

# 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 “Environment, Social and Governance (“ESG”) Reporting Guide”, Appendix 27 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 2021 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 (“AFH 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 impact that concerns Asia Financial’s management and our stakeholders and establish 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.<br><br>The only change this year is the addition of respective AFH and AI data on top of AFH Group consolidated data. This is to highlight the different business nature and more effectively customize ESG measures that are applicable to Asia Financial’s businesses. |

# Environmental, Social and Governance Report

## A. About This Report (cont'd)

### A3. Reporting Principles (cont'd)

#### (a) Stakeholder Engagement

Asia Financial operates in a socially responsible and transparent manner by engaging with the following stakeholders through these communication channels:

| Stakeholders | Communication Channels  |
|--------------|---|
| Employees    | – Annual performance appraisal system   |
|              | – Trainings, seminars, and briefing sessions  |
|              | – Staff communications including Townhall meetings by Asia Insurance                                      |
|              | – Recreational and volunteer activities   |
| Customers    | – Client relationship contacts  |
|              | – Company website   |
|              | – Online platform   |
|              | – Customer service hotline  |
| Shareholders | – Annual General Meeting and other general meetings   |
|              | – Investor and press conferences and briefings  |
|              | – Company website   |
|              | – Corporate communications including announcements, press releases, circulars, interim and annual reports |
| Suppliers    | – Regular supplier communications and reviews   |
|              | – Annual supplier, service provider, and vendor review  |
| Regulators   | – Regular meetings and communications   |
|              | – On-site review  |
|              | – Compliance reports & Risk reports   |
|              | – Training, focus groups and other events   |
| Community    | – Staff volunteer activities  |
|              | – Sponsorships and donations  |
|              | – Meetings with NGOs  |

#### (b) Materiality Assessment

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

## A. About This Report (cont'd)

### A3. Reporting Principles (cont'd)

#### (b) Materiality Assessment (cont'd)

4 main areas were identified along with the Company's responses:

##### *(b1) Health and Safety*

The COVID-19 pandemic continues to affect the Company's operations. Thus, we prioritize our staff's health and safety and has set up protocols and guidelines to minimize staff risk and exposure, particularly during daily commute or work-related travels to areas with local community transmission.

The looming threats of COVID-19 cases and variants continue to have us stay on high alert. Thus, the Company continues to enforce social distancing measures, enhanced personal hygiene, and encourage vaccination to ensure a safe and healthy work environment. We will continuously monitor the situation to ensure rapid response.

See Section E2 for further details about Asia Financial's approach.

##### *(b2) Natural Disasters and Climate Change*

The insurance industry is exposed to climate-related risks. Asia Insurance 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.

##### *(b3) 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.

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.

##### *(b4) Cyber and Data Security*

Cyber and data security are top concerns for any company that processes customer data. Naturally, this is a priority risk control area for Asia Financial Management. 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 involved in various comprehensive reviews, such as vulnerability assessment, penetration tests, architectural and process reviews, as well as measures to raise and reinforce staff's data security awareness. The Groups has migrated to M365 and upgraded firewalls, software, and server protections in December 2021.

