

Environmental,  
Social and  
Governance  
Report

# Environmental, Social and Governance Report

## Environmental, Social and Governance Report

The Environmental, Social and Governance (**ESG**) Report provides an overview of the Group's ESG framework, initiatives and performance for the year, and outlines the ways in which the Group implements sustainability objectives and fulfils its responsibility as a corporate citizen.

## ESG Framework and Oversight

### ESG Management Approach

The Board bears ultimate responsibility and oversight for the overall business strategy (including ESG strategy) and related risks of the Group. To formulate and implement its ESG strategy, the Corporation established the ESG Committee (**ESGC**) in 2021 to lead the Group's sustainability efforts and oversee ESG management as part of the Group's overall business strategy.

The ESGC is responsible for reviewing, approving and updating the Group's ESG strategy, policies and plans, monitoring the ESG trends and issues that are material to the Group and overseeing the implementation of the Group's ESG strategy. It will also evaluate the performance of the Group in achieving its ESG-related goals and targets. Regular reports will be made to keep the Board informed of the Group's progress on ESG matters.

The ESGC is chaired by the Chief Executive Officer of the Corporation and its members include the Chief Executive Officers of the HKMCA and the HKMCI and senior staff from the relevant functional departments of the Group. It holds regular meetings to discuss and formulate major directions on ESG matters. The ESGC is supported and advised by a number of working groups at staff level covering various ESG-related matters.

In 2021, the ESGC approved the adoption of the Group's ESG Statement and ESG Guiding Principles which guide its approach to incorporating ESG factors to its operations. Both the ESG Statement and ESG Guiding Principles will be subject to regular review to keep pace with ESG developments globally and in Hong Kong.

### ESG Statement

The Group is committed to operating and carrying on business in a responsible and sustainable manner while applying high standards of corporate governance. This commitment is embedded in the way it operates, serves its customers, accounts to its stakeholders, cares for its staff, manages its impact on the environment and contributes to its community.

## ESG Guiding Principles

Areas	Guiding Principles
Environmental	<ul style="list-style-type: none"><li>• support business, investment and financing that promote sustainability for its society and the environment</li><li>• minimise the environmental footprint of its operations, products and services</li><li>• raise awareness of environmental protection issues of its staff and promote an eco-friendly work culture</li></ul>
Social	<ul style="list-style-type: none"><li>• deliver socially responsible products and services according to its core missions</li><li>• support staff participation in worthy charitable causes</li><li>• engage in capacity building to support ongoing learning and career development of its staff</li><li>• provide a safe and nurturing working environment for its staff</li><li>• foster equality and inclusion in the workplace</li><li>• promote staff wellness</li></ul>
Governance	<ul style="list-style-type: none"><li>• adopt best practices of corporate governance and act ethically</li><li>• adhere to its values of fairness, transparency and accountability to all stakeholders</li><li>• ensure that its work culture reflects the values of its ESG Statement</li></ul>

## ESG Review

In 2021, the Group continued to maintain its commitment to ESG development in terms of environmental performance, corporate governance, staff wellbeing, social good and community works. This ESG Review aims to provide a report on different aspects of the Group’s ESG activities and practices.

### Environmental Responsible Investment, Lending and Business Decision-Making

The Group believes that by integrating ESG considerations, including climate-related factors, in its investment, lending and business decision-making, it can help create sustainable value over the long-term and contribute to the development of a more sustainable world and reduce its ESG-related risks.

The Group’s Responsible Investment, Lending and Business Decision-making Principles, adopted in 2021, set out the framework for its implementation of responsible investment, lending and business decision-making strategies. Through ESG integration, the Group identifies and evaluates ESG factors in its decision-making processes which include standard risk assessment and thematic investment, lending and business activities. For instance, the Group’s infrastructure loan projects and portfolios under its IFS Business are subject to initial and ongoing environmental and social due diligence and monitoring to ensure that the related ESG risks are appropriately managed.

