

Environmental, Social and Governance Report

A. About This Report

A1. Reporting Standards

This Environmental, Social and Governance (“ESG”) Report provides details of Asia Financial Group’s (“Asia Financial”, the “Company”, or the “Group”) responsible, sustainable and ethical business practices during the reporting period. It was prepared in accordance with the Appendix 27 “Environmental, Social and Governance (“ESG”) Reporting Guide” of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including the “comply or explain” provisions set out in the ESG reporting guide.

A2. Reporting Scope and Boundary

Unless otherwise specified, the scope and boundary of this report are the same as in Asia Financial’s 2022 Annual Report, which covers Asia Financial Holdings Ltd. and all its wholly owned subsidiaries including, but not limited to, all branches and representative offices of Asia Insurance Company, Ltd. Where applicable, ESG data are reported separately for Asia Financial Holdings Ltd. (“AFH”), Asia Insurance Company, Ltd. (“AI”), and in combination as Asia Financial Group (“Asia Financial” or “the Group”).

A3. Reporting Principles

The preparation and presentation of contents in this report follow these principles:

Materiality:	Stakeholder engagement and materiality assessment described below were utilized to develop and prioritize the most prominent economic, environmental, and social factors that concern our stakeholders and Asia Financial’s management, who in turn establish short, medium to long-term strategies to tackle ESG issues.
Quantitative:	Quantitative methods and metrics were utilized and presented throughout this ESG report to keep track, compare, and evaluate our ESG performance over the years. This report uses <i>SME Carbon Audit Toolkit</i> jointly developed by the University of Hong Kong and City University of Hong Kong in February 2010 to calculate Scope 1, 2 & 3 carbon emission. Where quantitative metrics are unfeasible, qualitative descriptions are provided instead to highlight ESG performance.
Balance:	This ESG report provides an accurate and unbiased picture of Asia Financial’s ESG performance that identifies both areas of success and notable achievements, as well as areas of improvements and challenges.
Consistency:	Assessment of Asia Financial’s ESG performances are consistent since 2009 (unless otherwise specified), thus provides an opportunity to conduct year-on-year analysis to identify trends and track progress using 2009 as a base-year. Asia Financial continues to report AFH and AI figures respectively on top of consolidated figures in order to highlight the different business nature and more effectively customize ESG measures that are applicable to Asia Financial’s businesses.

A. About This Report (cont'd)

A4. Stakeholder Engagement and Materiality Assessment

Asia Financial operates in a socially responsible and transparent manner by engaging with various stakeholders via multiple communication channels. These communication channels are opportunities for Asia Financial to convey our strategies and for stakeholders to voice their expectations.

Following stakeholder engagement, data collected is reviewed and a materiality assessment is utilized to identify the most significant economic, environmental, and social factors that concerns Asia Financial's management and our stakeholders. These insights are particularly helpful for the Company to review our short, medium to long-term strategy in addressing specific sustainability issues and identifying areas of improvement for ESG performance and reporting.

Stakeholders	Communication Channels
Community	- Meeting with NGOs
	- Sponsorships and donations
	- Participate in events and activities
Customers	- Client relationship contacts
	- Company website
	- Customer service hotline
	- Online platform
Employees	- Annual performance appraisal system
	- Recreational and volunteer activities
	- Townhall meetings held by AI
	- Trainings, seminars and briefing sessions
Regulators	- Compliance reports & risk reports
	- On-site review
	- Regular meetings and communications
	- Training, focus groups and other events
Shareholders	- Annual General Meetings and other ad hoc meetings
	- Company website
	- Corporate communications including announcements, press releases, circulars, interim reports and annual reports
	- Investor meetings, press conferences and briefings
Suppliers	- Annual supplier, service provider and vendor review for internal use
	- Regular supplier communications and engagements

A. About This Report (cont'd)

A4. Stakeholder Engagement and Materiality Assessment (cont'd)

Asia Financial has identified 5 material ESG concerns as follow along with the Company's responses:

(a) Cyber and Data Security

Cyber and data security are top concerns for any company that possesses and handles customer data. Naturally, this is a priority risk control area, especially for Asia Financial's insurance business. The Group is committed to reviewing all relevant control systems and has taken active measures to mitigate this risk. Internal consultants and external cyber security experts are actively involved in various comprehensive information and technology reviews, such as vulnerability assessments, penetration tests, architectural and process reviews, as well as measures to raise and reinforce staff's data security awareness. The Group continues to develop our in-house expertise and has carried out various system upgrades in 2022, such as extended maintenance coverages, re-organizing server room, and installing additional back-up uninterruptible power supply. Asia Financial will continue to implement necessary upgrades to enhance cyber and data security.

(b) Evolving ESG Disclosure Requirements

Shareholders, investors and customers are increasingly paying more attention to a company's ESG performance in addition to traditional financial indicators. As a result, regulators are beginning to encourage companies to provide more comprehensive climate-related disclosures. Asia Financial will closely follow changes in regulations regarding climate-related disclosures to achieve the greatest transparency, properly strategize for the growing focus on ESG regarding investments, and closely examine the effects of climate change on our insurance business in order to assess and mitigate risks.

(c) Health and Safety

Since the beginning of COVID-19 pandemic, the Company has taken an active role in mitigating the spread and impact on our operations. We prioritize our staff's health and safety, not only did the Company follow government protocols and suggestions, but we have gone further with internal protocols and guidelines to minimize risk of exposure for staff, such as mandatory RAT tests and offering more flexibility with work-from-home options. As the government continues to loosen COVID-19 protocols, Asia Financial will strike a balance between following the government's guidance but also keeping our staff safe in their working environment.

(d) Natural Disasters and Climate Change

The insurance industry is exposed to climate-related risks. AI continually reviews, and as necessary increases, its reinsurance protection, and is expanding risk analytic capabilities of their climate-related exposures. It is anticipated that quantifiable climate change targets will be addressed when the Insurance Authority published its ESG guidelines.

