

Environmental, Social and Governance Report

Environmental, Social and Governance Report

About This Report

This Environmental, Social and Governance (**ESG**) Report provides an overview of the Group's ESG framework, initiatives and performance for the period of 1 January to 31 December 2022, and outlines the Group's implementation of its sustainability objectives and how it acts as a responsible corporate citizen. In the preparation of this report, the Group makes broad reference to the reporting principles under ESG reporting frameworks such as the ESG Reporting Guide issued by the Stock Exchange of Hong Kong Limited.

ESG Highlights 2022

Community Support	Sustainable Finance
<ul style="list-style-type: none">Launched enhancements to business programmes including SFGS and PLGS to support businesses and individuals amid COVID-19 pandemic	<ul style="list-style-type: none">Established the Social, Green and Sustainability Financing FrameworkIssued inaugural social bond
ESG Strategy and Governance	Environmental Protection*
<ul style="list-style-type: none">Conducted first ESG materiality assessmentEstablished Sustainability Working Group to oversee ESG strategy implementation and monitor and enhance sustainability performance	<ul style="list-style-type: none">Reduced office paper consumption per staff by 43%Reduced office energy consumption per staff by 12%
<p>* Calculations are based on comparison with 2021 data. The consumption of office paper and energy is affected by factors such as changes in corporate activities, number of staff and hours working in the office and the use of IT systems and office equipment. For example, the reduction in office paper and energy consumption in 2022 may be attributable in part to the longer period of work-from-home arrangement adopted for the year during the COVID-19 pandemic and may not necessarily reflect the consumption of such resources under normal operating conditions.</p>	

ESG Framework and Oversight

ESG Governance

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 has established the ESG Committee (**ESGC**) 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 focus groups at staff level covering various ESG-related matters. In 2022, the Sustainability Working Group, comprising relevant department heads and supporting staff, was formed to assist the ESGC to identify priorities of ESG work, oversee the implementation of the ESG strategy and monitor and enhance the ESG performance of the Group.

In alignment with its ESG vision and strategy, the Group updated the ESG Guiding Principles during the year which, together with the ESG Statement, guides its approach to incorporating ESG factors to its operations. Both the ESG Statement and ESG Guiding Principles were approved by the ESGC and are 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

Contributing to the Society

- Offer financing solutions that support home ownership, facilitate retirement financial planning, and help to meet the financing needs of small and medium-sized enterprises in Hong Kong
- Provide products and services that facilitate banks' liquidity and risk management to promote stability of the banking sector in Hong Kong
- Support the financial and debt markets in Hong Kong, and talent developments as well as financial education, in areas pertinent to its core missions

Upholding Governance Standards, Operational Resilience and Workplace Inclusion

- Adhere to best practices of corporate governance and maintain high standards of professionalism, integrity and ethics in its work
- Safeguard operational resilience and information security by continuous risk surveillance, system set-up and proper response
- Promote inclusion and equality in the workplace, and foster staff wellness and development

Meeting Environmental Concerns

- Devise strategic response to and implement plans to meet the risks and ride on opportunities relating to climate change and Hong Kong's long-term sustainability vision
- Adopt and integrate ESG principles in its investment, lending and business decision-making activities
- Strive for positive environmental impact with its operations and promote eco-friendly work practices and culture

Material ESG Topics

Stakeholder Engagement

Stakeholder engagement is a process for the Group to interact with relevant stakeholders to identify and evaluate the ESG risks and opportunities for its business. The Group will maintain communication with stakeholders through various channels (e.g. customer feedback, industry events, media enquiries, investor roadshows and staff surveys) so as to understand their views on different ESG topics.

In 2022, the Group commissioned an external consultant to advise on a stakeholder engagement exercise with the aim of ascertaining the materiality and importance of various ESG topics to the Group's sustainable development. As part of this exercise, staff focus groups and assessment interviews were held to provide insights on the perspectives and expectations on the Group's ESG performance. The outcome of this engagement exercise, together with the advice of the external consultant, informed the ESG materiality assessment for the Group which is detailed below.

