driver, which shall not be included in the remuneration.

Note 5: It refers to salary, allowance, severance, bonuses, incentives, travel allowance, special disbursement, various allowances, housing, company car, and other physical supplies received by directors who are also employees (including those who concurrently serve as general managers, assistant general managers, other managers, or employees) for 2021. Where the housing, cars, other vehicles, or specific personal expenditure are provided, the nature and cost of the assets provided, the actual value or the fair market value of rent, gasoline, and other payments should be disclosed. If equipped with a driver, please indicate in the note the relevant compensation paid by the Company to the driver, which shall not be included in the remuneration. The salary expense recognized in accordance with IFRS2 "Share-Based Payment" such as acquiring employee share subscription warrants, restricted stock awards, new restricted employee shares, and participating in capital increase by cash with subscription rights should be included in the remuneration.

Note 6: It refers to the directors who are also employees (including those who concurrently serve as general managers, assistant general managers, other managers, or employees) for the year of 2021 receiving employee compensation (including shares and cash), the amount of employee compensation which was approved for distribution by the Board of Directors for the year of 2022. If an estimate is not possible, the proposed distribution amount for this year should be calculated based on the actual distribution amount last year. The name of the managerial officer receiving employee compensation and the distribution table.

Note 7: The total amount of remuneration paid to the directors of the Company by all the companies (including the Company) in the consolidated financial statements should be disclosed.

Note 8: It refers to the total remuneration paid to each director by the Company. The names of directors should be disclosed in the range for the corresponding aggregate remuneration.

Note 9: The total amount of remuneration paid to the directors of the Company by all the companies (including the Company) in the consolidated financial statements should be disclosed. The names of directors should be disclosed in the range for the corresponding aggregate remuneration.

Note 10: Net income refers to the net income after tax stated in the parent company only financial reports or individual financial reports for 2021.

Note 11: a. The amount of the relevant remuneration received by the directors of the Company from an invested company other than the company's subsidiary or parent

company should be clearly stated in this field (Please indicate "none" if none exist).

- b. Where the directors of the company receive relevant remuneration from an invested company other than the company's subsidiary or parent company, the remuneration received by the directors of the company from the invested company other than the company's subsidiary or parent company should be included in the Field I of the Remuneration Range Table, with the field name changed to "Parent Company and All Reinvested Companies."
- c. Remuneration refers to the relevant remuneration such as compensation, remuneration (including the compensation of employees, directors and supervisors), allowances, etc. received by the Company's directors serving as directors, supervisors, or managerial officers of an invested company other than the company's subsidiary or parent company.

* The detailed information regarding the remuneration disclosed in this table is different from the term of income referred to in the Income Tax Act. As such, this table is for information disclosure only and not for tax purposes.

3.2.3.2 Remuneration of the President and Executive Vice Presidents

Unit: thousands of NT\$; %

Title	Name	Salary (A) (Note 2)		Severance (B)		Bonus and Special Disbursement (C) (Note 3)		Amount of Employee Compensation (Note 4)				Total remuneration (A+B+C+D) and percentages accounted for net income (Note 8)		Remuneration received from an invested company other than the company's subsidiary or parent company (Note 9)
		The Company	Consolidated subsidiaries (Note 5)	The Company	Consolidated subsidiaries (Note 5)	The Company	Consolidated subsidiaries (Note 5)	The Company		Consolidated subsidiaries (Note 5)				
								Cash	Stock Amount	Cash	Stock Amount			
President	Cheng, Ching-Fen	11,106	11,106	0	0	9,565	9,565	3,311	0	3,311	0	23,982 1.16%	23,982 1.16%	0
Executive Vice President	Lin, Cheng-Yen													
Executive Vice President	Chung, Chih-Hung													
Executive Vice President	Chang, Yung-Ning													
Executive Vice President	Lin, Yu-Te													

*Regardless of the title, information on any person of an equivalent post to the President or Executive Vice President (such as President, CEO, Director, etc.) should be disclosed.

* Executive Vice President Lin, Yu-Te was promoted on September 1, 2021.

Remuneration Range Table

Range of Remuneration to President and Executive Vice President of the Company	Name of President and Executive Vice President	
	The Company (Note 6)	Parent Company and All Reinvested Companies. (Note 7) (E)
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Lin, Yu-Te	Lin, Yu-Te
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Lin, Cheng-Yen 、Chung, Chih-Hung 、 Chang, Yung-Ning	Lin, Cheng-Yen 、Chung, Chih-Hung 、 Chang, Yung-Ning
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Cheng, Ching-Fen	Cheng, Ching-Fen
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
More than NT\$100,000,000		
Total	5 persons	5 persons

Note 1: The names of general managers and assistant general managers should be listed separately, with the disclosure in aggregate of the paid amounts. Where the director concurrently serves as the general manager or assistant general manager, this table, general manager and assistant general manager remuneration table, and remuneration range table should be provided.

Note2: It refers to the salary, allowance, severance paid to general managers and assistant general managers for 2021.

Note3: It refers to bonuses, incentives, travel allowance, special disbursement, various allowances, housing, company car, other physical supplies, and other compensation received by general managers and assistant general managers for 2021. Where the housing, cars, other vehicles, or specific personal expenditure are provided, the nature and cost of the assets provided, the actual value or the fair market value of rent, gasoline, and other payments should be disclosed. If equipped with a driver, please indicate in the note the relevant compensation paid by the Company to the driver, which shall not be included in the remuneration. The salary expense recognized in accordance with IFRS2 "Share-Based Payment" such as acquiring employee share subscription warrants, restricted stock awards, new restricted employee shares, and participating in capital increase by cash with subscription rights should be included in the remuneration.

Note4: It refers to the amount of employee compensation (including shares and cash) for the year of 2021 approved for distribution by the Board of Directors on March 17, 2022. If an estimate is not possible, the proposed distribution amount for this year should be calculated based on the actual distribution amount last year and the names of the managerial officers receiving employee compensation and the distribution table.

Note5: The total amount of remuneration paid to the general managers and assistant general managers of the Company by all the companies (including the Company) in the consolidated financial statements should be disclosed.

Note6: The total amount of remuneration paid to the general managers and assistant general managers by the Company. The names of general managers and assistant general managers should be disclosed in the corresponding aggregate remuneration range.

Note7: The total amount of remuneration paid to the general managers and assistant general managers of the Company by all the companies (including the Company) in the consolidated financial statements should be disclosed. The names of general managers and assistant general managers should be disclosed in the range for the corresponding aggregate remuneration.

Note8: Net income refers to the net income after tax stated in the parent company only financial reports or individual financial reports for 2021.

Note9: a. The amount of the relevant remuneration received by the general managers and assistant general managers of the Company from an invested company other than the company's subsidiary or parent company should be clearly stated in this field (Please indicate "none" if none exist).

b. Where the general managers and assistant general managers of the company receive relevant remuneration from an invested company other than the company's subsidiary or parent company, the remuneration received by the general managers and assistant general managers from the invested company other than the company's subsidiary or parent company should be included in the Field E of the Remuneration Range Table, with the field name changed to "Parent Company and All Reinvested Companies."

c. Remuneration refers to the relevant remuneration such as compensation, remuneration (including the compensation of employees, directors and supervisors), allowances, etc. received by the Company's general managers and assistant general managers serving as directors, supervisors, or managerial officers of an invested company other than the company's subsidiary or parent company.

* The detailed information regarding the remuneration disclosed in this table is different from the term of income referred to in the Income Tax Act. As such, this table is for information disclosure only and not for tax purposes.

3.2.3.3 Comparison of Remuneration for Directors, President and Executive Vice Presidents in the most recent two fiscal years and Remuneration Policy for Directors, President and Executive Vice Presidents

- (1) Analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid during the past 2 fiscal years to directors, President and Executive Vice Presidents

2021		2020	
Directors	0.69%	Directors	1.22%
President and Vice Presidents	1.16%	President and Vice Presidents	1.27%

An explanation for the relevance and reasonableness of the profit or loss after tax and changes in remuneration:

According to the Articles of Incorporation, after the deduction of accumulated losses from current year profit, the surplus, if any, should be distributed as remuneration no less than 0.5% to employees and no more than 1% to directors. The remuneration percentage for directors in 2021 complies with the Articles of Incorporation. Due to the increase in after-tax income, the total remuneration as a percentage of after-tax income in 2021 decreases from the previous year.

- (2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

- ① Remuneration to directors includes the items as below:

A. Compensation: The total remuneration of directors is allocated in accordance with the Company's Articles of Incorporation, and within the total compensation to directors, the remuneration of each director is allocated in consideration of the participation of each director in the Company's operations and value of the contribution.

B. Return: Including salary and bonuses, based on the participation of directors in the Company's operations and value of contribution as well as the circumstances of a similar business.

C. Severance

D. Allowance: travel allowance, other allowances, company car.

Directors' participation and contribution to the Company's operations is

determined by Directors' self-performance and the performance appraisal on Board of Directors (including Directors' records of attendance in meetings and training courses, the participation in the Company's operation, and the communication with the management team, et al.).

- ② Remuneration to Directors, President and Executive Vice Presidents includes the items as below:

A. Fixed remuneration: including salary and allowances, which are set to deliver according to the Company's salary structure and standards for ranks and levels.

B. Variable remuneration: year-end bonus and employee compensation

C. Severance or pension

Adjustments to the fixed remuneration and variable remuneration are determined based on the results of performance evaluation in the regular annual review, individuals' outstanding performance, and the contribution of departmental performance to the Company. Please refer to page 79.

- ③ Procedure for determining remuneration

The remuneration paid to Directors, President and Executive Vice Presidents of the Company is in accordance with the Company's Articles of Incorporation and relevant remuneration regulations. In consideration of future risks and circumstances of similar business, the distribution method is proposed and reported to the Compensation Committee for its approval and resolved by the Board of Directors.

3.2.4 Employee's Compensation of the Management Team

March 29, 2022				Unit: thousands of NT\$; %		
	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Percentage (%) of the total amount accounted for net income
Managerial Officer	President	Cheng, Ching-Fen	0	8,546	8,546	0.41%
	Chief Auditor	Lin, Cheng-Yen				
	Executive Vice President	Chung, Chih-Hung				
	Executive Vice President	Chang, Yung-Ning				
	Executive Vice President	Lin, Yu-Te				
	Chief Investment officer	Fan Chiang, Chi-Hsiu				
	Chief Investment officer	Chiang, I-Chin				
	Deputy Senior Vice President	Hsu, Tzu-Cheng				
	Deputy Senior Vice President	Wang, Cheng-Sung				
	Deputy Senior Vice President	Liao, Min-Ju				
	Deputy Senior Vice President	Wang, Jui-Ching				
	Deputy Senior Vice President	Liao, Chieh-Chun				
	Deputy Senior Vice President	Wang, Mei-Erh				

Note 1: Individual name and title should be disclosed. However, the profit distribution can be disclosed with aggregate amounts.

Note 2: It refers to the amount of employee compensation (including shares and cash) for the year of 2021 approved for distribution by the Board of Directors on March 17, 2022. If an estimate is not possible, the proposed distribution amount for this year should be calculated based on the actual distribution amount last year. Net income refers to the net income after tax for 2021. Where the International Financial Reporting Standards have been adopted, it refers to the net income stated in the parent company only financial reports or individual financial reports for the most recent year.

Note 3: To whom a managerial officer can apply, in accordance with Letter No. Tai-Tsai-Zheng-III-Zi-0920001301 dated March 27, 2003 of the Securities and Futures Commission, Ministry of Finance, are listed as follows:

- (1) President and anyone who has an equivalent position
- (2) Executive Vice President and anyone who has an equivalent position
- (3) Senior Vice President and anyone who has an equivalent position
- (4) Chief Financial Officer and anyone who has an equivalent position
- (5) Chief Accounting Officer and anyone who has an equivalent position
- (6) Other who has involved in company management and authority to sign off

Note 4: Where directors, President, or Executive Vice President receive employee compensation (including shares and cash), their distribution should be provided in this table in addition to remuneration disclosure.

Note 5: Chief Investment officer Fan Chiang, Chi-Hsiu resigned on July 1, 2021.

3.3 Implementation of Corporate Governance

3.3.1 The Composition and Operations of the Board of Directors

In 2021, a total 8 (A) meetings of the Board of Directors were held in 2021.

The attendance of directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	Remarks
Chairman	Evergreen International Corp. Representative : Yang, Cheng-Tui	8	0	100%	
Director	Evergreen International Corp. Representative : Tai, Jiin-Chyuan	8	0	100%	
Director	Evergreen Marine Corp. (Taiwan) Ltd. Representative: Wu, Kuang-Hui	8	0	100%	
Director	Evergreen International Corp. Representative: Cheng, Ching-Fen	8	0	100%	
Director	Ministry of Finance, R.O.C. Representative: Lee, Yi-Fen	8	0	100%	
Director	Ministry of Finance, R.O.C. Representative: Chen, Kuan-Pao	8	0	100%	
Independent Director	Chou, Yu-Cheng	8	0	100%	
Independent Director	Chang, Bing-Huang	8	0	100%	
Independent Director	Liu, Wei	3	0	100%	By-elected on July 15, 2021. Required numbers of attendance: 3

Other mentionable items:

1. Please illustrate the dates of the Board Meetings, period, agenda and all independent directors' opinions and the Company's responses if one of following situation occurred during the Board Meetings:
 - (1) The items listed in Article 14-3 of Securities and Exchange Act: Not applicable as the Company has established the Audit Committee. For more information about the items listed in Article 14-5 of Securities and Exchange Act, please refer to page 106 to 116 (Material Resolutions of Board of Directors, Audit Committee and Remuneration Committee).
 - (2) Except for the proposal mentioned above, other literally recorded resolutions which are opposed or have qualified opinion by independent directors: None.
2. If the directors have personal interest conflicts to the proposal and are required for recusal, please specify the name of the directors, proposal, reason and the resolution: Please refer to page 106 to 116 for more information.
3. The 2021 self-evaluation of the performance of the Board of Directors: Please refer to 3.3.2
4. The evaluation to strengthen the functionality of Board of Directors in recent years (ex. establish Audit Committee or enhance information transparency):
 - (1) The Company has purchased liability insurance for directors in order to disperse the risk of legal responsibility and improve the ability of corporate governance.
 - (2) To enhance the professional ability of directors as well as implement corporate governance, the Company has invited lecturers for directors to attend training courses in 2021 and 2022.
 - (3) The Company has 3 independent directors and has stipulated the "Rules Governing the Duties of Independent Directors". To enhance the functionality of Board of Directors, the Company has established the Audit Committee, the Remuneration Committee and the Enterprise Risk Management Committee and Sustainable Development Committee.
 - (4) The Company was ranked in the range of top 6% to 20% of all selected listed companies of the 1st ~ 8th corporate governance evaluation, which illustrated the Company had good performance during operation.
 - (5) To enhance the information transparency, the Company voluntarily publishes important resolutions of Board Meetings and establishes corporate sustainability page, stakeholders' interest page, and corporate governance page on the Company's official website.

Note 1: For directors and supervisors who are legal entities, both the names of the legal entity and the

representative should be disclosed.

- Note 2: (1) If any of the directors or supervisors resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column. The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Board of the Directors.
- (2) If there is any re-election of the Board before the end of the year, both the information of current and former directors and supervisors should be filled in the table, and the status and the re-election date should also be specified in the remarks column. The actual attendance rate (%) should be calculated by the actual number of meetings he/she attended during his/her term at the Board of the Directors.

3.3.2 Execution status of evaluation of Board of Directors

Evaluation Cycle and Scope (Note 1, Note 3)	The Company conducts a performance evaluation of the Board of Directors once a year, and the evaluation scope includes the performance evaluation of the Board of Directors, individual board members and functional committees.
Evaluation Period	From Jan. 1, 2021 to Dec. 31, 2021. The evaluation result of 2021 is reported to the Board of Directors on Mar.17, 2022.
Evaluation Scope	The Board as a whole, individual directors, and functional committees.
Evaluation Method	Self-evaluation and peer evaluation were conducted by the way of Directors filling out questionnaires.
Evaluation Indexes	1. Self-evaluation of directors: The evaluation of self-performance of each director including attending and participating in discussion of Board meetings, awareness of the industry and management team of the Company, improving corporate governance continuously, and Internal control. 2. Peer evaluation of Board of Directors: The evaluation of performance of the Board as a whole including evaluating other directors' attendance and participation in discussion of the Board meetings, awareness of the industry and management team of the Company, improving corporate governance continuously, internal control, and operations of the Board and functional committees. 3. Self-evaluation of functional committees: The evaluation of performance of functional committees including committee members' participation in the operation of the Company and awareness of the duties of the functional committee, the quality of decisions made by the functional committee, the composition of the functional committee and election of its members, and Internal control.
Evaluation Result (Full score: 100)	1. Self-evaluation of directors: Excellent, the average score is 95.07. 2. Peer evaluation of Board of Directors: Excellent, the average score is 95.65. 3. Self-evaluation of functional committees: Excellent, the average score is 93.17.

Note 1: To specify the cycle of appraisal on the Board of Directors, e.g. once per year.

Note 2: To specify the period for which the appraisal on the Board of Directors will persist, e.g. the performance appraisal on the Board of Directors persisting from January 1, 2021 to December 31, 2021.

Note 3: The scope of appraisal covers the performance appraisal on the Board of Directors, individual Board members, and functional committees.

Note 4: The method of appraisal includes Board of Directors self-assessment, Board members' self-assessment, peer assessment, external professional organization's assessment, and performance appraisal by experts or in any other adequate manners.

Note 5: The contents of appraisal shall consist of, at least, the following elements, subject to the scope of appraisal:

- (1) Performance appraisal on Board of Directors: To cover, at least, degree of participation in the Company's operation, Quality of the Board of Directors' decision making, formation and structure of the Board of Directors, election and continuing education of directors, and internal control, et al..
- (2) Performance appraisal on individual Board member: To cover, at least, alignment with the Company's goals and mission, awareness toward director's responsibilities and duties, degree of participation in the Company's operation, management of internal relations and communication, expertise and continuing education of directors, and internal control, et al..
- (3) Performance appraisal on functional committees: degree of participation in the Company's operation, awareness toward functional committees' responsibilities and duties, quality of the functional decision making, formation of the functional committees and election of members, and internal control, et al.

3.3.3 Annual Tasks and Implementation Status of the Audit Committee

- 3.3.3.1 The Audit Committee of the Company is composed of three independent directors, whose major duties are to supervise and review the financial reports, accounting and internal control system, the major asset transactions, endorsements and guarantees, and the offering or issuance of securities.

Note: Independent director Tsai, Li-Hsueh, has resigned on Nov. 6, 2020 for personal reasons. Thus, the Company by-elected Mr. Liu Wei as the independent director of the Company at the general shareholders' meeting on July 15, 2021.

3.3.3.2 Annual Tasks of the Audit Committee in 2021:

(1) Review financial reports:

The Company's annual business report, financial reports, and surplus distribution proposals were all reviewed by the Audit Committee and submitted to the Board for discussion. After being approved by the Board, the proposals were presented to the annual general meeting of shareholders for acknowledgement.

(2) Assess the effectiveness of internal control system:

The self-assessment of internal control systems and the implementation of the Company are completed by the internal units every year. And the audit unit reports the audit results to Audit Committee on a regular basis and submits the amendment of internal control system and internal control system statement to Audit Committee for confirmation. Besides, the Audit Committee and the audit unit have several closed-door meetings every year to enable the Committee to understand the financial status, operational effectiveness, risk management, information security, the compliance with regulations, and evaluate the effectiveness of internal control system of the Company.

(3) Appoint the Company's Certified Public Accountants.

The Audit Committee annually assesses the professionalism, independence, and the reasonableness of fees of CPAs. The proposal to appoint Ms. Chen Hsien-I and Ms. Lee, Hsiu-Ling, the CPAs of PricewaterhouseCoopers (hereinafter referred to as "PwC"), as the Company's CPAs for 2022 was reviewed by Audit Committee and approved by the Board of Directors on Dec. 22, 2021. Besides, CPAs have several closed-door meetings with the Audit Committee every year to communicate matters related to financial reports.

3.3.3.3 A total of 6 (A) meetings of the Audit Committee were held in 2021. The attendance of independent directors is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 1 & 2)	Remark
Convener	Chou, Yu-Cheng	6	0	100%	
Committee Member	Chang, Bing-Huang	6	0	100%	
Committee Member	Liu, Wei	3	0	100%	Newly elected on July 15, 2021. Required numbers of attendance: 3

Other mentionable items:

1.If any of the following circumstances occurs, the dates of meetings, sessions, contents of motion, expression of reservation or qualified opinion by independent directors' resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

- (1) The items listed in Article 14-5 of Securities and Exchange Act: Please refer to page 106 to 116 (Material Resolutions of Board of Directors, Audit Committee and Remuneration Committee).
- (2) Except for the proposal mentioned above, other resolutions which are not approved by Audit Committee but are approved by two-third of directors: None.

2.If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: Please refer to page 106 to 116 (Material Resolutions of Board of Directors, Audit Committee and Remuneration Committee).

3.Communication between independent directors and internal auditors/CPAs

- (1) Between independent directors and internal auditors

Communication method

The independent directors communicated with the internal auditors through at least four closed-door communication meetings each year. In 2021, the independent directors and internal auditors held six meetings in total, the chief auditor reports on the Company's internal audit implementation status and internal control operations. With the presence of all directors, an internal control system defect review seminar was held annually. The progress of improvements in findings were continuously followed up by audit unit and reported to the audit committee and the Board of Directors.

The summaries of Communication in 2021

Date	Communication Content	The Company's Response
------	-----------------------	------------------------

2021/2/3	Amend the Company's 2021 Annual Audit Plan.	Approved by the audit committee and proposed to the Board of Directors for the final resolution.
2021/3/18	1. Report on the Company's audit operations as of February 2021. 2. Issuance of the Company's 2020 Internal Control System Statement.	1. Acknowledged by the audit committee and reported to the Board of Directors meeting. 2. Approved by the audit committee and proposed to the Board of Directors for the final resolution.
2021/5/5	Report on the Company's audit operations as of April 15, 2021.	Acknowledged by the audit committee and reported to the Board of Directors meeting.
2021/8/11	1. Report on the Company's audit operations as of July 2021. 2. Minutes of internal control system defect review seminar 2020.	1. Acknowledged by the audit committee and reported to the Board of Directors meeting. 2. Acknowledged by the audit committee and reported to Board of Directors meeting.
2021/11/3	Report on the Company's audit operations as of September 2021.	Acknowledged by the audit committee and reported to the Board of Directors meeting.
2021/12/22	1. Report on the Company's audit operations as of November 2021. 2. Presentation of the Company's 2022 Annual Audit Plan.	1. Acknowledged by the audit committee and reported to the Board of Directors meeting. 2. Approved by the audit committee and proposed to the Board of Directors for the final resolution.

(2) Between independent directors and CPAs

Communication method

The Independent Directors and CPAs would hold a closed-door communication meeting at least four times each year. A meeting will be called at any time in case of significant abnormal events. In 2021, the Independent Directors and CPAs held four meetings in total. CPAs will report the financial position of the Company together with the conclusion of audit (or review) to the Independent Directors, as well as fully discuss whether there is any material adjusting entries or any impact of legislation amendments on accounts.

All communication, subject matters and results for 2021

Date	Subject Matter of Communication	Result of Action
2021/3/18	1. Certified Public Accountant's Report: The audit scope and results of the financial report for the 4th quarter of 2020. 2. The CPAs had discussions and communication on the questions from independent directors.	No opinion.
2021/4/8	The CPAs sent a letter to the independent directors on the audit planning and subject matters of communication of the 2021 financial	The independent director replied to the Certified Public Accountant that the

		report.	letter was acknowledged without any other opinions.
2021/5/5	1. Certified Public Accountant’s Report: The review scope and results of the financial report for the 1st quarter of 2021. 2. The CPAs had discussions and communication on the questions from independent directors.	No opinion.	
2021/8/11	1. Certified Public Accountant’s Report: The audit scope and results of the financial report for the 2nd quarter of 2021. 2. The CPAs had discussions and communication on the questions from independent directors.	No opinion.	
2021/11/3	1. Certified Public Accountant’s Report: The review scope and results of the financial report for the 3rd quarter of 2021. 2. The CPAs had discussions and communication on the questions from independent directors.	No opinion.	

Note: (1) If any of the independent directors resigns before the end of the year, it is required to specify the date of his/her resignation in the remarks column. The actual attendance rate (%) should be calculated by the actual number of committee meetings he/she attended during his/her term at the Audit Committee.

(2) If there is any re-election of the independent director before the end of the year, both the information of current and former independent directors should be filled in the table, and the status and the re-election date should also be specified in the remarks column. The actual attendance rate (%) should be calculated by the actual number of committee meetings he/she attended during his/her term at the Audit Committee.

3.3.4 Corporate Governance Execution Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	○		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”. The information has been disclosed on the Company’s official website and MOPS.
2. Shareholding structure & shareholders’ rights	○		
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	○		(1) The dedicated personnel of the Company handles stock affairs including shareholders’ suggestions, doubts, disputes and litigations according to the existing procedure. For more information, please refer to stakeholder and investor section on the Company’s official website.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	○		(2) The Company submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholdings) to the authorities according to Article 25 of Securities and Exchange Act. The Company also obtains the shareholder register on the suspension period for roster’s
			None

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	○	registration to master the list of major shareholders. (3) Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates.	None
	○	(4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations. To enable the directors and managers of the Company to fully understand the relevant rules and penalties of “internal trading” in time, the Company forwards the information of insider trading prevention from time to time. The Directors of the Company participated in the "2021 Legal Compliance of Insider Transaction Publicity and Briefing Seminar held by the Securities and Futures Institute. And the Company held a publicity course on internal major information operations on December 21, 2021, all Directors and employees participated in this course, with a total of 151 participants.	None

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy and specific management objective? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board annually, report the results of the performance evaluation to the Board, and use it as a reference for individual directors' remuneration and nomination?	○ ○ ○	(1) The diversity policy, specific management objectives and implementation of the Board of Directors of the Company please refer to page 34. (2) For sound supervision and reinforcement of risk management, the Company established the Enterprise Risk Management Committee and Sustainable Development Committee in addition to the Remuneration Committee and the Audit Committee. (3) a.The Company established the “Regulations Governing the Board Performance Evaluation”, and disclosed it through the Company’s official website and the Market Observation Post System (MOPS). b.The Company shall conduct an internal board performance evaluation at least once a year. In addition, the Company’s board	None None None

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons												
	Yes	No													
(4) Does the company regularly evaluate the independence of CPAs?			performance evaluation may be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. c.The annual Evaluation results of the performance of the Board of Directors are also the basis for individual director’s remuneration and nomination of directors. d.The 2021 evaluation results of the performance of the Board of Directors are as follows and was reported to the board meeting dated March 17, 2022. The details please refer to the Company’s official website. <table><tr><td></td><td>Self-evaluation of directors</td><td>Peer evaluation of Board of Directors</td><td>Self-evaluation of functional committees</td></tr><tr><td>Average score (Full score: 100)</td><td>95.07</td><td>95.65</td><td>93.17</td></tr><tr><td>Evaluation Results</td><td>Excellent</td><td>Excellent</td><td>Excellent</td></tr></table>		Self-evaluation of directors	Peer evaluation of Board of Directors	Self-evaluation of functional committees	Average score (Full score: 100)	95.07	95.65	93.17	Evaluation Results	Excellent	Excellent	Excellent
		Self-evaluation of directors		Peer evaluation of Board of Directors	Self-evaluation of functional committees										
Average score (Full score: 100)	95.07	95.65	93.17												
Evaluation Results	Excellent	Excellent	Excellent												
	○		None												

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
			report. The appointment, remuneration and independence assess of CPAs for financial report auditing and corporate income tax return compliance for the year 2022 have been approved by the Board of Directors on December 22, 2021. The CPAs appointed by the Company are in compliance with the Company's independent evaluation standards and are eligible for auditing the Company.²
4. Does the TWSE/TPEx Listed Companies have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to deal with corporate governance business (including but not limited to provide directors and supervisors necessary information, assist directors and supervisors with legal compliance, hold Board Meeting or Annual General Meeting, company registration and change registration of company and Minutes of Board of Directors meeting and Annual General Meeting preparation) ?	○		1.The Board of Directors has appointed Ms. Chang, Yung-Ning, the Executive Vice President of Finance Division, as the chief corporate governance officer of the Company. The Company is staffed with sufficient professional corporate governance personnel to protect shareholders' rights and strengthen the board functions. Ms. Chang, Yung-Ning, who has been as the Company's Finance Officer for over 3 years, is eligible for the chief corporate governance officer. 2.The main duties of the chief corporate governance officer of the Company are as follows: (1) To handle matters relating to board meetings and shareholders meetings according to laws.

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
	Brief Explanation		
			(2) To produce minutes of board meetings and shareholders meetings. (3) To assist in onboarding and continuous development of directors. (4) To furnish information required for business execution by directors. (5) To assist Directors with legal compliance. 3. The business execution in 2021 are as follows: (1) To furnish Directors with relevant information and regulations to perform their duty and hold the Directors training courses: a. To furnish Directors with the latest regulations of corporate governance irregularly. b. To furnish Directors with the information to perform their duties and maintain smooth communication between Directors and managers. c. To arrange more than four closed-door meetings to enable independent directors to have face-to-face communication with the chief internal auditor and CPAs to deeply understand the Company’s audit and financial status. d. To hold three Directors training courses. (3 hours each time) (2) To handle matters relating to functional committees, board

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Brief Explanation			
	Yes	No		
			meetings and shareholders meetings according to laws: a. To notify the meeting agendas to each director at least seven days in advance, provide the materials, remind the director not to participate in discussion or voting on the agenda item if he is an interested party with it, and distributed the minutes to each director within 20 days after the meeting. b. To assist to announce the material information after board meeting, ensure the legality and correctness of material information to protect information equivalence of investor transaction. c. To register the date of the shareholders’ meeting in accordance with laws, and produce meeting notices, handbooks and minutes within the legal period. 4. Chief corporate governance officer training records in 2021 please refer to note 3.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social	○		The Company has established grievance-handling procedures and channels for grievance, and appoints dedicated personnel to communicate with stakeholders, please refer to the Company’s official website for details. The “Communication with stakeholders” is reported to the Board of Directors on a regular basis once a year. The Company has also established corporate governance and corporate	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Brief Explanation	
responsibilities?			sustainable area on the Company’s official website to provide relevant information.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		○	The Company does not assign any outside agency to be in charge of its shareholder affairs.	Whereas stock affair is managed by the Company itself, the Shareholders’ Meeting is conducted following government regulation and the Articles of Incorporation of the Company to ensure its lawfulness, effectiveness and safeness.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	○		(1) The Company has set up a Chinese/English website (http://www.centralre.com) to disclose information regarding the Company’s financials, business and corporate governance status.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Brief Explanation			
	Yes	No		
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	○		(2) The Company has assigned appropriate persons to handle information collection and disclosure. The Company has established a spokesman system. The Company held two investor conferences on Apr. 23, 2021 and Oct. 29, 2021.	None
(3) Does the company publicly announce and register the financial reports within two months after the end of the fiscal year, as well as publicly announce and register the first, second and third quarter financial reports and the monthly operating status ahead of the prescribed period?		○	(3) The company doesn't publicly announce and register the financial reports within two months after the end of fiscal year.	The company has complied with “Securities and Exchange Act” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” to publicly announce and register annually financial report by the

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Brief Explanation	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	○		Please refer to the details as follows:	None
(1) Status of employee rights and employee wellness: A. Employee rights and employee wellness: The Company has established personnel policies (for example, work rules) and has organized the Employee Welfare Committee and Labor Pension Fund Monitoring Committee according to the regulations. Please refer to page 153 “Labor Relations” for more information. B. Investor relations: The Company has also provided a dedicated web-page on the Company's official website which provides investors reference about operation and financial information. C. Supplier relations, rights of stakeholders: The Company has also provided a dedicated web-page on the Company's official website enabling interested parties and investors to consult or file complaints. Please refer to “3. Corporate Governance Report” for more information.				

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) The directors of the Company have completed the training in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” in 2021. The training records of directors please refer to the Market Observation Post System (MOPS). (3) Managerial officers’ continuing education and training: The Company’s managerial officers (persons at Vice Director level or above) take professional off-the-job training courses on insurance, risk management, and finance and accounting on a non-regular basis to improve managerial officers’ comprehensive skills. In 2021, there were a total of 71 person-times of managerial officers, a total of 305 hours of off-the-job training. (4) Execution of risk management policies and risk measurement criteria: The Company has established a Risk Management Committee under the Board of Directors. The committee is composed of the independent directors, the president, Executive Vice President, and the senior managers of business units. The committee meeting is convened by the independent director(s). There were held four committee meetings in 2021. As required by regulation, the meeting minutes have been submitted to the Board of Directors for reporting. According to the “Risk Management Committee Charter”, the Company has also established various guidelines for daily risk management, including Risk Management Policies, Risk Management Operational Procedures, Risk Management Mechanisms, and Own Risk and Solvency Assessment (ORSA) Policies. The Company has, in the meantime, established various limits including risk appetite, risk tolerance and risk limits, etc., aiming to strengthen its capital management, maintain adequate solvency capability and ensure efficiently control of the major risks which are reasonably predictable. (5) Implementation of customer policies: Provide customized reinsurance coverage to meet domestic and overseas insurance companies’ needs. (6) The Company has purchased directors & officers liability insurance to transfer the risk of legal liability of directors and officers and enhance Corporate Governance. (7) For the Company to comply with business ethics and good faith principle in operation and management, it has adopted the “Central Reinsurance Corporation Codes of Ethical Conduct” on December 24, 2014. (The Code has been disclosed on the Company’s official website:			

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
http://www.centralre.com/content/information/information08.htm) for employees to act in compliance with the business ethics and good faith and for the Company’s stakeholders to better understand the Company’s ethical standards and principles.			
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.			(1) The Company has formulated a succession plan for the members of the Board of Directors and important officers, which has been disclosed on the Company's website. (2) The Company’s corporate sustainability report of the year 2021 has been entrusted to PwC Public Accountants to conduct report assurance work. (3) The directors of the Company have completed the training in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” in 2021, and the Company will continually encourage directors to attend training courses.

Note1 : Explanation should be provided in the field of “Brief Explanation” regardless whether the answer to “Implementation Status” is “Yes” or “No”.

Note2 : The standards for evaluating the independence of CPAs:

Evaluation Item	Evaluation Result	Whether to meet independence or not
1. Whether the CPA is currently employed by the Company to perform routine work for which he or she receives a fixed salary.	No	Yes
2. Whether the CPA has previously served for the Company as an employee and has been separated from the position for less than two years.	No	Yes

3. Whether the CPA is a spouse, lineal relative, a direct relative by marriage, or a sibling of Chairperson or General Manager of the Company.	No	Yes
4. Whether the CPA or the spouse thereof, has invested in the Company, or shares in financial gains therewith.	No	Yes
5. Whether the CPA or the spouse thereof, is an interested part of a director, supervisor, managerial officer, employee, shareholder, etc., of the Company or its affiliated enterprise.	No	Yes

Note 3: Chief Corporate Governance Officer's continuing education and training:

Education /Training Date	Name	Organizer	Course Name	Education/Training Hours
March 11, 2021	Chang, Yung-Ning	Securities and Futures Institute	Relevant Regulations and Operational Practices of the Audit Committee	3
March 12, 2021	Chang, Yung-Ning	Securities and Futures Institute	Analysis of Corporate Financial Information and Decision-Making	3
September 1, 2021	Chang, Yung-Ning	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum	6
September 8, 2021	Chang, Yung-Ning	Taiwan Corporate Governance Association	Enterprises' Opportunities and Challenges from Averting Climate Catastrophe	3
October 8, 2021	Chang, Yung-Ning	Taiwan Corporate Governance Association	Discussion on the Use of the Rewards and Remuneration Strategy and Tools for Employees	3
October 13, 2021	Chang, Yung-Ning	Insurance Bureau, Financial Supervisory Commission	2021 Corporate Governance Forum for the Insurance Industry	4
December 3, 2021	Chang, Yung-Ning	Taiwan Insurance Institute	Impact of IFRS 17 on the insurance business strategies	3
December 7, 2021	Chang, Yung-Ning	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	6
Total Education/Training Hours in 2021				31

3.3.5 The Composition and Operations of the Remuneration Committee or Nomination Committee

3.3.5.1 Professional Qualifications and Independence Analysis of Remuneration Committee Members

All of the Remuneration Committee members are independent director of the Company, and their professional qualification, experience, independence criteria and number of other public companies in which they concurrently serve as a remuneration committee member is disclosed on page 32.