## B. ESG Philosophy

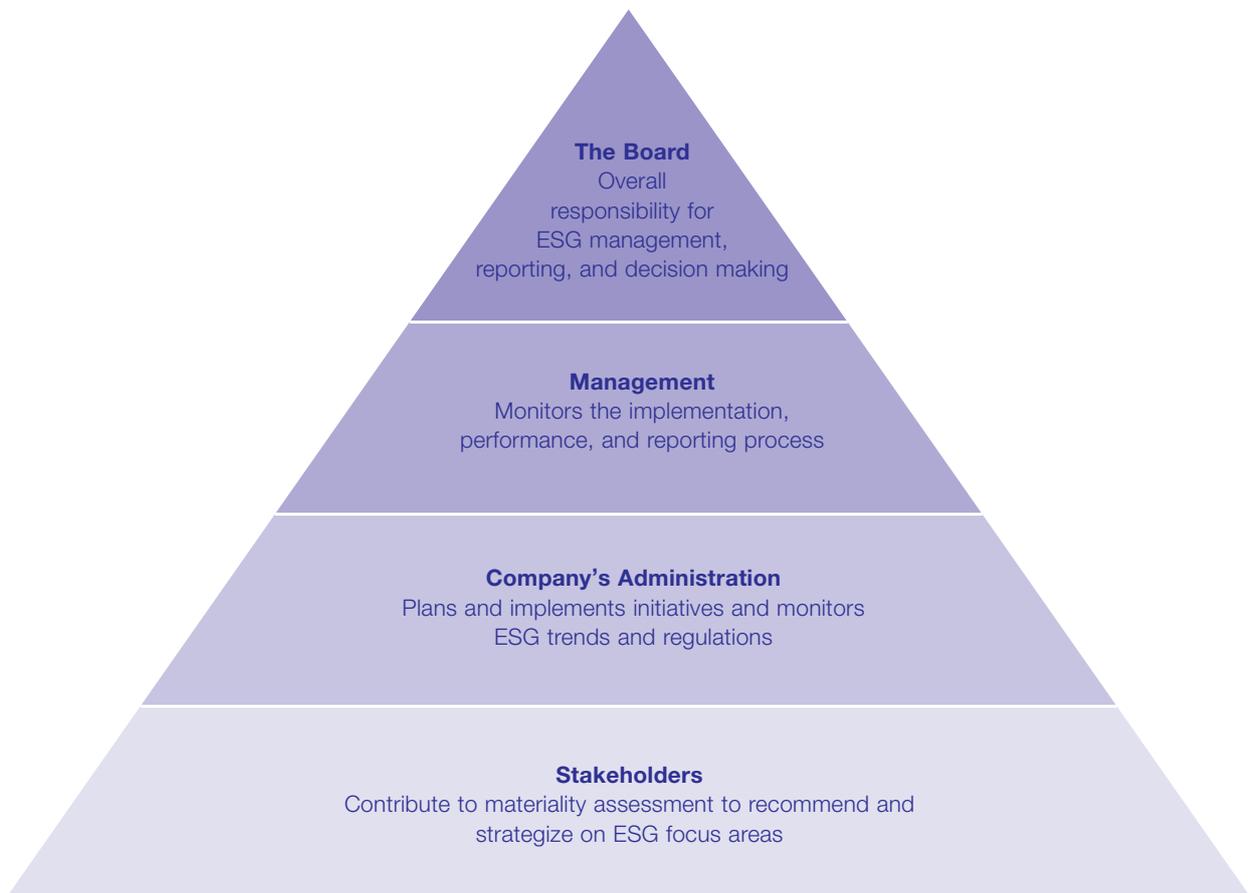
Asia Financial takes pride in being recognized as a “Caring Company” for the 19th consecutive year since 2003, and in continuing to contribute to community programmes where we can add value.



Additionally, we have been awarded the Green Office Award Label from the World Green Organization for the 8th 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 management continues to evolve within business planning, particularly in areas such as business health, security, and financial to reputation risks. Businesses from all sectors and investors alike are paying closer attention to ESG-related issues such as climate change, responsible and transparent corporate governance, and employee health & safety especially in the wake of the COVID-19 pandemic. As the world continues to strive for carbon neutrality through the *Paris Agreement* in 2015 and the recent *Glasgow Climate Pact* in 2021, as well as locally with the Hong Kong Government's latest *Climate Action Plan 2050*, Asia Financial will do our part and commit to making ESG a priority in our business strategy and operations.

Back in 2019, the Hong Kong Stock Exchange ("HKEX") published additional reporting requirements to ensure companies have established mechanisms for the Board's direct involvement in identifying, assessing, and managing ESG issues. In the future, we also expect additional requirements from the HKEX to comply with recommendations from the Task Force on Climate-Related Financial Disclosures. Therefore, Asia Financial will continue to develop and review ESG issues relevant to our business and recommend appropriate procedures to ensure compliance and enhance ESG management and oversight.

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.

