

Environmental, Social and Governance Report

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 second 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 2017 to 28th February 2018. This reporting timeframe is consistent with the Company’s financial year ended 28th February 2018.

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

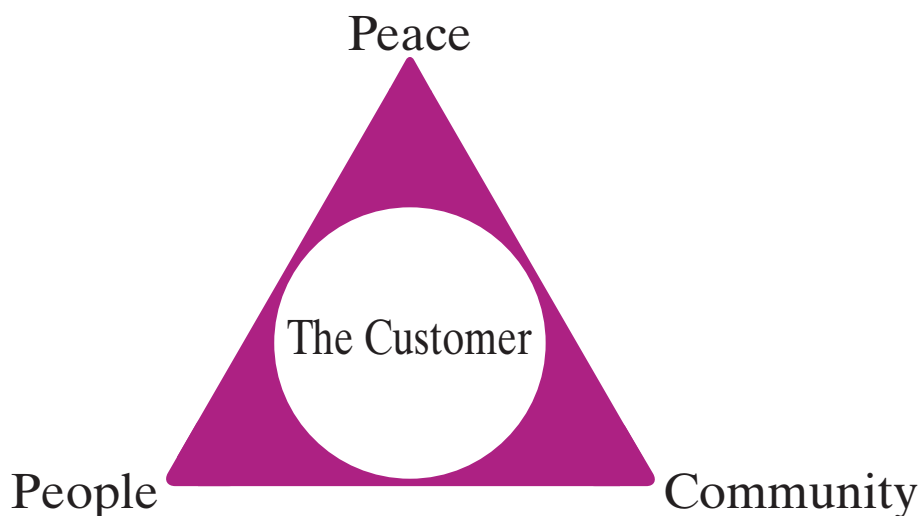
Everything we do, we do for our customers!

As a member of the AEON Group, the Company has inherited the AEON DNA as manifested in management philosophy. Together with our Board and other staff members 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"> • Business Procedures • Information Security • Product/Service Quality 	<ul style="list-style-type: none"> • Surveys • Loyalty events • Interaction at branch level • Newsletters and leaflets • Monthly statement inserts • Company website • Year-round publicity & donation campaigns • Customer service hotline • Social media: Facebook fan page • AEON HK Mobile App
Employees	<ul style="list-style-type: none"> • Salary and Welfare • Training and Development • Health and Safety 	<ul style="list-style-type: none"> • Employee surveys • Newsletters and intranet • Meetings with employees • Orientation and exit interviews • Performance assessment
Investors	<ul style="list-style-type: none"> • Corporate Operations • Economic Performance • Information Disclosure 	<ul style="list-style-type: none"> • Annual general meetings and investors' briefings • Interim and annual reports • Announcements, circulars and other corporate communications
Suppliers and other Business Partners	<ul style="list-style-type: none"> • Brand Development • Integrity and Sustainability 	<ul style="list-style-type: none"> • Ongoing audits • Best practice adoption • Regular executive committee meetings • Corporate events • Mass communications

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Stakeholder	Major Concerns	Primary Communications Channels
Community Partners	<ul style="list-style-type: none"> Resolving Social Issues Philanthropy 	<ul style="list-style-type: none"> Community programmes Volunteer service programmes Year-round green partnership programmes
Government & Regulators	<ul style="list-style-type: none"> Legal and Regulatory Compliance Employment Protection Business Ethics 	<ul style="list-style-type: none"> Correspondence On-site inspection Compliance reporting Enquiries and clarifications
Industry Associations	<ul style="list-style-type: none"> Industry Development 	<ul style="list-style-type: none"> Regular meetings and correspondence

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.

Awards Achieved and other Recognitions



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 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 Management System

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 11 consecutive years — Hong Kong Council of Social Services