(e) Staff Attraction, Retention and Succession Planning

Currently, established and traditional industries are facing growing competition for new talents from the technology and other innovative sectors. Asia Financial is responding to such competition with development opportunities for interns and graduate trainees and competitive packages for retention plans. Additionally, we encourage younger staff to participate in and contribute to company-wide innovative and technology related projects, and experienced staff to continuously guide and mentor the next generation. Asia Financial aims to remain competitive with attractive remuneration packages and enhanced staff benefits in order to attract talents.

These measures allow Asia Financial to identify and train high-potential employees to promote the Company's growth. Moreover, the Group can better revise and maintain an adequate succession plan as the average age of our employees increases.

B. ESG Philosophy

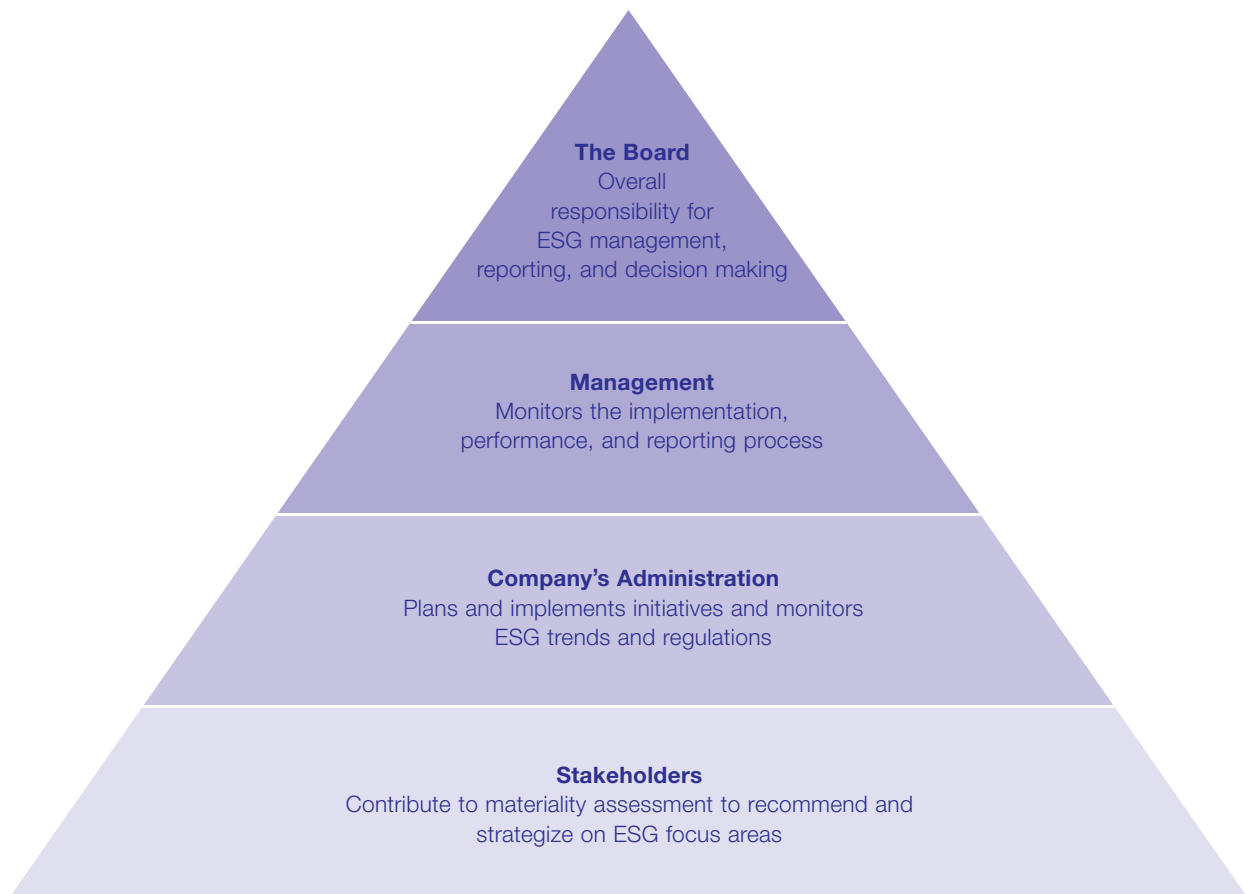
Asia Financial takes pride in being recognized as a “Caring Company” by the Hong Kong Council of Social Service for the 20th consecutive year since 2003 and for continuing to contribute to community programmes where we can add value.



Additionally, we have been awarded the Green Office Award Label from the World Green Organization for the 9th consecutive year since 2014. We are proud to be recognized for our efforts to improve the quality of life for the current and future generations.

For many years, Asia Financial has demonstrated a strong commitment to Corporate Social Responsibility (“CSR”). We believe it is the duty of a responsible company to protect the environment, provide a quality workplace, and serve the wider community directly through partnerships with social service organizations and social enterprises. Today, the Company aims to build on this foundation by expanding our ESG management strategy and foregrounding sustainability in all parts of our operations.

ESG Management Structure and Approach



C. Board Statement on ESG Oversight

Environmental, social and governance (“ESG”) management continues to play a prominent role within business strategies, particularly in areas such as business health, operations, and risk management. Businesses from all sectors and investors alike are paying closer attention to ESG performance and transparency of climate-related disclosures as one of the factors when it comes to investment or purchase decisions. With the rapid development of global climate-related disclosure standards such as the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and United Nations Sustainable Development Goals, Hong Kong is also swiftly keeping up. Since establishment in 2020, The Green and Sustainable Finance Cross-Agency Steering Group has been making progress on a roadmap to align Hong Kong’s climate-related disclosures with globally recognized ones.

As the steward of our Company’s long-term growth and performance, the Asia Financial Board (“the Board”) plays the key role in ESG strategy and oversight. The Board and Management meet regularly to review and evaluate our ESG performance, identify opportunities for improvements, and create sustainable value for the Group’s stakeholders. The Board has developed the following framework that allows us to best discover, assess, and oversee the Company’s ESG progress within the existing corporate governance structure.