Materiality Assessment

During the year, the Group conducted its first ESG materiality assessment to determine the material topics to the Group by way of a three-step process as follows:

Identification

A set of potential material topics was identified through feedback from stakeholder engagement, peer analysis and industry benchmarking, consideration of the Group's core missions and reference to recognised ESG standards and reporting frameworks.

Evaluation

These topics were evaluated and assessed according to their significance and impact on the Group's business and the decision-making of its stakeholders as well as feedback derived from targeted interviews and workshops with the Group's Management.

Review and Approval

The ESGC reviewed and approved the materiality assessment results and the list of prioritised material topics prepared by the external consultant after it completed the engagement exercise to ensure that the significance of various ESG factors was adequately considered. The approved ESG material topics chart, which illustrates the key ESG pillars and topics of the Group with mapping to the United Nations' Sustainable Development Goals (UN SDGs), is shown below.

ESG Strategy and Review

In 2022, the Group continued to maintain its commitment to ESG development in terms of social contributions, community support, corporate governance, staff well-being and environmental performance. Taking the results of the ESG materiality assessment into account, the Group has formulated its ESG strategy around the material topics identified, and this ESG Strategy and Review section reports on the Group's ESG activities and practices in relation to these topics.

Contributing to the Society



Financial Solutions to Support Homebuyers, Retirees and SMEs

The Group achieves social objectives via the implementation of its core missions and the delivery of socially responsible financial products and services:



Homebuyers

With the promotion of wider home ownership being one of its core missions, the Group operates the MIP which is an integral part of the local property mortgage market. The MIP helps alleviate the down payment burden of potential homebuyers in the purchase of a property. Through the MIP, the HKMCI provides insurance coverage to MIP participating banks, enabling the banks to extend mortgage loans with higher LTV ratio. In addition, the Group has introduced the Fixed Rate Mortgage Scheme for fixed-rate mortgages which provide value as an alternative financing option that can mitigate the risk of interest rate volatility for homebuyers.

Retirees

The Group has launched the “HKMC Retire 3” branding to promote its retirement products — the RMP, the PRMP and the Annuity Plan — as an inclusive solution for retirement planning. The three products provide retirees with immediate, stable and lifelong streams of income, hence financing the improvement of the quality of life. Retirees would receive a stream of steady cash flow, using relatively illiquid assets as collateral, including properties in the case of the RMP and death benefits of life insurance policies in the case of the PRMP, or through a contribution of a single premium in the case of the Annuity Plan.

SMEs and Individuals

To help SMEs and non-listed enterprises tide over financing difficulties faced as a result of a credit crunch in an uncertain global economic environment, the Government continued its support for SME bank financing with the 80% and 90% guarantee products of the SFGS under the entrusted operation of the HKMCI. As a further step to ease the cash flow problems of enterprises adversely affected by the COVID-19 pandemic, the Government has launched the Special 100% Loan Guarantee under the SFGS, which aims to support enterprises that are suffering from reduced income and to safeguard jobs.

At the same time, to implement the Government’s initiative of alleviating the impact of rising unemployment during the COVID-19 pandemic, the Group launched the PLGS to provide concessionary low-interest loans, as a supplementary financing option, for individuals suffering from loss of main recurrent incomes from employment in Hong Kong.

During the year, various enhancement measures, including increasing the maximum loan and guarantee amounts and extending the maximum repayment period, were introduced to further the social objectives and aims. For more details about these enhancements and the product statistics, please refer to the Business Review section of the Annual Report.



Promotion of Banking Sector Stability and Development of Financial and Debt Markets

The Group continues to play a key role in promoting banking and financial stability by helping banks to meet their needs for liquidity and prudent risk management. For example, under the 80% and 90% guarantee products of the SFGS, the Group provides guarantee coverage for bank financing for eligible enterprises, which helps banks to manage their lending risk more effectively and reinforces the stability of the banking system. Moreover, the MIP allows participating banks to provide mortgage loans with higher LTV ratio without incurring additional credit risk and protects them from losses on the portion of the loans over the LTV threshold due to mortgage default by the borrowers, thereby contributing to the maintenance of banking stability in Hong Kong. The Group also stands ready to purchase mortgage assets from the banking sector from time to time.

