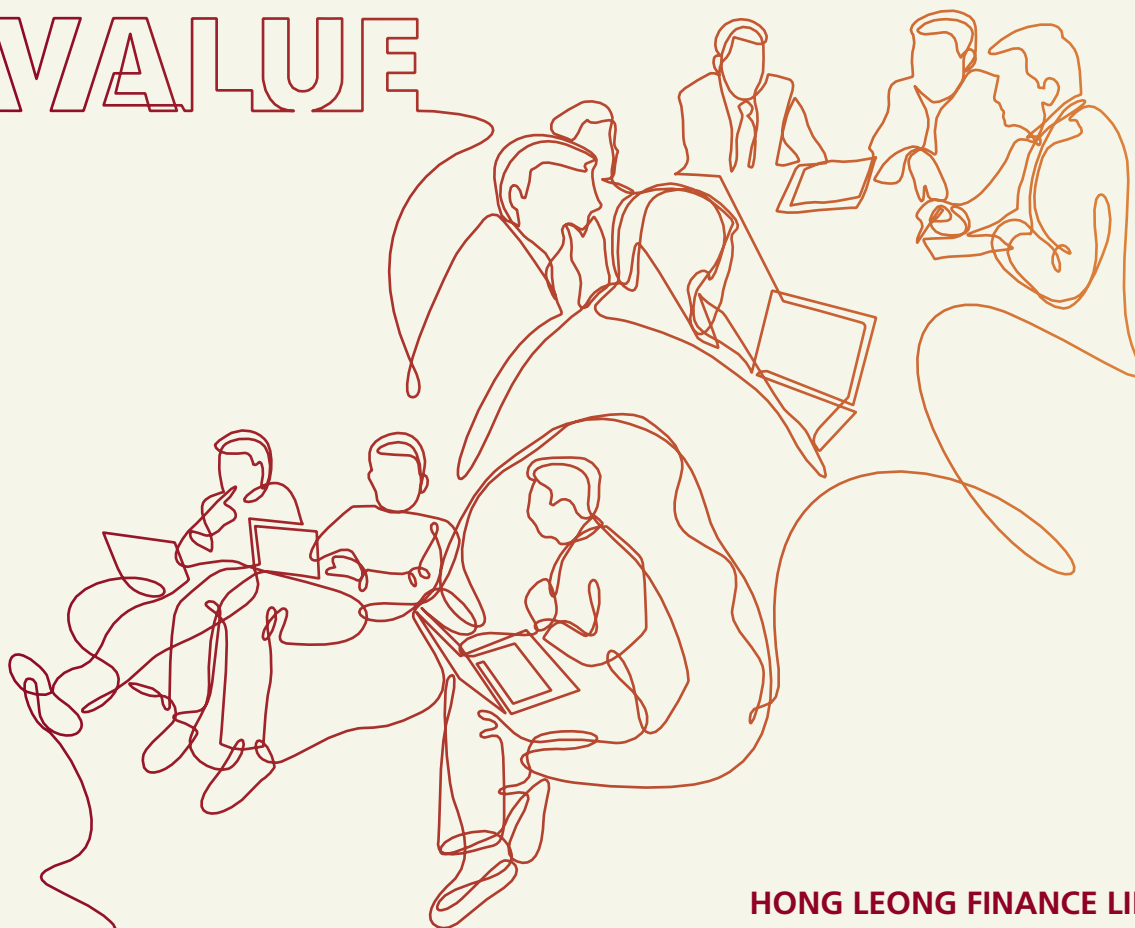




HONG LEONG FINANCE



# CREATING SUSTAINABLE VALUE



**HONG LEONG FINANCE LIMITED**  
SUSTAINABILITY REPORT 2017

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## ABOUT THIS REPORT

Hong Leong Finance's ('HLF' or 'the Company') inaugural sustainability report ('SR') provides an overview of our approach, priorities and progress in the area of sustainability for FY2017.

The continuous-line design theme used in the 2017 Annual Report ('AR') was adapted for this SR to emphasise how Sustainability is not just limited to Environmental issues. Different areas such as Corporate Governance ('CG'), Data Security, and End-user Engagement are all linked together as facets that lead to the same long-term business goals.

We will publish an SR annually for our stakeholders and make it available on our website at [www.hlf.com.sg/investor-relations/annual-reports](http://www.hlf.com.sg/investor-relations/annual-reports). Through our annual sustainability reporting, we hope to provide stakeholders with a better understanding of our approach and progress towards growing a sustainable business.