### Making ESG Management a Board Priority

Asia Financial recognizes the significance of sound ESG practices and the importance of integrating ESG considerations in our daily operations. 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 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 business. Directors actively participate in creating quantifiable and transparent ESG goals whenever possible and will closely track Asia Financial's ESG progress.

## **C. Board Statement on ESG Oversight (cont'd)**

### **Additional Governance and Management Procedures to Facilitate the Board's Evaluation of ESG Goals and Targets**

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. We will continue to keep up with current efforts 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
- Maintenance of 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 utilize all rest days, public holidays, and paid annual leaves during their employment. Additionally, staff are offered incentivized leave days such as volunteering leave, examination leave, vaccination leave, etc. Management makes every effort to ensure that employees have the utmost freedom and flexibility in arranging leave schedules.

#### (c) Equal Employment Opportunities

In 2021, 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 both colleagues, customers, and members of the public fairly, respectfully, and without discrimination.

#### (d) Staff Profile

As at 31 December 2021, AFH has 57 staff and AI has 257 staff respectively, totaling 314 staff and representing a 5.0% increase in headcount compared to the previous year.

#### No. of Employees by employment type (as at 31/12/2021)

|                    | AFH       | AI         | AFH Group  |
|--------------------|-----------|------------|------------|
| Full-time          | 57        | 250        | 307        |
| Part-time          | 0         | 7          | 7          |
| <b>Total</b>       | <b>57</b> | <b>257</b> | <b>314</b> |
| % change from 2020 | +5.6%     | +4.9%      | +5.0%      |

#### No. of Employees by Geographical Location (as at 31/12/2021)

|                | AFH       | AI         | AFH Group  |
|----------------|-----------|------------|------------|
| Hong Kong      | 57        | 212        | 269        |
| Mainland China | 0         | 1          | 1          |
| Macau          | 0         | 41         | 41         |
| Taiwan         | 0         | 3          | 3          |
| <b>Total</b>   | <b>57</b> | <b>257</b> | <b>314</b> |

## 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 31/12/2021)

|                           | AFH               | AI                 | AFH Group          |
|---------------------------|-------------------|--------------------|--------------------|
| <b>All Staff</b>          |                   |                    |                    |
| Male                      | 27 (8.6%)         | 95 (30.3%)         | <b>122 (38.9%)</b> |
| Female                    | 30 (9.6%)         | 162 (51.6%)        | <b>192 (61.1%)</b> |
| <b>Total</b>              | <b>57 (18.2%)</b> | <b>257 (81.8%)</b> | <b>314 (100%)</b>  |
| <b>Management Level</b>   |                   |                    |                    |
| Male                      | 12 (21.8%)        | 14 (25.5%)         | <b>26 (47.3%)</b>  |
| Female                    | 14 (25.5%)        | 15 (27.3%)         | <b>29 (52.7%)</b>  |
| <b>Total</b>              | <b>26 (47.3%)</b> | <b>29 (52.7%)</b>  | <b>55 (100%)</b>   |
| <b>Board of Directors</b> |                   |                    |                    |
| Male                      |                   | 7 (77.8%)          |                    |
| Female                    |                   | 2 (22.2%)          |                    |
| <b>Total</b>              |                   | <b>9 (100%)</b>    |                    |

##### No. of Employees by Age Group\*\* (as at 31/12/2021)

|              | AFH | AI | AFH Group          |
|--------------|-----|----|--------------------|
| Below 30     | 3   | 51 | <b>54 (17.4%)</b>  |
| 30 – 40      | 9   | 60 | <b>69 (22.2%)</b>  |
| 41 – 50      | 11  | 67 | <b>78 (25.2%)</b>  |
| 51 and above | 34  | 75 | <b>109 (35.2%)</b> |

\* Excludes employees in Mainland China and Taiwan

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

#### (e) Staff Turnover (for the year 2021)

| <b>Turnover Rate by Geographic Location (%)</b> |       |      |             |
|---|-------|------|-------------|
|   | AFH   | AI   | AFH Group   |
| Hong Kong                                       | 14.0% | 8.5% | <b>9.7%</b> |
| Mainland China                                  | N/A   | 0%   | <b>0%</b>   |
| Macau   | N/A   | 4.9% | <b>4.9%</b> |
| Taiwan  | N/A   | 0%   | <b>0%</b>   |