3.3.5.2 The duties of the Remuneration Committee are as follows:

- (1) Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors and managers.
- (2) Periodically evaluate and establish the remuneration of directors and managers.

3.3.5.3 Attendance of Members at Remuneration Committee Meetings

- (1) The Remuneration Committee is composed of three members.
- (2) The term of office of current Remuneration Committee is from May 28, 2020 to May 27, 2023.
- (3) A total of 5(A) meetings were held in 2021. Please refer to page 106 to 116 for resolutions made by the Remuneration Committee and the attendance of Committee member is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】 (Note 1 & 2)	Remarks
Convener	Chang, Bing-Huang	5	0	100%	
Committee Member	Chou, Yu-Cheng	5	0	100%	
Committee Member	Liu, Wei	2	0	100%	Newly-appointed on Jul 15, 2021. Required numbers of attendance: 2

Committee Member	Hung, Shu-Hui	3	0	100%	Resigned on Jul. 15, 2021. Required numbers of attendance: 3
Other mentionable items: 1. If the Board of Directors decline to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceed the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

Note:

- (1) If any of the Compensation Committee members has resigned before the end of the year, the date of his/her resignation should be stated in the remarks column. The actual attendance rate (%) should be based on the number of committee meetings held during his/her tenure and the actual number of his/her attendance.
- (2) If any of the Compensation Committee members has been re-elected before the end of the year, both the information of current and former members should be filled in the table, and the status and the re-election date should also be specified in the remarks column. The actual attendance rate (%) should be based on the number of committee meetings held during his/her tenure and the actual number of his/her attendance.

3.3.5.4 Members and Operation of Nomination Committee:

None.

3.3.6 Sustainable Development

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
1. Has the Company appointed a full-time (part-time) business unit to facilitate ESG-related matters? Has the Board of Directors delegated a senior management level to administer these matters and to provide updated status to the Board?	o		To promote sustainable development and fulfill the role of a corporate citizen, the Company's Board of Directors resolved a decision in January 2022 to amend the Corporate Social Responsibility Best Practice Principles of Central Reinsurance Corporation and the Corporate Social Responsibility Policy of Central Reinsurance Corporation to the Sustainable Development Best Practice Principles of Central Reinsurance Corporation and the Sustainable Development Policy of Central Reinsurance Corporation, respectively. To achieve the goal of fulfilling corporate social responsibility and the Company's sustainable management, while strengthening all Environmental, Social, and Governance (ESG) tasks, we established the Sustainable Development Committee (hereinafter referred to as the “committee”) under the Board of Directors in March 2022 as a dedicated unit to facilitate sustainable development. The President serves as the convener and chairs the committee meetings, and the Vice Executive President and the heads of various departments and divisions (excluding the chief auditor and the head office chief compliance officer) serve as committee members. Seven task forces have been set up under the committee which hold meetings at least twice a year to implement and improve the Company's sustainable development management and formulate sustainable development implementation plans. The Company prepares a sustainability report	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			based on the implementation status and results and regularly reports on relevant matters to the Board of Directors every year. Amendments to relevant rules and changes in the organization should be approved by the Board of Directors to effectively manage and implement the Company's sustainable development policy.	
2. Has the Company, in accordance with materiality principle, conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations? Has the Company established relevant risk management policies or plans? (Note 2)	○		The disclosures cover the Company's sustainable development performance in Taiwan, the main region where our operations are located, from January to December in 2021. The Company assessed relevant risks of critical issues based on the principle of materiality for the sustainability report and formulated relevant risk management policies or strategies as per the risks assessed (see Table 7(3) on page 90 for details). Please visit "Information Disclosures/Corporate Sustainability" or the sustainability report on the Company's website for details.	None
3. Environmental issues (1) Has the Company established suitable environmental management system based on the characteristics of the industry?	○		(1) The Company is a professional reinsurance business and is not an energy-consuming industry with significant pollution. However, to implement the concept of environmental protection, the Company has formulated the Energy Conservation and Carbon Reduction Measures Implementation Guidelines of Central Re, and the General Affairs Department is responsible for formulating, launching, and maintaining relevant environmental management systems and specific action plans, while offering environmental education and training for all employees as appropriate to effectively reduce	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(2) Is the Company devoted to improving energy efficiency and using reusable materials with low environmental impact?	○		greenhouse gas emissions and achieve the goal of environmental sustainability. We also need to count the annual greenhouse gas emissions and disclose the figures in the Company's ESG report. (2) The Company is committed to improving energy efficiency and reducing the burden on the environment. The specific measures are as follows: A. Improvement to energy efficiency: The Company adjusts the operating and service processes and adopts high energy-efficient equipment, such as announcement of information via the Internet, promotion of duplex printing, reduction of photocopier paper, implementation of a paperless process for meetings, regular maintenance and cleansing of the office air-conditioners to improve the efficiency of the air- conditioned rooms, raising of the temperature of the central air-conditioning system in the office building, as well as the full replacement of lights with energy-efficient ones. B. Reduction of burden on the environment: The Company continues green procurement by purchasing energy-efficient and green labeled products and equipment as well as FSC/PEFC photocopier paper, prints non-important documents with recycled paper, and regularly sends discarded documents to professional paper mills	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(3) Has the Company assessed potential risks and opportunities of climate change to the Company of the present and future? Has the Company taken measures to address related issues?			for destruction every year as a source of recycled pulp. C. The Company received a certificate of appreciation in January 2022 from the Taipei City Government for our effort in responding to its ban on disposable and melamine tableware. We also continue to raise our employees’ awareness of waste classification and resource recycling to reduce waste and the burden on the environment.	None
	o		(3) As climate change may have an impact on the environment, ecology, economy, and industries, which will cause a significant impact on corporate sustainable development, the issue of climate change has become one of the main risks to the insurance industry. To implement corporate governance and improve the risk management system, we have established a Risk Management Committee under the Board of Directors to be responsible for implementing the Company's risk management mechanism and regularly reporting to the Board of Directors on the implementation. Moreover, we have set the risk tolerance for catastrophe in our risk management policy. To control the risk of catastrophe (including climate change), we have established an early warning mechanism and an over-limit mechanism under the Company's risk management mechanism, and we monitor the risk	

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			on a quarterly basis and regularly report the monitoring results to the Risk Management Committee and the Board of Directors. The Company has incorporated climate change risk factors into our operational strategy planning and decision-making process, while having formulated the Climate-related Financial Disclosures Policy with reference to the Guidelines on Climate-related Financial Disclosures of Insurance Companies to continuously optimize the relevant risk management mechanisms. We will also assess our risks and opportunities arising from climate change under the Task Force on Climate-related Financial Disclosures (TCFD) recommendations framework and take countermeasures to mitigate and adapt to the impact of climate change on our operations. Please visit "Information Disclosures/Corporate Governance/XIII. Risk Management Information" or the sustainability report on the Company's website for details.	
(4) Has the company made statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years? Has the company formulated policies for greenhouse gas reduction, water use reduction or other	○		(4) The Company conducts surveys and counts greenhouse gas emissions, total water consumption, and total weight of waste every year (see the Company's ESG report for details) and has formulated the Energy Conservation and Carbon Reduction Measures Implementation Guidelines of Central Re as a reference for all employees to implement various energy conservation and carbon	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
waste managements?			reduction measures. The Company’s management objective of energy conservation and carbon reduction is 0.5% reduction in water and electricity consumption annually. Our main measures implemented: A. Continue to raise awareness of water and electricity conservation. B. Set the air-conditioner at a temperature of 26-28 degrees; clean and maintain the air-conditioners on a regular basis to improve the energy efficiency. C. Replace all traditional lights with energy-efficient ones and turn off the lights for one hour during the lunch break. D. Purchase the electrical goods affixed with energy-saving labels. E. Purchase equipment with water efficiency labels. F. Replace water-efficient equipment in pantry rooms and toilets. G. Continue to promote waste reduction, implement the measure for cancellation of personal trash cans, and regularly raise employees’ and cleaning companies’ awareness of and implement waste classification and reduction. H. In 2006, the Company implemented the government’s electronic documentation exchange system, which not only enabled more efficient document exchange, but also saved the time for document processing and delivery, and significantly reduced the	

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			consumption of paper and relevant resources. Facsimiles are transmitted via electronic files without printing to reduce the use of paper and carbon toner. I. Encourage employees to commute by public transportation or by bicycle.	
4. Social issues (1) Has the Company established relevant management policies and procedures based on the International Bill of Human Rights and relevant regulations?	o		(1) The Company supports and follows the Universal Declaration of Human Rights and honors the basic human rights recognized internationally and never participates in any act that ignores and tramples upon human rights. We take specific actions to ensure that our internal employees and stakeholders are treated fairly and humanely and respected. In addition, we have formulated the Company's Human Rights Policy as per the Company's business characteristics. After a resolution by the Board of Directors on November 7, 2018 to adopt the policy, it was announced on the Company's website as a basis for implementation. The specific management measures related to human rights include the compliance with the competent authorities' regulations and various labor laws and regulations and the formulation of work rules and operating procedures as the basis for management to protect our employees' labor rights and ensure a decent work	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(2) Has the Company established and executed reasonable employee benefit policies including salary and rewards, leave policies and so on? Has the Company appropriately reflected the business performance in the employee remuneration?			environment. The Company has never engaged in child labor and forced or compulsory labor, while discrimination, harassment, or any unequal treatment has never occurred in the Company due to race, gender, age, political ideology, or religion. In addition, we have announced the workplace sexual harassment prevention as well as sexual harassment prevention measures and complaint and disciplinary measures on the Company's internal website. Meanwhile, we offer relevant classes regularly to eliminate gender discrimination and prevent sexual harassment from occurring.	None
	o		(2) A. In accordance with the Labor Standards Law and the Act of Gender Equality in Employment, the Company has established and executed the employee benefit policies. Please refer to page 153. B. In accordance with the Company's “Articles of Incorporation”, “Regulation of Payment for Managers” and “Regulations Governing the Salary and Compensation to Employees”, it is stipulated that salary and compensation of individual employees (including the management team) shall be adjusted based on their results of regular annual performance review and profit made by the Company. Employee performance reviews of the Company are conducted	

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(3) Has the company provide a safe and healthy working environment for its employees as well as relevant training on a regular basis?	○		based on criteria such as “Leadership”, “Knowledge, Experience & Skills”, “Work Performance”, “Sense of Responsibility” and so on. (3) In accordance with the Occupational Safety and Health Act and related regulations, the Company has established occupational safety and health policies and management plans. Implementation methods are clearly listed to meet the goals of safety and hygiene, so as to construct a healthy and pleased workplace. In order to provide employees with a safe, healthy, and comfortable working environment, the Company has assigned special personnel to clean the office environment every day and to disinfect on a regular basis. During the COVID-19 prevention period, the office area is disinfected every week. Water quality and carbon dioxide level are inspected every six months and qualified fire protection company is entrusted with maintaining fire-fighting equipment and organizing fire drills for employees every year. In addition, security personnel is employed to implement full-day access control. Furthermore, the Company arranges health check and safety training for new recruits, offers health examination for employees on a regular basis, and provides on-site medical consultation and health education. Two occupational accident cases happened in the Company during	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
(4) Has the Company established effective competency development plans for its employees?	○		2021. Two employees, which account for 1.37% of total employees, accidentally fell during occupation. The days for medical treatment and recuperation were counted as occupational sickness leaves. Further knowledge on safety was promoted to employees. (4) To develop employees' job competency, the Company provides various internal and external professional training programs as well as opportunities for attending overseas training or international conferences. In addition, employees are also encouraged to attend diversified self-learning and development programs. In 2021, there were 339 attendances to attend related domestic courses including finance and reinsurance. The Company also organizes various internal professional training and encourages employees to acquire various professional certificates to improve their competitiveness.	None
(5) With regard to the customer healthy and safety, customer privacy, marketing and labeling of its products and services, has the Company followed relevant regulations and international standards? Has the Company established relevant	○		(5) The Company is a reinsurance company, and its main clients are domestic and foreign insurance companies. Even the Company has no direct contact with consumers, it operates in accordance with the Insurance Law, the Company Law, the Securities Exchange Law, the Personal Data Protection Law and others required by competent authorities and establishes relevant internal control mechanisms.	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
protection consumers' right policies and grievance procedures?			The Company also attaches great importance to information security and personal data protection and sets up a personal data protection team. In addition to the statements on privacy policy and personal data on the Company's website, it has formulated various information security operation manuals in accordance with ISO27001/CNS27001 and related regulations and introduced information security management system (ISMS), thoroughly implementing the protection of customer data. In addition, the Stakeholders section of the company's website also posts the company's “complaint and whistleblower operation procedures and complaint channels”. The specialized unit will promptly handle relevant complaints to ensure the protection of the rights of customers and relevant parties. Our business departments also have customer service windows to provide customers with immediate consultation and services.	
(6) Has the company formulated a supplier management policy that requires suppliers to follow relevant regulations in areas of environmental protection, occupational safety and health, or labor rights, etc., and monitor its implementation?	o		(6) The company and contractors are dedicated to fulfilling corporate social responsibility, promote sustainable development of the environment and protect basic human rights. The selection indicators of contractors include labor and human rights, health and safety, environmental protection and ethics. The supplier implements the specifications of the case, and requires the main	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			suppliers to follow the contract and other relevant specifications before and after signing the contract. The purchasing unit will also set individual evaluation standards according to the different types of procurement cases to ensure that suppliers meet the requirements. In addition, to strengthen the existing or new contractors’ concept of the rule of law and human rights, we have formulated the Supplier Management Regulations of the Central Reinsurance Corporation, Supplier CSR Self-Assessment Form, and Supplier Commitment for contractors to sign, thereby ensuring that they can comply with the regulations in the above four aspects during the performance of the contract, to effectively safeguard the quality of contract performance and relevant personnel’s rights and interests. In 2021, there’s no report about violation of human rights or labor issue of the company’s suppliers. In order to ensure that all contractors can understand the relevant regulations on safety, health and environmental protection in advance, the company will require contractors to select the person who is responsible for site safety and health coordination, supervision and prevention of hazards for new real estate installations and conversions matters. The company will also require contractors to survey the environment of construction site before the contract so that they are aware of the potential hazards of the workplace environment to facilitate their preparation of	

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			construction safety plans and environmental hazard prevention measures, and confirm that they can fully understand of the working environment and potential hazards of operations. In order to respond to global climate change and reduce the negative impact on the environment, the company has stipulated the "Key Points of the Central Reinsurance Energy Conservation and Carbon Reduction Measures." When purchasing energy equipment, suppliers are required to provide products which meet the relevant standard, and using green building materials for office repair project to strengthen suppliers' environmental maintenance responsibilities, and hope to work with suppliers to promote environmental protection and reduce environmental impact to achieve sustainable corporate environment.	
5. Has the Company prepared sustainability report or non-financial information disclosure in accordance with the international standards or guidelines? Did the Company obtain third-party verification for past reports?	○		The Company prepared the 2020 Corporate Social Responsibility Report in June 2021 as per the internationally accepted Global Reporting Initiative (GRI) Standards, which was reviewed by the British Standards Institution (BSI) in compliance with the AA1000 Assurance Standard, Type 1 moderate-level assurance. The information is disclosed in alignment with the AA1000 Account Ability Principles of materiality, inclusiveness, responsiveness, and impact and in conformity with the core option of the GRI Standards, while being assured by the BSI and published on the Company's website.	None

Promotion Item	Implementation Status (Note1)			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Explanation	
			http://www.centralre.com/content/information/information09.htm	
6. If the Company has established its own “Sustainable Development Principles” based on the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please explain the difference between the actual practices and the Principles. In August 2015, the Board of Directors approved the formulation of the Company's Corporate Social Responsibility Best Practice Principles and then approved the amendments to said principles in March 2020, January and March 2022, and such principles were renamed Sustainable Development Best Practice Principles, as per which we actively strive to achieve sustainable development. The actual operations are in alignment with the principles.				

Promotion Item	Implementation Status (Note1)		Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
7. Other important information which is helpful for understanding the Company’s sustainable development implementation status: (1) Appended below are the year of 2021 major implementation plan and achievements of the Company:			
The major implementation plan	Achievements		
Providing underwriting capacity to direct writing insurers	To meet the demand for coverage against climate change, environmental change and catastrophe events, the Company provides underwriting capacity to the market of direct insurers so that they can offer reliable life and non-life coverage, including earthquake, typhoon, flood, business interruption and personal accident insurance products, to the customers and consumers.		
Supporting the development and operation of insurance products initiated by the government	(1) In order to fulfill CSR and implement ESG, the Company has always participated in and provided underwriting capacity for insurance or measures initiated by the government, such as "Compulsory Automobile Liability Insurance", "Residential Earthquake Insurance" and green energy insurance. In future, within its risk appetite, the Company will continue to support the development of business initiated by the government. (2) During the pandemic period, the Company cooperated with the government's anti-pandemic measures to provide relevant relief application services. By taking into account our employees’ health and safety and supporting the industry and promoting economic development, the Company won the Award for Providing Relief Application Services by the Insurance Industry in Response to the Pandemic from the competent authority in November 2021.		
Actively participate in assisting the development of insurance market	The Company actively participates in 17 insurance-related organizations, such as the Non-life Insurance Association of the Republic of China, and pays attention to various issues related to the sound development of the industry all the time, while sponsoring the members’ conference of the Actuarial Institute of the Republic of China (Taiwan); 2021 AICT/CAS Joint Property/Casualty and Health Actuarial Seminar; the 2022 Economic and Insurance Development Forum and the International IFRS 17 Seminar held by the Taiwan Insurance Institute; and the 2021 SOA 11th Asia-Pacific Annual Symposium held by the Society of Actuaries (SOA), in the total amount of NT\$311,600, to support the development of the domestic insurance and the actuary industries.		

The major implementation plan	Achievements
Create opportunities for professional exchange within the insurance industry; contribute to the sound development of the insurance market	The Company provided five exclusive sessions of underwriting and claims training for clients, with a total attendance of 230 persons. Although the impact of COVID-19 has reduced the opportunities for face-to-face communication, the Company continued to provide information, such as domestic and foreign insurance market, reinsurance market and technology development, for clients through remote format.
Supporting public welfare and contributing to the society	(1) The Company sponsored the charity activities for the underprivileged: ➤ The “Love Elder Welcome Reunion” charity project held by Huashan Social Welfare Foundation – Donation: 100 New Year dishes baskets, worth NT\$100,000. ➤ “Indigenous Students After-School Support Program” held by Tainan Indigenous Peoples Sustainable Development Association – 52 students benefited, worth NT\$100,000. ➤ Kaohsiung Namasa Junior High School Remedial Teaching Dinner Subsidy Plan – 62 students benefited, worth NT\$100,000. ➤ Sponsorship for Angels with Broken Wings – 10 Students benefited, worth NT\$100,000. ➤ Remote Health Promotion Project for the Elderly in Remote Villages by the Digital Humanitarian Association: provides 33 health promotion classes at the Dabang Indigenous Tribal Culture and Health Station in Chiayi, worth NT\$99,000. ➤ “Lasting Nutrition Program” held by Hualien County Youth Academy of Christian Rehabilitation Fellowship – 20 persons benefited, worth NT\$100,000. ➤ Mennoite Christian Hospital – Vision care center: provides 10 vision screening service events for residents of rural areas in the east, 250 persons benefited, worth NT\$100,000. (2) 2021 Financial Service Industry Education Charity Fund: To motivate all students to study hard, we continued to raise funds and sponsored NT\$80,000 of scholarships with other financial institutions each year to give back to society. (3) The Company purchased 416 boxes of the Afternoon Tea Dim Sum Gift Box of the Down Syndrome Foundation R.O.C. for its clients. (4) The Company has hired visually impaired masseurs to provide services to employees, increasing job opportunities and stabilizing salaries for people with physical and mental disabilities.

The major implementation plan	Achievements
Implement strict risk control measures to safeguard the rights and interests of our customers and all interested parties	(1) Appropriate risk management helps to reduce the probability of incorrect business decision, minimize or avoid potential loss, in the meantime pursue optimized profit for the Company with acceptable risk. As a professional reinsurance service provider, the Company is devoted to supporting the insurance firms when accommodating the insurance requirements of the public against natural catastrophes and man-made disasters. An integrated risk management system is also important for the Company to cope with its overall operating risks and maintaining adequate solvency, thereby safeguarding the rights and interests of its customers and all interested. (2) In order to effectively plan supervise and implement the risk management affairs, the Company has established its Enterprise Risk Management Committee, which reports directly to the Board of Directors. The Committee is responsible to execute the risk management policies set forth by the Board of Directors and to provide regular reports thereto. A total of five committee meetings were held in this year. (3) In response to uncertain impact from COVID-19, the Company has launched its remote working and work from home procedures in May 2021 to ensure its normal operations. (4) The Company has introduced the international standard, ISO 22301: 2019 BCM, analyzed operational impact, identified risks, and assessed the likelihood and the impact of business interruption caused by risk events, while having established business continuity strategies and plans according to the overall tolerance of the business interruption risk, completed an information security incident drill plan, and optimized the business continuity management mechanism through the self-assessment and the third-party pre-assessment.
Communication with stakeholders	The communication situation and contents reported this year are as follows: (1) Competent authority: ➢ When we prepared the 2020 Corporate Social Responsibility Report in June 2021, it was certified through the third-party certification by the BSI we commissioned for the first time, which was in alignment with the timeline of the Green Finance Action Plan 2.0 launched by the competent authority and in compliance with Article 64, paragraph 4 of the Corporate Governance Best Practice Principles for the Insurance Industry. ➢ Disclosed the stewardship Report.

The major implementation plan	Achievements
	➤ Participated in 17 seminars organized by government, undertook more than 584 official letters from government, and completed more than 100 investigations into reports filed to the Taiwan Stock Exchange Corporation. (2) Shareholders and investors: ➤ The Company made 19 major announcements in Chinese and English and held 1 shareholders' meeting and 2 investor conferences. ➤ Annual report and monthly revenue were announced on the Company's website on time for shareholders and investors to read. (3) Employees: ➤ We amended the Company's Human Rights Policy to show our support for the Universal Declaration of Human Rights, honor the basic human rights recognized internationally, and ensure that our internal employees and stakeholders are treated fairly and humanely and respected. ➤ A total of 4 labor-management meetings were held, 6 resolutions were passed, and 63 major topics were announced on the Company's internal website. ➤ Since July 1, 2021, the Company has provided our employees with the sixth and seventh days of maternity leave to encourage childbirth, which is better than what is stipulated in law. (4) Clients: ➤ The Company held 5 seminars. Through mutual exchange opportunities, the Company was able to understand customer needs, meanwhile conveying business philosophy. (5) Suppliers:

The major implementation plan	Achievements
	➤ We formulated the Company's Supplier Management Guidelines, with the aims of enhancing corporate social responsibility with suppliers and leveraging the influence of the Company's procurement in the supply chain. ➤ Regularly disclosing or updating relevant information in regard to corporate governance and corporate social responsibility on official website, the Company continues to work with suppliers to comply with the commitment to fulfill corporate social responsibility. ➤ Prioritizing products with environmental protection and energy saving labels, the Company continues to work with suppliers for corporate sustainability.
Providing a safe and healthy working environment	(1) The Company is committed to accident prevention and environmental hygiene. An automatic air exchange system has been installed in the office area to ensure adequate fresh air intake and improve indoor air quality. (2) Routine inspections on water quality and carbon dioxide level are conducted twice a year. (3) Employee safety training and fire drills are organized on a yearly basis. (4) To provide its employees' health consultation services, the Company arranged on-site services for physicians twice a year and nurses twice a month. (5) To reduce the burden of employees on childcare, the Company signs with external childcare organizations to provide employees with childcare tuition reductions and exemptions. (6) Held the annual employee physical examination.

(2) With regard to the Company's other achievements in promoting sustainable development, please visit the "Corporate Sustainable" section of the Company's official website: <http://www.centralre.com/content/information/information09.htm>.

(3) Table: According to the promotion item 2, the Company assessed relevant risks of critical issues based on the principle of materiality for the sustainability report and formulated relevant risk management policies or strategies as per the risks assessed as follows

Material Issue	Risk	Risk Management Policy or Strategy
Environment (E)	Environmental protection and sustainable development	(1) The Company conducts surveys and counts greenhouse gas emissions, total water consumption, and total amount of waste every year (see the Company's sustainability report for details) and has formulated the Energy Conservation and Carbon Reduction Measures Implementation Guidelines of Central Re as a reference for all employees to follow. (2) The Company has incorporated climate change risk factors into our operational strategy planning and decision-making process, while having formulated the Climate related Financial Disclosures Policy with reference to the Guidelines on Climate-related Financial Disclosures of Insurance Companies to continuously optimize the relevant risk management mechanisms, and we will take countermeasures to mitigate and adapt to the impact of climate change on our operations. (3) We have formulated the Company's Supplier Management Guidelines with the aim of enhancing corporate social responsibility with suppliers and leveraging the influence of the Company's procurement in the supply chain, and we give priority to purchasing products with green energy labels to strive to achieve sustainable development with suppliers.
		(1) We amended the Company's Human Rights Policy to show our support for the Universal Declaration of Human Rights, honor the basic human rights recognized internationally, and ensure that our internal employees and stakeholders are treated fairly and humanely and respected. (2) The Company complies with the Labor Standards Act, the Act of Gender Equality in Employment, and other relevant labor laws and regulations and has formulated various regulations on human resources as per the regulations to realize equal employment environment and labor relations, protect all employees' labor rights and interests, and facilitate the positive labor-management relations.
Social (S)	Talent training, employee salary and benefits, and a healthy and friendly workplace	

Material Issue	Risk	Risk Management Policy or Strategy
Social (S)	Talent training, employee salary and benefits, and a healthy and friendly workplace	(3) We have set up the Remuneration Committee to regularly review the policies, systems, standards and structure of the management team's salary and compensation and evaluate the management team's salary and compensation on a regular basis. (4) We perform two regular performance evaluations every year to record our employees' performance. We also provide incentive measures, including annual promotion and salary adjustment, to outstanding employees as per the results of performance evaluations.
	Information security and personal data protection	(1) We have set up a personal data protection promotion team. (2) We have formulated the Personal Data Management Policy Statement, the Privacy Policy Statement, the Personal Data and Information Security Management Policy and Objectives, and the Personal Data File Security Maintenance Program and Personal Data Processing Method after Business Termination of Central Reinsurance Corporation.
	Product social responsibility, sustainable finance, and charity involvement	(1) We have formulated the Company's Sustainable Development Best Practice Principles and Sustainable Development Policy. (2) We disclose the implementation status and results in the sustainability report every year.
	Responsible investment	(1) Annual investment policy. (2) To follow the international sustainable development trends, the Company actively participates in the investment in sustainable-related targets, including green energy, environmental protection, electric vehicles, and green bonds, and guides funds to the investment in enterprises related to sustainable development at home and abroad.

Material Issue	Risk	Risk Management Policy or Strategy
Governance (G)	Corporate governance, ethical management, and economic performance	We have formulated the Corporate Governance Best Practice Principles, the Codes of Ethical Conduct, the Ethical Management Policy, the Ethical Corporate Management Best Practice Principles, and the Procedures for Ethical Management and Guidelines for Conduct.
	Risk management	(1) We have set up the Risk Management Committee under the Board of Directors to implement corporate governance and strengthen our risk management system. (2) We have formulated the Risk Management Policy, the Risk Management Operating Procedures, and the Risk Management Mechanism. (3) We have introduced the international standard, ISO 22301: 2019 BCM, in 2021, analyzed development and operational impact, identified risks, and assessed the likelihood and the impact of business interruption caused by risk events, while having established business continuity strategies and plans, completed an information security incident drill plan, and optimized the business continuity management mechanism through the self-assessment and the third-party pre-assessment.
		(1) We have established a governance organization and implemented an internal control mechanism, to ensure that all personnel and operations at the Company are in compliance with relevant laws and regulations. (2) We develop the Company's annual compliance plan. (3) We have formulated a compliance system and amend it as per laws and regulations at any time.

Note: 1. If “Implementation Status” is “Yes”, please explain adopted policies, strategies, measures and status. If “Implementation Status” is “No”, please explain reasons and future policies and measures to be taken.

2. Materiality principle refers to the significant influence of environmental, social and governance on investors and other interested parties.

3. For disclosure methods, please refer to examples on the website of Corporate Governance Center of the Taiwan Stock Exchange.

3.3.7 Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
1. Establish the ethical corporate management policy and programs (1) Has the company established the ethical corporate management policy which have been approved by the Board of Directors and declared its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	○		(1) The “Ethical Management Policy” of the Company have been reviewed by its Audit Committee, approved by the Board of Directors and reported to the shareholders on August 7th, 2019. The Company has disclosed the Policy on its website in accordance with the regulations. The contents of the Principles include the policies for ethical corporate management, relevant measures and the preventive programs against unethical behaviors. All personnel of the Company are required to observe these principles, including the directors, managers, employees and individuals with actual control power.	None
(2) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established	○		(2) In accordance with Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, the Company has established the risk assessment mechanism against unethical conduct. Focusing on business activities carrying a higher risk of being involved in an unethical conducts. According to the results of the company's 2021 risk assessment	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
prevention programs accordingly which the assessment mechanism should be prescribed in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”? (3) Has the Company described the procedures, code of conducts, disciplinary rules and appeal systems against violations in the programs of	○		mechanism, the risk levels of dishonesty behaviors within the business scope were all below 2, and the probability of occurrence was low or extremely low. Also, there were no incidents of wrongdoing or corruption. In addition, relevant departments have formulated relevant internal control systems, including "Investment Risk Management Operational Guidelines ", " Regulations Governing Donations", "Guidelines for Entertainment Expenses Reimbursement ", "Personnel Administration Procedures" and other requirements, and the endorsement of "Stewardship Principles for Institutional Investors" has been accomplished to prevent company's personnel from offering bribes and receiving bribes, providing illegal political donations, made improper donations to non-interested parties, providing or accepting unreasonable or other improper benefits, and engaging in unfair competition, violating trade secret and so on. (3) To carry out the policies for ethical corporate management, the Company has made great efforts in preventing dishonest behaviors. Through its “Procedures for Ethical Corporate Management and Guidelines for Conduct”, the Company has	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
forestall unethical conduct? Have these been practically implemented and reviewed on a regular basis?			provided specific rules for its employees, regarding of the important matters when executing business as well as the disciplinary and grievance systems against dishonest behaviors.	
2. Carry out Ethical Corporate Management				
(1) Has the Company checked the creditworthiness record of its counterparties and included a specific ethical conduct clause in its contracts with the counterparties?	○		(1) Central Re adheres to its “Principles for Ethical Corporate Management” and ensures all commercial activities are conducted with fairness and transparency. Before establishing any business relationship with its distributors, suppliers, customers or transaction counterparties, the Company always examines the legality and integrity of such activities and avoids dealing with those involved in dishonest behaviors. The Company has included an ethical corporate management clause in the contracts signed with its distributors, suppliers, customers or other business counterparties. The Company would claim to terminate or rescind the contract whenever the counterparty is involved in dishonest conducts.	None
(2) Has the Company established a full-time business unit to facilitate matters on ethical corporate management, which is subordinate to	○		(2) The Human Resources Department of the Supervisory Division shall be the dedicated business unit to facilitate ethical corporate management, and shall regularly report the implementation	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
the Board of Directors and provides regular updates thereto (at least once a year)?			status to the Board of Directors each year. In 2021, the implementation status has been reported to the Board of Directors on December 22, 2021. The Auditing Division shall be responsible to audit and evaluate whether the preventive measures established for ethical corporate management have been effectively implemented. The Auditing Division shall also review the compliance status on relevant business operations on a regular basis.	
(3) Has the Company established the policies to prevent conflict of interests and provided appropriate communication channels? Have these policies/measures been implemented in full?	○		(3) With regard to the transactions with interested parties, the Company has provided specific mechanisms and procedures in its “Policies and Procedures for Conducting Non-loan Transactions with Interested parties” and “Internal Procedural Guidelines for Conducting Non-loan Transactions with Interested parties”. It is stipulated in the “Regulations Governing Procedures for Board of Directors’ Meetings” of the Company that, if any director, manager or other interested party attending the meeting has a stake with any agenda item, the person shall state the important aspects of the interested party relationship at the respective meeting. The person may not participate in the	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
			discussion or voting process, and further, shall enter recusal during the discussion and voting. To enhance the management of financial transactions between the company and its affiliated enterprises and avoid non-arm’s length transactions or improper transfer of interests, the Company has established the “Procedural Guidelines Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises and Firewall Mechanisms” (hereinafter the mechanisms). This year, in accordance with Article 16 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” and Article 206 of the “Company Act”, the Company has amended Article 13 of the mechanisms which has been approved by the Audit Committee and the Board meeting on December 23, 2020.	
(4) Has the Company built up effective accounting and internal control systems to ensure ethical corporate management? Has the internal audit units shall, based on the results of	○		(4) The Company has established its accounting, internal control and audit systems based on the “Regulations Governing the Preparation of Financial and Operational Reports by Insurance Enterprises” and “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises”.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs or outsourced CPAs to carry out the audit?			The Human Resources Department of the Supervisory Division will regularly report the implementation status of ethical management and the result of risk assessment of dishonest behavior to the Board of Directors each year. According to the results above, the Company’s Auditing Division will prepare the audit plans on an annual basis and will execute it. The audit report based on the audit results will be submitted to the Board of Directors in the end. Based on Article 26 of the “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises”, the Company should also appoint the accountant to conduct the audit of on its internal control system every year, while the accountant audit and certify the Company’s financial report. The results of the company’s 2021 risk assessment mechanism had been provided to the Company’s Auditing Division.	
(5) Does the Company provide internal or external training on ethical corporate management on a regular basis?	○		(5) The Company has disclosed on its official website the “Ethical Management Policy”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Corporate Management and Guidelines for Conduct” of the Company to	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
			notify employee. Related trainings are provided each year to eliminate dishonest behaviors. On November 2021, the Company had held the training to promote the importance of ethical corporate management and staff confidentiality. The training includes prevention of bribery, improper interests and unfair competition, infringement of business secrets, insider trading, etc. A total 131 employees have attended the training. On a monthly basis, the Legal and Compliance Department of the Company will consolidate the cases involving violation of the Principles. Such cases will be reported in the operation and management meeting and notified to all departments to alert the employees from time to time.	
3. Implementation of Whistle-blowing System within the Company (1) Has the Company established specific whistle-blowing and award systems? Does it provide convenient whistle-blowing channels and, based on the status of the reported party, appointed suitable and dedicated	○		(1) The Company has amended its “Whistle-blowing Procedures” which have been reviewed by its Audit Committee and approved by the Board of Directors on December 26, 2018. Mainly, the Procedures provide clear guidelines about the designated unit to receive whistleblowing, the channels for reporting, the types and procedures of whistleblowing, measures to protect the	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Illustration	
personnel to handle the case? (2) Has the Company established the standard operating procedures for investigating the reported case, follow-up measures after investigating, as well as relevant confidentiality mechanisms? (3) Has the Company adopted measures to protect the whistle-blower against any inadequate treatment caused thereby?	○ ○		whistleblowers thereto. (2) It is specifically stipulated the whistle-blowing processes and protective measures in the “Whistle-blowing Procedures” of the Company. The follow-up measures after the completion of the investigation include reviewing the relevant internal control systems and operating procedures, proposing improvement measures, and reporting to the Board of Directors. If it is found by investigation to be a major incident or illegal case, the Company will take the initiative to notify or inform the relevant authorities. The procedures also guarantee the confidentiality of the identity of whistle-blowers and the content of reported cases. (3) Through the Whistleblowing Procedures, the Company also undertakes to protect whistleblowers from inappropriate disciplinary actions.	None None

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. Strengthen Information Disclosure Has the Company announced on its website and the Market Observation Post System its Principles for Ethical Corporate Management and its achievements in implementing the Principles?	○	The Company’s “Ethical Management Policy”, “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Corporate Management and Guidelines for Conduct” have been disclosed on the official website of the Company and the Market Observation Post System. The implementation status for the year has been disclosed on the official website of the Company, the Market Observation Post System and the annual report.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. (1) The Company has established its Ethical Corporate Management Best Practice Principles based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”. This Principle has been reviewed by its Audit Committee and approved by the Board of Directors. (2) No discrepancy has found between the policies and the implementation.			
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). In accordance with the specifications, the Company’s “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” were amended to incorporate anti-corruption-related regulations to strengthen the company’s ethical management corporate culture and improve the company’s development.			