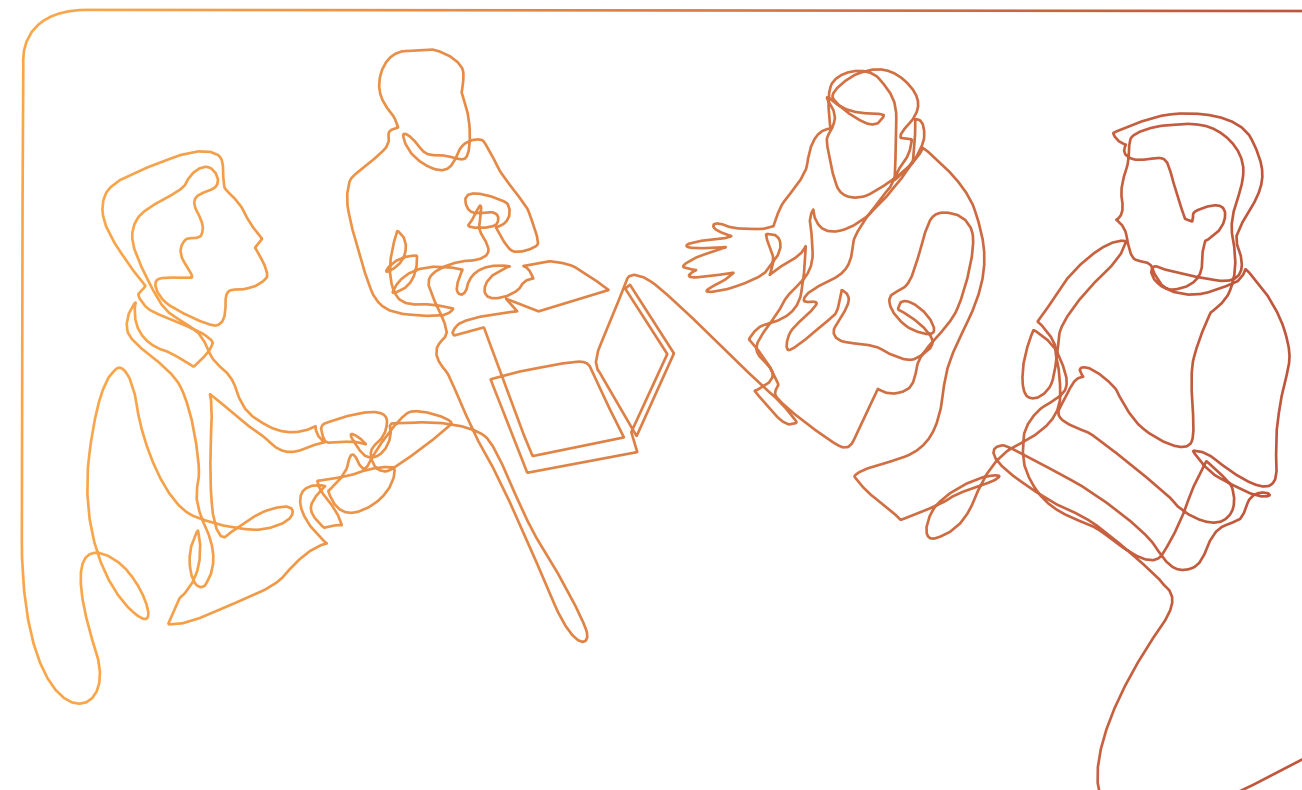
### Reporting Framework

HLF's SR for FY2017 has been prepared with reference to Singapore Exchange ('SGX') Listing Rules and the internationally-recognised Global Reporting Initiatives ('GRI') Standards. Drawing on this reporting guideline, we

have conducted a review of our material issues for our business. The GRI Content Index can be found on page 25. Standard units of measurement are used in this report and conversion factors, where applicable, are explained in their respective sections.

### Reporting Period and Scope

This SR outlines our practices, initiatives and impact in Singapore, during the FY2017 from 1 January to 31 December. There have been no significant changes to our operations and supply chain during the financial year. Our operations are based in offices located at three buildings and 28 branches which are all included in the scope of our SR. The financial statements of our business can be found on page 58 of our 2017 AR. We welcome feedback from our stakeholders on our report and any of the issues covered herein. Please contact us at [Sustainability@hlf.com.sg](mailto:Sustainability@hlf.com.sg) with any comments you may have.



## CHAIRMAN'S STATEMENT



Dear Stakeholders,

I would like to welcome you to our first sustainability report ('SR'), prepared in compliance with the guidelines set by Singapore Exchange ('SGX') and referencing the Global Reporting Initiatives ('GRI') Standards.

This report communicates the work of Hong Leong Finance ('HLF' or 'the Company') to be a sustainable and responsible business in how we employ, lend and operate. As Singapore's largest finance company, HLF plays a key role in helping to foster growth and opportunities for enterprises through financial solutions. It is our vision to be a leading multi-model financial institution serving small and medium enterprises ('SMEs') and consumers.

Whilst this is the first year the Company is producing an SR, the commitment to be a responsible business is not new. HLF has been committed for decades to creating greater value for stakeholders while maintaining long-term investor returns. We will continue our journey towards contributing and building a business that serves our customers, our people, our investors, our regulators and our society.

In preparation of our first report, we have formed an internal working team comprising senior managers and heads of departments to manage the sustainability efforts of the Company, including developing the annual SR. A Board Sustainability Committee ('BSC') was appointed by the Board to provide guidance and oversight on sustainability issues.

Our approach to sustainability is centred around five key issues that we have identified as having the most important impact on our business and to our stakeholders. These key issues are (a) Business Ethics and Integrity (socioeconomic compliance and anti-corruption), (b) Responsible Lending and Integration of Environment, Social and Governance ('ESG') factors in Credit Risk Analysis, (c) Customer Privacy and Data Security, (d) Transparent Information and Fair Advice to Customer and (e) Risk Management.

As a financial services company, one of our biggest impacts comes from our financing activities and as such, we strive to deliver products and services that not only focus on the needs of the customers, but also upholds our commitment to being a responsible business to our communities and the environment. In 2017, we continued to implement our Responsible Financing Guidelines ('RFG'), developed in 2016, to ensure we do not directly or indirectly contribute to adverse effects on people or the environment.

In the area of product innovation, we are proud to have rolled out a dedicated loan programme for a selected group of individuals including the retirees. Called Mortgage Equity @50 ('ME @50'), it allows customers to borrow against their private properties so that they can enjoy more lifestyle choices. The programme was an instant hit as it was the first in the market to leverage on the Total Debt Servicing Ratio ('TDSR') regulatory framework relaxation for mortgage equity loans with Loan-to-Value ('LTV') ratios of 50% and below. We will continue to develop products that meet the evolving needs of our customers.

HLF is also committed to maintaining high customer satisfaction. In addition to our existing channels for customers to provide feedback, we plan to roll out a customer satisfaction survey. To keep up with market trends, we will also increase the use of technology to enhance our data capabilities to provide the best experience for customers. We will continue to focus on providing adequate training and engagement opportunities through social activities for all our employees.

To fulfill our commitments as a responsible business, we will measure our performance in our different material issues using more comprehensive key performance indicators and use these results to review and strengthen policies and internal management systems.

Sustainability is a long-term commitment for HLF. As we continue to monitor and review the effectiveness of our sustainability efforts, we will also communicate the progress in our future reports. We hope you will read this report with great interest to have a better understanding of our business. We look forward to building on these efforts in 2018.

Yours sincerely,  
**KWEK LENG BENG**  
Chairman  
6 September 2018

## BOARD STATEMENT

This year, we embarked on developing our sustainability strategy which is encapsulated in our first annual sustainability report ('SR'). This is a positive step forward for Hong Leong Finance ('HLF' or 'the Company') as we continue our drive towards good corporate citizenship, while delivering value and innovative solutions to our customers.

To assist the Board in its oversight responsibilities for HLF's sustainability vision, mission, strategy, policies, practices and initiatives, we formed a Board Sustainability Committee ('BSC') on 15 January 2018. The BSC is supported by an internal sustainability working team comprising senior managers and heads of departments to manage the sustainability efforts of the Company, including developing the annual SR modelled on the sustainability reporting guide issued by Singapore Exchange ('SGX'). The BSC would oversee the internal sustainability working team in managing, tracking and reporting such efforts.

In developing the SR, we identified material issues that are critical to our business. We conducted a robust and indepth materiality analysis to determine key environmental, social and governance ('ESG') sustainability issues for our business for FY2017. The SR followed closely the Global Reporting Initiatives ('GRI') Standards reporting framework.

