

ENRM REPORT

OVERVIEW



OUR PERFORMANCE IN 2022

- ▶ Electric and Hybrid Vehicles represent 5.6% in our personal use vehicle portfolio
- ▶ Annual carbon footprint is recorded at 10,308 kg CO₂, a saving of 50%
- ▶ Fully digitalized our claims submission and processing procedures
- ▶ 99% of our claim payments are made electronically
- ▶ Our corporate calendars and red packets are printed on environmentally friendly paper



OUR TARGETS

- ▶ To align our exposure on Electric and Hybrid Vehicles to industry's and consumers' demands
- ▶ To achieve 20% reduction in employees' commute carbon footprint
- ▶ To achieve 20% reduction in paper consumption
- ▶ Continually review and evolve our assessment on our business exposure in order to align with industry development

ENVIRONMENTAL FOOTPRINT

GOVERNANCE

We have a robust Enterprise Risk Management framework which identify, assess, manage and control the risk exposure as well as the analyses of the effects of the potential strategic decisions on the level of risk taking are an essential part of the operations of the Company.

The Board of Directors has the overall responsibility for the risk management of EQI, including setting of the risk appetite, organization and risk management and internal control systems. In particular, the Board is responsible to ensure that we incorporate environmental risk in our assessment and management of our financial and business risks.

Within this structure, the Chief Executive Officer has the ultimate responsibility for the implementation of risk controls in the business and financial operations. The Chief Executive Officer is supported by the management team of EQI.

OUR STRATEGY

In line with the MAS' Guidelines on Environmental Risk Management ("ENRM") for Insurers and Task-Force on Climate-related Financial Disclosures ("TCFD") recommendations, we strive to step up our efforts and capability to better assess our portfolio resilience against the exposure to climate-related risks and transition risks.

In this aspect, within the process of identifying material risks in new product and investment opportunities, we have integrated environmental risks in our assessment of these risk exposures.

We are keeping abreast with the development in consumers' insurance needs and regularly reviewing our range of product offerings and proprietary investment portfolio to establish areas or sectors that are most vulnerable.

RISK MANAGEMENT

In EQI, we have identified our main risks to include:

- Insurance risk – relating to underwriting and pricing insurance products and reserving payments for future claims.
- Financial risk – the risk relating to fluctuations in the value of financial assets (market risk), fluctuations in interest and foreign exchange rates, credit risk and liquidity risk, and
- Operational risk – the risk related to operations, brands and systems

We recognize that environmental risks can result in negative impact to the above risk categories. In that respect, we have established an ENRM framework within our Enterprise Risk Management policy such that in the execution of any new or existing operational activity, the Company will assess the risks in concurrent with environmental risk to ascertain its exposure.

We believe that a gradual and smooth transition would alleviate physical and transition risks, by reducing the probability of a "too little, too late" scenario, where physical costs of environmental changes may be exacerbated and policymakers would need to implement mitigation measures in a belated and disruptive manner.

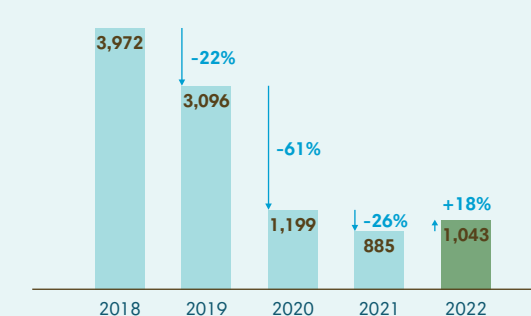
INSURANCE INDUSTRY IN SINGAPORE

While there is still an on-going deliberation between the regulators and insurers on the assessment of the insurance industry by climate-relevant sectors and the challenges of projecting such exposures due to the unavailability of information, we will continually review and evolve our assessment on our exposures due to the developing nature and maturity of this risk management practices.

