

Environmental, Social and Governance Report

Approach and Strategy

At Sun Hung Kai & Co. Limited, we believe in delivering long-term, sustainable value creation to our shareholders. In doing so, we recognise that the choices we make will have an impact on the communities in which we carry on our business, and we should make it a positive one. We have adopted a Sustainability Policy which covers our principles in the area of employment and labour practices, business integrity, the environment and the community. We are committed to contributing to the sustainable development of society and the environment, and shall endeavour to embrace these principles as part of our practice and governance.

This report outlines the Group's sustainability initiatives and selected Key Performance Indicators ("KPI") that are material to the Group and its stakeholders on Environmental, Social and Governance ("ESG") issues for the year ended 31 December 2017. This report supplements information disclosed in the Annual Report 2017.

Reporting Scope

Unless otherwise stated, the information in this report covers the operations of the following units and their subsidiaries in Hong Kong and Mainland China for the year ended 31 December 2017:

Sun Hung Kai & Co. Limited ("SHK&Co")
United Asia Finance Limited ("UAF")
Sun Hung Kai Credit Limited ("Sun Hung Kai Credit")

The subject areas and aspects are presented based on the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for listed issuers published by The Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide").

Materiality Assessment and Stakeholder Engagement

Amongst various environmental and social issues based on the ESG Reporting Guide, the below are the list of issues that are considered to be material and relevant to the Group. The priorities are set based on management's view as well as conclusions from our stakeholders' engagement. We regularly engage key stakeholders in daily operations through meetings, events, and other communication and feedback channels. A survey was also conducted with a sampling of staff from various departments (including customer relationship management which represents the customers' perspective)

and analysts to understand their specific views on the relevance and materiality of various ESG aspects. Based on management's assessment as well as the survey results, the aspects and KPIs relevant to this report's disclosure are set out as follows:

Material and relevant issues:

- Supply chain management (Aspect B5) general disclosure, KPI B5.1, B5.2
- Anti-corruption (Aspect B7) general disclosure, KPI B7.2

Other relevant issues:

- Emissions (Aspect A1) general disclosure
- Use of resources (Aspect A2) general disclosure, KPI A2.1
- The environment and natural resources (Aspect A3) general disclosure, KPI A3.1
- Employment (Aspect B1) general disclosure
- Health and safety (Aspect B2) general disclosure
- Development and training (Aspect B3) general disclosure, KPI B3.1, B3.2
- Labour standards (Aspect B4) general disclosure
- Product responsibility (Aspect B6) general disclosure, KPI B6.2, B6.5
- Community investment (Aspect B8) general disclosure, KPI B8.1, B8.2

All other KPIs not mentioned above were considered to be not relevant for detailed disclosure.

The following ESG issues are presented based on the classification of provisions by the ESG Reporting Guide.

A. Environmental Issues

The Group's Sustainability Policy encompasses our general approach towards environmental issues. We endeavour to:

- observe relevant laws and regulations and aim to go beyond minimum requirements;
- prevent/minimise air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;
- make efficient use of resources, including energy, water and other raw materials;
- minimise the impact of the Group's activities on the environment and natural resources; and
- engage our staff, customers and partners to promote green business practices and constantly re-assess our processes to minimise environmental impact.

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Increasingly, the Group's business is expanding into online platforms. The majority of transactions are carried out at UAF, our Consumer Finance subsidiary, and the proportion of loan transactions carried out online continued to rise. At the same time, the branch network in Mainland China reduced from 107 to 85. Apart from its positive impact on the business's growth and profitability, this trend has also helped reduce the overall environmental impact of the Group's business.

This report does not include the disclosure of all the environmental KPIs as they are not considered material or relevant as a conclusion of our stakeholder engagement as well as management's view. Instead, we have discussed our general approach and effort to reduce the Group's environmental footprint in various aspects.

Emissions (Aspect A1)

The Group is not involved in any manufacturing activities. Emissions produced directly by the Group only related to the executive passenger vehicles (14) and company boats (4) in Hong Kong and Mainland China. These are used for senior staff's local travel only as well as for entertainment. It is therefore that the scale and usage are immaterial given the size of the Group's assets and staff. Other emissions produced are mostly on a "second-degree" basis as incurred during occasional business travels which is infrequent.