The SR outlines how HLF aims to integrate the sustainability strategy into our business strategy of among other things delivering high quality value propositions for our customers, employees and communities. We believe it is not just the right thing to do, but it is also good business for HLF. We listen to our key stakeholders and consider the ever-changing business landscape to ensure our business practices stay relevant. We are aware that there are increased expectations for the business to be more sustainable, to go beyond simply contributing to community projects, and to create long-term values for all stakeholders.

Our 2017 SR focused on the five material issues that we have identified as having the most important impact on our business and to our stakeholders. These key issues are (a) Business Ethics and Integrity (socioeconomic compliance and anti-corruption), (b) Responsible Lending


and Integration of ESG factors in Credit Risk Analysis, (c) Customer Privacy and Data Security, (d) Transparent Information and Fair Advice to Customer and (e) Risk Management.

These material issues illustrate that we prioritize the importance of conducting our business in a fair and responsible manner by ensuring that we are open, transparent and committed to zero tolerance towards corruption. As a good corporate citizen, we are conscious about managing our environmental footprint and will continue to introduce more sustainable practices. We are committed to fostering an ethical, responsible workplace that empowers our employees to grow professionally, and promote collaboration and diversity.

We will be taking affirmative actions to address our impact in these key areas. This will further our vision of continually building trust and confidence with our stakeholders by listening to them and being responsive to their needs. HLF will continue to innovate, invest and create values to support our performance in these areas. With the support of our key stakeholders, we are committed to working towards a more sustainable growth and better management of sustainability issues.

KEY HIGHLIGHTS  
FOR 2017

Total Assets (\$ mil)	Loans Net Of Allowances (\$ mil)	Deposits (\$ mil)
FY 2017 12,543	FY 2017 9,877	FY 2017 10,659
FY 2016 12,313	FY 2016 9,515	FY 2016 10,442
Profit Before Tax (\$ mil)	Profit After Tax (\$ mil)	Interim/Final Dividend(s) Declared In The Year (\$ mil)
FY 2017 103.0	FY 2017 85.7	FY 2017 44.5
FY 2016 64.0	FY 2016 53.1	FY 2016 44.4
Earnings Per Share (cents)		
FY 2017 19.3		
FY 2016 12.0		



GOVERNANCE, ETHICS AND INTEGRITY

- Maintained high standards of business conduct and internal controls with no fines for non-compliance with laws and regulations

RESPONSIBLE FINANCING

- Compulsory Environment, Social and Governance ('ESG') checks for companies operating in elevated ESG risk sectors
- More lifestyle choices available for retirees with Mortgage Equity @50 ('ME @50') rollout
- SMEs embarked on digitalisation with support of Enhanced SME Capability Ready Loan ('SME CARE') Programme

CUSTOMERS

- Upheld our Data Classification Policy and the Personal Data Protection Act ('PDPA') resulting in no reported breach of personal data
- No incident of non-compliance with the Singapore Code of Advertising

PEOPLE

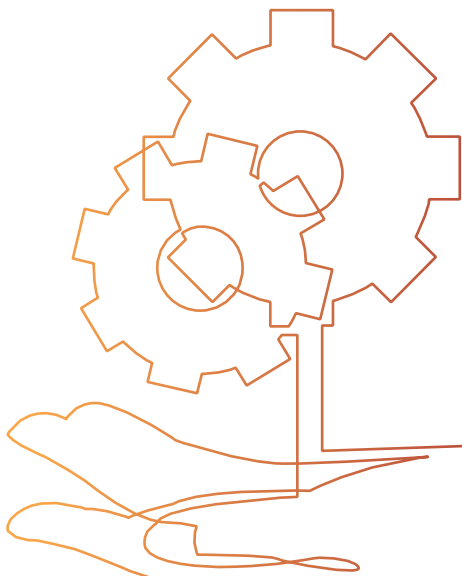
- Achieved a low 6% of staff turnover rate by ensuring talent retention through fair compensation and welfare benefits
- Provided equal opportunities with 33% of women in leadership

COMMUNITY

- Early festive cheers for 20 children for Sunbeam Place
- Continued to roll out dementia-awareness training for our staff in support of the Forget Us Not ('FUN') Programme

ENVIRONMENT

- Reduced total energy consumption by 9% since 2016 through our Technology Refresh Initiative
- Reduced paper consumption by inspiring a culture of recycling and using less resources





## VISION

To be a leading multi-model financial institution serving SMEs and consumers.



## MISSION

To deliver high quality value propositions and innovative solutions that meet our stakeholders' needs and achieve sustainable profits.

## ABOUT HONG LEONG FINANCE

HLF, incorporated in 1961, has been listed on the SGX since 1974, then as Singapore Finance Ltd. HLF is the financial services arm of Hong Leong Group Singapore and Singapore's largest finance company with over 50 years of track record.

### Our Financial Products & Services

HLF's core business involves taking deposits and savings from the public and providing a suite of financial products and services that include corporate and consumer loans, government assistance programmes for SMEs, corporate finance and advisory services.

With more than five decades of experience in serving the SME community, HLF has supported a large number of local business enterprises by offering customised financing solutions, enabling them to operate successfully in the corporate world. HLF is an active player in the SME market and a pioneer in the Local Enterprises Financing Scheme ('LEFS') administered by the former SPRING Singapore<sup>1</sup>.

To help our corporate customers gain greater business efficiency, HLF launched the Business Current Account in 2007 and became the only finance company in Singapore to offer chequing account services.

We are a pioneer finance company with full sponsorship status for the SGX Catalist Board, enabling us to provide financial advisory and fundraising services to SMEs aiming to list on Catalist, mergers and acquisitions, and underwrite the sale of shares by listed companies.

With our strong commitments towards SMEs, HLF was twice conferred the 'Friends of Enterprise' award by the Spirit of Enterprise. Financial statements of our business can be found in our 2017 AR.

### Governance

It is vital that we conduct our business ethically and responsibly through strong internal controls and by inculcating the right values in our people. We are committed to maintaining high standards of governance, business integrity and professionalism in our business dealings. We comply with the Listing Rule 710 in defining our CG practices with specific reference to the principles of the Code of Corporate Governance ('2012 Code') which can be found in our 2017 AR pages 20-44. More details on our CG practices can also be found in this report on the chapter - Governance, Ethics and Integrity, a material issue for HLF, on page 13.

<sup>1</sup> SPRING Singapore has merged with International Enterprise ('IE') in April 2018 to form Enterprise Singapore.

