

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Objectives

As a subsidiary of AFS and a member of AEON Group, the Company recognizes the importance of transparency and integrity as a key factor of corporate sustainability. This fourth Environmental, Social and Governance (“ESG”) report intends to give an updated insight on the Company’s approach and actions taken in its operations that have implications for the Group and sustainability and should be of interest to stakeholders.

Reporting Scope, Period and Approach

The content of this report was defined after taking into account the materiality of sustainability issues arising from the Group’s operations. As more than 90% of the total revenue 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 2019 to 29th February 2020. This reporting timeframe is consistent with the Company’s financial year ended 29th February 2020.

Consistent methodologies have been adopted to allow for a fair comparison over time and to provide a balanced picture of our ESG performance.

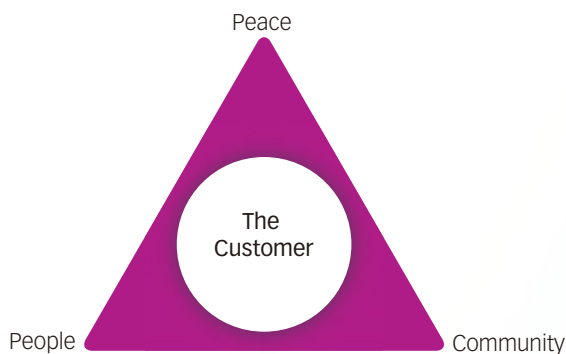
Reporting Principles

The Company expects to disclose its progress with regard to ESG issues annually, and this report has been prepared in accordance with the requirements as set out in the ESG Reporting Guide in Appendix 27 of the Listing Rules.

MANAGEMENT APPROACH TO CORPORATE SUSTAINABILITY

Committed to the belief that ‘everything we do, we do for our customers’, the Company has been continuously managing its business in line with the basic principles of “Peace, People and Community” as adopted by AEON Group (“AEON Principles”). Based on AEON Principles, the Company strives to provide best support to customers’ lifestyles and enable them to maximize future opportunities through effective use of credit. Sustainability initiatives of the Company, broadly aligned with established international frameworks such as the United Nation’s Sustainable Development Goals (SDGs), aspire to promote financial well-being of its customers and the wider community, to reduce negative impact to the environment from its operations, and to offer quality education opportunities, among others.

AEON Basic Principles



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.

AEON Principles have illustrated our eternal mission to benefit our customers. Our operations are thus CUSTOMER-focused to the highest degree.

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Corporate Governance from ESG Perspective

AEON Code of Conduct of AEON Japan reflects our determination to guide and direct the future course of the Group for the benefits of our stakeholders. It charts the course for our future, helps us interpret AEON Principles to know what actions have to be taken and how they should be done.

Determined to be a socially responsible entity, we endeavor to promote and apply AEON Code of Conduct into practice in daily operations. We hope all our stakeholders will join us in sharing this sense of purpose, thus strengthen the bonds of trust amongst us.

Stakeholder Engagement

We recognize the benefits of engaging those who are highly influential to our business, as well as those on whom our operations may significantly impact. Gaining a deeper understanding of stakeholder's opinion enables us to identify material sustainability issues, formulate business decisions, manage operations, enhance efficiency, identify new business opportunities and needs for community investment. Through various communications channels to keep stakeholders informed of our business activities, we seek to develop long-term relationships with stakeholders and engage with them through different channels (see table below). Stakeholder feedback will be reviewed and relayed to relevant departments for follow-up.

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 • Customer events • Service 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 • Short message service & multi-media messaging service • 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 communications • Meetings with employees • Orientation and exit interviews • Performance appraisal
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 and reviews • Best practice adoption • Corporate events • Mass communications
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

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For this report, we have conducted an engagement exercise with selected employees through questionnaire survey. Essential feedback gathered is briefly summarized as follows:

- Stable work environment helps keep employees motivated and make progress in career and development. One can realize own potential and be comfortable to be oneself in the environment recognising diversity and inclusion;
- Reasonable working hours and leave policy facilitates better management of work and personal commitments for a better work-life balance;
- Comprehensive training programs (including in-house AEON Code of Conduct training and refresher trainings on compliance issues) help strengthen understanding of the Company’s value and enhance knowledge of the money-lending practices as well as the regulatory requirements applicable to the Company; and
- Holistic coverage for employees under staff medical benefit schemes provide sufficient and flexible choices to meet most medical needs.

Rewards 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



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



Named Caring Company for 13 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

Being one of the Hong Kong's leading credit card issuers, we are committed to providing an exceptional customer experience and a consistently high standard of service to our customers to build a long-lasting relation. Customer focus is a core value. We believe that enhancement of customer satisfaction is our first priority for upholding our professional service quality. Not only do we always keep our promises to our customers and act with integrity, we also offer quality services at reasonable prices.



(Source: The AEON Code of Conduct)

Quality Services for Customers and Responsible Marketing and Business Practice

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 such as anti-money laundering and terrorist financing, trade descriptions and data protection.

