

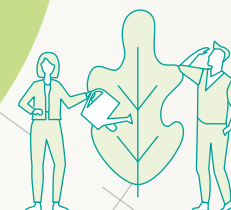
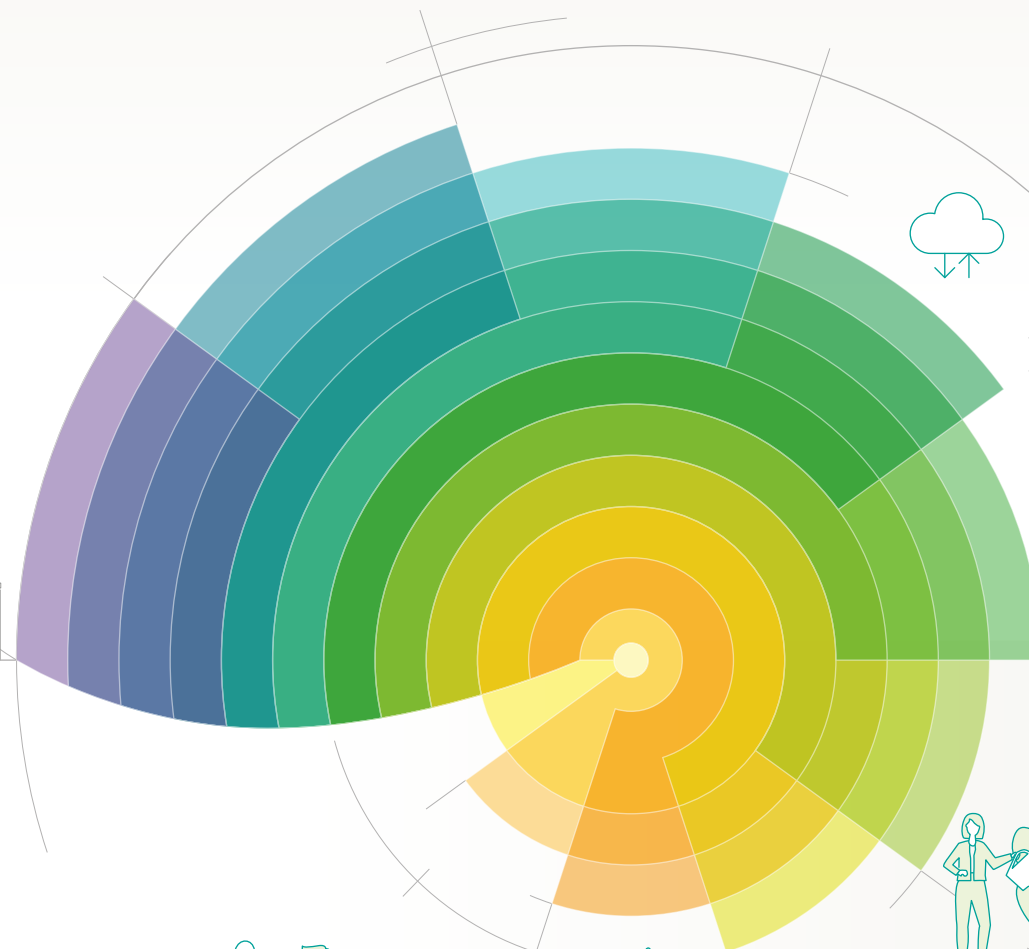


恒生銀行  
HANG SENG BANK

Stock Code: 11

# In Concert with Our Community

Corporate Sustainability Report  
2018



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# About This Report

## Report Profile

The Hang Seng Bank Corporate Sustainability Report (Report) provides information on Hang Seng Bank's (hereupon Hang Seng or the Bank) principles and actions as a corporate citizen in the financial sector, and its relationships with major stakeholders.

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2018. It focuses on the economic, environmental and social issues that have an impact on the sustainability of Hang Seng and that are of interest to stakeholders. The Report supplements the Corporate Sustainability section of the Bank's Annual Report 2018.

## Report Scope

The content of this Report was defined after taking into account the materiality of sustainability issues arising from Hang Seng's operations in Hong Kong.

Measurement techniques and calculations are explained next to data tables. Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year 1 January to 31 December 2018.

There are no significant changes from the previous reporting period in terms of scope, boundary or measurement. Reasons are provided for any restatement of information published in previous Reports.

## Reporting Period

Financial accounts data are for the financial year 1 January to 31 December 2018. Other information covers the same period unless otherwise stated.

## Report Coverage

This Report covers Hang Seng's Hong Kong operations unless otherwise stated. Hang Seng's mainland China operations are excluded. It covers operations that are under Hang Seng's direct control and documents the Bank's positive influence on the sustainability awareness and activities of its employees, customers, suppliers and business partners, and the wider community. Unless otherwise stated, the term 'Group' in this Report refers to Hang Seng and its subsidiaries.

## Reporting Guidelines

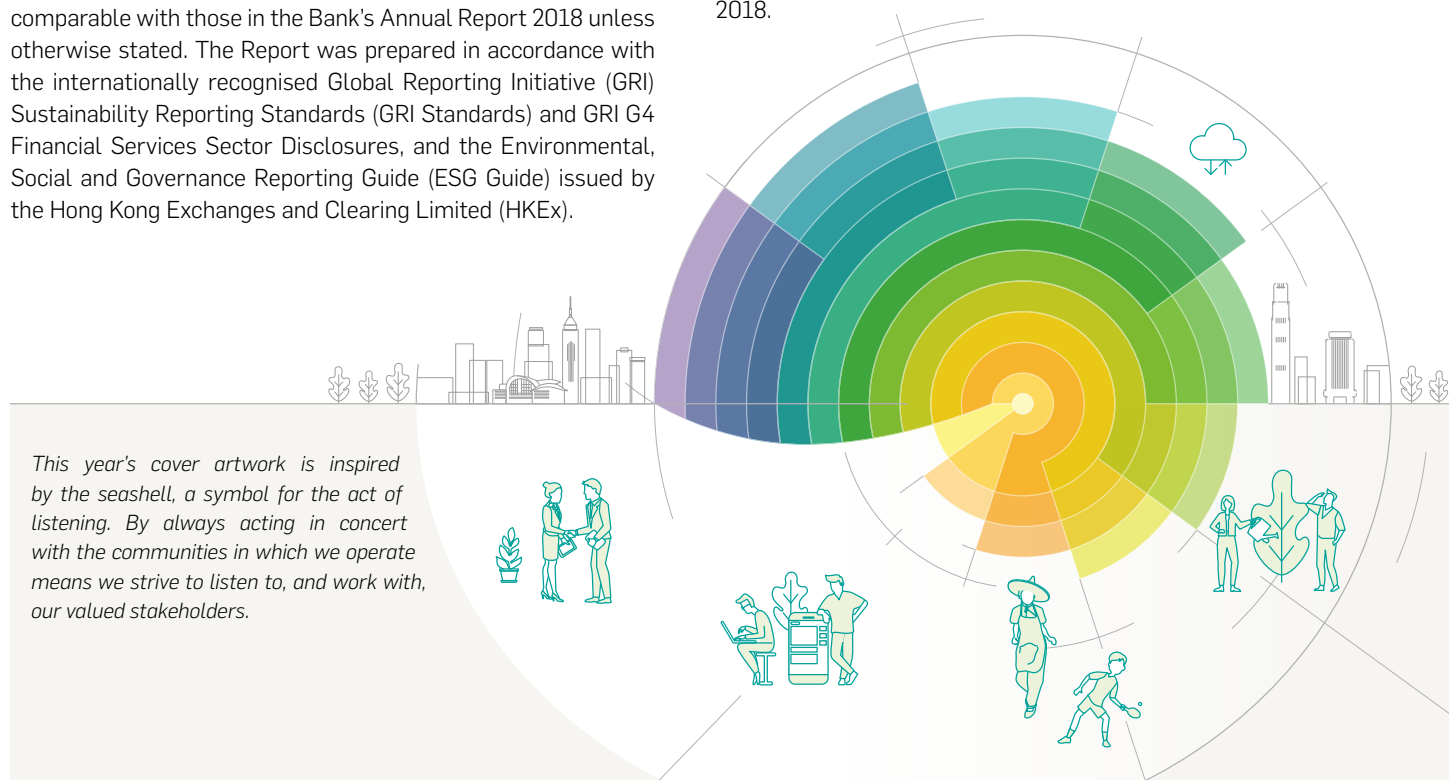
Financial and corporate data in this Report are directly comparable with those in the Bank's Annual Report 2018 unless otherwise stated. The Report was prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) and GRI G4 Financial Services Sector Disclosures, and the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by the Hong Kong Exchanges and Clearing Limited (HKEx).

## Assurance

This Report has been independently verified by the Hong Kong Quality Assurance Agency and is confirmed as having been prepared in accordance with the GRI Standards (Core option) and the HKEx's ESG Guide. (See [Verification Statement](#) >>)

## Data Collection

Collection of data for this Report was coordinated by the Bank's CSR Sustainers through consultation with relevant teams and individuals. Hang Seng has published an annual online Report since 2006. Hang Seng's previous Report was published in April 2018.



## Chief Executive's Message »



I am pleased to present Hang Seng Bank's 14th Corporate Sustainability Report (CS Report). The past year marked a reinforced commitment to sustainable growth, one that saw the Bank continue its focus on employee well-being, engage with staff and stakeholders in the spirit of open dialogue, and strengthen partnerships throughout the community to effect meaningful, positive change.

As the leading domestic bank in Hong Kong, serving more than half of the city's adult residents, Hang Seng strives to be an exemplary corporate citizen. In 2018, for the 11th consecutive year, the University of Hong Kong's Public Opinion Programme rated us as having the best reputation for CSR among Hong Kong financial institutions. We were given the Best Corporate Financial Education Leadership of the Year award at the Institute of Financial Planners of Hong Kong's inaugural Financial Education Leadership Awards 2018. We have also been a constituent member of a number of sustainability indexes, including the FTSE4Good Developed Index, the MSCI Pacific ex Japan SRI Index, the Hang Seng Corporate Sustainability Index Series and the Hong Kong Business Sustainability Index.

We are committed to upholding high corporate governance standards and reinforcing our reputation as a financial services provider of choice. To ensure that our disclosures are transparent and address the concerns raised by our stakeholders, this report has been prepared in accordance with international and local environmental, social and governance (ESG) reporting guidelines, issued by Global Reporting Initiative (GRI) and Hong Kong Exchanges and Clearing Limited respectively.

### Setting the service standard

We are constantly exploring ways to enhance, diversify and digitise our channels to make it easier for customers to manage their finances how and when they want. One key accomplishment in 2018 was the launch of the Faster Payment System (FPS), a smart banking initiative that links our personal and business banking platforms, both online and mobile, as well as our retail customer AI chatbot HARO for a user-friendly, real-time digital interbank payment service experience. We continued to invest in upgrading digital channels and innovative secure payment solutions to meet the evolving needs of our customers, providing greater convenience and an enhanced digital service experience.

“Moving forward, integrity, innovation and inclusion will remain central to our actions as we strive to deliver sustainable growth and service excellence, both as a financial institution and a good corporate citizen.”





## Chief Executive's Message »



### Our people, our future

In a highly competitive job market, we believe that providing a supportive work environment, offering career growth opportunities and promoting staff well-being are the keys to having happy, healthy and engaged employees. We are promoting a flexi-work policy, which helps employees structure their work around their lives. In 2019, we will launch enhanced leave entitlements and medical plans for all our staff. Another major initiative was commencing with a series of renovations to make our workspaces more open and collaborative. We encourage a 'speak up and speak out' culture to foster trust, innovation and creativity. One example of this is the hosting of regular town halls and informal meetings, where employees can express their views and bring concerns to our attention.

### Caring for our community

Young people are our future, which is why many of Hang Seng's corporate sustainability programmes are dedicated to equipping youngsters with the job and entrepreneurship skills they need to succeed. Since 2009, we have invested over HK\$277m in

different community initiatives and the majority of which is dedicated to support youth development programmes. One such investment is Youth Portal 'I am...', a first-of-its-kind chatbot and online mentorship initiative launched in 2019 that appeals to the digital native generation by providing instant, personalised access to school and career information. In 2018, we launched Hong Kong's first peer mediation mobile app, which is being used in local primary schools to teach conflict resolution skills. These are just two examples of how Hang Seng is at the forefront of using digital tools to engage tomorrow's leaders today.



### Doing our part for a better world

Climate change is a global issue that affects us all, and Hang Seng is committed to making its operations as environmentally sustainable as possible. For example, we strive to recycle and reduce waste by adhering to a Centralised Bin Policy and consuming less paper and plastic. The past year also saw us record a number of environmental achievements, including the Peak Demand Management Outstanding Award under the CLP's first Smart Energy Award programme.

### Building a better Hong Kong together

We should all be contributing to the well-being and positive development of our communities. Hang Seng is doing its part by engaging stakeholders, understanding their concerns, and employing progressive, latest technologies to provide solutions. Moving forward, integrity, innovation and inclusion will remain central to our actions as we strive to deliver sustainable growth and service excellence, both as a financial institution and a good corporate citizen.

**Louisa Cheang**  
Vice-Chairman and Chief Executive  
Hang Seng Bank



# Our Values



## Strategy

As Hong Kong's leading domestic bank, our strategy for sustainable business growth is built on service excellence. We seek to meet the needs of our customers, add value for shareholders, provide fulfilling careers for our staff, and contribute to a vibrant local economy and civic pride. Our stakeholder engagement initiatives ensure that we consider a diverse range of perspectives.

Over the years, we have achieved sustainable business growth by leveraging competitive advantages. These include our trusted brand, large customer base and extensive distribution network. While these have been essential for our growth, we also continue to establish new strengths and sharpen our ability to meet the increasingly sophisticated needs of our customers in an ever-changing market.

To support long-term business growth, we have launched a number of initiatives to improve service convenience, access and choice. We have allocated more resources to technology to enhance the customer experience and drive innovation in our industry. This includes contributing to the development of an industry-wide trade finance blockchain platform that can enhance service efficiency, reduce risk and improve financing accessibility. We are also actively involved in other fintech initiatives, including Faster Payment System and Open Application Programming Interface (API), to encourage greater creativity and collaboration in the development of innovative, convenient banking services.