In addition, as a major corporate debt issuer in Hong Kong, the Group is committed to developing the local debt market through regular debt issuances and the introduction of new debt products and playing a key role in debt and financial market development. The Group maintained its position as the most active issuer of the Hong Kong dollar (**HKD**) and offshore Renminbi (**CNH**) corporate bond markets in 2022. With its excellent credit standing, the Group is well positioned to promote the development of the local debt market and to meet the demand for high-grade debt investment from local and overseas investors.

In line with its mission to promote banking stability and local debt market development and to help consolidate Hong Kong's position as an infrastructure financing hub, the Group has launched the IFS Business to participate in the infrastructure financing market where the Corporation purchases and accumulates infrastructure loans from commercial banks as well as co-finances infrastructure projects with multilateral development banks and commercial banks and will, under the right market conditions, securitise these loan assets.

Customer Engagement and Education

To build close relationships with "HKMC Retire 3" customers and to help improve the quality of their life, the Group launched AMIGOS as a loyalty programme which regularly hosts events covering a range of topics including health, sports, travel, financial planning, culture and arts. Useful information and member benefits are provided to AMIGOS members via multiple platforms, including the AMIGOS mobile application launched in 2022, from time to time to encourage feedback and reward customer loyalty.

AMIGOS Events Highlights — YouTube Programmes



"Initial E"

Introduced AMIGOS members to electric vehicles to encourage pollution reduction





"Farm To Table"

Promoted sustainable diet and lifestyle choices to AMIGOS members

Also, to enable its customers to make informed financial decisions, the Group provides fair and transparent information regarding its products and services while striving to promote the overall financial literacy in Hong Kong. During the year, the Group conducted a wide range of webinars and events to keep its customers informed about retirement/financial planning considerations, market trends and product features.

The Group will continue to maintain close communication with other stakeholders including business counterparts and industry associations to help understand and address the evolving needs of its customers.

Upholding Governance Standards, Operational Resilience and Workplace Inclusion



Corporate Governance

Board Oversight

Robust and sound governance is essential to both the maintenance of a strong culture of business integrity and the delivery of sustainable value. 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 related 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 applying 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 that 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.

The Group arranges in-house anti-corruption and bribery training talks from time to time, which cover anti-corruption matters applicable to “public bodies” and “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, mitigates and manages the Group’s exposure to financial crime, and safeguards 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.

During the year, the Group organised in-house customised compliance training on anti-money laundering, counter-terrorist financing and sanctions matters conducted by an external counsel for its staff to enhance their knowledge and understanding of the latest regulatory trends and developments.

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 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.

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 2022, the Group was not aware that any of its key suppliers had reported any non-compliance incidents in relation to business ethics, environmental protection 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.

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.

To protect its systems and networks from cyberattacks and ensure the confidentiality and integrity of its data and information assets, the Group has developed the Information System Security Policy to manage and monitor its cybersecurity and data risks. During the year, the Group continued to raise the cybersecurity awareness and technology risk management capabilities of its staff through web-based awareness and readiness training and by conducting regular cyberdefence assessments such as security audits and phishing email exercises. The Group will also continue to invest in information technology safeguards to meet its information security objectives.

Employment and Labour Practices

Diversity and Inclusion

The Group is committed to creating, promoting and maintaining an environment that 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. For example, breastfeeding rooms are provided for the comfort of mothers. 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	2022	2021
Female	53%	53%
Male	47%	47%

Age of staff	2022	2021
50 and above	21%	21%
40 to 49	37%	34%
30 to 39	32%	34%
Below 30	10%	11%

In 2022, female representation in management (i.e. Vice Presidents and above) was 27% (2021: 30%).