## E. Working Environment (cont'd)

### E1. Employment (cont'd)

(e) Staff Turnover (for the year 2021) (cont'd)

| Turnover Rate Breakdown for Hong Kong Employees Only (%) |              |             |             |
|--|--------------|-------------|-------------|
|  | AFH          | AI          | AFH Group   |
| <b>By Gender</b>   |              |             |             |
| Male   | 7.0%         | 2.8%        | <b>3.7%</b> |
| Female   | 7.0%         | 5.7%        | <b>6.0%</b> |
| <b>Total</b>   | <b>14.0%</b> | <b>8.5%</b> | <b>9.7%</b> |
| <b>By Age Group</b>                                      |              |             |             |
| Below 30   | 0%           | 3.8%        | <b>3.0%</b> |
| 30 – 40  | 0%           | 2.8%        | <b>2.2%</b> |
| 40 – 50  | 5.2%         | 1.0%        | <b>1.9%</b> |
| 51 and above   | 8.8%         | 0.9%        | <b>2.6%</b> |
| <b>Total</b>   | <b>14.0%</b> | <b>8.5%</b> | <b>9.7%</b> |

For reference, employee turnover rate in Hong Kong in the first half of 2021 was 4.8% as reported by the Hong Kong Institute of Human Resources Management. The turnover rate for AFH's Hong Kong staff is 14%, 2 out of the 9 resigned staff have reached the age of retirement, and the remaining 7 staff pursued better job opportunities while others involved department restructuring to improve operation efficiency. Thus, Asia Financial as a group has a higher turnover rate than average and past years. It is expected that such a high turnover rate will be an one-off incident as the Company does not foresee any more need for significant department restructuring.

### 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 2021 (as well as the past 3 years) with zero work-related injuries and/or fatalities, and zero lost work days due to work-related injuries and/or fatalities.

Specific measures Asia Financial has and will be initiated to ensure employees' working environment are safe and optimal:

- Enhanced security system to ensure staff are protected from intruders;
- Air purifiers have been installed in the 4th quarter 2021;
- Upgraded cleaning service provider with a prominent professional cleaning company starting 2022;
- Planned cleaning of air ducts to ensure dust-free working environment in 2022; and
- Planned upgrade of current lighting equipment to LED and energy-saving options to ensure employees can work under proper lighting and decreasing electricity's impact on carbon emission in 2022.

## 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 2022. 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. The Company has budgeted subsidy for staff who wish to be first-aid certified in 2022.

#### (c) COVID-19 Response

Since early February 2020, the COVID-19 pandemic continues to impact the world economy. While aggressive vaccine roll-out and stringent preventive measures have induced hope for the world to return to pre-pandemic normality, Asia Financial continues to adopt measures to minimize staff's risk of exposure to COVID-19.

- Staff are required to wear protective face masks while commuting to and from work, in public areas, and in the office;
  - o Complementary face masks are available upon request.
- Staff are encouraged to observe social distancing and avoid unnecessary business travel, in-person meetings with external parties, lunches, and entertainment;
  - o Asia Financial has upgraded videoconferencing and teleconferencing technology to facilitate virtual meetings.
- Upon entering the office, staff should have their temperature checked and clean their hands with hand sanitizer provided at the reception counter;
- All visitors are required to scan the Leave Home Safe application and/or fill out a form with their contact information to facilitate contact tracing;
- To encourage staff to get COVID-19 vaccines, Asia Financial has offered the following incentives during early vaccine roll-out phase:
  - o Complementary pre-vaccination body check-up;
  - o Half day-off for vaccination appointment;
  - o One day-off following vaccination to recuperate from any side-effects; and
  - o Staff exempted from COVID-19 vaccine due to medical reasons will receive subsidy for weekly COVID-19 tests.