Note1: Explanation should be provided in the field of “Brief Illustration” regardless whether the answer to “Implementation Status” is “Yes” or “No”.

3.3.8 If the company has established "corporate governance best-practice principles" or related guidelines, references to such principles must be disclosed:

The Company's Articles of Incorporation, Rules for Procedure of The Shareholders' Meeting, Meeting Rules of Order of the Board of Directors, Corporate Governance Principles, Ethical Corporate Management Best Practice Principles, Codes of Ethical Conduct, Procedures for Handling Material Inside Information, and so on are disclosed on the Market Observation Post System (<http://mops.twse.com.tw>) and the Company's website (<http://www.centralre.com>) for reference by shareholders and other interested parties.

3.3.9 Important information in understanding corporate governance management:

1. The Company sets up a corporate governance section, investor section, corporate sustainability section, and interested party section on the company's website to disclose the Company's organizational structure, finance, business, credit rating, and important information for reference by shareholders and other interested parties.
2. The Company was ranked in the range of top 6% ~ 20% of all selected listed companies in the 1st to 8th Corporate Governance Evaluation, which demonstrates the excellent performance of the Company in corporate governance implementation.
3. In accordance with the letter from the Insurance Bureau of the Financial Regulatory Commission: The insurance enterprises shall provide the full-year and half-year checklist for articles with "shall" of the Corporate Governance Best Practice Principles for Insurance Enterprises before every February and August starting from 2015. When providing the full-year checklist, the supporting information and the Regulatory Compliance Statement shall be submitted at the same time. Starting from 2020, the relevant activities related to the review on the checklist for articles with "shall" of the Corporate Governance Best Practice Principles for Insurance Enterprises shall be self-regulated and monitored by each unit.

3.3.10 Disclosures relating to the execution of internal control system:

1. Internal Control System Statement (please refer to page 268 to 270).
2. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed (please refer to page 272 to 273).

According to Article 26 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises: “If the annual financial report of an insurance enterprise is audited and certified by an accountant, the enterprise should also appoint the accountant to conduct an audit on its internal control system.”, and the Company is in the insurance industry, the accountant is requested to audit the internal control system.

- 3.3.11 In the most recent year and up to the publication date of this annual report, if there were penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, that may significantly impact shareholders' interest or security price; should describe details of the penalty, major faults and relevant correction actions: None.

3.3.12 Material Resolutions of Shareholders' Meeting and Board of Directors Meeting

1. Major Resolutions of Shareholders' Meeting

Date	Major Resolutions	Execution
Jul 15, 2021	To approve 2020 earnings distribution: Cash dividends to common shareholders is NTD 1.3 per share with total NTD 767,505,375.	(1) The Board of Directors resolved Aug 8, 2021 as the ex-dividend date and Aug 24, 2021 as the payment date for the cash dividend distribution. (2) The cash dividend was distributed on Aug 24, 2021.
	To amend the "Rules for Procedure of the Shareholders' Meeting".	The related actions have been executed in accordance with the resolution.
	By-election of 1 independent director	The independent director of this by-election has been approved and registered with the letter No. Financial-Supervisory-Insurance-1100142674 by Insurance Bureau of Financial Supervisory Commission, R.O.C. The new independent director has performed business in accordance with the Company's articles of incorporation and relevant laws and regulations.

2. Material Resolutions of Board of Directors, Audit Committee and Remuneration Committee:

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
Feb. 3, 2021 (The 7 th Meeting of the 18 th Board of Directors)	1. To approve the audit report of financial derivative transactions in the fourth quarter of 2020. 2. To amend the internal Control and Auditing System. 3. To amend the “Corporate Governance Best Practice Principles”. 4. To amend the 2021 Annual audit plan. <u>Recusal of Directors and voting situation of Board of Directors</u> ● To maintain the independence of the internal audit, Director Cheng, Ching-Fen, who is also the president of the Company, recused herself from the discussion and resolution of the proposal. ● Except for director who recused herself from the discussion and resolution, all 7 attendances agreed and approved the proposal. 5. To amend the “Regulations Governing the Board Performance Evaluation”. 6. To approve the 2020 year-end bonus to managers. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Director Cheng, Ching-Fen has direct personal interest conflicts to the proposal. ● Except for director who recused herself from the discussion and resolution, all 7 attendances agreed and approved the proposal. 7. To approve the 2020 year-end bonus to the Chairman. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Chairman Yang, Cheng-Tui has direct personal interest conflicts to the proposal.	Feb. 3, 2021 The 1st meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
		Feb. 3, 2021 The 1st meeting of Remuneration Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	● Except for directors who recused himself from the discussion and resolution, all 7 attendances agreed and approved the proposal. 8. To approve the Risk Appetite and Risk Tolerance of 2021. 9. To amend the "Risk Management Committee Charter". 10. To amend "Meeting Rules of order of the Board of Directors". 11. To amend "Standard Operating Procedures for Handling Requests Made by Directors". 12. To change the Corporate Governance Officer of the Company. 13. To appoint a new Remuneration Committee member. 14. To make proposal on 2021 Annual General Shareholders' Meeting to by-elect one independent director. 15. To convene the 2021 Annual General Shareholders' Meeting.	—	—
Mar. 18, 2021 (The 8 th Meeting of the 18 th Board of Directors)	1. To approve the Business Report of the year 2020. 2. To approve the Financial Report of the year 2020. 3. To approve the distribution of earnings of the year 2020. 4. To approve the International Financial Reporting Standards No. 17 "Insurance Contracts" adjustment schedule. 5. To approve the 2020 Internal Control Statement. 6. To amend the "Risk Management Policies". 7. To amend the "Risk Management Operational Procedure". 8. To approve the Internal Control Statement of Anti-Money Laundering and Countering the Financing of Terrorism. 9. To approve the Information Security Overall Implementation Statement of	Mar. 18, 2021 The 2nd meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	2020.		
	10. To amend the Internal Control and Auditing System.		
	11. To approve the 2020 Employees' Compensation. 12. To approve the 2020 Directors' Remuneration.	Mar. 18, 2021 The 2 nd meeting of Remuneration Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
	13. To amend the "Rules and Procedures of Shareholders' meeting". 14. To make proposal on 2021 Annual General Shareholders' Meeting to release restrictions of competitive activities of the newly elected independent director. 15. To amend the agenda of the 2021 Annual General Shareholder's Meeting.	—	—
	1. To approve the newly elected independent director's remuneration and transportation allowance for attending the meetings of the functional committees.	Apr. 14, 2021 The 3 rd meeting of Remuneration Committee in 2021 1. Approved unanimously by all members.	None
Apr 14, 2021 (The 9 th Meeting of the 18 th Board of Directors)			

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
		2. Objection, reservation or qualified opinion expressed by independent directors: None.	
	2. To review the independent director candidate nominated by the Company's shareholder. 3. To appoint a member of the 4 th Remuneration Committee. 1. To amend the Internal Control and Auditing System. 2. To approve the audit report of financial derivative transactions in the first quarter of 2021. 3. To amend the "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism" and "Standard Operating Procedures of Regulatory Compliance for Anti-Money Laundering and Countering the Financing of Terrorism".	May 5, 2021 The 3 rd meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	—
May 5, 2021 (The 10 th Meeting of the 18 th Board of Directors)	1. To approve postponement of 2021 Annual General Shareholders' Meeting. 2. To transfer the company's real estate for investment to self-use real estate.	—	—

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
Aug. 11, 2021 (The 12 th Meeting of the 18 th Board of Directors)	1. To approve the Financial Report of the first half of 2021. 2. To amend the "Corporate Governance Best Practice Principles". 3. To amend the Internal Control and Auditing System. 4. To approve the audit report of financial derivative transactions in the second quarter of 2021.	Aug. 11, 2021 The 4th meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
	5. To approve the personnel promotion and adjust the units supervised by the Executive Vice Presidents. 6. To approve the president's remuneration. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Director Cheng, Ching-Fen, who is also the president of the Company, has direct personal interest conflicts to the proposal. ● Except for the director who recused herself from the discussion and resolution, all 8 attendances agreed and approved the proposal.	Aug. 11, 2021 The 4th meeting of Remuneration Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
	7. To approve Own Risk and Solvency Assessment Report of 2021.		

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	8. To appoint the Convener of the Risk Management Committee. 9. To amend "Human Rights Policy of Central Reinsurance Corp." 10. To transfer the Company's real estate investment to self-use real estate.	—	—
Nov. 3, 2021 (The 13 th Meeting of the 18 th Board of Directors)	1. To amend the Internal Control and Auditing System. 2. To approve the audit report of financial derivative transactions in the third quarter of 2021. 3. To amend the Working Rules of the Company.	Nov. 3, 2021 The 5 th meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
Dec. 22, 2021 (The 14 th Meeting of the 18 th Board of Directors)	1. To approve the evaluation result of IFRS 17 software vendor selection and system introduction plan. 2. To appoint the Company's Certified Public Accountants and approve the remuneration of the year 2022. 3. To establish the "operating procedures for real estate investment and management" and amend Internal Control and Auditing System. 4. To amend the "Risk Management Policy". 5. To amend "Risk Management Policies and Procedures for Anti-Money Laundering and Countering the Financing of Terrorism" and "Anti-Money	Dec. 22, 2021 The 6 th meeting of Audit Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors:	None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	Laundering and Countering the Financing of Terrorism Programs”. 6. To establish the “Policy and Objectives of Business Continuity Management”. 7. To approve Annual Regulatory Compliance Plan of 2022. 8. To approve the 2022 Annual Audit Plan. <u>Recusal of Directors and voting situation of Board of Directors</u> ● To maintain the independence of the internal audit, Director Cheng, Ching-Fen, who is also the president of the Company, recused herself from the discussion and resolution of the proposal. ● Except for the director who recused herself from the discussion and resolution, all 8 attendances agreed and approved the proposal.	None.	
	9. To amend the Employee's Salary Scale.	Dec. 22, 2021 The 5th meeting of Remuneration Committee in 2021 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
	10. To approve the business adjustment of Offshore Insurance Branch of the Company.	—	—

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	11. To approve 2022 Annual Business Plan and Budget. 12. To approve the 2022 Investment Policy. 13. To approve the Risk Appetite and Risk Tolerance of 2022. 14. To amend the "Risk Management Committee Charter".		
Jan. 19, 2022 (The 15 th Meeting of the 18 th Board of Directors)	1. To change the name of "Corporate Social Responsibility Policy" & "Corporate Social Responsibility Best Practice Principles" to "Sustainable Development Policy" & "Sustainable Development Principles" and amend related articles thereof. 2. To amend the Internal Control and Auditing System. 3. To amend relevant rules of the Company to comply with the amendment of the "Regulation Governing Qualification Requirement for Responsible Person of Insurance Enterprise". 4. To amend the "Security Maintenance Plan of Personal Data File and Personal Data Processing Method after Business Termination". 5. To approve the 2021 year-end bonus to managers. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Director Cheng, Ching-Fen, who is also the president of the Company, has direct personal interest conflicts to the proposal. ● Except for the director who recused herself from the discussion and resolution, all 8 attendances agreed and approved the proposal. 6. To approve 2022 remuneration for managers. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Director Cheng, Ching-Fen, who is also the president of the Company, has	Jan. 19, 2022 The 1 st meeting of Audit Committee in 2022 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	None
		Jan. 19, 2022 The 1 st meeting of Remuneration Committee in 2022 1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by	None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	direct personal interest conflicts to the proposal. ● Except for the director who recused herself from the discussion and resolution, all 8 attendances agreed and approved the proposal. 7. To approve the 2021 year-end bonus to the chairman. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Chairman Yang, Cheng-Tui has direct personal interest conflicts to the proposal. ● Except for the director who recused himself from the discussion and resolution, all 8 attendances agreed and approved the proposal. 8. To approve 2022 remuneration for the Chairman's compensation. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Chairman Yang, Cheng-Tui has direct personal interest conflicts to the proposal. ● Except for the director who recused himself from the discussion and resolution, all 8 attendances agreed and approved the proposal. 9. To convene the 2022 Annual General Shareholders' Meeting.	independent directors: None.	
Mar. 17, 2022 (The 16th Meeting of the 18th Board of Directors)	1. To approve the Business Report of the year 2021. 2. To approve the Financial Report of the year 2021. 3. To approve the distribution of earnings of the year 2021. 4. To amend the "Procedures for Use of the Company's funds in Special Projects, Public Utilities and Social Welfare Enterprises". 5. To amend the "Procedures for Acquiring and Disposing of Assets".	Mar. 17, 2022 The 2nd meeting of Audit Committee in 2022 1. Approved unanimously by all members. 2. Objection, reservation	— None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	6. To amend the “Directions for preventing conflict of interest of personnel related to domestic equity commodity investment” and “Procedures for Fund Utilization Operation”. 7. To approve the “Measures for Strengthening Investment Supervision in Mainland China and Hong Kong”. 8. To approve signing IFRS 17 software agreement with Willis Towers Watson. 9. To amend the “Sustainable Development Principles”. 10. To amend the “Risk Management Policies” and “Risk Management Operational Procedures”. 11. To establish the “Climate-Related Risk Financial Disclosure Policy”. 12. To amend the “Own Risk and Solvency Assessment Policy”. 13. To amend the “Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism”. 14. To approve the Internal Control Statement of Anti-Money Laundering and Countering the Financing of Terrorism. 15. To approve the 2021 Internal Control Statement. 16. To approve the audit report of financial derivative transactions in the fourth quarter of 2021. 17. To amend the Internal Control and Auditing System. 18. To amend the “Regulations of payment for Managers”. 19. To approve the 2021 Employees' Compensation. <u>Recusal of Directors and voting situation of Board of Directors</u> ● Director Cheng, Ching-Fen, who is also the president of the Company, has	or qualified opinion expressed by independent directors: None.	None

The Board of Directors Meeting Date & Session	Major Proposals	Date, Session, Opinion of Independent Directors & Resolution of Audit Committee or Remuneration Committee	The Company's response to the opinions of Audit Committee or Remuneration Committee
	direct personal interest conflicts to the proposal. ● Except for the director who recused herself from the discussion and resolution, all 8 attendances agreed and approved the proposal. 20. To approve the 2021 Directors' Remuneration.	1. Approved unanimously by all members. 2. Objection, reservation or qualified opinion expressed by independent directors: None.	
	21. To amend the "Articles of Incorporation". 22. To establish the "Sustainable Development Committee Charter". 23. To appoint Ms. Cheng, Ching-Fen as the convener of the Sustainable Development Committee. 24. To amend the "Risk Management Committee Charter". 25. To amend Working Rules of the Company. 26. To amend the agenda of the 2022 Annual General Shareholders' Meeting.	—	—

3.3.13 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.14 Resignation or Dismissal of the company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit, Chief Corporate Governance Officer and R&D:

Title	Name	Appointment Date	Dismissal Date	Reasons
Corporate Governance Officer	Hsu, Tzu-Cheng	2019.06.12	2021.03.01	Adjustment on the authority of division

3.4 Information on CPA Professional Fees

3.4.1 The amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services.

NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Pricewaterhouse Coopers, Taiwan	Chen, Hsien-I	2021/01/01 ~ 2021/12/31	4,572	15,889	20,461	Non-audit fees include Non-supervisory employee salary inspection expenses, tax certification fees, and IFRS 17 project import consulting service fees.
	Lee, Hsiu-Ling					
	Chen, Li-Yuan					

3.4.2 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

3.4.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

3.5 Replacement of CPA

3.5.1 Regarding the former CPA

Replacement Date	December 18, 2019 (Date of the Board of Directors Resolution)		
Replacement reasons and explanations	Due to internal adjustments of PwC Taiwan.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Note	Note
	No longer accepted (continued) appointment	Note	Note
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

Note: Due to internal adjustments of PwC Taiwan, the CPAs of the Company were changed beginning 1st Quarter, 2020.

3.5.2 Regarding the successor CPA

Name of accounting firm	PricewaterhouseCoopers, Taiwan
Name of CPA	Chen, Hsien-I and Lee, Hsiu-Ling
Date of appointment	Note
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Note: Due to internal adjustments of PwC Taiwan, the CPAs of the Company were changed beginning 1st Quarter, 2020.

3.5.3 Reply of the Previous Accountant: None.

3.6 The company's chairman, president, or any managerial officer in charge of finance or accounting matters has held a position at its CPA's accounting firm or at an affiliated enterprise in the most recent year

None.

3.7 Changes in Shareholding of Directors, Managers and Major Shareholders and Information of Stock Transfer or Stock Pledge

3.7.1 Changes in Shareholding of Directors, Managers and Major Shareholders

Title (Note 1)	Name	2021		As of March 29, 2022	
		Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged	Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged
Chairman	Evergreen International Corp.	0	0	0	0
	Representative: Yang, Cheng-Tui	30,000	0	0	0
Independent Director	Chou, Yu-Cheng	0	0	0	0
Independent Director	Chang, Bing-Huang	0	0	0	0
Independent Director	Liu, Wei (Note 3)	0	0	0	0
Director	Ministry of Finance, R.O.C.	0 (26,467,000)	0	0 (10,190,000)	0
	Representative: Lee, Yi-Fen	0	0	0	0
	Representative: Chen, Kuan-Pao	0	0	0	0
Director	Evergreen International Corp.	0	0	0	0
	Representative: Tai, Jin-Chyuan	0	0	0	0
Director	Representative: Cheng, Ching-Fen	0	0	0	0

Title (Note 1)	Name	2021		As of March 29, 2022	
		Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged	Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged
Director	Evergreen Marine Corp. (Taiwan) Ltd.	0	0	0	0
	Representative: Wu, Kuang-Hui	0	0	0	0
President	Cheng, Ching-Fen	0	0	0	0
Major Shareholder	Ministry of Finance, R.O.C.	0 (26,467,000)	0	0 (10,190,000)	0
Major Shareholder	Evergreen International Corp.	0	0	0	0
Chief Auditor (Executive Vice President)	Lin, Cheng-Yen	0	0	0	0
Executive Vice President	Chung, Chih-Hung	0	0	0	0
Executive Vice President (Financial Officer)	Chang, Yung-Ning	0	0	0	0
Appointed Actuary (Executive Vice President)	Lin, Yu-Te	0	0	0	0
Deputy Senior Vice President	Hsu, Tzu-Cheng	0	0	0	0
Deputy Senior Vice President	Wang, Cheng-Sung	0	0	0	0
Deputy Senior Vice President (Accounting Officer)	Liao, Min-Ju	0	0	0	0
Deputy Senior Vice President	Wang, Jui-Ching	0	0	0	0
Deputy Senior Vice President	Liao, Chieh-Chun	0	0	0	0
Deputy Senior Vice President	Wang, Mei-Erh	0	0	0	0
Chief Investment Officer	Chiang, I-Chin (Note 4)	0	0	0	0

Note 1: The major shareholders that holds more than 10% shares of the Company should be disclosed separately.

Note 2: If the shares were traded with related parties, the information on share transfers and pledge changes should be disclosed.

Note 3: Appointed on 2021.07.15.

Note 4: Appointed on 2021.10.15.

3.7.2 Information of Stock Transfer: None.

3.7.3 Information of Stock Pledged: None.

3.8 Relationship among the Top Ten Shareholders

Name (Note 1)	Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Evergreen International Corp.	207,419,251	35.13	-		0	0	Evergreen International Storage & Transport Corp.	Evergreen International Corp. designates representative to serve as the director of Evergreen International Storage & Transport Corp.	-
							Evergreen Marine Corp. (Taiwan) Ltd.	Major shareholder of Evergreen International Corp. reinvests the company	
							EVA Airways Corp.	Evergreen International Corp. designates representative to serve as the director of EVA Airways Corp.	
Representative: vacancy	-	-	-	-	-	-	-	-	-
Ministry of Finance, R.O.C.	82,895,773	14.04	-	-	0	0	-	-	-
Evergreen International Storage & Transport Corp.	50,353,414	8.53	-		0	0	Evergreen International Corp.	Evergreen International Corp. designates representative to serve as the director of Evergreen International Storage & Transport Corp.	-
							Evergreen Marine Corp. (Taiwan) Ltd.	Invested Company evaluated by equity method of Evergreen Marine Corp. (Taiwan) Ltd.	

Name (Note 1)	Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Representative: Chen, Yih-Jong							EVA Airways Corp.	Major corporate shareholder of Evergreen International Storage & Transport Corp. reinvests the company	
							Chang, Yen-I	Director of Evergreen International Storage & Transport Corp.	
	0	0	0		0	0	-	-	-
Evergreen Marine Corp. (Taiwan) Ltd.	49,866,466	8.45	-		0	0	Evergreen International Corp.	Major shareholders of Evergreen Marine Corp. (Taiwan) Ltd. reinvest the company	-
							Evergreen International Storage & Transport Corp.	Invested Company evaluated by equity method of Evergreen Marine Corp. (Taiwan) Ltd.	
							EVA Airways Corp.	Invested Company evaluated by equity method of Evergreen Marine Corp. (Taiwan) Ltd.	
Representative: Chang, Yen-I	0	0	0	0	0	0	Evergreen International Storage & Transport Corp.	Director of Evergreen International Storage & Transport Corp.	-
EVA Airways Corp.	28,630,008	4.85	-		0	0	Evergreen International Corp.	Evergreen International Corp. designates representative to serve as the director of EVA Airways Corp.	-
							Evergreen International Storage & Transport Corp.	Major corporate shareholder of EVA Airways Corp. reinvests the company	
							Evergreen Marine Corp. (Taiwan) Ltd.	Invested Company evaluated by equity method of Evergreen Marine Corp. (Taiwan) Ltd.	

Name (Note 1)	Present Shareholdings		Shares Held by Spouses & Dependents		Shares Held by Third Parties		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Representative: Lin, Bou-Shiu							Hsiang-Li Investment Corp.	EVA Airways Corp. is the parent company of Hsiang-Li Investment Corp.	
	0	0	0	0	0	0	Hsiang-Li Investment Corp.	Chairman of Hsiang-Li Investment Corp.	-
Chang, Kuo-Cheng	6,868,993	1.16	0	0	0	0	-	-	-
RD Capital Co., Ltd.	3,500,000	0.59	-		0	0	-	-	-
Representative: Kuo, Mei-e	0	0	0	0	0	0	-	-	-
Bank SinoPac Ltd.	2,870,000	0.49	-	0	0	-	-	-	-
Representative: Chen, Chia-Hsien	0	0	0	0	0	0	-	-	-
Hsiang-Li Investment Corp.	2,740,542	0.46	-		0	0	EVA Airways Corp.	EVA Airways Corp. is the parent company of Hsiang-Li Investment Corp.	-
Representative: Lin, Bou-Shiu	0	0	0	0	0	0	EVA Airways Corp.	Chairman of EVA Airways Corp.	-
Lee, Zi-Wei	2,241,045	0.38	0	0	0	0	-	-	-

Note1: All the top 10 shareholders should be disclosed. If any of them is an institute shareholder, the name of the institute and its representatives should be disclosed separately.

Note2: Shareholding percentage is calculated by the shares owned by the shareholders himself/ herself, spouse and dependents or by third parties separately.

Note3: The relationship of the shareholders (including institute and natural person) should be disclosed according to Regulations Governing Information to be published in Annual Reports of Public Companies.

3.9 The total number of shares and total equity stake held in any single enterprise by the company, its directors, managerial officers, and any companies controlled either directly or indirectly by the company

None.

4. CAPITAL OVERVIEW

4.1 Capital and Shares

4.1.1 Source of Capital Stock

thousand shares / NT\$ thousands

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash
08/2007	10	600,000	6,000,000	525,000	5,250,000	Capitalization of retained earnings 250,000	None
08/2008	10	600,000	6,000,000	551,250	5,512,500	Capitalization of retained earnings 262,500	None
07/2013	10	600,000	6,000,000	562,275	5,622,750	Capitalization of retained earnings 110,250	None
07/2018	10	600,000	6,000,000	590,389	5,903,888	Capitalization of retained earnings 281,138	None

Note 1: Information is presented up till the publication date of this annual report.

Note 2: Date and document reference of effected (approved) incremental capital have been presented.

Note 3: Shares issued at prices lower than face value have been labeled in a visible manner.

Note 4: In-kind capital payments such as monetary debt and technology are described separately with details on the types and amounts of contribution provided.

Note 5: Private placements have been highlighted in a visible manner

Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	590,388,750	9,611,250	600,000,000	Based on Total Shares Outstanding as of March 29, 2022

Information relevant to the aggregate reporting policy : None.

4.1.2 Shareholders Structure

As of March 29, 2022
(Shareholders' meeting book closure date)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	6	72	20,369	61	20,509
Shareholding (shares)	82,895,773	3,388,335	354,725,433	137,886,445	11,492,764	590,388,750
Percentage	14.04%	0.57%	60.08%	23.36%	1.95%	100.00%
Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Mainland investors' holding interests. A Mainland investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.						

4.1.3 Diffusion of Ownership and List of Principal Shareholders

Diffusion of Ownership (Common Shares)

As of March 29, 2022
(Shareholders' meeting book closure date)

Range of Shareholdings	Number of Shareholders	Number of Shares	Holding (%)
1 - 999	3,800	557,085	0.09
1,000 - 5,000	12,485	26,391,391	4.46
5,001 - 10,000	2,011	15,915,448	2.70
10,001 - 15,000	747	9,288,817	1.57
15,001 - 20,000	398	7,301,899	1.24
20,001 - 30,000	387	9,681,507	1.64
30,001 - 40,000	153	5,369,102	0.91
40,001 - 50,000	126	5,829,843	0.99
50,001 - 100,000	211	14,987,150	2.54
100,001 - 200,000	107	14,911,261	2.53
200,001 - 400,000	45	13,200,311	2.24
400,001 - 600,000	9	4,460,233	0.76
600,001 - 800,000	3	2,055,311	0.35
800,001 - 1,000,000	5	4,522,848	0.77
1,000,001 and above	22	455,916,544	77.21
Total	20,509	590,388,750	100.00

※ Preferred shares: None.

4.1.4 List of Principal Shareholders

As of March 29, 2022
(Shareholders' meeting book closure date)

Entity	Shareholding	Number of Shares	Holding (%)
Evergreen International Corp.		207,419,251	35.13
Ministry of Finance, R.O.C.		82,895,773	14.04
Evergreen International Storage & Transport Corp.		50,353,414	8.53
Evergreen Marine Corp. (Taiwan) Ltd.		49,866,466	8.45
EVA Airways Corp.		28,630,008	4.85
Chang, Kuo-Cheng		6,868,993	1.16
RD Capital Co., Ltd.		3,500,000	0.59
Bank SinoPac Ltd.		2,870,000	0.49
Hsiang-Li Investment Corp.		2,740,542	0.46
Lee, Zi-Wei		2,241,045	0.38

4.1.5 Disclosure of the Share Prices and Related Information for the Past Two Fiscal Years

NT\$				
Year		2021	2020	01/01/2022~ 03/29/2022 (Note 8)
Items				
Market Prices per Share (Note 1)				
Highest		41.70	22.90	31.80
Lowest		21.10	15.35	28.15
Average		30.48	19.77	29.66
Net Worth per Share (Note 2)				
Before Distribution		28.04	22.71	NA
After Distribution		(Note 9)	21.41	NA
Earnings per Share				
Weighted Average Shares		590,388,750	590,388,750	NA
Earnings per Share (Note 3)		3.50	2.57	NA
Dividends per Share				
Cash Dividends		(Note 9)	1.30	NA
Stock Dividends	Dividends from Retained Earnings	(Note 9)	-	NA

Items \ Year		2021	2020	01/01/2022~ 03/29/2022 (Note 8)
Stock Dividends	Dividends from Capital Surplus	(Note 9)	-	NA
Accumulated Undistributed Dividends (Note 4)		(Note 9)	-	NA
Return on Investment				
Price/Earnings Ratio (Note 5)		7.60	7.69	NA
Price/Dividend Ratio (Note 6)		(Note 9)	15.20	NA
Cash Dividend Yield Rate (Note 7)		(Note 9)	6.58%	NA

* If surplus or capital reserve is used to increase capital and allotment of shares, the market price and cash dividend information adjusted retrospectively according to the number of shares issued should be disclosed.

Note 1: Setting forth the highest and lowest market price per share of common stock for each fiscal year, and calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2: Using the number of the outstanding issued shares at year-end as the basis to calculate and the result of distribution resolved by the shareholders' meeting for the next year.

Note 3: If any retroactive adjustment is necessary due to circumstances such as dividend distributions, the earnings per share before after adjustments should be listed.

Note 4: If the terms and conditions of the issuance of equity securities indicate that the dividends not distributed in the current year can be accumulated until the year when there is a surplus and then distributed, any cumulated and unpaid dividends up to the current year their amount shall be disclosed separately.

Note 5: Price-earnings (P/E) ratio = Average closing price per share for the current year / Earnings per share

Note 6: Price-dividend (P/D) ratio = Average closing price per share for the current year / Cash dividends per share

Note 7: Cash dividend yield = Cash dividends per share / Average closing price per share for the current year

Note 8: Net value per share and earnings per share refer to the information during the most recent quarter up to the date of publication of the annual report audited (reviewed) and attested by a CPA. The remaining fields should be filled with information during the current fiscal year up to the date of publication of the annual report.

Note 9: Earnings distribution for the year 2021 has not yet been ratified at the stockholders' meeting as of the reporting date.

4.1.6 Dividend Policy and Earnings Distribution Implementation Status

4.1.6.1 Dividend Policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve. Afterwards, the Company shall recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

The Company's dividends are distributed in the form of cash dividends and stock dividends in a coordinated way, among which, the cash

dividends shall account for at least 50% of the total dividends distributed.

4.1.6.2 Earnings Distribution Implementation Status

On March 17, 2022, the Board of Directors proposed that cash dividends for the distribution of earnings 2021 was \$1.8 in dollars per share. Earnings distribution for the year 2021 will be submitted to the general meeting of shareholders on May 27, 2022 for discussion.

4.1.6.3 When a major change in the dividend policy is expected, it should be explained: None

4.1.7 The effect of the dividend distributions proposed by the Company's shareholders' meeting upon the Company's business performance and earnings per share:

The Company has not prepared the 2022 financial forecast, so it is not applicable.

4.1.8 Compensation of employees and directors:

4.1.8.1 The percentages or ranges with respect to employee and director compensation, as set forth in the Company's Articles of Incorporation

According to the Articles of Incorporation, minimum 0.5% of profit of the current year distributable as employees' compensation and not exceed 1% of profit of the current year distributable as remuneration of Directors shall be distributed when the Company has profit. However, the Company's accumulated losses shall have been covered before distributing employees' compensation and remuneration of Directors by the aforementioned principles. Employees' compensation may be distributed in the form of shares or in cash; Remuneration of Directors shall be distributed in the form of cash only.

The profit set out in the first Paragraph is meaning thereto income before income tax of the current year including the profit of employees' compensation and remuneration of Directors.

The amount of payment of the employees' compensation and the remuneration of Directors and the distribution manner of the employees' compensation shall be adopted by a majority vote at a meeting of the Board of Directors attended by two-third of the total number of directors and then to be reported to the shareholders' meeting.

4.1.8.2 The basis for estimating the amount of employee and director compensation, calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure the current period.

- (1) The amount of the employees' compensation of the Company for the year of 2021 is within the range specified in the Articles of Incorporation, based on the profit and a certain ratio of previous distribution, estimated at NT\$ 25,010,082, and the amount of the remuneration of Directors is based on the profit and the previous distribution experience during the tenure, estimated at NT\$ 4,850,000. If there is a discrepancy between the actual amount and the estimated amount, it shall be listed as the profit or loss for the year of distribution.
- (2) The basis for calculating the number of shares to be distributed as employee compensation: None.

4.1.8.3 Information on any approval by the Board of Directors of distribution of compensation:

- (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors, and, if there is any discrepancy between that amount and the estimated figure for the fiscal year, these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

The Company's resolution adopted by the 16th meeting of the 18th Board of Directors on March 17, 2022 was that the employees' compensation for the year of 2021 was NT\$ 25,010,082 and the remuneration of Directors was NT\$ 4,850,000 and that both were distributed in cash. There is no discrepancy between the aforementioned amounts resolved by the Board of Directors and the amount recognized in the 2021 financial reports.

- (2) The amount of any employee compensation distributed in stocks and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual

financial reports for the current period and total employee compensation: None.

4.1.8.4 The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated.

The Company's actual distribution in cash for the fiscal year of 2020 was NT\$16,287,969 for employees' compensation and NT\$4,850,000 for the remuneration of Directors. There is no discrepancy between the distributed amount and the amount resolved by the Board of Directors.

4.1.9 Status of a company repurchasing its own shares: None.

4.2 Corporate Bonds

None.

4.3 Preferred Stock

None.

4.4 Global Depositary Receipts

None.

4.5 Employee Stock Options

None.

4.6 Employee Restricted Stock

None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

4.8 Financing Plans and Implementation

As of the quarter preceding the date of publication of the annual report, for each uncompleted public issue or private placement of securities, and for such issues and

placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

5. BUSINESS OPERATIONS OVERVIEW

5.1 Business Activities

5.1.1 Business Scope

According to Article 2 of the Company's Articles of Incorporation, the Company's business type is listed as "H501031 Reinsurance Industry".