### Green Workplace

The Group continues to support and implement various green measures to create a more environmentally-friendly office. In early 2021, most of the Group’s business operations moved into new office premises in Two Harbour Square in Kwun Tong which is a Leadership in Energy and Environmental Design Gold office building. The new office is designed in an eco-friendly style, and the agile office setting facilitates team collaboration. Other green office elements adopted include:

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| Office Setting   | <ul style="list-style-type: none"> <li>• Reuse of office furniture and equipment</li> <li>• Use of Cradle to Cradle Certified® carpets which are safe, circular and responsibly made</li> </ul>                                 |
| Air-conditioning | <ul style="list-style-type: none"> <li>• Installation of individual air-conditioning switches to reduce electricity consumption when not in use</li> </ul>  |
| Lighting         | <ul style="list-style-type: none"> <li>• Use of LED lighting instead of fluorescent tubes</li> <li>• Installation of timers for office lighting and motion sensors and light sensors to reduce indoor lighting usage</li> </ul> |
| Water            | <ul style="list-style-type: none"> <li>• Water dispensers are used to replace bottled water</li> </ul>  |



Roof Garden (photo credit to Two Harbour Square)



Mini Market in Pantry



Collaboration Area

### Environmental Protection

The Group is committed to raising staff awareness of methods of waste reduction and energy conservation. Staff are encouraged to adopt paperless working practices by using more electronic communication. The Group also collects waste paper and used toner cartridges for recycling. Suggestions from staff on green office ideas are welcomed and the Group encourages its suppliers to use and offer more environmentally-friendly products whenever practicable. For example, environmentally-friendly products including Forest Stewardship Council-certified papers are used in the workplace.

The Group also adopts other ongoing measures to reduce waste, paper and energy consumption for a greener earth, such as:

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|---------------------------------|--|
| Reduction of Waste              | <ul style="list-style-type: none"> <li>• Providing facilities including recycling bins for collection of paper, cans and bottles</li> <li>• Donation of old computer equipment which are in good condition to charitable organisations</li> <li>• Using recycled papers and envelopes</li> </ul> |
| Reduction of Energy Consumption | <ul style="list-style-type: none"> <li>• Installation of energy-saving devices, including LED lights and auto-timers to control indoor lighting</li> </ul>   |

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| Reduction of Paper | <ul style="list-style-type: none"> <li>• Replacing desktop computers with laptops to facilitate the implementation of paperless meetings</li> <li>• Issuing publications in electronic format, including the AMIGOS By HKMC e-Magazine and in-house staff publication, HKMConnection</li> <li>• Adopting electronic internal administrative procedures, including leave application, ordering of stationery items and reservation of meeting rooms</li> </ul> |
|--------------------|---|

Use of resources	2021	2020
Total paper consumption (Note 1)	<b>3,420 reams</b>	5,540 reams
Paper consumption per staff	<b>8 reams/ staff</b>	14 reams/ staff
Total electricity consumption (Note 2)	<b>819,850 kWh</b>	706,150 kWh
Electricity consumption per unit office area (kWh/m <sup>2</sup> )	<b>8 kWh/m<sup>2</sup></b>	10 kWh/m <sup>2</sup>
Electricity consumption per staff (kWh/staff)	<b>1,920 kWh/ staff</b>	1,839 kWh/ staff
Total distilled water consumption (Note 3)	<b>734 carboys</b>	1,247 carboys
Distilled water consumption per staff (carboy/staff)	<b>2 carboys/ staff</b>	3 carboys/ staff

Note 1: To reduce paper consumption, the Group utilised mobile computing devices for meeting purposes.

Note 2: The increased total electricity consumption was mainly due to an expansion of office spaces, as the Group moved most of its business operations into new office premises in Two Harbour Square during the year.

Note 3: To reduce plastic usage, the Group is gradually replacing bottled water containers with filtered water dispensers.

## Social

### Employment and Labour Practices

#### Diversity and Inclusion

The Group is committed to creating, promoting and maintaining an environment which provides equal opportunities for staff in all areas of human resources management, including recruitment, terms and conditions of employment, promotion, compensation and benefits, and training as well as corporate-sponsored social and recreational programmes. As an equal opportunities employer, the Group maintains an Equal Opportunities Policy and provides various facilities to cater for the needs of different staff such as breastfeeding rooms. The Group also implements gender-neutral and disability-inclusive recruitment and promotion practices which are underpinned by competency-based assessments and evaluations.

The staff demographics of the Group are as follows:

Gender of staff	2021	2020
Female	53%	54%
Male	47%	46%

Age of staff	2021	2020
50 and above	21%	19%
40 to 49	34%	37%
30 to 39	34%	32%
Below 30	11%	12%

In 2021, female representation in management (i.e. Vice Presidents and above) was 30% (2020: 32%).

