

C-LINK SQUARED LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code 股份代號: 1463



2021

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

環境、社會及管治報告

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

C-Link Squared Limited (the “**Company**” or “**we**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of outsourced data and document management services in Malaysia and the provision of outsourced insurance risk analysis services and insurance marketing services in the People’s Republic of China (the “**PRC**”, which for the purposes of this report only, excludes Hong Kong, Taiwan and Macau, unless otherwise specified).

To align with the Group’s business strategy, the Group has expanded regionally to capture further market share through the acquisition of approximately 51% of the equity interest in Qingdao Yongbao Cloud Technology Co., Ltd. (“**Qingdao Yongbao**”) in July 2021. The acquisition not only expands the Group’s footprint in the PRC, but also enlarges the service coverage of the Group. It is expected that the demand for online insurance services in the PRC will continue to grow and the acquisition will enable the Group to capitalise such potential growth.

This Environmental, Social and Governance Report (the “**ESG Report**”) summarises the environmental, social and governance (“**ESG**”) initiatives, plans and performances of the Group for the year ended 31 December 2021 (the “**Reporting Period**” or “**FY2021**”) and demonstrates its commitment to sustainable development.

BOARD STATEMENT

The board (the “**Board**”) of directors (the “**Directors**”) is pleased to present the ESG Report of the Group, which reviewed the Group’s ESG initiative, plans, performance, as well as its sustainable development in respect of environmental protection, labour practices, business operations, supply chain management, and other issues. As a responsible corporation, the Group views ESG commitments as part of its responsibilities and is committed to incorporating ESG considerations into its decision-making process.

The ESG Governance Structure

The Group has developed a governance structure to ensure the alignment of ESG governance with its strategic growth, while advocating ESG integration into its business operations.

The Board holds the overall responsibility for the Group’s ESG strategies, management approach and reporting. To better manage the Group’s ESG-related issues, the Board examines and approves the ESG-related goals and targets, priorities, policies and frameworks, as well as reviews the progress towards their implementation and achievement with the assistance of the assigned personnel from various functional departments. Besides, the Board is also accountable for ensuring the effectiveness of ESG risk management and internal control mechanism through a periodical review against ESG-related issues.

The Group has designated personnel from various functional departments to facilitate the Board’s oversight of ESG issues. The said personnel are responsible for collecting and analysing the relevant ESG information, identifying and assessing the Group’s ESG risks, as well as planning and implementing ESG-related policies, guidelines and measures. The designated personnel from various functional departments also identify, evaluate and prioritise material ESG issues through materiality assessment, which are further reviewed, analysed and endorsed by the Board for report disclosure. In addition, the said personnel periodically report ESG-related matters to the Board for the evaluation, analysis and subsequent implementation or revision of the Group’s ESG strategies and management approach, and to ensure appropriate risk management on ESG issues.

REPORTING SCOPE

The senior management of the Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. The scope of the ESG Report is comprised of the provision of document management services, enterprise software solutions as well as insurance information analysis services, which form from the core business and revenue source of the Group and covers the Group's operations in Malaysia and the PRC where the Group's business is substantially operated. During the Reporting Period, the Group expanded its reporting scope to include the newly acquired business operation in the PRC.

The ESG key performance indicators (“KPIs”) data were gathered and analysed from companies and subsidiaries that are under the Group's direct operational control. The Group will continue to assess the major KPIs of different businesses and extend the scope of disclosures when and where applicable.

REPORTING STANDARD

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2021.

The Group attaches great importance to materiality, quantitative, and consistency during the preparation for the ESG Report. The Group has applied these reporting principles in the ESG Reporting Guide as the following:

Materiality: Materiality assessment was conducted to diagnose material ESG issues during the Reporting Period, thereby adopting the confirmed material issues as the focus of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board and the senior management. Please refer to the section headed “Materiality Assessment” for further details.

Quantitative: This ESG Report is prepared in accordance with the ESG Reporting Guide and discloses KPIs in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references; and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: The statistical methodologies applied to the ESG Report were substantially consistent with the previous year for meaningful comparison. If there are any changes that may affect comparison with previous reports, the Group will make explanatory notes to the corresponding section hereof.

The Group has established internal controls and a formal review process to ensure that any information presented in this ESG Report is as accurate and reliable as possible. This ESG report has been approved by the Board.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group from 1 January 2021 to 31 December 2021.

STAKEHOLDER ENGAGEMENT

The Group understands the success of the Group’s business depends on the support from its key stakeholders. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment. The Group has identified key stakeholders that are important to its business and established various channels for communication. Through general communication with various stakeholders, the Group understands their expectations and concerns, which in turn help the Group to make decisions, and assess and manage the ESG issues. The Group will continue to increase the involvement of stakeholders via constructive conversation in order to achieve long term prosperity.

Stakeholders’ expectations have been taken into consideration by utilising diversified engagement methods and communication channels as shown below:

| Stakeholders | Communication Channels | Expectations |
|---|---|--|
| Shareholders and investors | <ul style="list-style-type: none"> General meetings Financial reports Announcements and circulars Company website | <ul style="list-style-type: none"> Sustainable profitability Good corporate governance structure Shareholder return |
| Employees | <ul style="list-style-type: none"> Training activities, seminars and briefings Internal emails Suggestion boxes Regular meetings Performance appraisal | <ul style="list-style-type: none"> Remuneration and benefits Safe working environment Career development |
| Suppliers | <ul style="list-style-type: none"> Site visits Business meetings and discussions | <ul style="list-style-type: none"> Fair and open procurement On-time payment Sustainable relationship |
| Customers | <ul style="list-style-type: none"> Customer service hotline Emails Customer meetings | <ul style="list-style-type: none"> Possession of technical capability Ability to provide accurate and efficient processing Flexibility of customising software to meet specific needs |
| Government and other regulatory authorities | <ul style="list-style-type: none"> Written or electronic correspondence Visits and inspections | <ul style="list-style-type: none"> Legal compliance Stability in business operations |
| Media and the public | <ul style="list-style-type: none"> ESG reports Company website Financial reports Announcements and circulars | <ul style="list-style-type: none"> Transparency of ESG issues and financial disclosure Legal compliance Corporate governance |

The Group understands the importance of maintaining good relationships with its stakeholders and actively collaborates with them to ensure that their opinions on ESG-related risks and opportunities and the Group’s ESG performance can be voiced out through effective communication channels. In the long run, stakeholders’ contributions will aid the Group in understanding the ESG trend from their perspectives, improving potentially overlooked ESG performance and maintaining the success of the Group’s business in the challenging market.

