

SUSTAINABILITY REPORT

STATEMENT OF THE BOARD

The Board recognizes that sustainability is a key component of the UOB Kay Hian Group’s long term business strategy. The Board is responsible and committed to building a sustainable business in the interests of its stakeholders.

SUSTAINABILITY GOVERNANCE

In today’s investment climate, non tangible financial factors are becoming increasingly important to our stakeholders. Stakeholders are beginning to look beyond economic and operational factors in evaluating management and corporate accountability. This Sustainability Report is based on economic, social and environmental issues that are material to the UOB Kay Hian Group of companies.

SCOPE OF REPORT AND PERIOD OF REPORTING

This report focuses on the sustainability practices and strategy of the UOB Kay Hian Group of companies. It seeks to meet the interest of our stakeholders in the non-financial information of the Group and demonstrates our effort to report to Shareholders and other stakeholders the steps we are taking to achieve a more sustainable business model and contribute to a more sustainable environment.

FRAMEWORK

This report is prepared in accordance with the Global Reporting Initiative Standard: Core Option (GRI) and is also in alignment with SET Sustainability guidelines. The GRI standard is chosen as it is a universally accepted standard for reporting.

ENGAGEMENT OF KEY STAKEHOLDERS

| Key Stakeholders | Form of Engagement | Key topics |
|------------------|---|---|
| Clients | Seminars, workshops, sales engagement, customer service hotline | Capital markets, corporate news investment strategy and tools |
| Regulators | Dialogue and face to face meetings | Regulations, cyber security corporate governance |

| | | |
|--------------|---|---|
| Employees | Face to face meetings and discussions, corporate events | Performance, work efficiency, product related |
| Shareholders | Announcements, quarterly reporting, General meetings | Performance, corporate governance |

TRUSTED FINANCIAL PARTNER

As a provider of regulated financial services, we position ourselves as a trusted financial partner of our clients. To achieve this, we have identified the following key Environment, Social and Governance (“ESG”) factors necessary for the continuing success of our business:

MATERIAL ENVIRONMENT, SOCIAL AND GOVERNANCE (‘ESG’) FACTORS

a. Critical factors

i. Clients

Our client base comprises financial institutions, fund management companies, corporations, high net worth and mass market retail clients. Each group of clients will have their own investment and trading strategies and will require different types of services and levels of engagement from us. As a trusted financial partner and responsible broker, we see ourselves having an important role sharing our knowledge and helping to develop the capital markets in the region. We are committed to educating the investment community and providing a robust platform and relevant investment/trading tools to help investors make better investment/trading decisions.

To achieve this, we have:

Trading tools

Regular seminars and workshops on trading tools, corporate and market updates on the major regional and global markets are conducted during the evening and weekends.

Education

Work with SET in their various education programs for investors.

Technology and Research

Invest heavily in technology and research to help our clients make better investment decisions.

Feedback

Engage our clients actively and solicit feedback on their various investment needs.

ii. Integrity and Fair Dealing

We strive to develop a corporate culture which will give our clients the confidence that they are dealing with a financial institution where fair dealing is central to the corporate ethos. The confidence clients place in us and their trust in our ability to help them manage and safe-keep their assets is a core ingredient to the success of our business.

To achieve this, we:

- (a) Inculcate a corporate culture where our trading representatives and staff apply the highest professional and ethical standards in dealing with our clients. Checks are in place to ensure there is no conflict of interest in handling of client orders;
- (b) Conduct reviews to ensure that our staff and trading representatives satisfy the 'fit and proper' criteria for the role they are engaged in;
- (c) Have procedures in place to ensure that investment products are screened by our product committee and proper client assessments where necessary are conducted;
- (d) Procedures are in place to ensure that there is no conflict of interest in the handling of market sensitive information;
- (e) We have an independent department to handle client complaints. We believe in instilling a culture of doing what is right and fair to the clients in the handling of complaints. Complaints are escalated to senior management; and
- (f) Client feedback and complaints are reviewed by management on a regular basis to enable the Company to improve its service level.