At the highest level, the Board manages ESG development and performances during Compliance Committee meetings. During these meetings, Directors can assess ESG in relation to risk and compliance strategies, and to determine whether the Company’s existing risk identification processes are sufficient in uncovering ESG-related physical, financial and transitional risks. Directors will work closely with Management to develop strategies to continually improve ESG performances and to ensure all risks are identified and sufficiently addressed.

Moreover, the Board oversees Management’s due diligence with respect to ESG issues. We ensure Management sufficiently engages with our stakeholders to determine ESG focus areas most relevant to our businesses. Directors actively participate in creating quantifiable and transparent ESG goals whenever possible and closely track Asia Financial’s ESG progress.

The Compliance Committee will receive the following reports from Management and Company’s Administration regarding ESG implementation and performance:

- Annual full ESG report in March reviewing ESG performances and recommending future strategies to reach goals for the following year;
- Half-yearly ESG report in August reporting progress against set targets and proposing changes in strategies if necessary; &
- Report in the fourth quarter that covers the period up to 30th September of that year projecting full year-end results and will be the basis for setting the following year’s strategy and targets.

The Compliance Committee sets a separate ESG agenda item during meetings for Directors to engage in regular and ongoing discussion to review ESG strategies. The Compliance Committee is responsible for submitting reports from Management for the Board’s comments and approval after said meetings. Whenever ad hoc ESG matters arise outside of these scheduled reports and meetings, Management will present special reports for members of the Compliance Committee and the Board and will call special meetings if necessary to discuss issues and workshop solutions.

The Board is confident that the framework in place will allow for the most effective and efficient oversight on ESG performance. As Hong Kong advances itself to become a leader in green and sustainable finance and works towards carbon neutrality, Asia Financial recognizes the significance of sound ESG practices and the importance of integrating ESG considerations in our daily operations. Asia Financial will continue to develop and review ESG issues relevant to our businesses and recommend appropriate procedures to ensure compliance and enhance our role as a responsible company for the community and the environment for generations to come.

D. Corporate Governance

Asia Financial maintains a robust corporate governance structure in compliance with relevant laws and regulations. The Group maintains policies and guidelines which define required standards for all staff concerning matters such as: Codes of Conduct, Whistleblowing Policy, Anti-Money Laundering Guidelines, etc. The Company makes it clear that all Management and staff must comply with these policies to ensure business decisions are made in the best interests of Asia Financial. Any breach of Company policies and guidelines is subject to disciplinary action.

The Corporate Governance Report contains more details.

E. Working Environment

E1. Employment

The key to Asia Financial's customer service, shareholder value creation, and community contribution is a satisfied and motivated workforce. Our workplace policy is designed to ensure:

- Full compliance with all relevant legal requirements at all times;
- Mutual respect on a foundation of shared interests;
- Fair treatment, including an equitable, performance-linked reward system;
- Equal opportunities for all individuals to reach their full potential;
- Ample training and development opportunities;
- Working conditions conducive to good physical and mental health; and
- Achieving work-life balance.

During this financial year, Asia Financial fully complied with all legal requirements and ordinances regarding employment relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The following highlights several of Asia Financial's existing practices and data regarding employment.

(a) Remuneration and Employee Benefits

Our policies and practices are regularly reviewed by independent consultants to ensure remuneration packages remain competitive in attracting and retaining good quality staff. The remuneration for staff comprises of a basic salary, year-end double pay, and a discretionary bonus based on both the individual's performance evaluation and Asia Financial's overall performance.

Furthermore, in order to enhance employees' welfare, Asia Financial provides staff with medical and life insurance plans and makes additional voluntary Provident Fund contributions when appropriate.

E. Working Environment (cont'd)

E1. Employment (cont'd)

(b) Balance between Work and Family Life

Asia Financial encourages staff to balance between work and family life. Thus, all full-time staff are expected to utilize all rest days, public holidays, and paid annual leaves during their employment. Additionally, staff are offered other conditional leave days such as birthday leave, examination leave, marriage leave, compensation leave, etc. In 2022's review of HR Policy, Asia Financial added guidance on work-from-home arrangements. The Group and Management make every effort to ensure that employees have the utmost freedom and flexibility in arranging leave and work-from-home schedules.

(c) Equal Employment Opportunities

In 2022, Asia Financial complied with all current Hong Kong equal opportunities laws.

Asia Financial has an Equal Employment Opportunities Policy ("EEO Policy") in place to ensure staff members comply with the following Ordinances: Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance, and Race Discrimination Ordinance.

Our EEO Policy ensures that every employee and job applicant is treated fairly regardless of race, colour, descent, national or ethnic origins, sex, marital status, pregnancy, breastfeeding, disability, or family status. Furthermore, our EEO Policy is applicable to areas including, but not limited to, recruitment, selection, promotion and transfers, working hours, discipline and dismissal, compensation, and benefits. All staff are expected to treat any colleagues, customers, and members of the public fairly, respectfully, and without discrimination.

(d) Staff Profile

As of 31st December 2022, AFH has 57 staff and AI has 272 staff respectively, totaling 329 staff and representing a 4.8% increase in headcount compared to the previous year.

No. of Employees by employment type (as at 31/12/2022)

	AFH	AI	Asia Financial
Full-time	57	265	322
Part-time	0	7	7
Total	57	272	329
% change from 2021	0%	+5.8%	+4.8%

No. of Employees by Geographical Location (as at 31/12/2022)

	AFH	AI	Asia Financial
Hong Kong	57	225	282
Mainland China	0	1	1
Macau	0	43	43
Taiwan	0	3	3
Total	57	272	329

E. Working Environment (cont'd)

E1. Employment (cont'd)

(d) Staff Profile (cont'd)

No. of Employees by Gender and breakdown by Grading (as at 31/12/2022)

	AFH	AI	Asia Financial
All Staff			
Male	27 (8.2%)	95 (28.9%)	122 (37.1%)
Female	30 (9.1%)	177 (53.8%)	207 (62.9%)
Total	57 (17.3%)	272 (82.7%)	329 (100%)
Management Level			
Male	5 (12.2%)	15 (36.6%)	20 (48.8%)
Female	5 (12.2%)	16 (39.0%)	21 (51.2%)
Total	10 (24.4%)	31 (75.6%)	41 (100%)
Board of Directors			
Male		6 (75%)	
Female		2 (25%)	
Total		8 (100%)	

Asia Financial recognizes the importance of diversity, including gender diversity, among all levels of the workforce. Employees are recruited and promoted based on merit and objective criteria including, but not limited to, gender, age, cultural and educational background, race, professional experience, skills, knowledge, length of service and other factors that are relevant to their position and responsibilities. Nonetheless, the Company strictly adheres to our EEO Policy to ensure all employees and candidates are treated fairly regardless of race, colour, descent, national or ethnic origins, sex, marital status, pregnancy, breastfeeding, disability, or family status.