The Group's investment and finance businesses are mostly carried out locally in offices and customer services branches in Hong Kong and Mainland China, or online. In line with our policy to minimise air and greenhouse gas emissions, the head offices in each city are equipped with video conferencing facilities to reduce the need for face to face meetings and keep business travelling to a minimum. Only a small percentage of employees travel for business. There are no relevant laws and regulations applicable to our business in this aspect.

Use of Resources (Aspect A2), and The Environment and Natural Resources (Aspect A3)

We have adopted a series of internal control policies and procedures to enhance the efficiency in consumption of resources including energy, water and other paper. With about 3,500 staff across the Group, we consume considerable amounts of electricity and paper, and with the efficient use of such, we hope to minimise our impact on the environment while we grow our businesses. Water consumption is not relevant to our business as it relates only to the personal consumption of our staff for their personal hygiene.

Environmental protection guidelines for energy savings and reduction in paper consumption are circulated to all staff at head office and branches. For instance, staff are reminded to switch off lights and equipment after work, during lunch break or during the time working outside the office and wherever possible.

Energy efficient office equipment is always preferred in making purchase decisions. During 2017, the Group's total electricity consumption was approximately 5.2 million kWh (2016: 5.6 million kWh).

In Hong Kong, UAF has joined the "Charter on External Lighting" (the "Charter") launched by the Environment Bureau since 2016, and the external lighting of advertising and shop signage be switched off after midnight. The purpose of the Charter is to minimise light nuisance and energy wastage.

Throughout the Group, many business processes were implemented to improve efficiency and to reduce paper usage.

Paper usage is being reduced with more use of online or mobile loan applications channels. For instance for UAF (which accounts for the largest proportion of the Group's transactions), 44% of new loans by the number of accounts were originated through these electronic channels in 2017.

Since 2016, paper statements have been replaced by electronic statements through either email or mobile apps for all types of revolving loan accounts. Starting from 2017, a service fee of HK\$20 was charged to customers requesting monthly paper statements with an aim to reduce paper usage.

Document Management Systems ("DMS"), a web-based application system which facilitates the storage, retrieval and management of documents, are used extensively by UAF and Sun Hung Kai Credit during business process, especially for the management of the large amounts of loan documents. The DMS allows staff to retrieve documents efficiently through designated PC terminals and reduces paper usage as the documents can be viewed on screen.

The Group also actively participates in recycling schemes. Old computers, printers, and toner cartridges are returned to suppliers.

In addition, an electronic platform is used by UAF and Sun Hung Kai Credit for internal administration and effective communication with all staff at head office and our extensive branch network. Staff can easily access company internal circulars, the employee handbook, relevant company policies, lending guidelines, as well as e-learning materials. In addition, customised human resources information system has been implemented by UAF and Sun Hung Kai Credit for leave application/ monitoring, staff performance review and employee profile management. The online e-platform enables staff to complete online enrolment for training/recreation activities and evaluation survey to replace paper usage in connection with such activities.

At SHK & Co corporate offices, a platform was also adopted for the internal administration work-flow. Since June 2013, electronic board papers were implemented, improving Board efficiency while saving paper. Our annual reports were printed on wood-free paper and lower "gsm" (grams per square meter) than the previous years to compensate for increased content. New designs were adopted to enhance readability while reducing the overall number of pages.

Except for the abovementioned, the Group's business has no direct impact on the environment and natural resources other than the consumption of electricity and papers as detailed above.

B. Social Issues

Employment, Health and Safety and Labour Standards (Aspect B1, B2, B4)

Being in the financial services industry, our people are our most important asset that drives the long-term development and sustainability of the Group. The Group's policy on employment is as follows:

- observing relevant laws and regulations;
- being an equal-opportunity employer, implementing fair practices relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for our staff;
- providing a safe, healthy and quality workplace and protecting employees from occupational hazards;
- promoting a good work-life balance for staff;
- investing in training and professional development of our staff for the purpose of improving their knowledge and skills for discharging duties at work;
- maintaining an open dialogue with our staff, facilitating a transparent two-way communication; and
- no child and forced labour.