iii. Human Capital

Our staff and trading representatives are our key assets. The UOB Kay Hian Group believes in an all inclusive work environment and we have a multi-cultural and multi-generational workforce. As a regional broker with footprints in the major regional markets, we recognize that we deal with clients and colleagues from diverse cultural backgrounds. In our dealing with our overseas clients and colleagues we are mindful of the need to be sensitive to the cultural diversity of the clientele of the different countries. We believe it is important that where possible, local talent across all levels are hired in our overseas offices. We recognize the importance of having an appropriate human capital strategy in a very competitive environment to make sure that we are able to recruit and retain the right talent. We believe in nurturing our talent, managing employee performance, cultivating leadership skills and planning for succession. We have in place a holistic and sustainable package to attract and incentivize the right talent. We recognize the need to help our colleagues build a meaningful career and provide a physically and professionally conducive environment to help our colleagues achieve their professional goals.

To achieve this:

- (a) We conduct regular reviews to ensure that our remuneration package is in line with the industry and commensurate with the job;
- (b) In addition to a basic salary, we offer a sustainable performance bonus based on the Company's as well as the employee's performance;
- (c) Identify and promote deserving staff with potential to develop their career in the organization;
- (d) Regulatory, technical and soft skills training is conducted to help our staff keep abreast of the demands of their jobs; and
- (e) We are dedicated to principles of fair employment in our HR policies, abide by labor laws and are guided by the tripartite guidelines.

In order to have a sustainable business, we recognize the importance of renewing and refreshing our talent pool and preparing staff with the potential to assume key management and leadership positions.

We recruit graduates and mid-career professionals looking for a career switch from within and outside the industry and groom them to take on various roles within the organization.

We believe that the diverse talent we have can only be good for the overall talent development within the organization.

Our multi-generational work force encompasses young millennial to industry veterans who have passed their statutory retirement age and who still have the ability to contribute to the Company and society. We believe a good blend of the young with fresh ideas and the experience of the veterans can only be good for the Company and help us to service our multi-generation client base better.

We are committed to gender equality and equal opportunities. We hire and promote based on suitability and merit.

We believe that staff welfare is an important supplement to the remuneration package offered to our colleagues. In this respect, we provide health and dental care and organize companywide gatherings.

To ensure that we are working together as a team, we share the Company's vision and strategic developments with our colleagues.

As part of staff benefits and welfare, long serving staff and sales personnel are recognized with long service awards.

Our workforce comprises the following remain stable:

| AGE PROFILE | % |
|--------------------|-------|
| 35 years and below | 20.28 |
| 36-50 | 48.47 |
| >50 | 31.25 |
| Total | 100 |

| GENDER MIX | % |
|------------|-------|
| Male | 44.17 |
| Female | 55.83 |
| Total | 100 |

iv. Technology Risk

As a provider of stock broking services, we are in possession of client sensitive information, we are mindful that we are exposed and vulnerable to cyber security-related threats prevalent in the digital era. Such threats if not properly addressed could potentially cause disruption to our services and leakage of sensitive information.

We cater to an increasingly technology savvy and sophisticated clientele, reliance on technology to service our clients will increase. We recognize that this will increase our risks and exposure to cyber security threats and it is thus important that we strike the correct balance between having a user friendly and accessible platform and at the same time ensuring that sufficient security checks and controls are in place to protect sensitive information.

To retain the confidence and trust of our clients, it is critical that we have a robust and reliable trading and back office system as any disruption can cause financial and reputational damage.

To address this, we conduct regular vulnerability assessments of our networks and systems to ensure that vulnerabilities identified are resolved timely. We continue to invest in security and surveillance systems and at the same time enhance our recovery capabilities in the event unlikely emergencies arise.

We regularly benchmark ourselves against the technology risk management guidelines issued by the regulators to ensure that we meet the standards expected.

v. Governance and Regulatory Compliance

Our corporate governance report is set out in our annual report.

As a provider of financial services, we recognize the need for the regulators, in the various jurisdictions that we have a presence, to have strict rules and regulations governing how we conduct our business and how we deal with our client orders and their assets in order to ensure that our business is sustainable and the integrity of the financial systems of these countries are not compromised.