MATERIALITY ASSESSMENT

The Board and the management which are responsible for the key functions of the Group have participated in the preparation of the ESG Report. They have assisted the Group in reviewing its operations, identifying relevant ESG issues and assessing their importance to the Group's businesses and stakeholders.

With the assistance of the designated personnel from various functional departments, the Group identified the list of material ESG issues for the Group, based on its business, the ESG Reporting Guide, and industry standard. To prioritise the identified material ESG issues, the Group conducted a material assessment survey during the Reporting Period. Management and employees of different business units and departments in offices of different locations were invited to evaluate the significance of the identified ESG issues to the stakeholders and the Group's business. The results of the materiality assessment were reviewed and approved by the Board.

Summary of the Group's material ESG issues according to its relative importance as assessed by the Group during FY2021 is shown as follows:

| Least material | Material | Most material |
|--|--|--|
| <ul style="list-style-type: none"> Air Emissions Greenhouse Gas ("GHG") Emissions Waste Management Energy Management Water Management Climate Change | <ul style="list-style-type: none"> Employment Practices Employee Training and Development Supply Chain Management Intellectual Property ("IP") Rights Community Engagement and Investment | <ul style="list-style-type: none"> Occupational Health and Safety Customer Privacy Protection Quality Services Customer Engagement and Satisfaction Business Ethics |

The identification and prioritisation of material ESG issues enable the Group to formulate relevant strategies in its development and guide the Group to attain sustainability goals to meet the expectations of the Group's stakeholders.

For FY2021, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report and/or the Group's performances in sustainable development by visiting: <https://www.clinksquared.com> or contacting us via email at investor_relations@cgroup.com.my.

ESG PERFORMANCE DURING THE REPORTING PERIOD

A. Environmental

A1. Emissions

Environmental protection and sustainable development rely on concerted and continuous efforts from all industries and society. In addition to complying with applicable laws and regulations, the Group is committed to minimising any adverse impacts on the environment by incorporating green practices in its daily operations. The Group endeavours to expand its business without exploiting the environment. Therefore, the Group continuously revises existing policies and incorporates new policies to mitigate potential direct and indirect negative environmental impacts arising from its business operations. In addition, the Group has set environmental targets in regard to GHG emissions, waste management, energy consumption and water consumption to enhance decarbonisation and address stakeholders' concern.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including but not limited to the Environmental Quality Act 1974 of Malaysia, the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the PRC, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

Exhaust Gas Emissions

The principal sources of exhaust gas emissions arising out of the Group's operation were petrol and diesel consumed by vehicles. In response to the above sources, the Group has actively taken measures to manage the exhaust gas emissions during its operation. Such measures will be described in the following section — "GHG Emissions".

Summary of exhaust gas emissions performance:

| Types of exhaust gas | Unit | FY2021 | FY2020 |
|---------------------------|------|--------|--------|
| Nitrogen oxides ("NOx") | kg | 105.11 | 97.04 |
| Sulphur oxides ("SOx") | kg | 0.25 | 0.25 |
| Particulate matter ("PM") | kg | 9.97 | 9.17 |

GHG Emissions

The principal GHG emissions of the Group were generated from petrol and diesel consumption by vehicles (Scope 1), purchased electricity (Scope 2) and business air travel (Scope 3). To reduce the Group's GHG emissions, the Group has set a target to gradually reduce GHG emissions intensity (tCO₂e/million revenue) by the year ending 31 December 2025 ("FY2025"), using FY2021 as the baseline year. To achieve this target, the Group has adopted the following measures:

Scope 1 — Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol and diesel consumed by vehicles in its operations:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Conduct regular maintenance on vehicles to ensure optimal engine performance and fuel use; and
- Switch off the engine when the vehicle is idling.

Scope 2 — Energy Indirect GHG Emissions

Electricity consumption accounted for a large percentage of GHG emissions of the Group. The Group has implemented measures to reduce energy consumption, said measures will be mentioned in "Aspect A2 — Use of Resources".

Scope 3 — Other Indirect GHG Emissions

Business air travel contributed to the category of other indirect GHG emissions. Realising that business air travel generates a large amount of GHG emissions, the Group only utilises business air travel when deemed necessary. Teleconferences and web conferences are the Group's preferred communication channels.

During the Reporting Period, the Group's total GHG emissions intensity (tCO₂e/million revenue) decreased by approximately 38.32% compared to the year ended 31 December 2020 ("FY2020"), which was mainly attributable to the effective GHG reduction measures and the implementation of work-from-home arrangement due to the COVID-19 pandemic.