Our well-integrated cross-border infrastructure will facilitate initiatives to grow our core banking business on the Mainland and capitalise on new opportunities arising from major developments, such as the Guangdong-Hong Kong-Macao Greater Bay Area and 'One Belt, One Road'.

We continue to strengthen staff engagement, and we remain committed to providing fulfilling careers for our employees by promoting a working culture and conditions that support personal well-being and practices that encourage innovation, collaboration and creativity.

Under our progressive growth strategy, we will keep emphasising customer convenience and choice at the heart of the service experience. We will also continue to engage stakeholders actively, drive product and service innovation, and uphold high operational and compliance standards as we deliver excellence as an employer, a financial services provider and a responsible citizen.

### Hang Seng Corporate Sustainability Matrix



## Our Principles in Practice

Our mission is to be a profitable, growing business that exceeds the expectations of our stakeholders. We do this by delivering service excellence, based on core values that include integrity, innovation and financial strength.

We believe the best ways to accomplish our mission are to maintain a strong emphasis on responsible corporate practices throughout our operations, and to find new and more effective ways to engage our customers, colleagues and local communities. As we continue to refine our strategy for long-term growth, how we do business is just as important as what we do.

This holistic approach supports good risk management, helps identify areas in which we can enhance efficiency and generates new business opportunities. It also offers a competitive advantage as stakeholders increasingly focus on the social and environmental – as well as economic – performance of companies in the financial services industry.



# Our Values



## Stakeholder Engagement

We recognise the benefits of openly and actively engaging those who are highly influential to our business, and those who our operations impact significantly. Through stakeholder analysis and mapping, we have identified customers, staff, shareholders, suppliers and business partners, regulators, and the wider community as our primary stakeholders (see table on the right).

Gaining a deeper understanding of stakeholders' opinions, priorities and values helps us better serve their evolving needs, respond proactively and creatively to opportunities and challenges, and build long-term loyalty and trust as a financial services provider, an employer and a good corporate citizen. This approach also contributes to the positive development of our community, which in turn supports our sustainable growth strategy.

By engaging stakeholders through channels as diverse as customer surveys, staff intranet, corporate social responsibility (CSR) programmes and community-based volunteer activities, we have identified the areas in which our efforts will have the greatest positive impact on sustainable development in Hong Kong.

This year, as part of our report preparation, we engaged approximately 280 internal and external stakeholders via an online survey and a focus group discussion. To gain insights into industry practices, we included peer companies in our engagement activities for the first time.

Our stakeholders' opinions helped us understand their expectations and concerns regarding our governance, management and sustainability disclosures. To ensure open dialogue and impartiality, the engagement exercise was facilitated by an independent third-party consultant and conducted with reference to the AA1000 Stakeholder Engagement Standard and the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.

Stakeholders are engaged annually via the corresponding methods listed :

## Engagement Activities Held in 2018

Stakeholders	Primary Methods of Engagement and Frequency
<b>Customers</b>	<ul style="list-style-type: none"> <li>• daily operations/interactions</li> <li>• financial market information updates</li> <li>• relationship manager visits/meetings</li> <li>• seasonal seminars/conferences</li> <li>• customer loyalty events</li> <li>• customer satisfaction surveys</li> <li>• online community</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• corporate communications, including but not limited to letters/circulars to shareholders and notices of meetings</li> <li>• interim and annual reports</li> <li>• results announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• employee surveys</li> <li>• focus groups</li> <li>• face-to-face interviews</li> <li>• trainings and workshops</li> <li>• performance and development discussions</li> <li>• staff intranet</li> <li>• business briefings</li> <li>• town hall meetings hosted by Chief Executive and Business/Function Heads to communicate specific topics, for example, Bank's strategies and business results</li> <li>• 'exchange meetings' hosted by Chief Executive and managers on a regular basis with employees to discuss and share on specific topics</li> <li>• 'speed networking' where segments of employees mingle and connect with a wider group of senior managers for informal networking in a fun, fast-paced structure</li> <li>• forums hosted by Businesses/Functions to profile their scope of work and help broaden staff understanding and perspectives of internal opportunities, enabling their navigation within the Bank for future development</li> <li>• employee representation on staff retirement committee</li> <li>• volunteer activities</li> <li>• CSR programmes/communications</li> <li>• staff engagement in CSR projects</li> </ul>

Stakeholders	Primary Methods of Engagement and Frequency
<b>Business analysts/investors</b>	<ul style="list-style-type: none"> <li>• results announcements</li> <li>• post-results announcement business briefings</li> <li>• senior management meetings</li> <li>• investor relations meetings</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• reports</li> <li>• meetings</li> <li>• visits</li> <li>• gatherings and seminars</li> <li>• relationship-building events</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• compliance reporting</li> <li>• on-site inspections</li> <li>• ad-hoc enquiries</li> <li>• circulars/guidelines</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• media briefings</li> <li>• press materials</li> <li>• senior management interviews</li> <li>• results announcements</li> <li>• social gatherings</li> </ul>
<b>Non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>• volunteer activities</li> <li>• community investments and donations</li> <li>• CSR programmes/communications</li> <li>• staff workshops</li> <li>• meetings</li> <li>• visits</li> </ul>
<b>Financial sector peers</b>	<ul style="list-style-type: none"> <li>• strategic collaborations</li> <li>• Group circulars</li> <li>• Group 'town hall' meetings</li> <li>• Hong Kong Association of Banks meetings and circulars</li> </ul>
<b>Professional bodies (including rating agencies)</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• visits</li> <li>• memberships</li> <li>• committee/working groups</li> <li>• workshops</li> <li>• external audits</li> <li>• index assessments/questionnaires</li> <li>• joint financial education programmes</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• supplier risk management processes</li> <li>• supplier due diligence processes</li> <li>• annual supplier performance reviews</li> <li>• meetings</li> <li>• site visits</li> </ul>

## Actions to Address Key Stakeholder Concerns >>

Hang Seng's multi-faceted approach to engagement gives stakeholders ample opportunities to communicate their key areas of interest to the Bank. During the reporting period, internal and external groups provided us with a wide range of constructive feedback. We have addressed this as effectively as possible. A few examples of constructive feedback, and how we have addressed the questions raised, are detailed below.

### Protecting customer's privacy

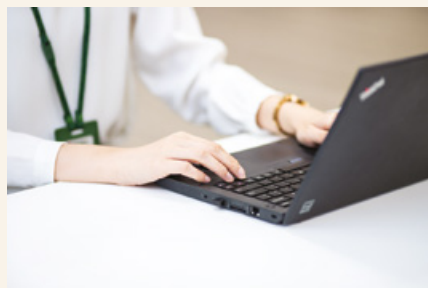
#### Customers, analysts, investors:

"Many data privacy incidents have happened recently. How does Hang Seng manage such incidents in case customer privacy is breached?"

#### Our actions:

Hang Seng complies with the Personal Data (Privacy) Ordinance. An independent assessment of personal internet banking with reference to the Risk Management of E-banking module (TM-E-1) of the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA) was performed in 2018 by an external assessor, KPMG. The assessment confirmed that the Bank met all data privacy requirements stipulated by the SPM.

We continually strengthen our data privacy policy and instruct staff how to report information on security incidents. This includes training on data privacy compliance in Hong Kong. We have implemented a clear desk policy to reduce the chance of unauthorised data access. We also have subject matter experts in cybersecurity to investigate breaches and, if necessary, escalate matters to the Major Incident Group.



### Going green

#### Employees, NGOs, analysts, investors:

"Hang Seng has implemented various initiatives to protect the environment. At an operational level, what has been done internally to ensure a green office?"

#### Our actions:

In 2018, the Bank continued to take a leading role in environmental stewardship and green operations, which are areas of interest both for our employees and the wider community. During the year under review, we developed an Activity-Based Workplace that helps us utilise our physical spaces more efficiently. E-copy creation and e-signatures have furthered our evolution into a paperless office. We are reducing waste with centralised bins, recycling bins, a bring-your-own-coffee-mug incentive scheme, and no-single-use-straw and no-plastic initiatives.

To reduce energy consumption, all unnecessary lighting is switched off after 7:30pm. In 2018, we reduced total greenhouse gas emissions (scopes 1, 2, 3) by 5.55% and total energy consumption by 5.83%.

In addition, during the year under review, we introduced the Hang Seng Green Financing Promotion Scheme. The scheme encourages corporate customers to purchase environmentally-friendly equipment that boosts resource efficiency, reduces pollution and helps companies achieve sustainable growth.





## Actions to Address Key Stakeholder Concerns &gt;&gt;

## Serving the community

**Customers, regulators:**

"Hang Seng has served more than 3 million customers in Hong Kong. What has the Bank done to cater to their different needs?"

**Our actions:**

Hang Seng is proud to count more than half of Hong Kong's adult residents as its customers. To ensure that their many different needs are met, the Bank constantly seeks ways to develop and implement industry-leading practices in financial inclusion. Such measures over the recent years included setting up Mobile Branch to serve populations without nearby bank branches and Social Caring Counters. Social Caring Counters provide priority service to the elderly, disabled people and other customers in need.

Technology also plays an important role in Hang Seng's financial inclusion. Our new HARO and DORI chatbots, for example, provide customers with a faster, simpler and more convenient service experience. With HARO, customers can perform general banking, account inquiry and basic transfer functions, while DORI helps them search credit card offers and even make restaurant reservations. The two virtual assistants use AI technologies, including machine learning and natural language processing to simulate human-like contextual conversations and interact with customers both in Chinese and English, and even in mixed languages. In 2018, Hang Seng also launched a new online payment platform that is integrated with the industry-wide Faster Payment System supporting 24-hour inter-bank transfers. HARO Pay was launched to provide users with the ability to perform small-value transfers more conveniently than ever. Using mobile devices' voice function, customers can make payment instruction via speech-to-text function in a seamless way.

In addition, Hang Seng aims to provide innovative banking experience to our SMEs and Commercial Banking customers through digitalisation of our Business Banking services. In May 2018, Hang Seng Commercial Banking launched BERI chatbot. With BERI, customers can enquire general Business Banking services and relevant information

We also introduced a Mobile Security Key for the Hang Seng Personal Banking mobile app, making online and mobile banking more convenient, and biometrics authentication, such as fingerprint authentication and facial recognition, to achieve a higher level of security authorisation for customers. In the future, Hang Seng is planning to enhance its financing services for start-ups and SMEs.

## Attracting and retaining top talent

**Shareholders, employees, NGOs:**

"With intense competition for talent in the market, what has Hang Seng done to retain its employees and attract top talent?"

**Our actions:**

Hang Seng's talented, dedicated people are who make the Bank a leader in Hong Kong's financial industry. Therefore, we invest substantial resources in staff compensation, benefits, engagement and well-being. In 2018, we reviewed our compensation packages to ensure their competitiveness in the market. We also increased annual leave to give employees more time to spend with loved ones. Staff now enjoy between 18 and 30 days of paid leave per year, in addition to birthdays, up to two volunteer work days, five days of official leave and four days of exam leave. We also announced an extension of maternity leave from 14 to 16 weeks, with effect from 2019.

Hang Seng completed a review of its medical benefits in 2018. We granted an additional HK\$150,000 in hospital benefits to cover the cost of basic medical treatment, and increased total employee medical benefits by almost 60%. Staff can expect further enhancements to our offerings in 2019, including childbirth medical benefits.

Hang Seng believes it is vital for staff to feel valued and involved in the Bank's operations and decision-making processes. This past year, we held exchanges and town hall meetings, hosted by our Chief Executive and senior management, to gather suggestions from employees and implement them wherever possible. We also organised forums on the Bank's various operations to give employees a deeper understanding of functions and help them take advantage of career development opportunities.

To ensure well-being and quality of life, Hang Seng continued to promote flexible work arrangements that provide staff with the freedom to work in the hours and locations that suit them best. The Bank also introduced casual dress codes, for added comfort in the office. Other popular initiatives included Bring Your Kids to Work day, a programme of activities to promote physical and mental health, and an increase in the number of holiday bungalows available for employee enjoyment.

# Our Values

## Materiality Assessment >>>

In sustainability terms, our standard for materiality is defined as an issue that could have a significant impact on the reputation or viability of our business, and/or an impact on a stakeholder's decision whether to do business with Hang Seng. In preparation of this year's Corporate Sustainability Report, the following steps were taken to determine relevant sustainability issues and their materiality:

### Identifying Sustainability Issues

Using the list of 19 material Global Reporting Initiative (GRI) topics in the previous year's report as a basis, we analysed the latest sustainability trends in the industry. We added 'financial inclusion' and 'climate change mitigation and adaptation' as issues to be considered.

STEP  
1

### Ranking Sustainability Issues

More than 250 stakeholders participated in an online survey to rank the importance of the identified issues on a scale of 1 to 6 (1 being of lowest importance and 6 the highest). They were also asked if last year's material topics should be retained and if additional topics should be considered. This data was used to plot the sustainability issues matrix (right).