Asia Financial's current distribution of gender is slightly more female distributed across all levels of employees and is well-balanced between male and female at the management level. All our positions are filled by qualified individuals with the Company keeping gender diversity in mind during recruitment stages in order to match the best candidate for every positions.

No. of Employees by Age Group** (as at 31/12/2022)

	AFH	AI	Asia Financial
Below 30	4	52	56 (17.2%)
30-40	11	70	81 (24.9%)
41-50	8	68	76 (23.4%)
51 and above	34	78	112 (34.5%)
Total	57	268	325 (100%)

* Excludes employees in Mainland China and Taiwan

Our employees' age distribution aligns with general workforce trends in Hong Kong

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E. Working Environment (cont'd)

E1. Employment (cont'd)

(e) Staff Turnover (for the year 2022)

Turnover Rate by Geographic Location (%)			
	AFH	AI	Asia Financial
Hong Kong	19.3%	10.2%	12.1%
Mainland China	N/A	0%	0%
Macau	N/A	2.3%	2.3%
Taiwan	N/A	0%	0%

Turnover Rate Breakdown for Hong Kong Employees Only (%)			
	AFH	AI	Asia Financial
By Gender			
Male	22.2%	9.3%	12.4%
Female	16.7%	10.8%	11.8%
Total	19.3%	10.2%	12.1%
By Age Group			
Below 30	0.0%	18.6%	17.0%
30-40	27.3%	8.3%	11.3%
40-50	62.5%	14.5%	20.6%
51 and above	8.8%	3.0%	5.0%
Total	19.3%	10.2%	12.1%

For reference, the overall employee turnover rate in Hong Kong in 2022 is estimated to be 18.6% according to The 2022 Guangdong-Hong Kong-Macao Greater Bay Area (HKSAR) Pay and Benefits Survey. Asia Financial's turnover rate is similar to Hong Kong's on average and mostly involved staff pursuing better job opportunities.

E2. Health and Safety

(a) Keeping Employees Safe

Asia Financial takes all practicable steps to establish health and safety standards that go above and beyond relevant statutory requirements. Our yearly goal is to maintain zero work-related injuries and/or fatalities, and we continued to reach this goal in 2022 (as well as for the past 3 years) with zero work-related injuries and/or fatalities, and zero workdays were lost due to work-related injuries and/or fatalities.

Asia Financial has initiated the following measures in 2022 to ensure employees' working environment is safe and optimal:

- Quarterly deep cleaning of carpets
- Cleaned air ducts for better air circulation
- Upgraded lighting equipment to LED to ensure employees work under proper and sufficient lighting

E. Working Environment (cont'd)

E2. Health and Safety (cont'd)

(b) Occupational Health & Safety Measures

Asia Financial implements clear measures and policies to ensure staff have a safe workplace. In order to minimize fire hazard, the Company maintains strict guidelines on proper use and maintenance of electrical appliances, and we have an in-house registered and licensed electrician to take care of daily repairs and maintenances.

For fire prevention, annual fire drill and training are arranged to ensure staff are familiar with emergency procedures. Furthermore, evacuation plans and exit signs are properly displayed and maintained at all exits. The Company also ensures that all office premises are equipped with properly inspected, well-maintained, and accessible fire-fighting equipment and sprinkler systems.

The Company promotes good housekeeping in order to eliminate or rectify office hazards such as loose cables and folded carpets. We plan to inspect and replace any carpets that aren't properly secured in 2023. Staff are encouraged to make use of proper tools and assistance when performing manual operations such as transporting heavy documents or boxes. It is also Company policy to maintain adequate first aid facilities on office premises with designated employees to check and refill supplies.

(c) COVID-19 Response

Since the beginning of COVID-19 pandemic in early February 2020, Asia Financial has adopted measures to minimize staff's risk of exposure and has adhered to all government guidelines and protocols. As the government began to ease COVID-19 restrictions by the end of 2022, Asia Financial continues to adapt our COVID-19 protocols to reflect the government's changes while continuing to keep our working environment safe for all employees, some examples include:

- Staff are required to wear protective face masks within the office premises;
- Staff are encouraged to observe social distancing and avoid unnecessary business travel, in-person meetings with external parties, lunches, and entertainment;
- Upon entering the office, staff should have their temperature checked and clean their hands with hand sanitizer provided at the reception counter;
- Mandatory RAT tests regularly; and
- Accommodating sick leave or work-from-home policy for staff who test positive.

E. Working Environment (cont'd)

E2. Health and Safety (cont'd)

(c) COVID-19 Response (cont'd)

COVID-19 Vaccination rate (%) (HK staff only) (as at 31/12/2022)			
	AFH	AI	Asia Financial
2nd Dose	100%	97.8%	98.2%
3rd Dose	100%	99.0%	99.2%

COVID-19 Quarantine/Infections Figures (HK staff only) (for year 2022)			
	AFH	AI	Asia Financial
No. of COVID-19 Infections	29	118	147
No. of Quarantine Days (sick leave)	191	930	1,121
No. of Quarantine Days (work-from-home)	257	482	739

In 2021, Asia Financial set a goal to keep the number of quarantine days in 2022 to the same level as 2021 (2021 figure: 84.5 quarantine days). Nonetheless, due to the surge of COVID-19 cases during the 5th wave in 2022, the number of quarantine days have exceeded our goal. Since the government has begun to ease COVID-19 restrictions and adjusted quarantine procedures at the end of 2022, Asia Financial will no longer set goals nor report COVID-19 infections and quarantine days in 2023.