# SUSTAINABILITY AT HONG LEONG FINANCE



*The way we do business ensures our decisions take into account stakeholder needs in the short and long term.*

With sustainability at the forefront of international agendas, we are pleased to share our sustainability journey with this report. This alignment with the internationally-recognised framework is part of our management’s efforts in fulfilling the SGX’s mandated requirement for listed entities to report their sustainability performance by 2018.

HLF is committed to integrating sustainability in the way our business is run and throughout our operations. Our approach to sustainability is based on accountability and transparency. We are open with our stakeholders and use a precautionary approach in the way we hope to mitigate our future sustainability risks and challenges. Striving to integrate sustainability across the Company requires commitment, and remains a work in progress. We remain dedicated and are taking progressive steps to achieve our goals.

**Materiality Assessment**

As part of our strategic approach to sustainability, a detailed materiality assessment took place in late 2016. In conducting this assessment, we sought to follow GRI’s process of defining material issues as closely as possible. We considered the wider sustainability context ensuring we sufficiently covered the significant economic, environmental and social impacts of our business operations. We considered our stakeholders’ opinions, expectations, and interests based on feedback we had received. This process was essential to defining which ESG issues truly matter to HLF, influencing our future business decisions, therefore meriting inclusion in this report.

We began the materiality process by forming a sustainability internal working team with senior managers and heads from various departments across the Company. They were involved in identifying the spectrum of ESG issues that could be important to our business. HLF strived to consider both external and internal perspectives through a combination of information sources such as benchmarking ourselves against peers, referring to the GRI Standards for guidance and considering industry best practices.

A focus group with internal stakeholders from different functions was set up to get feedback on these sustainability issues. Open dialogue was encouraged and issues were prioritised in this session. Once the key material issues were determined and prioritised, a final review meeting with the senior management, comprising the President and Senior Vice Presidents, was held and their feedback sought. During the latter session, a list of five material issues was finalised as being key to our business and for reporting in our SR. In-line with best practice, we aim to conduct a review of our materiality every two years, with the next one due to take place in 2019.

The key material issues identified as integral to our business are outlined in the table on the next page. Our focus will be to drive performance improvements around our key material issues, as these represent our main sustainability risks and opportunities. With inputs gathered during the sustainability internal working team meetings, we have considered the boundary of our issues and the impacts on our stakeholders. The material issues potentially impact all of HLF’s stakeholders and cover all of our business operations that are included in our financial statements.

Material Issue	Definition
Business Ethics and Integrity (Socioeconomic Compliance and Anti-Corruption)	Conducting business activities ethically and responsibly through strong internal controls, including strong values and a robust governance framework.
Responsible Lending and Integration of ESG factors in Credit Risk Analysis	Ensuring that lending activities do not have direct or indirect adverse impacts on people, environment and the economy by integrating ESG factors in credit risk analysis.
Customer Privacy and Data Security	The proper handling of data and protection of data privacy while conducting business.
Transparent Information and Fair Advice to Customer	Providing accurate, transparent, fair and appropriate advice to customers to ensure they can make the best-informed financial decisions.
Risk Management	Ensuring risk management policies and systems are kept up to date to reflect changes in market conditions, products and services offered, and emerging best practices.

To achieve our sustainability commitments, we have set up a Board Sustainability Committee (‘BSC’ or ‘Committee’). This Committee is appointed by the Board to ensure proper execution of our sustainability commitment and our sustainability reporting process. The BSC comprises three Directors, all of whom are non-executive Directors with the majority being independent. The BSC’s terms of reference set out, inter alia, the roles and responsibilities of the BSC and include general oversight on sustainability issues and reporting. Matters relating to the ESG framework, ESG targets, sustainability reporting, as well as policies, practices and performance on material ESG factors all fall under the remit of the BSC.

For the development of our next SR, we will undertake deeper external stakeholder engagement as a part of the materiality process to inform the content of our report, and to understand any changes in our stakeholders’ expectations. We endeavour to engage our key stakeholder groups in more in-depth discussions to ensure that our sustainability material issues are strategically aligned with their expectations.

# SUSTAINABILITY AT HONG LEONG FINANCE

## Stakeholder Engagement

Our stakeholders are key to our long-term business success. At HLF, we value solid partnerships with our stakeholders that stand the test of time. We understand the need to strengthen our relevance to customers and support their evolving needs, especially in an increasingly challenging economic environment. In doing so, we work closely with our business partners and stakeholders by pursuing new and innovative solutions that create mutually beneficial experiences.

At HLF, engagement with our stakeholders takes place in a wide variety of formats as shown in the table below. These engagements allow us to understand the concerns of our stakeholders and respond appropriately.

The table below shows our key stakeholders, how we engage with them and the topics we engage them in.

Our Key Stakeholders	Forms of Engagement	Key Topics
Customers	<ul style="list-style-type: none"><li>• Face-to-face interaction at the branches, SME centres, off-site meetings, customer events, online requests and calls</li></ul>	<ul style="list-style-type: none"><li>• Customers’ challenges and priorities</li><li>• Feedback on products and services.</li></ul>
Regulators	<ul style="list-style-type: none"><li>• Consultations with regulators; inspection reports, surveys updates</li><li>• Clearance for quarterly financial statements, annual audited financial statements, submission of regulatory and tax returns/surveys per prescribed MAS Notices, SGX circulars and regulations</li></ul>	<ul style="list-style-type: none"><li>• Prevention of financial fraud, prevention of money laundering and countering the financing of terrorism</li><li>• Regulations, accounting, taxes and financial reporting</li></ul>
Investors	<ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Presentation slides from Annual General Meetings (released via SGXNet)</li><li>• AR</li><li>• Quarterly Financial Results</li><li>• Disclosure of material information through SGXNet announcements and press releases</li></ul>	<ul style="list-style-type: none"><li>• CG</li><li>• Accurate and timely disclosures of material information relating to the Company and its financial performance</li><li>• Dividend payment policy</li></ul>
Employees	<ul style="list-style-type: none"><li>• Performance appraisals, seminar and training sessions, staff orientation for new staff.</li><li>• Sports and Recreation Club activities for staff and family members, staff voluntarism</li></ul>	<ul style="list-style-type: none"><li>• Career development, staff welfare, health and safety, staff welfare topics, company strategic direction and operational performance</li></ul>
Local Community	<ul style="list-style-type: none"><li>• Community engagement activities, donations</li></ul>	<ul style="list-style-type: none"><li>• Community projects, local welfare organisations</li></ul>

HLF, through engagements such as cooperation with regulators and meetings with investors and customers, is firmly committed to the purpose of creating value for our business and our stakeholders. Stakeholders play a critical role in shaping our strategy, plans and policies. By maintaining good communications and constructive relations with them, the Company is not only able to proactively respond to their feedback to meet their needs, but also ensure our products and services are fit for their purposes.