## E. Working Environment (cont'd)

### E2. Health and Safety (cont'd)

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

| COVID-19 Vaccination rate (%) (as at 31/12/2021) |       |                 |
|--|-------|-----------------|
| AFH  | AI    | AFH Group Total |
| 98.2%  | 88.7% | 90.7%           |

| COVID-19 Quarantine/Infections Figures (for the year 2021)     |     |      |           |
|--|-----|------|-----------|
|  | AFH | AI   | AFH Group |
| No. of COVID-19 Infections                                     | 0   | 0    | 0         |
| No. of Quarantines (voluntary)                                 | 18  | 21   | 39        |
| No. of Quarantine Days<br>(voluntary, excludes work-from-home) | 19  | 65.5 | 84.5      |

In 2020, Asia Financial set a goal to reduce the number of quarantine days by 80% (2020 figure: 505 days, 2021 goal: 101days). In 2021, we have reached our 2020 goal, and have an 83% decrease with a total of 84.5 quarantine days. For 2022, our goal is to keep the number of quarantine days to same level as 2021 due to business and headcount growth. However, this will be dependent on Hong Kong's evolving COVID-19 situation.

### 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.

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:

- "Listed Holding Company's Control & Monitoring of Subsidiaries"
- "ICAC Webinar on the Corruption Prevention Guide for Insurance Companies"

While the pandemic continues to halt most in-person training sessions, there has been increasing opportunities for hosting and joining virtual trainings. We have set a goal of increasing 2021 training hours by 10% compared to 2020 (average training hours in 2020 was 12.15 hours per employee), which we have met the goal with a total of 16.4 average training hours per employee in 2021, a 35% increase. For 2022, we aim to further increase average training hours by 25% with the increasing varieties of training courses available, both Company organized training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

## E. Working Environment (cont'd)

### E3. Development and Training (cont'd)

Training statistics for the year 2021 are as follows:

| Training Statistics By Gender (HK staff only)        |                   |                    |                    |
|--|-------------------|--------------------|--------------------|
|  | AFH               | AI                 | AFH Group          |
| <b>% Employees Trained</b>                           | <b>94.7%</b>      | <b>95.7%</b>       | <b>95.5%</b>       |
| % Male Employees Trained                             | 92.6%             | 91.5%              | <b>91.7%</b>       |
| % Female Employees Trained                           | 96.6%             | 98.6%              | <b>98.2%</b>       |
| <b>Average Training Hours Completed per Employee</b> | <b>4.86 hours</b> | <b>19.22 hours</b> | <b>16.40 hours</b> |
| Average Training Hours Completed per Male Employee   | 4.31 hours        | 18.21 hours        | <b>15.11 hours</b> |
| Average Training Hours Completed per Female Employee | 5.37 hours        | 19.91 hours        | <b>17.33 hours</b> |

| Training Statistics By Employee Category (HK staff only) |                   |                   |                    |                    |
|--|-------------------|-------------------|--------------------|--------------------|
|  |                   | AFH               | AI                 | AFH Group          |
| % Employees Trained                                      | Senior Management | 90.9%             | 92.3%              | <b>91.9%</b>       |
|  | Middle Management | 93.3%             | 100.0%             | <b>98.6%</b>       |
|  | General Staff     | 96.7%             | 94.7%              | <b>95.0%</b>       |
|  | <b>Overall</b>    | <b>94.7%</b>      | <b>95.7%</b>       | <b>95.5%</b>       |
| Average Training Hours Completed per Employee            | Senior Management | 9.59 hours        | 20.89 hours        | <b>17.53 hours</b> |
|  | Middle Management | 6.33 hours        | 23.04 hours        | <b>19.56 hours</b> |
|  | General Staff     | 2.47 hours        | 17.48 hours        | <b>14.91 hours</b> |
|  | <b>Overall</b>    | <b>4.86 hours</b> | <b>19.22 hours</b> | <b>16.40 hours</b> |

### 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.

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

# Environmental, Social and Governance Report

## 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, Asia Insurance 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.

Currently we are 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.