Summary of GHG emissions performance:

| Indicators ¹ | Unit ² | FY2021 | FY2020 |
|---|--|---------------|---------------|
| Scope 1 — Direct GHG emissions | | | |
| • Petrol and diesel consumption | tCO ₂ e | 43.2 | 46.04 |
| Scope 2 — Energy Indirect GHG emissions | | | |
| • Purchased electricity ³ | tCO ₂ e | 506.56 | 564.04 |
| Scope 3 — Other Indirect GHG Emissions | | | |
| • Business air travel | tCO ₂ e | — | 0.77 |
| Total GHG emissions | tCO₂e | 549.76 | 610.85 |
| Intensity⁴ | tCO₂e/million revenue (RM) | 4.91 | 7.96 |
| Intensity⁵ | tCO₂e/employee | 3.20 | 3.57 |

Note(s):

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the 2020 TNB Sustainability Report issued by Tenaga Nasional Berhad, the 2019 Emission Reduction Project China Regional Grid Baseline Emissions Factor (《2019年度減排項目中國區域電網基準減排放因子》), and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
2. tCO₂e is defined as tonnes of carbon dioxide equivalent.
3. This data includes operations in Malaysia only. Since the electricity bill of the Group's office in the PRC is included in the management fee as a lump sum, the electricity consumption data is not available.
4. For the year ended 31 December 2021, the Group recorded a revenue of approximately RM111,901,000 (2020: RM76,719,000). Unless specified otherwise, the data is also used for calculating other intensity data.
5. As at 31 December 2021, the Group had approximately 172 employees (31 December 2020: 171 employees). Unless specified otherwise, the data is also used for calculating other intensity data.

Sewage Discharge into Water and Land

Due to the Group's business nature, there was no significant or unreasonable amount of sewage discharged by the Group into either land or water.

Waste Management

Hazardous Waste Management

Due to the Group's business nature, the use and the subsequent disposal of toner cartridges are inevitable. Therefore, the principal hazardous waste produced by the Group's operations was toner cartridges. The Group arranges collection of toner cartridges with a qualified waste collector for proper disposal. During the Reporting Period, approximately all of the hazardous wastes generated by the Group were lawfully disposed of by contracted third parties. The Group also arranges collection with contracted third parties to lawfully dispose of computers and other electrical waste and electronic equipment, should they become obsolete.

The Group remains vigilant to the management of proper hazardous waste disposal and ensures that the disposal process complies with applicable statutory requirements.

During the Reporting Period, the Group's total generated hazardous waste generated intensity (tonnes/employee) increased by approximately 33.33% compared to FY2020, which was mainly attributable to the increase in business activities.

Summary of major hazardous waste disposal performance:

| Indicators | Unit | FY2021 | FY2020 |
|--|------------------------------------|-------------|-------------|
| Toner cartridge ⁶ | tonnes | 6.40 | 5.66 |
| Total hazardous waste generated | tonnes | 6.40 | 5.66 |
| Intensity | tonnes/million revenue (RM) | 0.06 | 0.07 |
| Intensity | tonnes/employee | 0.04 | 0.03 |

Note(s):

6. This data includes operations in Malaysia only. Only an insignificant amount of toner cartridge is generated in the PRC.

Non-hazardous Waste Management

The principal non-hazardous waste generated by the Group is general waste from its offices. The Group did not note a disproportional amount of waste produced.

The Group places great effort in raising the awareness of its employees on the importance of reducing waste production. The Group maximises its efforts in reducing the amount of waste being disposed of at the landfills by establishing Standard Operating Procedures on Secure Data Disposal (“**SOP**”). The said SOP ensures that recyclable paper products of a sensitive nature are recycled after shredding.

Committed to further reducing waste generation, the Group has set a target to gradually reduce the total waste intensity (tonnes/employee) by FY2025, using FY2021 as the baseline year. To achieve this target, the Group has adopted the following environmentally friendly initiatives to enhance its environmental performance. Such green measures include but are not limited to:

- Reduce the use of single-use disposable items;
- Encourage the Group’s employees to avoid unnecessary printing needs;
- Promote paperless office by using electronic equipment and office automation system;
- Reuse and recycle paper products and boxes; and
- Recycle non-hazardous office and electronic equipment after their life cycle where possible.

During the Reporting Period, the Group’s total non-hazardous waste generated intensity (tonnes/employee) of decreased by approximately 54.55% compared to FY2020, which was mainly attributable to effective waste reduction measures and the implementation of work-from-home arrangement due to the COVID-19 pandemic.

Summary of non-hazardous waste disposal performance:

| Indicators | Unit | FY2021 | FY2020 |
|--|------------------------------------|-------------|--------------|
| General waste ⁷ | tonnes | 9.00 | 18.00 |
| Total non-hazardous waste generated | tonnes | 9.00 | 18.00 |
| Intensity | tonnes/million revenue (RM) | 0.08 | 0.23 |
| Intensity | tonnes/employee | 0.05 | 0.11 |

Note(s):

7. This data includes operations in Malaysia only. Only an insignificant amount of general waste is generated in the PRC.

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources, and is committed to optimising its use of resources in all of its business operations. The Group has established relevant policies and procedures governing the use of energy and water with the aim of achieving higher efficiency and reducing the unnecessary use of resources.

Energy Consumption

The energy consumed by the Group was mainly diesel and petrol for vehicles as well as electricity for daily operations. To better utilise finite natural resources, the Group has established an environmental policy to better govern the use of energy. To raise employees' awareness of energy-saving, the Group is committed to organising annual activities to promote energy conservation. The Group will also monitor the level of electricity consumption. If there is an unreasonable increase in electricity consumption, the Group will investigate and take corrective measures. Meanwhile, the Group has set a target to gradually reduce the energy consumption intensity (MWh/million revenue) by FY2025, using FY2021 as the baseline year. To achieve this target, the Group has adopted the following energy-saving measures:

- Install energy-efficient lighting;
- Ensure all idle appliances and unnecessary lightings are switched off either manually or through automatic sensors; and
- Conduct regular maintenance on air-cooling technologies and optimal timing controls.

During the Reporting Period, the total energy consumption intensity (MWh/million revenue) of the Group decreased by approximately 36.42% compared to FY2020, which was mainly attributable to effective energy saving measures and the implementation of work-from-home arrangement due to the COVID-19 pandemic.