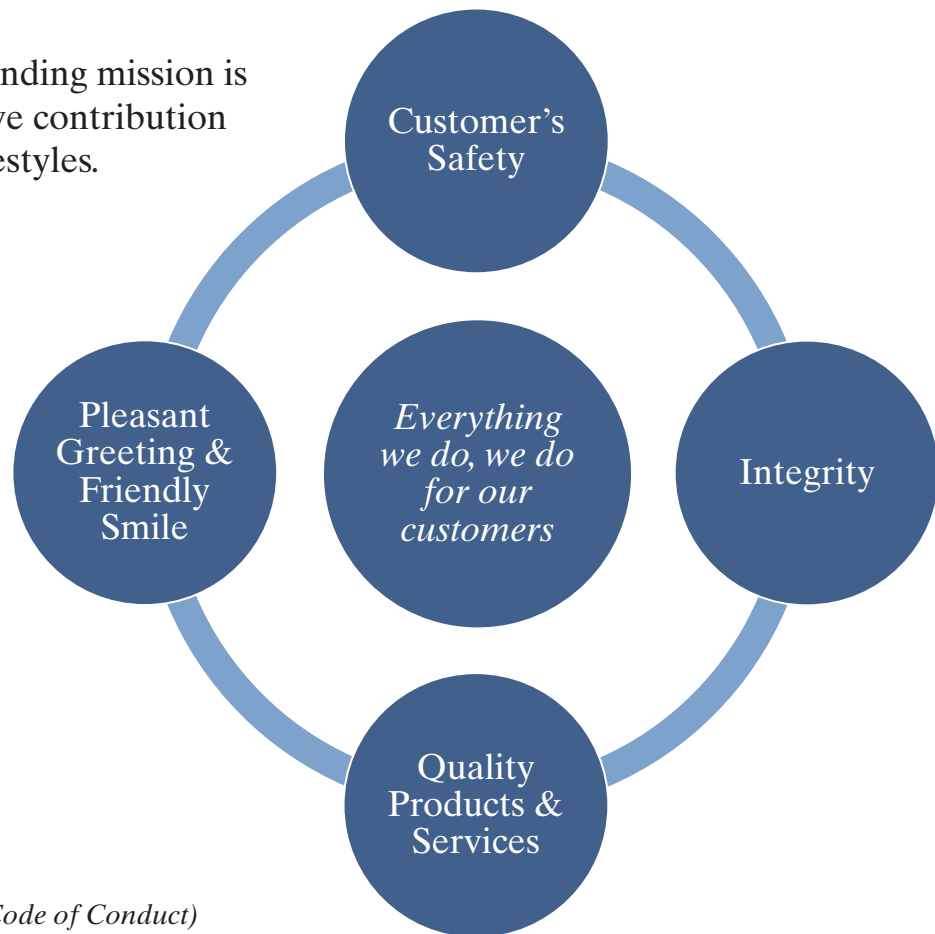


Manpower Developers of Employees Retraining Board — Manpower Developer Award Scheme

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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 and business practices of the Company are internally reviewed from time to time to ensure that they are not in breach of applicable laws or regulations, including but not limited to the Money Lenders Ordinance, Trade Descriptions Ordinance, Competition Ordinance, Personal Data (Privacy) Ordinance and Insurance Ordinance.

Listening to Our Customers

We serve our customers through our 22 branch offices, 175 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	2016/17	2017/18
Service/product promotion	6	6
Service/product delivery	25	48

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.

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In 2017/18, the Company did not receive any complaints related to loss of customer data. However, it is noticeable that the persistent rise in phone scams has adverse impact on our customer confidence in telemarketing promotion.

For the year ended 28th February 2018, the Company is not aware of any breach of laws or regulations relating to its products, services, operations or business practices.

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 28th February 2017 and 28th February 2018 was 585 and 575 respectively, of which 57% to 62% of them are stationed in Hong Kong.

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Year	2016/17	2017/18
No. of Staff	585	575
No. of Staff Stationed in HK	334 (57%)	357 (62%)
Sex Distribution in HK		
— Male (M)	164	162
— Female (F)	170	195
Term of Employment in HK		
— Full Time	334	330
— Part Time	—	—
— Contract	—	27
Categories of Employees in HK		
— Senior Management	16	13
— Middle Manager	114	107
— Junior/Frontline Staff	204	237
Age Groups in HK		
— ≤17	—	—
— 18-25	65	59
— 26-35	111	109
— 36-45	92	108
— 46-55	42	53
— ≥56	24	28
Total Turnover Rate in HK	20%	30%
— by Gender		
— Male	24%	13%
— Female	18%	17%
— by Age Group		
— 18≤25	40%	11%
— 26-35	21%	10%
— 36-45	14%	5%
— 46-55	14%	3%
— ≥56	13%	2%

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 to 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/anti-corruption 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 instances of bribery/corruption, 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.

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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 based on individual performance as well as our financial performance. New appraisal and self-assessment systems have been implemented to better identify human resources need and 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



Visit to Mongkok Branch by representatives from AEON Credit Service (M) Bhd

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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 program 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 program. In 2017, we continued with internship program and 10 students joined and completed this program.

In an attempt to bring in and develop talented graduates with exceptional technical skills and forward-thinking ideas for the future management of the Company, the graduate trainee program was first launched in July 2017. Throughout this two-year program, trainees undergo practical training through on-the-job rotation assignments. 15 trainees joined and remained on the programme for the year ended 28th February 2018.