#### Staffing and Remuneration

The Group attracts and grooms talent to ensure the efficient performance of its core missions of promoting stability of the banking sector, wider home ownership, development of the local debt market and development of the retirement planning market. The Group provides its staff with competitive remuneration packages and fringe benefits, promising career paths and development opportunities. In 2021, the Group enhanced its staff benefits by introducing the HKMC Group Staff Housing Loan Scheme which aims to assist staff in becoming home owners in Hong Kong.

The Group also adopts family-friendly practices by offering a five-day work week to help staff maintain a good work-life balance as well as comprehensive medical and dental insurance plans that cover both the staff and their dependents.

Through system automation and process re-engineering, the Group maintains a lean and efficient workforce despite an increase in business volumes, the scope of operations and the complexity of the products it offers. In 2021, the permanent staff establishment of the Group was 367 which was the same as 2020. Subject to its business needs in specific areas, the Group engages personnel to provide support services through contract or short-term basis from time to time. In 2021, the staff turnover rate was 18%.

#### Training and Development

The Group recognises the importance of ongoing training and devotes appropriate resources to the enhancement of its staff's professional knowledge and skills. In 2021, the Group arranged seminars and e-learning resources to help staff enhance both their technical knowledge and soft skills. For example, in-house training on the topics of "Climate Change and Its Implications on the Financial Sector" and "Green and Sustainable Banking" were organised to further staff understanding of the ESG trends and developments in the financial industry. The Group also sponsored its staff for external job-related training and development courses.

Training of staff	2021	2020
% of staff who have received training	95%	90%
Total training hours	5,100 hours	3,300 hours
Average training hours per staff	12 hours	9 hours
<b>Average training hours by staff category</b>		
Senior staff (i.e. Vice Presidents and above)	15 hours	13 hours
General staff (i.e. below Vice Presidents)	12 hours	8 hours
<b>Types of training</b>		
Compliance/Legal Knowledge	25.1%	31.4%
Information Technology Skills	2.8%	13.4%
Managerial/Leadership Skills	2.2%	0.1%
Professional Knowledge	54.0%	53.2%
Others	15.9%	1.9%

### *Internship and Manager Trainee Programmes*

To help nurture talent for the future, the Group offers internship programmes for undergraduates that provide practical work experiences and help them prepare for their future careers. During the year, the Group continued to carry out the Manager Trainee Programme with the objective of identifying high-calibre young executives to be groomed to meet the Group's long-term staff development plan. Throughout the three-year programme, the Manager Trainees will undergo on-the-job training in different departments, take part in corporate projects and attend structured learning and development programmes.

### *Staff Relations*

To facilitate effective communication within the Group, the Staff Homepage intranet facility is updated frequently so that useful information can be shared among different departments. The Group also operates a Staff Suggestion Scheme which encourages staff to suggest improvements in the workflow and workplace.

### *Health and Safety*

As a caring organisation, the Group is dedicated to looking after its staff's physical and mental health. An Employee Support Programme is in place to provide confidential external counselling services to staff and their family members, if needed. A vaccination programme for the prevention of influenza and health-check programmes at privileged rates were also offered to staff in 2021.

Due to the coronavirus pandemic, the Group made adjustments to the work arrangements for staff with the objective of ensuring continued operations while safeguarding the well-being of its staff. During the year, work-from-home and split-team work arrangements were adopted with reference to guidance provided by the Government. The Group also provided frequent updates on the Coronavirus Disease 2019 (**COVID-19**) to raise staff's health awareness; and staff were given paid leave for COVID-19 vaccinations.

The Group provides a healthy and safe working environment. In 2021, there were no material issues relating to occupational health and safety.

### *Staff Well-being*

The Group attaches high importance to staff's well-being and job satisfaction. To elevate staff's work experience and improve collaborations, the Group provides a purpose designed and built workplace where unassigned seating and common facilities such as wellness rooms are in place to help maximise flexibility at work.

To promote a healthy work-life balance and foster a family-friendly working environment, the Group's Staff Club organises activities regularly to cultivate better relationships and communication among its staff.



Vaccination for All



Christmas Wreath Workshop



Candle Making Workshop

### Community Investment

#### Charities and Social Activities

The Group promotes various charitable and community functions and staff are encouraged to support charitable activities and join volunteering work organised by the Group’s volunteer team, Caring League. In 2021, the Group organised Dress Casual Day to raise funds for the Community Chest.