Summary of energy consumption performance:

| Indicators | Unit | FY2021 | FY2020 |
|------------------------------------|---------------------------------|-----------------|-----------------|
| Direct energy consumption | MWh | 209.47 | 176.84 |
| Petrol | MWh | 47.86 | 40.99 |
| Diesel | MWh | 161.61 | 135.85 |
| Indirect energy consumption | MWh | 888.71 | 1,007.22 |
| Purchased electricity | MWh | 888.71 | 1,007.22 |
| Total energy consumption | MWh | 1,098.18 | 1,184.06 |
| Intensity | MWh/million revenue (RM) | 9.81 | 15.43 |
| Intensity | MWh/employee | 6.38 | 6.92 |

Water Consumption

Water is mainly consumed for domestic usage in the office during the Group's operation. The Group has always attached importance to the efficient use of water resources and formulated relevant policies to regulate the Group's water consumption. To reduce the Group's water consumption, the Group has set a target to gradually reduce the water consumption intensity (m³/employee) by FY2025, using FY2021 as the baseline year. To achieve this target, the Group actively promotes the importance of water conservation to its employees and has adopted various water-saving measures, including posting eye-catching reminders around washrooms and offices, regularly inspecting water taps to prevent leakage and installing dual flush water cisterns in toilets and water-saving thimbles in sinks where possible.

During the Reporting Period, the Group's total water consumption intensity (m³/employee) decreased by approximately 20.03% compared to FY2020, which was mainly attributable to effective water saving measures and the implementation of work-from-home arrangement due to the COVID-19 pandemic.

Due to the Group's business nature and its geographical location, the Group did not encounter any problem in sourcing water that was fit for purpose during the Reporting Period.

Summary of water consumption performance:

| Indicator | Unit | FY2021 | FY2020 |
|--|---|-----------------|-----------------|
| Total water consumption⁸ | m³ | 5,116.00 | 6,359.00 |
| Intensity | m³/million revenue (RM) | 45.72 | 82.89 |
| Intensity | m³/employee | 29.74 | 37.19 |

Note(s):

8. This data includes operations in Malaysia only. Since the water bill of the Group's office in the PRC is included in the management fee as a lump sum, the water consumption data is not available.

Paper Consumption

As an outsourced document management services provider, the Group inevitably uses a substantial amount of paper for the printing of documents such as leaflets, letters, envelopes and documentations for its customers for, among other things, marketing purposes and record keeping.

The Group nevertheless upholds its commitment to environmental sustainability and adopts other sustainable printing options internally. Green measures include the following:

- Use recycled paper instead of virgin paper when possible;
- Reuse single-sided waste paper;
- Procure paper products with Forest Stewardship Council Recycled Label when possible; and
- Adopt double-sided printing when possible.

The Group's provision of electronic document delivery services and enterprise software solution services aid enterprises in reducing paper consumption as documents can be transferred in electronic means and/or processed and stored online. This not only lowers the need for storage space but also reduces carbon emissions and the excessive use of paper products. The Group has also strengthened its marketing approach in promoting its digital solutions to its customers. The Group believes that its document management services will bring a positive impact to the environment and will reduce the reliance of enterprises on paper products in the long run.

Summary of paper consumption performance:

| Indicators | Unit (in thousand) | FY2021 | FY2020 |
|------------|--------------------|-----------|-----------|
| A3 Paper | sheet | – | 49.45 |
| A4 Paper | sheet | 66,485.60 | 70,158.75 |
| B5 Paper | sheet | 8,496.00 | 18,144.00 |
| Envelope | piece | 37,223.00 | 46,665.41 |

Use of Packaging Materials

Due to the Group's business nature, the use of packaging material was not considered to be a material ESG aspect to the Group during the Reporting Period.

A3. The Environment and Natural Resources

The Group realises its responsibility in minimising any negative environmental impacts in its business operations despite the fact that the Group does not produce harmful pollutants that directly affect the environment, nor does its business operations have a significant impact on natural resources. The Group nevertheless remains conscious of its existing and potential impacts, and therefore regularly assesses the environmental risks of its business model, adopts preventive measures and ensures compliance with relevant laws and regulations. For details, please see "Aspect A1 — Emissions" and "Aspect A2 — Use of Resources" above.

Indoor Air Quality

The Group considers that providing a pleasant and safe working environment to its employees is of paramount importance. Indoor air quality is therefore regularly monitored and measured. To maintain indoor air quality at a satisfactory level, air purifying equipment is placed in the Group's premises and the ventilation system is cleaned periodically. By adopting these measures, the indoor air quality of the Group's premises has been satisfactory.

A4. Climate Change

The Group recognises the importance of the identification and mitigation of significant climate-related issues. Therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. The Group has implemented relevant policies to identify and mitigate different climate-related risks as mentioned in "Aspect A1 — Emissions" and "Aspect A2 — Use of Resources" above. Additionally, the Group has performed a climate change assessment to identify and mitigate the potential risks that may arise from its business operations. The result of the assessment will be reviewed regularly by the management of the Group. Climate-related risks faced by the Group mainly stem from the following dimensions:

Climate-related Issues

Physical Risks

Increased frequency and severity of extreme weather such as typhoons, storms, and floods caused by heavy rains may adversely affect the economy, infrastructure and livelihood of the people in the regions where the Group conducts its business, including its production facilities. Severe weather events may also result in injuries, destruction of assets and disruption of its business operation due to power shortages or power failures. In response, the Group identifies these risks and prioritises those with severe impact to take precautionary measures. Concurrently, the Group explores the ways in which a change in business model is possible to mitigate or avoid these severe impacts on business operations.

Further, the supply of raw materials and logistics might be disrupted under extreme weather events. The Group may not have sufficient materials to meet its orders which may affect the Group's ability to meet the demand of customers and therefore this may also have an adverse effect on the Group's operations and financial performance. To avoid any material disruption to the sourcing or delivery of raw materials from its suppliers, the Group mainly procures from suppliers that are located in Malaysia.