Staffing and Remuneration

The Group attracts and grooms talent to ensure the efficient performance of its core missions. The Group provides its staff with competitive remuneration packages and fringe benefits, promising career paths and development opportunities. 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.

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 2022, the permanent staff establishment of the Group was 379 (2021: 367). 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 2022, the staff turnover rate was 15% (2021: 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 2022, 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 "Initiatives on Green and Sustainable Finance" and "ESG Investing" 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	2022	2021
% of staff who have received training	96%	95%
Total training hours	6,099 hours	5,100 hours
Average training hours per staff	13 hours	12 hours
Average training hours by staff category		
Senior staff (i.e. Vice Presidents and above)	15 hours	15 hours
General staff (i.e. below Vice Presidents)	13 hours	12 hours
% of total training hours spent in various types of training		
Compliance/Legal Knowledge	21.0%	25.1%
Information Technology Skills	11.0%	2.8%
Managerial/Leadership Skills	5.8%	2.2%
Professional/Business Knowledge	49.0%	54.0%
Others	13.2%	15.9%

Internship and 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. In addition, the Group has launched the Placement Trainee Programme, which enables undergraduates to acquire valuable on-the-job exposure to respective departmental functions, as well as training and learning opportunities for their career development.

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 service 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 2022.

During the COVID-19 pandemic, the Group made adjustments to the work arrangements including work-from-home and split-team work arrangements with reference to the guidance provided by the Government; and staff were given paid leave for COVID-19 vaccinations. The Group also provided frequent updates and hygiene tips via regular email communication and newsletters on COVID-19 to raise staff's health awareness. Epidemic care packs containing food and sanitisation supplies were delivered to staff who contracted COVID-19.

The Group provides a healthy and safe working environment. In 2022, there were no material issues relating to occupational health and safety.

Staff Relations and Well-being

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

To promote a healthy work-life balance, the Group's Staff Club regularly organises activities, including interest classes and well-being talks, to cultivate better relationships and communication among its staff. The Group also maintains a staff intranet facility and a staff suggestion scheme to facilitate effective communications within the Group.



Cookie Baking Class



Mid-Autumn Festival Tea Gathering

Staff Volunteer Activities

As part of its commitment to contributing to the society, 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 2022, the Group organised Dress Casual Day to raise funds for the Community Chest.

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.



Award of Caring Organisation Logo

Meeting Environmental Concerns



Climate Change Responses

The Group recognises the potential risk of climate change to its business and is dedicated to developing and implementing solid management approaches and action plans to enhance the climate adaptability and resilience of the Group. For example, adverse weather events may hinder the Group's daily operations and ability to serve its customers and investors, and hence the Group has established mitigation measures including business continuity procedures to handle extreme events such as typhoons and heavy rainstorms. The Group monitors the latest updates to climate change-related regulations which may potentially impact its business operations. To strengthen its capacity to cope with climate-related issues including those affecting its business programmes, the Group is working on formally incorporating climate risk considerations into its risk management framework and policies.

As a public sector entity, the Group supports the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050. To reduce greenhouse gas emissions and improve energy efficiency, the Group fosters environmentally-friendly practices within the workplace which are elaborated in the Green Operations section below.

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 has adopted the Responsible Investment, Lending and Business Decision-making Principles which 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.

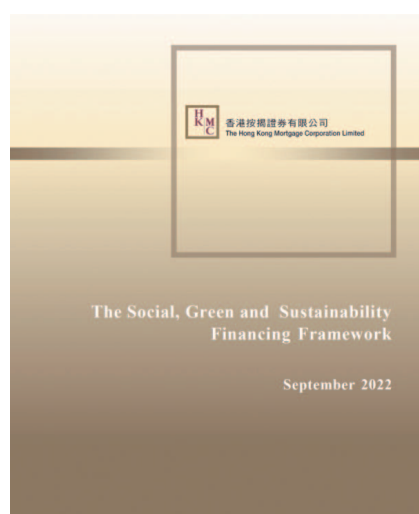
For instance, the Group's infrastructure loan projects and portfolios under its IFS Business are subject to initial and ongoing environmental and social due diligence and monitoring to ensure that the related ESG risks are appropriately managed. In addition, the IFS Business finances renewable power projects, including solar, wind and hydropower projects, which generate renewable energy as a low-emissions alternative to fossil fuel-based power sources and assist the host countries of these projects in meeting their energy demand and managing the emissions intensity of their electricity supply. The IFS Business also finances social infrastructure projects such as universities and telecommunication infrastructure, thereby facilitating diversity and inclusion in the communities.