We participate in a number of SME-related events throughout the year and various government initiatives dedicated to helping SMEs grow and seize business opportunities. This reaffirms our unwavering support for local entrepreneurs. We are committed to strengthening HLF’s leadership status in the market and believe that it takes more than just assets and good business to be a real leader. We are devoted to building mutually rewarding relationships with our customers and business partners, understanding their financial needs and ensuring that they are supported every step of the way.

## Memberships of Associations

In addition to engaging our stakeholders, we also actively participate in dialogues with organisations to stay abreast of issues that are relevant to us. These organisations are listed below.

- Finance Houses Association of Singapore
- The Association of Banks in Singapore (‘ABS’)
- Singapore National Employers Federation
- Singapore International Chamber of Commerce

- Hire Purchase, Finance & Leasing Association of Singapore
- Singapore Business Federation
- The Institute of Banking and Finance
- Singapore Food & Manufacturers Association

## Awards

HLF has been recognised as the ‘Top Finance Company in ASEAN’ for the 4th consecutive year at the Asian Banking & Finance Retail Banking Awards 2017. The award is a testament of the excellent customer-centric solutions that we offer.

HLF was ranked among ‘Singapore’s Top 100 Brands 2017’ by Brand Finance with brand value worth US\$36 million.



## GOVERNANCE, ETHICS AND INTEGRITY

It is vital that we conduct our business ethically and responsibly through strong internal controls and by inculcating the right values in our people. We are committed to maintaining high standards of business integrity, professionalism and governance in our business dealings. The Board is responsible for ensuring HLF maintains high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Board provides leadership, sets strategic goals, oversees HLF's governance framework and monitors performance.

At HLF, we realise the need for transparency and integrity in every interaction we have with all of our stakeholders and this behaviour is integral to the way in which we conduct business. Ethics and integrity, socioeconomic compliance and anti-corruption are HLF's key material governance issues. Addressing these issues well will ensure we have the trust of our customers and the markets, which in turn leads to long-term sustainable value for us.

### ETHICS AND INTEGRITY

Our Board adopts and follows a Code of Conduct ('the Code') that guides our operations and the actions of all our employees. The Code prescribes the acceptable and appropriate standards of behaviour expected of all employees. It is communicated to employees through various platforms such as a hard copy handout and trainings for new employees.

In observing the Code of Conduct issued by the Finance Houses Association of Singapore, as well as the Code of Conduct for Banks and Bank Staff issued by ABS to the extent applicable to the operations of the Company, HLF has in place the Code crystallising our business principles and practices with respect to matters which may have ethical implications. The Code provides a communicable and understandable framework for staff to observe HLF's principles such as honesty, integrity, responsibility and accountability at all levels of the Company and in

the conduct of our business in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflict of interest.

HLF also has corporate policies and procedures in place to maintain robust governance practices. These are the Policy on Anti-Money Laundering ('AML') and Countering the Financing of Terrorism ('CFT'), Whistleblowing Policy, Personal Data Protection Policy, Competition Law Policy, Policy on transactions with Related Party ('RP')/Interested Person ('IP') Policy and Complaint Handling Procedures.

**More details on our CG practices can be found on pages 20-44 of our 2017 AR.**

### RISK MANAGEMENT

A robust and pervasive risk culture is pivotal to the Company's sustainable growth and continuity. At HLF, this risk culture is embedded in the way the Company operates and is being supported by management all the way through to the Board. This is translated to responsible business behaviour in the organization, where all employees are enabled to cultivate the desired practices. The risk culture is bolstered by rewarding employees who take the right risks in an informed way.

The Board has overall responsibility for implementing the Company's robust risk management process. To assist the Board in fulfilling its duties, the Company's Board Risk Committee ('BRC'), oversees and reports to the Board on matters relating to risk functions. The BRC reviews the adequacy and effectiveness of, as well as approves the risk management framework, related risk management policies systems, and risk appetite.

Under the BRC, the Management Risk Committee ('MRC') and Asset & Liability Committee ('ALCO') comprising the senior management meet monthly to review the Company's performance against a changing macro-

economic and regulatory environment, so as to strengthen the business whilst growing in targeted areas as defined by the Company's risk appetite.

### Socioeconomic Compliance

Regulatory Compliance Department supports and works alongside business management to ensure relevant policies, processes and controls are adequately designed, managed and implemented for compliance risks and controls to be effectively managed. We aim to ensure that our respective departments comply with all applicable regulatory and legislative requirements. The overall responsibility of compliance lies with the Board. Our regulatory performance with regards to our sustainability issues is discussed throughout this report.

### WHISTLEBLOWING CHANNELS AND RESPONDING TO FRAUD

HLF has in place a whistleblowing policy where employees or other persons can raise in confidence concerns on possible improprieties relating to accounting, financial reporting, internal controls, auditing or other matters. In line with our policy, improprieties can be reported anonymously or otherwise, and without fear of reprisals. The Audit Committee ('AC') has the responsibility for overseeing the implementation of this policy. Under this policy, arrangements are in place for independent investigations of such matters raised and for appropriate follow up action to be taken. For further details on the whistleblowing procedure for raising concerns, please refer to the Company's website at [www.hlf.com.sg](http://www.hlf.com.sg).

HLF also has a Fraud Policy which provides guidance to the Company's employees on matters relating to the prevention, detection, reporting and investigation of fraudulent and corrupt conduct. No incidents of fraud or corruption was reported in FY2017.

### Anti Corruption and Preventing Financial Crime

All new employees at HLF have to undergo a mandatory Orientation Training programme which covers various topics, including internal fraud and whistleblowing. Information on our fraud and whistleblowing policies, which also cover bribery and corruption, is also available on the Company's intranet. Any cases of suspected corruption or fraud are reported to the relevant authorities through our Legal or Internal Audit Department, which will also keep the Managing Director and senior management informed of such incidents.

To ensure that the risk of financial crime is minimised, we have in place the AML and CFT policies. This policy is supplemented by advisory capabilities, training, monitoring and assurance review. All new staff are provided with training on AML and CFT. In addition, we also provide refresher training on AML and CFT to the Board, senior management and general staff biennially.