Transition Risks

Attributed to the Malaysian government's commitments in achieving carbon-neutral, it is anticipated that more stringent policies and initiatives are likely to be implemented by the government to meet the carbon emission reduction targets and net-zero ambitions. As a Malaysia-based corporate, failing to comply with applicable laws and regulations might hinder its business operations and reputation. Therefore, in response to the policy and legal risks, as well as the reputation risks, higher capital investment due to the replacement of equipment with higher energy efficiency to ensure future compliance with the regulations is expected. The Group also regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the Board where necessary to avoid cost increments, non-compliance fines or reputational risks due to delayed response.

Opportunities

Recognising that the use of paper is one of the major contributors of carbon footprint and the increasing customer interest in sustainable products, the Group considers developing technologies that promote paperless office as a business opportunity. The Group's document management services can help enterprises facilitate a reduction in their paper consumption, reduce their storage needs, help backup and store their documents online, and further streamline the overall business process, all of which promote higher work efficiency and a reduction in carbon emissions. Therefore, the promotion of paperless offices will have a positive impact on the continued development of the Group's document management service market in the years ahead.

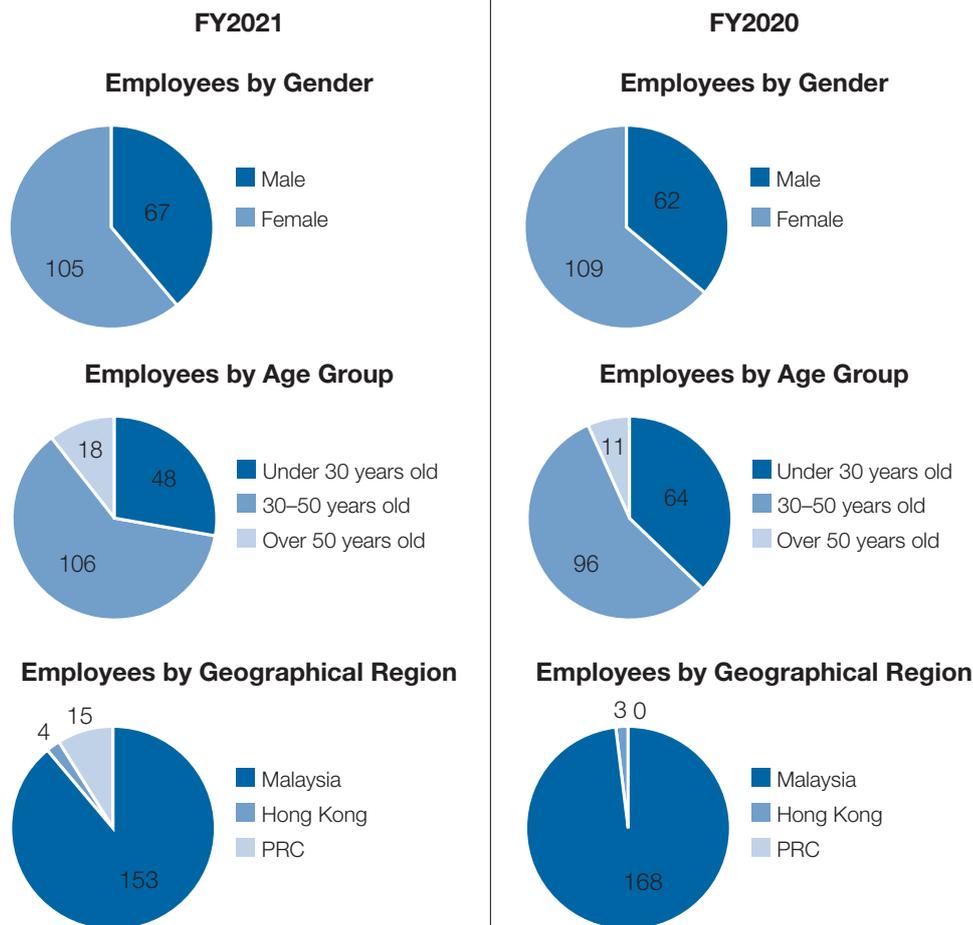
B. SOCIAL

B1. Employment

Employees are the most valuable asset of the Group and the Group's continued success relies heavily on its employees' talents and dedication. Therefore, the Group has adopted sound employment practices by establishing the comprehensive human resources ("HR") policies and procedures (the "HR Policies and Procedures") to cover every aspect of employment, including but not limited to the recruitment and management of staff, employee background checks, statutory obligations and compliance procedures and compliance with updated labour laws and regulations. The Group periodically reviews existing policies and employment practices to ensure the continuous improvement of its employment standards and competitiveness against service providers of the same industry.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Act 1955 of Malaysia, the Labour Law of the PRC and the Labour Contract Law of the PRC.

As at 31 December 2021, the Group had approximately 172 employees (31 December 2020: 171 employees); all of them were full-time employees. The distribution of employees of the Group according to gender, age group and geographical location are as follows:



During the Reporting Period, the Group's overall employee turnover rate⁹ was approximately 22.7% (FY2020: 24.4%). The employee turnover rate of the Group according to gender, age group and geographical region are as follows:

| Employee turnover rate ¹⁰ | Unit | FY2021 | FY2020 |
|--------------------------------------|------------|--------|--------|
| By Gender | | | |
| Male | percentage | 7.5 | 7.4 |
| Female | percentage | 32.4 | 17.0 |
| By Age Group | | | |
| Under 30 years old | percentage | 50.0 | 14.2 |
| 30–50 years old | percentage | 13.2 | 9.1 |
| Over 50 years old | percentage | 5.6 | 1.1 |
| By Geographical Region | | | |
| Malaysia | percentage | 25.8 | 24.4 |
| The PRC | percentage | – | – |
| Hong Kong | percentage | – | – |

Note(s):