In Hong Kong, the Group's employment of staff is governed by the Employment Ordinance, the Minimum Wage Ordinance, as well as the Employees' Compensation Ordinance. In Mainland China, staff employment is subject to the Labour Contract Law of the People's Republic of China ("中華人民共和國勞動合同法"). The Group has no known non-compliance with the above relevant regulations.

Our compensation and benefits (including working hours, rest periods, welfare) need to be competitive with other peers in the financial services sector and in general, far exceeds the minimum as required by the relevant regulations. Owing to the nature of our businesses, work-related injuries, occupational health issues and the incurrence of child labour are not significant risk factors.

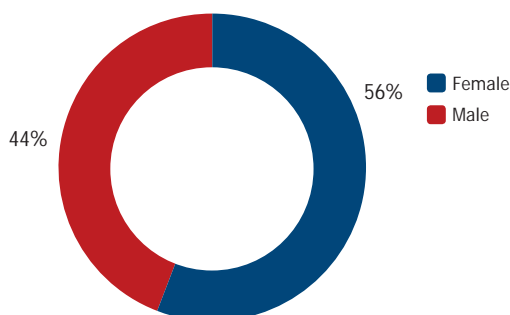
Further information on the Group's human resources is also detailed in the "Management Discussion and Analysis" section of this Annual Report.

The Group endeavours to provide a safe and pleasant working environment for our staff. On top of this, well-being programs such as those promoting a good work-life balance are regularly offered to staff such as the handling of stress and parenting skills. The Group also sponsors and organises various company teams across the Group for team sports and community service. Sports teams include dragon boating, soccer, basketball, bowling and charity marathon to name a few. Staff magazines are published to share Group, industry and staff news and to promote internal communication.

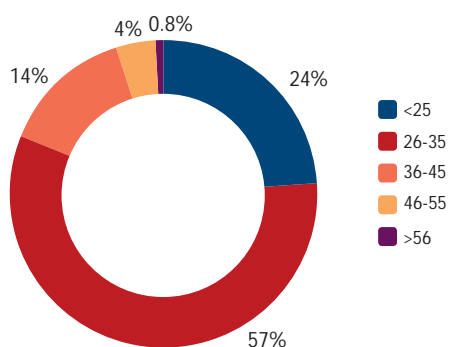
As at 31 December 2017, the Group employs a total of 3,589 staff, compared against 4,317 at the end of 2016 as UAF consolidated its consumer finance branches in Mainland China and increased its online presence.

Staff Breakdown (2017)

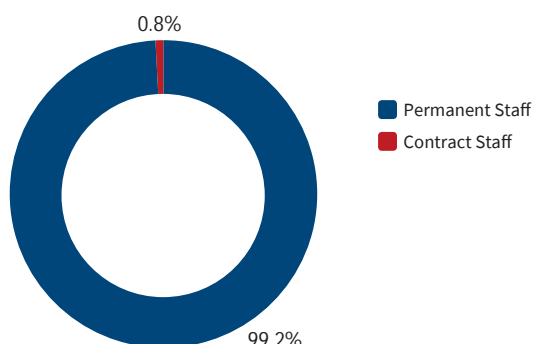
By Gender:



By Age Group:



By Employment Type



Human Resources and sustainability related awards:

- Good MPF Employer Award 2014-2017 (SHK&Co)
- Caring Company Award 2005-2018 (UAF); 2016-2018 (SHK&Co)
- Partner Employer Award 2016-2018 (UAF)
- ERB Manpower Developer Award Scheme 2012-2018 (UAF)
- Social Capital Builder Award 2016-2018 (UAF)
- Hong Kong Outstanding Corporate Citizenship Awards 2016-2018 – Enterprise Category (UAF)
- Hong Kong Outstanding Corporate Citizenship Awards 2016-2018 – Volunteer Category (UAF)
- Young Entrepreneurs Development Council – Long-Term Voluntary Service to the School-Company-Parent Program (10 years) 2016-2017 (UAF)