Figure 1 - Electric And Hybrid Vehicle Count



Figure 2 - Paper Consumption (in terms of reams)



RESPONSIBLE UNDERWRITING

EQI generally does not write industries that have a direct influence on the environment, such as petrochemicals or fossil fuels.

We will progressively develop more product offerings to address consumers' needs, such as electric vehicles charging kiosks and renewable energy-related projects.

MOTOR PORTFOLIO

In particular, with the main global focus on a low carbon economy, we expect a direct risk to the Motor business resulting from policy changes that could potentially be imposed by the government in the development years ahead. Motor insurance, being EQI's largest top-line business, will be materially impacted if regulatory measures make it difficult for consumers to own fossil fuel vehicles.

In 2022, our personal use vehicle portfolio has 5.6% exposure to hybrid and electric automobiles. It has increased from 49 vehicles in 2017 to 558 vehicles in 2022, showing a compound annual growth rate of 50.0% (Figure 1).

We will continuously monitor the industry and align ourselves to the evolving market sentiments.

RESPONSIBLE INVESTMENT

To uphold our tenacity in investing responsibly, the investment managers with whom we have engaged for our proprietary investment portfolio, have integrated environmental, social and governance (ESG) analysis into their approach and in the evaluation of investment opportunities. They take a forward-looking and transition-based approach that takes not just the current and past ESG profile of an investment opportunity, but their assessment of its future trajectory. Together we

will periodically review our portfolio to ensure that it remains materially sustainable and minimize financial impact to the business.

RESPONSIBLE BUSINESS PRACTICES

MANAGE AND REDUCE CARBON EMISSIONS

To contribute to the reduction of Scope 3 carbon emissions, we have commenced the tracking our employees' commute carbon footprint and paper consumption.

EMPLOYEE COMMUTING

We are tracking the indirect emissions produced by our employees commuting between their residences and office. In the event that all employees return to office, the annual carbon footprint is expected to be 20,751 kg CO₂.

As EQI is dedicated to environmental preservation, we implemented a Work-from-Home Policy in 2022, requiring remote working at least once a week. Our overall carbon footprint as a result of this practice was 10,308 kg CO₂. This corresponds to a 50% reduction in the carbon footprint of employees' commuting when compared to full-time Work-from-Office set up, exceeding our objective of a 20% reduction.

PAPER CONSUMPTION

As a contribution to the cause, we have also established a paper-less culture and incorporated sustainability principles into our procurement practices by engaging suppliers certified by SGLS ("Singapore Green Labelling Scheme") and PEFC ("Programme for the Endorsement of Forest Certification").

Due to the Covid-19 pandemic, we have had the opportunity to urge our insured to 'go green'. In the absence of a request for hard copies, all our insurance policy documents are transmitted to our intermediaries or insured electronically.

As at end of December 2022, we have fully digitalised our claims submission and processing procedures. This eliminated the need for physical documentation and manual processing. Furthermore, EQI has achieved a 99% electronic claim payment rate.

On the whole, the adoption of a paper-less culture, coupled with behavioral changes as employees' transition to hybrid work arrangements, had resulted in a total paper consumption of 1,043 reams (2,602 kg) in 2022, an 18% increase over the previous year. This rise can primarily be attributed to the increased level of business activities during the year, as Singapore normalised and eased into living with COVID (Figure 2).

However, as compared to the pre-paper-less adoption exercise, EQI's paper usage has on average reduced by 34%.

Overall, EQI is proud to have met our compliance objectives for electronic claim payments and digitalisation of claims submission. We recognize the importance of sustainable business practices and the need to minimize our environmental impact. As such, we will continue to leverage on our digitalisation efforts by transforming paper-centric operations to electronic operating systems over time. EQI aims to continually reduce our average paper consumption by 20%.

SUSTAINABLE GIFTS

To reinforce EQI's brand value and enhance our brand image with our customers and business partners, we are increasingly shift towards eco-friendly corporate gifts to demonstrate our commitment to the cause and willingness to invest in environmental responsibility. In 2022, our corporate calendars and red packets are printed on environmentally friendly paper.