### Conflict of Interest

In addition to the Code that guides all employees to ensure there is no conflict of interest, HLF has also instituted segregation of business activities such as "Chinese Walls" within the company and written policies and procedures to limit the flow of confidential and price-sensitive information between departments. We have also in place internal controls on personal dealing.



# RESPONSIBLE FINANCING

## Product Responsibility

*HLF strives to deliver products and services to help more people, business and society progress in a sustainable way, ensuring we manage current and emerging risks in a prudent manner.*

As a financier, what we do and who we conduct business with can directly or indirectly have adverse impacts on people, the environment and the economy. Therefore, HLF recognises that it has an important role to play in shaping and expecting responsible actions from our employees and customers. Our key material issues as far as our financial products and services are concerned include managing our legal and regulatory environment and incorporating ESG risk analysis to our responsible lending practices. These issues, which are currently very pertinent globally, are the ones we have identified as being critical to the management of risk that is inherent in the Company core business activities.

We are committed to practicing Responsible Lending as part of our business model and strive to ensure that we do not directly or indirectly contribute to adverse impacts on people, environment and the economy. Since the establishment of the Responsible Financing Guidelines ('RFG') by ABS, we have conducted ourselves within the guidelines.

As part of the review process for corporate borrowers, ESG checks are now carried out annually for companies operating in sectors with an elevated ESG risk profile and those noted to have ESG issues from the last assessment. Additionally, as part of our internal ESG capacity building efforts, HLF staff from the Business, Credit and Risk Management Departments have attended ESG related training organised by ABS. Relationship Managers ('RM') were likewise trained internally on the Company's ESG framework and policies.

According to the RFG, loan portfolios are also identified to be put through an ESG risk profile assessment at point of loan origination and regular review. Through a robust due diligence process, HLF determines whether borrower operates in an industry with an elevated ESG risk profile and whether it could result in material credit risk. This requirement is stipulated in the Credit Manual, supplemented by internal guidelines, which have been expanded to incorporate the principles and approaches to ESG issues in our lending practices. This approach provides a more structured and detailed process to identify and assess potential ESG risks as part of the credit origination process. Where appropriate, sector specific guidance or approach for ESG sensitive industries are incorporated to provide further information on ESG risks unique to that industry.

The scope of RFG considerations includes ESG issues listed below.

ESG Issues	
Environmental	Greenhouse gas emission ('GHG'), deforestation and forest degradation, loss of biodiversity and critical ecosystem services, water, air and soil pollution and contamination, and resource efficiency.
Social	Labour standards, community relations and engagement, human rights, health and safety, food security and other basic necessities of local communities or indigenous people.
Governance	Corporate ethics and integrity, reputation, management effectiveness, and risk management.

As per the RFG provided by ABS, companies which operate in eight sectors, namely agriculture, chemicals, energy, infrastructure, mining and metals, waste management, forestry and defences are classified as having elevated ESG risk profiles. For borrowers in these industries, RMs conduct a detailed risk assessment together with the borrowers, covering areas such as incidents of pollution, and whether there are any existing grievances with local communities. Where ESG issues are identified, and depending on the scale, borrowers may not or may be granted the loan under certain conditions. For example, borrower may be asked to submit a detailed action plan to correct the issues identified within a set timeline. In this case, progress is tracked and reviewed periodically. Currently, only a small proportion of our total corporate borrowers operate in sectors with elevated ESG risk profiles.

## Product Innovation Within Legal and Regulatory Environment

Product innovation is important to meet the evolving needs of customers. With changing demographics and behaviours as well as shifts in demands against the backdrop of technological transformation, HLF must continue to innovate and create products that are relevant to customers' lifestyle and business needs. Rigorous New Product Submission Guidelines are in place to guide new

product development processes and facilitate fast time to market while complying with our risk management framework and relevant regulations ME @50 is one such product innovation that was launched in March 2017, within 10 days following the Singapore Government's relaxation of the Total Debt Servicing Ratio ('TDSR') framework for mortgage equity loans with Loan-to-Value ('LTV') ratios of 50% and below. The loan is the first of its kind in the market to target a niche segment of individuals, especially the retirees among the ageing population who wish to cash out from their private residential properties. The loan comes with a unique convenience feature which allows loan prepayment to be made by customers to save on interest costs without incurring penalties.

New loans tailored to cash flow needs, such as Project Receivable and Payable Financing and Trade Advance, were also added in January 2017 to the staple of working capital loans such as Accounts Receivable Financing.

Likewise, the Enhanced SME CARE loan programme was rolled out in September 2017 to assist SMEs in their digitalisation journey. We partnered with the Information Media Development Authority ('IMDA') to promote the SMEs Go Digital Programme as part of our capability building loan programme for SMEs.



## CUSTOMERS

*We aim to provide services that help our customers enhance their wealth and business opportunities.*

Our customers include individuals, SMEs, and corporates. We endeavour to deliver an unparalleled service experience to our customers by providing products and services which are sustainable and meet their needs. Our drive towards building and sustaining company-wide service excellence helps bring about better customer satisfaction.

It is imperative that we not only meet the needs of our customers, but that we do so in a fair and ethical manner by protecting their personal data and giving them impartial and fair information in a transparent manner. The two among the five material issues which address the needs of our customers have been identified as 1) Data security and customer privacy; 2) Transparent information and fair advice.

### DATA SECURITY AND CUSTOMER PRIVACY

At HLF, we take customer and data privacy very seriously. The proper handling of data is critical to developing trust and sustaining long-term relationships with our customers. Data is a critical asset for HLF, we collect and use different types of data while conducting our business.

Our employees have a responsibility to protect the confidentiality, integrity and availability of data generated, accessed, modified, transmitted, stored or used by the Company. Our Data Classification Policy provides a system for protecting data that is critical to the Company. This

is related to electronic data, data recorded on paper and information accessed orally, visually or by other means. Our policy is reviewed annually, taking into account any changes in which our business processes and uses data, to ensure it is kept up to date and relevant. Any changes to the policy are approved by the Compliance Committee and Data Management & Data Control Committee.

We recognise that inadequate and improper protection of data (including data held and managed by third party suppliers) could lead to serious business disruptions including, security compromise, data loss, financial loss as well as regulatory sanctions and reputational damage for the Company. We therefore place importance in educating all our staff on the importance on data privacy and data protection.

#### Personal Data Protection Act ('PDPA')

We recognise both the rights of individuals to protect their personal data, including rights of access and correction, and the needs of organisations to collect, use or disclose personal data for legitimate and reasonable purposes. Our Data Protection Officers are responsible in ensuring that the Company complies with the PDPA. For FY2017, HLF had no reported breaches of personal information.