- Young Entrepreneurs Development Council – School-Company-Parent Program’s
 - Best Performance of School-Company Partnership 2016-2017 (UAF)
- Corporate Volunteer Long Service Award Five Years Plus – 2017 (UAF)
- Environmental Bureau – The Charter on External Lighting Award Ceremony 2017 (UAF)
- Hong Kong Green Organization Certification – Wastewi\$e Certificate 2017 (UAF)
- Happy Company 2016-2018 (UAF)
- Hong Kong Citizen Hong Kong Heart – Volunteer Ambassador Program 2017 (UAF)

Development and Training (Aspect B3)

The Group is committed to fostering a culture of continuous learning in our organisation. Heavy emphasis is placed on staff training which is tailored to equip our workforce with the necessary knowledge and skills relevant to their work, as well as to build our talent pool. Management is involved, together with professional trainers, in designing training programmes that meet the demands of the workplace. Training content and topics are set to cover the key aspects of our operations. These include:

Compliance and regulatory – general compliance, market and regulatory updates, prevention of bribery, bankruptcy laws, data privacy, the Money Lenders Ordinance (“MLO”).

Management skills and personal – leadership skills, supervisory skills, KPI setting, communication and interpersonal skills, creative thinking and problem-solving skills, self-development skills.

Job skills – language skills, computer skills, debt collection skills, customer service skills.

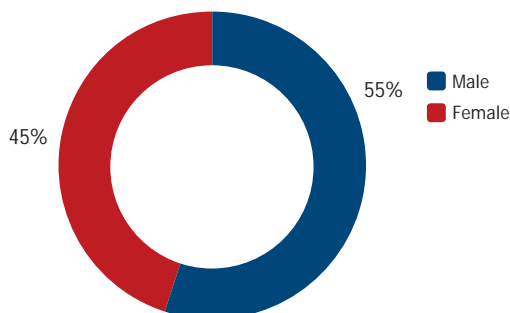
UAF has a comprehensive graduate training programme to train up talented university graduates for future advancement to the management team. The 25-month program provides training on their knowledge and skill sets for consumer financing industry.

On top of internal training, UAF and SHK Credit also provide a study subsidy for staff to advance their education outside of office hours. UAF Hong Kong has received the honour of “Manpower Developer” from the Employees Retraining Board every year since 2012.

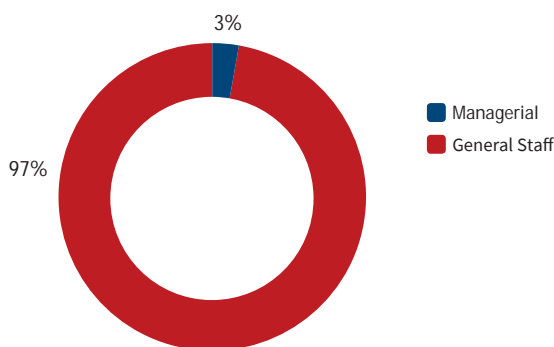
Staff training across the Group amounted to a total of around 82,000 hours.

Training Hours Breakdown (2017)

By Gender



By Grade



Percentage of Staff who Received Training

By Gender



By Grade



Supply Chain Management (Aspect B5)

The Group's general business suppliers include providers of information technology and communication, premises, legal and other business services as well as vendors for office supplies. These are not considered to pose significant social risks for our business and procurement decisions are based on pricing, suitability as well as the general reputation of suppliers.

For UAF and Sun Hung Kai Credit businesses specifically, external debt collection agents are engaged only after internal collection efforts have failed to collect overdue debts. More than 22 and 45 of such agents were engaged by the businesses in Hong Kong and Mainland China respectively. UAF and Sun Hung Kai Credit both have well-defined policies and procedures for the selection, monitoring of their debt collection agents. The agents are selected carefully based on track record of good practices and reputation. They are required to abide by a Code of Conduct and are subject to benchmarking, audits and rotation. As UAF and Sun Hung Kai Credit do not sell their receivables, they can retain control over the collection process. Under the Code of Conduct, the agents shall not:

- sub-contract, delegate the whole or any part of their duties under the debt service agreement with UAF and Sun Hung Kai Credit;
- violate the relevant laws and regulations; and
- engage in any action or conduct which is prejudicial to the business, integrity, reputation or goodwill of UAF and Sun Hung Kai Credit.