IFS Business: BIM Wind Power Project
in Ninh Thuan Province, Vietnam

Sustainable Finance

In 2022, the Corporation established the Social, Green and Sustainability Financing Framework (**SGS Framework**) to expand and implement its sustainability strategy as an integral part of its business strategy. The SGS Framework focuses on the Corporation's sustainable initiatives and how the Group supports and is aligned with Hong Kong's long-term sustainability visions. The Corporation will use the SGS Framework as the basis to structure and issue green, social and/or sustainability bonds and asset-backed securities via public issuance and private placement, to support the growth of assets or projects with environmental and/or social benefits. A Second-Party Opinion from Morningstar Sustainability stated that the SGS Framework was credible and impactful and aligned with relevant industry standards and provided views on the robustness and credibility of the SGS Framework.



Second-Party Opinion The Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework

Evaluation Summary

<p>Sustainalytics is of the opinion that the Hong Kong Mortgage Corporation Limited Social, Green and Sustainability Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:</p>		<p>Evaluation Date September 20, 2022</p>
<p>USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts in Hong Kong and invested regions and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 9, 11 and 12.</p>		<p>Issuer Location Hong Kong, China</p>
<p>PROJECT EVALUATION / SELECTION The Hong Kong Mortgage Corporation has established an internal scoring system that will be responsible for the project evaluation and selection process in line with the Framework's eligibility criteria. The Hong Kong Mortgage Corporation ESG Committee is responsible for the final approval of the eligible projects and ensuring the risk management and internal control systems are in place for managing environmental and social risks associated with the eligible projects. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.</p>		<p>Report Sections</p> <p>Introduction 2</p> <p>Sustainalytics' Opinion 3</p> <p>Appendices 13</p>
<p>MANAGEMENT OF PROCEEDS The Hong Kong Mortgage Corporation's Financial Control Department will track the allocation of proceeds through an independent allocation register. Pending allocation, unallocated proceeds may be held in accordance with The Hong Kong Mortgage Corporation's internal liquidity management policy and managed in accordance with The Hong Kong Mortgage Corporation's Responsible Investment, Lending and Business Decision-making Principles and the explanatory list of the Framework. Sustainalytics views the management of proceeds as aligned with market practice.</p>		<p>For inquiries, contact the Sustainable Finance Solutions project team:</p> <p>Amah Deb (Mumbai) Project Manager amah.deb@hongkongmortgage.com</p> <p>Zhenyi LV (Shanghai) Project Support jiajing.chen@hongkongmortgage.com</p> <p>Winnie So (Hong Kong) Project Support</p> <p>Kenny Yeung (Hong Kong) Project Support</p> <p>Winnie Chung (Hong Kong) Client Relations winnie.chung@hongkongmortgage.com (+852) 3008 2291</p>
<p>REPORTING The Hong Kong Mortgage Corporation intends to report on the allocation and impact of net proceeds in a report made available through The Hong Kong Mortgage Corporation's website annually and full allocation. Allocation reporting will include a list of all sustainable financing instruments, the share of financing and influencing the amount and percentage of proceeds allocated under the eligible categories and the remaining balance of unallocated proceeds. In addition, The Hong Kong Mortgage Corporation is also committed to reporting on relevant impact metrics. Sustainalytics views The Hong Kong Mortgage Corporation's allocation and impact reporting as aligned with market practice.</p>		

