

# *Environmental, Social and Governance Report*

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## **ABOUT THIS REPORT**

### **Reporting Objectives**

The Company is a subsidiary of AFS and a member of the AEON Group and recognizes the importance of transparency and integrity as a key factor of corporate sustainability. This first Environmental, Social and Governance (ESG) report intends to give insight into the approach adopted and actions taken by the Company with regard to its operations and sustainability that have implications for the Group that should be of interest to stakeholders.

### **Reporting Scope and Period**

The content of this report was defined after taking into account the materiality of sustainability issues arising from the Group's operations. As a substantial part of the income of the Group comes from the Company's operations in Hong Kong, this report mainly highlights the ESG performance of the Hong Kong head office and branches for the period from 1st March 2016 to 28th February 2017. This reporting timeframe is consistent with the Company's financial year ended 28th February 2017.

### **Reporting Principles**

The Company expects to disclose its progress with regard to ESG issues annually, and this report has followed the ESG Reporting Guide in Appendix 27 of the Listing Rules.

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## MANAGEMENT APPROACH TO CORPORATE SUSTAINABILITY

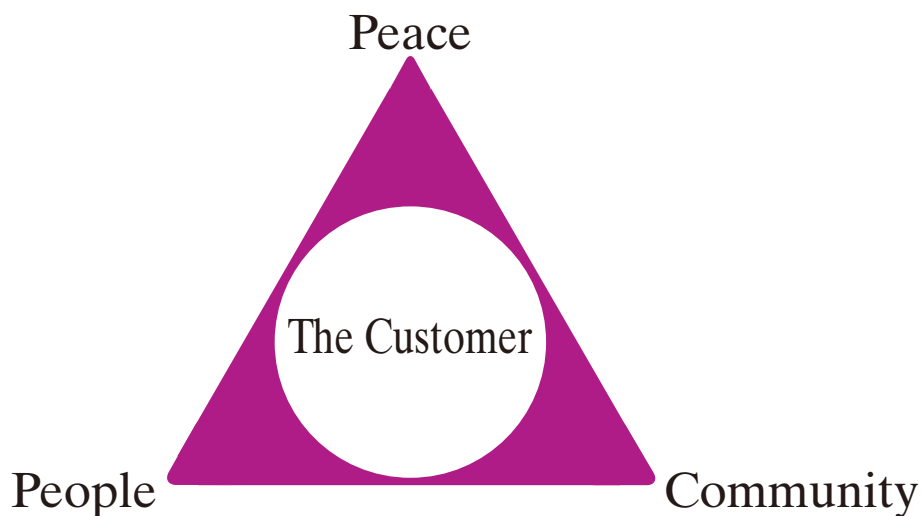
*Everything we do, we do for our customers!*

As a member of the AEON Group, the Company has inherited the AEON DNA as manifested in management philosophy. Together with our Board, top management and staff of all departments and functions, we strive to provide the best support to customers' lifestyles and enable them to maximize future opportunities primarily through effective use of credit.

### Corporate Governance from ESG Perspective

AEON Code of Conduct of AEON Japan reflects our commitment to guide and direct the future course of the Group. Every member of the AEON family of companies has taken on the challenge of promoting business innovation under the guiding principle that "everything we do, we do for our customers".

### AEON's Basic Principles



The word "AEON" means "Eternity" in Latin and our basic principles have illustrated our eternal mission to benefit our customers, and our operations are thus CUSTOMER-focused to the highest degree:

Peace – Our operations are dedicated to the pursuit of peace through prosperity.

People – We respect human dignity and value personal relationships.

Community – We are rooted in local community life and dedicated to making a continuing contribution to the community.

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AEON Code of Conduct charts the course for our future and helps us interpret our basic principles to know what actions we may need to take for the benefit of our “customers of the era ahead.”

Determined to be a socially responsible entity which actively promotes environmental protection and makes social contribution, the Company is committed to both providing quality service and preserving the environment for the benefit and further development of our community. We aim to do everything within our power to promote and apply our AEON Code of Conduct into practice in our daily operations. It is our hope that all our stakeholders will join us in sharing this sense of purpose, thereby developing stronger bonds of trust amongst all of us.