As part of monitoring these agents, regular surveys are conducted with customers and the general public for feedback. During 2017, the number of complaints received on debt collection is minimal, which is less than 0.01% of the UAF's and Sun Hung Kai Credit's customer base. We understand that this is a very low ratio by industry standards according to management's knowledge. Over the years, UAF's market share by customer numbers (outside of banks) in Hong Kong continued to lead as a result of its solid reputation.

Product Responsibility (Aspect B6)

The Group provides loan products to individuals and corporates in Hong Kong and Mainland China. These include private credit extended to corporates under the Principal Investments Segment of SHK&Co, consumer finance and small business loans through UAF, as well as mortgage loans through Sun Hung Kai Credit.

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In Hong Kong, all the relevant loan businesses above operate under the MLO, being licensed money lenders. In Mainland China, UAF's operations follow the regional guidelines announced by the provincial governments under the Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies as well as the Special Rectification Documents of their special working group on cash loans, internet loans and P2P loans including "關於規範整頓現金貸業務的通知", "關於印發小額貸款公司網絡小額貸款業務風險專項整治實施方案的通知(網貸整治辦函[2017]56號)" and "關於做好P2P網絡借貸風險專項整治整改驗收工作的通知(網貸整治辦函[2017]57號)". During the year, there were no known cases of non-compliance with the above laws or regulations.

In Hong Kong, the MLO focuses on borrowers' rights as well as lenders' practices. UAF, as a founding member of the HKSAR Licensed Money Lenders Association ("LMLA"), has led the drafting of the Code of Practice ("the Code") for the money lending industry. The Code was promoted for application by all the members of the LMLA including UAF and Sun Hung Kai Credit. The Code is a comprehensive framework of market practice and standard, developed based on the Hong Kong Monetary Authority's guidelines to banks, in the various business aspects such as customer relationships, know-your-customer, anti-money laundering, credit evaluation, collection and recovery and data privacy. UAF is on the executive committee of LMLA and leads the task force for regular review of the Code. UAF also holds regular dialogues with the Companies Registry (which reviews the licensing matters of money lenders) to discuss best practices and industry trends.

Across the Group we have approximately 210,000 customers the majority of which is from the UAF business in Hong Kong and Mainland China. As a market leader in Hong Kong, UAF runs an extensive advertising and promotion campaign. Customer relationship programs such as "member-get-members", bonus point schemes are in place. Customers can access UAF's loan services through our extensive branch network, phone application as well as on-line means in Hong Kong such as E-cash Revolving Loans or the mobile app. The Group places a very high priority to uphold customers data privacy. Measures and clear guidelines are in place and observed to ensure customers' adequate data are protected against unauthorised or accidental access, processing or erasure. Appropriate levels of security protection

were implemented by adequate physical, electronic and managerial measures to safeguard customers' personal data. In addition, all Hong Kong staff are required to complete a Personal Data Privacy Ordinance e-learning course annually.

Owing to the nature of the consumer finance business where debt collection is involved, reputational risk monitoring and preventions are of utmost importance. At both UAF and Sun Hung Kai Credit, various measures are in place to minimise risks. Results and response to collection efforts are monitored on a timely basis. Dedicated telephone hotlines are set up for customer complaints and dispute resolution. External agents engaged for collection are tightly monitored as discussed above.

Anti-corruption (Aspect B7)

A Whistle Blower Policy has been established to facilitate employees' direct reporting of any unlawful conduct, any incident of corruption, avoidance of internal controls, incorrect or improper financial or other reporting to senior management. This policy is placed on the corporate electronic platform to facilitate employees' easy access and reporting. As part of the financial control practice, the Accounts Department would also review any irregular expenditure to detect any unlawful conduct.

An internal control framework was adopted with stringent policies to undertake vigorous enforcement against corruption. All staff are subject to the provisions of the Prevention of Bribery Ordinance, which require staff not to offer or pay, solicit or accept anything of material value in exchange for some improper advantage from the companies.