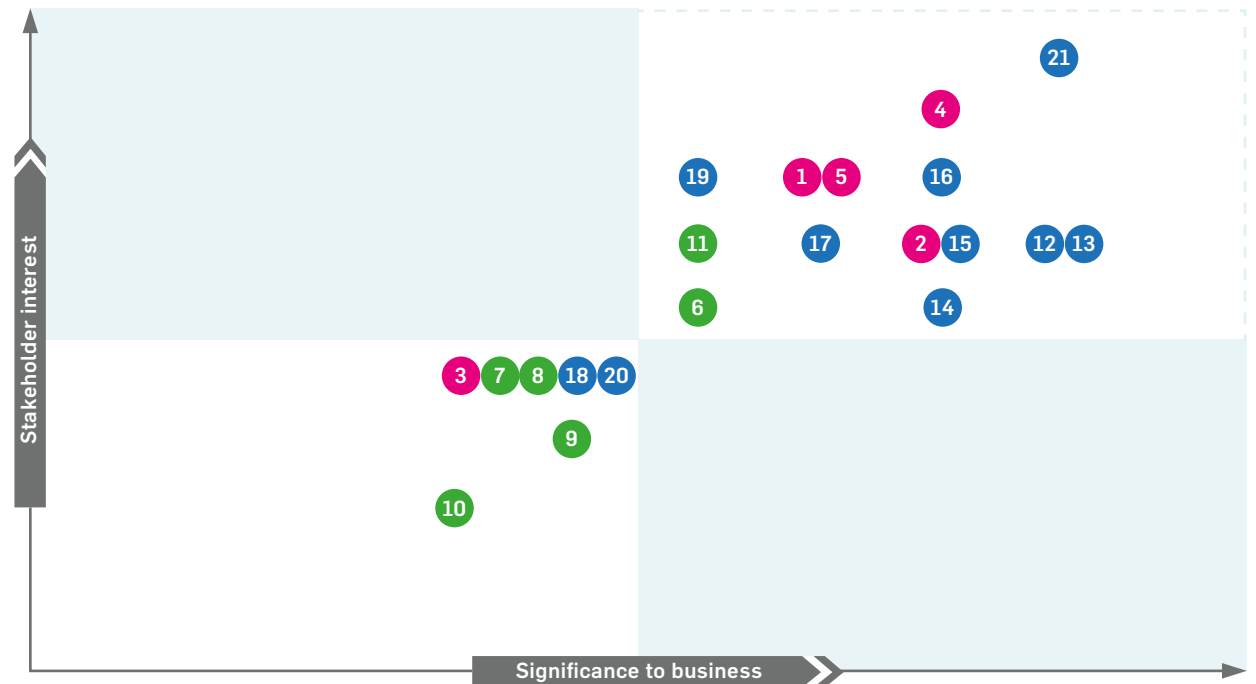
STEP  
2

### Validating the Results

The results of the materiality assessment were validated by the qualitative feedback gathered through stakeholder engagement and peer benchmarking. The final step was endorsement of the recommended material issues by our senior management.

STEP  
3

## Hang Seng's Sustainability Issues



### Economic

- 1 Economic performance
- 2 Market presence
- 3 Procurement practices
- 4 Anti-corruption
- 5 Financial inclusion

### Environmental

- 6 Energy and greenhouse gas emissions
- 7 Effluents and waste
- 8 Materials
- 9 Water
- 10 Biodiversity
- 11 Climate change mitigation and adaptation

### Social

- 12 Employment
- 13 Labour / management relations
- 14 Occupational health and safety
- 15 Training and education
- 16 Diversity and equal opportunity
- 17 Non-discrimination
- 18 Child labour and forced or compulsory labour
- 19 Local communities
- 20 Public policy
- 21 Customer privacy

## Materiality Assessment >>>

### Material Topic Boundaries

Of the 21 reportable material issues identified through our stakeholder engagement, 14 were mapped as the most material topics based on the extent to which they impact our business and operations, inside and outside the Bank. These 14 issues, their boundaries and the sections in which they appear in this report are indicated in the table below.





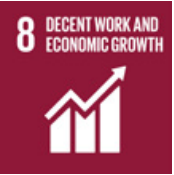

Hang Seng expects all of its partners – including business and investment strategy partners – and suppliers to share its vision and approach towards these topics. Compliance begins with the selection of our financial products, service partners and suppliers. We work only with reputable organisations that have demonstrable track records of upholding high corporate standards.

We carry out a series of due diligence procedures to ensure that partners and suppliers share Hang Seng's values in terms of business practices, regulatory compliance, ethical considerations, environmental protection and conservation, anti-bribery efforts, and health and safety procedures. Throughout the period of our cooperation, we also monitor and evaluate the performance of the working partner on an on-going basis.

Most material topics	Material boundaries where impacts occur						Reference
	Inside Hang Seng	Outside Hang Seng (major stakeholders)					
	Employees	Customers	Business partners	Regulators	Suppliers	Non-governmental organisations	
Economic							
1. Economic performance	✓	✓	✓	✓	✓	✓	<a href="#">Our Performance</a>
2. Market presence	✓	✓	✓	✓	✓		<a href="#">Our Business</a>
4. Anti-corruption	✓	✓	✓	✓	✓	✓	<a href="#">Our Corporate Governance; Our People; Our Suppliers</a>
5. Financial inclusion	✓	✓				✓	<a href="#">Our Customers; Our Community</a>
Environmental							
6. Energy and greenhouse gas emissions	✓	✓	✓	✓	✓	✓	<a href="#">Our Environment</a>
11. Climate change mitigation and adaption	✓	✓	✓	✓	✓	✓	<a href="#">Our Customers; Our Environment</a>
Social							
12. Employment	✓	✓	✓	✓	✓	✓	<a href="#">Our Suppliers; Our People; Our Community</a>
13. Labour / management relations	✓						<a href="#">Our People</a>
14. Occupational health and safety	✓	✓	✓	✓			<a href="#">Our People</a>
15. Training and education	✓						<a href="#">Our Corporate Governance; Our People</a>
16. Diversity and equal opportunity	✓	✓	✓	✓		✓	<a href="#">Our Corporate Governance; Our People</a>
17. Non-discrimination	✓	✓	✓	✓	✓	✓	<a href="#">Our Corporate Governance; Our People</a>
19. Local communities	✓	✓	✓	✓		✓	<a href="#">Our Community</a>
21. Customer privacy	✓	✓	✓	✓			<a href="#">Our Corporate Governance; Our Customers</a>

## Materiality Assessment >>>

Hang Seng also prioritises targets and actions by aligning with the United Nations' Sustainable Development Goals (UNSDGs). We contribute to this globally agreed framework for action to protect the planet, end poverty, and ensure peace and prosperity.

UNSDG	Hang Seng's Key Targets / Actions in Response to UNSDG	Reference
	<ul style="list-style-type: none"> <li>• Provision of training according to their role to enhance staff's technical knowledge and transferrable skills</li> <li>• Investment in the community to provide future skills learning opportunities for youth regardless of their social or economic status</li> </ul>	<a href="#">Our People &gt;&gt;</a> <a href="#">Our Community &gt;&gt;</a>
  	<ul style="list-style-type: none"> <li>• Commitment to responsible banking services</li> <li>• Promotion of green initiatives through the Bank's services and operations, as well as community investment programmes</li> <li>• Support for and participation in green loans projects</li> </ul>	<a href="#">Our Corporate Governance &gt;&gt;</a> <a href="#">Our Customers &gt;&gt;</a> <a href="#">Our Environment &gt;&gt;</a> <a href="#">Our Community &gt;&gt;</a>
	<ul style="list-style-type: none"> <li>• Upholding high standards of corporate governance</li> <li>• Adoption of the Board Diversity Policy in the spirit of transparency and governance</li> <li>• Regular review of policies, benchmarking of employee benefits against the market, and enhancement of workplaces to ensure they are fit for purpose and support employee well-being</li> </ul>	<a href="#">Our Corporate Governance &gt;&gt;</a> <a href="#">Our People &gt;&gt;</a>
	<ul style="list-style-type: none"> <li>• Commitment to responsible operations through Bank's policy and effective supply chain management</li> </ul>	<a href="#">Our Suppliers &gt;&gt;</a> <a href="#">Our Environment &gt;&gt;</a>



## Our Values

### Continual Improvement >>

Good corporate sustainability is not a static goal, but an on-going process that requires monitoring, maintenance and a willingness to strive for continual improvement. We have worked hard to bring our sustainability reporting in line with the ESG Guide issued by the HKEx, the internationally recognised GRI Standards and the GRI G4 Financial Services Sector Disclosures. Adhering to these regulations and guidelines enables us to evaluate our progress in a standardised manner, demonstrate our commitment to sustainability best practices, and benchmark our performance against large listed corporations in Hong Kong and leading financial institutions around the world.

The content and structure of our 2018 Report also reflects a number of other factors, including:

- Issues identified through the CSR Sustainers workshop (see below)
- Issues arising from stakeholder engagement initiatives, including surveys and focus group interviews
- Issues commonly identified in the banking and finance industry, including benchmarking against other financial institutions
- Use of the materiality assessment and Hang Seng Corporate Sustainability Matrix
- Reference to ISO 14001 environmental management system standards
- Reference to BS OHSAS 18001:2007 occupational health and safety standards

Our efforts in publicly disclosing our ESG performance has gained external recognition through these years. Our Corporate Sustainability Report 2017 received a Bronze Award in the 2018 International ARC Awards.

We continue to promote a business culture that encourages our employees to keep corporate sustainability at the heart of our operations. Our CSR Sustainers play a crucial role in motivating and mentoring their colleagues, and in ensuring that we uphold our principles and enhance our sustainability performance (see below box: Best Practice: Building Better Corporate Sustainability from Within).

### Best Practice: Building Better Corporate Sustainability from Within

Our CSR Sustainers, appointed by their respective department heads, play significant roles in ensuring the transparency of our reporting and analysing the latest sustainability trends in their areas of expertise, which cover various material topics. Their appointments are reviewed every year in order to manage our business development.

The first inter-departmental CSR Sustainers workshop was held in 2011. These workshops, which have since become an annual event, help us identify our material corporate sustainability issues and ways we can further enhance engagement with internal and external stakeholders.

Key responsibilities of our CSR Sustainers include:

- Identifying issues that have an impact on our sustainability performance
- Ensuring that our day-to-day business operates in line with our sustainability beliefs
- Collecting and recording data to facilitate sustainability reporting
- Taking the lead in developing and promoting new sustainability initiatives

We promote our sustainability initiatives and provide a summary of the Bank's sustainability principles on our intranet, which is accessible by all Hang Seng staff members. We also encourage employees to read our Corporate Sustainability Report and provide their feedback on its content.



Our Corporate Sustainability Report 2017 received a **Bronze Award** in the 2018 International ARC Awards.

## Continual Improvement >>

### Sustainable Business Success: Keystone Principle and Core Values

How we do business reflects our core values, which underlie our decision-making, policies and actions. These values also provide the foundation that supports our keystone principle: an unwavering commitment to service excellence.

#### Keystone Principle

##### Service Excellence:

Achieving service excellence in all our stakeholder relationships is the keystone of our strategy for long-term business success.

Being a principal member of the HSBC Group, Hang Seng operates under a number of international commitments to which the HSBC Group is a signatory or for which the group has expressed public support. These include:

- The Equator Principles
- The Global Sullivan Principles
- The International Bill of Human Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles' Protect, Respect and Remedy Framework
- The UN Principles for Responsible Investment
- The UN Principles for Sustainable Insurance
- The UN Sustainable Development Goals

#### Core Values



##### Courageous Integrity:

We act with courageous integrity in all we do, standing firm for what is right regardless of any pressure to act differently. We make decisions without fear and without ever compromising the high ethical standards on which our business is built. Our people are dependable, open to different ideas and cultures, and connected to our customers, communities and each other.



##### Leadership and Innovation:

We are the leading domestic bank in Hong Kong, with a strong brand, extensive branch network and large customer base. We work hard to maintain our reputation as a local pioneer of best business practices and as an innovator in product and service development. We lead by example in considering sustainability and corporate responsibility issues.



##### Financial Strength:

We maintain strong financial fundamentals. This gives us the ability to create long-term value for shareholders and make the best possible contribution to community betterment through economic growth and support of social and environmental development.



##### Transparency and Clear Communication:

Our credibility is closely tied to the quality of the information we provide to stakeholders. We continue to develop new and effective ways of engaging with stakeholders, to better understand their priorities and concerns, and to communicate all aspects of our business clearly. We establish long-term partnerships with customers, business associates and community groups based on the loyalty and trust we build through championing open dialogue.



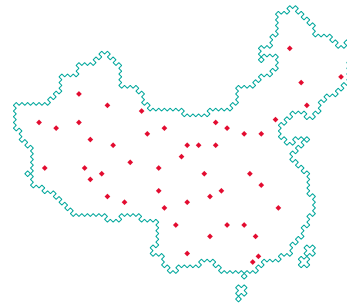
# Our Business

## Who We Are

**HK\$336.1billion**

Our market capitalisation  
on 31 December 2018

Approximate **280**  
service outlets



Established in  
**May 2007**

and headquartered in Pudong, Shanghai

**F**ounded in 1933, Hang Seng is one of Hong Kong's largest listed companies. Our market capitalisation on 31 December 2018 was HK\$336.1 billion.

We serve over half the adult residents of Hong Kong – more than 3.5 million people – through approximately 280 service outlets. We also maintain branches in Macau and Singapore and a representative office in Taipei.

The wholly owned subsidiary Hang Seng Bank (China) Limited – established in May 2007 – is headquartered in Pudong, Shanghai. It operates a mainland China network, with outlets in the Pearl River Delta, the Yangtze River Delta, the Bohai Rim Region and midwest China.

Hang Seng is a principal member of the HSBC Group, one of the world's largest banking and financial services organisations.



# Our Business

## What We Do

The Bank's major business activities are retail banking and wealth management, commercial banking, and global banking and markets. It also offers a comprehensive range of renminbi services.

### Retail Banking and Wealth Management

Retail Banking and Wealth Management offers a broad range of products and services to meet the personal banking, consumer lending and wealth management needs of individual customers. Personal banking products include current and savings accounts, mortgages and personal loans, credit cards, insurance and wealth management.

### Commercial Banking

Commercial Banking offers a comprehensive suite of products and services to corporate, commercial and small and medium-sized enterprise (SME) customers. These products and services include corporate lending, trade and receivables finance, payments and cash management, treasury and foreign exchange, general insurance, key-person insurance, investment services and corporate wealth management.

### Global Banking and Markets

Global Banking and Markets provides tailored financial solutions to major corporate and institutional clients. Based on a long-term relationship management approach, its services include general banking, corporate lending, interest rates, foreign exchange, money markets, structured products and derivatives. Global Banking and Markets also manages the funding and liquidity positions of the Bank and other market risk positions arising from banking activities.

### Hang Seng Indexes

The wholly owned subsidiary Hang Seng Indexes Company Limited (Hang Seng Indexes) compiles and manages the Hang Seng Index (HSI) – launched in 1969 – and an expanding range of indexes. These track segments of stock markets in Hong Kong and on the Mainland. As the leading tracking index in the Hong Kong stock market, the HSI assists the trading of blue-chip shares in the region.