To better comply with the requirements from the Registrar of Money Lenders concerning anti-money laundering and counter-terrorist financing, in addition to the Guide on Prevention of Money Laundering and Terrorist Financing and related training provided to our staff members, enhancements have been made to the due diligence and other operational procedures.

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Listening to Our Customers

We serve our customers through our branch offices, 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 and corresponding complaint handling flows have been constructed to further improve upon from then onwards for various settings (Branches or Customer Service Hotlines) and levels (from level 1 to level 5).

Types of Complaint	2018/19	2019/20
Service/product promotion	4	5
Service/product delivery	35	27

Protecting Customer Privacy

The Personal Data Protection Policy and Data Security Guidelines are put in place to ensure that, among others, personal data and privacy of our customers are protected. We have designated the Head of Operations Division to serve as our Data Protection Officer. Our staff members receive relevant personal data protection training each year.

In addition to the internal measures, we have implemented further preventive measures to protect the personal data of our customers. For example, we have been certified as compliant with the Payment Card Industry Data Security Standard (PCI DSS) for meeting certain security levels when storing, processing and/ or transmitting data of cardholders.

We have met the standard required for ISO 27001 Certification for Information Security Management System since 2006. In 2019/20, the Company did not receive any complaints related to loss of customer data.

For the year ended 29th February 2020, the Company is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices.

COMMITMENT TO OUR PEOPLE

Our staff are our most valuable asset and we place significant emphasis on human capital. The total number of staff of the Group as at 28th February 2019 and 29th February 2020 was 455 and 391 respectively, of which 73% and 86% of them are stationed in Hong Kong.

Year	2018/19	2019/20
No. of Staff	455	391
No. of Staff Stationed in HK	334 (73%)	338 (86%)
Sex Distribution in HK		
— Male (M)	168	176
— Female (F)	166	162
Term of Employment in HK		
— Full Time	333	338
— Part Time	1	0
	334	338
— Permanent	307	309
— Contract	27	29
	334	338
Categories of Staff in HK		
— Senior Management	11	17
— Middle Manager	113	120
— Junior/Frontline Staff	210	201

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Year	2018/19	2019/20
Age Groups in HK		
— ≤17	—	—
— 18-25	46	31
— 26-35	97	106
— 36-45	109	103
— 46-55	53	69
— ≥56	29	29
Total Turnover Rate in HK	36%	24%
— by Gender		
— Male	11%	9%
— Female	25%	15%
— by Age Group		
— 18-25	12%	4%
— 26-35	13%	8%
— 36-45	6%	6%
— 46-55	3%	5%
— ≥56	2%	1%

Our Employee Handbook (with amendments for the latest version approved in February 2020 as the 22nd Edition) has been regularly reviewed to provide detailed information 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. A copy of the Employee Handbook is provided to all employees upon joining the Company, and they are regularly informed of any revisions and updates. They have been provided with relevant information on the measures to prevent and identify instances of bribery/corruption and money laundering activities. The whistleblowing channels are put in place for employees to report inappropriate conduct and other irregularities.

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.

Staff Remuneration and Benefits

Competitive staff remuneration and benefits are keys to attract and retain talented individual of high caliber and motivate them to excel in their careers. 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. Refined appraisal and self-assessment systems have been implemented to more accurately identify human resources need and to support our human resources development.

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Training and Development

<p>Job-related Training Programme</p> <ul style="list-style-type: none"> • Introductory Training • Risk Management • Compliance & Corporate Governance • Finance Management 	<p>Managerial & Board of Directors' Training</p> <ul style="list-style-type: none"> • Directors' Training • Manager Development Programme • Promotional Training
	
<p>Staff Orientation Programme</p> <ul style="list-style-type: none"> • Company Principles & Structure • AEON Code of Conduct • ISO Training • Risk Management & Compliance • Service & Product Knowledge 	<p>Internship Programme</p> <ul style="list-style-type: none"> • Orientation • Job-related Skills Training & Visits • Soft Skills Empowerment



Summer Internship Programme

To ensure our employees deliver consistently high standard of service and to build and sustain a competent, professional, and ethical workforce that will contribute to the success of the Company, a diverse range of training programmes are offered to our employees to develop their full potential for contributing their own sets of skills and experiences. We have formulated our Staff Training and Development Policy in 2008, which had been revised to the current 6th version in 2020. 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.

Since 2016, the internship program has been launched to give tertiary students or recent graduates a chance to have a taste of the working life in the financial industry. 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 has been launched since July 2017. Throughout this two-year program, trainees undergo practical training through on-the-job rotation assignments. Both programs continued in 2019/20.

Year	2018/19	2019/20
Types of Employee Training		
— Major Categories	12	13
— No. of Training Programs	17	17
— No. of Training Sessions	153	166
— Total Training Hours	985	4,938
— Total Number of Attendees	1,501	1,887
Gender of Attendees		
— Male — Attendance/Percentage	773/51%	1,051/56%
— Female — Attendance/Percentage	728/49%	836/44%
Training Hours for Employee Categories/Percentage		
— Frontline and Junior Staff	1,341/47%	2,034/41%
— Middle Management	647/22%	2,067/42%
— Senior Management	310/11%	291/6%
— Directors	435/15%	139/3%
— Non-specific Target Groups	133/5%	407/8%

Note: Training above included internal and external training conducted in classroom or by e-learning

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In order to meet the ever-changing financial market and external environment, we have strengthened our training programmes in 2019/20 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 29th February 2020, we organized workshops and launched online training to further familiarize our employees with AEON Code of Conduct, laws and regulations on anti-corruption and anti-money laundering/counter-terrorist financing and some other areas, so as to help internalize the guiding principles.