9. The calculation formula of total employee turnover rate is shown as below:
 Total turnover rate = $X/Y * 100\%$
 X = Number of employees leaving employment during the year
 Y = (Number of employees at the beginning of the year + Number of employees at the end of the year)/2
10. The calculation formula of employee turnover rate by specified category is shown as below:
 Turnover rate by specified category = $X/Y * 100\%$
 X = Number of employees in the specified category leaving employment during the year
 Y = (Number of employees in the specified category at the beginning of the year + Number of employees in the specified category at the end of the year)/2

Recruitment, Diversity and Equal Opportunities

Sustainable growth of the Group relies on the diversity of talents and non-discriminatory recruitment process. The Group's employees are recruited from various sources which include the open market, online job postings, advertisements, company website, walk-ins, etc. via a robust, transparent and fair recruitment process based solely on their experience and expertise and without regard to their age, ethnicity, origin, gender identity, marital status, sexual orientation and religion.

The Group is of the firm belief that all employees should be provided with a working environment that enables them to be productive and work to the best of their abilities. Therefore, the Group is committed to creating and maintaining an inclusive and collaborative workplace culture. At the same time, the Group expects and asks for the cooperation of all employees in maintaining an environment free of discrimination and harassment. In addition, the Group emphatically states its zero-tolerance stance on any form of such behaviours in the workplace.

Benefits and Welfare

The Group understands that good benefits and welfare encourage retention and foster a sense of belonging. The Group offers attractive remuneration packages, including discretionary bonuses and allowances. In addition to the entitlement of leaves stipulated by relevant laws and regulations, the Group provides a variety of leaves to cater to the needs of its employees, such as emergency leave, marriage leave, compassionate leave, etc. Eligible employees are also eligible for overtime and medical claims.

Promotion and Performance Appraisal

Employees undergo a Performance Development Dialogue ("PDD") set up by the Group. The PDD is a 3-phase process that consists of a goal setting exercise, mid-year and year-end reviews. It is an on-going, two-way dialogue between the employee and their immediate superior which focuses on the employee's performance and development. Performance appraisals in the form of a written evaluation will also be performed on a regular basis. The results of such appraisals are used for employees' salary review and promotion consideration.

Working Hours and Rest Periods

Official working hours and rest periods are clearly stated in the Group's HR Policies and Procedures and are in accordance with relevant local employment laws.

Compensation and Dismissal

The Group compensates employees according to statutory provisions that cover employees who sustain personal injury by accident or disease arising out of the course of employment. Unreasonable dismissal under any circumstances is strictly prohibited. Dismissal will be based on reasonable and lawful grounds clearly stated in the Group's HR Policies and Procedures and in accordance with the relevant local employment laws.

B2. Health and Safety

Occupational Health and Safety Management

The Group places a high priority on providing employees with a safe and healthy working environment and is committed to complying with all applicable health and safety laws and regulations. The Company's Occupational Health and Safety Policy was drafted and subsequently implemented in accordance with the local law and regulations. The said policy includes controls on identified hazards and procedures and guidelines on emergency evacuation to ensure the health and safety of its employees.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Act 1994 of Malaysia, the Labour Law of the PRC and the Law of the PRC on the Prevention and Control of Occupational Diseases. There were no work-related fatalities in the past three years including FY2021 and no lost days due to work injury were recorded during the Reporting Period.

To identify various potential hazards in the workplace, the Group has adopted the Hazard Identification, Risk Assessment and Risk Control ("**HIRARC**") approach. The Group administers assessments adopting the HIRARC on an annual basis. The said approach provides a systematic and objective method to assess and control risks with an aim to safeguarding the health and safety of employees and mitigating potential hazards within the workplace.

The Group places great emphasis on ensuring that its employees receive adequate and appropriate training regarding workplace safety procedures. Therefore, the Group holds safety awareness training for its employees and encourages them to undergo continuous safety training. Safety awareness training not only covers potential risks that may happen in the workplace to mitigate workplace accidents, but also provides a first aid guide to its employees to ensure that suitable measures can be carried out during emergencies.

In view of the COVID-19 pandemic in Malaysia and the PRC, the Group has continued to implement different health and safety measures, such as making remote work arrangements, temperature screening and providing surgical masks and hand sanitiser in the offices. Clear guidelines are also in place to respond to situations where employees or their family members are found to have contracted the virus.

B3. Development and Training

Training and continuous development are indispensable to the Group's employees to keep abreast of the ever-changing trend of the industry and also to satisfy its customers' evolving needs. The Group holds a firm belief that the provision of training opportunities and continuous career development to its employees, which strengthens the professional capabilities and growth of the employees, retains high-calibre talent and provides a solid foundation for the Group's continuing success. At the same time, it also supports the sustainable growth of business and maintenance of the Group's competitive edge in the industry.

Provision of Training Opportunities

New employees are required to undergo an orientation to ensure that they are familiar with the Company's background and rules. On-the-job training will also be provided when necessary to reinforce employees' skills and knowledge. All employees are required to participate in the training conducted by the Group on information security awareness and safety awareness annually to ensure that they are aware of information security threats and health and safety hazards within the workplace. Moreover, employees are also encouraged to attend additional training sessions that are relevant to their jobs.

The Group provides financial subsidies to selected employees for external training courses to strengthen their job-related knowledge.