5.1.1.1 Breakdown by Source

NT\$ thousands

Gross Premium Written				
Item \ Year	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic Non-Life Business	13,723,932	65.67	11,665,768	63.38
Domestic Life Business	3,005,583	14.38	2,939,848	15.96
Subtotal	16,729,515	80.05	14,605,616	79.34
International Non-Life Business	4,130,216	19.76	3,745,210	20.35
International Life Business	39,927	0.19	57,029	0.31
Subtotal	4,170,143	19.95	3,802,239	20.66
Total	20,899,658	100.00	18,407,855	100.00

5.1.1.2 Breakdown by Line

NT\$ thousands

Gross Premium Written				
Line \ Year	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Automobile	5,620,400	26.89	5,058,767	27.48
Compulsory Automobile Liability	1,564,774	7.49	1,530,607	8.31
Compulsory Motorcycle liability	1,093,558	5.23	1,069,570	5.81
Fire	3,816,562	18.26	3,780,347	20.54
Residential Earthquake	70,974	0.34	70,526	0.38
Marine Cargo	529,095	2.53	485,040	2.63
Marine Hull	331,703	1.59	361,929	1.97
Fish Vessel	73,578	0.35	84,064	0.46
Aviation	43,773	0.21	19,965	0.11
Miscellaneous Casualty	4,227,492	20.23	2,412,122	13.10
Engineering	482,239	2.31	538,041	2.92
Life	2,336,699	11.18	2,279,334	12.38

Gross Premium Written				
Line \ Year	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal Accident	143,720	0.69	170,900	0.93
Health	565,091	2.70	546,643	2.97
Total	20,899,658	100.00	18,407,855	100.00

5.1.1.3 New Products, Potential Customers and Markets

Domestic Non-Life Business

The government has been actively encouraging the non-life insurers to develop new policies and underwrite the risk on agriculture insurance. Non-life insurers also diligently develop new personal insurance products to remain competitive. To facilitate its business development, the Company will also provide timely services to its clients in various aspects including new product design, underwriting techniques training and claim consultancy services.

Domestic Life Business

The protection product policy enhanced by the authority, aging population and low birth rate in the country will drive up the demand for protection life products, medical and long-term care insurance products. Product development and sales for related life and health products will increase. To pursue business diversification, the Company will also, on a timely basis, offer varieties of new services such as professional consultancy on new products, building up, providing information on incidence rates, etc.

International Non-life Business

For International business, China, Japan, South Korea and Europe are its core markets and the Company prudently expands business in ASEAN, U.S. and India markets. On the other hand, the Company keeps exploring other potential market and line of business to diversify and optimize its portfolio.

5.1.2 Industry Overview

5.1.2.1 Current status and development of the industry

Market Player

According to statistics released by the Insurance Bureau at the end of 2021 (Table 1), there were 53 insurance companies in Taiwan, of which 27 were life insurance companies, 23 were non-life insurance companies and 3 were reinsurance companies. Out of the 27 life insurance companies, 23 were domestic companies while 4 were branches of foreign companies. The 23 non-life insurance companies include 17 domestic and 6 foreign companies.

Table 1: Number of Insurance Companies in Taiwan over the Past Five Years													
Year	Total	Rein- surance	OIU*	Non-Life Insurance					Life Insurance				
				Local			Foreign		Local			Foreign	
				Headquarter	Branch	Offshore Branch	Branch in Taiwan	Liaison Office in Taiwan	Headquarter	Branch	Offshore Branch	Branch in Taiwan	Liaison Office in Taiwan
2017	54	3	20	17	169	9	6	8	23	125	13	5	1
2018	55	3	20	17	167	8	7	7	23	125	12	5	1
2019	54	3	20	17	168	8	7	7	23	125	12	4	1
2020	53	3	20	17	165	7	6	7	23	120	12	4	1
2021	53	3	20	17	159	7	6	7	23	113	12	4	1

Source : Insurance Bureau, Financial Supervisory Commission

Note : Offshore Insurance Unit

Gross Premium Written

The gross premium written of the domestic insurance industry during 2021 was NT\$3,178,544 million, 5.18% less than 2020. Non-life insurance gross premium written accounted for NT\$207,448 million, a growth of 10.28%. Total life insurance gross premium written was NT\$2,971,096 million, 6.10% less than 2020.

NT\$ millions

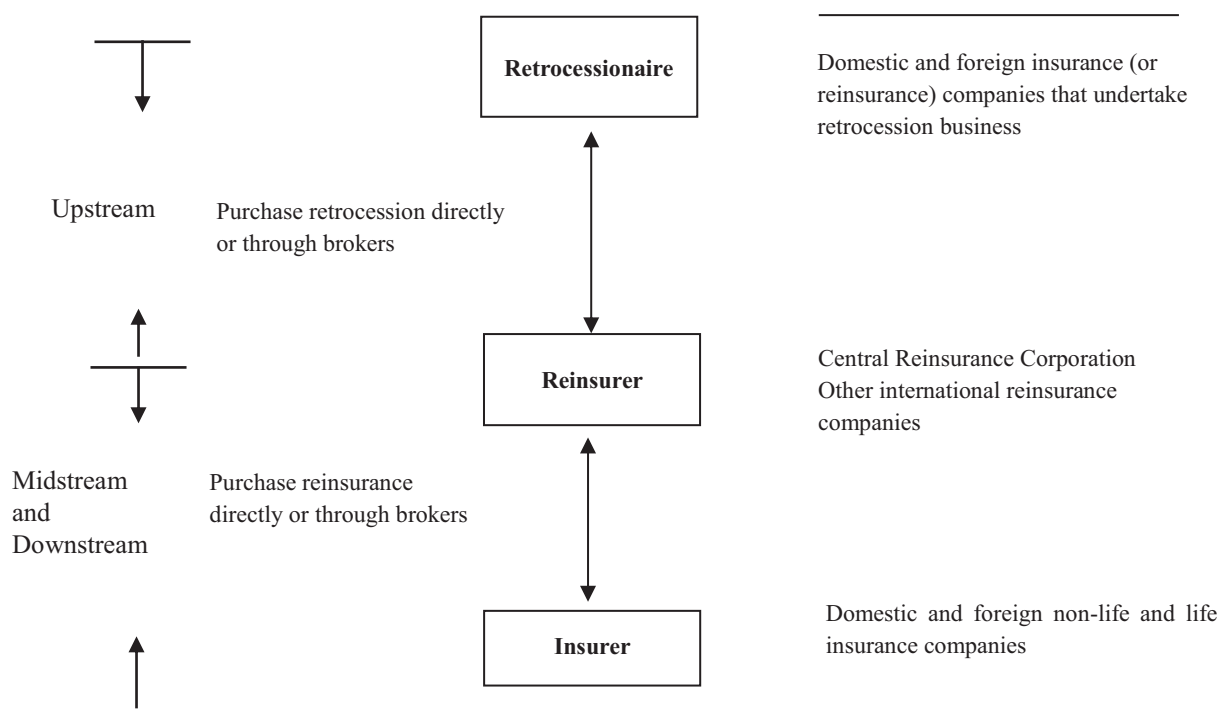
Table 2: Gross Premium Written over the Past Five Years							
Year	Insurance Industry		Non-Life Insurance		Life Insurance		Premium Income: Non-Life vs. Life Insurance
	Amount	Growth Rate (%)	Amount	Growth Rate (%)	Amount	Growth Rate (%)	
2017	3,576,945	9.08	156,712	7.36	3,420,233	9.16	1:21.8
2018	3,677,170	2.80	165,611	5.68	3,511,559	2.67	1:21.2
2019	3,643,813	(0.91)	177,130	6.96	3,466,683	(1.28)	1:19.6
2020	3,352,076	(8.01)	188,111	6.20	3,163,965	(8.73)	1:16.8
2021	3,178,544	(5.18)	207,448	10.28	2,971,096	(6.10)	1:14.3

Source: Taiwan Insurance Institute

5.1.2.2 Relevance of the Upstream, Midstream and Downstream Industry

The upstream, midstream, and downstream segments of the insurance industry are reinsurance industry, insurance industry, and insured public, respectively. After non-life and life insurance companies obtain business, besides retaining business according to their own risk tolerance, they may purchase reinsurance from domestic and foreign reinsurance companies directly or through brokers to diversify the risks; therefore, reinsurance companies are the upstream segment of the insurance industry. Similarly, in order for reinsurance companies to diversify the risks and retain most of the business according to their own capacity, they may also purchase reinsurance from domestic and foreign insurance (or reinsurance) companies directly or through brokers. Therefore, retrocessionaires are the upstream segment of the reinsurance industry. The following diagram shows the relations between the upstream, midstream, and downstream segments of the professional reinsurance company (the Company):

Relation Diagram between Upstream, Midstream, and Downstream Segments of the Professional Reinsurance Company



The Company is a professional reinsurance company and undertakes both non-life and life reinsurance business. Business mainly comes from direct insurance companies. Based on the principle of risk diversification, an insurance company reinsures the risks covered under its insurance business to diversify risks. In the event of an insured incident, the Company shares the loss together. Especially, given a great loss of catastrophe event, if reinsurance is not properly arranged, an insurance company may encounter operational concerns. Therefore, the reinsurance industry acts as a stabilizing force in the risk environment to safeguard the sound development of the insurance market.

5.1.2.3 Development trends and competition for the company's products

In view of the impact of the liberalization and internationalization trend of the insurance market, to improve their competitive advantages, all companies are keenly aiming to enhance service quality and reduce operating costs and form business strategies in response to market changes. As such, the developments of the non-life and life insurance policies and the reinsurance market in 2021 are described as follows:

Domestic Non-life insurance market:

In 2021, the written premium of non-life insurance policies was NT\$207,448 million, an increase of 10.28% compared to the previous year (Table 3). Overall, the written premium of voluntary automobile insurance increased by NT\$7,047 million or 8.46%, because of the stable sales of new cars and the rise of voluntary third-party motor liability insurance premium rate caused by increased loss ratio. Secondly, the written premium of miscellaneous property increased by NT\$6,156 million or 96.34%, mainly result of the growth of mobile phone insurance and pandemic insurance. In addition, the written premium of health insurance increased by NT\$2,617 million or 95.83%, mainly as a result of the growth of pandemic insurance. In respect of product market share, automobile insurance continued to account for the highest proportion of all classes of insurance. It accounted for 52.52% of the market share, in which voluntary automobile insurance accounted for 43.54%, and compulsory automobile liability insurance accounted for 8.98%. Secondly, miscellaneous casualty insurance (including engineering insurance, liability insurance, bond insurance, personal accident insurance, health insurance and

miscellaneous property insurance, etc.) accounted for 28.50% of the market share. Fire insurance, marine insurance and aviation insurance accounted for 14.63%, 4.05% and 0.30% of the market share, respectively.

Table 3: Premium income, Growth rate, and market share of non-life insurance

Unit: 100 million of NT\$; %

Year Type of Insurance	2021			2020
	Direct Written Premium	Growth Rate %	Market Share %	Direct Written Premium
Fire	303.47	4.30	14.63	290.96
Marine	83.97	8.91	4.05	77.10
Marine Cargo	53.99	13.14	2.61	47.72
Marine Hull	17.89	(0.89)	0.86	18.05
Fishing Vessel	12.09	6.71	0.58	11.33
Automobile	1,089.38	7.24	52.52	1,015.86
Voluntary Automobile	903.15	8.46	43.54	832.68
Compulsory Automobile	186.23	1.67	8.98	183.18
Aviation	6.26	(22.52)	0.30	8.08
Miscellaneous Casualty	591.40	20.91	28.50	489.11
Engineering	65.16	(8.74)	3.14	71.40
Liability	148.00	11.45	7.13	132.79
Bond & Credit	12.30	40.89	0.59	8.73
Miscellaneous Property	125.46	96.34	6.05	63.90
Personal Accident	187.00	1.10	9.01	184.97
Health	53.48	95.83	2.58	27.31
Total	2,074.48	10.28	100.00	1,881.11

Data source: Taiwan Insurance Institute

In terms of non-life insurance loss in the past two years, the total direct insurance loss amount of the non-life insurance industry in 2021 was NT\$95,009 million, an increase of NT\$5,133 million from NT\$89,876 million in 2020 (Table 4); the direct loss ratio decreased to 45.80% from 47.78% in 2020. The increase in the loss amount was mainly due to the increase in the fire insurance loss amount, which increased NT\$2,655 million, from NT\$4,825 million in 2020 to NT\$7,480 million. Among all classes, marine hull insurance had the highest loss ratio 86.70%, followed by compulsory automobile

insurance, 70.80%.

Table 4: Insurance claim, growth rate, and direct Loss Ratio of non-life insurance

Unit: 100 million of NT\$; %

Year Type of Insurance	2021			2020	
	Insurance Claim	Growth Rate %	Direct Loss Ratio %	Insurance Claim	Direct Loss Ratio %
Fire	74.80	26.55	24.65	48.25	16.58
Marine	42.62	3.88	50.75	38.74	50.25
Marine Cargo	23.73	2.08	43.94	21.65	45.37
Marine Hull	15.51	9.74	86.70	5.77	31.97
Fishing Vessel	3.38	(7.94)	27.96	11.32	99.91
Automobile	616.91	3.70	56.63	613.21	60.36
Voluntary Automobile	485.06	9.35	53.71	475.71	57.13
Compulsory Automobile	131.85	(5.65)	70.80	137.50	75.06
Aviation	1.86	0.40	29.71	1.46	18.07
Miscellaneous Casualty	213.89	16.79	36.17	197.10	40.30
Engineering	18.11	(10.17)	27.79	28.28	39.61
Liability	47.03	0.64	31.78	46.39	34.93
Bond& Credit	1.17	(0.19)	9.51	1.36	15.58
Miscellaneous Property	38.45	21.42	30.65	17.03	26.65
Personal Accident	94.43	1.59	50.50	92.84	50.19
Health	14.70	3.50	27.49	11.20	41.01
Total	950.09	51.33	45.80	898.76	47.78

Data source: Taiwan Insurance Institute

The analysis on market share by company shows that Fubon Insurance still has the highest market share of 24.52%, followed by Cathay Century Insurance, Shinkong Insurance, Tokio Marine Nawa Insurance, and MSIG Mingtai Insurance, with a market share of 12.41%, 10.48%, 7.22% and 6.68%, respectively. The top five non-life insurance industry's premium income accounted for more than half of that of the entire industry, which is 61.31%.

In addition, the retention ratio analysis shows that the competent authority, from a supervisory policy perspective, is still making vigorous efforts to guide the industry to increase their retention ratio. In response to competition,

non-life insurance companies have been adjusting their reinsurance structure with higher retention ratio. Therefore, the retention ratio of non-life insurance companies remains high.

Currently, the government has been progressively promoting agricultural insurance. In response to market competition, the non-life insurance companies continue to develop new individual insurance products. Both will contribute to the total premium income of the non-life insurance business.

Domestic life insurance market:

In 2021, the premium income of life insurance industry was nearly NT\$2,971,096 million, a decrease of 6.10%. The business results of life insurance industry during the most recent two years are shown in Table 5:

Table 5: Business Results of the Life Insurance Industry

Unit: NT\$, %

Item	2021	2020
Average sum insured of new business of individual life insurance (NT\$10,000)	94.41	73.79
Average sum insured of individual life insurance in force (NT\$10,000)	83.74	81.74
Average premium income per individual life insurance policies in force (NT\$1,000)	36.59	44.46
Insurance density (NT)	127,106	134,287
Ratio of having insurance coverage (%)	264.81	260.49
Premium income (100 million of NT)	29,710.96	31,639.65
Annual growth rate of premium income (%)	(6.10)	(8.73)

Data source: Figures and calculation results are based on relevant data published by the Taiwan Insurance Institute.

Analysis of premium income source: Life insurance accounted for 66.55%, accident insurance for 2.27%, health insurance for 13.73%, and annuity insurance for 17.45%. In terms of individual and group insurance, individual insurance as the key coverage accounted for 99.24%, and group insurance for 0.76%. The development of each type of insurance: Due to the low or declining declared interest rate of interest-sensitive life insurance policies, plus work-from-home Covid-19 prevention measures, the insurance business has been impacted with individual life insurance business falling by 17.53% compared with last year. Benefiting from booming capital market and consumer demand in retirement cash flow, individual annuity insurance increased by 72.80% compared with last year. Accident insurance declined by

0.02%, while health insurance grew by 2.04% compared with last year. As Table 6:

Table 6 Life insurance premium income structure

Unit: 100 million of NT\$; %

Year Type of Insurance	2021			2020
	Premium Income	Growth Rate %	Market Share %	Premium Income
Individual				
Life	19,724.39	(17.53)	66.39	23,917.28
Accident	601.04	0.08	2.02	600.58
Health	3,982.60	2.23	13.40	3,895.72
Annuity	5,178.88	72.80	17.43	2,997.06
Individual Subtotal	29,486.91	(6.12)	99.24	31,410.64
Group				
Life	49.52	1.64	0.17	48.72
Accident	73.32	(0.81)	0.25	73.92
Health	96.28	(5.22)	0.32	101.58
Annuity	4.93	2.92	0.02	4.79
Group Subtotal	224.05	(2.17)	0.76	229.01
Life Total	19,773.91	(17.49)	66.55	23,966.00
Accident Total	674.36	(0.02)	2.27	674.50
Health Total	4,078.88	2.04	13.73	3,997.30
Annuity Total	5,183.81	72.69	17.45	3,001.85
Grand Total	29,710.96	(6.10)	100.00	31,639.65

Data source: Taiwan Insurance Institute

Reinsurance market:

In 2021, there remain three reinsurance companies in Taiwan. Within domestic market, non-life insurance industry has total premium ceded of NT\$63,933 million, NT\$6,134 million or 10.61% up from NT\$57,799 million in 2020. In terms of premium ceded to premium income, the ratio in 2021 is 30.82%, 9 basis points up from 30.73% in 2020. As a whole, the trend of increasing retention ratio from non-life insurance companies will not diminish. Competition in domestic reinsurance market is therefore set to heat up in the future. Meanwhile, life insurance industry has total premium ceded of NT\$24,266 million, NT\$707 million or 3.00% up from NT\$23,559 million in 2020. The increase was mainly contributed by the growth in health insurance business. Recently, the government has been encouraging the development of

new types of products as well as the sales of protection-type products in order to improve insurance protection and retirement planning for citizens. As a result, protection-type reinsurance market is expected to grow in the future.

Competition situation:

The Company is a professional reinsurance company that has been cultivating Taiwan market for more than fifty years. Cooperating life and non-life reinsurance business with most domestic insurance companies for many years, the Company has built a solid business foundation. In spite of a high penetration in domestic market and a relatively stable market share, the Company still faces challenges of competition from foreign reinsurance companies and the continuous increase in retention from clients.

Various sources show that capacity for Natural Perils in some region of global reinsurance market is declining. The impact of climate change, the increase in global catastrophe loss, the loss and uncertainty brought by COVID-19 and inflation for claim cost raised have been affecting underwriting profits of insurance industry recently. The renewal results of this year demonstrate that reinsurers have become more stringent, terms have improved, and rates have shown an upward trend in most market. However, despite the notable changes of capacity in the market, the market still remains competitive.

As "Offshore Banking Act" incorporated insurance business as part of international financial business, the insurance companies are allowed to set up offshore insurance units (OIU), which specialize in foreign currency denominated insurance business, reinsurance business, and other insurance related business approved by the competent authorities. The business income tax exemption from OIU brings advantages to the Company for operating overseas business.

5.1.3 Research and Development

1. A listing of research and development expenditures by the company during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
2. A listing of technologies and/or products successfully developed during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report: None.
3. Future research and development plans and expected research and development expenditures:

The Company has invested considerable human resources and costs over the years and has continuously introduced new services to meet customers' reinsurance needs. However, the Company mainly provides intangible reinsurance services; therefore, R&D investment is not applicable.

4. Whether the company has laid down an intellectual property management plan linked to operational goals: The Company is in reinsurance industry, mainly undertaking insurance risks arising from insurance products developed by direct insurance companies. Based on the industry's characteristics, there is neither additional intellectual property management plan nor trademark authorization.

5.1.4 Long-Term and Short-Term Business Development Plans

Long-Term Business Development Plan

The Company is committed to becoming the "The Best Professional Reinsurer in Asia". To achieve this goal, the following long-term business plans have been established:

- (1) Optimize the advantage of a domestic establishment; provide professional services to continuously strengthen the breadth and depth of the domestic market.
- (2) Steadily expand the international market; continuously elevate the operational standards; increase the geographic diversity of the business portfolio, strengthen accumulated risk control and ensure pricing adequacy to enhance and quality of our overseas business.
- (3) Regard customer needs and increase service effectiveness to improve

customer satisfaction.

- (4) Continuously elevate the effectiveness of fund utilization and improve asset quality; strengthen fund structure management to pursue steady income growth, thereby ensuring the sustainability of the Company.
- (5) Instill compliance and internal audit/control procedures; focus on risk management; strengthen corporate governance.
- (6) Fulfill corporate social responsibilities; achieve sound ethical corporate management; give back to insurance market and practice sustainable development.
- (7) Reinforce talent development and improve professions to widen the breadth of business development.

Short-Term Business Development Plan

When developing the business plans, the Company always upholds the principles of "Focusing on both quality and quantity; pursuing constant business growth". While carefully monitoring its service quality, the Company also exercises good control on various risks to ensure continuous profit growth as well as steady operational performance. The 2021 business development plans for the Company's respective business are highlighted below:

- (1) Domestic Reinsurance Business
 - ① Abide by underwriting disciplines and exercise stringent control over accumulated catastrophe risks to ensure sufficient risk pricing.
 - ② Actively strive for high-quality business, leverage the Company's marketing advantages in the local market, regard customer needs, provide tailored services and continuously expand the breadth and width of our local market.
 - ③ Support the facultative reinsurance for our clients to tighten the business relationship, thereby increasing treaty reinsurance opportunities.
 - ④ Arrange pro rata retrocession to transfer the assumed property catastrophe risk, thereby expanding underwriting capacity and reducing the retrocession cost of our catastrophe cover.
 - ⑤ Provide professional services to maintain good and close customer

relationship; improve the professional image and marketing advantage of the company by organizing various events, including: professional seminars, consulting services on actuarial know-how and regulatory requirements, assistance on new product development and pricing as well as experience sharing platform for industry.

- ⑥ Constantly grasp the new product trend, the development of InsurTech as well as changes in regulations or policies to seize business opportunities.
- ⑦ Within the Company's risk appetite, continuously support the development of business initiated by the government in response to the implementation of ESG.

(2) International Reinsurance Business

- ① Prudently expand international business and further diversify the risk of geographical concentration and product line to increase the efficiency of capital utilization.
- ② Aim for underwriting profit oriented; periodically monitor the business performance to eliminate underperforming contracts.
- ③ Increase direct business; in the meantime, develop the small and medium size niche market so as to elevate the transparency of underwriting information and identify opportunities for further profit-making.
- ④ Develop high-quality facultative reinsurance business and make full use of underwriting capacity allocated by various markets to enhance profitability.
- ⑤ Pay attention to the impact of climate change and catastrophe risk on the business and arrange suitable retrocession programs to reduce fluctuation in business performance and enhance risk management benefits.

(3) Fund utilization

The Company will continue to follow a prudent investment strategy, accompanied by strict risk control. Through strengthening asset quality as well as capital utilization, the Company aims for pursuing stable returns in order to support the sustainable development of reinsurance business.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Breakdown by Region

NT\$ thousands

Region \ Year	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic Inward Business	16,729,515	80.05	14,605,616	79.34
Overseas Inward Business	4,170,143	19.95	3,802,239	20.66
Total	20,899,658	100.00	18,407,855	100.00

5.2.1.2 Market Share

In Taiwan market, our market share at the end of 2021 is as follows.

NT\$ millions

Item \ Year	Non-Life Insurance	Life Insurance
Written Premium	207,748	2,971,096
Outward Premium	63,933	24,266
Cession Rate (%)	30.82	0.82
Central Re's Inward	13,724	3,006
Our Market Share (%)	21.47	12.39

Source: Taiwan Insurance Institute

5.2.1.3 Market Development

Domestic Non-Life Business

The government has amended various insurance-related regulations. This fact, along with the launch of products initiated by the government and the steady growth in the automobile sales in recent years, are believed to have positive influence on the gross premium written of the non-life insurance industry.

Looking forward to 2022, reasonable underwriting profit is predicted subject to that there is no major large loss in the market.

Domestic Life Business

The authority promulgated the “Directions Governing the Minimum Ratio of Death Benefit to Policy Value (Account Value) Regarding the Life Insurance Products” and amended the “Directions for the Review of Life Insurance

Products,” both of which took effect from July 1, 2020. The authority took these measures in order to: (a) ensure the sound development of insurance firms; (b) promote more diversified insurance protections, and ensure that insurance fulfills its function of providing the public with peace of mind; and (c) help insurers adopt the International Financial Reporting Standards 17.

It is hoped that insurers will provide a certain degree of protection against death risk, adjust product structure to increase protections and reduce the percentage of savings-type insurance policies. We expect the key products to shift to protection life insurance, unit-linked products, and health insurance in response to the medical protection needs for retirement, long-term care and advanced medical treatments. The rising demand for protection products will increase the product diversity and contribute to the growth of reinsurance business.

International Non-life Business

After frequent catastrophes in recent years and pandemic, global reinsurers have gradually managed to improve the pricing and underwriting. The demand/supply of traditional underwriting capacity is expected to change slightly in the short term. Reinsurance demand for solutions to cope with the challenges from climate change, cyber risk, business interruption and inflation is expected to continue growing.

5.2.1.4 Competitive niche:

According to domestic market research reports, the main considerations for non-life and life insurance companies in selecting reinsurance companies are: (1) credit rating, (2) services provided, and (3) long-term and stable partnership. The analysis of the Company’ qualifications for these three aspects are as follows:

(1) Increased financial strength and excellent credit ratings:

After capital increases several times, the Company’s paid-in capital went from NT\$ 15 million when it was established, with more than 50 years of development, to NT\$5,904 million by the end of 2021, which is close to the authorized capital of NT\$6,000 million. In addition, in order to build a solid financial foundation and strengthen its solvency capacity, the Company provides adequate reserves based on business situations.

The international credit rating agency A.M. Best and S&P Global Ratings have given the Company a credit rating of A and a stable rating outlook based on the Company's long-term and good partnership with domestic insurance companies, solid domestic market position, strong capital adequacy and satisfactory operating performance. Also, Taiwan Ratings Corporation has given the Company a credit rating of twAA+.

Having an excellent credit rating will contribute to the operation and development of good-quality business and fully demonstrate that the Company can realize its commitment to customers with strong solvency.

(2) Provide customers with diversified services:

In recent years, the Company has continued to provide diversified services to the insurance market, including:

- ① Providing capacity for reinsurance market and meeting customized reinsurance needs;
- ② Assisting customers in the design and development of new products;
- ③ Providing the market with the Company's experience and achievements in developing risk management;
- ④ Providing timely training for underwriting and claims skills as well as regulatory and actuarial consulting services;
- ⑤ To closely suit the needs of customers, strengthen customer service and enhance its professional image, the Company has held a series of "Life Insurance Underwriting and Claims Seminars" in 2021 including Interpretation of Medical Records, Alternative Surgery (New Treatment Methods), Risk Assessment after Organ Transplantation and Introduction to COVID-19 Disease and Underwriting Assessment.

The Company has organized various professional seminars to satisfy our clients' needs for years. Participants were given the opportunities to discuss on the market status and future trends, share information and improve their expertise. The courses and

seminars also contributed to the tightening of client relationship for the Company.

(3) Keep long-term close partnership with customers

The Company has been established for more than 50 years and is the only professional reinsurance company founded in Taiwan. Based on long-term cooperative relationships, the Company has established a profound partnership with domestic non-life and life insurance companies, working together in prosperity for mutual trust and mutual benefit. The Company upholds a sound operation and a positive attitude of proactively responding to customers' needs, observing the reinsurance market's development trend to timely respond to customers' needs, aggressively proposing appropriate reinsurance business model, and providing customers with an optimal reinsurance solution.

5.2.1.5 Positive and negative factors for future development, and the company's response to such factors:

(1) Positive factors:

① Upgrading credit ratings:

For the Company's financial strength rating, since 2010, the international credit rating agency A.M.Best raised the Company's credit rating to A. In 2013, the international credit rating agency S&P Global Ratings also upgraded its credit rating to A. It shows that international credit rating agencies have highly recognized the Company's long-term sound and good operating performance. A good credit rating will definitely help the Company to expand its business and strive for high-quality business.

② Long-term steady customer relationship and market position

Good customer relationships are critical to reinsurance business operations. As the Country's only professional reinsurance company, the Company's business development with customers in Taiwan is based on a long-term and good cooperative relationship.

③ Maintain a sufficient level of capacity

In recent years, the Company has progressively accumulated

various liability reserves and expanded the capital base. Currently, the special reserve under liabilities has accumulated about NT\$3,554 million, and the equity before distribution of dividends in 2021 was NT\$16,552 million, with a retention capacity remaining at a sufficient level.

- ④ The competent authority has successively lifted restrictions on the use of funds in the insurance industry in recent years.
- ⑤ The competent authority allows the insurance industry to set up an Offshore Insurance Unit (OIU) and provides business income tax exemption for operating overseas business.

(2) Negative factors:

- ① The growth of domestic reinsurance demand is limited. The fiercer market competition, the minor underwriting profits:
As domestic insurance companies continue to maintain a high retention rate, the government is also making a vigorous effort to open up foreign reinsurers and insurance brokers to come to Taiwan for commencing business and set up branches, making the reinsurance market more competitive, market grapple with oversupply, and underwriting profits even thinner.
- ② Looking forward to 2022, to fight against inflation, global central banks have turned their monetary policy into hawkish stance, thereby leading to the concern of stagnant inflation on economic development. Moreover, due to Ukraine-Russian conflict, major countries and Russia have imposed financial sanctions on each other, which leads to a sharp rise in energy prices and increased difficulty in fighting against inflation. In the future, new measures taken by countries in response to geopolitical risks will continue to affect the market; therefore, more uncertainties in global economic development should be anticipated. Predictably, financial market remains highly challenging to operate in 2022.

(3) The company's response to such factors:

- ① In response to the domestic market's competitive environment, the Company keeps up with market development and customers'

needs. It actively provides reinsurance underwriting capacity for new types of insurance in the industry, thereby increasing new assumed reinsurance business while strengthening the non-proportional reinsurance pricing ability to cater to changes in customers' reinsurance needs and offering excess of loss reinsurance protection. Furthermore, the Company zeros in on the customers' needs, improving customer service with customized services and timely assisting customers in new product design, training for underwriting and claims skills and regulatory and actuarial consulting services, etc., which will enhance the company's overall marketing advantage and create opportunities and a platform for expanding high-quality business. Meanwhile, it continuously cultivates and engages insurance professionals and marketing talents, promoting the Company's high-quality professional brand and image.

- ② Taiwan is still the main market for the Company to develop non-life and life insurance business. However, in view of diversifying geographic concentration risks and expanding the scale of operations, we will continue to steadily develop the international market, and within the risk tolerance of each region instituted by the Company, expand foreign treaty and facultative reinsurance with caution to increase the source of underwriting profits and strengthen the efficiency in utilization of the funds.
- ③ Given the circumstances that the volatility will get higher in the financial market for the future, credit safety will still be the top concern for the Company's use of funds. The best investment choice is the one with a high credit rating, which provides the principal's safety. Also, the exchange rate dynamic hedging is adopted for foreign investment positions to conduct exchange rate hedging better depending on market dynamics, thereby effectively reducing the cost and increasing the effectiveness of hedging. With moderate investment strategies and accompanied by rigorous risk control, the Company's goal is to pursue safe and stable income while supporting the reinsurance business's sustainable

development.

5.2.2 Main product applications and production processes:

(1) Main products applications:

The Company mainly undertakes reinsurance business in Taiwan. After retaining certain amounts, the Company will cede the reinsurance to domestic insurance companies preferentially and the remaining to foreign insurance companies in exchange for reinsurance ceded opportunity. Therefore, such retrocession arrangement can not only diversify the geographical accumulation risk but also stabilize the sound development of insurance market.

(2) Manufacturing processes: Not applicable.

5.2.3 Status of supply of the company's major raw materials:

Not applicable to the reinsurance industry.

5.2.4 Main customers who account for over 10% of total sales in recent 2 year and their individual purchase amounts and share:

For main customers who account for over 10% of total sales in recent 2 year, there have been no significant changes in the amounts and the percentage. With respect to statistics on net sales amount, it is not applicable to the reinsurance industry.

The Net Sales for Main Customers in recent 2 year

2021				2020				Unit: Thousands of NT\$, % As of the first quarter of 2022 (Note 2)		
Name	Amount	Percentage of the net sales (%)	Relationship with the issuer (the Company)	Name	Amount	Percentage of the net sales (%)	Relationship with the issuer (the Company)	Amount	Percentage of the net sales as of the preceding quarter for the current year	Relationship with the issuer (the Company)
The non-life insurance Association of the Compulsory Motor insurance Pool	2,658,332	12.72	None	The non-life insurance Association of the Compulsory Motor insurance Pool	2,600,177	14.13	None	Note 2		
Other	18,241,326	87.28	None	Other	15,807,678	85.87	None			
Net Sales	20,899,658	100.00	-	Net Sales	18,407,855	100.00	-			

Note 1: In respect of a list for main customers who account for over 10% of total sales in recent 2 year and their individual purchase amounts and share, if the customer's name should not be disclosed as agreed upon in the contract or the party in the transaction is an individual and is not a related party, a client code may be used.

Note 2: Before the date of publication of the annual report, there is no financial data for the most recent period audited and attested or reviewed by a CPA.

5.2.5 An indication of the production volume for the 2 most recent fiscal years: Not applicable to the reinsurance industry.

5.2.6 An indication of the volume sold for the 2 most recent fiscal years:
List the reinsurance premium income taken by the Company.

NT\$ thousands					
Year \ Item	Domestic Non-Life Business	Domestic Life Business	International Non-Life Business	International Life Business	Total
2020	11,665,768	2,939,848	3,745,210	57,029	18,407,855
2021	13,723,932	3,005,583	4,130,216	39,927	20,899,658

5.3 Human Resources

Employee data and shares of education degrees are shown as follows:

Year		2021	2020	Data as of March 29, 2022
Number of Employees		148	139	154
Average Age		40.33	40.24	41.09
Average Years of Service		10.45	10.75	10.20
Education (%)	Masters	43.24	41.01	42.21
	University or College	56.08	58.27	57.14
	Others	0.68	0.72	0.65

Note: The number of full-time employees includes 3 persons, who took leave without pay till March 29, 2022.

5.4 Information on Environmental Protection Expenditure

The Company operates in reinsurance business, which is free of environmental pollution. As of the date of publication of the annual report, the Company has not violated relevant environmental laws or regulations.

5.5 Labor Relations

5.5.1 The Company's implementation status of employee benefit plans, on-job training, continuing education and retirement systems; the status of labor-management agreements and measures for preserving employees' rights and interests are listed in the following.

Employee benefit plans:

- (1) Leave Policies: According to the Labor Standards Act, employees are entitled to annual leave.
- (2) Employee Insurances: Employees are covered by labor insurance, national health insurance, group personal accident insurance and travel insurance on overseas business trips.
- (3) Health Care: The Company offers employee physical examination programs on a regular basis to ensure the physical health of its employees (including physical examination for new employees).
- (4) On-job training and Continuing education: The Company encourages its employees to elevate their professional abilities. In 2021, it totals 339

attendances to attend various domestic reinsurance, finance, or risk management courses. The Company also holds internal professional trainings and inspires employees to acquire professional certifications and licenses in order to self-improvement. Employees are granted paid official leaves for attending relevant examinations, as well as full-amount subsidy for the enrollment fee. Please refer to page 8 for details.