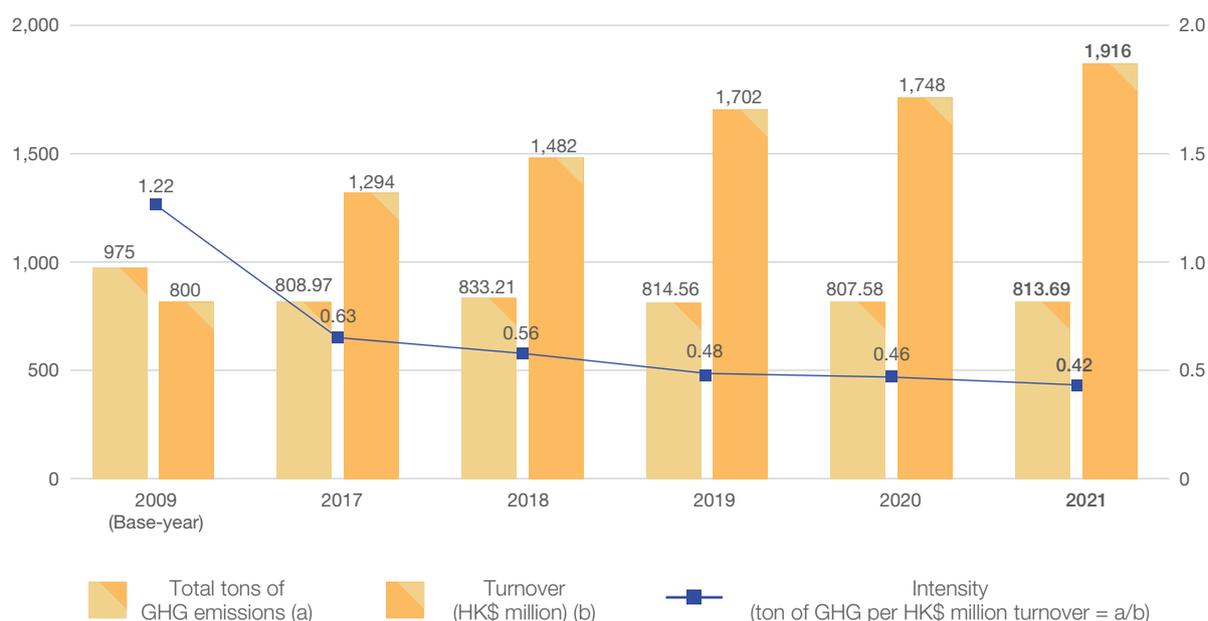
Asia Financial's business does not generate significant amounts of GHG emissions or pollutants, nor do we require significant amounts of resources such as energy, water, raw and packaging materials. However, we strive to be a pioneer in environmental best practices and to comply with, and exceed, regulatory 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.

| AFH Group GHG Emissions Intensity                      |                     |        |        |        |        |               |
|--|---------------------|--------|--------|--------|--------|---------------|
|  | 2009<br>(Base-year) | 2017   | 2018   | 2019   | 2020   | 2021          |
| Total tons of GHG emission (a)                         | 975                 | 808.97 | 833.21 | 814.56 | 807.58 | <b>813.69</b> |
| Turnover (HK\$ million) (b)                            | 800                 | 1,294  | 1,482  | 1,702  | 1,748  | <b>1,916</b>  |
| Intensity (ton of GHG per HK\$ million turnover = a/b) | 1.22                | 0.63   | 0.56   | 0.48   | 0.46   | <b>0.42</b>   |

## G. Environmental (cont'd)

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

AFH Group GHG Emissions Intensity



As a result of organic growth, Asia Financial's total revenue reached HK\$1,916 million in 2021, an increase of 139.5% from the base-year 2009. Although increase in business activities inevitably increased some categories of carbon emission, such as electricity purchased, we were able to continually reduce overall GHG emission by 16.5% from 975 to 813.69 tons of CO<sub>2</sub>e during 2009-2021. Asia Financial is arranging carbon neutral through Carbon Credits by CLP and offset 813.69 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").