Contributions	2021	2020
Funds raised for community causes	\$16,200	\$15,300

In recognition of the Corporation’s contribution to the community and its commitment to corporate social responsibility, the Corporation has been awarded the Caring Organisation Logo by The Hong Kong Council of Social Service since 2008. The Corporation has also been receiving, since 2014, the Mandatory Provident Fund Schemes Authority’s Good MPF Employer Award which is given in appreciation of employers who place a high value on their employees’ retirement needs.

### Operating Practices

#### Procurement Management

The Group is committed to a responsible and fair sourcing process while managing its suppliers. Its Procurement Rules and Procedures Manual outlines its position on procurement management and sets out its approach to due diligence, selection and tender criteria, and ongoing monitoring of supplier relationships. The Group will take into account, among other things, the reputation, track record of business integrity, expertise and reliability in the process of selecting the qualified supplier. In addition, appropriate management approvals are required before entering into contract with a supplier to promote accountability and good governance.

In 2021, the Group was not aware that any of its key suppliers had reported any non-compliance incidents in relation to business ethics, environmental protection, human rights and labour practices.

#### Complaint Handling Procedures

The Group highly values feedback regarding its product and service qualities. It has established the Enquiries and Complaints Handling Policy which serves to provide the framework and guidance for handling enquiries and complaints to the Group by customers, business partners, general public, media and other stakeholders. It strives to ensure that all enquiries and complaints are fully and promptly attended to, logged and resolved in an independent, objective, impartial and effective manner. To improve its operations and better serve its customers, the Group regularly monitors, analyses and reviews the data on enquiries and complaints for identification of trends, impacts and timeliness of responses.

### Governance

#### Board Oversight and Corporate Governance

Robust and sound governance is essential both to the delivery of sustainable value and to maintaining a culture of business integrity. The Board has consistently practised strong governance for the Group in the pursuit of its core missions and business objectives. The high standard of corporate governance maintained by the Group helps to assure stakeholders that their rights and interests are well protected.

For more details about Board oversight and the corporate governance practices of the Group, please refer to the Corporate Governance Report section of the Annual Report.

### **Culture of Compliance**

The Group is committed to conducting its business and operations with high standards of ethics, honesty and integrity in accordance with all applicable laws and regulations. The Group Compliance Policy and the Group Compliance Manual, which have been approved by the Board and Executive Director respectively, set out the principles for sound compliance management practices which are targeted to be integrated within the Group's strategic planning, internal controls, business activities and conduct. The Group also organises and co-ordinates compliance training and testing for its staff to enable them to keep abreast of the legal and regulatory developments which are relevant to the performance of their duties and to enhance their understanding of their compliance obligations. In terms of compliance monitoring, among other things, regular compliance audits are carried out to monitor the Group's compliance level.

The Group was not aware of any significant litigation or regulatory action pending or threatened against the Group or any material non-compliance with relevant laws and regulations by the Group during the year.

### *Anti-Corruption*

The Group has adopted a zero-tolerance policy for bribery or corruption in any form or at any level. As a "public body" under the Prevention of Bribery Ordinance (**PBO**), the Corporation, the HKMCA and the HKMCI are each subject to the requirements of the PBO. The Group's Code of Conduct imposes rules in relation to the management of conflicts of interests, abuse of power, bribery and corruption, and unethical behaviours in the working environment. It has also promulgated procurement policies and procedures prohibiting staff from offering, giving, soliciting or accepting any advantage or bribe to or from contractors, suppliers or people connected with its business. Any staff who fails to comply with any of the requirements set out in the Code of Conduct or the PBO or any other applicable laws and regulations may be liable to disciplinary action.

During the year, the Group has arranged in-house anti-corruption and bribery training talks, which covered anti-corruption matters specific to the insurance industry as well as the dos and don'ts for "public servants" under the PBO, conducted by the Independent Commission Against Corruption for its staff to raise their awareness of compliance.