## Stakeholder Engagement

We value the importance of engaging with stakeholders in identifying material sustainability issues of relevance and importance, formulating business decisions, managing business operations, enhancing efficiency and identifying new business opportunities and the needs for community investment. We seek to develop long-term constructive relationships with our key stakeholders and engage with them through various formal and informal communication channels as well as independent and internal stakeholder exercises.



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We keep stakeholders informed of our business activities through our annual and interim reports, press releases, announcements and circulars and utilize e-communications that are easily accessible through the Internet. We regularly review and relay stakeholder feedback to relevant departments for corresponding follow-up actions.

## OUR KEY STAKEHOLDERS AND COMMUNICATION CHANNELS

Stakeholder	Major Concerns	Primary Communications Channels
Customers	<ul style="list-style-type: none"> <li>• Business Procedures</li> <li>• Information Security</li> <li>• Product/Service Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Loyalty events</li> <li>• Interaction at branch level</li> <li>• Newsletters and leaflets</li> <li>• Monthly statement inserts</li> <li>• Company website</li> <li>• Year-round publicity &amp; donation campaigns</li> <li>• Customer service hotline</li> <li>• Social media: Facebook fan page</li> <li>• AEON smartphone app</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Salary and Welfare</li> <li>• Training &amp; Development</li> <li>• Health &amp; Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Employee surveys</li> <li>• Newsletters and intranet</li> <li>• Meetings with employees</li> <li>• Orientation and exit interviews</li> <li>• Performance assessment</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Corporate Operations</li> <li>• Economic Performance</li> <li>• Information Disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meetings and investors' briefings</li> <li>• Interim and annual reports</li> <li>• Announcements, circulars and other corporate communications</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Brand Development</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing audits</li> <li>• Regular management meetings</li> <li>• Corporate events</li> <li>• Mass communications</li> </ul>
Community Partners	<ul style="list-style-type: none"> <li>• Resolving Social Issues</li> <li>• Philanthropy</li> </ul>	<ul style="list-style-type: none"> <li>• Community programmes</li> <li>• Volunteer service programmes</li> <li>• Year-round green partnership programmes</li> <li>• Visits and meetings</li> </ul>
Government & Regulators	<ul style="list-style-type: none"> <li>• Legal and Regulatory Compliance</li> <li>• Employment Protection</li> <li>• Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Correspondence</li> <li>• On-site inspection</li> <li>• Compliance reporting</li> <li>• Enquiries and clarifications</li> </ul>
Industry Associations	<ul style="list-style-type: none"> <li>• Industry Development</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and correspondence</li> </ul>

# Environmental, Social and Governance Report

AEON recognises that our people, business partners, community partners and other stakeholders are keys to our sustainability. We strive to achieve corporate sustainability through providing quality products and services to our customers, engaging with our people, collaborating with business partners and supporting our community. For this report, we conduct our engagement exercise with employees through sharing sessions facilitated by an external party. Essential feedback collected in this exercise are briefly summarised as follows:

- Provision of professional training and capacity building programmes to employees at different organisational levels helps ensure continuing compliance with the latest legal and regulatory requirements in the financial service industry;
- Practical corporate social responsibility programmes organised regularly are well received by employees and their participating family members. These programmes improve teamwork as well as work-life balance;
- Environmental initiatives and awareness are effectively reinforced through regular reminders to employees.

## Awards Achieved and other Recognitions



ISO 9001 - QMS / FS 513193

### ISO 9001 Standard for Quality Management System

This is awarded for implementing the best practices according to the ISO 9001 Standard for continuous improvement in customer service quality.

Scope of certification: Head office and branches since 2007



ISO 14001 - EMS 538444

### ISO 14001 Certification for implementation of Environmental Management System

This is awarded for implementation of energy-efficient methods in operational processes such as reduction in paper and electricity.