Hang Seng Indexes launched the Hang Seng Corporate Sustainability Index Series in 2010. This covers companies that perform well with respect to corporate sustainability, and provides benchmarks for sustainability investments (see box for more information).



### Hang Seng Corporate Sustainability Index Series

The market's appetite for sustainable investments is growing. Since 2010, Hang Seng Indexes has operated the Hang Seng Corporate Sustainability Index Series, offering tradable and benchmark indexes populated by corporate sustainability leaders in Hong Kong and on the Mainland. The Index has been licensed to the Hang Seng Corporate Sustainability Index Fund.

The selection process for the constituents is robust. It includes consideration of the results of a sustainability assessment undertaken by Hong Kong Quality Assurance Agency. Each eligible company is evaluated against general and industry-specific criteria in seven core areas:

- Corporate governance
- Human rights
- Labour practices
- Environment
- Fair operating practices
- Consumer issues
- Community involvement and development

The process ensures that indexes in the Hang Seng Corporate Sustainability Index Series are objective, reliable and a reflection of companies that are highly investable. They provide excellent benchmarks for index funds with a corporate sustainability theme.

For details on the index methodology and its constituents, please visit the [Hang Seng Indexes website](#) »





## Our Performance

### Our Approach



Our operating principles and strategy are designed to enhance our position as the leading domestic bank in Hong Kong and a preferred choice of personal and corporate clients for wealth management and trade solutions in the Greater China region. They are also designed to contribute to the positive development of our community and to achieving sustainable growth.

In addition to providing quality banking and financial services, our investment in, and support for, a broad range of youth development, social welfare, sports development and environmental stewardship initiatives are helping to create a well-educated, inclusive and healthy society.

We make direct economic contributions to Hong Kong in a number of ways. These include tax payments and being one of the city's largest private sector employers. We have more than 10,000 employees.

Examples of our indirect economic contributions include our strong support for small and medium-sized enterprises (SMEs). By working with these homegrown businesses, we support the local economy and create new employment opportunities and wealth.

With our growing business, we are exposed to multiple financing risks. We require all business units to identify and align with the

established policies and procedures, as well as to comply with regulatory bodies.

Our senior management team contributes valuable knowledge and expertise. They serve as directors on the boards of other large Hong Kong companies, participate in think-tanks that focus on economic and social issues, are members of government advisory groups and industry organisations, and hold senior positions on the boards and committees of non-governmental organisations (NGOs) and charitable organisations that are working to solve economic and social challenges in Hong Kong.

# Our Performance

## Performance by the Numbers >>

Financial	2018	2017	2016
Operating profit (HK\$m)	27,947	23,547	19,034
Profit attributable to shareholders (HK\$m)	24,211	20,018	16,212
Shareholders' funds (HK\$m)	162,082	152,030	140,626
Total assets (HK\$m)	1,571,297	1,478,418	1,377,242
Total liabilities (HK\$m)	1,409,190	1,326,339	1,236,556
Earnings per share (HK\$)	12.48	10.30	8.30
Dividends per share (HK\$)	7.50	6.70	6.10
Return on average ordinary shareholders' funds (%)	16.00	14.20	12.10
Return on average total assets (%)	1.60	1.40	1.20
Cost efficiency ratio (%)	29.50	30.50	33.50
Average liquidity coverage ratio (quarter ended 31 Dec) (%)	209.10	209.50	253.60
Average liquidity coverage ratio (quarter ended 30 Sep) (%)	208.20	242.30	284.00
Average liquidity coverage ratio (quarter ended 30 Jun) (%)	209.60	256.70	257.10
Average liquidity coverage ratio (quarter ended 31 Mar) (%)	207.00	267.70	257.10
<b>Capital Ratio under Basel III</b>			
Common Equity Tier 1 (CET1) Capital Ratio (%)	16.60	16.50	16.60
Tier 1 Capital Ratio (%)	17.80	17.70	17.90
Total Capital Ratio (%)	20.20	20.10	20.80

Data coverage: Hang Seng Group

## Business Awards and Recognition

**Best Bank – Domestic (Hong Kong)**  
(19th consecutive year)

*The Asset*

**Best Green Loan**

*The Asset*

**Best Domestic Bank (Hong Kong)**

*Asiamoney*

**Hong Kong Domestic Trade Finance Bank of the Year**

*Asian Banking & Finance*

**Safest Bank in Hong Kong**

*Global Finance*

**Trusted Brands Gold Award – Bank (Hong Kong)**

*Reader's Digest*

# Our Performance

## Performance by the Numbers >>

Economic	2018	2017	2016
<b>Direct Economic Value</b>			
Generated (HK\$m) <sup>1</sup>	<b>41,220</b>	35,367	30,612
Distributed (HK\$m)	<b>29,339</b>	25,954	23,720
Operating costs	<b>4,994</b>	4,282	4,202
Employee compensation and benefits	<b>5,656</b>	5,122	4,807
Payments to providers of capital	<b>14,756</b>	13,198	12,008
Payments to government in Hong Kong	<b>3,907</b>	3,278	2,628
Payments to government outside Hong Kong	<b>55</b>	46	51
Charitable donations	<b>31</b>	28	24
Retained (HK\$m) <sup>2</sup>	<b>11,821</b>	9,413	6,892
Number of full-time equivalent employees (as of 31 Dec) <sup>3</sup>	<b>10,352</b>	9,980	9,708
Number of shareholders (as of 31 Dec)	<b>17,999</b>	18,406	18,937

Data coverage: Hang Seng Group

<sup>1</sup> Direct economic value generated refers to the net sales plus revenues from financial investments and sales of assets as disclosed in the Bank's Annual Report

<sup>2</sup> Direct economic value retained refers to the direct economic value generated less the direct economic value distributed

<sup>3</sup> Includes full-time equivalent employees (FTE) of Hang Seng Qianhai Fund Management Company Limited on the Mainland

Community	2018	2017	2016
Number of outlets as of 31 Dec	<b>286</b>	270	270
Number of customers as of 31 Dec (m)	<b>&gt;3</b>	>3	>3
Community investment (HK\$m)	<b>32</b>	31	26

For environmental performance, please refer to [Our Environment >>](#)

## Corporate Sustainability Recognition

**Constituent stock of FTSE4Good Developed Index**  
(17th consecutive year)

**Constituent stock of MSCI Pacific ex Japan SRI Index**  
(4th consecutive year)

**Constituent stock of Hang Seng Corporate Sustainability Index Series** (9th consecutive year)

**Constituent stock of Hong Kong Business Sustainability Index** (4th consecutive year)

**Hong Kong Council of Social Service Caring Company**  
(16th consecutive year)

**Best Corporate Social Responsibility Reputation among Local Banks and Financial Service Companies in the University of Hong Kong's Public Opinion Programme**  
(11th consecutive year)

**Junzi Corporation** (8th consecutive year)

**First bank in the world to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007** (2009)

**First local Hong Kong bank to attain ISO 14001 certification for all offices and branches** (2011)

# Our Performance

## Credit Ratings

### HANG SENG BANK

#### Moody's

Long-term Bank Deposit (local and foreign currency)	Aa2
Short-term Bank Deposit (local and foreign currency)	Prime -1
Outlook	Stable

#### Standard & Poor's

Long-term Counterparty Credit (local and foreign currency)	AA-
Short-term Counterparty Credit (local and foreign currency)	A-1+
Outlook	Stable

### HANG SENG CHINA

#### Moody's

Long-term Bank Deposit (local and foreign currency)	A2
Short-term Bank Deposit (local and foreign currency)	Prime -1
Outlook	Stable

#### Standard & Poor's

Long-term Counterparty Credit (local and foreign currency)	A+
Short-term Counterparty Credit (local and foreign currency)	A-1
Outlook	Stable

## Memberships of Industry Associations

- ▶ Business Environment Council Limited
- ▶ CEB FS Operations Leadership Council - International
- ▶ Employers' Federation of Hong Kong
- ▶ Federation of Hong Kong Industries
- ▶ Hong Kong Investment Funds Association
- ▶ Hong Kong Jewelry Manufacturers' Association Ltd
- ▶ Hong Kong Securities and Investment Institute
- ▶ International Chamber of Commerce - Hong Kong
- ▶ International Swaps and Derivatives Association, Inc.
- ▶ New Territories General Chamber of Commerce
- ▶ The American Chamber of Commerce In Hong Kong
- ▶ The Hong Kong Association of Banks
- ▶ The Hong Kong Exporters' Association
- ▶ The Hong Kong General Chamber of Commerce
- ▶ The Hong Kong Institute of Bankers
- ▶ The Hong Kong Management Association
- ▶ The Hong Kong Retirement Schemes Association
- ▶ The Institute of Financial Planners of Hong Kong
- ▶ Treasury Markets Association



# Our Corporate Governance

## Our Approach

Our credibility as a leading financial institution in Hong Kong relies on our operational integrity and the transparency of the information we provide to stakeholders. Upholding strong corporate governance, adhering to the highest ethical standards and effectively managing risk are essential to being an accountable, transparent and well-managed company.

Compliance issues are discussed and reviewed by the Board of Directors and various Management Committees. The Board has collective responsibility for promoting the long-term sustainability and success of the Bank by providing forward-thinking leadership within a framework of prudent and effective controls.

The Board upholds high standards of integrity and ethics. Matters relating to internal control and risk management governance, as well as policies and practices on compliance with legal and regulatory requirements, are considered at Board meetings.

In line with HKEx's ESG Guide, the Board is responsible for evaluating and determining the ESG risks faced by the Bank and ensuring that appropriate, effective ESG risk management and internal control systems are in place. Reviews of the effectiveness of the Bank's ESG risk and internal control systems in 2018 were conducted by the business/functional units twice a year. A year-end confirmation, and the content of the CS Report, were endorsed at the Risk Management Meeting and approved by the Board.

Our staff are on the frontlines of maintaining the strength of our corporate reputation and ensuring we always operate ethically, honestly and with full accountability. We provide employee training, covering issues ranging from banking regulations and codes of practice to data privacy.

As part of our zero-tolerance stance on financial crime, we place strong emphasis on training programmes that ensure our staff are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering and insider trading. Staff who work in high-risk roles are required to complete additional, specialised training that assists in detecting, deterring and protecting the Bank against financial crime. Our new joiner programme also covers the Bank's strategy and initiatives for managing operational and environmental sustainability.

We have comprehensive systems to ensure the appropriate use and protection of all data, particularly in relation to customer information and privacy issues. Robust 'Know Your Customer' and assessment processes are designed to minimise our risk of establishing relationships with individuals and organisations engaged in activities such as money laundering, terrorism and irresponsible environmental practices, or becoming involved in operations that may involve forced or child labour, or that violate indigenous or other human rights.





# Our Corporate Governance

## Corporate Governance Structure >>>>

**H**ang Seng is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders.

The Bank follows the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' (CG-1) under the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA). The Bank also fully complies with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). In 2018, HKEx announced changes to the Listing Rules which impose, among others, greater demand on the Board or the Nomination Committee when appointing Independent Non-executive Director (INED) which took effect on 1 January 2019. The Bank has taken into account such new requirements when making necessary disclosure. Further, the Bank constantly reviews and enhances its corporate governance framework by making reference to market trends as well as guidelines and requirements issued by regulatory authorities to ensure that it is in line with international and local corporate governance best practices.<sup>Note</sup>

### Board of Directors

As of 31 December 2018, the Board consists of 13 Directors, of whom two are Executive Directors and 11 are Non-executive Directors (NEDs). Among the 11 NEDs, six are INEDs. Five of the 13 Directors are female.

We have exceeded the requirements of the Listing Rules that INEDs should represent at least one-third of the Board. There is a strong independent element on the Board to ensure the independence and objectivity of the Board's decision-making

process as well as its thoroughness and impartiality of the Board's oversight of the Management.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, banking and professional expertise. The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge their responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues and their associated risks in order to ensure effective governance and oversight.

The Bank remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to, and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a [Board Diversity Policy](#) >> that has been made available on the Bank's website in the spirit of transparency and governance. Board appointments are based on merit, and candidates are considered against objective criteria with due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

We use a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, we solicit the opinions of the existing Directors (including the INEDs). The proposed appointment will first be reviewed by the Nomination Committee, who takes into account the balance of skills, knowledge and experience on the Board. Upon the recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

In accordance with the requirement under the Banking Ordinance, approval from HKMA will also be obtained.

All new Directors are subject to election by the Bank's shareholders at the next Annual General Meeting (AGM) after their appointments have become effective. Further, the Bank's Articles of Association provide that all Directors shall be subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the Bank's AGMs.

All Directors are provided with briefings and training on an ongoing basis as necessary to ensure that they have a proper understanding of the Bank's operations and business and are fully aware of their responsibilities under the applicable laws, rules and regulations.

The Directors hold different positions in industry associations, professional institutions, government committees and charitable organisations. Biographical details of the Directors are available on the [Bank's website](#) >>.