E3. Development and Training

At Asia Financial, we believe that our employees are our most valuable resource. We strive to maintain a healthy, open, and supportive company culture and working environment, and to provide staff with opportunities for further training, development, and potential career advancement within the Company. Apart from providing seminars and training courses, we also offer training allowances for employees who wish to advance their job-related qualifications and skills. In 2022, we have extended allowances to cover professional fees and examination fees that are relevant to their career development.

We have designed and organized a range of workplace training programs to enhance staff's talents and professional skills suitable for staff across all levels. We focus on training topics such as business ethics, corporate governance, technological, soft-skills training, as well as insurance-related subjects, some examples include:

- Focus on Mental Health Awareness in the Hong Kong Insurance Industry
- Financial Reporting Webinar Series: IFRS Sustainability Standards – The climate-related and general disclosure prototypes
- People Risk: The Future of Work in Hong Kong
- Internal Control and the Importance of Corporate Governance

E. Working Environment (cont'd)

E3. Development and Training (cont'd)

Training statistics for the year 2022 are as follows:

Training Statistics By Gender (HK staff only)			
	AFH	AI	Asia Financial
% Employees Trained	84.2%	100%	96.8%
% Male Employees Trained	81.5%	100%	95.5%
% Female Employees Trained	86.7%	100%	97.6%
Average Training Hours Completed per Employee	6.25 hours	16.84 hours	14.70 hours
Average Training Hours Completed per Male Employee	5.22 hours	17.40 hours	14.46 hours
Average Training Hours Completed per Female Employee	7.18 hours	16.49 hours	14.85 hours

Training Statistics By Employee Category (HK staff only)				
		AFH	AI	Asia Financial
% Employees Trained	Senior Management	100%	100%	100%
	Middle Management	92.9%	100%	98.6%
	General Staff	75.8%	100%	95.4%
	Overall	84.2%	100%	96.8%
Average Training Hours Completed per Employee	Senior Management	12.53 hours	22.33 hours	19.68 hours
	Middle Management	7.77 hours	19.14 hours	16.90 hours
	General Staff	3.71 hours	14.85 hours	12.74 hours
	Overall	6.25 hours	16.84 hours	14.70 hours

Asia Financial has set a goal to increase average training hours by 25% in 2022 compared to 2021 (average training hours in 2021 was 16.4 hours per employee), but is unable to meet this goal with 14.70 average training hours per employee in 2022, a 10% decrease compared to 2021 despite an increase in overall percentage of staff trained. This could partly be due to impacts from the 5th wave of COVID-19 with increasing number of sick leave days and work-from-home days preventing staff from attending training sessions.

E4. Labour Standards

As part of the financial services industry, Asia Financial sees little to no risk of potential involvement in, or exposure to, forced or compulsory child labour, thus is not material to our operations. Management believes that our current recruitment procedures are more than adequate to prevent child or forced labour, including verification of candidate details or obtaining job references when appropriate.

E. Working Environment (cont'd)

E4. Labour Standards (cont'd)

The Group is totally committed to complying with the Employment Ordinance and associated guidelines. Our Internal Audit team regularly reviews the Company's employment compliance and conditions at all our locations.

Multiple policies are in place to ensure compliance with employment standards, including:

- Human Resources Policy
- Personal Data (Privacy) Policy
- Equal Employment Opportunities Policy

F. Minimizing the Impact of Climate Change on Our Insurance Business

Climate change, for obvious reasons, has a direct and dramatic impact on an insurance company's balance sheet.

Extreme and unpredictable weather conditions increase our exposure to disaster related risks like typhoons, floods, and fires. For this reason, AI continually reviews its reinsurance protection and when necessary increases it. With an eye towards decreasing our exposure to climate related disaster, we are also expanding risk analytic capabilities of our climate-related exposures.

One of the major ways to alleviate the impact of extreme weather on our insurance risk profile is to arrange for an extra layer of reinsurance. This provides protection for our business in Hong Kong, and also covers our exposure in other geographical regions, especially Asia.

AI has provided net claims reserve of HK\$115.7 million up to 31st December, 2022 and incurred net claims expense of HK\$7.9 million in relation to climate change for the period.

Currently we are assessing the impact continuously and waiting for information from the Insurance Authority that will enable us to set quantifiable climate change targets. The Insurance Authority has been working on a set of ESG guidelines, requirements and reporting standards which are expected to come out soon. Once they release this information, we will set our strategy and targets.

G. Environmental

G1. Minimizing the Environmental Impact of Our Operations Through Carbon Emission Reduction

As a responsible member of Hong Kong's business community, we support Hong Kong's plan to achieve carbon neutrality by 2050 and associated strategies as listed in the Climate Action Plan 2050. To this end, we have been allocating resources that reduces greenhouse gas emissions ("GHG emissions").

Since 2009 and using it as a base-year, Asia Financial has been consistently measuring and collecting data on our emission profile using *SME Carbon Audit Toolkit* jointly developed by the University of Hong Kong and City University of Hong Kong in February 2010. Information being tracked include company vehicle usage, unleaded petrol consumption, electricity consumption, paper consumption and recycling, and staff's overseas business trips.