Scope of certification: Head office and branches since 2009

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ISO 27001 - ISMS / IS 500955

## ISO 27001 Certification for Information Security

This is awarded to the IT Division of the Company for implementation of the most stringent computer security policies and procedures for

- protection of customers' personal data;
- maintenance of confidentiality and integrity of customer data;
- availability of service to the satisfaction of customers.

Scope of certification: IT Division since 2006



Customer Satisfaction  
ISO 10002 / CMS 513194

## ISO 10002:2004 Certification for Customer Satisfaction – Complaints Management System

This is awarded to the Company for its complaint management system.

Scope of certification: Departments that handle complaints since 2007



Named Caring Company for 10 consecutive years – Hong Kong Council of Social Services

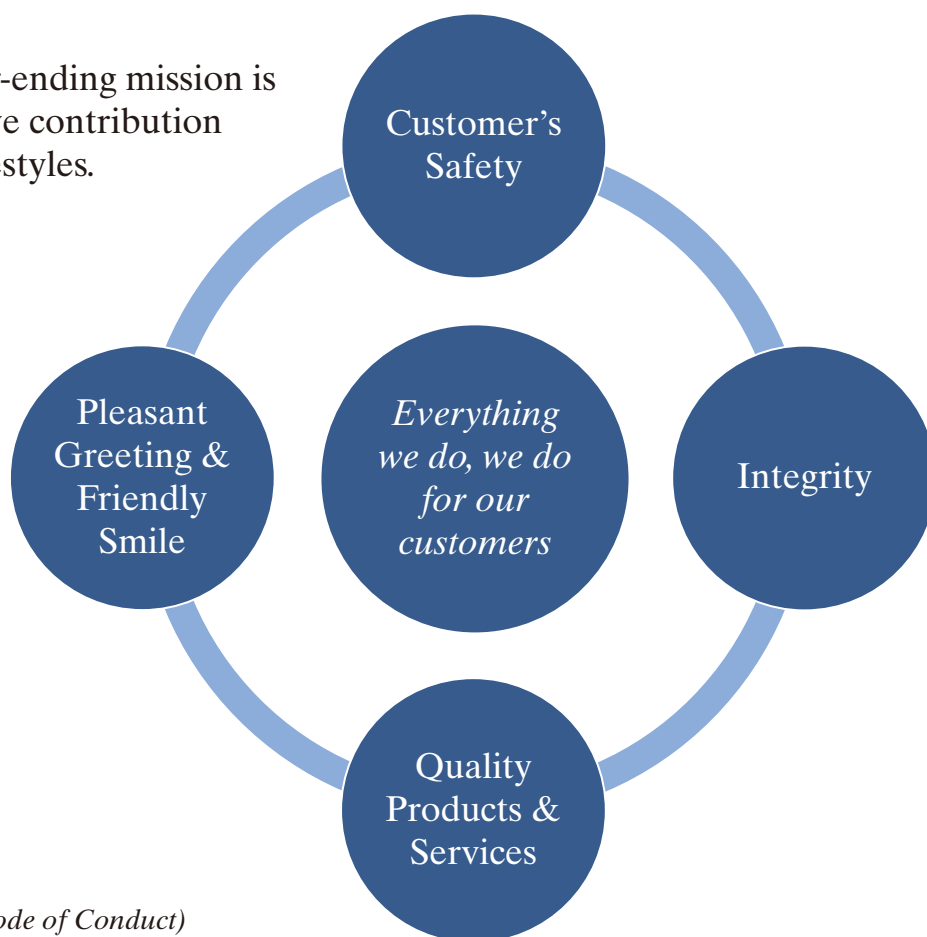


Manpower Developers of Employees Retraining Board – Manpower Developer Award Scheme

# Environmental, Social and Governance Report

## COMMITMENT TO OUR CUSTOMERS

**AEON**'s never-ending mission is to make a positive contribution to customers' lifestyles.



(Source: The **AEON** Code of Conduct)

Being one of the Hong Kong's leading credit card issuers and consumer finance service providers, we are committed to providing an exceptional customer experience and a consistently high standard of service to our customers in the hope of building long-lasting relations. Customer focus is a core value of AEON and we always put our customers as the top priority. Not only do we keep our promises to our customers and always act with integrity, we also offer our customers quality services at reasonable prices.