Pursuant to the SGS Framework, the Corporation issued the world's first social bond in dual-tranche denominated in HKD and CNH during the year. It was also awarded the "Best Social Bond" in the public sector category by The Asset Triple A Sustainable Capital Market Awards 2022. This inaugural social bond consisted of HKD 8 billion two-year and CNH 3 billion three-year tranches. The net proceeds from the issuance were mainly used to finance or refinance the loans under the Special 100% Loan Guarantee of the SFGS, and a report on the allocation and impact of net proceeds will be published annually until full allocation. The Group will continue to support the development of sustainable finance and the debt market in Hong Kong.

Green Operations

Green Workplace

The Group continues to support and implement various green measures to create a more environmentally-friendly office. Most of the Group's business operations are based in Two Harbour Square in Kwun Tong which is a Leadership in Energy and Environmental Design Gold office building. The office is designed in an environmentally-friendly style, and the agile office setting facilitates team collaboration. Other green office elements adopted include:

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



Green Workplace: Potted Plants in Office

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 relying on electronic communications. 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:

- | | |
|---------------------------------|--|
| Reduction of Waste | <ul style="list-style-type: none"> • Providing facilities including recycling bins for collection of paper, cans and bottles • Donation of old computer equipment which are in good condition to charitable organisations • Recycling used paper and envelopes |
| Reduction of Energy Consumption | <ul style="list-style-type: none"> • Installation of energy-saving devices, including LED lights, motion sensors and auto-timers to control indoor lighting |
| Reduction of Paper | <ul style="list-style-type: none"> • Replacing desktop computers with laptops to facilitate paperless meetings • Issuing publications in electronic format, including the in-house staff publication, HKMConnection • Adopting electronic internal administrative procedures, including leave application, performance appraisal and reservation of meeting rooms |

Use of resources (Note 1)	2022	2021
Total paper consumption (Note 2 and 3)	5.60 tonnes	9.13 tonnes
Paper consumption per staff	0.01 tonnes/staff	0.02 tonnes/staff
Total electricity consumption (a) (Note 4)	792,151 kWh	819,850 kWh
Total fuel consumption (b) (Note 5)	8,786 kWh	22,178 kWh
Total energy consumption (a + b)	800,937 kWh	842,028 kWh
Energy consumption per unit office area	7.78 kWh/m²	8.18 kWh/m ²
Energy consumption per staff	1,737.39 kWh/staff	1,971.96 kWh/staff

Note 1: Water consumption data is not available for the Group's offices as there are no separate water meters in the buildings to measure the offices' water consumption and water charges for the offices are included in the office management fees.

Note 2: With reference to ESG disclosure and reporting frameworks, the unit of measurement for paper consumption is changed to tonnes from reams in this year's ESG report to enhance the comparability of such data.

Note 3: To reduce paper consumption, the Group utilised mobile computing devices for meeting purposes and encouraged arrangement of virtual meetings.

Note 4: Timers and motion sensors were used for office lighting and air-conditioners to reduce electricity consumption.

Note 5: An electric company car was used in place of a petrol company car from late-2021 to mid-2022, hence contributing to lower fuel consumption.



Office Recycling Bins

ESG Plans

Looking ahead, the Group will continually improve and implement its ESG strategy through the identification of material ESG topics and the development of relevant ESG policies aligned with its core missions. It will also keep under review its business programmes for potential enhancements or launch of new initiatives in line with its ESG Statement, ESG Guiding Principles and guided by its Responsible Investment, Lending and Business Decision-making Principles.

The Group will work further to formalise ESG integration through incorporating ESG considerations into its risk management framework. In particular, it is committed to actively managing 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.

The Group is also keen to explore and capitalise on more sustainable financing opportunities under its SGS Framework to promote financial instruments fulfilling sustainability objectives and to further diversify the Group's funding source and investor base.

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, climate change and other ESG-related topics will be institutionalised into the Group's learning and development framework 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.