Occupational Health and Safety

The Company endeavors to provide a safe and healthy working environment. The Occupational Safety and Health Guidelines is put in place for the benefit of all employees. 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. In addition to workstation risk assessment, we have also conducted spot checks on workstations arrangement to review the placement of monitor, keyboard and chair in further attempt to prevent work-related injuries.

Year	2018/19	2019/20
Occupational Health and Safety		
No. of work-related fatalities	0	0
Rate of work-related fatalities	0	0
Lost days due to work injury/cases	3 days/2 cases	5 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, sexual orientation, 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.

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 such as AFS group internal magazine 'As One' 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.

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 29th February 2020, 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



(Source: The AEON Code of Conduct)

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.

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.

We recognize 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 2019

Under the AEON Principles, we have been organising and lining up our employees and their family members for volunteering opportunities. We have been contributing to the conservation of our environment through our 15th participation in Hong Kong Tree Planting Day to fulfill our mission of "Planting Seeds of Growth". As a main sponsor of this event, which aimed at reducing carbon emissions and raising public awareness of climate change, around 100 employees and their family members participated this year.

Giving

During the year, we have donated in total HK\$630,000 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 85 students from the following universities:

Universities in Mainland China (in conjunction with AEON 1% Club Foundation, Japan)

- Beijing International Studies University
- Nankai University
- Peking University

- Shenzhen University
- Sun Yat-Sen University
- Tsinghua University

Universities in Hong Kong

- Lingnan University

- Hong Kong University of Science and Technology

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Community Partnership

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

“UNICEF Young Envoys Programme” is one of the major partnership programmes. We have donated HK\$800,000 to support the 2019 Programme. Through our continuous sole sponsorship, Hong Kong Committee for UNICEF continues to 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 participants can go through a comprehensive training and participatory journey including Leadership Training Camp, workshops, school project, social service project, community project and field trip visit. Through our sponsorship, we believe that the future leaders have a chance to widen the horizon and develop holistically.



UNICEF Young Envoys Programme 2019

In addition, the Company also encourages our customers to support community development through their credit card bonus point donation. 186 credit card holders have channeled their HK\$25,300 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 13 consecutive years by the Hong Kong Council of Social Service. This endorsement reflects our unflinching contribution and supports to various community programmes on education, cultural exchange and environmental protection.

COMMITMENT TO OUR ENVIRONMENT



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 as incorporated into the internal rules and regulations are regularly reviewed and updated 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.

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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 when not in use or setting them to energy-saving mode.

Electricity use on our premises is the single largest contributor to our greenhouse gas footprint. Our major electricity consumption for Hong Kong operations have been summarized in the following table.

Year	2018/19	2019/20
Office Areas	415,315	380,381
ATMs	158,299	61,620
Total Electricity Consumption/kWh	573,614	442,001

The drop of electricity consumption in 2019/20 by 131,613 kWh was mainly caused by the reduction in the number of ATMs and our continuing effective implementation of energy saving policies and concerted efforts from our employees. The approximately 22.94% 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 indirect greenhouse gas emissions through burning of fuels:

Major Sources of Greenhouse Gas Emissions/tonne CO ₂ -e*	2018/19	2019/20
Vehicle	5.81	4.88
Electricity consumption	314.984	298.033
Staff travel by air flights	23.812	28.936
Total greenhouse gas emissions from material sources	344.606	331.849
Less: tree planting	(5.686)	(10.30)
Net greenhouse gas emissions from material sources	338.92	321.549

* 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.

Consumption of Other Resources

Paper consumption is inevitable in our daily operation, even though no packaging material is used for our finished products. Paper is used for preparing forms, customer communication, legal documents, internal documentation and record keeping. By making use of information technology, we are able to reduce paper consumption and safeguard 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 printed documents with PDF files. 34.27% of our customers have opted for electronic statements. We shall continue to promote this greener practice with our customers in the years ahead.

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Our office paper consumption for daily operation in 2019/20 was 0.202 tonnes, which was 19.84% lower than in 2018/19. We have been encouraging all employees to work together towards achieving a paperless office for protection of 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 6,450 litres for the year ended 29th February 2020, compared with approximately 6,640 litres for the year ended 28th February 2019.

Recycling

We endeavor 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 operations. Total non-hazardous waste produced in 2019/20 was 9.79 tonnes. We have been recycling a total of 2.019 tonnes of plastic bottles and paper collected from employees in last year, compared with 1.622 tonnes for the year ended 28th February 2019.

For the year ended 29th February 2020, the Company is not aware of any breach of laws or regulations relating to environmental protection.