Year	2016/17	2017/18
Types of Employee Training		
— Major Categories	10	11
— No. of Training Programs	30	37
— No. of Training Sessions	114	140
— Total Training Hours	489	558
— Total Number of Attendees	1,680	1,905
Gender of employees		
— Male — Attendance/Percentage	806/48%	810/43%
— Female — Attendance/Percentage	874/52%	1,095/57%
Training Hours for Employee Categories/Percentage		
— Frontline and Junior Staff	3,255/68%	2,868/48%
— Middle Management	957/20%	909/15%
— Senior Management	199/4%	194/4%
— Directors	220/5%*	414/7%**
— Non-specific Target Groups	139/3%	1,557/26%

* only included internal training

** included internal and external training

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In order to meet the ever-changing financial market and external environment, we have strengthened our training programmes in 2017/18 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.

For the year ended 28th February 2018, we organised 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 hours at their workstations, we have offered training on health and safety awareness in an office setting. We have also conducted spot checks on workstations arrangement to review the placement of monitor, keyboard and chair, in an attempt to prevent work-related injuries.

	2016/17	2017/18
No. of work-related fatalities	0	0
Rate of work-related fatalities	0	0
Lost days due to work injury/cases	2 days/1 case	3 days/2 cases

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 providing 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 2017/18, 13 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.

For the year ended 28th February 2018, the Company is not aware of any breach of laws or regulations relating to employment, occupational health and safety, labour standard or anti-corruption.

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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.

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

Volunteering



Tree Planting Day 2017

Under our adopted philosophy of “peace”, “people” and “community”, we have been organising and lining up our employees as well as their family members for volunteering opportunities. We have been contributing to the conservation of our environment through our 14th participation in Hong Kong Tree Planting Day to fulfill our mission of “Planting Seeds of Growth”. 34 employees together with their family members have joined us for the year 2017. 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\$771,000 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 50 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

University in Hong Kong

Lingnan University

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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 2017





have been recognized as one of the “Caring Companies” for the eleventh year by the Hong Kong Council of Social Service. This label reflects our unfailing contribution and supports to various community programmes on environmental protection, education and cultural exchange.

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. 120 credit card holders have channeled their HK\$20,400 — 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

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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.

Save as disclosed in this report, the Company is not aware of any significant impact of its activities on the environment and natural resources. Due to the nature of our industry and operational practices, intensity pertaining to the consumption of energy or other resources or to emissions is not regarded as relevant or material performance indicator.

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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Electricity used on our premises is the single largest contributor to our greenhouse gas footprint. 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 175 ATMs (of which 8 ATMs are located in our branches) accordingly.

Year	2016/17	2017/18
Office Areas	495,070	467,538
ATMs	206,123	203,396
Total Electricity Consumption/kWh	701,193	670,934

As our estimated electricity consumption amongst our ATMs is rather stable, the drop of electricity consumption in 2017/18 by 30,259 kWh was mainly caused by our effective energy saving policies and concerted efforts from our employees. The 5.6% decrease in electricity consumption in office and branches may help reduce any adverse impacts on climate change.

Greenhouse Gas Emissions

Other than electricity consumption, transportation contributed to the greenhouse emissions to the environment attributable to the Company. Our use of vehicles for local commutation and flight to overseas destinations for business trips had led to both direct and some indirect greenhouse gas emissions through burning of fuels:

Major Sources of Greenhouse Gas Emissions/tonne CO ₂ -e*	2016/17	2017/18
Vehicle	5.793	6.151
Electricity consumption	403.498	369.985
Staff travel by air flights	17.238	21.326
Total greenhouse gas emissions from material sources	426.529	397.462
Less: tree planting	(1.334)	(1.334)
Net greenhouse gas emissions from material sources	425.195	396.128

* 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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Consumption of Other Resources

It is inevitable that significant amount of paper has to be consumed in our daily operation. Even though no packaging material is used for our finished products, 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. We have gained much support from customers as 23.6% 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 2017/18 was 0.335 tonne, which was 20% lower than the consumption rate in 2016/17. We have been encouraging all employees to reduce paper consumption for the sake of protecting the environment.

Because of the nature of our industry, the volume of waste water is materially the same as the amount of water consumed. There is no issue in sourcing water or any significant potential to achieve tangible improvement in water efficiency in light of our current consumption solely for non-productive purposes. All waste water goes to the government sewage system. From our record, water consumed is approximately 7,340 litres for the year ended 28th February 2018, compared with approximately 6,885 litres for the year ended 28th February 2017.

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. No hazardous waste of any material amount is generated from our business operation. Total non-hazardous waste produced in 2017/18 was 8.4 tonnes.

We have been recycling a total of 0.408 tonne of plastic bottles and paper collected from employees in last year, compared with 0.067 tonne for the year ended 28th February 2017.

For the year ended 28th February 2018, the Company is not aware of any breach of laws or regulations relating to environmental protection.