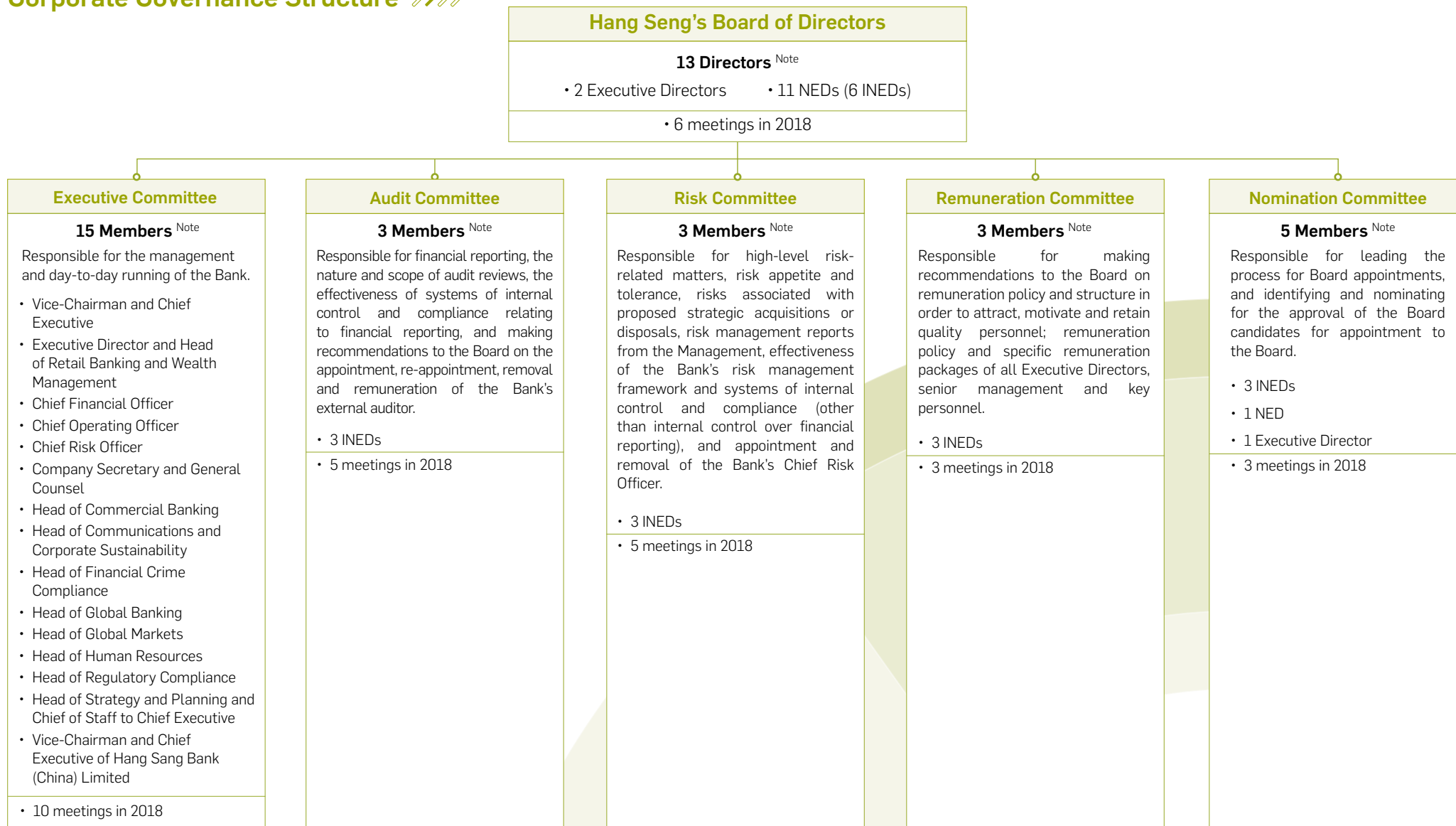
### Board Committees

The Board has set up five Committees – the Executive Committee, Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee – to assist it in carrying out its responsibilities. Each of these Committees has specific written terms of reference that set out in detail its respective authorities and responsibilities. Each Committee reviews its terms of reference and effectiveness annually. The terms of reference of all the Non-executive Board Committees have been made available on the [Bank's website](#) >>.

All Committees adopt the same governance processes as the Board as far as possible, and report back to the Board on their decisions and recommendations on a regular basis.

# Our Corporate Governance

## Corporate Governance Structure >>>>



Note: As of 31 December 2018.

# Our Corporate Governance

## Corporate Governance Structure >>>>

### Hang Seng Bank (China) Limited – Corporate Governance Structure<sup>Note</sup>

Hang Seng Bank (China) Limited (Hang Seng China) was established in 2007 and complies with all laws and regulations governing the setup and operation of mainland China subsidiaries of foreign banks.

#### Board of Directors

As at 31 December 2018, there were six Directors on the Hang Seng China Board, including the Chairman, one Executive Director (who is also Vice-Chairman and Chief Executive of Hang Seng China) and four NEDs. Among the four NEDs, three are INEDs.

#### Board Meetings

The Hang Seng China Board held four meetings in 2018.

#### Board Reports to

The sole shareholder of Hang Seng China is Hang Seng Bank Limited.



#### Board Committees

As at 31 December 2018, the Hang Seng China Board had set up six committees: the Executive Committee, the Audit Committee, the Risk Committee, the Connected Transactions Control Committee, the Remuneration Committee and the Nomination Committee. Each committee has specific written terms of reference that set out its authorities, responsibilities and meeting rules.

#### Supervisor

Hang Seng China has one supervisor, appointed by and reporting to the sole shareholder, who may sit in on Board meetings. Hang Seng China's supervisor sat in on all Board meetings in 2018.

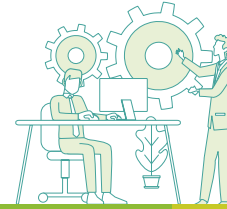


# Our Corporate Governance

## Corporate Governance Structure >>>>



Note: As of 31 December 2018.



# Our Corporate Governance

## Risk Management >>>>>

Our activities involve to varying degrees, the measurement, evaluation, acceptance and management of risk or combination of risks. As a provider of banking and financial services, we actively manage risk as a core part of our day-to-day activities. The principal types of risk faced by the Group are credit risk, liquidity and funding risk, market risk, insurance risk, operational risk and reputational risk. Being a principal member of the HSBC Group, we follow the policies and guidelines governing risk management as outlined [here](#)>>.

### Risk Management Framework

Hang Seng's risk management policy is designed to identify and analyse risks, to set appropriate risk limits and to monitor these risks exposures continually by means of reliable and up-to-date management information systems. Our risk management framework/policies and risk appetite statement or major risk limits are approved by the Board of Directors and they are monitored and reviewed regularly by various Board or management committees.

Robust risk governance and accountability are embedded throughout the Bank through an established enterprise risk management framework that ensures appropriate oversight of and accountability for the effective management of risk at all levels of the organisation and across all risk types.

The Board has ultimate responsibility for approving our risk appetite statement and the effective management of risk. The Risk Committee (RC) advises the Board on risk appetite and its alignment with strategy, risk governance and internal controls and high-level risk related matters.

The ongoing monitoring, assessment and management of the risk environment and the effectiveness of risk management policies resides with the Risk Management Meeting (RMM). In addition

to the eight types of risks stipulated in the HKMA's SPMs – namely credit risk, market risk, liquidity risk, interest rate risk, operational risk, legal and compliance risk, reputation risk and strategic risk – the RMM covers business (including insurance) risk, pension risk, security and fraud risk, and sustainability risk. It is responsible for the endorsement and approval of all risk management-related policies.

The Chief Risk Officer (CRO) is the executive accountable for overseeing the development and implementation of the Bank's risk management framework. The CRO is also responsible for ensuring the adoption and oversight of the Enterprise Risk Management Framework within their remit. Where risk management practices do not align with the framework, mitigating action should be undertaken to address any gaps.

Our risk appetite statement is a key component of our risk management framework. The Risk Appetite Statement for 2018 was approved by the Board as advised by the RC. It describes the types and amount of risk that the Bank will accept to achieve its medium and long-term strategic goals.

The RMM regularly reviews and monitors the Group's risk appetite profile against the limits set out in the risk appetite statement and determines appropriate management action in any instances of deviation from the approved limits. The risk appetite profile is also reported to the RC and Board by the CRO, including details of any material deviation and management action where required.

In addition to the existing due diligence process, a Product Oversight Committee reporting to the RMM and comprising senior executives from Risk, Legal, Compliance, Finance and Operations/IT is responsible for reviewing and approving the launch of any new product or service. Each new service and product launch is also subject to an operational risk self-assessment process, which includes identification, evaluation and mitigation of risks arising from the new initiative. Internal Audit is consulted on the internal

control aspect of new products and services in development prior to implementation.

We support international responsible financing principles and sector-specific guidelines to help manage environmental sustainability risks (see [Responsible Banking Services](#)>>). We also require that our business units conduct an overall sustainability risk analysis in relation to all new and existing customers, to ensure the products and services we offer them are in line with our sustainability policies.

We conduct quarterly reviews to monitor compliance with our sustainability risk policies, with respect to corporate customers. As of December 2018, we were fully compliant.

We manage tax risk based on a formal tax risk management framework. We are committed to complying with the spirit and the letter of tax law, and aim to maintain an open and transparent relationship with the tax authorities. We adopted initiatives that aim to increase transparency, including the [US Foreign Account Tax Compliance Act \(FATCA\)](#)>> and the [OECD Standard for Automatic Exchange of Financial Account Information \(the 'Common Reporting Standard'\)](#)>>. We do not employ tax avoidance structures or strategies, e.g. artificially diverting profits to low tax jurisdictions. We principally operate and pay taxes in Hong Kong. The relevant financial information is disclosed in our Annual Report.

We maintain documented Business Continuity Plans (BCP) for critical operations and significant risks, including arrangements for recovery site operations. A clearing and settlement services contingency plan ensures that critical operations will function in emergency situations. Our remote desktop allows staff to work from home without the need to bring their office computers home. This enables the BCP to be flexible and realistic.

# Our Corporate Governance

## Risk Management >>>>>

### Internal Controls

The primary role of the Internal Audit function (INA) is to help the Board and executive management protect the assets, reputation and sustainability of the Bank. INA provides independent, objective assurance as to whether the design and operational effectiveness of the Bank's framework of risk management, control and governance processes – as designed and represented by management – are adequate.

The Bank has adopted a risk management and internal control structure, referred to as the 'Three Lines of Defence', to ensure it achieves its commercial aims while meeting regulatory and legal requirements as well as its responsibilities to shareholders, customers and staff. INA's role as the 'third line of defence' is independent of the first and second lines of defence (see box below). The Bank's Head of Audit reports to the Chairman of the Board and the Audit Committee.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee and the Risk Committee as appropriate. INA also reviews the management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

### Compliance

Our key values include a commitment to quality, professionalism and integrity throughout our business. We ensure that staff comply with both the letter and the spirit of all relevant laws, codes, rules, regulations, guidelines and codes of conduct. In any jurisdiction where local compliance requirements are of a lower standard than those established by our Group policies, our higher standards apply (where they do not contravene or conflict with local law).

Matters relating to internal control and risk management governance, as well as compliance with legal and regulatory requirements, are considered at Board meetings. Regular Business Governance Reports on financial crime compliance and regulatory compliance are submitted to the Executive Committee.

The Audit Committee reviews our financial reporting, the nature and scope of audit reviews, and the effectiveness of our systems of internal control and compliance for financial reporting.

In 2018, no non-compliance with laws and/or regulations that resulted in significant fines or non-monetary sanctions was recorded.

### Inside Information

We have a robust framework for the disclosure of inside information, in compliance with the Securities and Futures Ordinance. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner. It allows shareholders, customers, staff and

other stakeholders to understand the position of the Bank and its subsidiaries. The framework and its effectiveness are subject to regular review.

### Anti-money Laundering and Counter-terrorist Financing, Sanctions, and Anti-bribery and Corruption

We maintain high financial crime controls across our business. Robust systems and measures detect, deter and protect us from involvement in financial crimes such as money laundering, the violation of sanctions, and bribery and corruption. Our protective measures include but are not limited to:

- Our 'Three Lines of Defence' framework (see box below) delineates accountability and responsibility for risk management and the control environment within each line of defence.
- Enhanced financial crime risk management approaches (as determined and stipulated by the HSBC Group) to ensure all relevant risks are within the Bank's risk appetite.

#### 'Three Lines of Defence' Framework



**First Line of Defence** – is our business units. They are responsible for identifying, recording, reporting and managing risks, and ensuring controls and assessments are in place to mitigate these risks. Most of Hang Seng's people are in the First Line of Defence, including Risk Owners, Control Owners and Business Risk and Control Managers.



**Second Line of Defence** – is risk management specialists, such as the Sustainability Risk Manager, Wholesale Credit Risk, Risk Stewards and the Operational Risk Function. They are responsible to set and implement policy and guidelines for managing risk, and provides advice, guidance and challenges on effective risk management.



**Third Line of Defence** – is Internal Audit. This independently assures that the Bank manages risk effectively.



## Our Corporate Governance

### Risk Management >>>>

To identify bribery or corruption risks, customer accounts are subject to the standard Know Your Customer, Customer Due Diligence, and Transaction Monitoring procedures. All record-keeping is governed by the HSBC Group's record management policies.

Our Customer Due Diligence programme incorporates enhanced due diligence on customers assessed as higher risk, such as Politically Exposed Persons in senior positions, and their relatives and close associates.

Anti-money laundering and crime prevention monitoring procedures are assessed annually by the Financial Crime Compliance team on a global level.

Stringent internal guidelines and procedure manuals detail regulations, guidelines and HSBC Group policies with respect to customer due diligence, monitoring, financial sanctions, terrorist financing and reporting of suspicious transactions. They also cover related staff training and record-keeping. All Bank staff are required to observe these policies and practices.

We take a  
**zero-tolerance**  
approach towards bribery  
and corruption.

We take a zero-tolerance approach towards bribery and corruption. Matters and policies related to anti-bribery and corruption are submitted to the Board and Chief Executive for consideration and comments. The Bank has an Anti-bribery and Corruption team – part of the Financial Crime Compliance division – to oversee such matters. Its main functions include but are not limited to:

- reviewing gifts, entertainment and other advantages received or offered by staff and the Bank;
- monitoring the relationships and performance of third parties that perform services for or on behalf of the Bank and that interact with external parties on behalf of the Bank;
- ensuring charitable giving is not used for illicit activities or as an indirect way to commit an act of bribery;
- ensuring all recruitment is meritocratic, fair and ethical. Hiring of individuals – whether on a temporary or permanent basis, and/or paid or unpaid – must not be used to improperly influence business development or relationships;
- drafting and overseeing compliance with related policies;
- providing relevant recommendations to the Bank's Chief Executive and Board.

To mitigate potential compliance, regulatory and reputational risks associated with violations of sanctions, laws and regulations – as well as the risk of conducting business with sanctioned parties – we have adopted the HSBC Group's Global Sanctions Policy. It applies to our entire business operations, including Hang Seng China and our overseas branches. The Policy was developed with reference to laws, regulations, regulatory guidance and trends in sanctions application and enforcement of the United Nations, the United Kingdom, Hong Kong, the European Union and the United States of America.