To earn and maintain the confidence and trust of our customers, we strive to uphold our professional quality services for our customers.

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## Quality Services for Customers and Responsible Marketing

Since 2007, the Company has been certified to ISO 9001 standard for Quality Management System, which is conducive to the provision of efficient services and improvement of our customer satisfaction through establishment and continuous maintenance of a quality management system.

Responsible departments of the Company are from time to time updated on the latest legal and regulatory changes relevant to the Company's businesses and operations. Advertisements of the Company are internally reviewed to ensure that they are not in breach of applicable laws or regulations, including but not limited to the Trade Descriptions Ordinance and the Competition Ordinance.

## Listening to Our Customers

We serve our customers through our 21 branch offices, 181 ATMs, customer service hotline, online enquiry forms and other channels. It is vital for us to manage and respond to customer feedback professionally and in a timely manner. We have developed Complaints Management System under ISO 10002 standard since 2007, and corresponding complaint handling flows have been constructed and further improved upon from then onwards for various settings (Branches or Customer Service Hotlines) and levels (from level 1 to level 5).

Types of Complaint	2015/16	2016/17
Service/product promotion	3	6
Service/product delivery	40	25

## Protecting Customer Privacy

With a growing number of transactions through online and offline platforms, we have to handle an increasing amount personal data of our customers with care. We have met the standard required for ISO 27001 Certification for Information Security Management System since 2006.

Each year, our staff members are required to attend relevant training on personal data protection and we have designated the Head of the Risk Management Department to serve as our Data Protection Manager.

In addition to the internal measures introduced, we have implemented a number of preventive measures to protect the personal data of our customers. For example, our ATMs have been fitted with keypad covers for greater privacy and some are installed with CCTV to ensure our customers' property and their privacy.



# Environmental, Social and Governance Report

In 2016/17, the Company did not receive any complaints related to the loss of customer data. However, it is noticeable that the sharp rise in phone scams has adverse impact on our customer confidence in telemarketing promotion.

## COMMITMENT TO OUR PEOPLE

Together with **AEON** People

You are **AEON**.

*When you deal with our business partners, you demonstrate to them through your sincere attitude and actions the “**AEON** like” spirit – something that cannot be imitated by other companies. This spirit should guide the attitude you project as you meet with other members of the community.*

*When you are assisting your customers, and when you spend time with your co-workers, your actions – even those that seem casual and inconspicuous – will accumulate to build the **AEON** Culture.*

*(Source: The **AEON** Code of Conduct)*

We regard our staff as our most valuable asset and we place significant emphasis on human capital. The total number of staff of the Group as at 29th February 2016 and 28th February 2017 was 622 and 584 respectively, in which 52% to 57% of them are stationed in Hong Kong.

# Environmental, Social and Governance Report

Year	2015/16	2016/17
No. of Staff	622	584
No. of Staff stationed in HK	321 (52%)	334 (57%)
Sex Distribution in HK		
– Male (M)	158	164
– Female (F)	163	170
Term of Employment in HK		
– Full Time	321	334
– Part Time	–	–
– Contract	–	–
Categories of Employees in HK		
– Senior Management	19	16
– Middle Manager	101	114
– Junior/Frontline Staff	201	204
Age Groups in HK		
– ≤17	–	–
– 18-25	49	65
– 26-35	128	111
– 36-45	83	92
– 46-55	40	42
– ≥56	21	24
Total Turnover Rate in HK	32%	20%
– by gender (M/F)	30%/39%	24%/18%
– by age group (18≤25/26-35/36-45/ 46-55/≥56)	55%/42%/25%/ 23%/5%	40%/21%/14%/ 14%/13%