- (5) Bonus: The Company distributes year-end bonus.
- (6) Employee Rewards: The Company distributes employee rewards based on the profit earned during the year and in accordance with the percentage stipulated in the Company's articles of incorporation. The proposed employee reward scheme shall be approved by the Board of Directors and reported to the shareholders at annual general meeting.
- (7) The Company has instituted the employee welfare committee to facilitate the promotion of employee welfare. The Company allocates employee welfare funds on a monthly basis, being a fixed percentage of its sales amount and employee payroll. The welfare funds are used to administer various employee welfare projects.
- (8) Varieties of cash gifts and subsidies: The Company provides cash gifts and subsidies in various occasions, including monetary payments and subsidies for wedding and funerals, as well as sympathy money for illness or injuries.

Retirement system:

In accordance with the Labor Standards Law and the Regulations Governing Retirement, Indemnity and Severance of Employees, the Company continuously appropriates labor retirement reserve fund each month and deposits it in the Bank of Taiwan. At the same time, the Company also instituted the pension fund monitoring committee to administer this retirement fund.

After enforcing of Labor Pension Act on July 1, 2005, the amount of labor pension borne by the Company for employees who choose to be applicable to the pension system in the Act is six percent of the monthly wage. The pension fund is submitted to the Bureau of Labor Insurance and deposited into the respective pension fund account of employees.

Labor-management agreement:

The Company regularly holds the labor-management meetings to ensure efficient communication between the employees and the employer. Up to now, the communication runs smoothly.

Measures for preserving employees' rights and interests:

The Company sets forth the human resource regulations in accordance with the Labor Standards Act and so on. In addition, the Company establishes dedicated mailbox and telephone line to receive employee grievance for company's policies, operational opinions or any loss of employee's rights and interests. The purposes are to increase two-way communication, solve problem quickly and prevent problem from occurring.

5.5.2 The loss suffered due to labor conflicts during the recent one year as at the date the annual report is printed, and the estimated amount for current and potential conflicts as well as the measures to deal with these issues:

1. As at the date the latest annual report is printed, the Company does not have any loss caused by labor conflicts during the recent year.
2. Estimated amount for current and potential conflicts as well as the measures to deal with these issues:

The Company has well-established management and welfare systems, and has been actively promoting employer/employee cooperation. It has maintained a harmonious employer/employee relationship. So far, the Company has not suffered from any loss caused by labor conflicts. It is very unlikely that the Company would suffer from any loss caused by labor conflicts in future.

5.5.3 Employee code of conduct or ethical principles:

The Company has established the code of ethical conducts, which shall be followed by all directors and employees. The Company also provides grievance channels for employees to express their opinions. According to the work rules of the Company, employees are required to observe the following service guidelines:

1. Obey the policies and rules of the Company and follow the reasonable guidance of the supervisors at different management levels.
2. Be dedicated to individual job responsibilities, maintain good order at work,

and demonstrate team spirit to improve work efficiency.

3. Preserve the good reputation of the Company. The employee should report to the direct supervisor immediately on discovering any matters which may adversely impact the reputation of the Company. Concealment of facts is prohibited.
4. Any job reports should be made in accordance with the hierarchy of authority and responsibility. Bypassing the direct supervisor to report is prohibited. This shall not apply, however, in special cases or emergencies.
5. Supervisors should show respect and care to their subordinates and provide suitable guidance thereto.
6. Employees should cherish the public facilities and avoid waste of money.
7. Employees are not allowed to work for other employers unless required by law or approved by the Company.

5.5.4 Protective measures on environmental and personal safety:

1. The office building of the Company is featured by convenient transportation and high-quality work environment. The users of the office building have organized building management committee. The committee conducts regular fire safety and public utility inspections. Security systems and access control are available in the building to ensure the security of the environment and the personal safety of the employees. No case of occupational injury was reported in the office area in 2021.
2. As required by law, the Company has assigned the occupational safety and health affair supervisor and first-aid personnel. They are required to attend on-job trainings and have acquired relevant course certificates. The Company has also established its “Labor Safety and Health Work Rules” and the annual occupational safety and health management plan as the guidelines for administering relevant employee health and safety matters.
3. The Company has organized a Self-Defense Fire Protection Team based on its “Fire Protection Plan”, responsible to handle relevant issues in the building. The Company also organized internal labor safety training and fire-drill on a yearly basis. The drill for 2021 was completed on December 17. A disaster

reporting system has been established to minimize the loss.

4. The Company has established its Regulations for Energy Saving and Carbon Reduction to fulfill its environmental protection objectives. Regular inspections are conducted to monitor the carbon dioxide concentration in the offices. Water quality test on drinking machines and office disinfection are also carried out in respective floors of the office building.
5. The Company has established the “Regulations for Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace”. Dedicated grievance instruments (including hotlines, dedicated fax lines and e-mail box) are available. The Company has disclosed relevant information on both its Intranet and external website.

5.6 Information and Communication Security Management

5.6.1 The information and communication security risk management framework, the information and communication security policy, the specific management programs, and the resources invested in the information and communication security management shall be specified:

1. Information and communication security risk management framework

To establish an information security operating environment in alignment with the principles of confidentiality, integrity, and availability, improve the security of operations, and reduce the risks, the Company introduced the information security management system (ISMS) in 2018, which is governed by the information security management task force of the personal data protection promotion team. The task force is responsible for coordinating the formulation and implementation of relevant information security policies, conducting risk management, and auditing compliance. The task force’s executive secretary is served by the dedicated information security manager. It holds a meeting every year to review and resolve information security guidelines and policies, thereby ensuring the effectiveness of the implementation of information security management measures. The dedicated information security manager reports to the Board of Directors every year on the overall implementation of information security measures, management effectiveness, and relevant issues and strategies.

2. Information and communication security risk policy

The Company has formulated the Personal Data and Information Security Management Policy and Objectives to implement personal data protection and information security management while in compliance with the Personal Data Protection Act and competent authorities' relevant regulations on personal data protection and information security management, to protect the rights and information security of the parties involved in the personal data, reduce incidents of sensitive and confidential data being compromised, and alleviate the potential impact of information security incidents. The information and communication security policy are as follows:

- (1) Ensure the confidentiality of the Company's relevant business information and the security of personal data, and prevent the Company's sensitive and confidential business information and personal data from being tampered, exposed, damaged, or lost, or services from being terminated due to internal, external, intentional, or accidental threats and damages.
- (2) Ensure the integrity and availability of the Company's relevant business information and correct implementation of the Company's operations and various business activities, to protect the security of the Company's information assets and ensure that the Company's equipment and network will not encounter service errors or interruptions due to various threats and damage.

3. Specific management programs and resources invested in the information and communication security management

The Company has formulated various information security management system operation manuals as per ISO27001/CNS27001 and relevant laws and regulations as the specific compliance goals for various information security management programs. To strengthen information security, the Company has completed the introduction and pre-assessment of the ISMS as per the instructions under an official letter from the competent authority. The Company's ISMS has been pre-assessed by the external third party, SGS Taiwan Limited, in 2018, by which a certificate was issued.

The Company has commissioned external professional organizations to assess our information security as per the Self-Discipline Regulations on Information

Security Protection by the Insurance Industry, to take the initiative to identify information security threats and vulnerabilities and continuously improve and enhance our own capabilities to protect the security of our network and information and communication systems. Furthermore, to effectively implement the information and communication security and personal data protection management work and ensure the implementation of our information and communication security and personal data protection management policies, the Company's personal data protection promotion team has established a Management Review Committee to be responsible for implementing, supervising, and improving the operations of the Company's information and communication security and personal data protection management system. The members of the committee are the Company's managers at all levels, and it shall hold a management review meeting at least once a year as per rules, to supervise the Company's information and communication security and personal data protection operations, coordinate the use of resources, and confirm the effectiveness of the relevant risk management and control mechanisms.

The Company has established a dedicated information security unit as per the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises to be responsible for launching, planning, and executing various information security management approaches as well as strengthening the information security monitoring mechanisms and constructing protective equipment in response to information security risks. The dedicated information security manager regularly reports the overall implementation of the Company's information security system to the Board of Directors every year, to allow the Company's management to keep abreast of the information security situation and increase their understanding of the Company's information security issues.

5.6.2 List the losses, possible impacts, and countermeasures due to major information security incidents in the most recent year up to the date of printing annual report. If it cannot be reasonably estimated, please state the reason:

The Company did not encounter any significant information security incident throughout the year.

5.7 Important Contracts

5.7.1 Non-Life Business

Type of Contract	Counterparty	Period	Major Contents	Restrictions
Reinsurance Contracts	Domestic and overseas non-life insurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
	Overseas non-life insurance companies	2021.4.1-2022.3.31 2022.4.1-2023.3.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
Retrocession Contracts	Domestic and overseas non-life insurance companies	2021.1.1-2022.12.31 2022.1.1-2022.12.31	Non-life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas non-life reinsurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Non-life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas non-life reinsurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
	Overseas non-life reinsurance companies	2021.4.1-2022.3.31 2022.4.1-2023.3.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
Catastrophe Reinsurance Contracts	Overseas non-life reinsurance companies	1. 2021.2.1-2022.1.31 2022.2.1-2023.1.31 2. 2021.2.1-2022.2.28 2022.3.1-2023.2.28	To protect our domestic net retention excess catastrophe losses	The contracts include exclusion clauses
	Overseas non-life reinsurance companies	2021.5.1-2022.4.30 2022.5.1-2023.4.30	To protect our overseas net retention excess catastrophe losses	The contracts include exclusion clauses
Stop Loss Reinsurance Contract	Overseas non-life reinsurance companies	2022.1.1-2022.12.31	To protect our overseas net retention excess losses	The contracts include exclusion clauses

5.7.2 Life Business

Type of Contract	Counterparty	Period	Major Contents	Restrictions
Reinsurance Contracts	Domestic and overseas life insurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Life reinsurance inward businesses	Some contracts include exclusion clauses
Retrocession Contracts (Non-Cat)	Domestic life insurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas life reinsurance companies	2021.1.1-2021.12.31 2022.1.1-2022.12.31	Life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas life reinsurance companies	2021.4.1-2022.3.31 2022.4.1-2023.3.31	Life retrocession inward businesses	Some contracts include exclusion clauses
Catastrophe Reinsurance Contracts (Cat)	Overseas life reinsurance companies	2021.2.1-2022.1.31 2022.2.1-2023.1.31	To protect our domestic net retention excess catastrophe losses	The contracts include exclusion clauses

6. FINANCIAL INFORMATION

6.1 Financial Statement for Recent Five Years

6.1.1 Condensed balance sheets and statements of comprehensive income for the past five fiscal years

Condensed Balance Sheets:

NT\$ thousands

Year		From 2017 To 2021 (Note 1)					01/01/2022 ~03/29/2022 (Note 4)
		2021	2020	2019	2018	2017	
Items							
Cash and Cash Equivalents		17,285,837	15,001,586	12,603,772	17,745,305	16,772,180	NA
Account Receivable		282,894	454,002	325,191	280,768	281,681	NA
Financial Assets (Note 3)		22,218,077	19,081,388	19,595,470	13,408,611	14,417,155	NA
Reinsurance Contract Assets		7,373,316	6,065,459	5,066,416	4,216,071	3,726,066	NA
Property and Equipment		268,554	206,513	204,631	204,778	206,745	NA
Intangible Assets		7,248	5,240	8,866	5,186	922	NA
Other Assets		2,029,023	1,899,400	1,357,677	1,429,431	1,105,672	NA
Total Assets		49,464,949	42,713,588	39,162,023	37,290,150	36,510,421	NA
Account Payable		757,107	420,922	456,543	309,813	409,870	NA
Financial Liabilities (Note 3)		771	32,440	10,095	3,655	13,290	NA
Insurance Liabilities		31,700,204	28,491,167	26,234,743	25,565,926	24,430,514	NA
Provisions		-	779	18,011	18,789	21,013	NA
Other Liabilities (Note 3)		454,456	359,043	413,508	193,731	384,262	NA
Total Liabilities	Before Distribution	32,912,538	29,304,351	27,132,900	26,091,914	25,258,949	NA
	After Distribution	(Note 2)	30,071,856	27,664,250	26,623,264	25,821,224	NA
Capital		5,903,888	5,903,888	5,903,888	5,903,888	5,622,750	NA
Capital Reserve		300,000	300,000	300,000	300,000	300,000	NA
Retained Earnings	Before Distribution	7,933,739	6,635,437	5,654,071	5,081,189	4,943,231	NA
	After Distribution	(Note 2)	5,867,932	5,122,721	4,549,839	4,099,818	NA
Other Equity		2,414,784	569,912	171,164	(86,841)	385,491	NA
Total Equity	Before Distribution	16,552,411	13,409,237	12,029,123	11,198,236	11,251,472	NA
	After Distribution	(Note 2)	12,641,732	11,497,773	10,666,886	10,689,197	NA

Note:

1. The above financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”.
2. Earnings distribution for the year 2021 has not yet been ratified at the stockholders’ meeting as of the reporting date.

3. (1) Financial assets from 2017 include Financial assets at fair value through profit or loss, Available-for-sale financial assets, Investments in debt instrument without active market, Held-to-maturity financial assets, Other financial assets and Investment property; financial assets from 2018 to 2021 include Financial assets at fair value through profit or loss, Financial assets at amortized cost, Other financial assets and Investment property.
 (2) Other assets include Right-of-use assets, Current tax assets, Deferred income tax assets, and other assets recognized.
 (3) Financial liabilities are financial liabilities at fair value through profit or loss.
 (4) Other liabilities include Lease liabilities, Current tax liabilities, Deferred income tax liabilities, and other liabilities recognized.
4. As of the reporting date, the Company did not have the latest financial information audited or reviewed by CPA for the current year.

Condensed Statement of Comprehensive Income:

NT\$ thousands

Items \ Year	From 2017 To 2021 (Note 1)					01/01/2022 ~03/29/2022 (Note3)
	2021	2020	2019	2018	2017	
Operating Revenue	20,440,955	17,656,923	16,092,924	14,871,535	14,599,949	NA
Gross Profit	2,964,474	2,189,794	1,862,208	1,747,736	2,066,838	NA
Net Operating Income	2,470,965	1,786,314	1,507,236	1,377,055	1,693,217	NA
Non-Operating Income and Expenses	183	2,322	275	42	940	NA
Income from Continuing Operations before Tax	2,471,148	1,788,636	1,507,511	1,377,097	1,694,157	NA
Income from Continuing Operations after Tax	2,065,077	1,515,729	1,104,125	1,050,071	1,389,459	NA
Net Income	2,065,077	1,515,729	1,104,125	1,050,071	1,389,459	NA
Total Other Comprehensive Income for The Year (after tax)	1,845,602	395,735	258,112	(547,439)	643,942	NA
Total Comprehensive Income for The Year	3,910,679	1,911,464	1,362,237	502,632	2,033,401	NA
Earnings per Share(after tax) (NT\$)(Note 2)	3.50	2.57	1.87	1.78	2.35	NA

Note:

1. The above financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”.
2. Earnings per share were adjusted retroactively based on the number of shares after distribution for the past years.
3. As of the reporting date, the Company did not have the latest financial information audited or reviewed by CPA for the current year.

6.1.2 Independent Auditors' Name and Audit Opinion

Year	CPA Firm	CPA's Name	Audit Opinion
2021	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lee, Hsiu-Ling	Unqualified Opinion
2020	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lee, Hsiu-Ling	Unqualified Opinion
2019	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lai, Chung-Hsi	Unqualified Opinion
2018	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lai, Chung-Hsi	Unqualified Opinion
2017	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lai, Chung-Hsi	Unqualified Opinion

6.2 Financial Analyses for Recent Five Years

Financial Analyses:

Items \ Year	From 2017 To 2021 (Note 1)					01/01/2022 ~03/29/2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating Ability						
Changes in Gross Premiums	13.54 %	9.86%	8.86%	5.68%	3.72%	NA
Changes in Reinsurance Claims Paid	(1.37%)	(1.16%)	20.88%	4.88%	(2.42%)	NA
Changes in Retention Premiums	13.83%	9.82%	8.49%	4.99%	3.99%	NA
Equity on Total Assets	33.46%	31.39%	30.72%	30.03%	30.82%	NA
Profitability						
Return on Total Assets	4.48%	3.70%	2.89%	2.85%	3.96%	NA
Return on Equity	13.78%	11.92%	9.51%	9.35%	13.39%	NA
Net Investment Gain on Available Fund	2.46%	2.16%	1.77%	1.10%	2.49%	NA
Return on Investments	2.41%	2.11%	1.73%	1.08%	2.44%	NA
Retention Combined Ratio	91.57%	94.44%	95.21%	94.81%	91.06%	NA
Retention Expenses Ratio	29.46%	28.38%	30.26%	31.41%	31.55%	NA
Retention Loss Ratio	62.11%	66.06%	64.95%	63.40%	59.51%	NA
Operating Structure						
Retention Premiums on Equity	117.48%	127.40%	129.32%	128.04%	121.37%	NA
Gross Premiums on Equity	126.26%	137.28%	139.29%	137.45%	129.44%	NA
Net Reinsurance Commission on Equity	0.74%	1.02%	0.92%	0.97%	0.90%	NA
Insurance Liabilities on Equity	191.51%	212.47%	218.09%	228.30%	217.13%	NA
Changes in Equity	23.44%	11.47%	7.42%	(0.47%)	18.45%	NA
Expenses Ratio	29.10%	28.33%	29.91%	31.15%	31.48%	NA
Analysis of financial ratio in last two years. (If the difference doesn't exceed 20%, the analysis is not required) 1. Changes in Gross Premiums and Changes in Retention Premiums more than last year : Mainly due to gross premiums increased in 2021. 2. Return on Total Assets more than last year : Mainly due to Net Income increased in 2021. 3. Net Reinsurance Commission on Equity less than last year : Mainly due to retention premiums and equity increased in 2021. 4. Changes in Equity more than last year : Mainly due to Net income and other comprehensive income increased in 2021.						

Note:

1. The above financial analyses are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", and these ratios are the key performance indicators of the Company.
2. As of the reporting date, the Company did not have the latest financial information audited or reviewed by CPA for the current year.

The calculation formula of the analysis item is as follows

1. Operating Ability

- (1) Changes in Gross Premiums = (Accumulated Gross Premiums for the current period – Accumulated Gross Premiums for the prior period) / Accumulated Gross Premiums for the prior period
- (2) Changes in Reinsurance Claims Paid = (Accumulated Reinsurance Claims Paid for the current period – Accumulated Reinsurance Claims Paid for the prior period) / Accumulated Reinsurance Claims Paid for the prior period
- (3) Changes in Retention Premiums = (Accumulated Retention Premium for the current period – Accumulated Retention Premium for the prior period) / Accumulated Retention Premium for the prior period
- Retention Premiums = Gross premiums written – Reinsurance premiums ceded
- (4) Equity on Total Assets = Total Equity / Total Assets

2. Profitability

- (1) Return on Total Assets = [Income after tax + Interest Expense * (1 - tax rate)] / Average Total Assets
- Average Total Assets = (Beginning of period Assets + End of period Assets) / 2
- (2) Return on Equity = Income after tax / Average Equity
- Average Equity = (Equity for the current period + Equity for the prior period) / 2
- (3) Net Investment Gain on Available Fund = Net Investment Gain for the current period / [(Beginning of period Available Fund + End of period Available Fund - Net Investment Gain for the current period) / 2]
- (4) Return on Investments = Net Investment Gain for the current period / [(Beginning of period Assets + End of period Assets - Net Investment Gain for the current period) / 2]
- (5) Retention Combined Ratio = Retention Expenses Ratio + Retention Loss Ratio
- (6) Retention Expenses Ratio = Retention Expenses / Retention Premiums
- Retention Premiums = Reinsurance Premium written - Reinsurance premium ceded
- Retention Expenses = Reinsurance Commission Expenses - Reinsurance Commission Revenue + Overriding Commission Expenses - Overriding Commission Revenue + Selling Expenses + Administration Expenses + Depreciation and Amortization of Own-use Property
- (7) Retention Loss Ratio = Retention Reinsurance Claims Paid / Retention Earned Premiums
- Retention Reinsurance Claims Paid = Reinsurance Claims Paid – Reinsurance Claims Recovery + Net changes in Claims Reserve
- Retention Earned Premiums = Gross premiums written - Reinsurance Premiums ceded - Net

changes in Unearned Premium Reserve

3. Operating Structure

- (1) Retention Premiums on Equity = Retention Premiums / Equity
- (2) Gross Premiums on Equity = Gross premiums written / Equity
- (3) Net Reinsurance Commission on Equity = (Unearned Premium Reserve / Retention Premiums) * Reinsurance Commission Income / Equity
- (4) Insurance Liabilities on Equity = Insurance Liabilities / Equity
Insurance Liabilities = Equalization Reserve + Claims Reserve + Unearned Premium Reserve + Other Reserve
- (5) Changes in Equity = (Equity for the current period - Equity for the prior period) / Absolute Value of Equity for the prior period
- (6) Expenses Ratio = Expenses / Reinsurance Premium written
Expenses = Reinsurance Commission Expenses + Overriding Commission Expenses + Selling Expenses + Administration Expenses + Depreciation and Amortization of Own-use Property

6.3 Audit Committee's Review Report

Please refer to page 168.

6.4 Financial Statements and Report of Independent Accountants

Please refer to pages 169 to 249.

6.5 A parent company only financial statement for the most recent fiscal year, certified by a CPA, but not including the statements of major accounting items

Not applicable.

6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation

None.

Audit Committee's Review Report

TO : 2022 Annual General Meeting of Shareholders

Central Reinsurance Corporation (Central Re)

The Board of Directors has prepared the Company's 2021 business report, financial report, and proposal for distribution of earnings. The CPA firm of PricewaterhouseCoopers, Taiwan has audited the financial report and issued the audit report.

The above business report, financial report, and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of Central Re. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Central Reinsurance Corporation

Convener of the Audit Committee: Chou, Yu-Cheng

March 17, 2022

CENTRAL REINSURANCE CORPORATION
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

PWCR21000417

To Central Reinsurance Corporation

Opinion

We have audited the accompanying balance sheets of Central Reinsurance Corporation (the “Company”) as of December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recognition of reinsurance revenue

Description

For the accounting policy for reinsurance revenue, please refer to Note 4(25) of the financial statements; for critical accounting estimates and assumptions of reinsurance revenue, please refer to Note 5(2) of the financial statements.

The Company's reinsurance revenue accounts for 102% of its operating revenues. The Company estimates reinsurance revenue based on an accrual basis; that is, once reinsurance contracts are signed, the Company elects the ceding company's annual forecasted reinsurance information and then calculates the revenue proportion to be recognized in each month based on previous experience of actual statements. Thereafter, when actual statements are received, original estimates are reversed and actual statements are accrued. The Company then evaluates the reason for differences between actual statements and estimated amounts to adjust the estimated revenues of remaining period, accordingly. Because reinsurance revenue is material to the financial statements and the recognition of reinsurance revenue involves management's professional judgement, we have thus included the recognition of reinsurance revenue as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Obtained an understanding and assessed the Company's policies, internal controls, and processing procedures related to the recognition of reinsurance revenue.
2. On a sample basis, tested the effectiveness of internal controls related to the recognition of reinsurance revenue, including:
 - (1) Checking the accuracy and completeness of recording reinsurance contracts into their system.
 - (2) Checking the consistency of reinsurance revenue recorded in the system with the related information provided by the ceding company.
 - (3) Checking the revenue proportion allocated to each month during the contract period and recognized amounts used by management to determine their accuracy.
 - (4) Checking the accuracy of actual statements and recorded reversal of estimates.
 - (5) Checking whether management had provided clear reasons for its adjustments on the amounts of estimated revenues of each quarter and checked whether such adjustments were appropriately approved.
3. On a sample basis, checked information of actual statements to assess the reasonableness of the Company's adjustments to estimated reinsurance revenue.

Estimation of claims reserve

Description

For the accounting policy for claims reserve (under insurance liabilities), please refer to Note 4(20) of the financial statements; for critical accounting estimates and assumptions of claims reserve, please refer to Note 5(2) of the financial statements; for details on claims reserve, please refer to Note 6(8) of the financial statements.

The Company's claims reserve accounts for 64% of its insurance liabilities. Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgement for the experience of claims and underwriting. Because claims reserve is material to the financial statements and the methods and assumptions for calculating claims reserve involve management's professional judgement, we have thus included the estimation of claims reserve as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. On a sample basis, checked the accuracy and completeness of financial information used in calculating claims reserve.
2. Used the work of actuarial specialists to assist us in assessing the reasonableness of Incurred-But-Not-Reported losses reserve (including assumed and ceded claims reserve), including:
 - (1) On a sample basis, examined the rationale of the method for calculating the Incurred-But-Not-Reported losses reserve.
 - (2) On a sample basis, examined the rationale of the assumptions used by the Company.
 - (3) On a sample basis, recalculated Incurred-But-Not-Reported losses reserve under the assumptions used by the Company to ensure the accuracy of the reserves recognized by the Company.
3. Tested a selection of material claims that were Reported-But-Not-Paid and assessed the reasonableness of the claims reserve for such cases.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



資誠

Chen, Hsien-I

Chen, Hsien-I

Hsiao-Ling Lee

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

ASSETS		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 17,285,837	35	\$ 15,001,586	35
12000	Accounts receivable	6(2)	282,894	1	454,002	1
14110	Financial assets at fair value through profit or loss	6(3)	7,256,114	15	6,960,392	16
14145	Financial assets at amortized cost	6(4)	11,492,585	23	11,174,625	26
14180	Other financial assets	6(5)	3,083,454	6	499,556	1
14200	Investment property, net	6(7)	385,924	1	446,815	1
15000	Reinsurance contract assets	6(8)	7,373,316	15	6,065,459	14
16000	Property and equipment, net	6(11)	268,554	-	206,513	1
16700	Right-of-use assets		1,337	-	374	-
17000	Intangible assets		7,248	-	5,240	-
17800	Deferred income tax assets	6(17)	234,160	-	175,763	1
18000	Other assets		1,793,526	4	1,723,263	4
TOTAL ASSETS			\$ 49,464,949	100	\$ 42,713,588	100
LIABILITIES AND EQUITY						
21000	Accounts payable	6(12)	\$ 757,107	2	\$ 420,922	1
21700	Current income tax liabilities		276,454	1	105,938	-
23200	Financial liabilities at fair value through profit or loss	6(3)	771	-	32,440	-
23800	Lease liabilities		1,346	-	377	-
24000	Insurance liabilities	6(8)	31,700,204	64	28,491,167	67
27000	Provisions	6(13)	-	-	779	-
28000	Deferred income tax liabilities	6(17)	60,590	-	126,240	1
25000	Other liabilities		116,066	-	126,488	-
TOTAL LIABILITIES			32,912,538	67	29,304,351	69
30000	EQUITY					
31000	Capital					
31100	Common stock	6(14)	5,903,888	12	5,903,888	14
32000	Capital reserve		300,000	-	300,000	-
33000	Retained earnings					
33100	Legal reserve		2,766,037	6	2,463,493	6
33200	Special reserve	6(16)	3,288,295	7	2,757,597	6
33300	Undistributed earnings		1,879,407	4	1,414,347	3
34000	Other equity interest		2,414,784	4	569,912	2
TOTAL EQUITY			16,552,411	33	13,409,237	31
TOTAL LIABILITIES AND EQUITY			\$ 49,464,949	100	\$ 42,713,588	100

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31				Changes Percentage (%)
		2021		2020		
Items	Notes	AMOUNT	%	AMOUNT	%	
41000	Operating revenues					
41100	Gross premiums written	\$ 20,899,658	102	\$ 18,407,855	104	14
51100	Less: Reinsurance premiums ceded	(1,453,861)	(7)	(1,324,739)	(7)	10
51310	Net change in unearned premium reserve	6(8) (454,873)	(2)	(657,697)	(4)	(31)
41130	Retention earned premiums	18,990,924	93	16,425,419	93	16
41300	Reinsurance commission revenue	328,925	2	343,754	2	(4)
41400	Overriding commission revenue	23,271	-	21,872	-	6
41500	Net gain from investment					
41510	Interest income	403,780	2	479,256	3	(16)
41521	Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss	2,870,927	14	1,436,526	8	100
41526	Realized gain or loss on financial assets at amortized cost	6(4) 48,410	-	(90)	-	(53889)
41550	Foreign exchange (loss) gain	(369,159)	(2)	(511,225)	(3)	(28)
41570	Gain (loss) on investment property	6(7) 15,051	-	18,761	-	(20)
41585	Expected credit impairment and reversal of profit from investments	6(4) 627	-	(170)	-	(469)
41600	Gain (loss) upon reclassification of applying overlay approach	6(3) (1,874,206)	(9)	(567,537)	(3)	230
	Total net gain from investment	1,095,430	5	855,521	5	28
41800	Other operating revenues	2,405	-	10,357	-	(77)
	Total operating revenues	20,440,955	100	17,656,923	100	16
51000	Operating costs					
51200	Reinsurance claims paid	(10,023,133)	(49)	(10,162,084)	(58)	(1)
41200	Less: Reinsurance claims recovery	697,770	3	685,892	4	2
51260	Retention reinsurance claims paid	(9,325,363)	(46)	(9,476,192)	(54)	(2)
51300	Net changes in other insurance liabilities	6(8) (2,518,768)	(12)	(1,179,773)	(7)	113
51500	Reinsurance commission expenses	(5,588,191)	(28)	(4,811,110)	(27)	16
51700	Financial cost	(19)	-	(5)	-	280
51800	Other operating costs	(44,140)	-	(49)	-	89982
	Total operating costs	(17,476,481)	(86)	(15,467,129)	(88)	13
58000	Operating expenses					
58100	Selling expenses	(308,033)	(1)	(274,857)	(1)	12
58200	Administration expenses	(184,870)	(1)	(128,207)	(1)	44
58300	Training expenses	(606)	-	(424)	-	43
58400	Expected credit impairment reversal from non-investments	13 -	-	8	-	(100)
	Total operating expenses	(493,509)	(2)	(403,480)	(2)	22
	Net operating income	2,470,965	12	1,786,314	10	38
59000	Non-operating income and expenses	183	-	2,322	-	(92)
62000	Income from continuing operations before tax	2,471,148	12	1,788,636	10	38
63000	Income tax expense	6(17) (406,071)	(2)	(272,907)	(1)	49
64000	Income from continuing operations after tax	2,065,077	10	1,515,729	9	36
66000	Net income	\$ 2,065,077	10	\$ 1,515,729	9	36

(Continued)

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31				Changes Percentage (%)
		2021		2020		
Items	Notes	AMOUNT	%	AMOUNT	%	
83000	Other comprehensive income					
83100	Items may not be reclassified to profit or loss subsequently					
83110	Remeasurements of defined benefit plans	6(13)	\$ 912	- (\$ 3,766)	- (124)	
83180	Income tax relating to the items may not be reclassified to profit or loss subsequently	6(17)	(182)	- 753	- (124)	
83200	Items may be reclassified to profit or loss subsequently					
83210	Exchange differences on translation of foreign financial statements		(102,492)	- (170,502)	(1) (40)	
83295	Other comprehensive income (loss) upon reclassification of applying overlay approach	6(3)	1,874,206	9 567,537	3 230	
83280	Income tax relating to items that may be reclassified	6(17)	73,158	- 1,713	- 4171	
	Total other comprehensive income for the year (after tax)		1,845,602	9 395,735	2 366	
85000	Total comprehensive income for the year		\$ 3,910,679	19 \$ 1,911,464	11 105	
Earnings per share						
97500	Basic and Diluted (in NT dollars)		\$ 3.50	\$ 2.57		

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings				Other Equity Interest				
	Notes	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Foreign Financial Statements	Other Comprehensive Income (Loss) upon Reclassification of Applying Overlay Approach	Total Equity
2020									
Balance at January 1, 2020		\$ 5,903,888	\$ 300,000	\$ 2,242,647	\$ 2,358,192	\$ 1,053,232	(\$ 69,352)	\$ 240,516	\$ 12,029,123
Net income for the year		-	-	-	-	1,515,729	-	-	1,515,729
Other comprehensive income (loss) for the year		-	-	-	-	(3,013)	(136,402)	535,150	395,735
Total comprehensive income (loss)		-	-	-	-	1,512,716	(136,402)	535,150	1,911,464
Distributions of 2019 earnings									
Legal reserve		-	-	220,846	-	(220,846)	-	-	-
Cash dividends	6(16)	-	-	-	-	(531,350)	-	-	(531,350)
Appropriation for special reserve for the year		-	-	-	399,405	(399,405)	-	-	-
Balance at December 31, 2020		\$ 5,903,888	\$ 300,000	\$ 2,463,493	\$ 2,757,597	\$ 1,414,347	(\$ 205,754)	\$ 775,666	\$ 13,409,237
2021									
Balance at January 1, 2021		\$ 5,903,888	\$ 300,000	\$ 2,463,493	\$ 2,757,597	\$ 1,414,347	(\$ 205,754)	\$ 775,666	\$ 13,409,237
Net income for the year		-	-	-	-	2,065,077	-	-	2,065,077
Other comprehensive income (loss) for the year		-	-	-	-	730	(81,993)	1,926,865	1,845,602
Total comprehensive income (loss)		-	-	-	-	2,065,807	(81,993)	1,926,865	3,910,679
Distributions of 2020 earnings									
Legal reserve		-	-	302,544	-	(302,544)	-	-	-
Cash dividends	6(16)	-	-	-	-	(767,505)	-	-	(767,505)
Appropriation for special reserve for the year	6(16)	-	-	-	530,698	(530,698)	-	-	-
Balance at December 31, 2021		\$ 5,903,888	\$ 300,000	\$ 2,766,037	\$ 3,288,295	\$ 1,879,407	(\$ 287,747)	\$ 2,702,531	\$ 16,552,411

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 2,471,148	\$ 1,788,636
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	8,587	8,428
Amortization	4,065	4,081
Provision for loss allowance of reinsurance contract assets	881	6,559
Provision for bad debt	452	-
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss	(1,714,171)	(671,495)
Interest expense	19	5
Interest income	(407,377)	(481,235)
Dividend income	(68,087)	(88,048)
Net change in reserves	2,973,641	1,837,470
Expected credit (reversal) impairment on investments	(627)	170
Expected credit (reversal) impairment on non-investments	-	(8)
Loss upon reclassification of applying overlay approach	1,874,206	567,537
Unrealized foreign exchange loss	115,317	364,668
Changes in operating assets and liabilities		
Changes in operating assets		
Accounts receivable	164,606	(151,465)
Financial assets at fair value through profit or loss	1,387,184	(299,887)
Financial assets at amortized cost	(462,115)	1,379,469
Other financial assets	(2,583,898)	(399,556)
Reinsurance contract assets	(1,081,529)	(584,304)
Other assets	(40,662)	(404,900)
Changes in operating liabilities		
Accounts payable	336,185	(35,621)
Provisions	133	(20,998)
Other liabilities	(10,422)	56,392
Cash inflow generated from operations	2,967,536	2,875,898
Interest received	425,855	514,563
Dividend received	67,238	88,139
Interest paid	(19)	(5)
Income tax paid	(286,626)	(493,053)
Net cash flows from operating activities	3,173,984	2,985,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(8,975)	(7,907)
Acquisition of intangible assets	(6,073)	(455)
Acquisition of investment property	(355)	(426)
Net cash flows used in investing activities	(15,403)	(8,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal portion of lease liabilities	(401)	(234)
Payment of cash dividends	(767,505)	(531,350)
Net cash flows used in financing activities	(767,906)	(531,584)
Effects of exchange rate changes	(106,424)	(47,356)
Net increase in cash and cash equivalents	2,284,251	2,397,814
Cash and cash equivalents at beginning of year	15,001,586	12,603,772
Cash and cash equivalents at end of year	\$ 17,285,837	\$ 15,001,586

The accompanying notes are an integral part of these financial statements.