To meet the Policy's requirements, Hang Seng has adopted the standards set forth by the HSBC Group. These include:

- complying with all applicable sanctions programmes imposed by HSBC's regulators;
- screening customers, connected parties and other related parties (as defined in the Policy), as well as certain parties taking part in transactions;
- evaluating and, when appropriate, escalating screening results;
- preparing and issuing reports to authorities;
- retaining appropriate sanctions and reporting records;
- designating responsible individuals for programme operation and administration;
- conducting an annual assessment of sanctions risk.

Comprehensive training programmes for all staff include tailored financial crime risk content, to strengthen employees' relevant competences within their roles. All employees are required to complete an e-learning programme that covers anti-bribery and corruption, anti-money laundering and sanctions. Role-specific training must also be completed by passing the assessment.

In 2018, there are no concluded legal cases regarding corrupted practices.

As stipulated by the HSBC Group's Global Anti-Bribery and Corruption Policy, political contributions and recruitment cannot be used to build business relationships. Our political contributions are zero.

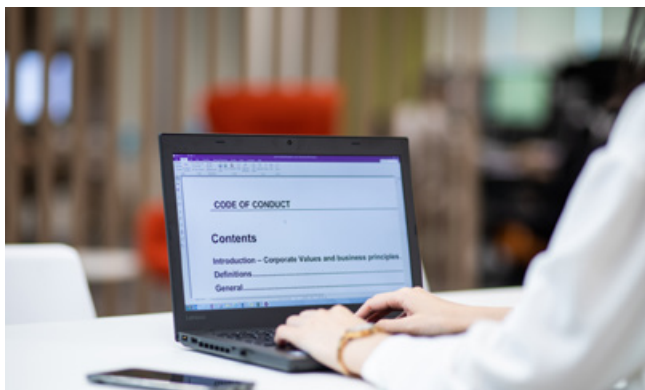
For our policies on anti-money laundering, anti-bribery and corruption, and sanctions, please refer to [this link >>](#).

# Our Corporate Governance

## Risk Management >>>>>

### Staff Code of Conduct

To ensure the Bank operates according to the highest standards of ethical conduct and professional competence, all staff are required to follow the Code of Conduct. This is accessible by all staff via the Bank's intranet. With reference to applicable regulatory guidelines and other industry best practices, the Code sets out the ethical standards and values to which all staff are required to adhere, and relevant legal and regulatory information. Under our Employees Recognition and Conduct Framework, the performance and behavioural rating assessment of staff is tied in with their conduct.



Topics covered by the Code include the Bank's corporate values and business principles; staff borrowing, lending and dealing; employee bankruptcy; money laundering and sanctions; conduct in obtaining and/or granting business and business facilitation; outside directorships, employment and commercial interests; copyright and intellectual property; security and fraud prevention; social media; equal opportunities; and conflicts of interest.

Our governance framework provides effective oversight and monitoring of our conduct risks. Our culture supports employees and empowers them to consistently do the right thing for our customers. We take sustained efforts to promote courageous integrity such as skip-level exchange with senior management; morning broadcast to deliver key messages on the expected or unacceptable conduct behaviours and embed financial crime risk culture; and share, via the intranet, stories of best practices or good examples of Speak-up Heros. We incentivise positive behaviour and attitude. In 2018, the number of staff who received recognition increased by 80% which resulted in positive adjustment in their year-end variable pay.

### Staff Awareness

A key factor in legal and regulatory compliance, and guarding against illegal activities such as fraud and money laundering, is to maintain a high level of staff awareness through training. All employees must complete e-learning programmes that cover anti-money laundering, sanctions, and anti-bribery and corruption issues, to ensure that they are familiar with the relevant laws and regulatory requirements. Other compliance training programmes cover data privacy, cyber security, occupational health and safety, and code of banking practices.

With the continuous, fast growth of digitalisation, to ensure we safeguard the Bank against cyber attacks, ongoing communications and training are provided to raise staff awareness on cyber security and Information security risk.

A briefing session was conducted in 2018 to Conduct Risk Champions – including heads of business and functions, and selected branch management – covering the latest HKMA requirement, recent staff conduct cases and the Bank's culture governance framework. It further equips the management team as the role models for culture, values and behaviours in their respective areas in order to promote sound culture in the Bank.

### Conflicts of Interest

We have established standards, policies and procedures to manage actual or potential conflicts of interest involving our staff. Stringent internal structures ensure adequate segregation of duties and avoid conflicts of interest. Staff in sensitive or high-risk areas are required to adhere to job-specific rules and undergo training regarding how to avoid conflicts of interest in carrying out their duties.

### Whistle-blowing

We encourage the reporting of suspected internal business irregularities, human rights abuse and workplace mistreatment, and provide grievance and whistle-blowing channels specifically for this purpose. The Bank makes every effort to ensure that all employees can raise concerns confidentially without fear of repercussion. We adhere to the [HSBC Statement on Whistle-blowing Arrangements >>>](#).

HSBC Confidential is a safe, simple channel for our staff to raise concerns when they feel the normal channels of escalation are unavailable or inappropriate. All whistle-blowing cases are investigated in accordance with HSBC Group policies and standards by Subject Matter Experts. Acts of retaliation against a whistleblower are not tolerated.

### Data Privacy

Ensuring the privacy of customer information and other data is among our most important responsibilities. It maintains our reputation for good governance and establishes the trust that underpins lasting business relationships. We comply with all data privacy regulations including the Personal Data (Privacy) Ordinance and have formulated Privacy Principles to guide staff





# Our Corporate Governance

## Risk Management >>>>>

in protecting customer data. Specific processes for the handling and protection of customer data are set out in the relevant internal procedure manual.

Our 'Notice to Persons and Other Individuals relating to the Personal Data (Privacy) Ordinance' alerts subjects to our collection and use of personal data, the class of transferees of these data and the class of marketing subjects. Our 'Important Message to Readers and Internet Privacy Policy Statement' properly discloses our recommendations of best practice regarding the tracking and use of cookies on our websites.

Data privacy matters are overseen by the Chief Data Officer, Head of Regulatory Compliance and Data Protection Officer. Data Controlling Officers have been appointed at functional and business unit levels to promote data protection and disseminate information on relevant new guidelines and developments. (See [Customer Privacy section >>>](#) in Our Customers)

### Cyber Security

Cyber attacks are a key emerging threat to us and the financial industry. Banks are high-profile targets for cyber criminals, who seek financial gain, personal information and disruption.

The potential impacts of cyber attacks include financial loss, reputational damage and loss of customers. We have taken a series of actions to strengthen our cyber security controls, to safeguard the Bank and customers, and to ensure the resilience of our service.

We have established a governance forum to oversee cyber security at the Bank. Its primary responsibilities are to ensure cyber security risks are managed effectively, and to oversee issues and activities related to information security risks.

We completed an assessment of the Bank's inherent risks and the maturity levels of its cyber security measures in 2017, in accordance with HKMA's Cyber Resilience Assessment Framework. Most of the gaps identified in that assessment were remediated and closed in 2018.

We engaged qualified independent testers to simulate intelligence-led cyber attacks on our critical assets in 2018. All the test scenarios were defended, with no material issues identified.

We continue to strengthen and significantly invest in preventing, detecting and responding to the ever-increasing and ever more sophisticated threat of cyber attacks. Specifically, we enhance our security event detection, incident-response processes, and our protection against malware, denial-of-service attacks and data leakage.

We share intelligence with law enforcement and the industry. This improves our understanding of – and ability to respond to – the evolving threats faced by us and our industry peers.

In addition to the cyber security controls, we have defined policies to classify and protect physical information. We conduct clear-desk checking to ensure that physical information is secured to the Bank's standard.

### Equal Opportunities, Non-discrimination and Human Rights

We comply with all relevant Hong Kong labour laws. We assess potential new client and supplier relationships to minimise the risk of indirectly facilitating the violation of any individual's labour or human rights. No incidents of discrimination, or violation of the rights of indigenous peoples, were reported in 2018.

We adopted the [HSBC Statement on Human Rights >>>](#), which follows the UN Guiding Principle's Protect, Respect and Remedy framework. We recognise that human rights issues are complex and that the roles and responsibilities of business and other stakeholders are the subject of an ongoing international dialogue. We are open and willing to engage in this dialogue where appropriate and constructive.

In 2018, we provided all new joiners with a total of 3,200 hours of training on equal opportunities, diversity and human rights-related issues that are relevant to our operations and that create a positive working environment. All security personnel received formal training in human rights policies, specific procedures and their security applications. (See [Equal Opportunities, Diversity and Inclusion section >>>](#) in Our People)

We follow a [Board Diversity Policy >>>](#) adopted by the Board in 2013.

### Competition Ordinance

The Competition Ordinance came into effect in Hong Kong on 14 December 2015. Our legal division continues to lead an extensive programme of risk mitigation actions across all businesses and functions to ensure we fully comply with the Ordinance. This work complements our ongoing wider programme of competition risk mitigation. Training to enhance staff knowledge of the requirements of the Ordinance and continues on a regular basis.

In 2018, we had no legal actions regarding anti-competition behaviour or anti-trust and monopoly violations.

# Our Corporate Governance

## Responsible Banking Services >>

### Lending and Investment Policies

Our financing decisions reflect our business principles and risk assessment processes, and the needs of our customers.

Our credit evaluation process includes assessment of any potential environmental or social sensitivity-related risks. We monitor our clients' implementation of, and compliance with, environmental and social requirements. In cases of material deviation from the required standards, we work with customers to establish a target date for compliance. Where no progress is made, or in instances of a serious breach, we exit the relationship. (See more in Concerted Efforts below)



For environmental risk matters, we follow the sustainability risk requirements in the Bank's Corporate Lending Guidelines. We have adopted the Equator Principles: a set of voluntary guidelines that define a process for implementing common sustainability standards in project finance.

We have specific guidelines on lending to businesses operating in environmentally sensitive sectors such as chemicals, energy, forestry, freshwater, mining and metals, agricultural commodities, and World Heritage Sites and Ramsar wetlands. These guidelines are refined and updated as required. We also have a Defence Equipment Policy that clarifies the Bank's approach to companies connected to the weapons industry. (See [Responsible Financing >>](#))

We disseminate updates on environmental or social risk-related policies to all relevant parties on a timely basis. The latest policies and guidelines can be accessed by relevant members of staff through the Bank's intranet at any time. We also organise sustainability risk seminars to increase staff awareness. Training programmes for environmental and social policies are in place – including as part of our New Joiners Induction Programme – to improve staff competency in implementing these policies and procedures across our business.

We continuously enrich our investment funds suite in both manufacturing and distribution perspectives to incorporate products with ESG spirit. We keep track of the regulatory and industry developments and explore ways to embed ESG factors in our product selection process.



### Concerted Efforts

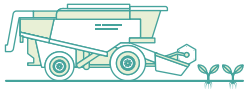
Environment-related impact assessments are a continuous process and have been incorporated into our standard credit evaluation process. Examples include sustainability risk ratings for credit approvals by Group Risk Reputational Risk and Client Selection Committee. Regular tracking reports are compiled by Risk and Compliance, with input from business units. Customers unable to comply with our environmental policies and requirements by a specified deadline must obtain our formal approval for a temporary exemption or extension. Failing this, our managers will begin arrangements to exit the relationship.

We are concerned about deforestation, which impacts on the habitat of millions of species. We require customers in the forestry sector to obtain 100% international certifications (FSC/PEFC certified) for their activities in high-risk countries.

Having identified two customer groups who had yet to obtain 100% certification, our Commercial Banking team proactively engaged them to work out implementation plans. We successfully assisted both customers in certifying all operations within a year.

# Our Corporate Governance

## Responsible Banking Services >>



### Agricultural Commodities Sector

Requires us to undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production in certain high-risk countries. Enhanced governance in this sector aims to ensure that we only maintain relationships with customers who engage in sustainable development. They must operate in accordance with international standards and best industry practice, and provide a public commitment.

### Chemicals Industry Sector



Highlights the international, regional and national standards we adhere to when lending to the chemical industry. It outlines how we work with our customers to achieve sustainable chemical manufacturing.

### Defence Equipment Sector

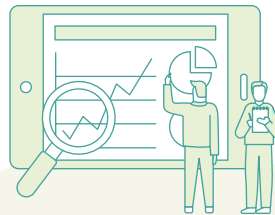


Establishes our position with regard to companies involved in the manufacture and sale of weapons.

### Energy Sector



Establishes sustainability standards for our involvement in the energy sector, and for providing financial services to energy sector projects. We have stopped financing energy-intensive/high polluting industries with new coal-fired power plants, new offshore oil or gas projects in the Arctic, new greenfield oilsands projects, etc.



## Responsible Financing

Our belief in sustainable business practices means that we carefully assess potential environmental and social risks when deciding whether to make a loan or investment. Specific sustainability risk policies deal with sensitive sectors such as forestry, agriculture, mining, energy, property and infrastructure development. We have mechanisms to ensure our customers remain in compliance with these policies.

We adopted HSBC's policies on forestry, energy, agricultural commodities and mining.

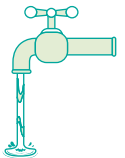
[More details >>](#)

### Forestry Sector



Outlines how we work with customers to promote sustainable forestry.

### Freshwater Infrastructure Sector



Aims to ensure the consistency of our involvement in freshwater infrastructure projects, particularly from the standpoint of sustainable development.

### Mining and Metals Sector

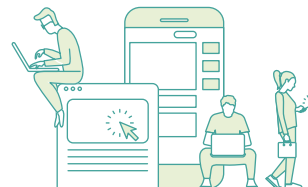


Sets out the principles and standards that govern our involvement in the mining and metals sector, including exploration, extraction, mine closure and reclamation, and primary processing. It also provides guidance regarding the assessment of customers linked to human rights abuses, and of customers with poor track records on work-related fatalities and accidents. We will not provide financing for new thermal coal mines, or new customers whose business includes thermal coal mines or mountaintop coal mining in the US.

### World Heritage Sites and Ramsar Wetlands



Aims to ensure we avoid supporting projects that may damage culturally important or ecologically sensitive areas.