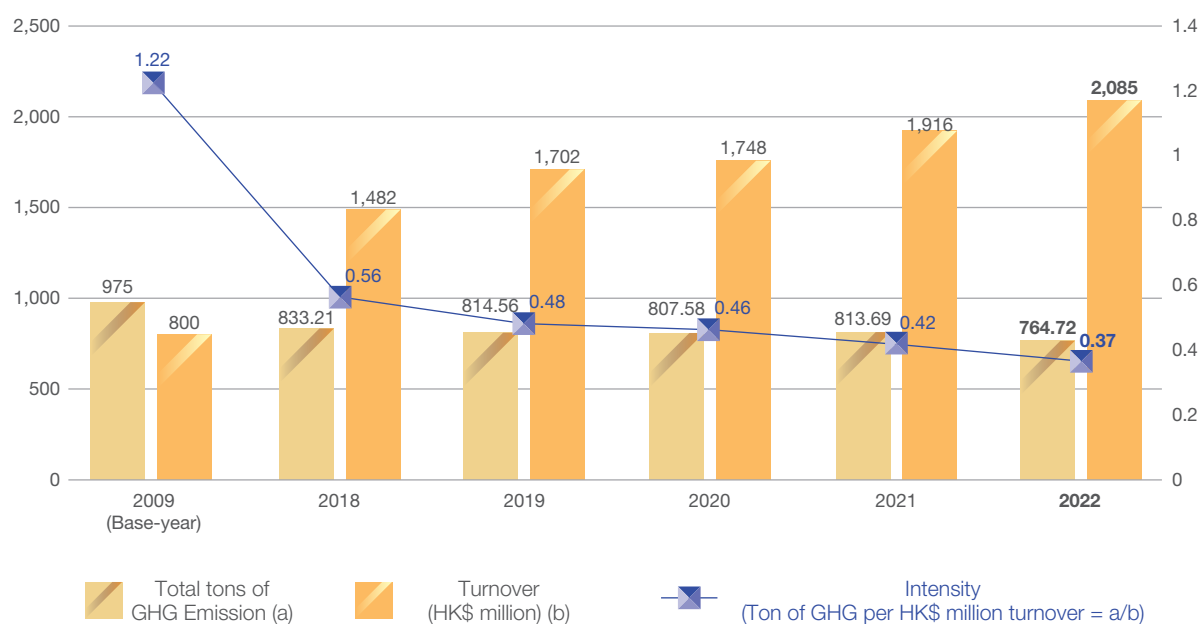
G. Environmental (cont'd)

G1. Minimizing the Environmental Impact of Our Operations Through Carbon Emission Reduction (cont'd)

Asia Financial's business does not generate significant amounts of GHG emissions or pollutants, nor do we require significant amounts of resources such as energy, water, raw and packaging materials. However, we strive to be a pioneer in environmental best practices and to comply with, and exceed, regulatory requirements whenever possible. We have active strategies to manage our carbon footprint, use resource efficiently, and reduce waste throughout our business operations. Detailed records of the Company's carbon emission have proven to be an extremely useful tool to identify and eliminate unnecessary energy consumption.

Asia Financial GHG Emissions Intensity						
	2009 (Base-year)	2018	2019	2020	2021	2022
Total tons of GHG emission (a)	975	833.21	814.56	807.58	813.69	764.72
Turnover (HK\$ million) (b)	800	1,482	1,702	1,748	1,916	2,085
Intensity (ton of GHG per HK\$ million turnover = a/b)	1.22	0.56	0.48	0.46	0.42	0.37

Asia Financial GHG Emission Intensity



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G. Environmental (cont'd)

G1. Minimizing the Environmental Impact of Our Operations Through Carbon Emission Reduction (cont'd)

As a result of organic growth, Asia Financial's total revenue reached HK\$2,085 million in 2022, an increase of 160.6% from the base-year 2009. Although increase in business activities inevitably increased some categories of carbon emission, such as overseas business travels, we were able to continually reduce overall GHG emission by 21.6% from 975 to 764.72 tons of CO₂e during 2009-2022. Asia Financial reached 2022's goal with GHG emission intensity in 2022 at 11.9% less than 2021 levels. Asia Financial is arranging carbon neutral through purchasing Carbon Credits from CLP and offsetting 764.72 tons of GHG emission.

The scope and boundary of the following reported data on environmental performances covers the Hong Kong operations of Asia Financial Holdings Limited ("AFH") and its wholly-owned subsidiary, Asia Insurance Company, Limited ("AI").

G2. Emissions

(a) Carbon Footprint Management Strategy

Asia Financial's success in reducing carbon footprint despite revenue growth is dependent on targeted reduction strategies based on quantifiable emission data over the years. The 2022 carbon emission data are as follows:

Greenhouse Gas ("GHG") Emissions (tons CO ₂ equivalent)			
	AFH	AI	Asia Financial
Scope 1: Unleaded petrol & gas oil combustion	61.19	37.24	98.43
Scope 2: Purchased electricity	112.66	467.95	580.61
Scope 3: Overseas business travel, paper waste	28.05	57.63	85.68
Total	201.90	562.82	764.72

Types of Emissions and Respective Emission Data*			
	AFH	AI	Asia Financial
Nitrogen Oxides ("NO _x ") emissions (g)	6,003.12	7,284.48	13,287.60
Sulphur Oxides ("SO _x ") emissions (g)	330.95	248.27	579.22
Particular Matter ("PM") emissions (g)	442.00	536.34	978.34

*Notes:

The source of emissions is mainly from our company cars while our business operations have minimal effects.

All the above calculations are based on the emission factors listed in Appendix 2 Reporting Guide on Environmental KPIs of "How to prepare an ESG Report?" issues by the Stock Exchange of Hong Kong Limited.

G. Environmental (cont'd)

G2. Emissions (cont'd)

(b) Measures regarding hazardous and non-hazardous wastes

Total hazardous and non-hazardous waste produced			
Hazardous waste	Hazardous waste is minimal due to the nature of our business operations.		
	AFH	AI	Asia Financial
Non-hazardous waste	Our non-hazardous waste mainly comes from disposal of paper waste at landfills.		
	-2.84 tons CO ₂ equivalent	55.80 tons CO ₂ equivalent	52.96 tons CO₂ equivalent
	-0.05 tons CO ₂ equivalent per staff	0.24 tons CO ₂ equivalent per staff	0.19 tons CO₂ equivalent per staff

Asia Financial takes the following measures to further minimize waste:

- Professional vendors collect ink cartridges from copiers and printers;
- Professional specialist firms collect paper for recycling.

	AFH	AI	Asia Financial
% with Recycled Content	118.65%	44.28%	54.10%
Total Paper Recycling	3,765 kg	9,239 kg	13,004 kg

(c) Measures to mitigate emissions and energy use

(c1) Staff engagement

Employee participation is essential to our green office policies, including a “switch-off” policy for idle electronic equipment. Furthermore, staff are encouraged to print hardcopies only when necessary.