# Environmental, Social and Governance Report

## G. Environmental (cont'd)

### 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 2021 carbon emission data are as follows:

| Greenhouse Gas ("GHG") Emissions (tons CO <sub>2</sub> equivalent) |               |               |               |
|--|---------------|---------------|---------------|
|  | AFH           | AI            | AFH Group     |
| Scope 1: Unleaded petrol & gas oil combustion                      | 70.81         | 45.73         | <b>116.54</b> |
| Scope 2: Purchased electricity                                     | 109.55        | 531.48        | <b>641.03</b> |
| Scope 3: Overseas business travel, paper waste                     | 2.39          | 53.73         | <b>56.12</b>  |
| <b>Total</b>   | <b>182.75</b> | <b>630.94</b> | <b>813.69</b> |

| Types of Emissions and Respective Emission Data*   |          |          |                  |
|--|----------|----------|------------------|
|  | AFH      | AI       | AFH Group        |
| Nitrogen Oxides ("NO <sub>x</sub> ") emissions (g) | 6,066.48 | 8,217.68 | <b>14,284.16</b> |
| Sulphur Oxides ("SO <sub>x</sub> ") emissions (g)  | 183.28   | 248.27   | <b>431.55</b>    |
| Particular Matter ("PM") emissions (g)             | 446.66   | 605.05   | <b>1,051.71</b>  |

\*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?" issued 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   | AFH Group  |
| Non-hazardous waste                              | Our non-hazardous waste mainly comes from disposal of paper waste at landfills. |  |  |
|  | -6.69 tons CO <sub>2</sub> equivalent   | 53.73 tons CO <sub>2</sub> equivalent          | <b>47.04 tons CO<sub>2</sub> equivalent</b>          |
|  | -0.12 tons CO <sub>2</sub> equivalent per staff                                 | 0.25 tons CO <sub>2</sub> equivalent per staff | <b>0.17 tons CO<sub>2</sub> equivalent per staff</b> |

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        | AFH Group        |
|-------------------------|----------|-----------|------------------|
| % with Recycled Content | 146.56%  | 48.27%    | <b>60.22%</b>    |
| Total Paper Recycling   | 4,390 kg | 10,447 kg | <b>14,837 kg</b> |

#### (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

Since 2009, Asia Financial has replaced T8 fluorescent lamps with T5 fluorescent lamps, and 12V50W spotlights with 3W LED spotlights in all our local offices. Further LED lighting upgrades planned for 2022 is expected to further decrease the Company's carbon emission from electricity used.

##### (c3) Curbing or eliminating non-essential business travel

During the COVID-19 pandemic, Management and staff have been video conferencing rather than traveling overseas for in-person meetings. We hope this trend continues, so that we can continue to reduce carbon emissions from staff 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. At our Worldwide House main office, we are planning to replace the existing 6-year-old lighting system with a more energy-efficient one.

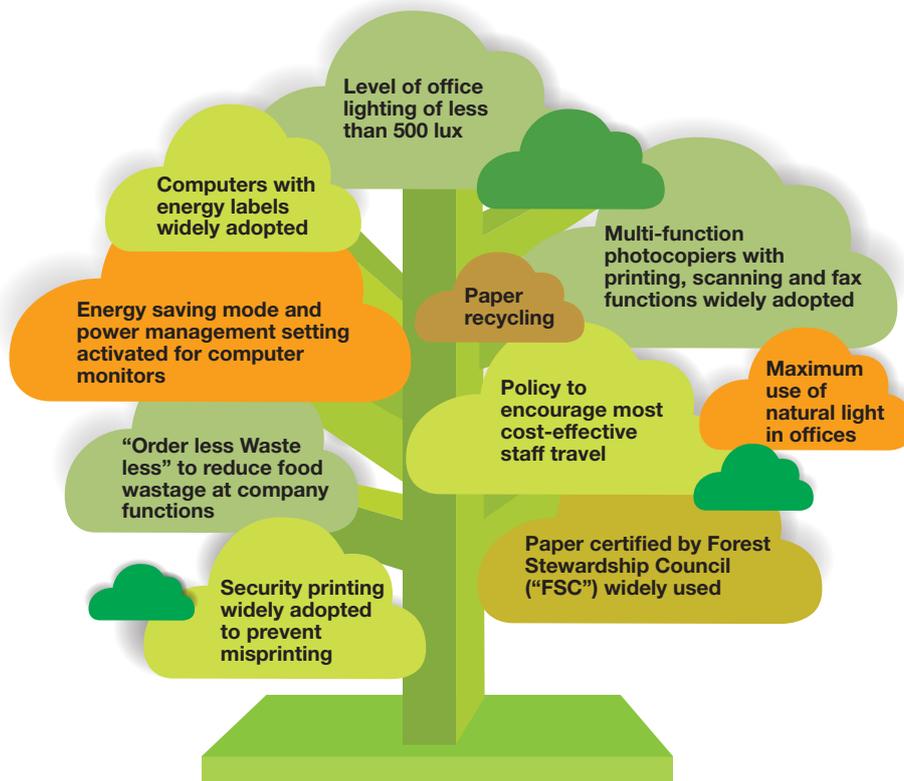
(c5) *Printing efficiency project to reduce paper waste*