# Our Customers

## Our Approach

Our customer-centric service puts strong emphasis on building long-term relationships. Since opening our doors more than 85 years ago, our commitment to core values – such as professionalism, passion, and taking a prudent but progressive approach – has earned us the trust and loyalty of our customers. Our services are currently used by more than half of the residents of Hong Kong.

We deliver product and service excellence by combining innovation with integrity. This includes providing clear, honest information that is tailored to the specific needs of different customers; practising open communication and full accountability in all our business dealings; and having high

respect for client privacy. We are strengthening our connectivity with customers by investing in technology and data analytics, mobile and online channels, network enhancement, and product development.

The Bank continues to focus closely on customers' increasing concerns about sustainability and environmental conservation. We regularly launch operational initiatives that address issues such as paper waste and excessive energy consumption. Our efforts even extend to our products and services; for example, we offer financing schemes that incentivise customers to go green in their own business operations.

We work to improve financial literacy within our community. The objective is to empower individuals and businesses to achieve financial security and move forward with their wealth management goals.

To safeguard our customers' interests, we continue to implement the OHSAS 18001:2007 Safety Management System to maintain a safe environment within our premises; to strengthen and significantly invest in our ability to prevent, detect and respond to data leakage risks and protect customer privacy; and to deliver high quality service that ensures we maintain excellent customer satisfaction.

## Understanding the Needs of Our Customers

A deep understanding of our customers' financial needs and objectives underpins our reputation for service excellence. We provide channels such as suggestion forms and hotlines for customer-initiated feedback. We proactively gather opinions – which includes the use of comprehensive surveys to assess customer satisfaction – to enhance our ability to provide outstanding service.

We identify our strengths, areas for improvement and industry best practices through local market benchmarking exercises. We also operate a mystery shopping programme to monitor and ensure quality service by frontline staff at our manned outlets.

Data analysis plays an important role in how we gauge the performance of our products and services and identify enhancement opportunities. Building on analytic insights, we use focus groups to help affirm that new products and services

will meet the needs of their intended audiences. We also continuously review the customer experience across service touchpoints to enhance our service delivery.

We closely monitor markets to identify emerging trends and opportunities, to offer products and services that meet unserved or underserved customer needs. We expand and enhance our digital platforms, which allow customers to perform a wide range of investment transactions online, and provide an array of information to facilitate their financial decision-making.

The annual Banking Study, conducted by independent research firm Kantar Hong Kong, assesses customer satisfaction with respect to the eight major banks in Hong Kong. In the 2018 survey, we were the bank most recommended by customers in Hong Kong. We also had the highest rated banking services among the eight banks, a status we have maintained for 14 consecutive years.

We aim to achieve at least 80% customer satisfaction. In the past four years, our customer satisfaction rate has been more than 90%.

Year	Customer Satisfaction Rate (%)
2018	99
2017	98
2016	95
2015	92

Our Online Community allows us to connect with target consumers, build close relationships with them, and gain deeper understanding of their opinions and perceptions. It also enables us to explore the unmet needs of our customers and the market, co-create new products and services, and obtain guidance on go-to-market planning for new product launches.

## Our Customers

### Service Excellence >>>

As we uphold our keystone principle of service excellence, we continue to receive recognition for our banking and financial services.

Organiser / award	Category
<i>The Asian Banker</i> Transaction Banking Awards 2018	<ul style="list-style-type: none"> <li>• The Best Cash Management Bank in Hong Kong</li> <li>• The Best Payment Bank in Hong Kong</li> <li>• The Best Transaction Bank</li> </ul>
<i>Asian Banking &amp; Finance</i>	<ul style="list-style-type: none"> <li>• Hong Kong Domestic Trade Finance Bank of the Year 2018</li> <li>• Hong Kong Domestic Technology &amp; Operations Bank of the Year 2018</li> </ul>
<i>The Asset</i> Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2018	<ul style="list-style-type: none"> <li>• Best in Treasury and Working Capital – SMEs Hong Kong</li> </ul>
<i>Bloomberg Businessweek</i> (Chinese edition) Top Fund Awards 2018	<ul style="list-style-type: none"> <li>• Best Performer: Equity – Taiwan (<i>Hang Seng Investment Series – Taiwan Index Fund</i>)</li> <li>• Best Performer: Equity – Greater China (<i>Hang Seng Investment Index Funds Series – Hang Seng CEI ETF</i>)</li> <li>• Best Performer: MPF (1 Year) Equity – Greater China (<i>Hang Seng Mandatory Provident Fund – ValueChoice – Hang Seng H-Share Index Track Equity – EMEA</i>)</li> <li>• Best Performer: MPF (1 Year) Equity – EMEA (<i>Hang Seng Mandatory Provident Fund – ValueChoice – ValueChoice European Equity Fund</i>)</li> <li>• Best Performer: MPF (5 Years) Equity – Greater China (<i>Hang Seng Mandatory Provident Fund – ValueChoice – Hang Seng H-Share Index Track</i>)</li> <li>• Best Performer: MPF (5 Years) Equity – EMEA (<i>Hang Seng Mandatory Provident Fund – ValueChoice – ValueChoice European Equity Fund</i>)</li> </ul>
<i>CAPITAL</i> The 9th Merits of Achievement in Banking & Finance 2018	<ul style="list-style-type: none"> <li>• Wealth Management Banking</li> </ul>
<i>CAPITAL</i> Best of the Best Choice for Executives Awards 2018	<ul style="list-style-type: none"> <li>• Capital Outstanding Life Insurance Service Brand</li> </ul>
<i>CAPITAL</i> Weekly PRO Choice Awards 2018	<ul style="list-style-type: none"> <li>• PRO Choice Award – Commercial Banking</li> </ul>
<i>EastWeek</i> Hong Kong Classic Brands 2018	<ul style="list-style-type: none"> <li>• Hall of Fame Award</li> </ul>
<i>EastWeek</i> Hong Kong Service Awards 2018	<ul style="list-style-type: none"> <li>• Bank (Retail Banking)</li> </ul>
<i>Economic Digest</i> Outstanding Brand Awards 2018	<ul style="list-style-type: none"> <li>• Personal Banking Services</li> </ul>
<i>Etnet</i> Fintech Award 2017	<ul style="list-style-type: none"> <li>• Outstanding Virtual Assistant Service</li> </ul>
<i>HKET e-zone</i> e-brand Awards 2018	<ul style="list-style-type: none"> <li>• The Best of Consumer e-banking Service Provider</li> <li>• The Best of SME e-Banking Service Provider</li> </ul>
<i>Hong Kong Business Magazine</i> Hong Kong Business High Flyers Award 2018	<ul style="list-style-type: none"> <li>• Best Commercial Bank</li> <li>• Outstanding Insurance Company</li> </ul>



## Our Customers

### Service Excellence >>>

Organiser / award	Category
The Hong Kong Chinese Importers' & Exporters' Association	• Outstanding Import & Export Industry Partner Award 2018
The Hong Kong General Chamber of Small and Medium Business	• Best SME's Partner Award 2018
IDC Digital Transformation Awards 2018	• Omni-experience Innovator of the Year
iMoney Insurance Excellence Award 2018	• Most Popular Local Insurance Bank
Institute of Financial Planners of Hong Kong (IFPHK) Financial Education Leadership Awards 2018	• Best Corporate Financial Education Leadership of the Year • Corporate Financial Education Leadership – Gold Award • Accredited Professional Financial Planning Firm
Marketing Magazine Marketing Excellence Awards 2018	• Excellence in OTT/TV Advertising - Silver
Marketing Magazine The MARKies Awards 2018	• Best Use of Search - Gold and Bronze
Metro Finance Hong Kong Leaders' Choice Award 2018	• Excellent Brand of SME Finance Services
Metro Broadcast Hong Kong Digital Brand Awards 2018	• Outstanding Online Personal Banking Services
Metro Radio RMB Business Outstanding Awards 2018	• Outstanding Integrated Banking Business – Customer Services • Outstanding Corporate/Commercial Banking – Cross Border Commercial Banking
Ming Pao Weekly Elite Awards 2017	• Banking and Finance
Next Magazine Next Top Service Awards 2018	• Personal Banking Services
Sing Tao Service Awards 2017	• SME Banking Services
SkyPost Banking & Finance Awards 2018	• Banking and Financial Services – Excellence Award for Wealth Management Banking Service • Banking and Financial Services – Outstanding SME Banking Partner • Credit Card Services – Excellence Award for Local Spending • Insurance Services – Excellence Award for Insurance Planning
SkyPost	• CSR Award 2018
SMBWorld The 12th SMBWorld Awards 2018	• Best SMB Partner (e-Banking)
WealthAsiaMedia BENCHMARK Wealth Management Awards 2018	• Good Governance – Academy of the Year • Outstanding Achiever – Academy of the Year • Ground Zero Award
Yahoo Big Idea Chair Awards 2018	• The Perfect 10 • Best Targeting Strategy – Outstanding • Best Native Ad Campaign – Merit

## Our Customers

### Service Excellence >>>

#### Handling Customer Feedback

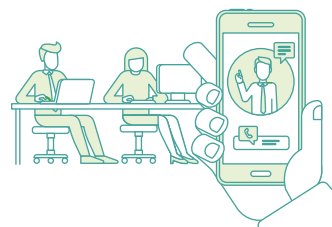
Business units, frontline staff and our Customers Relations teams are collectively responsible for receiving customer opinions, comments and suggestions. We have a standardised complaint-handling procedure to ensure customer feedback is dealt with in a consistent, efficient manner that abides by the service pledges contained in our internal procedure manual and external guidelines.

The Customer Relations teams of our various business units handle comments and resolve complaints independently. They aim to acknowledge receipt of comments or complaints within two working days, and to resolve most issues as soon as possible. Should a matter require further investigation, the teams strive to provide a response within 30 days. If any issue that warrants remedial action is identified during the investigation, the Bank takes the necessary steps for rectification.

Senior management regularly reviews reports on customer suggestions, compliments and complaints. Lessons learnt from customer feedback are communicated to staff to improve service and encourage best practice.



Our Customer Relations teams aim to acknowledge receipt of comments or complaints within **2 working days**.



## Our Customers

### Access for All >>>>

Our aim is to provide convenient, secure, fast access to financial services. This involves harnessing the power of technology to offer services across a wide range of platforms, giving customers greater choice and control in managing their finances. It also means careful planning of our network of outlets, and giving consideration to the particular needs of diverse demographic groups in our community.

### Key Initiatives in 2018

In a fast-moving market, Hang Seng provides comprehensive banking and investment services anytime, anywhere, via e-Banking, hangseng.com and mobile apps. We are also launching numerous fintech initiatives to provide customers with even more digital banking solutions that integrate seamlessly into their increasingly mobile lifestyles.

### Digitised Insurance Products

In 2018, we successfully opened an online sales channel with multiple new insurance products; a remarkable achievement as we strive to connect with younger and mass segments, and transform our business model into a more digitised model. This effort has met with encouraging market response, and we now aim to provide even more digitised products and services that make shopping for insurance easier.

We have expanded our life insurance beneficiary options from seven to up to 15, covering grandparents, stepchildren and cohabiting partners, among others. These changes reflect a need for greater clarity and transparency in addressing new customer needs as a result of a broader range of committed and familial relationships in today's society.

New Products/Services	Highlights
Chatbot DORI (Dining, Offers, Rewards, Interactive)	An alternative channel for searching Hang Seng credit card promotions for dining and shopping, and for making restaurant reservations
Virtual Assistant HARO (Helpful, Attentive, Responsive, Omni)	A convenient way for customers to search general banking information, identify appropriate product/services for application, make small limit transfers, make bill and tax payment via speech-to-text, and view credit card e-statements and account portfolios at a glance. It also provides calculators that allow customers to identify the loan products most suited to their financial needs
Faster Payment System (FPS)	24/7 real-time payment and transfer services to other local banks in Hong Kong. It also supports fund transfers in HK dollars and renminbi using a mobile number, proxy identifier or email address, even without the payee's account number
	
Biometric Authentication	A software-based security token, MSK, enables the Hang Seng Personal Banking mobile app to perform transactions at a higher level of security. MSK and the biometric authentication tie-in offers our customers a quicker, more convenient way to access online banking services, including instant updates of personal details, changing online limits and conducting high-risk transactions, without having to use a physical security device
Voice ID	Enables customers to use seven additional phone banking services when accessing the designated hotlines
Key Facts Statement	Easy access to information about interest rates, fees, and charges for loan and card products

## Our Customers

### Access for All >>>>

#### Serving Special-needs Populations

We are working to improve special-needs access to our banking services. Our website is designed to emphasise readability and ease of navigation. As of the end of 2018, we had 286 outlets, including street-level branches, MTR branches, a Mobile Branch and standalone automated banking centres. We strive to improve customer access and facilities progressively, and to achieve standards that comply with, or exceed, government regulations. We plan to carry out most of our existing branch enhancement and improvement in the first half of 2019, during which we will adopt a barrier-free approach for new branches.

At the end of 2013, we introduced Social Caring Counters at selected branches. These designated counters provide priority service to the elderly, disabled and other customers in need. As of the end of 2018, we had Social Caring Counters in 21 branches.

As part of our partnership with Hong Kong Seeing Eye Dog Services (HKSEDS), visually impaired customers have been able to bring their HKSEDS assistance dogs into the banking halls of designated Hang Seng branches since 2013. Other initiatives in this partnership include having some of our branches designated as HKSEDS training sites.

To enhance service accessibility, we increased our number of voice-navigable automated teller machines (ATMs) for visually impaired customers to 40 in 2018. By plugging headphones into an ATM, customers can activate voice navigation mode to withdraw cash, make balance enquiries, transfer funds and change password services. We also provide audible security token for access personal e-banking for visually impaired customers.

#### Customer Convenience

Our Mobile Branch, launched in late 2017, reflects our commitment to improving financial inclusion. It provides access to banking services at four public housing estates in Hong Kong. We plan to expand this service to five public housing estates, on a rotational basis, in the first half of 2019. A second Mobile Branch will be in operation by 4th quarter of 2019.