We have been regularly reviewing our Employee Handbook (with the latest version released in March 2016 as its 21st edition). This Handbook provides detailed information for our employees about our Employment Policy, Welfare and Benefits, Leave and Rest days, Conduct and Discipline, Occupational Health and Safety Policy, Personal Data (Privacy) Policy, Equal Opportunity Policy and Guidelines related to Gifts, Entertainment, Prevention of Bribery as well as Conflict of Interests. All the employees are provided with a copy of the Employee Handbook upon joining the Company and they are regularly informed of any revisions and updates. They are aware of the measures to prevent and identify money laundering activities as well as the whistleblowing channels for reporting inappropriate conduct and other irregularities through training on the Company's relevant policies and guidelines.

All aspects of the Company's human resource policies and practices are determined and implemented in a manner strictly in compliance with all applicable laws and regulations.

# Environmental, Social and Governance Report

## Staff Remuneration and Benefits

Competitive staff benefits are keys to building an efficient team and work force that help deliver a high standard of service to customers. Our employees are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees and based on individual performance as well as our financial performance. New appraisal and self-assessment systems are implemented in stages to support our human resources development.

## Training and Development



In our effort to ensure consistent delivery of a high standard of service from our employees, we have formulated our Training and Development Policy in 2008 which had been revised to the current 5th version in 2011. This Policy is reviewed regularly to meet the changing training needs across frontline and backend departments and set out the approach to provide vital support to our executives along their career path.



**Sharing with Executives on AEON Code of Conduct**



**Training on Security Features of HK ID Card**

# Environmental, Social and Governance Report

We advocate cooperation and enable our employees to develop their full potential and contribute their diverse range of skills and experiences. Adequate training programmes are offered to assist their personal and professional growth. In addition, optimizing synergy among teams and departments has always been management's focus as an efficient way to enhance staff productivity and operational efficiency.

Internship programme was first launched in July and August 2016 to give tertiary students or recent graduates a taster what a working life can be like in the financial service industry. 8 of them took part in this programme.

Year	2015/16	2016/17
<b>Types of employee training</b>		
– Major categories	8	10
– No. of training programmes	15	30
– No. of training sessions	100	114
– Total training hours	278	489
– Total number of attendees	1,943	1,680
<b>Gender of employees</b>		
– Male – Attendance/Percentage	875/45%	806/48%
– Female – Attendance/Percentage	1,068/55%	874/52%
<b>Training Hours for Employee Categories/Percentage</b>		
– Frontline and Junior Staff	2,545/65%	3,255/68%
– Middle Management	789/20%	957/20%
– Senior Management	224/6%	199/4%
– Top Management/Board of Directors	–/–	220/5%
– Non-specific target groups	340/9%	139/3%

# Environmental, Social and Governance Report

In order to meet the ever-changing financial market and external environment, we have strengthened our training programmes in 2016/17 in order to enhance our capacity for ongoing development, as well as to accommodate and better support the continuing business growth. Additional and tailor-made training programmes have been provided to support the operation of various departments and employees at different developmental stages.

In late 2016, we had introduced various workshops to further familiarise our employees with AEON Code of Conduct and help internalise the guiding principles.

## Occupational Health and Safety

The Company endeavours to provide a safe and healthy working environment and we have issued Occupational Safety and Health Guidelines for the benefit of every employee. As most of the employees are office-based workers spending long working hours at their work station, we have offered training on health and safety awareness in an office setting. We have also conducted spot checks on work station arrangement to review the placement of monitor, keyboard and chair, in an attempt to prevent work-related injuries.

	2015/16	2016/17
No. of work-related fatalities	0	0
Rate of work-related fatalities	0	0
Lost days due to work injury/cases	365 days/2 cases	2 days/1 case

## Diversity, Inclusion and Equal Opportunities

AEON upholds the principles of diversity, inclusive work environment and equal employment opportunities to eliminate discrimination, harassment and vilification on the grounds of age, sex, marital status, disability, family status, race, colour, descent, national or ethnic origins, or religion. We are committed to provide equal opportunities among all employees in adopting an open and fair attitude when evaluating employees' performance in connection with all employment matters such as promotion, transfer, salary adjustment, training, dismissal and redundancy.