(c2) Use of energy efficient lighting & equipment

In 2022, Asia Financial has replaced T5 fluorescent lamps with 21W LED lighting system at our main office. It is expected to reduce the Company’s carbon emission from electricity used in the long-term, and employees can work under brighter lighting.

(c3) Curbing or eliminating non-essential business travel

As COVID-19 restrictions began to ease at the end of 2022, business travel is expected to return to pre-COVID-19 levels as the Company’s business continues to grow. However, Management and staff will eliminate non-essential travels and opt for video conferencing options whenever feasible in order to reduce carbon emissions from overseas business trips.

G. Environmental (cont'd)

G2. Emissions (cont'd)

(c) Measures to mitigate emissions and energy use (cont'd)

(c4) *Green Office Policy*

We practice a “Green Office Policy” that includes a “switch-off” policy for idle lighting and electronic equipment, and the use of energy efficient office lighting and equipment.

(c5) *Printing efficiency project to reduce paper waste*

AI has launched a printing efficiency project with the following features:

- Centralized and consolidated printer functions;
- Double-sided and black & white printing modes are now set as office-wide defaults.

These initiatives are expected to help reduce paper waste in the future. In the long term, AI will explore the possibility of paperless operations by adopting electronic solutions for business processes.

(c6) *Other measures to reduce carbon emissions*



G. Environmental (cont'd)

G3. Use of Resources

Asia Financial's business does not involve significant use of resources such as energy, water, raw and packaging materials. However, we strive to reduce wastage and use resources efficiently within our business operations as much as possible. Total water consumption and intensity is unavailable as business premises are located within buildings with centralized water metering. Thus, we are also unable to provide description on sourcing water and setting water efficiency targets. Total packaging materials used for finished goods is not applicable to our business operations, thus no data will be disclosed.

Direct and indirect energy consumption by type (e.g., electricity, gas, or oil) and intensity			
	AFH	AI	Asia Financial
Total Electricity Consumption (kWh)	135,595.00	557,073.36	692,668.36
Total Unleaded Petrol Consumption (Litres)	11,232.58	13,752.31	24,984.89
Total Gas Oil Consumption (Litres)	10,300	0	10,300
Energy Consumption Intensity (tons CO ₂ equivalent per staff)	3.05	2.22	2.41

G4. The Environment and Natural Resources

Although our business activities do not have significant impact on the environment and natural resources, our commitment to sustainability has resulted in paper waste sent to landfill reduced from 20,536kg in 2009 to 11,033 kg in 2022.

Measures described in Section G2(c) contribute to reducing our impacts on the environment and natural resources.

H. Operations

H1. Supply Chain Management

Asia Financial fully considers environmental and social standards in its sourcing and procurement activities. Our ethics and values inform all our interactions with suppliers, contractors, and service providers.

Due to business needs, we are unable to quantify or specifically provide the number of suppliers by geographical region, but all suppliers of furniture, equipment, stationary, and other office items to Asia Financial are sourced locally. We expect suppliers and their supply chain to comply fully with all applicable laws and regulations in the conduct of their business. We identify, assess, and monitor supplier practices with regards to human and labour rights, the environment, health and safety, and anti-corrupt principles through business search and reviewing their past experiences. Where practical, we also work with our vendors to encourage the use of responsibly and sustainably produced goods and services.

In our latest Procurement Policies, we have included Best Value Procurement practices as one of our principles. This ensures that while goods and services judged based on monetary value are important, we also focus on its quality, reliability, reputation, as well as their commitment to environmentally friendly practices when selecting vendors, contractors, or service providers.

H. Operations (cont'd)

H2. Product Responsibility

(a) Service Quality

For our insurance business, operations strictly comply with the Companies Ordinance and regulations of the Insurance Authority. Our Internal Audit team conducts periodic checks to make sure the quality of service and the terms of the insurance contracts are properly arranged.

Due to the nature of insurance business, there are no recall procedures for our products. If customers are unsatisfied with our service or the terms of the insurance contract, our staff are more than willing to make necessary adjustments. During 2022, 3 customer complaints were made concerning products and services provided by AI. These were carefully assessed and handled by the Complaint Officer with the customers concerned and were satisfactorily settled.

(b) Intellectual Rights

Our policy on copyright, patents, and trademarks is subject to review from time to time to ensure compliance with all applicable Hong Kong laws. Our business operation's major exposure is the design of our marketing materials and the use of computer software. We have implemented the following measures to minimize risks:

- All marketing areas are centrally processed and approved by the Administration Department to avoid intellectual property right infringement;
- Our policy against illegal and unlicensed computer software prohibits employees from installing computer software onto any information technology equipment on Company premises. Duplicating licensed software for backup purposes is also prohibited unless an additional license is granted.

H3. Personal Data (Privacy) Policies

Asia Financial is committed to adopting and complying with all relevant provisions of the Personal Data (privacy) Ordinance, Chapter 486, the Laws of Hong Kong ("the Ordinance"). The Company upholds the personal data privacy protection principles stated in Schedule 1 of the Ordinance for the purpose of collecting, retaining, processing, and using personal data. The Company has a designated Data Protection Officer to monitor compliance and assist department heads who have direct control of personal data. Our Internal Audit Department conducts regular checks to ensure compliance with all regulations.

H4. Anti-corruption

Asia Financial is committed to complying fully with all applicable laws and regulations in order to combat corruption, money laundering, extortion, fraud, and other financial crimes.

Asia Financial reserves the right to terminate immediately any business relationship that violates or presents the risks of violating such laws, regulations, or policies of the Company.

Asia Financial's written policies, procedures, and internal controls in this area includes a risk assessment process, education and training, review and approval processes, due diligence procedures, accounting processes, and independent testing processes. Personnel who engage in or facilitate bribery, or who fail to comply with all applicable laws and regulations and our related policies, may be subject to disciplinary action.

There were no corrupt practice cases against either the Company or its employees during the year 2022.