### *Anti-Money Laundering, Counter-Terrorist Financing and Sanctions*

The Group's Anti-Money Laundering Procedures establish internal requirements and procedures in relation to its compliance with the applicable anti-money laundering, counter-terrorist financing and sanctions laws, mitigate and manage the Group's exposure to financial crime, and safeguard the reputation of the Group and the interests of its stakeholders. These include a risk-based approach to conducting customer due diligence, ongoing monitoring, suspicious transaction reporting, training and record-keeping. Moreover, staff of the HKMCA are required to comply with additional rules on anti-money laundering applicable to long term insurance business. The Group also uses online tools to help screen and monitor money laundering, terrorist financing and sanctions risks. Regular risk assessments of the characteristics of the Group's products and services are carried out to ensure that the money laundering, terrorist financing and sanctions risks are effectively managed.



#### *Privacy and Information Security*

The Group is committed to respecting and safeguarding the privacy rights of individuals in relation to the personal data it collects or obtains, and to complying with the applicable data protection laws and requirements including the Personal Data (Privacy) Ordinance. It has established internal policies, procedures and guidelines to ensure the protection of data privacy of its staff and customers. The Group's Privacy Policy Statement articulates its approach to the collection and retention of personal information in accordance with the regulatory requirements, and its Personal Information Collection Statements inform individuals of the purposes of data collection, classes of persons to whom their data may be transferred, their rights to make requests regarding their data, and other relevant information. Staff and customer personal data are only accessible by authorised personnel on a need-to know and need-to-use basis. To prevent leakage and misuse of confidential information, the Group employs measures such as the use of confidentiality and non-disclosure agreements.

During the year, the Group has organised in-house customised compliance training on personal data privacy and protection matters conducted by an external counsel for its staff to improve their information security awareness for the purpose of protecting customer information and privacy.

#### *Competition Matters*

It is the Group's policy that all its business dealings are carried out in a manner which complies, and staff conduct in relation to its business is consistent, with the Competition Ordinance. To help ensure fair competition, the Group endeavours to avoid situations that may create the potential for unlawful anti-competitive or collusive conduct such as exchanging confidential information with competitors or excluding other competitors from the market. Staff are required to abide by the Group's Competition Law Compliance Manual which aims to avoid contraventions of the Competition Ordinance.

#### *Anti-Fraud and Whistleblowing*

The Group has put in place an Anti-Fraud and Whistleblowing Policy which helps to combat any fraud in its business. It provides information and guidance on how to deal with fraud issues including deception, forgery, extortion and fraudulent misrepresentation. Staff are required to stay alert to any indication or signs of fraudulent conduct in the course of their daily work.

In respect of whistleblowing, the Group encourages the reporting of any suspected, threatened or actual wrongdoing, misconduct, improper activity or irregularity (not limited to fraud) within the Group. The Anti-Fraud and Whistleblowing Policy sets out the whistleblowing procedures including the circumstances, channels, concerns and processes in the making, handling and investigation of a report. All reports and complaints will be treated seriously and handled on a strictly confidential basis and in accordance with all applicable laws. Bona fide whistleblowers will also be protected from any retaliatory action or retribution for submitting a report or participating in an investigation of a suspected wrongdoing. The whistleblowing cases will be investigated appropriately and reviewed by a high-level Investigation Committee for follow-up actions.

#### *Intellectual Property Rights*

The Group adheres to the relevant laws and regulations regarding intellectual property as it continues to leverage its trademarks, brand names, trade secrets and other intellectual property rights to amplify its brand recognition and development. The Group has also employed formal trademark registration, contractual provisions and confidentiality procedures to protect and strengthen its intellectual property rights.

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## ESG Plans

Looking ahead, the Group will continue to keep under review and enhance existing and launch new business programmes in line with its ESG Statement, ESG Guiding Principles and guided by its Responsible Investment, Lending and Business Decision-making Principles. The Group will take further steps to formulate a comprehensive ESG strategy aligned with its core missions to integrate ESG performance in its business.

The Group is also keen to actively manage climate-related risks and opportunities and will step up efforts to drive progress on initiatives in line with the recommendations of the Task Force on Climate-related Financial Disclosures concerning governance, strategy, risk management, and metrics and targets on climate-related issues in its operations.

Within the workplace, the Group will work towards ESG enhancements of its internal operations and work processes, including environmentally sound management of waste and incorporation of ESG factors into supplier procurement. With a view to instilling ESG concepts into the corporate culture and core values, staff training on climate change and other ESG-related topics will be organised by the Group to help its staff appreciate the ESG issues related to the Group's activities. The Group will also continue to support charitable and community activities and participate in volunteer work and foster a caring and safe working environment for its staff.