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We provide training and other awareness-raising activities to promote respectful behaviour and tolerant attitudes among staff, and have a formal complaint procedure for any employee who feels that they have been subject to discrimination, harassment and vilification.

## **Employee Engagement**

In order to build a harmonic workplace, we encourage regular communication between staff at all levels. Employees are regularly updated on the development of the Company and the wider AEON group through diversified channels activities such as annual dinner to boost office morale.

We conduct regular employee surveys on topics such as career aspiration and training needs to provide information for the Company to make better development plans.

In 2016/17, 21 staff members have been recognized by our senior management for serving in the Company for more than 10 and 20 years.

All employees who resign are asked to participate in an exit interview for the Company to find out more about their reasons for leaving. The Company may take appropriate action in case of identification of any significant emerging trend.

# Environmental, Social and Governance Report

## COMMITMENT TO OUR COMMUNITY

**AEON** aims to set an example as a good corporate citizen, working together with the community for its growth and the improvement of quality of life.



(Source : The **AEON** Code of Conduct)

The Company not only strives to provide a satisfactory return to our shareholders, but also takes pride in making charitable contributions to the local community.

# Environmental, Social and Governance Report

We recognize the importance of local communities to the continued success and growth of our business. We believe in working closely with local partners to enhance the positive impacts we can make to the development of the Hong Kong community.

## Volunteering



**Tree Planting Day 2016**

Under our adopted philosophy of “peace”, “people” and “community”, we have been organising and lining up our employees as well as their family members to participate in volunteering programmes. We take part in local community activities, including those for the benefit of the elderly and the deprived groups.

Other than serving the needy in the community, we have been contributing to the conservation of our environment through our 13th participation in Hong Kong Tree Planting Day to fulfill our mission of “Planting Seeds of Growth”.

29 employees together with their family members have joined us for the year 2016. This activity helps reduction of carbon emissions. It also raises our awareness about climate change and the importance of conserving our environment with concerted efforts.

## Giving

During the year, we have donated in total HK\$760,766 – to support educational projects through our AEON Scholarship. We believe our financial support to outstanding students can help nurture the future leaders for the community.

This year, we have supported a total of 54 students from the following universities:

### *Universities in Mainland China*

Peking University  
Sun Yat-Sen University  
Tsinghua University  
Shenzhen University

Nankai University  
Beijing International Studies University  
Qingdao University  
Ocean University of China

### *University in Hong Kong*

Lingnan University



# Environmental, Social and Governance Report

## Community Partnership

AEON believes that partnership with community organisations can create synergy and produce knock-on effects in creating a more caring community. In recent years we have developed local partnership in Hong Kong to help people in need.

One of the major partnership programmes is “UNICEF Young Envoys Programme”. Through our continuous sole sponsorship, Hong Kong Committee for UNICEF can provide a valuable opportunity for local youngsters to explore global and local issues in relation to children’s rights to survival, protection, development and participation. The participating youngsters can go through a comprehensive training and participatory journey including Leadership Training Camp, workshops, school project, social service project, community project and field visit. We believe that our sponsorship can widen the horizon and provide the future leaders with an opportunity for holistic development through this well-developed youth programme.







**UNICEF Young Envoys Programme 2016**

In addition to driving our support to some meaningful programmes, the Company also encourages our customers to support community development through their credit card bonus point donation. 106 credit card holders have channeled their HK\$17,300 – worth of donation via this bonus point scheme to support the conservation work of the World Wide Fund – Hong Kong.

The Company’s efforts and contributions to the local community have been recognized as one of the “Caring Companies” for the 10th years by the Hong Kong Council of Social Service. This label reflects our unflinching contribution and supports to various community programmes on environmental protection, education and cultural exchange.