### TRANSPARENT INFORMATION AND FAIR ADVICE

At HLF, we are committed to handling and treating customers fairly. Providing accurate, transparent, fair and appropriate advice to customers is critical to earning their trust and sustaining long-term relationships with our existing customers as well as win new ones.

All marketing staff undergo compulsory product training. This is to ensure that customers are given correct information by our staff, to make well-informed and timely decisions.

In addition, we provide concise information through our user-friendly website which was awarded the 'Best Website of the Year' in 2016 by Asian Banking & Finance. The award-winning website uses infographics to explain complex concepts for ease of customer understanding.

We ensure that our marketing materials and product factsheets are clear and transparent. We use simple words in our communication. In addition, our employees comply with the Code, which contains provisions on fair marketing and advertising while conducting business on behalf of the Company. In FY2017, we did not have any reported incidents of non-compliance with the Singapore Code of Advertising Practice nor any legal actions filed against us for anti-competitive behaviour.

#### Customer Satisfaction & Experience

Customer satisfaction is mostly driven by the quality and reliability of products and services that we provide. Customer feedback is an important avenue for us to understand the needs of our key stakeholders. Through this feedback, we learn about areas for improvement, which leads to streamlining of internal work processes, change of guidelines and IT enhancements to deliver a superior level of service. Transparency and customer fair dealings are basic business principles upheld at all times. Feedback, in the form of complaints, compliments or suggestions, can come from customers and non-customers via the Customer Service Centre ('CSC')<sup>2</sup> hotline or HLF website.

Through our Procedure of Handling Feedback, the Company ensures that all complaints from customers and any other stakeholders are dealt with professionally, fairly, promptly and diligently; and that decisions are clearly communicated to customers.

HLF is committed to exceeding customer expectations and complying with all applicable laws, as well as continually improving our performance. We aim to conduct a customer satisfaction survey in 2018 to better understand the needs of our customers. For FY2017, we had no fines for non-compliance with laws and regulations concerning the provision and use of products and services.

<sup>2</sup> The Customer Service Centre ('CSC') has been renamed to Business Support & Projects ('BS&P') in March 2018.

# PEOPLE

Deploying a workforce with the right skills, expertise and leadership is critical to business success.

We recognise that our employees are vital to achieving our sustainability and goal for business growth. Thus, our people are our most important asset. Our multi-disciplinary team of employees brings a complementary range of skills to our work. As an employer, we are committed to

promoting a fair and inclusive work environment based on meritocracy for all our employees. We also abide by all applicable local employment laws and regulations in Singapore.

As at 31 December 2017, HLF has 628 employees by head count. The following tables illustrate the key characteristics of our workforce.

The Profile of Our Workforce							
	SVP to MD		SO to VP		NC to JE		Total <sup>1</sup>
Headcount	9		321		298		628
Breakdown by Gender							
Female	3	33%	226	70%	260	87%	78%
Male	6	67%	95	30%	38	13%	22%
Breakdown by Age Group							
<=30	0	0%	21	7%	12	4%	5%
>30 & <=50	1	11%	164	51%	193	65%	57%
>50	8	89%	136	42%	93	31%	38%

<sup>1</sup> Total headcount 628 including (1 part-time & 3 year-to-year contract)

Hiring and Attrition						
	Headcount	Workforce Mix	No. of New Hires	New Hire Rate	No. of Voluntary Attrition	Voluntary Attrition Rate
Breakdown by Gender						
Female	489	78%	18	4%	28	6%
Male	139	22%	19	14%	11	8%
Total	628	100%	37	6%	39	6%
Breakdown by Age Group						
<=30	33	5%	17	52%	9	27%
>30 & <=50	358	57%	19	5%	22	6%
>50	237	38%	1	1%	8	3%
Total	628	100%	37	6%	39	6%

## Employee Retention

Our employee retention strategy focuses on career development, employee welfare and employee engagement. To retain and attract talent, our compensation policy, including remuneration and welfare benefits, is regularly reviewed to ensure it is in line with market practices and norms. As such, HLF achieved a low 6% of staff turnover rate in FY2017.

## Diversity & Equal Opportunities

In accordance with Fair Employment Practices espoused by the Tripartite Alliance for Fair and Progressive Employment Practices, HLF provides equal employment opportunities.

We advocate fair and merit-based employment for each individual who works for us. We strive to recruit and select employees on the basis of their skills, experience and ability to perform the job, without considering factors such as age, race, gender, religion, marital status or disability. We provide employees with fair access to training and development based on their strengths and job functions, and we reward employees fairly based on their performance, contribution and experience. The Company also offers re-employment to employees who have reached retirement age.

With equal opportunities available in HLF, 3 out of 9 key management committee members, 70% of management employees and 87% of non-management employees are females.

## Training & Development

We recognise the benefits of investing in the training and development of our employees. Every year, HLF provides employees with opportunities to upskill themselves through internal and external courses or seminars. Our employees attend job-related courses on product, technical and soft skill training and refreshers. We encourage employees to pursue higher qualifications related to their field of work. Education incentives and sponsored certification

programmes are made available to promote continued learning for staff development.

To encourage staff to upskill themselves, the Company provides a Professional Education Incentive Award (‘PEIA’) eligible to those taking certifiable educational programmes ranging from Certificate programmes to Master programmes.

## Employee Benefits, Health & Well-being

HLF complies with all the statutory regulations relating to employment terms and staff benefits such as childcare, maternity, paternity, marriage, compassionate and examination leave.

Furthermore, the Company promotes a strong workplace safety culture and is in compliance with the Workplace Safety & Health (‘WSH’) Act. Every department has a staff member who is First Aid trained and attends a refresher course annually.

HLF promotes healthy lifestyles for its staff through activities organised by Hong Leong Group Sports & Recreation Club. We believe that a strong and motivated workforce is vital to the success of any company, helping us to achieve our objectives, goals and vision. To help build strong family bonding, events are organised for staff to participate together with their family members, such as Family Days and trekking in Pahang, Malaysia.



## COMMUNITY

HLF is committed to achieving business excellence while sustaining good social and environmental performance in the communities which we serve.

### COMMUNITY OUTREACH

We believe that we need to nurture the communities where we operate. We have worked hard in 2017 on initiatives that help define our community outreach mission. We actively engage with and invest in communities where we operate to help build opportunities and prosperity. Through a range of activities focused on helping those in need, we aim to promote the progress of individuals, the development of communities as well as employee engagement through volunteering opportunities.