CENTRAL REINSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Central Reinsurance Corporation (the “Company”) was originally a state-owned enterprise, incorporated on October 31, 1968, and provides a broad range of property and life inward and outward reinsurance services. The Company’s shares of stock have been traded on the Taiwan Stock Exchange since July 6, 2000. On July 9, 2002, the Ministry of Finance (MOF), the major shareholder of the Company, privatized the Company in accordance with rules of privatization of government-owned enterprises, effective on July 11, 2002. In addition, the Company has obtained the certificate for establishment and business license for its offshore insurance branch, and commenced its operation on January 1, 2016. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company’s parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, 'Insurance contracts'

IFRS 17, 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to

investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred to herein as the “IFRSs”).

(2) Basis of preparation

- A. The Company does not have a subsidiary, and the Company's financial statements are separate financial statements composed of the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows, and relevant notes.
- B. Except for the following items, these financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
 - (d) Various insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.
- C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

- A. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars ("NTD"), which is the Company's functional currency.
- (a) Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction date. The translation differences upon actual payment are recognized in current profit or loss.
 - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the reporting date. Exchange differences arising upon re-translation at the reporting date are recognized in current profit or loss.
 - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) Except for aforementioned non-monetary assets denominated in foreign currencies held at fair value through profit or loss, foreign exchange gains or losses that arise from investing activities are recognized under net gain (loss) from investment in the statement of comprehensive income. Other foreign exchange gains or losses that do not arise from investing activities are recognized under other operating revenues or other operating costs.

B. The financial position and financial performance of offshore insurance branch that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of the trade date; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Cash equivalents

A. The statement of cash flows is prepared on the basis of cash and cash equivalents.

B. Cash equivalents refer to short-term, highly liquid investments that are:

(a) Readily convertible to known amount of cash; and

(b) Subject to an insignificant risk of changes in value.

C. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations (including time deposits within 12 months of the contract period) are classified as cash equivalents.

(5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

(a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and

(b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

E. The Company values the difference of reclassification amounts of financial assets at fair value through profit or loss and fair value through other comprehensive income for the financial assets applying overlay approach, using:

- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach under IFRS 9; and
- (b) The amount that would have been reported in profit or loss for the designated financial assets if IAS 39 had been applied.

(6) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

- (a) The objective of the Company's business model is achieved by collecting contractual cash flows; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(7) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

(8) Impairment of financial assets

For financial assets at amortized cost such as accounts receivable, other financial assets and refundable deposits under other assets, etc., at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased or credit impaired since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

(9) Investment property

A. An investment property is stated initially at its cost including related transaction costs; measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the

cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- B. The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions can be sold separately, the own-use portion is accounted for in accordance with IAS 16, "Property, Plant and Equipment". However, property held either to earn rental income or for capital appreciation or for both is subject to IAS 40, "Investment Property". If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.
- C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain or loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain or loss on investment property under net gain from investment. Except for land, property is depreciated on a straight-line basis over its estimated useful life of 3 to 60 years. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

(10) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Leases liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost, which is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(11) Reinsurance contract assets

Reinsurance contract assets include due from reinsurers and ceding companies, ceded unearned premium reserve, ceded claims reserve, ceded premium deficiency reserve, ceded liability reserve and ceded liability adequacy reserve. Each of the reinsurance contract assets should be in compliance with relevant regulation and policy of “Regulation Governing Financial and Business Operations of Professional Reinsurance Enterprises” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”.

(12) Impairment on reinsurance contract assets

Regular evaluation on reinsurance assets should be made to evaluate if there is any impairment. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer, the Company should reduce its carrying amount accordingly and recognize impairment loss.

(13) Property and equipment

A. Property and equipment are stated initially at its cost including related transaction costs, measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Reserve for land revaluation increment tax set aside for revaluation over the current land value is recognized as deferred income tax liabilities. Subsequent costs of major renewals and betterments are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. Depreciation is computed using straight-line method over the estimated service lives as follows: buildings and equipment, 3 to 60 years; computer equipment, 3 to 6 years; transportation equipment, 3 to 10 years; and miscellaneous equipment, 3 to 10 years.

C. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.

D. When an asset is retired or disposed, the cost plus revaluation increment, if any, and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is

credited or charged to non-operating income and expenses during the financial period in which they are incurred.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized. Impairment loss and gain on reversal of impairment loss for investment property are recognized under operating revenue. Impairment loss and gain on reversal of impairment loss for property and equipment are recognized in non-operating income and expenses.

(15) Loss allowance

- A. Loss allowance for accounts receivable, other financial assets and refundable deposits under other assets should be assessed and recognized in accordance with IFRS 9 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".
- B. Loss allowance for reinsurance contract assets and reinsurance liability reserves contributed under other assets should be assessed and recognized in accordance with IFRS 4 and the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(16) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, financial liabilities at fair value through profit or loss are measured at fair value plus transaction costs. The Company subsequently measures the financial liabilities at fair value, and recognizes the gain or loss in profit or loss.

(17) Derecognition of financial assets and financial liabilities

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(19) Classification of reinsurance contracts

Classification of reinsurance contracts should be made in compliance with IFRS 4, “Insurance Contracts”.

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. A contract with no significant insurance risk being transferred is not classified as an insurance contract and is recognized by deposit accounting.

A contract that falls within the definition of insurance contract on the initial recognition will still be deemed as insurance contract before its maturity.

(20) Insurance liabilities

The reserves related to Compulsory Automobile Liability Insurance are determined in accordance with “Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance”. The special reserve related to residential earthquake insurance is determined in accordance with “Regulations Governing Implementation of the Residential Earthquake Risk Spreading Mechanism”. The reserve related to nuclear insurance is determined in accordance with “Regulations Governing the Setting Aside of Nuclear Insurance Liability Reserves”.

The reserves excluding the reserve listed above were determined in accordance with “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises” and “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises” to calculate unearned premium reserve, claims reserve, premium deficiency reserve, liability reserve, liability adequacy reserve and other reserve of inward reinsurance business.

According to “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, subsequent special reserve recognized under liabilities by December 31, 2012 should still be recognized under liabilities. Starting from January 1, 2013, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing and should not be distributed without approval. The release of the special reserve shall be made through special reserve under liabilities first. If such reserves are insufficient for release, then the deficiency shall be released through special reserves under equity based on its net amount after tax in accordance with IAS 12.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which

was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(21) Liability adequacy test

When the estimated future cash flow of insurance contracts recognized as insurance liability at book value is insufficient, the entire deficiency is recognized in current loss in accordance with the requirement of the Actuarial Institution of Republic of China.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts should be recognized in profit or loss of the following year.

(23) Income tax

- A. The income tax expense (benefit) for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Income tax on undistributed earnings is recorded as expense in the year when the stockholders approve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting period, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to common stock on the effective date of new shares issuance.

(25) Reinsurance revenues

Income from reinsurance business refers to various premiums earned from reinsurance operations, including those that meet the requirements in IFRS 4 and can be recognized as income. The Company's estimates for reinsurance premium income are assessed based on estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Reinsurance related revenues are recognized on the accrual basis.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors (including the impact of Covid-19). Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Reinsurance premiums

The Company's estimated reinsurance revenue is based on the ceding company's annual forecasted reinsurance information and then the Company calculates the revenue proportion to be recognized in each quarter based on previous experience of actual statements. Thereafter, when actual statements are received each quarter, original estimates are reversed and actual statements are accrued. The reason for differences between actual statements and estimated amounts is evaluated to adjust the estimated revenues of remaining period, accordingly.

B. Claims reserve (under insurance liabilities)

Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgement for the experience of claims and underwriting. Any change in the methodology and assumptions used in calculating the ultimate loss ratio would significantly affect the amount of claims reserve. A part of claims reserve is recognized using the case-by-case estimation method for Reported-But-Not-Paid cases while the remaining is provisioned for Incurred-But-Not-Reported claims.

C. Fair value measurement of financial instruments

Except for the financial instruments with available public pricing information, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date. For details on the main methods and assumptions used to measure the fair value of financial instruments, please refer to Note 12 (1) D.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Petty cash	\$ 123	\$ 121
Checking accounts	9,107	4,536
Demand deposits	4,459,697	3,679,281
Cash equivalents:		
Time deposits	12,816,910	11,317,648
	<u>\$ 17,285,837</u>	<u>\$ 15,001,586</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

C. Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please see Note 6 (5).

(2) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 220	\$ 855
Other receivables	282,697	453,170
Total	282,917	454,025
Less: Loss allowance	(23)	(23)
Net amount	<u>\$ 282,894</u>	<u>\$ 454,002</u>

As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable was \$282,894 and \$454,002, respectively. Information relating to credit risk and movements of loss allowance is provided in Note 13 (1).

(3) Financial assets and financial liabilities at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Domestic items:		
Listed and over-the-counter common stocks	\$ 1,995,278	\$ 2,082,682
Listed and over-the-counter preferred stocks	212,232	212,232
Unlisted stocks	166,747	166,747
Open-end funds	589,818	665,348
Index funds	304,780	-
Derivatives	96,269	240,388
Foreign items:		
Listed and over-the-counter common stocks	1,113,079	1,864,474
Open-end funds	-	604,866
Index funds	85,065	115,896
Government bonds	-	141,534
	<u>4,563,268</u>	<u>6,094,167</u>
Valuation adjustment	<u>2,692,846</u>	<u>866,225</u>
	<u>\$ 7,256,114</u>	<u>\$ 6,960,392</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities held for trading		
Domestic items:		
Non-hedging derivatives	\$ 771	\$ 31,744
Foreign items:		
Non-hedging derivatives	-	696
	<u>\$ 771</u>	<u>\$ 32,440</u>

A. The non-hedging derivative instruments transaction and contract information are as follows:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Contract amount		Contract amount	
Derivative instruments	(Notional principal)	Contract period	(Notional principal)	Contract period
FX swap contracts	\$ 7,771,712	2020.08.19~ 2023.05.04	\$ 7,732,265	2020.01.02~ 2022.09.08
Forward foreign exchange contracts	1,622,681	2021.10.04~ 2022.11.28	2,086,126	2020.04.21~ 2021.11.26
Futures	-	-	42,065	2020.12.22~ 2021.03.19

Note: Contract amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the period.

(a) FX swap contracts

The Company entered into FX swap contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these FX swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(c) Futures

The Company holds mainly Mini S&P500 index futures. As of December 31, 2021 and 2020, the related margins were \$171,154 and \$300,701, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 13 (1).

D. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply overlay approach and recognized gain or loss for designated financial assets in accordance with IFRS 4.

(a) The designated financial assets applying overlay approach that are connected with insurance contracts are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Domestic items:		
Listed and over-the-counter common stocks	\$ 1,911,798	\$ 1,808,286
Listed and over-the-counter preferred stocks	212,232	212,232
Unlisted stocks	166,747	166,747
Open-end funds	589,818	665,348
Index funds	304,780	-
Foreign items:		
Listed and over-the-counter common stocks	1,110,667	1,854,798
Open-end funds	-	604,866
Index funds	85,065	115,896
	<u>4,381,107</u>	<u>5,428,173</u>
Valuation adjustment	2,692,738	818,532
	<u>\$ 7,073,845</u>	<u>\$ 6,246,705</u>

(b) Reclassified amounts of the designated financial assets applying overlay approach at fair value through profit and loss and fair value through comprehensive income are listed below:

	2021	2020
Gain (loss) under IFRS 9	\$ 2,598,583	\$ 1,036,544
Less: (Gain) loss under IAS 39	(724,377)	(469,007)
Amount of reclassification applying overlay approach	<u>\$ 1,874,206</u>	<u>\$ 567,537</u>
Income tax benefit (expense) on other comprehensive income	<u>\$ 52,659</u>	<u>(\$ 32,387)</u>

(4) Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Domestic items:		
Securitized financial asset products	\$ 250,000	\$ 250,000
Corporate bonds	1,200,870	1,326,143
Financial bonds	100,000	-
Government bonds	977,414	947,361
Foreign items:		
Securitized financial asset products	156,529	420,147
Corporate bonds	7,980,393	6,417,522
Financial bonds	1,808,512	2,426,307
Government bonds	<u>-</u>	<u>338,852</u>
	12,473,718	12,126,332
Less: Loss allowance	(3,719)	(4,346)
Less: Statutory deposits	(977,414)	(947,361)
	<u>\$ 11,492,585</u>	<u>\$ 11,174,625</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2021	2020
Interest income	\$ 319,596	\$ 366,895
Impairment reversal (loss)	627	(170)
Gain (loss) on disposal	<u>48,410</u>	<u>(90)</u>
	<u>\$ 368,633</u>	<u>\$ 366,635</u>

Gain or loss on disposal of the financial assets at amortized cost arose from infrequent sale or insignificant in value, both individually and in aggregate.

B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was \$12,469,999 and \$12,121,986, respectively.

C. Under the Insurance Act, the Company is required to deposit an amount equal to 15% of its paid-in capital. As of December 31, 2021 and 2020, the Company both provided government bonds with a par value of \$900,000 as statutory deposit.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 13 (1).

(5) Other financial assets

	December 31, 2021	December 31, 2020
Time deposits	\$ 3,083,454	\$ 499,556

A. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the other financial assets were \$3,083,454 and \$499,556, respectively.

B. The Company transacts with financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

C. The Company has no other financial assets pledged to others.

D. Information relating to credit risk of other financial assets is provided in Note 13 (1).

(6) Structured entities

A. Information about the interests in structured entities that are not controlled by the Company is as follows:

December 31, 2021		
Type of structured entities	Book value	Nature
Securitized financial asset products	\$ 406,467	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
December 31, 2020		
Type of structured entities	Book value	Nature
Securitized financial asset products	\$ 670,085	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.

The structured entities that are not controlled by the Company are held for the purpose of generating investment income.

B. As of December 31, 2021 and 2020, the structured entities that are not controlled by the Company are all accounted for as financial assets at amortized cost. The entity's maximum exposure is the carrying amount of assets held. The investment position is restricted by contract terms and conditions of issue and exposes the corresponding market risk. The Company has considered risk management approach of relevant market. Please see Note 13 (1).

(7) Investment property

	Land	Buildings	Total
<u>At January 1, 2021</u>			
Cost	\$ 411,606	\$ 87,185	\$ 498,791
Accumulated depreciation	-	(51,976)	(51,976)
	<u>\$ 411,606</u>	<u>\$ 35,209</u>	<u>\$ 446,815</u>
<u>2021</u>			
At January 1	\$ 411,606	\$ 35,209	\$ 446,815
Additions-from subsequent expenditure	-	277	277
Transferred from property and equipment	-	78	78
Transferred to property and equipment-cost	(56,275)	(13,280)	(69,555)
Transferred to property and equipment-accumulated depreciation	-	10,278	10,278
Depreciation	-	(1,969)	(1,969)
At December 31	<u>\$ 355,331</u>	<u>\$ 30,593</u>	<u>\$ 385,924</u>
<u>At December 31, 2021</u>			
Cost	\$ 355,331	\$ 74,260	\$ 429,591
Accumulated depreciation	-	(43,667)	(43,667)
	<u>\$ 355,331</u>	<u>\$ 30,593</u>	<u>\$ 385,924</u>
	Land	Buildings	Total
<u>At January 1, 2020</u>			
Cost	\$ 411,606	\$ 86,759	\$ 498,365
Accumulated depreciation	-	(49,809)	(49,809)
	<u>\$ 411,606</u>	<u>\$ 36,950</u>	<u>\$ 448,556</u>
<u>2020</u>			
At January 1	\$ 411,606	\$ 36,950	\$ 448,556
Additions-from subsequent expenditure	-	426	426
Depreciation	-	(2,167)	(2,167)
At December 31	<u>\$ 411,606</u>	<u>\$ 35,209</u>	<u>\$ 446,815</u>
<u>At December 31, 2020</u>			
Cost	\$ 411,606	\$ 87,185	\$ 498,791
Accumulated depreciation	-	(51,976)	(51,976)
	<u>\$ 411,606</u>	<u>\$ 35,209</u>	<u>\$ 446,815</u>

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Rental revenue from the lease of the investment property	\$ 20,003	\$ 24,032
Direct operating expenses arising from the investment property that generated rental income in the period	4,952	5,271

The Company recognized rent income based on the operating lease agreement, which does not include variable lease payments.

- B. The Company leases investment properties to others under non-cancellable operating lease agreements. Rental contracts are typically made for periods between 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
2021	\$ -	\$ 19,138
2022	17,258	12,163
2023	11,451	6,053
2024	1,850	-
	<u>\$ 30,559</u>	<u>\$ 37,354</u>

- C. The fair values of the investment property held by the Company were estimated by an accredited external independent appraiser under “Regulations on Real Estate Appraisal” using valuation techniques of both the income approach and comparison approach, based on observable active market prices and the characteristics, locations and conditions of each asset on the measurement date—December 31, 2021 and 2020. The fair values of the investment property as at the aforementioned measurement dates were \$1,031,859 and \$1,266,817, respectively, which is categorized as Level 3 within the fair value hierarchy. Key assumptions of the income approach are as follows:

	December 31, 2021	December 31, 2020
Capitalization rate	1.25%~1.50%	1.02%~1.46%

- D. The above assets were not pledged to others as collateral.

(8) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Due from reinsurers and ceding companies	\$ 4,914,348	\$ 3,825,421
Due from reinsurers and ceding companies-overdue	27,941	35,561
Reinsurance reserve assets		
Ceded unearned premium reserve	428,334	392,396
Ceded claims reserve	1,645,861	1,428,299
Ceded liability reserve	374,854	403,861
Ceded premium deficiency reserve	3,844	1,128
	<u>7,395,182</u>	<u>6,086,666</u>
Less: Loss allowance-Due from reinsurers and ceding companies	(21,866)	(21,207)
	<u>\$ 7,373,316</u>	<u>\$ 6,065,459</u>

(a) The credit quality information of reinsurance contract assets that are neither past due nor impaired is as follows, and the evaluation of credit rating was conducted according to the ultimate reinsurers:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Group 1	\$ 2,824	\$ 21,726
Group 2	863,925	777,398
Group 3	5,433,846	4,408,590
Group 4	105,984	86,714
Group 5	15,198	15,839
Group 6	697,614	466,658
	<u>\$ 7,119,391</u>	<u>\$ 5,776,925</u>

Group 1: S&P AAA or equivalents.

Group 2: Over S&P AA- or equivalents.

Group 3: Over S&P A- or equivalents.

Group 4: Over S&P BBB- or equivalents.

Group 5: Under S&P BBB- or equivalents.

Group 6: Without credit rating etc.

Note: Reinsurances undertaken without a credit rating are primarily from domestic insurance companies.

(b) The balances and ageing analysis of reinsurance contract assets that were past due but not impaired and impaired are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Over one month, under three months	\$ 172,305	\$ 115,057
Over three months, under six months	65,595	121,950
Over six months, under nine months	20,302	46,407
Over nine months	17,589	26,327
	<u>\$ 275,791</u>	<u>\$ 309,741</u>

- i. The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classified by its booking date.
- ii. The overdue amounts due from reinsurance and ceding companies above indicate the ultimate reinsurers that were due but not paid and were transferred to overdue accounts in nine months after they became due.

(c) Movement analysis on the Company's provision for impairment of reinsurance contract assets is as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 21,207	\$ 15,175
Write-off of bad debts	(222)	(527)
Provision of loss allowance	881	6,559
At December 31	<u>\$ 21,866</u>	<u>\$ 21,207</u>

(d) The Company does not hold any collateral as security.

B. Details of insurance liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unearned premium reserve	\$ 7,272,590	\$ 6,773,592
Claims reserve	20,436,561	17,748,343
Liability reserve	374,854	403,861
Special reserve	3,553,802	3,515,773
Premium deficiency reserve	62,397	49,598
	<u>\$ 31,700,204</u>	<u>\$ 28,491,167</u>

C. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	2021	2020
Ceded unearned premium reserve		
At January 1	\$ 392,396	\$ 357,475
Provision	428,790	393,339
Recovery	(393,339)	(358,225)
Impairment reversal	-	34
Exchange differences on translation of foreign financial statements	487	(227)
At December 31	<u>\$ 428,334</u>	<u>\$ 392,396</u>
Unearned premium reserve	2021	2020
At January 1	\$ 6,773,592	\$ 6,083,352
Provision	7,280,429	6,790,105
Recovery	(6,790,105)	(6,097,294)
Exchange differences on translation of foreign financial statements	8,674	(2,571)
At December 31	<u>\$ 7,272,590</u>	<u>\$ 6,773,592</u>

D. Details and movements of ceded claims reserve and claims reserve are as follows:

	December 31, 2021	December 31, 2020
Ceded claims reserve		
Outstanding losses	\$ 848,846	\$ 575,243
Incurred but not reported losses	797,015	853,056
	<u>\$ 1,645,861</u>	<u>\$ 1,428,299</u>
	December 31, 2021	December 31, 2020
Claims reserve		
Outstanding losses	\$ 7,859,696	\$ 6,045,847
Incurred but not reported losses	12,576,865	11,702,496
	<u>\$ 20,436,561</u>	<u>\$ 17,748,343</u>
	2021	2020
Ceded claims reserve		
At January 1	\$ 1,428,299	\$ 1,023,354
Provision	1,645,861	1,428,299
Recovery	(1,428,299)	(1,023,362)
Impairment reversal	-	8
At December 31	<u>\$ 1,645,861</u>	<u>\$ 1,428,299</u>

	2021	2020
Claims reserve		
At January 1	\$ 17,748,343	\$ 15,969,362
Provision	20,436,561	17,748,343
Recovery	(17,748,343)	(15,969,362)
At December 31	<u>\$ 20,436,561</u>	<u>\$ 17,748,343</u>

E. Movements of ceded liability reserve and liability reserve are as follows:

	2021				2020			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Ceded liability reserve								
At January 1	\$ 92,205	CNY	4.380	\$ 403,861	\$ 97,491	CNY	4.321	\$ 421,249
Provision	1,530			3,418	1,789			12,695
Recovery	(7,483)			(32,425)	(7,075)			(30,083)
At December 31	<u>\$ 86,252</u>	CNY	4.346	<u>\$ 374,854</u>	<u>\$ 92,205</u>	CNY	4.380	<u>\$ 403,861</u>
	2021				2020			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Liability reserve								
At January 1	\$ 92,205	CNY	4.380	\$ 403,861	\$ 97,491	CNY	4.321	\$ 421,249
Provision	1,530			3,418	1,789			12,695
Recovery	(7,483)			(32,425)	(7,075)			(30,083)
At December 31	<u>\$ 86,252</u>	CNY	4.346	<u>\$ 374,854</u>	<u>\$ 92,205</u>	CNY	4.380	<u>\$ 403,861</u>

The provisions above include the effects of foreign exchange gains and losses.

F. Special reserves

(a) Details of special reserves are as follows:

	December 31, 2021	December 31, 2020
Special reserve for statutory insurance	\$ 972,724	\$ 934,695
Reserve for fluctuation of risk	2,055,296	2,055,296
Reserve for extraordinary business losses	<u>525,782</u>	<u>525,782</u>
	<u>\$ 3,553,802</u>	<u>\$ 3,515,773</u>

(b) Movement of special reserves is as follows:

	2021	2020
At January 1	\$ 3,515,773	\$ 3,707,071
Provision	38,029	-
Recovery	-	(191,298)
At December 31	<u>\$ 3,553,802</u>	<u>\$ 3,515,773</u>

(c) According to Jin-Kuan-Bao-Tsai Order No. 10102517491, “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, Jin-Kuan-Bao-Chan Order No. 10102531541, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and Jin-Kuan-Bao-Tsai Order No. 10102517091, “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, the Company’s accounts applicable or not applicable for the reserve for the years ended December 31, 2021 and 2020 are as follows:

Year ended December 31, 2021				
	Earnings per share			
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 2,065,077	\$ 3.50	\$ 32,912,538	\$ 16,552,411
Not applicable	2,065,077	3.50	30,695,208	18,769,741
Effect	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,217,330)</u>	<u>\$ 2,217,330</u>
Year ended December 31, 2020				
	Earnings per share			
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 1,515,729	\$ 2.57	\$ 29,304,351	\$ 13,409,237
Not applicable	1,515,729	2.57	27,087,021	15,626,567
Effect	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,217,330)</u>	<u>\$ 2,217,330</u>

G. Movements of ceded premium deficiency reserve and premium deficiency reserve are as follows:

	2021	2020
Ceded premium deficiency reserve		
At January 1	\$ 1,128	\$ 2,266
Provision	3,844	1,128
Recovery	(1,128)	(2,266)
At December 31	<u>\$ 3,844</u>	<u>\$ 1,128</u>
Premium deficiency reserve		
At January 1	\$ 49,598	\$ 53,709
Provision	62,397	49,598
Recovery	(49,598)	(53,709)
At December 31	<u>\$ 62,397</u>	<u>\$ 49,598</u>

H. The Company's future cash flows of insurance liabilities (excluding special reserve) are as follows:

December 31, 2021	Due in one year	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	\$ 3,428,019	\$ 2,264,473	\$ 5,692,492
Claims reserve	10,984,206	7,255,924	18,240,130
Liability reserve	-	374,854	374,854
Premium deficiency reserve	37,576	24,821	62,397

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,776,529).

December 31, 2020	Due in one year	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	\$ 3,045,137	\$ 2,170,925	\$ 5,216,062
Claims reserve	9,085,546	6,477,226	15,562,772
Liability reserve	-	403,861	403,861
Premium deficiency reserve	28,955	20,643	49,598

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,743,101).

(9) Reserves for unqualified reinsurance

A. Summary of unqualified reinsurance contracts are set forth as follows:

The Company entered into contracts with insurance companies and insurance brokers as follows:

The scope of reinsurance is the same as the Company's insurance contracts.

Insurance companies / Insurance brokers	Type of contract
WALSUN INSURANCE LTD.	Fire insurance, marine cargo insurance, inland marine insurance, marine hull insurance, casualty insurance and engineering insurance
BEST RE (L) LIMITED	Fire insurance and casualty insurance
MILLI REASURANS T. A. S. SINGAPORE BRANCH	Fire insurance, engineering insurance, marine hull insurance and marine cargo insurance
WILSON RE LIMITED	Casualty insurance
M.B. BODA REINSURANCE BROKERS PVT. LTD.	Fire insurance
COSMOS SERVICES CO., LTD.	Fire insurance
INTERLINK INSURANCE & REINSURANCE BROKERS PVT. LTD.	Fire insurance
J B BODA INSURANCE SERVICES (L) BHD	Fire insurance
GUY CARPENTER & COMPANY LTD.	Fire insurance and automobile insurance

B. As of December 31, 2021 and 2020, the Company's unqualified reinsurance premiums ceded were \$5 and (\$3,507), respectively.

C. Reserve for unqualified reinsurance as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Ceded claims reserve	\$ <u>42</u>	\$ <u>59</u>

(10) Offsetting financial assets and financial liabilities

A. The Company has derivative assets that do not meet the offsetting criteria in paragraph 42 of IAS 32. However, the Company has transactions that are or are similar to net settled master netting arrangements. If one party breaches the contract (in the case of default and insolvency or bankruptcy), the counterparty can choose to use net settlement. The related amount of offsetting shall not exceed the gross amounts of recognized financial assets and liabilities.

B. The related information of financial assets and financial liabilities that can be settled under agreements of net settled master netting arrangements or similar arrangements are as follows:

(a) Financial assets

Description	Gross amounts of recognized financial assets	Financial instruments not set off in the balance sheet	Net amount
December 31, 2021			
Derivatives	\$ <u>96,269</u>	\$ <u>771</u>	\$ <u>95,498</u>
December 31, 2020			
Derivatives	\$ <u>240,388</u>	\$ <u>10,633</u>	\$ <u>229,755</u>

Note: The above-mentioned items are all accounted as financial assets at fair value through profit or loss.

(b) Financial liabilities

Description	Gross amounts of recognized financial liabilities	Financial instruments not set off in the balance sheet	Net amount
December 31, 2021			
Derivatives	\$ <u>771</u>	\$ <u>771</u>	\$ <u>-</u>
December 31, 2020			
Derivatives	\$ <u>32,440</u>	\$ <u>10,633</u>	\$ <u>21,807</u>

Note: The above-mentioned items are all accounted as financial liabilities at fair value through profit or loss.

(11) Property and equipment

	At January 1, 2021						
	Land	Buildings	Computer equipment	Transportation equipment	Miscellaneous equipment	Prepayments for equipment	Total
Cost	\$ 180,796	\$ 94,046	\$ 32,034	\$ 4,861	\$ 3,530	\$ -	\$ 315,267
Accumulated depreciation	-	(80,808)	(20,249)	(4,861)	(2,836)	-	(108,754)
	<u>\$ 180,796</u>	<u>\$ 13,238</u>	<u>\$ 11,785</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ -</u>	<u>\$ 206,513</u>
2021							
At January 1	\$ 180,796	\$ 13,238	\$ 11,785	\$ -	\$ 694	\$ -	\$ 206,513
Additions	-	2,076	5,571	-	937	469	9,053
Disposals-cost	-	-	(1,396)	-	(221)	-	(1,617)
Disposals-accumulated depreciation	-	-	1,396	-	221	-	1,617
Transferred from investment property-cost	56,275	13,280	-	-	-	-	69,555
Transferred from investment property-accumulated depreciation	-	(10,278)	-	-	-	-	(10,278)
Transferred to investment property	-	-	-	-	(78)	(78)	(78)
Transferred from prepayments for equipment	-	391	-	-	(391)	-	-
Depreciation	-	(2,082)	(3,823)	-	(306)	-	(6,211)
At December 31	<u>\$ 237,071</u>	<u>\$ 16,625</u>	<u>\$ 13,533</u>	<u>\$ -</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ 268,554</u>
At December 31, 2021							
Cost	\$ 237,071	\$ 109,793	\$ 36,209	\$ 4,861	\$ 4,246	\$ -	\$ 392,180
Accumulated depreciation	-	(93,168)	(22,676)	(4,861)	(2,921)	-	(123,626)
	<u>\$ 237,071</u>	<u>\$ 16,625</u>	<u>\$ 13,533</u>	<u>\$ -</u>	<u>\$ 1,325</u>	<u>\$ -</u>	<u>\$ 268,554</u>

At January 1, 2020		Land	Buildings	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
Cost		\$ 180,796	\$ 91,648	\$ 27,174	\$ 4,861	\$ 4,303	\$ 308,782
Accumulated depreciation		-	(78,571)	(17,539)	(4,699)	(3,342)	(104,151)
		<u>\$ 180,796</u>	<u>\$ 13,077</u>	<u>\$ 9,635</u>	<u>\$ 162</u>	<u>\$ 961</u>	<u>\$ 204,631</u>
2020							
At January 1		\$ 180,796	\$ 13,077	\$ 9,635	\$ 162	\$ 961	\$ 204,631
Additions		-	2,398	5,462	-	47	7,907
Disposals-cost		-	-	(602)	-	(820)	(1,422)
Disposals-accumulated depreciation		-	-	602	-	820	1,422
Depreciation		-	(2,237)	(3,312)	(162)	(314)	(6,025)
At December 31		<u>\$ 180,796</u>	<u>\$ 13,238</u>	<u>\$ 11,785</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ 206,513</u>
At December 31, 2020							
Cost		\$ 180,796	\$ 94,046	\$ 32,034	\$ 4,861	\$ 3,530	\$ 315,267
Accumulated depreciation		-	(80,808)	(20,249)	(4,861)	(2,836)	(108,754)
		<u>\$ 180,796</u>	<u>\$ 13,238</u>	<u>\$ 11,785</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ 206,513</u>

The above assets were not pledged to others as collateral.

(12) Accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes payable	\$ 574	\$ 1,354
Due to reinsurers and ceding companies	388,174	222,247
Other payables	368,359	197,321
	<u>\$ 757,107</u>	<u>\$ 420,922</u>

(13) Employee benefits

A. Defined benefit obligation

(a) The Company has established a defined benefit pension plan in accordance with the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit once or in installments.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 37,338)	(\$ 37,944)
Fair value of plan assets	48,105	47,342
Net defined benefit assets	<u>\$ 10,767</u>	<u>\$ 9,398</u>

(c) Movements in net defined benefit assets (liabilities) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset (liability)
Year ended December 31, 2021			
Balance at January 1	(\$ 37,944)	\$ 47,342	\$ 9,398
Current service cost	(410)	-	(410)
Interest (expense) income	(132)	165	33
	<u>(38,486)</u>	<u>47,507</u>	<u>9,021</u>
Remeasurements:			
Change in demographic assumptions	(170)	-	(170)
Change in financial assumptions	323	-	323
Experience adjustments	<u>51</u>	<u>708</u>	<u>759</u>
	<u>204</u>	<u>708</u>	<u>912</u>
Pension fund contribution	-	834	834
Paid pension	<u>944</u>	<u>(944)</u>	<u>-</u>
Balance at December 31	<u>(\$ 37,338)</u>	<u>\$ 48,105</u>	<u>\$ 10,767</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset (liability)
Year ended December 31, 2020			
Balance at January 1	(\$ 48,803)	\$ 52,452	\$ 3,649
Current service cost	(830)	-	(830)
Interest (expense) income	(322)	347	25
Past service cost	<u>9,450</u>	<u>-</u>	<u>9,450</u>
	<u>(40,505)</u>	<u>52,799</u>	<u>12,294</u>
Remeasurements:			
Change in demographic assumptions	207	-	207
Change in financial assumptions	(5,586)	-	(5,586)
Experience adjustments	<u>(114)</u>	<u>1,727</u>	<u>1,613</u>
	<u>(5,493)</u>	<u>1,727</u>	<u>(3,766)</u>
Pension fund contribution	-	870	870
Paid pension	<u>8,054</u>	<u>(8,054)</u>	<u>-</u>
Balance at December 31	<u>(\$ 37,944)</u>	<u>\$ 47,342</u>	<u>\$ 9,398</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-

counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

- (e) The principal actuarial assumptions used are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	0.70%	0.35%
Salary increment	3.99%	3.72%

Assumptions regarding the mortality and the disability rates are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate increase 0.5%	(\$ 1,738)	(\$ 1,968)
Discount rate decrease 0.5%	1,878	2,132
Salary increment increase 0.5%	1,808	2,050
Salary increment decrease 0.5%	(1,693)	(1,915)

The sensitivity analysis above is based on the condition that only one assumption is changed while all other assumptions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumption used in preparing the current year sensitivity analysis are identical with those of the prior year.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2022 amount to \$850.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 10 years.
- B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the above-mentioned pension plan of the Company for the years ended December 31, 2021 and 2020 were \$7,813 and \$7,566, respectively.

(14) Common stock

As of December 31, 2021 and 2020, the Company's authorized capital were all \$6,000,000, and the paid-in capital were all \$5,903,888, with a par value of \$10 (in dollars) per share.

(15) Capital reserve

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. However, according to Jin-Kuan-Bao-Tsai Letter No. 10202501991, for the purpose of strengthening the solvency and operation, insurance companies having no deficit should submit relevant documents demonstrating the financial soundness and steady operation of their companies to FSC for approval before the stockholders' meeting if they propose to use legal reserve provided under Article 145-1 of Insurance Act and capital surplus to issue cash to shareholders in proportion to their share ownership in accordance with Article 241 of the R.O.C. Company Act.

(16) Retained earnings

A. Limitation on distribution of retained earnings and dividend policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve. Afterwards, the Company shall recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

The Company's dividends are distributed in the form of cash dividends and stock dividends, in a coordinated way, among which, the cash dividends shall account for at least 50% of the total dividends distributed.