All relevant staff in Hong Kong are required to complete Money Laundering & Counter-Terrorist Financing e-learning courses annually. ICAC seminar on anti-corruption is organised periodically for employees.

Community Investment (Aspect B8)

We strive to excel for our customers and undertake the responsibility of a good corporate citizen contributing to the community by encouraging our staff to enrol in charity and social services.

UAF had a long history of participation in volunteering activities to service our communities. It was also named a "Caring Company" by the Hong Kong Council of Social Service for 12 consecutive years. Since 2015, the UAF Volunteer Team has participated in community services projects serving the

underprivileged, such as low-income senior citizens, senior citizens living alone, children from low income families etc. As at 31 December 2017, UAF had a total of 53 volunteer members and served a total of 1,040 hours in various community activities during 2017.

The key activities in 2017 included the following:

- Po Leung Kuk: Elderly Visit and Gathering – Community Canteen
- HK Family Welfare Society: Cultural Preservation Trip for Elders
- Po Leung Kuk: Eastern Green Community Station Visit
- Po Leung Kuk: Roof Greening for Po Leung Kuk Elderly Centre
- St. James Settlement: Environmental Protection Education for Children from Low Income Family – City Fisherman Experience Day
- St. James Settlement: Go Run Together Charity Run 2017

Apart from charitable activities, the Group is also actively involved in the community via our participation as well as our senior management's roles in industry organisations, schools, chambers and NGOs. By sharing our knowledge and best practices, we aim to contribute to the long-term development of the communities we operate in.

Industry Organisations and NGO Participation of the Group and Senior Management

SHK&Co

The Chamber of Hong Kong Listed Companies Committee
Member (Committee Member)

The Malaysian Chamber of Commerce (Hong Kong and Macau) Ltd. (Corporate Member)

The Hong Kong Investor Relations Association (Corporate Member)

UAF

The HKSAR Licensed Money Lenders Association
(Founding member, Chairman, Executive Committee Member and Secretary)

New Asia College, The Chinese University of Hong Kong
(Trustee member)

Shenyang Micro-credit Company Association (Vice Chairman)

Yunnan Province Microcredit Association (Vice Chairman)
Shandong Micro-credit Association (Vice Chairman)
Tianjin Association of Micro-credit (Executive Director)
Hong Kong and Macau Taiwanese Charity Fund (Director)
Shenzhen Microfinance Industry Association (Director)
Shenzhen Credit Association (Director)
Liaoning Micro-credit Company Association (Director)
Chongqing Microcredit Association (Director)
Dalian Microcredit Association (Director)
Wuhan City Association of Microfinance (Director)
Hubei Micro-credit Company Association (Director)
Heilongjiang Province Association of Microcredit Companies (Director)
Nanning Micro-credit Industry Association (Director)
Sichuan Association of Microcredit (Member)
Beijing Microfinance Industry Association (Member)
Liaoning Micro-credit Company Association (Member)
Hubei Association of Enterprises with Foreign Investment (Member)
Shanghai Association of Micro-Credit (Member)
Shanghai Association of Foreign Investment (Member)
The Chamber of Commerce of Beicai Town, Pudong, Shanghai (Member)
Guangxi Micro-credit Company Association (Member)
Qingdao Micro-Credit Cooperation Development Association (Member)
Shandong Micro-credit Association (Member)
Shenzhen Internet Finance Association (Member)
Liaoning Area Financing Guarantee Association (Member)

The Group's total charitable donations during the year amounted to approximately HK\$23 million, benefiting causes for education, health, and charity services for the underprivileged.

In addition the Sun Hung Kai & Co. Foundation (the "Foundation") sponsored by the Company also served as a platform for the Group and its business associates and partners to support our community, in particular, to improve the lives of the underprivileged. The Foundation's principal interests are in the areas of poverty relief, education and the environment. As we look to the future, we will continue to devote our time, resources and capital to fostering a stronger and sustainable Hong Kong. Sponsored by the Company, the Foundation is an independently registered charity in Hong Kong.

新鴻基有限八