During the Reporting Period, the Group recorded approximately 88.37% (FY2020: 100.00%) of trained employees¹¹, with an average of approximately 5.30 (FY2020: 1.20) training hours per employee¹². The breakdown of percentage of employees trained and average training hours completed per employee is as follows¹³:

| Category | FY2021 | | FY2020 | |
|-----------------------------|---|--|---|--|
| | Breakdown of Trained Employee (%) ¹⁴ | Average training hours (hours) ¹⁵ | Breakdown of Trained Employee (%) ¹⁴ | Average training hours (hours) ¹⁵ |
| By Gender | | | | |
| Male | 34.87 | 4.57 | 36.26 | 1.26 |
| Female | 65.13 | 5.77 | 63.74 | 1.17 |
| By Employee Category | | | | |
| Senior Management | 1.32 | 1.33 | 4.09 | 1.86 |
| Middle Management | 5.92 | 5.00 | 8.19 | 3.00 |
| General Staff | 92.76 | 5.56 | 87.72 | 1.00 |

Note(s):

11. The calculation formula of percentage of trained employees is shown as below:
 $\text{Percentage of trained employees} = X/Y * 100\%$
 X = Number of trained employees for the year
 Y = Number of employees at the end of year
12. The calculation formula of average training hours per employee is shown as below:
 $\text{Average training hours per employee} = X/Y * 100\%$
 X = Total number of training hours for the year
 Y = Number of employees at the end of year
13. All the relevant training data excluded employees who left the Group during the year.
14. The calculation formula of breakdown of trained employee by specified category is shown as below:
 $\text{Breakdown of trained employee by specified category} = X/Y * 100\%$
 X = Number of trained employees in the specified category for the year
 Y = Total number of trained employees at the end of the year
15. The calculation formula of average training hours by specified category is shown as below:
 $\text{Average training hours by specified category} = X/Y * 100\%$
 X = Number of training hours for employees in the specified category for the year
 Y = Number of employees in the specified category at the end of the year

B4. Labour Standards

Prevention of Child and Forced Labour

The Group guarantees that no employee will be made to work against his/her will or be coerced to work. The recruitment of forced and child labour are strictly prohibited and all employees recruited by the Group are above the minimum working age. To prevent illegal employment of child and forced labour, personal data are collected during the recruitment process to assist the selection of suitable candidates and to verify candidates' identities. The HR department ensures that their identity documents are carefully checked. In circumstances where any individual below the legal working age or without any identification documents is hired, corrective actions will be taken immediately to rectify the situation, by terminating the employee and reporting to the relevant governmental authorities.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to Children and Young Persons (Employment) Act 1966 of Malaysia, the Labour Law of the PRC and the Labour Contract Law of the PRC.

B5. Supply Chain Management

The Group recognises the importance of good supply chain management practices in mitigating environmental and social risks. In view of green supply chain management, the Group strives to engage suppliers who incorporate the consideration of environmental and social risks into their supply chain management.

Procurement Practices

The Group's main purchases are paper and postal services. Meanwhile, the Group also procures other printing materials, including but not limited to letterhead portrait and continuous stationery. To govern the procurement procedures of the above purchases, the Group has established the Procurement Policy, which outlines the procedures of selecting, managing and assessing suppliers. During the supplier selection process, a number of factors, including but not limited to the supplier's ability to meet the Group's quality requirements, the supplier's reputation and the price of products or services, are considered. During the Reporting Period, all the Group's suppliers were engaged under the Procurement Policy.

The Group is aware of the environmental and social risks along the supply chain. In order to reduce social and environmental risks along the supply chain and to ensure suppliers are continuously meeting the Group's requirements and expectations, the Group maintains a Qualified Suppliers List which is approved and periodically reviewed by the Directors. Where possible, the Group strives not to over-rely on a particular supplier by maintaining more than one supplier for each type of products or services provided in order to ensure the stability of the supply chain. In any procurement process, quotation comparison should be performed, and a minimum of two quotations should be obtained from different suppliers.

In addition, regular assessments are performed by designated personnel to assess the suppliers' compliance with laws and regulations, reputation, quality and price of products or services provided. Any non-compliance of the suppliers to relevant environmental and social laws and regulations discovered by the designated personnel from the Group will be promptly reported to the management. Corrective action plan will be carried out to remediate the identified risk in a timely manner.

Moreover, the Group pays close attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. The Group encourages its business partners and suppliers to consider the risks posed to their operations from climate change and to actively mitigate their environmental impacts during supplier management meetings and events.

The number of suppliers by geographic region is as follows:

| | FY2021 | FY2020 |
|----------------------------------|-----------|-----------|
| Malaysia | 36 | 36 |
| The PRC | 6 | 2 |
| Total number of suppliers | 42 | 38 |

B6. Product Responsibility

The Group has quality and assurance procedures in place to ensure that the products and services provided are not only in compliance with relevant local laws and regulations, but are also of satisfactory quality.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Consumer Protection Act 1999, the Personal Data Protection Act 2010 and the Copyright Act 1987 of Malaysia, the Law of the PRC on Protection of Consumer Rights and Interests, the Advertising Law of the PRC, the Patent Law of the PRC, the Data Security Law of the PRC and the Personal Information Protection Law of the PRC.

Product and Service Quality

The Group attaches great importance to the quality of the products and services provided to the customers by strictly obeying the laws and regulations related to product quality. The Group has developed an internal control process to safeguard the quality of its products and to review the services provided. Meanwhile, as a responsible business operator, the Group provides a series of after-sale services. Follow-up work is well managed and relevant procedures are established in order to deal with the problems satisfactorily. The Group also actively seeks feedback from its clients to understand their demands and expectations, and will strive to make improvements based on their responses.

During the Reporting Period, the Group did not receive any material product or service-related complaints. Due to the Group's business nature, the Group's operations do not involve any product recalls.

Data Protection and Privacy

The Group endeavours to protect all sensitive information pertaining to its customers and to take reasonable measures to preserve the integrity of customers' data and prevent any corruption or loss of customers' data. The Group has established the Data Protection and Privacy Policy. The said policy covers topics such as the handling and disclosure of confidential information, data breach and incident management, policy review process. Besides, existing policies are reviewed annually to ensure that such policies continue to be compliant with local laws and regulations and industry regulatory requirements.