Pursuant to the R.O.C. Insurance Act, legal reserve shall be set aside until the total amount reaches the total capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital. In addition, procedures for those requiring approval from competent authorities to use legal reserve for issuance of cash in accordance with Jin-Kuan-Bao-Tsai Letter No. 10202501991 are set out in Note 6 (15).

B. Special reserve

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Special reserve	\$ 3,145,711	\$ 2,615,013
Unrealized revaluation increment	126,557	126,557
Employees' education and training	16,027	16,027
	<u>\$ 3,288,295</u>	<u>\$ 2,757,597</u>

(a) For the year 2021, the provision for special reserve amounting to \$530,698 had been recognized as special reserve under equity upon annual resolution and is not available for distribution.

- (b) The amounts previously set aside by the Company as special reserve in accordance with Jin-Kuan-Bao-Tsai Order No. 11004920441, dated June 11, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company had transferred the amount of \$126,557 of unrealized gain from real estate value-added to special reserve under equity.
- (c) In accordance with the regulations of Jin-Kuan-Bao-Tsai Order No. 10502066461 promulgated on July 13, 2016, upon appropriating the earnings of 2016 through 2018, the Company shall provision 0.5% of income after tax as special reserve. And starting from the subsequent year of the provision of such special reserve, special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. However, the above-mentioned order was repealed by Jin-Kuan-Bao-Tsai Order No. 10804932431 on July 30, 2019, resulting in the Company no longer having to provide special reserve starting 2019. The remaining special reserve as mentioned above may be reversed in an amount equal to expenditures that were for employees' education and training and for the protection of employees' interest. The Company had transferred the amount of \$16,027 for expenditures that were for employees' education and training and for the protection of employees' interest to special reserve under equity.
- C. On May 28, 2021, the distribution of earnings for 2020 as approved by the stockholders through electronic voting which met the legal threshold was \$767,505 (cash dividends of \$1.3 (in dollars) per share), and was resolved by the stockholders on July 15, 2021. On March 17, 2022, the distribution of earnings for 2021 as proposed by the Board of Directors was \$1,062,700 (cash dividends of \$1.8 (in dollars) per share).
Detailed information on earnings appropriation resolved by the Board of Directors and ratified at the stockholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. For information relating to employees' compensation and directors' remuneration, please see Note 6 (18).

(17) Income tax

A. Components of income tax expense:

	Year ended December 31, 2021	Year ended December 31, 2020
Current income tax:		
Current income tax on profits for the period	\$ 451,673	\$ 332,315
Income tax on undistributed earnings	2,163	72
Adjustments in respect of prior years	3,306	340
Deferred income tax:		
Origination and reversal of temporary difference	(51,071)	(59,820)
Income tax expense	<u>\$ 406,071</u>	<u>\$ 272,907</u>

B. The income tax relating to components of other comprehensive income are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Exchange differences on translation of foreign financial statements	(\$ 20,499)	(\$ 34,100)
Other comprehensive income upon reclassification of applying overlay approach	(52,659)	32,387
Remeasurement of defined benefit obligations	182	(753)
	<u>(\$ 72,976)</u>	<u>(\$ 2,466)</u>

C. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	\$ 494,230	\$ 357,727
Impact of tax adjustments by tax regulations	(93,628)	(85,232)
Tax on undistributed earnings	2,163	72
Prior year income tax underestimation	3,306	340
Income tax expense	<u>\$ 406,071</u>	<u>\$ 272,907</u>

D. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Employee benefits-pension expense	\$ 4,034	\$ 117	(\$ 182)	\$ 3,969
Employee benefits-unused compensated absences	1,734	247	-	1,981
Expected credit impairment and reversal of profit from investment	345	71	-	416
Expected credit impairment and reversal of profit from non-investment	4	-	-	4
Unrealized foreign exchange losses	118,208	27,852	-	146,060
Loss upon reclassification of applying overlay approach	-	-	9,793	9,793
Exchange differences on translation of foreign financial statements	51,438	-	20,499	71,937
	<u>\$ 175,763</u>	<u>\$ 28,287</u>	<u>\$ 30,110</u>	<u>\$ 234,160</u>
Deferred tax liabilities				
Gain on revaluation of land	\$41,555	\$ -	\$ -	\$ 41,555
Gain upon reclassification of applying overlay approach	42,866	-	(42,866)	-
Unrealized profit on valuation of financial assets	41,819	(22,784)	-	19,035
	<u>\$ 126,240</u>	<u>(\$ 22,784)</u>	<u>(\$ 42,866)</u>	<u>\$ 60,590</u>

2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Employee benefits-pension expense	\$ 5,577	(\$ 2,296)	\$ 753	\$ 4,034
Employee benefits-unused compensated absences	1,714	20	-	1,734
Expected credit impairment and reversal of profit from investment	400	(55)	-	345
Expected credit impairment and reversal of profit from non-investment	5	(1)	-	4
Loss allowance of reinsurance contract assets	8	(8)	-	-
Unrealized foreign exchange losses	38,732	79,476	-	118,208
Exchange differences on translation of foreign financial statements	17,338	-	34,100	51,438
	<u>\$ 63,774</u>	<u>\$ 77,136</u>	<u>\$ 34,853</u>	<u>\$ 175,763</u>
Deferred tax liabilities				
Gain on revaluation of land	\$41,555	\$ -	\$ -	\$ 41,555
Gain upon reclassification of applying overlay approach	10,479	-	32,387	42,866
Unrealized profit on valuation of financial assets	24,503	17,316	-	41,819
	<u>\$ 76,537</u>	<u>\$ 17,316</u>	<u>\$ 32,387</u>	<u>\$ 126,240</u>

E. The Company's income tax returns have been assessed and approved by the Tax Authority up to 2019.

(18) Employee benefits expense, depreciation and amortization

Employee benefits expense, depreciation and amortization by function are as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee benefits expense	\$ -	\$ 300,073	\$ -	\$ 242,423
Salaries	-	251,508	-	206,832
Employees' insurance	-	14,572	-	12,960
Pension	-	8,781	-	(4,904)
Directors' remuneration	-	14,273	-	18,164
Other employee benefits expense (Note 1)	-	10,939	-	9,371
Depreciation (Note 2)	1,969	6,618	2,167	6,261
Amortization	-	4,065	-	4,081

Note 1: Other employee benefits expense include employees' welfare and training expenses.

Note 2: The depreciation, which is classified as operating cost, is accounted for as deduction to gain on investment property.

- A. As of December 31, 2021 and 2020, the average numbers of employees were both 145, and the average number of directors who were not employed as employees were both 8.
- B. According to the Company's Articles of Incorporation, after covering accumulated deficits with current year earnings, the remainder, if any, shall provision employees' compensation of no less than 0.5% and directors' remunerations of no more than 1%.
- C. The Company's estimated employees' compensation of \$25,010 and \$16,288 for the years ended December 31, 2021 and 2020, respectively, were determined from earnings and the distribution in the past on a pro-rata basis, which fell within the scope of the Company's Articles of Incorporation's requirements. The Company's estimated directors' remuneration were both \$4,850 for the years ended December 31, 2021 and 2020. The estimates, which fell within the scope of the Company's Articles of Incorporation's requirements, were determined from earnings and the past distribution experiences during the tenure of directors. The aforementioned amounts were recognized in directors' remuneration.
The 2020 employees' compensation of \$16,288 and directors' remuneration of \$4,850 as approved by the Board of Directors of the Company were in agreement with the amounts recognized in the 2020 financial statements, and employees' compensation and directors' remuneration are distributed in the form of cash.
Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. For the years ended December 31, 2021 and 2020, the averages of employee benefit expense were \$2,086 and \$1,637, respectively.
- E. For the years ended December 31, 2021 and 2020, the averages of employee salaries expense were \$1,836 and \$1,510, respectively, and the average employee salaries expense increased by 21.59% for the year ended December 31, 2021.
- F. There was no supervisors' remuneration for the years ended December 31, 2021 and 2020.

Note: The Company has set up an audit committee, so there was no supervisors' remuneration.

G. The Company's compensation policy (including directors, managers, and employees):

- (a) Directors: According to the Company's Articles of Incorporation and the remuneration payment policies for directors, after covering accumulated deficits with current year earnings, the remainder, if any, shall be provisioned for directors' remunerations of no more than 1%. Individual directors' remuneration is distributed based on the degree of each director's participation in the operation of the Company and the value of their contributions as well as in consideration of the general pay levels of the industry within the total directors' remuneration. The degree of each director's participation in the operation of the Company and the value of their contributions are determined by individual behavior and performance (including attendance, training performance, degree of participation in the operation of the Company, interaction with the operation team, etc.).
- (b) Managers and employees: The distribution of managers' and employees' annual compensation is conducted in accordance with regulations such as the Company's Articles of Incorporation, compensation payment policies for managements, the management policies of employees' salary payment and factors such as profit of the current year and performance result after annual assessment; the distribution of year-end bonus and employees' compensation is also based on the same principles.
- (c) In addition, the Company has set a remuneration committee to review the policy, system, standard and structure of the directors' and managers' remuneration regularly and to assess and structure of directors' and managers' remuneration regularly.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and their relationship with the Company

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Evergreen International Corporation	Parent company
Evergreen Insurance Company Limited	Other related parties
Evergreen Marine Corporation (Note)	Other related parties
Directors, general managers, vice general managers, etc.	Key management of the Company

Note: Evergreen Marine Corporation has become the director of the Company since May 28, 2020.

(2) Significant related party transactions and balances

A. Due from reinsurers and ceding companies (shown under reinsurance contract assets)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other related parties	\$ 11	\$ 212

B. Other payables (shown under accounts payable)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Parent	\$ 1,230	\$ 1,245
Other related parties	11	12
	<u>\$ 1,241</u>	<u>\$ 1,257</u>

C. Operating revenues and operating costs

	Year ended December 31, 2021	Year ended December 31, 2020
Other related parties		
Gross premiums written	\$ 7,444	\$ 19,499
Reinsurance premiums ceded	166 (	36)
Overriding commission revenue	1	-
Reinsurance commission expenses	1,161	8,468
Reinsurance commission revenue	(42)	9
Reinsurance claims paid	9,984	7,060
Reinsurance claims recovery	26 (	29)
D. Operating expenses		

	Year ended December 31, 2021	Year ended December 31, 2020
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	\$ 15,066	\$ 14,317
Rent expenses (Note)	465	-
Other related parties		
Service fees-Others	82	54
	<u>\$ 15,613</u>	<u>\$ 14,371</u>

Note : The Company leased the building from the parent company, and the lease contract period is 0.5 year. Rents are calculated per square meter and paid by the end of each month. The differences of prices and conditions between related parties and non-related parties were not significant.

(3) Key management compensation

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and other short-term employee benefits	\$ 38,574	\$ 37,582
Post-employment benefits	994 (	3,429)
	<u>\$ 39,568</u>	<u>\$ 34,153</u>

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

None.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Fair value information

A. The fair value of the Company's financial instruments not measured at fair value is provided in Note 12 (1) K. The fair value of the Company's investment property measured at cost model is provided in Note 6 (7).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on-going basis. The fair value of the Company's investment in listed and over-the-counter stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, financial bonds and derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in part of investments in debt instrument without active market, unlisted stocks and investment property is included in Level 3.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as of December 31, 2021 and 2020 is as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Listed and over-the-counter common stocks	\$ 3,156,981	\$ -	\$ -	\$ 3,156,981
Listed and over-the-counter preferred stocks	-	231,880	-	231,880
Unlisted stocks	-	-	2,798,704	2,798,704
Index funds	392,466	-	-	392,466
Open-end funds	579,814	-	-	579,814
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 88,169	\$ -	\$ 88,169
Forward foreign exchange contracts	-	8,100	-	8,100
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	\$ -	\$ 567	\$ -	\$ 567
Forward foreign exchange contracts	-	204	-	204

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Listed and over-the-counter common stocks	\$ 4,302,426	\$ -	\$ -	\$ 4,302,426
Listed and over-the-counter preferred stocks	-	231,330	-	231,330
Unlisted stocks	-	-	595,489	595,489
Index funds	113,029	-	-	113,029
Open-end funds	1,335,658	-	-	1,335,658
Government bonds	-	142,072	-	142,072
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 237,476	\$ -	\$ 237,476
Forward foreign exchange contracts	-	2,912	-	2,912
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	\$ -	\$ 9,382	\$ -	\$ 9,382
Forward foreign exchange contracts	-	22,362	-	22,362
Futures	-	696	-	696

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

<u>Listed shares</u>	<u>Index funds</u>	<u>Open-end funds</u>
Closing price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market and swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - (e) The Company uses the market approach to evaluate the fair value of unlisted stocks. The used factors include unobservable input. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12 (1) I.
 - (f) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - (g) The Company takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
- E. For the years ended December 31, 2021 and 2020, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the years ended December 31, 2021 and 2020:

Year ended December 31, 2021							
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income (Note)	Acquired in the period		Disposed of in the period	
				Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3
Non-Derivative financial instruments							
Financial assets at fair value through profit or loss							
Financial assets mandatorily measured at fair value through profit or loss	\$ 595,489	\$ -	\$ 2,203,215	\$ -	\$ -	\$ -	\$ 2,798,704
Year ended December 31, 2020							
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income (Note)	Acquired in the period		Disposed of in the period	
				Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3
Non-Derivative financial instruments							
Financial assets at fair value through profit or loss							
Financial assets mandatorily measured at fair value through profit or loss	\$ 155,230	\$ -	\$ 440,259	\$ -	\$ -	\$ -	\$ 595,489

Note: Financial assets mandatorily measured at fair value through profit or loss recognized in other comprehensive income upon reclassification of applying overlay approach.

Unrealized gain or loss on valuation recognized in other comprehensive income arising from the assets held for the years ended December 31, 2021 and 2020 was \$2,203,215 and \$440,259, respectively.

G. For the years ended December 31, 2021 and 2020, there were no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Financial segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Unlisted stocks (Note)	\$ 2,798,704	Market approach Black-Scholes model	Liquidity discount	3.60%	The lower the liquidity discount, the higher the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Unlisted stocks (Note)	\$ 595,489	Market approach Black-Scholes model	Liquidity discount	15.15%	The lower the liquidity discount, the higher the fair value
Note: Items that affect the fair value measurement of unlisted stocks include observable stock prices.					
J. The Company has carefully assessed the valuation models and assumptions used to measure fair value; however, different valuation model or input could result in different valuation results. Specifically, if the valuation of financial instrument classified in Level 3 increase or decrease 10%, the effects on other comprehensive income in the period would be as follows:					
		December 31, 2021	December 31, 2020		
		Change in fair value	Change in fair value		
		recognized in other comprehensive income	recognized in other comprehensive income		
		Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 279,870 (\$	279,870) \$	59,549 (\$	59,549)	

K. Fair value of the financial instruments not measured at fair value

Except for the financial instruments below and investment property, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, accounts receivable, other financial assets and accounts payable) are approximate to their fair values.

	December 31, 2021			December 31, 2020		
	Book value	Level 1	Level 2	Level 1	Level 2	Level 3
Financial assets						

Financial assets at amortized cost \$ 12,469,999 \$ - \$ 12,843,022 \$ - \$ 12,121,986 \$ - \$ 12,709,333 \$ 249,938

The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (1) B, and the methods and assumptions are as follows:

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

(2) Assets and liabilities recoverable or payable within or over 12 months from the reporting date are as follows:

	December 31, 2021			December 31, 2020		
	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Assets						
Cash and cash equivalents	\$ 17,285,837	\$ 17,285,837	\$ -	\$ 15,001,586	\$ 15,001,586	\$ -
Accounts receivable	282,894	282,894	-	454,002	454,002	-
Financial assets at fair value through profit or loss	7,256,114	7,251,891	4,223	6,960,392	6,960,392	-
Financial assets at amortized cost	11,492,585	1,726,211	9,766,374	11,174,625	923,671	10,250,954
Other financial assets	3,083,454	3,083,454	-	499,556	499,556	-
Investment property	385,924	-	385,924	446,815	-	446,815
Reinsurance contract assets	7,373,316	6,171,817	1,201,499	6,065,459	4,903,355	1,162,104
Property and equipment	268,554	-	268,554	206,513	-	206,513
Right-of-use asset	1,337	138	1,199	374	-	374
Intangible assets	7,248	-	7,248	5,240	-	5,240
Other assets	1,793,526	210,032	1,583,494	1,723,263	873,272	849,991
Liabilities						
Accounts payable	\$ 757,107	\$ 755,268	\$ 1,839	\$ 420,922	\$ 420,347	\$ 575
Current income tax liabilities	276,454	276,454	-	105,938	105,938	-
Financial liabilities at fair value through profit or loss	771	771	-	32,440	32,440	-
Lease liabilities	1,346	380	966	377	240	137
Insurance liabilities	31,700,204	18,226,330	13,473,874	28,491,167	15,902,739	12,588,428
Provisions	-	-	-	779	-	779
Other liabilities	116,066	113,494	2,572	126,488	123,805	2,683

(3) Calculation of retention earned premiums are shown below:

Year ended December 31, 2021

Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 18,241,326	\$ 1,453,861	\$ 16,787,465	\$ 434,731	\$ 16,352,734
Compulsory insurance	2,658,332	-	2,658,332	20,142	2,638,190
	<u>\$ 20,899,658</u>	<u>\$ 1,453,861</u>	<u>\$ 19,445,797</u>	<u>\$ 454,873</u>	<u>\$ 18,990,924</u>

Year ended December 31, 2020

Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	\$ 15,807,678	\$ 1,324,739	\$ 14,482,939	\$ 645,136	\$ 13,837,803
Compulsory insurance	2,600,177	-	2,600,177	12,561	2,587,616
	<u>\$ 18,407,855</u>	<u>\$ 1,324,739</u>	<u>\$ 17,083,116</u>	<u>\$ 657,697</u>	<u>\$ 16,425,419</u>

(4) Calculation of retention reinsurance claims paid are shown below:

Year ended December 31, 2021			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 7,428,214	\$ 697,770	\$ 6,730,444
Compulsory insurance	2,594,919	-	2,594,919
	<u>\$ 10,023,133</u>	<u>\$ 697,770</u>	<u>\$ 9,325,363</u>

Year ended December 31, 2020			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 7,427,730	\$ 685,892	\$ 6,741,838
Compulsory insurance	2,734,354	-	2,734,354
	<u>\$ 10,162,084</u>	<u>\$ 685,892</u>	<u>\$ 9,476,192</u>

(5) Balance sheets for compulsory automobile liability insurance are as follows:

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 4,093,501	\$ 4,033,524
Due from reinsurers and ceding companies	441,546	432,492
	<u>\$ 4,535,047</u>	<u>\$ 4,466,016</u>
Liabilities		
Unearned premium reserve	\$ 1,556,496	\$ 1,536,354
Claims reserve	2,196,412	2,185,552
Special reserve	782,139	744,110
	<u>\$ 4,535,047</u>	<u>\$ 4,466,016</u>

Note: As of December 31, 2021 and 2020, certain time deposits, which amounted to \$188,400 and \$0, respectively, included above as cash and cash equivalents of compulsory automobile liability insurance did not meet the definition of cash equivalents, consequently they are presented under other financial assets.

(6) Details of revenues and costs for compulsory automobile liability insurance are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating revenues		
Reinsurance premiums	\$ 2,658,332	\$ 2,600,177
Net change in unearned premium reserve	(20,142)	(12,561)
Retention earned premiums	2,638,190	2,587,616
Interest income	5,618	7,717
	<u>\$ 2,643,808</u>	<u>\$ 2,595,333</u>
Operating costs		
Reinsurance claims paid	\$ 2,594,919	\$ 2,734,354
Net change in claims reserve	10,860	52,277
Net change in special reserve	38,029	(191,298)
	<u>\$ 2,643,808</u>	<u>\$ 2,595,333</u>

13. RISK MANAGEMENT

The Company has established risk management policy being the highest directive of promoting enterprise risk management, to efficiently identify, assess, respond and monitor all the risks assumed and to ensure that all risks are within the limitations as planned. Reasonable consideration relationship between risk and reward has been taken into account to maximize the value of equity, maintain the capital adequacy and solvency capability and strengthen the long-term operations of business. The Company has set up risk management committee which is in charge of executing risk management decisions made by the Board of Directors, as well as independent risk management unit which is responsible for executive affairs in daily monitoring, assessment and evaluation of risks.

With regard to various circumstances of the risk management and the monitoring specification, the Company implemented “Risk Managing Mechanism” covering market, credit, liquidity, operation, insurance, asset and liability, emerging market, money laundering, terrorist financing and other risks. In addition, in order to better improve the strategic risk management efficiency, risk quantitative module, finance of risk variance are put to use to analyze various businesses. In addition, the Company sets up risk capacity and risk bearing as the basis for risk management, and promoting the modularization of various risks to continually strengthen the efficiency of risk management at the same time.

(1) Financial instruments

A. Financial risk management policies

Except for derivatives held by the Company, the Company’s financial instruments mainly comprise cash and cash equivalents, and all kinds of investments. The Company utilizes those instruments to achieve adjustments to operating cash flows. The Company holds other financial assets and liabilities as well, such as notes receivable from operating activities, due from (to) reinsurers and ceding companies, reinsurance receivables (payables), other accounts receivable, and other accounts payable.

The Company undertakes derivative financial instruments such as futures, forward foreign exchange contracts and FX swap contracts to hedge fair value risk arising from fluctuations in stock prices and exchange rates.

B. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

To hedge cash flow fair value risk arising from fluctuations in exchange rates, the Company undertakes derivative financial instruments such as FX swap contracts and forward foreign exchange contracts to hedge recognized assets and liabilities denominated in foreign currencies.

The Company estimates that the conditions of the hedge instruments and the hedged items are the same, thus maximizing the hedging effectiveness.

(i) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the Offshore Insurance Branch's currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value
Assets			
Monetary items			
CNY	337,362	4.346	1,466,194
EUR	13,968	31.331	437,643
HKD	65,413	3.551	232,258
ILS	40,038	8.894	356,082
JPY	1,428,583	0.240	343,530
KRW	4,130,632	0.023	96,203
THB	298,234	0.830	247,642
USD	509,621	27.690	14,111,419
Non-monetary items			
CNY	84,601	4.346	367,679
HKD	111,370	3.551	395,435
USD	11,009	27.690	304,832
Liabilities			
Monetary items			
CNY	207,281	4.346	900,853
EUR	11,509	31.331	360,592
ILS	17,002	8.894	151,206
INR	422,798	0.372	157,216
JPY	1,001,407	0.240	240,807
KRW	19,132,553	0.023	445,600
USD	161,992	27.690	4,485,550

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value
Assets			
Monetary items			
CAD	\$ 3,639	22.364	\$ 81,383
CNY	384,445	4.380	1,683,890
EUR	7,779	35.042	272,582
HKD	62,103	3.678	228,384
ILS	25,701	8.877	228,148
JPY	755,190	0.276	208,735
KRW	5,203,346	0.026	136,545
THB	265,877	0.952	253,076
USD	443,344	28.508	12,638,837
Non-monetary items			
CNY	130,868	4.380	573,208
EUR	9,415	35.042	329,923
HKD	194,655	3.678	715,846
USD	39,425	28.508	1,123,941
Liabilities			
Monetary items			
CNY	171,020	4.380	749,076
EUR	3,657	35.042	128,162
INR	402,225	0.390	156,964
JPY	1,382,834	0.276	382,218
KRW	12,387,866	0.026	325,079
THB	86,753	0.952	82,576
USD	134,007	28.508	3,820,262

(ii) Sensitivity analysis of foreign exchange risk for monetary financial assets and liabilities listed in the table below is performed for reasonably possible changes in foreign exchange rates with other conditions held constant and without considering foreign exchange derivatives for hedge, the effects on profit or loss before tax for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Foreign currencies to NTD appreciate by 1%	\$ 101,275	\$ 92,739
Foreign currencies to NTD depreciate by 1%	(101,275)	(92,739)

ii. Price risk

(i) The values of financial instruments may be changed by economic situations, industrial circumstances, market capital flows and government monetary policies. To hedge market value risk exposures, the Company adopts diversified assets allocation strategy

taking into account the current trends of financial markets to flexibly adjust assets portfolio under the provisions of Article 146 (1) ~ (8) of the Insurance Act, regulating the limits of funds utilization ratios and accordingly, disperse the market value risk.

- (ii) The Company adopts the FX swap contracts and forward foreign exchange contracts to hedge exchange rate fluctuations risk on foreign-currency denominated assets. As the gain (loss) arising from exchange rate changes will mostly offset against the loss (gain) on hedged objectives, the Company estimates no material market value risk would arise. The Company is exposed to price risk because of investments in stock-related futures, which have fair value in the active market and are used for hedging purposes. The Company sets limits to control the transaction volume to reduce its market risk.
- (iii) The Company's investments comprise equity securities and REITs, etc. Their fair value would change due to the change of the prices of equity securities. If the prices of these equity securities and REITs had increased/decreased by 5% with all other variables held constant, the effects on profit and loss and equity in the years ended December 31, 2021 and 2020 are as follows:

December 31, 2021			
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income (before tax)
Financial assets at fair value through profit or loss	Increased/decreased by 5%	\$ 4,300	\$ 353,692
December 31, 2020			
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income (before tax)
Financial assets at fair value through profit or loss	Increased/decreased by 5%	\$ 16,562	\$ 312,335

iii. Interest rate risk

Sensitivity analysis of interest rate risk listed in the table below is performed for reasonably possible changes in interest rate with other conditions held constant, showing the effect on profit or loss before tax and other comprehensive income before tax. Measurement of interest rate risk only takes into consideration the duration but does not include convexity. Relevant effects may differ from the actual values, but the differences are not significant. As of December 31, 2021, debt instruments held by the Company were all classified as financial assets at amortized cost. Therefore, the Company was not exposed to interest rate risk.

December 31, 2020			
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income (before tax)
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease \$6,688/ Increase \$6,688	-

(b) Credit risk

- i. When investing in financial instruments, the Company will encounter the risks that the transaction or credit counterparties may default on contracts and the custodians may incur operating difficulties. The Company utilizes funds and makes investments in accordance with the Article 146 of Insurance Act and relevant laws, and conducts transactions only with counterparties with good credit ratings, or ensures that financial instruments are issued or guaranteed by reputable financial institutions, or acquires adequate collaterals. The Insurance Act also puts a limit to the transaction amount on an individual transaction or credit counterparty. Accordingly, the maximum loss to the Company is the total amount of all book value.
- ii. The Company utilizes funds and makes investments in financial instruments except for short-term notes and bills, time deposits, demand deposits and cash equivalents in accordance with the Article 146 of Insurance Act and related laws, and sets limits to control the investment volume with an individual institution. Therefore, the Company has lower significant concentrations of credit risk. As for the management of credit risk of debt instruments, the Company identifies the credit risk by its rating provided by external institutions, credit quality, conditions of locations, and risk of counterparties. For credit ratings of transaction or credit counterparties, the Company strictly complies with the Article 146 of Insurance Act, the relevant legal interpretations and the Company's internal regulations on risk control. The transaction or credit counterparties of bond investments are those financial institutions and companies with a certain degree of credit rating.
- iii. The Company undertakes FX swap contracts and forward foreign exchange contracts only with high-credit-quality financial institutions. If the counterparties of Taiwan Stock Index Futures default, the futures brokers will be liable for the losses incurred on the default. Accordingly, the Company estimates no material credit risk would arise.
- iv. The Company recognizes the following events as financial instruments' credit risk increases significantly:
 - (i) Bond interest receivable and debt instrument investments at amortized cost:
 - a. When an independent external rating system has rated such investment instrument as investment grade, then it is classified as low credit risk;
 - b. When an independent external rating system has downgraded such investment instrument 2 notches and to non-investment grade; or
 - c. When an independent external rating system has rated such investment instrument as non-investment grade and decline in market value (against to the cost) exceeds 30%, then it is classified as the credit risk increases significantly.
 - (ii) Accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost:

When contractual payments (excluding the debt instruments) are more than 30 days past due but less than 90 days, then it is classified as the credit risk increases significantly.
 - (iii) For the financial assets mentioned above, in order to accurately measure the impacts that Covid-19 has had on it due to a significant increase in credit risk, further and supplemental considerations would be needed.

- v. The Company uses the following indicators to assess whether a financial asset has a credit impairment:
 - (i) A breach of contract, such as a default or delinquency in interest or principal payments; when a contract (excluding the debt instruments) is overdue more than 90 days, it is deemed breached.
 - (ii) The issuer enters into bankruptcy or reorganization that significantly affects its business.
- vi. The Company wrote-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered. The indicators for reasonably expected to be unrecoverable include:
 - (i) The recourse procedure has ceased.
 - (ii) The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

vii. The Company uses credit ratings (including forward-looking information), probability of default and loss given default figures periodically published by international credit rating agencies to estimate expected credit loss of bond interest receivable and debt instruments at amortized cost. Information about expected loss rate is as follows:

	December 31, 2021		December 31, 2020	
	12 Months	Lifetime Significant increase in credit risk	12 Months	Lifetime Significant increase in credit risk
Bond interest receivable				
Group 1	0.0000%	-	0.0000%	-
Group 2	0.0000%~0.0249%	-	0.0000%~0.0248%	-
Group 3	0.0182%~0.0374%	-	0.0182%~0.0372%	-
Group 4	0.0623%~0.0873%	-	0.0745%~0.1365%	-
Group 5	-	0.2556%	-	0.2482%
Debt instruments at amortized cost				
Group 1	0.0000%	-	0.0000%	-
Group 2	0.0000%~0.0249%	-	0.0000%~0.0248%	-
Group 3	0.0182%~0.0374%	-	0.0182%~0.0372%	-
Group 4	0.0623%~0.0873%	-	0.0745%~0.1365%	-
Group 5	-	0.2556%	-	0.5608%

Group 1: S&P AAA or equivalents.

Group 2: Over S&P AA- or equivalents.

Group 3: Over S&P A- or equivalents.

Group 4: Over S&P BBB- or equivalents.

Group 5: Under S&P BBB- or equivalents.

The following credit risk information for the accounts receivable – bond interest receivable and investments in debt instruments at amortized cost as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	12 Months	Lifetime Significant increase in credit risk	12 Months	Lifetime Significant increase in credit risk
Bond interest receivable				
Group 1	\$ 6,050	\$ -	\$ 9,027	\$ -
Group 2	35,559	-	35,100	-
Group 3	46,906	-	47,354	-
Group 4	4,373	-	5,054	-
Group 5	-	114	-	114
	<u>\$ 92,888</u>	<u>\$ 114</u>	<u>\$ 96,535</u>	<u>\$ 114</u>
Debt instruments at amortized cost				
Group 1	\$ 704,222	\$ -	\$ 1,321,755	\$ -
Group 2	4,716,299	-	3,842,693	-
Group 3	6,052,328	-	5,635,741	-
Group 4	800,869	-	1,126,143	-
Group 5	-	200,000	-	200,000
	<u>\$ 12,273,718</u>	<u>\$ 200,000</u>	<u>\$ 11,926,332</u>	<u>\$ 200,000</u>

Movements of loss allowance for bond interest receivable and investments in debt instruments at amortized cost as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	12 Months	Lifetime Significant increase in credit risk	12 Months	Lifetime Significant increase in credit risk
Bond interest receivable				
At January 1	\$ 23	\$ -	\$ 31	\$ -
Recovery	-	-	(8)	-
At December 31	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ -</u>

	2021		2020	
	12 Months	Lifetime Significant increase in credit risk	12 Months	Lifetime Significant increase in credit risk
Debt instruments at amortized cost				
At January 1	\$ 3,224	\$ 1,122	\$ 4,176	\$ -
Transfer to credit risk has increased significantly	-	-	(285)	285
Provision	-	-	-	837
Recovery	(16)	(611)	(667)	-
At December 31	<u>\$ 3,208</u>	<u>\$ 511</u>	<u>\$ 3,224</u>	<u>\$ 1,122</u>

- viii. The Company considers expected loss rate based on historical and current information and takes into account forecasts of future economic conditions to estimate expected credit loss of accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost. As of December 31, 2021 and 2020, the Company's accounts receivable (excluding bond interest receivable) and other financial assets at amortized cost are not overdue or past due no more than 30 days. The Company therefore assessed credit risk as low and do not recognize loss allowance for credit loss. The book value as of December 31, 2021 and 2020, are as follows:

	December 31, 2021	December 31, 2020
	12 Months	12 Months
Accounts receivable (excluding bond interest)	\$ 189,915	\$ 357,376
Other financial assets	3,083,454	499,556
Refundable deposits under other assets	192,583	321,980

(c) Liquidity risk

- i. The Company uses time deposits to adequately adjust its cash flows. When conducting investment evaluation, the Company will take into account the liquidity of financial

instruments in secondary markets and may allocate some funds to lower-liquidity but higher-yield-rate financial instruments on condition that the risk is controlled. Even if those financial instruments are sold in the short-term, there is a less likelihood that liquidity risk would arise due to the selling price being significantly lower than the fair value. However, those financial instruments are not intended to be sold in the short-term.

- ii. The notional principal of FX swap contracts and forward foreign exchange contracts is normally used as a calculation basis of receivables and payables for these transactions, and is not the actual settlement amount, except for new undertaking or non-renewing transactions. The actual settlement amount is usually lower than the notional principal. The Company has paid margins in advance before undertaking stock-related futures transactions, and daily evaluates the unsettled futures positions. In case additional margins have to be paid later on, the Company has sufficient working capital to fulfill its payment obligations. Accordingly, the Company estimates no material cash flow risk would arise.
- iii. The table below analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

(i) Non-derivative financial liabilities

December 31, 2021	Due in one year	Due after one year through three years	Total
Accounts payable	\$ 755,268	\$ 1,839	\$ 757,107
Deposits-in (under other liabilities)	1,679	2,572	4,251
December 31, 2020	Due in one year	Due after one year through three years	Total
Accounts payable	\$ 420,347	\$ 575	\$ 420,922
Deposits-in (under other liabilities)	2,872	2,683	5,555

(ii) Net-settled derivative financial liabilities

December 31, 2021	Due in three months	Due after three months through one year	Total
FX swap contracts	\$ -	\$ 567	\$ 567
Forward foreign exchange contracts	204	-	204
December 31, 2020	Due in three months	Due after three months through one year	Total
FX swap contracts	\$ 1,006	\$ 8,376	\$ 9,382
Forward foreign exchange contracts	21,571	791	22,362
Futures	696	-	696

(2) Risk management of insurance contracts

All insurance contracts assumed by the Company, after assessment, were considered risks transferred by reinsurance. Risk management and procedures are summarized below:

A. Measurement and management of insurance risk:

Insurance risk occurs when loss frequency, severity, timing and other possible risk factors are far

from past experience. For example, natural and man-made catastrophes risk may occur randomly and thus actual claims may be more than expected.

The Company follows underwriting and risk management related guidelines to assume reinsurance business. The Company's internal quantitative model, external monitoring model, internal control system and other related systems are developed to ensure insurance risks are efficiently identified, measured, steered and monitored.

(a) Underwriting policy

The reinsurance portfolio of the Company consists of various types of reinsurance and businesses from different countries and territories. The insurance types include life insurance, property and casualty insurance and others which are in compliance with regulatory requirement. The Company's development direction is to actively deepen the domestic market and steadily expand the international market to diversify risks of regional concentration.

(b) Retrocession strategy

In consideration of financial strength, capacity and the operation strategies, the Company arranges retrocession to increase the capacity, diversify risks, mitigate retained risk and increase business competitiveness. Furthermore, the Company has purchased catastrophe cover to minimize the exposure to catastrophe loss which may greatly impact the Company's financial performance. Stringent evaluation of the reputation and credit rating of the reinsurer is taken into account when the Company arranges a retrocession contract.