Asia Insurance 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, Asia Insurance 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 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        | AFH Group        |
| Total Electricity Consumption (kWh)   | 131,722   | 632,710   | <b>764,432</b>   |
| Total Unleaded petrol Consumption (Litres)  | 12,467.70 | 16,888.79 | <b>29,356.49</b> |
| Total Gas Oil Consumption (Litres)  | 12,400    | 0         | <b>12,400</b>    |
| Energy Consumption Intensity<br>(tons CO <sub>2</sub> equivalent per staff)                   | 3.16      | 2.72      | <b>2.82</b>      |

### 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 14,837 kg in 2021.

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 2021, 3 customer complaints were made concerning products and services provided by Asia Insurance. 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 2021.

## 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.

This year, we invited ICAC to conduct anti-corruption training for all staff, several Management-level staff attended an additional anti-corruption training tailored specifically to the insurance industry. Additionally, the Director's training help during the 4th quarter was conducted by Ernst & Young on the topic of "Listed Holding Company's Control and Monitoring of Subsidiaries".

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 2021, Asia Financial Group contributed a total of HK\$16,725,000 (mainly through donations and sponsorships) towards the support of non-profit organizations both local and overseas. Respectively, Asia Financial contributed HK\$8,502,000 and Asia Insurance contributed HK\$8,223,000. This amount represents a significant increase of 9.5 times from the prior year as fundraising activities in the last year were significantly impacted by COVID-19.

| Donations & Sponsorships Made in 2021 by Category |        |
|---|--------|
| Education   | 0.47%  |
| Donation to NGOs/Charities                        | 97.23% |
| Others  | 2.30%  |

### 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 organize volunteering programmes every year 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 members of staff 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 2021 to bring love and care to senior citizens. Thus, our volunteer hours as a group in 2021 increased by 25% compared to 155 volunteer hours in 2020, which was due to the slightly improved COVID-19 situation in Hong Kong that year.

| Volunteer Service Statistics for 2021 |     |           |           |
|---------------------------------------|-----|-----------|-----------|
|                                       | AFH | AI        | AFH Group |
| Total number of volunteers            | 0   | 57        | 57        |
| Total service hours                   | 0   | 193 hours | 193 hours |

## J. 2022 ESG Targets

### J1. 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.

### J2. Health & Safety – COVID-19

We aim to keep the number of quarantine days at the same level as 2021, however, this does depend on the ongoing COVID-19 situation in Hong Kong.

As for COVID-19 vaccination rate, Asia Financial Group as a whole aims to reach at least 95% vaccination rate. As booster shots are already available, we further aim to reach at least 80% booster vaccination rate in 2022 respectively for AFH and AI.

### J3. Impact of Climate Change

Asia Insurance 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.

Asia Insurance 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.

### J4. Training

For 2022, we aim to further increase average training hours by 25% with the increasing varieties of training courses available, both Company organized training that builds everyday operational skills and training sessions or professional development opportunities from external parties.

### J5. Volunteer

The end of 2021 began a new wave of COVID-19 cases with the Omicron variant, it is expected that volunteer activities will again come to a halt. Thus, while we aim to increase volunteer hours by at least 10%, fulfilling this target will be dependent on COVID-19 situation in Hong Kong in 2022.

### J6. 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.

## K. 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.