# Environmental, Social and Governance Report

## COMMITMENT TO OUR ENVIRONMENT

-  AEON will implement all possible measures to use environmentally friendly materials in its operations. AEON is committed to reduce air pollution and aims to conserve resources and energy such as electricity, gas etc. by using these resources efficiently. AEON will comply with applicable laws and regulations of the HKSAR government regarding environmental protection.
-  AEON will establish environmental goals and targets, which will be reviewed periodically to continually advance and improve its efforts towards environmental protection.
-  AEON will encourage and support environmental protection activities, reforestation and other related social programmes.
-  All employees are made aware of this Policy through educational and training programmes.

*AEON Environmental Policy*

The Company is committed to support good environmental standards and to ensure implementation of environmentally friendly measures. Apart from the ISO 14001 Certification on Environmental Management System, Environmental Instruction, EMS Manual and Environmental Procedure Manual are regularly reviewed and updated with our relevant employees to facilitate regular environmental aspect evaluation at both head office and branch levels.

### Energy Consumption

We are committed to reducing energy consumption across our head office and branches. Knowing that our operations at various premises consume a significant amount of energy, we have introduced a number of measures to reduce our energy consumption. In addition to replacing the old facilities with energy-efficient equipment, we have encouraged our employees to join us in building a greener office, such as turning off all of the electrical appliances after office hours or not in use or setting them in energy-saving mode.

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## Green Office Measures in our Operation

Our major electricity consumption for Hong Kong operations have been summarised in the following table. Our ATMs have extended our service network to support the service needs of our territory-wide customers. We have estimated the electricity consumption incurred from 181 ATMs (of which 9 ATMs are located in our branches) accordingly.

Year	2015/16	2016/17
Office Areas	522,253	495,070
ATMs	206,123	206,123
Total Electricity Consumption/kWh	728,376	701,193

As our estimated electricity consumption amongst our ATMs are rather stable, the drop of electricity consumption in 2016/17 was mainly caused by our effective energy saving policies and concerted efforts from our employees. The 5% decrease in electricity consumption in office and branches may help reduce the adverse impacts on climate change.

## Carbon Emissions

Other than electricity consumption, transportation also contributed to the major source of carbon emissions to the environment. Our use of vehicles for local commutation and flight to overseas destinations for business trips had led to both direct and some indirect carbon emissions:

Major Sources of Carbon Emissions in AEON/tonne CO <sub>2</sub> -e*	2015/16	2016/17
Vehicle	5.962	5.793
Tree planting	(5.290)	(1.334)
Electricity consumption	418.399	403.498
Staff travel by air flights	7.032	17.238
Total carbon emissions from major sources	426.103	425.195

## Major Sources of Carbon Emissions in AEON Operation

\* Calculated in accordance with "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" issued by The University of Hong Kong and City University of Hong Kong. Other reference: "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by EPD and EMSD of the Government of the HKSAR.

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## **Paper Consumption and Waste**

It is inevitable that significant amount of paper has to be consumed in our daily operation. We need to use paper for purposes ranging from forms, customer communication, legal documents, internal documentation and record keeping. We have made use of information technology to reduce our paper consumption and safeguard our required documentation process. Our paper reduction approaches involve the analysis of our workflows for reducing or eliminating paper and opting for paper from alternative or sustainable sources where possible.

Since 2011, we have introduced green statement to all our customers and replaced these printed documents with PDF files and we have gained much support from customers as 20% of them have opted for electronic statements instead. We shall continue to promote this greener practice with our customers in the years ahead.

Our office paper consumption for daily operation in 2016/17 was 0.419 tonne which was 26% lower than the consumption rate in 2015/16. We have been encouraging all employees to reduce paper consumption for the sake of protecting the environment.

## **Recycling**

As part of our endeavour to reduce pollution caused by landfills, we have recycling facilities in place to collect wastes and encourage separation of wastes at sources at our head office.

In 2016/17, we have donated 2.013 tonnes of unwanted computer and IT related products to a charitable organization. We have been recycling a total of 0.243 tonne of plastic bottles collected from employees in the recent 2 years.