Although the Company adopts various prescribed methods to control insurance risk, given the random and unpredictable nature of insured incidents, deviation may occur between the actual result and the expectation derived from historical experience.

B. Concentration of insurance risk

Premium income and retention premium income ratio based on the business type are as follows:

Type \ Year	Year ended December 31, 2021		Year ended December 31, 2020	
	Reinsurance premiums	Retention premiums	Reinsurance premiums	Retention premiums
Domestic inward property reinsurance business	65.67%	64.75%	63.38%	62.16%
Domestic inward life reinsurance business	14.38%	15.14%	15.96%	16.85%
Subtotal-Domestic inward reinsurance business	80.05%	79.89%	79.34%	79.01%
Foreign inward reinsurance business	19.95%	20.11%	20.66%	20.99%
Total	100.00%	100.00%	100.00%	100.00%

C. Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the years ended December 31, 2021 and 2020 were \$16,352,734 and \$13,837,803, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the years ended December 31, 2021 and 2020 would be approximately \$163,527 and \$138,378, respectively.

D. Loss development pattern

(a) As of December 31, 2021, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2016	2017	2018	2019	2020	2021	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,823,223	\$ 4,676,211	\$ 4,930,116	\$ 5,429,011	\$ 6,182,109	\$ 7,121,181	
After the first year	7,371,808	7,200,462	8,375,507	8,960,138	10,391,862		
After the second year	7,038,930	7,175,700	8,368,857	8,642,445			
After the third year	6,840,249	7,025,963	8,047,413				
After the fourth year	6,705,805	6,916,847					
After the fifth year	6,678,514						
Accumulated estimated claim amount	6,678,514	6,916,847	8,047,413	8,642,445	10,391,862	7,121,181	\$ 47,798,262
Accumulated claim payment	(6,287,353)	(6,275,639)	(7,156,696)	(6,917,997)	(5,113,374)	(499,919)	(32,250,978)
Accumulated unpaid claim	391,161	641,208	890,717	1,724,448	5,278,488	6,621,262	15,547,284
Accumulated unpaid claim before 2015							2,692,846
Subtotal							18,240,130
Provision for statutory insurance claims reserve (Note)	-	-	24,983	454,002	1,109,042	608,404	2,196,431
Total							\$ 20,436,561

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(b) As of December 31, 2021, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2016	2017	2018	2019	2020	2021	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,501,311	\$ 4,427,596	\$ 4,566,834	\$ 4,965,602	\$ 5,507,600	\$ 6,488,150	
After the first year	6,787,551	6,686,191	7,512,520	8,197,721	9,303,467		
After the second year	6,519,989	6,712,808	7,418,997	7,937,308			
After the third year	6,321,303	6,546,353	7,159,109				
After the fourth year	6,192,607	6,461,136					
After the fifth year	6,166,722						
Accumulated estimated claim amount	6,166,722	6,461,136	7,159,109	7,937,308	9,303,467	6,488,150	\$ 43,515,892
Accumulated claim payment	(5,787,550)	(5,851,288)	(6,434,650)	(6,348,885)	(4,609,656)	(508,865)	(29,540,894)
Accumulated unpaid claim	379,172	609,848	724,459	1,588,423	4,693,811	5,979,285	13,974,998
Accumulated unpaid claim before 2015							2,619,271
Subtotal							16,594,269
Provision for statutory insurance claims reserve (Note)	-	-	24,983	454,002	1,109,042	608,404	2,196,431
Total							\$ 18,790,700

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(c) As of December 31, 2020, the following table indicates the loss development pattern of the Company's inward business:

<u>Year of underwriting</u>	2015	2016	2017	2018	2019	2020	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 5,067,741	\$ 4,823,223	\$ 4,676,211	\$ 4,930,116	\$ 5,429,011	\$ 6,182,109	
After the first year	7,521,055	7,371,808	7,200,462	8,375,507	8,960,138		
After the second year	7,049,813	7,038,930	7,175,700	8,368,857			
After the third year	6,892,499	6,840,249	7,025,963				
After the fourth year	6,804,183	6,705,805					
After the fifth year	6,732,022						
Accumulated estimated claim amount	6,732,022	6,705,805	7,025,963	8,368,857	8,960,138	6,182,109	\$ 43,974,894
Accumulated claim payment	(6,043,724)	(6,253,749)	(6,160,254)	(6,785,397)	(5,230,020)	(526,236)	(30,999,380)
Accumulated unpaid claim	688,298	452,056	865,709	1,583,460	3,730,118	5,655,873	12,975,514
Accumulated unpaid claim before 2014							2,587,258
Subtotal							15,562,772
Provision for statutory insurance claims reserve (Note)	-	-	25,405	450,294	1,086,640	623,232	2,185,571
Total							\$ 17,748,343

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

(d) As of December 31, 2020, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2015	2016	2017	2018	2019	2020	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	\$ 4,796,487	\$ 4,501,311	\$ 4,427,596	\$ 4,566,834	\$ 4,965,602	\$ 5,507,600	
After the first year	7,012,164	6,787,551	6,686,191	7,512,520	8,197,721		
After the second year	6,605,203	6,519,989	6,712,808	7,418,997			
After the third year	6,459,501	6,321,303	6,546,353				
After the fourth year	6,371,512	6,192,607					
After the fifth year	6,303,221						
Accumulated estimated claim amount	6,303,221	6,192,607	6,546,353	7,418,997	8,197,721	5,507,600	\$ 40,166,499
Accumulated claim payment	(5,633,408)	(5,770,944)	(5,740,076)	(6,082,639)	(4,782,257)	(525,281)	(28,534,605)
Accumulated unpaid claim	669,813	421,663	806,277	1,336,358	3,415,464	4,982,319	11,631,894
Accumulated unpaid claim before 2014							2,502,579
Subtotal							14,134,473
Provision for statutory insurance claims reserve (Note)	-	-	25,405	450,294	1,086,640	623,232	2,185,571
Total							\$ 16,320,044

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

14. THE OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Company in order to support the Company's sustainable development and continuously create interests for shareholder.

In practice, Taiwan insurance enterprises usually measure whether the capital is adequate by using the ratio of self-owned capital to risk-based capital (the "capital adequacy ratio") and the net worth ratio. Pursuant to Article 5 of "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy level of an insurance enterprise refers to the capital adequacy ratio equaling or exceeding 200% and the net worth ratio being at least 3% in one of the most recent two periods. The Company calculates the capital adequacy ratio every six months in accordance with the "Regulations Governing Capital Adequacy of Insurance Companies" to ensure that it can continuously meet the statutory capital requirement.

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Capital adequacy ratios and the net worth ratio of the Company of the latest two years were all at capital adequacy level. In addition, the net worth ratio of the Company as of December 31, 2021 and 2020 is 33.46% and 31.39%, respectively, in accordance with the Article 15 of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises".

15. OTHER DISCLOSURES

(1) Information of significant transactions

- A. Acquisition of real estate in excess of \$300,000 or 20% of the paid-in capital: None.
- B. Disposals of real estate in excess of \$300,000 or 20% of the paid-in capital: None.
- C. Related party transactions in excess of \$100,000 or 20% of the paid-in capital: None.
- D. Accounts receivable from related parties in excess of \$100,000 or 20% of the paid-in capital: None.
- E. Derivative business transactions: Please see Note 6 (3).
- F. Business and significant transactions between the parent company and subsidiaries, and those between subsidiaries: None.

(2) Information related to long-term investments

None.

(3) Investments in Mainland China and business transactions

None.

(4) Major shareholders information

Names of major shareholders	Shares	Number of shares held	Shareholding ratio(%)
Evergreen International Corporation		207,419,251	35.13%
Ministry of Finance		90,905,773	15.39%
Evergreen International Storage and Transport Corporation		50,353,414	8.52%
Evergreen Marine Corporation		49,866,466	8.44%

Note: Major shareholders information on this exhibit refers to the shareholders who own 5% or more dematerialized registered and delivered shares of the Company on the last business day of each quarter.

16. SEGMENT INFORMATION

(1) General information

The Company operates business only in reinsurance services. The Company allocates resources and assesses performance of the Company as a whole, and has identified that the Company has only one reportable operating segment.

(2) Product information

The Company has only one kind of product; therefore, disclosure of financial information by product is not applicable.

(3) Geographical information

Premium income of the Company from domestic and foreign clients for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Domestic inward reinsurance	\$ 16,729,515	\$ 14,605,616
Foreign inward reinsurance	4,170,143	3,802,239
	<u>\$ 20,899,658</u>	<u>\$ 18,407,855</u>

(4) Major customer information

There are specific customers of Compulsory Motor Insurance Pool that contributed over 10% of the total revenue stated on the Company's statement of comprehensive income. In 2021 and 2020, the premium income from these customers amounted to \$2,658,332 and \$2,600,177, constituting 12.72% and 14.13% of the related totals, respectively.

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

18. ACQUISITION, CONSTRUCTION, IDLELIZATION AND SALES OF MAIN OPERATING ASSETS AND REAL ESTATE INVESTMENTS

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

20. IMPORTANT CONTRACTS SIGNED, DISCHARGED BY PERFORMANCE, AGREEMENT, OR BREACHED

Aside from regular contracts related to the insurance business, the Company had no important contracts signed, discharged by performance, agreement, or breached.

21. INVESTMENT ITEMS AND INVESTMENT CEILINGS WITH THE INVESTMENT FUNDS BEING HANDLED AND MANAGED BY THE SECURITIES INVESTMENT TRUST COMPANIES OR SECURITIES INVESTMENT CONSULTING COMPANIES

None.

22. ADJUSTMENT OF ORGANIZATION AND SIGNIFICANT CHANGE OR REFORM OF MANAGEMENT MECHANISM

None.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

None.

24. INFORMATION ON DISCONTINUED OPERATIONS

None.

25. MAJOR OPERATIONS, ASSETS, AND LIABILITIES RECEIVED FROM OR TRANSFERRED TO OTHER INSURANCE BUSINESSES

None.

7. REVIEW OF FINANCIAL POSITION, FINANCIAL PERFORMANCE, AND RISK ASSESSMENT

7.1 Financial Position

Financial Position Comparison and Analysis

NT\$ thousands ; %

Items \ Year	2021	2020	Difference	
			Amount	%
Cash and Cash Equivalents	17,285,837	15,001,586	2,284,251	15.23
Account Receivable	282,894	454,002	(171,108)	(37.69)
Financial Assets	22,218,077	19,081,388	3,136,689	16.44
Reinsurance Contract Assets	7,373,316	6,065,459	1,307,857	21.56
Property and Equipment	268,554	206,513	62,041	30.04
Intangible Assets	7,248	5,240	2,008	38.32
Other Assets	2,029,023	1,899,400	129,623	6.82
Total Assets	49,464,949	42,713,588	6,751,361	15.81
Account Payable	757,107	420,922	336,185	79.87
Financial Liabilities	771	32,440	(31,669)	(97.62)
Insurance Liabilities	31,700,204	28,491,167	3,209,037	11.26
Provisions	-	779	(779)	(100.00)
Other Liabilities	454,456	359,043	95,413	26.57
Total Liabilities	32,912,538	29,304,351	3,608,187	12.31
Capital	5,903,888	5,903,888	-	-
Capital Reserve	300,000	300,000	-	-
Retained Earnings	7,933,739	6,635,437	1,298,302	19.57
Other Equity	2,414,784	569,912	1,844,872	323.71
Total Equity	16,552,411	13,409,237	3,143,174	23.44

● Analysis and explanation of the reason for increases or decreases:

(Only those with a change of more than 20% between two periods and a change in the amount up to NT\$10 million will be taken into consideration in the analysis)

1. Account Receivable less than last year: Mainly due to the decrease in account receivable for sale of securities.
2. Reinsurance Contract Asset more than last year: Mainly due to the increase in end of period due from reinsurers and ceding companies.
3. Property and Equipment more than last year: Mainly due to the reclassification of investment property to property and equipment.
4. Account Payable more than last year: Mainly due to the increase in account payable for purchase of securities and due to reinsurers and ceding companies.
5. Financial Liabilities less than last year: Mainly due to the decrease in the valuation loss of derivative financial instruments.
6. Other Liabilities more than last year: Mainly due to the increase in current income tax liabilities.
7. Other Equities more than last year: Mainly due to the increase in other comprehensive income on reclassification using overlay approach for the current period.
8. Total Equity more than last year: Mainly due to the increase in Net income and other equities.

● Influence of changes in financial position for the 2 most recent fiscal years: No significant impact on the financial position.

● Future response plan : Not applicable.

7.2 Financial Performance

Financial performance Comparison and Analysis

NT\$ thousands : %

Items \ Year	2021	2020	Difference Amount	Change percentage (%)
Operating Revenue	20,440,955	17,656,923	2,784,032	15.77
Operating Costs	17,476,481	15,467,129	2,009,352	12.99
Operating Expenses	493,509	403,480	90,029	22.31
Net Operating Income	2,470,965	1,786,314	684,651	38.33
Non-Operating Income and Expenses	183	2,322	(2,139)	(92.12)
Income before Tax	2,471,148	1,788,636	682,512	38.16
Income Tax Expense	406,071	272,907	133,164	48.79
Net Income	2,065,077	1,515,729	549,348	36.24

- Analysis and explanation of the reason for increases or decreases: (Only those with a change of more than 10% between two periods will be taken into consideration in the analysis)
 1. Operating Revenue more than last year: Mainly due to the increase in retention earned premiums for the current period.
 2. Operating Cost more than last year: Mainly due to the increase in operating revenue for the current period, synchronized increase in operation cost.
 3. Operating Expense more than last year: Mainly due to the increase in salary expense for the current period.
 4. Non-operating income and expenses less than last year: Mainly due to the reclassification of accounts payable to miscellaneous income for the prior period.
 5. Net Operating Income and Income before Tax more than last year: Mainly due to the increase in underwriting benefits and net gain from investment for the current period.
 6. Income tax expense more than last year: mainly due to the increase in taxable income for the current period.
 7. In summary, net Income for the current period increased compared with the prior period.
- A sales volume forecast for the coming year and the basis therefor: Please refer to "1.5 Summary of the 2022 Business Plan" on page 9.
- Influence of changes in financial performance for the 2 most recent fiscal years: No significant impact on the financial performance.
- Future financial business response plan: Not applicable.

7.3 Cash Flows

Cash flow review and analysis

Cash flow analysis

NT\$ thousands

Beginning cash balance	Cash flows from operation activities	Cash flows from investing and financing activities	Cash surplus (insufficient) amount	Remedies for insufficient cash	
				Investment plan	Financial plan
15,001,586	3,067,560	(783,309)	17,285,837	-	-

- Analysis of changes in cash flow this year:
 1. The net cash inflow from operating activities of NT\$3,067,560 thousand was mainly due to business operations.
 2. The net cash outflow from investment and financing activities of NT\$783,309 thousand was mainly due to the distribution of cash dividends.
- Corrective measures to be taken in response to illiquidity: None.
- Liquidity analysis for the coming year

NT\$ thousands

Beginning cash balance	Estimated net Cash flows from operation activities	Estimated net Cash flows from investing and financing activities	Estimated net Cash surplus (insufficient) amount	Estimated Remedies for insufficient cash	
				Investment plan	Financial plan
17,285,837	(2,576,020)	(1,105,756)	13,604,061	-	-

7.4 Impact of Major Capital Expenditures on Finance and Business Operations during 2021

None.

7.5 Investment Policy in the Last year, Main Causes for Profit or Losses, Improvement Plans and Investment Plans for the Coming Year

None.

7.6 The Analysis and Assessment of Risk Management in the last year up to the publication date of this report

1. Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures:

The Company adopts the dynamic hedging strategy to the exchange rate risks from businesses and investment-related foreign currencies to reduce the impact of foreign exchange market fluctuations on the company. As the global economy has recovered from the COVID-19 pandemic and inflation has gradually increased, the shift in the U.S. Federal Reserve's monetary policy has led to a gradual increase in interest rates. However, as most of the bonds held by the Company are well-rated and held-to-maturity positions, it is expected that the interest rate risk makes no significant impact on the overall valuation of the Company's bonds.

In view of the drastic changes in the financial environment in recent years, the Company will, based on the two goals of overall investment risk control and stable returns, appropriately adjust the investment positions allocation and hedging strategy to reduce the impact of the investment fluctuation factors.

2. Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profit or loss incurred and future responsive measures:

The Company's investments are carried out after careful evaluation of the price risk, liquidity risk, credit risk, and exchange rate risk. To date, the Company has not engaged in high-risk and highly leveraged investments, nor has it provided loans, endorsements or guarantees to other parties.

All derivatives transactions are for hedging. Relevant transactions are handled in accordance with the "Procedures for Transaction of Financial Derivatives" and "Investment Risk Management Operational Guidelines" established by the Company.

3. Future research and development plans and projected expenses:
Please refer to page 142.
4. Financial impacts and responsive measures due to change of local and foreign regulations in recent years: None.
5. Financial impacts and responsive measures due to technological (includes information security risk) or industrial changes:

(1) Technological change:

Although the Company, facing the technological change, does not have an e-commerce platform nor develop mobile device apps and other businesses that adopt emerging technologies to provide external services, we still perform vulnerability scanning and penetration test on all our information systems regularly every year, while patching vulnerabilities and threats as per regulations to reduce the risks of attacks on application systems and relevant information facilities. Before starting to adopt various emerging technologies, we have formulated relevant operating standards in accordance with the Operation Principles for the Use of Emerging Technologies in the Insurance Industry.

(2) Information and communication security risk:

In 2021, the Company duly complied with Article 6 and Article 6-1 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, and the information security this year was implemented duly and effectively. Moreover, we appointed the Institute for Information Industry this year to conduct the information security assessment of our computer systems, and there was no material abnormality in the assessment results. We conduct off-site backup drills every year for our core information system, during which we switch the operations completely to the off-site backup center to verify the backup effectiveness. With the above measures, we aim to minimize the information security risks.

(3) Industrial change: None.

6. Crisis management, impacts, and responsive measures due to change of corporate image: None.
7. Expected benefits, potential risks and responsive measures in relation to mergers and acquisitions undertaken: None.
8. Expected benefits, potential risks and responsive measures associated with plant expansions: None.
9. Risks and responsive measures associated with purchases or sales concentration: Regarding the analysis of the premium income for the year of 2021, if evaluated by the customer on the one hand, the premium income from Compulsory Motor insurance Pool accounted for 12.72%, which was the highest, and the rest were

less than 10%; in respect of retrocession business, the Company will, by considering the credit rating of its counterparties, mainly choose reputable insurance companies or brokers as its partners and thus have very low credit risk. On the other hand, if analyzed by business area, the Company's domestic assumed business accounted for 80.05% and foreign assumed business accounted for 19.95%. In the future, the Company will continue to expand its overseas business prudently make its business portfolio more complete and risks more diversified. The Company belongs to the reinsurance industry, so the disclosure of purchase-related matters is not applicable.

10. Impacts, risks and responsive measures following a major transfer of shareholding by directors, or shareholders with more than 10% ownership interest: None.
11. Impacts, risks and responsive measures associated with a change of management: None.
12. Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, president, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders' equity or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report: None.
13. Other material risks and responsive measures:

The Company has introduced the international standard, ISO 22301: 2019 Business Continuity Management System (BCMS), analyzed operational impact, identified risks, and assessed the likelihood and the impact of business interruption caused by risk events, while having established business continuity strategies and plans according to the overall tolerance of the business interruption risk, completed an information security incident drill plan, and optimized the business continuity management mechanism through the self-assessment and the third-party pre-assessment.

7.7 Other Importance Disclosure

None.

8. SPECIAL DISCLOSURE

8.1 Summary of Affiliated Companies

In 2021, the affiliation report prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” set by the Financial Supervisory Commission , Please refer to pages 263 to 267.

8.2 Private Placement of Securities in the most recent year up to the publication date of this report

None.

8.3 Holding or Disposal of the Company’s share by subsidiaries in the most recent year up to the publication date of this report

None.

8.4 Other importance supplementary information

None.

8.5 Other Disclosure

Any events in 2021 and as of the date of this annual report had significant impacts on shareholders’ right or security prices as stated in item 3 paragraph 2 of Article 36: None.

Risk Management:

1. Risk Management Framework and Policies:

(1) Risk Management Framework and Organization:

The Board of Directors is the highest decision maker of risk management and holds the ultimate responsibility for establishing the Company's risk management system and operation.

A Risk Management Committee (RMC) has been assembled directly under the Board of Directors. The independent director serves as the convener of RMC. The committee is responsible for the company's overall risk management, laying down risk management policies, framework, and organizational function, and regularly submitting reports to the Board of

Directors and implementing the Board's risk management decisions.

The risk management unit is responsible for daily risk monitoring, measurement, evaluation, and reporting affairs at the operational level. Collecting the overall risk management information quarterly submit it to the Risk Management Committee for review and discussion, and report to the Chairman and Board of Directors.

The head of business unit is responsible for daily risk management and reports of the subordinate units and supervises the regular delivery of relevant risk management information to the risk management unit. The business unit is responsible to identify, measure, and monitor risks according to their scope of responsibility and business nature.

The Audit Office of the Board of Directors is responsible for auditing the implementation of each unit's risk management and to ensure the effectiveness of the company's internal control system and make recommendations in a timely manner.

(2) Risk Management Policies:

The Company's risk management policy was approved by the Board of Directors in 2010 as the highest guiding principle for implementing risk management. The content thereof covers risk management strategies, risk management objectives, the risk management organization and its responsibilities, risk appetite and tolerance, various types of risks, risk assessment, response and monitoring, as well as information, communication and documentation matters. Meanwhile, we have established a risk management mechanism to implement the risk management function and ensure the Company's capital adequacy and solvency to achieve the goal of sustainable development.

2. Methods of Measuring and Controlling Risks and Quantitative Information on Exposure:

(1) Strategy and Process:

The Company's risk management strategy is to strengthen and carry out the risk control mechanism and implement risk management processes to achieve risk management objectives. The main task includes: conducting risk management education for board members and all colleagues in the company, and regularly in accordance with the "Risk Management Best Practice

Principles for Insurance Enterprises” to conduct self-assessment to continuously strengthen the awareness and management of the risks of each business unit; updating relevant regulations on risk management, establishing risk management self-assessment operations, and setting risk limit early warning mechanisms to ensure risk management work and monitoring operations; performing catastrophe risk stress tests on a regular basis to examine the risk accumulation and its impact on the Company's solvency; continuing to build risk models and understanding models' limitations, so as to accurately grasp the Company's risks and solvency levels ; regularly monitoring the risk appetite management, risk tolerance and catastrophe accumulation risk, reinsurance business credit risk, RBC risk capital, funds allocations statutory ratio, liquidity, market risk value, credit risk, value-at-risk of the exchange rate, and other limit management. Additionally, the focus of work for each risk category is described as follows:

① Insurance risk:

Conducting business pricing, underwriting and claims processing in accordance with the policies of underwriting and claims adjusting system and procedures; assessing the each single risk and the cumulative catastrophe risk of single accident event in accordance with the reinsurance risk management plan, and considering the company's capacity, arranging catastrophe reinsurance protection; identifying and measuring catastrophic events that may cause major losses to the company, and regularly monitoring catastrophe risk tolerance; setting up the company's method for setting aside various reserves in accordance with regulations and the characteristics of the business, and performing reserve testing to assess the reserve adequacy.

② Market risk:

Regularly conducting risk assessments, and evaluating the holding position of each investment asset, and use Value at Risk (VaR) to calculate the maximum loss that may occur in the investment product positions over a given time period for a given confidence interval, so that the overall market risk can be controlled within the upper limit of the total risk value.

③ Credit risk:

The Company may consider the overall financial market situation, regularly assessing the concentration of credit risk in the use of funds; establish a credit monitoring mechanism for the company's reinsurers to control the reinsurance credit risk.

④ Operational risk:

Developing internal controls and continuously tracking the establishment of each unit's operational risk management mechanism and enhancing operational risks and loss events collection; researching and developing the internal loss database; developing the operational risk Key Risk Indicators (KRI) and self-assessment mechanism for each unit.

(2) Scope of risks report and measuring system:

① Insurance risk:

The Company may regularly conduct statistics on the relevant reports of facultative reinsurance and treaty reinsurance and report them to the senior management by the responsible unit. The overall company's reports for the premium risk capital limit, the risk tolerance of the business in each region, the value at risk of each economic capital model, and so on, are regularly collected and reported by the risk management unit.

② Market risk:

The market risk control report shows the evaluation of the profit and loss of the investment assets at market prices or net values with regard to the risk factors such as market interest rate, exchange rate, price change, etc. It calculates the VaR and the stress tests are also regularly conducted. The Company may regularly conduct the back-testing of the actual change in the profit and loss of the market risk-related product positions and the estimated value at risk to examine the adequacy of the model. Reports of the asset risk capital limit and liquidity limit, etc. are collected and reported by the risk management unit on a regular basis.

③ Credit risk:

Evaluating the credit ratings of the counterparty, investment target or securities issuer, guarantee agency or debtor with which the funds are used, and reviewing the concentration of credit risk; regularly reviewing the credit rating of the insurance company or reinsurance company with which the retrocession business is conducted, and evaluating the impact of ineligible retrocession.

④ Operational risk:

Each unit conducts a self-examination and prepares the operational risk event report depending on the situation; the risk management unit consolidates the reports and also performs the tracking and controlling.

(3) Policies for hedging and risk mitigation:

- ① In respect of insurance risk, according to the underwriting guidelines of each line of business and the maximum tolerance limit, reducing the risk of undertaking business by retrocession business.
- ② In respect of market risk, the hedging strategy is based on the dynamics of the overall financial environment, to flexibly adjust asset allocation to avoid the risk of huge changes in the market price;
- ③ In respect of risk, establishing standards for the concentration of credit risk of the counterparties or issuers, and the credit ratings of reinsurers, and regularly checking and monitoring;
- ④ In respect of operational risk, regularly performing each unit's internal control and self-auditing, regulatory compliance self-assessment, risk management self-assessment, and other operations; in addition, the internal audit conducts a periodic audit on the implementation status of the operational risk management system.

(4) Ways to perform risk management:

The Company may aim to comply with the Insurance Act, the Risk Management Best-Practice Principles for Insurance Industry, and the relevant regulations, consider the company's overall risks, establish a risk management mechanism for all categories of risk, and adopt sound investment strategies,

rigorous underwriting guidelines, proper reinsurance arrangements, and internal controls and management regulations for each business to reduce operating risks.

Effectively identifying, measuring, responding to and monitoring the risks of the entire company takes, implementing the risk limit early warning mechanism, ensuring that the risk control taken by the company is under the tolerable risk levels, and considering the reasonable consideration between risks and rewards, creating the maximum value of shareholders' equity value, and maintaining self-owned capital adequacy and proper solvency capacity to improve the company's long-term business operations.

Enhancing the effectiveness of the company's strategic risk management, using risk quantification models to analyze the degree of the risk changes in the insurance, investment, and other businesses as an important reference for formulating business strategies, and setting the risk tolerance as the basis for the management of the catastrophes and market risks of the insurance business. In addition, promoting the modularization of various types of risk continuously improves the effectiveness of risk control.

CENTRAL REINSURANCE CORPORATION
Independent Auditors' Review report of Affiliation Report

To Central Reinsurance Corporation

According to company's declaration, the company's 2021 affiliation report was prepared in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. There is no material discrepancy between the disclosed information and the relevant information disclosed in the notes to the financial statements of the period. The declaration is as attached.

The CPAs have compared the affiliation report prepared by the company with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and the notes to the company's 2021 financial statements. No material discrepancies have been found in the affiliation reports.

Chen, Hsien-I
Lee, Hsiu-Ling
For and on behalf of
PricewaterhouseCoopers, Taiwan
March 17, 2022

1. Overview of the relationship between the subordinate company and the controlling company.

The name of the controlling company	The reasons for the control	Controlling company's shareholding and pledges situation			Title	Name	Shares / %
		Number of shares held	Shareholding ratio	Number of shares pledged			
Evergreen International Corporation	The shareholding reaches the control capacity	207,419,251	35.13%	-	Chairman Director Director & President	Yang, Cheng-Tui Tai, Jiin-Chyuan Cheng, Ching-Fen	

Note : When the controlling company of a subordinate company is a subordinate company of another company, the relevant information of another company should also be filled in; The same applies when another company is a subordinate company of the other company, and so on.

2. Business transactions between the subordinate company and the controlling company

2.1 Purchase (sale) of goods : None.

2.2 Property transactions : None.

2.3 Financing : None.

2.4 Asset leasing :

Transaction Type	Leased object		Lease period	The nature of the leasing	The method of determined leasing price	The payment method	Comparison with ordinary leasing price levels	Total leasing price for the current period	Payment status for the current period	Other special stipulations
	Name	Location								
Leased	JianGuo Building	JianGuo North Road, Section 2	2021/6/15~2021/12/31	Operational leasing	Priced by Ping (1 Ping = 3.306 Square meters)	Remittance monthly	No significant difference	NT\$465 thousand	Have been Paid in full	None

2.5 Other significant business transactions :

In 2021, the company incurred NT\$15,066 thousand of related expenses and NT\$1,230 thousand of accounts payable due to system service charge, fees paid to stock transfer agent and printing expenses, etc..

3. Endorsements and guarantees between the subordinate company and the controlling company : None.
4. Other matters with a significant effect on finances and business : None.

CENTRAL REINSURANCE CORPORATION

Declaration of Affiliation Reports

The affiliation report in 2021 (From January 1, 2021 to December 31, 2021) was prepared in accordance with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. There is no material discrepancy between the disclosed information and the relevant information disclosed in the notes to the financial statements of the period.

Central Reinsurance Corporation
Chairman: Yang, Cheng-Tui
March 17, 2022

Implementation of Internal Control System

Internal Control System Statement

Central Reinsurance Co., Ltd.

Internal Control System Statement

Based on the findings of self-inspection, the Internal Control System of the Company for the period from January 1, 2021 to December 31, 2021 are as follow:

- I. The Company acknowledges that the Company's Board of Directors and managers are responsible for establishing, implementing, and maintaining an adequate internal control system. Its goals are to provide reasonable assurance on the target achievement on the results of operations, financial reporting, and legal compliance. The goal of operations is to pursue results and efficiency in operations including profitability, performance and asset security; the goal of financial reporting is to ensure reliability of external financial reporting; the goal of legal compliance is to ensure compliance with relevant laws and regulations. The legal compliance system is part of the internal control system dedicated to achieving legal compliance goals. Financial records and statements are prepared in accordance with the Insurance Act and related regulations based on consistent basis of preparation and they are results of the internal control system for financial reporting.
- II. There are inherent limitations regardless the most well-designed internal control system. An effective internal control system can only reasonably ensure the achievement of the aforementioned 3 goals. The effectiveness of the internal control system may be subject to changes due to surroundings and circumstances beyond our control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the "Regulations Governing Implementation of Internal Control and Auditing

System of Insurance Enterprises" (hereinafter referred to as the "Regulations") promulgated by the Financial Supervisory Commission. The aforementioned judgment is also based on the items for evaluating the effectiveness of the internal control system in the "Regulations." The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each component includes a number of items for evaluation. Please refer to the "Regulations" for information on the items.

IV. The company has evaluated the effectiveness of the design and implementation of its internal control system according to the previously mentioned criteria.

V. Based on the above-mentioned inspection results, the Company believes that the design and implementation of the internal control system (including operations, financial reporting, the status of overall implementation of information security, and legal compliance) during the period of the period are effective. In addition to the items listed in the schedule, it can reasonably ensure the Board of Directors and managers know the extent of which the operating goals have been achieved, the goals for financial reporting and legal compliance have been achieved; it is also believed that the financial records and statements are prepared in accordance with the Insurance Act and relevant regulations. The basis for the reports was consistent and the correctness was reasonable.

VI. This statement shall become the primary content of the Annual Report and prospectus. Any falsehood, concealment, or other illegality in the content made public will involve legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act as well as regulations related in the Insurance Act.

VII. This Statement has been approved by the Company's meeting of Board of Directors on March 17, 2022.

Respectively submitted to
Financial Supervisory Commission

Chairman: Yang, Cheng-Tui

President: Cheng, Ching-Fen

Chief Auditor: Lin, Cheng-Yen

Chief Compliance Officer: Wang, Cheng-Sung

the supervisor of the dedicated information security unit: Wu, Chia-Lun

March 17, 2022

Statement on Internal AML/CFT Control

On behalf of Central Reinsurance Corporation, we hereby undertake that from January 1, 2021 to December 31, 2021 our Company has duly complied with relevant regulations governing anti-money laundering and countering the financing of terrorism in establishing an internal control system, implementing risk management, designating an independent and objective internal unit to conduct audit, and submitting the audit report periodically to the Company's Board of Directors and Audit Committee. Following prudent evaluation each unit of the Company has effectively implemented internal controls for anti-money laundering and countering the financing of terrorism during the year.

Central Reinsurance Corporation

TO

Financial Supervisory Commission

Undersigned:

Chairman: Yang, Cheng-Tui

President: Cheng, Ching-Fen

Chief Auditor/Auditor: Lin, Cheng-Yen

Chief AML/CFT Compliance Officer: Su, Chin-Chu

Date: February 11, 2022

CPA Review Report

CPA Internal Control System Audit Report

To Central Reinsurance Co., Ltd:

Attached is a part of the statement of Central Reinsurance Co., Ltd. on March 17, 2022 regarding its internal control system which includes external financial reporting (the accuracy reports filed to the competent authority in accordance with the financial reporting internal control system), protection of the security of assets (ensuring the assets are not obtained, used, or disposed of under unauthorized conditions), and legal compliance; and stating that the internal control system was effectively designed and implemented as of December 31, 2021, have been audited by the CPA. The maintenance of an effective internal control system and evaluating its effectiveness is the responsibility of a Company's management. The responsibility of the CPA is to issue audit opinions regarding the effectiveness of the Company's internal control system and the internal control statement of the Company based on the audit results.

The CPA has conducted the audit in accordance with the "Article 26 of Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises", "Regulations Governing Foreign Investments by Insurance Companies", Letter No. 10602506430 issued by the Financial Supervisory Commission on Jan 15, 2018, and Letter No. 10904350082 issued by the Financial Supervisory Commission on Jan 22, 2021, in order to ensure whether the above-mentioned internal control system of the Company remains effective in all material aspects. The procedures included understanding the Company's internal control system, evaluating the process of the management level's assessment on the overall internal control system's effectiveness, testing and evaluating the effectiveness of the design and implementation of the internal management system, and other audit procedures as the CPA deems necessary. We believe that our audits provide a reasonable basis for our opinions on this audit.

Any internal control system has inherent constraints. Hence, it is possible that the aforementioned internal control system of Central Reinsurance Co., Ltd. will not be able to prevent or detect errors or frauds that have already taken place. In addition, future environment may change, and compliance to the internal control system may also decrease; hence, an effective internal control system in this period may not be as effective in the future.

In opinion of the CPA, the design and implementation of the internal control system of Central Reinsurance Co., Ltd. as of December 31, 2021 related to external financial reporting (including the accuracy reports filed to the competent authority in accordance with the financial reporting internal control system) and protection of the security of assets (ensuring the assets are not obtained, used, or disposed of under unauthorized conditions) have been deemed as effective in all material aspects. The statement of the internal control system issued by Central Reinsurance Co., Ltd., on March 17, 2022 was effectively designed and implemented is a fair presentation in all material aspects.

PricewaterhouseCoopers, Taiwan

Chan, Hsien-I, CPA

Lee, Hsiu-Ling, CPA

March 17, 2022



Central Reinsurance Corporation

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