#### Early Festive Cheers to Children at Sunbeam Place

Staff from HLF brought early festive cheers to the children from Sunbeam Place, a residential home for children managed by the Singapore Children's Society for those who have been abused, neglected and in need of protection or financial assistance.

20 children from the age of 7 to 14 were treated to a guided tour at Bollywood Veggies where they experienced the touch, smell and taste of fresh vegetables and fruits, herbs, spices and medicinal plants. They were also introduced to methods of sustainable farming, potting, and participated in team-building "Amazing Race" style competition.



#### Dementia-Awareness Train-the-Trainer Programme

In 2016, about 200 HLF employees from 28 branches attended a dementia-awareness training programme by FUN, a joint initiative by Lien Foundation and Khoo Teck Puat Hospital. The training was launched to commemorate World Alzheimer's Day. This provided HLF staff with a better understanding of dementia, and equipped them with the knowledge and skills to recognise and act on its signs and symptoms at work and in the community. According to FUN, HLF is the first financial institution in Singapore to put all branch frontline staff through the programme.

For 2017, HLF upped the ante in dementia-awareness training by being the first financial institution to send staff to FUN's inaugural Train-the-Trainer Programme. 10 selected staff participated and can now train new branch staff on dementia awareness and at the same time provide hands-on guidance to staff who need to make customer home visits.



#### Neighbourhood Health Service Project

As part of a Neighbourhood Health Service Project, HLF participated as a sponsor in providing eco-friendly grocery bags for the shopping convenience of participants in the project as well as to protect the environment. The project was initiated by the Medicine, Nursing and Social Work students from National University of Singapore and reached out to about 1,000 residents-in-need, especially the elderly and residents of lower socioeconomic status living in rental blocks. This under-privileged group of participants was treated to free health screenings.

#### Other initiatives:



#### Farms Visit for the Elderly

At the Hong Leong Foundation annual charity event, HLF staff accompanied seniors aged 65 to 93 from the Henderson Senior Citizens' Home and St John's Home for the Elderly Persons to a tour of a goat farm, quail farm and a vegetable and mushroom farm. It was a nostalgic experience for the seniors and they were treated to a sumptuous lunch at the end of the tour.



#### Support for TODAY Enable Fund

To help build a society where every citizen of all abilities has a place and role to play, as well as to increase our community outreach, HLF supported the TODAY Enable Fund. The Fund launched by ESM Goh Chok Tong, TODAY, and SG Enable, focuses on efforts to enhance the education, skills and employment prospects of persons with disabilities.

#### Internships for Students

HLF offers internship opportunities to students in polytechnics and universities to provide them with hands-on work experience and prepare them for their careers.



ENVIRONMENT



HLF is committed to promoting environmental stewardship through the management of our own environmental footprint as well as our banking activities.

Our Indirect Impact

To date, we have been focusing more on identifying and addressing environmental issues where we believe we have the greatest potential to make a difference, namely, our banking activities. We are also increasingly putting effort on managing and reducing our own environmental footprint.

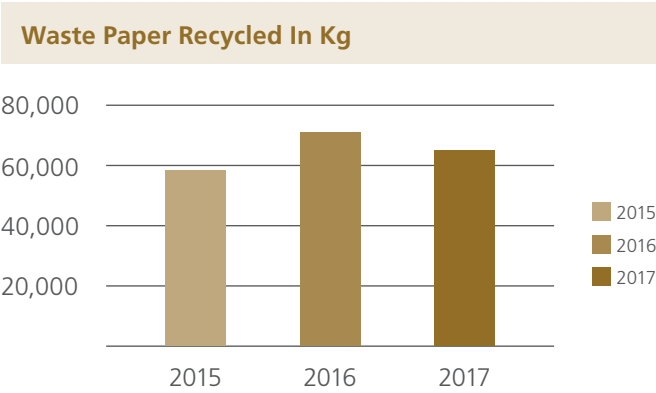
We are in the process of developing policy frameworks to enable the transition to a low-carbon economy, as well as manage the risks of climate change to our operations, customers and society at large.

Paper Consumption

We have been conscientiously reducing our paper consumption. Taking A4 paper usage as an illustration, we consumed 5% or 1,823kg lesser in FY2017.

Year	A4 Paper Consumption in kg
2016	36,800
2017	34,978

HLF is working internally to create a mindset of using less natural resources and recycling wherever possible. Our efforts to recycle paper are depicted in the graph below.



Initiatives to inspire sustainable practice on paper use include printing sustainability messages on our Company calendars as a constant reminder to our employees. We also purchase paper that is certified to meet internationally-recognised standards such as the Programme for the Endorsement of Forest Certification ('PEFC').

GHG and Energy Reduction

Our direct use of energy is limited to our office operations. HLF aims to continuously improve our energy efficiency and reduce our GHG emissions, taking advantage of opportunities to do so when they arise. This primarily involves engaging our employees on energy efficiency, promoting sustainable behaviours and upgrading our existing infrastructure and facilities. Installing new features in our offices will help us conserve and become more efficient in the way we use energy.

Our total energy consumption and GHG emissions (scope 2)<sup>3</sup> are shown in the table below.

Year	Total energy consumption in kWh	Scope 2 emissions <sup>3</sup> in tonne CO <sub>2</sub> e
2016	2,400,000	1,020
2017	2,200,000	930

Some of our 2017 initiatives to reduce our energy consumption include:

- Progressive decommissioning and replacement of old equipment with newer and more energy-efficient equipment, which resulted in energy savings of 90,000 kWh for 2017. HLF has implemented Technology Refresh initiative since 2016 and reduced energy consumption by 9% to date.
- On-going replacement of the Company signage with LED systems
- Proactive installation of energy-saving lights during office renovations

Over the next year, we hope to continue with our Technology Refresh initiative in IT equipment. Over time, we have plans to gradually install highly energy-efficient LED lighting system at all our offices which can lower energy consumption. We target to increase our cumulative energy savings to reduce our GHG emissions in 2018.

<sup>3</sup> HLF GHG emissions are from the consumption of purchased electricity. The conversion factor used is obtained from the Energy Market Authority (Electricity Grid Emission Factor).

GRI CONTENT INDEX

The GRI Standards provide a globally accepted framework for companies to report their economic, environmental and social performance.

The GRI Standards 2016 have influenced the preparation of HLF’s SR. The content of this report references GRI Standards GRI 101: Foundation, 2016; GRI 102 General Disclosures, 2016;

GRI 103: Management Approach, 2016. The following content index provides a listing of the GRI Standards reported by HLF in FY2017.

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