In particular, following the Group's acquisition of 51% of the equity interest in Qingdao Yongbao (which is principally engaged in the provision of outsourced insurance risk analysis services and insurance marketing services in the PRC) which completed in July 2021, the Group has reviewed its internal policies to ensure compliance with the relevant laws and regulations, including the Data Security Law of the PRC, the Personal Information Protection Law of the PRC and a series of relevant industry regulations and policies of the PRC. The Data Security Law of the PRC imposes data security and privacy obligations on entities and individuals carrying out data activities (including activities outside the PRC) that may affect national security, such as data transmissions. The Data Security Law of the PRC protects personal data security in general by requiring internet service providers to collect data in accordance with the PRC laws. The Personal Information Protection Law of the PRC sets out the regulatory framework for handling and protecting personal information and transmission of personal information. The Personal Information Protection Law of the PRC protects individual privacy in general by requiring internet service providers to obtain consents from internet users prior to the collection, use or disclosure of internet users' personal data. The Group has made corresponding changes in operations in accordance with the updates of these laws, regulations and policies and will continue to obtain legal advice in this regard to mitigate the relevant risks.

To further safeguard the customers' personal data privacy and the Group's confidential information, the Group spares no effort to ensure its employees understanding the importance and having proper knowledge in handling sensitive information. Employees of the Group are required to sign the Non-Disclosure Agreement, Employee's Service Agreement and Fidelity Guarantee Service Agreement.

IP Rights

The Group uses various IP rights, in particular, trademarks and software copyrights, in its daily business. The Group has established the Intellectual Property Rights Policy to diligently guard against any violation of its IP rights. The said policy states the identification, application and protection against infringement of IP rights. Any unauthorised use of the Group's domain names and/or other intellectual properties by the competitors in their corporate names or brands could harm the Group's image and erode its competitive advantage. The Group's IP rights are important corporate assets and the Group requires that they are used properly.

Customer Complaints Management

The Revenue and Receipt Policy established by the Group states the roles and responsibilities of different employees with regard to managing customers' complaints and expectations. Maintaining good communication with our customers is critical to the Group's continuous development. Feedbacks and complaints from the Group's customers are highly valued, therefore, the client relationship managers will also schedule regular meetings with customers to ensure that their needs and expectations of the Group's products are met.

Should the Group receive any complaints, the Group's client relationship managers will act as the point of contact for complaints from customers. Where necessary, the issue will be escalated to the Directors. The Group strives to act in a timely manner to resolve the issue with effective corrective and/or remedial actions. In addition, complaints received will be discussed and reviewed by the management during regular meetings to prevent re-occurrence. The Group has established a set of standard operating procedures for client servicing and production and training to new employees during probation to reduce the chance of receiving customer complaints.

Advertising and Labelling

Due to the Group's business nature, the Group considers that it has an insignificant amount of business dealing in relation to advertising and labelling matters.

B7. Anti-corruption

Solid corporate governance is vital to the Group's growth and development. The Group emphatically affirms its zero-tolerance stance regarding any behaviours that not only violate local laws and regulations but also severely damage the business integrity and reputation of the Group.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Anti-Corruption Commission Act 2009 of Malaysia and the Company Law and Criminal Law of the PRC. During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

The Group has established a formal Code of Conduct and Anti-corruption Policy that sets out appropriate methods in handling circumstances such as conflict of interests and corruption to comply with relevant laws and regulations. A summary of the Anti-corruption Policy of the Group is available on the Company's website. Employees are strictly prohibited to solicit personal gifts or donations. Under certain circumstances, the Group understands that it can be difficult to decline gifts, hence employees are allowed to accept the gift on behalf of the Group and is required to declare such courtesies and gratuities to the Head of Department.

Whistle-blowing Mechanism

The Group has an Anti-Fraud and Whistle-Blowing Policy that aims to provide employees with guidance and reporting procedures to encourage employees to report fraudulent, economic extortion, and illegal activities. A summary of the policy is available on the Company's website. Whistle-blowers are required to submit a written report to the Audit Committee regarding the suspected misconduct with supporting evidence. The Group will conduct a thorough investigation if necessary, upon making a preliminary analysis on the report. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation or discrimination. Therefore, the employee reporting in good faith under the whistle-blowing mechanism can be assured of the protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

Anti-Fraud and Anti-money Laundering

With reference to the Anti-Fraud and Whistle-Blowing Policy, the Group has incorporated a section regarding Anti-Money Laundering in order to raise employees' awareness on identifying possible fraudulent and illegal behaviours and provide suitable guidance on the reporting procedures should there be any suspected misconducts. The said policy safeguards the interests of the Group against material fraud risk and the risk of being used for money laundering.

Anti-corruption Training

The Group strongly emphasises on operational compliance and strict compliance with relevant laws and regulations in its business ethics. To ensure that all employees can perform their duties with high ethical standards and professionalism, the Group has arranged anti-corruption trainings and encouraged employees to actively learn about the latest development and future trends of anti-money laundering and bribery legal liability. During the Reporting Period, 2 Directors and 144 staff have participated in the anti-corruption training with training hours of approximately 12 hours and 864 hours respectively.

B8. Community Investment

The Group realises the importance of giving back to the members of the society and encourages its employees to engage in community services and voluntary activities to give back to the less-abled and financially challenged members of the public. To understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests, the Group has formulated the Community Investment Policy, which states its directions in engaging its employees in community participation and the selection criteria of suitable partners. The focus area of the Group is environmental concerns.

Owing to the COVID-19 pandemic, the Group has temporarily suspended the organisation and participation of charitable and voluntary activities during the Reporting Period. However, the Group has endeavoured to implement environmental-friendly measures in its business activities during the Reporting Period and its commitment to minimising negative impact to the environment and the community in its business operations remains resolute. Should the pandemic begin to ease off, the Group will reallocate its resources to focus more on social activities and contribute to the financially disadvantaged in the community. The Group plans to give back to society through more active participation in community programmes, which not only benefit society but also nurture a good corporate culture.