H. Operations (cont'd)

H5. Preventive Measures & Whistleblowing

Asia Financial is committed to the highest standards of openness, probity, and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality, and honesty. Employees are encouraged to raise concerns about any suspected misconduct or malpractice within the Group, without fear of victimization or harassment, in a responsible and effective manner, rather than overlooking a problem or blowing the whistle outside.

The Company has devised a Whistleblowing Policy to achieve the above corporate governance target. The Policy applies to employees (permanent or temporary) at all levels of the Group and will be reviewed at least annually.

Whistleblowing matters may include, but are not limited to:

- Criminal offenses;
- Failure to comply with any legal obligations;
- Miscarriage of justice;
- Financial impropriety;
- Action which endangers the health and safety of an individual;
- Action which causes damage to the environment;
- Deliberate concealment of information concerning any of the matters listed above.

If Asia Financial discovers any incident of corruption, money laundering, extortion, fraud, and other financial crimes, legal and/or disciplinary action will be taken. The Audit Committee has overall responsibility for overseeing, monitoring, and reviewing the operation of the policy and recommendations for action resulting from investigations, while day-to-day responsibility is assigned to the President of the Company.

I. Community

Commitment to our community is at the heart of Asia Financial's company culture. We aim to make a positive difference to society through donations, partnerships with social enterprises and staff volunteering activities. We strive to reach a wide range of beneficiaries with these different forms of outreach.

Environmental, Social and Governance Report

I. Community (cont'd)

11. Donations & Sponsorship

In 2022, the Group contributed a total of HK\$6,564,000 (mainly through donations and sponsorships) towards the support of non-profit organizations both local and overseas. Respectively, AFH contributed HK\$2,818,000 and AI contributed HK\$3,746,000. This amount represents a decrease of 61% from the prior year as fundraising activities in the last year were significantly impacted by COVID-19.

12. Community Involvement – Partnership with Social Enterprises

We invest in SVHK Capital Limited (“SVHK”), which is a venture philanthropic organization that provides financial and non-financial support to social-purpose organizations and social enterprises in Hong Kong. SVHK’s flagship project is Light Be (Social Realty) Limited (“Light Be”).



Light Be helps individuals living in poor environments such as subdivided flats find alternative living arrangements, such as Light Rooms, where private property owners are encouraged to rent units at an affordable or below market rate to underprivileged single-parent families with urgent housing needs. Light Rooms provide 3-bedroom flats for three single-parent households to share the dining room, kitchen, and washroom. Light Be aims to restore self-esteem for families to become self-sufficient and encourages people to foster a sense of togetherness and build a supportive neighborhood.

13. Community Involvement – Staff Volunteering

Community life is as important to our Company’s employees as it is to our Company. We encourage volunteering because we believe that personal caring and outreach is a valuable resource that amplifies the social impact of financial contributions and organization sponsorships. At the heart of these efforts is the voluntary work undertaken by individual staff members within our local communities. Volunteer statistics below only include company-organized or approved volunteer activities, thus excluding any personal volunteer hours completed by staff during their personal time.

With the cooperation of Evangelical Lutheran Church Social Service – Hong Kong and the Tung Wah Group of Hospitals, AI has arranged several volunteer activities in 2022 to bring love and care to senior citizens. Our volunteer hours as a group in 2022 decreased by 62% compared to 193 volunteer hours in 2021, which was due to less organized activities during the 5th wave of COVID-19 in Hong Kong.

Volunteer Service Statistics for 2022

	AFH	AI	Asia Financial
Total number of volunteers	0	37	37
Total service hours	0	74 hours	74 hours

J. Green Finance

Up to 31st December, 2022, Asia Financial had invested \$74.1mil (market value as of 31st December, 2022 is \$67.4mil) on green innovation stocks, such as electric vehicles, renewable energy, and environmental investment themes, which come down to additional investment of \$24.1mil from January to December 2022. The reason that Asia Financial was unable to meet 2022's goal of additional \$50mil investment is due to market volatility and the Company's prudent investment strategy.

Notably, the EV sector has underperformed in 2022 similarly to the S&P Kensho Electric Vehicle Index which dropped 44.5% over the period because of rising interest rates and relatively high valuations from the prior year. Furthermore, mark-to-market unrealized losses were also sustained in environmental investments focused on water management that also dropped closely to the S&P Global Water Index which fell 22.7% in 2022 as the economic slowdown shifted investment sentiment away from growth oriented green concepts to more value themes.

K. 2023 ESG Targets

K1. Carbon Emissions

We aim to maintain Asia Financial's carbon emission at least at existing level, or at a slight 5% reduction in intensity per HK\$ million turnover.

K2. Health & Safety – COVID-19

As COVID-19 restrictions and arrangements continues to ease, Asia Financial will not report vaccination and quarantine data beginning in 2023.

K3. Impact of Climate Change

AI aims to continue to review and increase, if necessary, reinsurance protection, and will further expand its risk analysis of coverage to cover climate-related risks.

AI also aims to set quantifiable climate change targets if, and when, the Insurance Authority has completed and released its requirements and reporting standards.

The Board will continue to exercise stringent oversight over ESG-related matters that covers Asia Financial as a Group.

K4. Training

In 2023, we aim to increase training hours by 25% compared to 2022 as COVID-19's impact continues to lessen. The Company aims to organize training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

K5. Volunteer

We aim to increase volunteer hours by at least 10% compared to 2022. Asia Financial will encourage staff to participate in volunteer activities, either through Company-organized programmes or during staff's personal time.

K6. Green Finance

We aim to diversify our investment portfolio with increasing focus on green energy related stocks and funds by a minimum of HK\$50 million, such as electric vehicles and reusable energy.

L. Conclusion

This report describes Asia Financial's ongoing and multi-platform efforts to be a responsible company. We remain committed to a continuous review of our performance in the areas of workplace equality, environmental sustainability, promotion of ethical business practices and community involvement, so that we may evolve and improve. As the business environment constantly grows and changes, so does the community of which we are a part of. That is why we will continue to monitor and develop our ESG performance as a core function of corporate management, just as we do with our traditional financial indicators.