Our organization structure, operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to meet the high standards set by the regulators. Independent audits and compliance checks are conducted on a regular basis to ensure that our systems and procedures adhere to and comply with the regulatory standards and requirements. The audit committees review the audit reports of the internal audit departments to ensure remedial measures are taken to address regulatory and internal control lapses.

The regulators conduct regular meetings with industry participants on an industry wide basis and at the company level to help us keep abreast with regulatory changes and for us to provide feedback on the various laws and regulations. Such meetings are a useful platform to ensure that the rules and regulations, our business strategy and practices remain relevant in a fast changing environment where increasingly sophisticated technology provides both a wealth of opportunities and threats to our business.

As a major financial centre, we appreciate and understand the need of the regulators to combat anti-money laundering and the funding of terrorist activities. We have in place a robust Anti-Money Laundering Policy and framework. We also co-operate with the authorities in not dealing with potential clients who are in the Sanctions list. We have in place robust and appropriate due diligence and 'Know Your Customer' assessment procedures when accepting new accounts. These assessments are conducted using established data providers who are specialists in this area and through publicly available data.

Monitoring procedures are in place to report suspicious transactions to the relevant authorities.

We promote transparency and have a whistle blowing policy where investors and staff are encouraged to report any improper, illegal or criminal activities.

b. Important factors

i. Community and Social Responsibility

As responsible corporate citizens in countries which we operate, we recognize that we have obligations to the investing public and society at large.

We tie up with tertiary institutions by offering investment games and internships to their students in order for them to have a better understanding of how to invest and the business environment in which we operate.

We sponsor scholarships to deserving students in tertiary education to recognize their scholastic and all round achievements.

We donate to various charities and community projects.

ii. Environmental Policies and Practices

We are committed to playing an active role in preserving our natural environment reducing the depletion of our natural resources and the minimization of our carbon footprint. We constantly remind our employees to reduce paper, power consumption and water usage. Electronic devices, lighting and air condition in the office are where possible turned off after office hours.

We have been committed towards a paper-less environment since the second half of 2016.

(a) Our shareholders

Since 2018, as part of our sustainability efforts, we are not sending CD roms or hard copy Annual Reports to shareholders as our Annual Reports will be available online from our Company's website.

(b) Our clients

Towards the end of 2016, we have started to implement the delivery of e-statements and e-contract notes to our clients, reducing the printing of physical statements and contracts, thus helping to promote a more sustainable environment and at the same time improving the timeliness of such reports to our clients.

(c) Our staff

- (i) We have over the last 3 years ceased to provide printed trade reports to our trading representatives. Efficiency and reduction in carbon footprint waste have been achieved through the migration of such reports to an Electronic platform.
- (ii) Circulars, announcements and formal communication with colleagues are currently done through the office intranet and email.
- (iii) Staff are constantly reminded to minimize printing of reports and are encouraged to recycle and reuse papers.

TARGETS FOR FY2019

CLIENTS

We recognize that client engagement and education continue to be important factors in our business. To this end, we shall continue to organize seminars, workshops and presentations by fund houses and corporates to keep our clients abreast of developments in the capital markets and investment opportunities which are relevant to their needs.

TECHNOLOGY RISK

We continue review and monitor our vulnerability to intruders and hackers and invest in relevant tools to mitigate cyber security risks. We will be conducting cyber security awareness training to remind our colleagues of how risks can be mitigated.

To ensure business continuity, we will be testing our operational resilience, incident communication procedures to ensure that we are prepared in the event of disruption due to factors beyond our control.

HUMAN CAPITAL

We believe in staff recognition and will be implementing programs outside our normal remuneration structure to encourage our colleagues to provide better service and to promote teamwork.

GOVERNANCE AND REGULATORY COMPLIANCE

This is an on-going process and we shall continue to engage with the regulators and how we can work towards better investor protection and to enhance the reputation of the financial markets in Thailand.

Community and Social Responsibility

We shall continue to offer scholarships to students in tertiary education and to engage in community work.

Environment Policies

Over the past year, we have increased the use of electronic communication with our clients and trading representatives in order to reduce our carbon footprint. Plans are in place to further reduce the amount of printed notices and communications. We target to maintain the same level of power consumption.