In addition to two teller counters that offer a range of general banking services, Mobile Branch features built-in accessibility facilities to accommodate the needs of customers. These include:

- Wheelchair access platform
- 'Seeing Eye Dog' sign by HKSEDS
- Magnifying glass
- Portable Audio Frequency Induction Loop System, catering to customers using hearing aids

Designed to appeal particularly to busy professionals and younger customers, our iPoint sales and service centres are located in high-traffic areas. All iPoint centres operate from 11:30 to 19:30, Monday to Sunday (except the Kwun Tong iPoint, which does not open on Sundays).

As of the end of 2018, there were 571 Hang Seng ATMs, providing 24-hour services across Hong Kong. We have expanded our foreign exchange ATM service, which offers the widest range of currency choices in Hong Kong, from eight to 14 sites.

As of 31 December 2018, we had 2 million Personal e-Banking customers; an increase of 8% from 2017.



- **1 Mobile Branch** roving across **4** public housing estates
- **3 branches and 30 ATMs** at public housing estates





# Our Customers

## Access for All >>>>

### Transparency, Accountability, Choice

In all our external communications, we are committed to providing clear, transparent and balanced information to our customers. To comply with relevant codes, regulations and requirements from the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Hong Kong Association of Banks (HKAB), and in accordance with the HSBC Group's Global Function and Global Business Functional Instruction Manuals, all products and marketing materials are approved by relevant parties, including the Products, Marketing, Communications, Legal and Regulatory Compliance teams. In addition, product and marketing communications – such as product features, terms and conditions, fees and charges, and any associated risks – are clearly communicated so clients can make informed decisions. In 2018, our advertising and labelling activities complied with local laws and regulations.

We care about our customers; hence, our Health and Safety Policy includes, "The Bank acknowledges and accepts its responsibilities for securing the health, safety and welfare of all its employees, of contractors working at premises over which it has control, and of visiting members of the public." In 2018, Hang Seng successfully completed the Full Recertification Assessment process. The British Standards Institution (BSI) recognised that our BS OHSAS 18001:2007 Safety Management System is operating effectively and complies with health and safety requirements.

We offer a diverse range of personal banking and wealth management products. Where appropriate, we present a number of product options so customers can select the solution that best suits their requirements and, if relevant, is in line with their personal appetite for risk. It is our policy to sell products and services based on customers' specific needs. This supports our principles of providing 'the right product and service, at the right time, for the right customer, in the right way' and pursuing 'ethical and fair dealings for long-lasting business'.

We have established the Brand Centre: an internal corporate identity resource site to help all staff learn about our branding guidelines and correct application of our brand identity. Our Marketing Department helps to monitor these areas, while our Legal Department provides advice and ensures that appropriate procedures are in place to avoid any violation or infringement of intellectual property rights, patents and related rights of third parties.

### Customer Privacy

Ensuring the privacy of our customers' personal information and other data is critical in maintaining our reputation for good governance and establishing the trust that underpins lasting business relationships. We fully comply with the Personal Data (Privacy) Ordinance and have established a set of Privacy Principles to guide staff in protecting customer information. Our branch facilities are designed to offer privacy to customers who need to discuss sensitive or confidential financial management matters. In 2018, in addition to regular data privacy training, two in-house data privacy seminars were given by the Office of the Privacy Commissioner for Personal Data, Hong Kong, to foster staff's understanding of data privacy.

Customers are notified of our purposes of collection and use of personal data, the classes of transferees, classes of marketing subjects and their data access and correction rights. Our customers can easily access our Privacy Policy, 'Notice to Customers and Other Individuals relating to the Personal Data (Privacy) Ordinance', and Cookies Policy in '[The Important Message to Readers and Internet Privacy Policy Statement](#)' >> on our public website. An independent assessment of personal internet banking – with reference to the Risk Management of E-banking module (TM-E-1) of the Supervisory Policy Manual issued by HKMA SPM was performed in 2018 – by an external assessor, KPMG. It confirmed that the Bank met all data privacy requirements as stipulated in the SPM.

We have an incident management procedure to handle and manage customer privacy breaches. All staff are required to identify and report data leaks to the hotline promptly, for subsequent reporting to relevant Subject Matter Experts. They validate reported cases, investigate and judge their severity and impact, and, if appropriate, escalate the matter to the Core Team. Subject Matter Experts also provide advice and guidance on how to contain and respond to cases, identifying remedial activities and lessons learned.

In 2018, seven substantiated complaints concerning customer privacy breaches were identified and investigated. All were caused by a single incident of maintenance error related to personal particulars. They were resolved with appropriate remedial and preventive measures.

### Products & services offered to university students



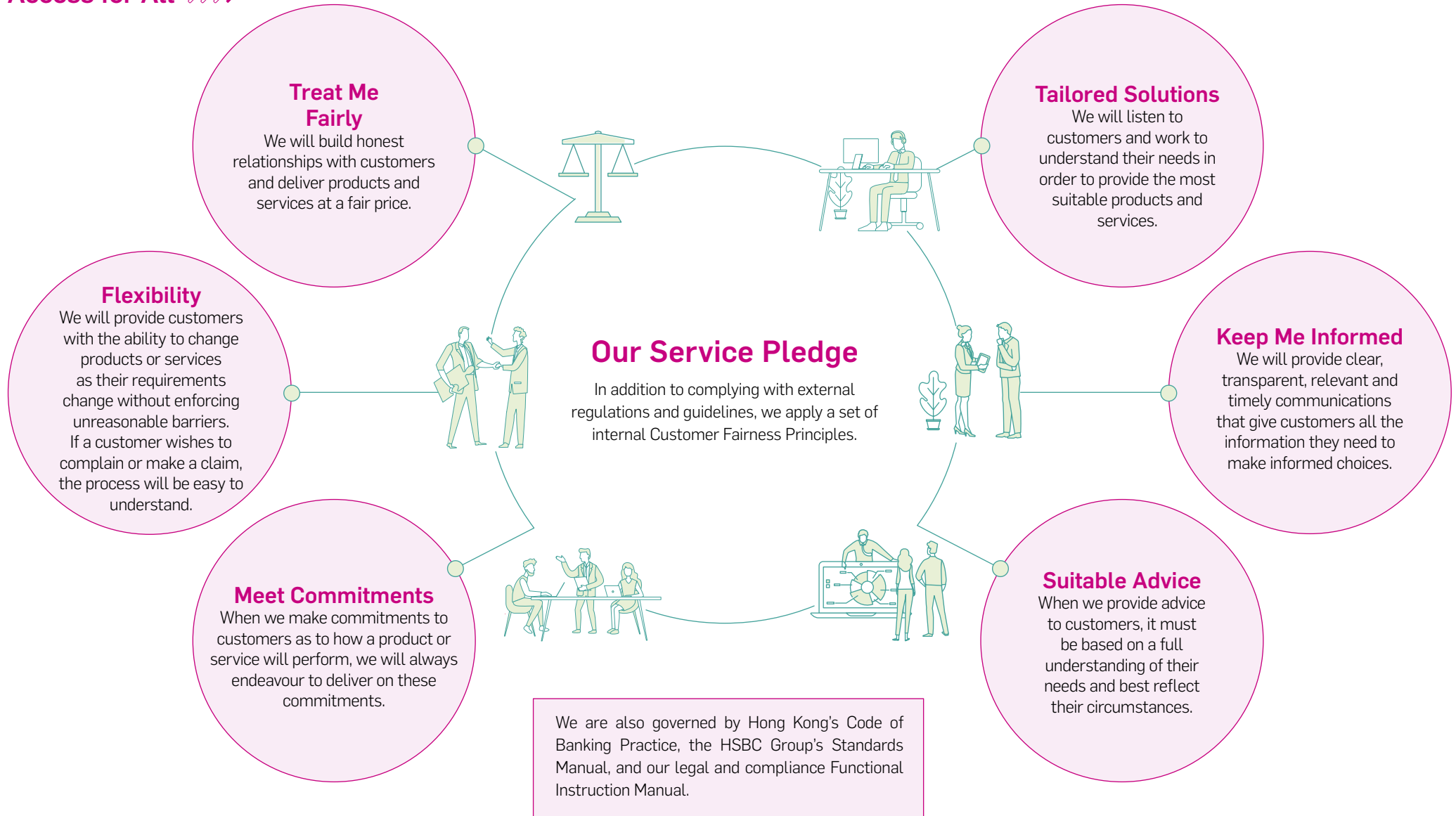
• **5 branches and 17 ATMs** at local universities

- Tertiary students are of low earning power. Through our **Green Banking Integrated Account**, these users can open accounts without concern for minimum balance requirements and enjoy annual fee waivers. These features help students **reduce their financial burden** and gain access to more of the products and services they need, as well as discounts and privileges.



# Our Customers

## Access for All >>>>





## Our Customers

### Championing Local Business >>

**B**uilding lasting partnerships with small and medium-sized enterprises (SMEs) is one of our key areas of focus. By working with these businesses, we support the local economy and help create employment opportunities and wealth.

We offer a wide range of products tailored specifically for SME customers. We continue to enhance service delivery through better use of technology and improved relationship management.

In 2018, Hang Seng supported and acted as one of the lenders in the first green loan in the market. This was approved to fund New World Development's King's Road Commercial Re-development Project for sustainable building designs and development. Taking into consideration green building standards, renewable energy, resource efficiency, waste management and climate change adaptation, the project supports profitable, sustainable development that services the needs of the people and communities.

We also introduced the Green Financing Promotion Scheme, to encourage corporate customers to acquire environmentally friendly equipment that supports their sustainable development. (See more on [Promoting Green Finance >>](#))

Our continuing commitment to supporting SME businesses in 2018 earned us our 13th consecutive Best SME's Partner Award from the Hong Kong General Chamber of Small and Medium Business, and our seventh consecutive Hong Kong Domestic Trade Finance Bank of the Year award from *Asian Banking & Finance*.

### Business at Customers' Fingertips

Our Global Liquidity and Cash Management Department (GLCM) clients range from multinational corporations (MNCs) and large corporates to local SMEs. Solutions provided range from total

cash management to package products. They also include cross-border solutions between the Mainland and Hong Kong.

GLCM is committed to offering digital connection and transaction platforms to suit our business customers' needs. Targeting SME and mid-medium enterprises (MME) customers, our Business e-Banking provides comprehensive online services, while the Hang Seng HSBCnet platform was developed specifically for MNCs. Selected banking functions such as fund transfer and transaction authorisation are available on corresponding mobile apps supporting both iOS and Android smartphones.

We continue to upgrade our digital banking services to deliver a more efficient and user-friendly experience. We revamped our Business Internet Banking platform to expand our ability to provide a wide range of more responsive products.

We launched fingerprint and facial authentication on the Business Mobile Banking and Hang Seng HSBCnet mobile apps to offer customers a simpler, faster and more secure way to view their account balances and to perform transactions. A new online platform enables our customers to make online shipment declarations and to obtain instant insurance certification. Through our Business Banking mobile app, customers can upload documentation for loan and card applications. We have also extended auto-enrolled SMS or WeChat notification services on inward/outward remittance telegraphic transfers to Mainland and overseas customers.

In 2018, we were a key developer of a blockchain-based trade finance platform launched by the Hong Kong Monetary Authority. The platform, called eTradeConnect, generates paperless e-bills to improve trading efficiency and reduce the risk of fraud. For example, we completed a blockchain transaction between two corporate customers for the sale and purchase of apparel accessories. The preparation and transmission of digital trade documents, auto matching, and the raising of the trade finance request, were all conducted via eTradeConnect.

### A Total Solution for SMEs

Our Trade Finance teams help SME customers handle their trading business. Customers on the Mainland can call our Hong Kong toll-free hotline number to make commercial banking-related enquiries. SME customers can upload supporting documents for their business loan applications via the Business Banking Mobile App, available from January 2017, as well as our website. These platforms also help reduce the use of paper associated with traditional channels such as fax and post.

As an active, long-time supporter of environmental protection, we introduced the Green Financing Promotion Scheme to encourage corporate customers to acquire environmentally friendly equipment that enhances resource efficiency, reduces pollution, protects the global environment and supports the sustainable development of corporate customers.

We actively participate in the SME Financing Guarantee Scheme, supported by the Hong Kong Mortgage Corporation. This helps SMEs acquire funding to meet their business needs.

In collaboration with external parties and associations, we run regular seminars for SMEs and corporate customers on topics related to financing solutions, cash management, trade finance, taxation and investment markets. These seminars improve financial literacy and awareness of financial management tools. We also target diverse SME segments – from schools to NGOs – to better understand their specific needs, so we can provide effective, useful solutions.

# Our Customers

## Championing Local Business >>

### Key Initiatives in 2018

New Products/Services	Highlights
Virtual Assistant BERI (Business, Efficient, Responsive, Interactive)	An efficient, responsive and interactive way to handle general enquiries on Hang Seng Business Banking services, including deposits and integrated accounts services and features, account opening process, cash management services, and servicing channels. It also provides detailed information on account opening process and requirements to the interested customers
24/5 and Real-time FX Rate	Customers can now perform FX transactions on our e-platforms on a 24/5 basis and obtain real-time FX rates to perform FX-related transactions
WeChat	Allows customers to bind their WeChat accounts to Business e-Banking accounts, to receive transaction notification alerts and the latest market information
Faster Payment System	Customers can now make real-time third-party payments and transfers
eTradeConnect	<ul style="list-style-type: none"> <li>Produces digital trade documents for electronic transmission over a Distributed Ledger Technology (DLT) network, reducing processing time from five-10 days to 24 hours</li> <li>Encrypts the information block in the transaction chain and records it in the form of a distribution ledger, which is not owned by any single entity and cannot be changed/deleted once created. This increases trust among participants</li> <li>Replaces the manual process with an auto-checking function that verifies invoices against smart contract purchase orders, with discrepancies highlighted</li> </ul>

### Promoting Green Finance



Developed by the Hong Kong Quality Assurance Agency (HKQAA), the Green Finance Certification Scheme facilitates the development of green finance and green industries for a more sustainable future.

According to the List of Certification published by the HKQAA, a total of 12 green financing transactions, including nine green bonds and three green loans, were completed in Hong Kong as of December 2018. Among these were the first green loan in the market – for the New World Development's King's Road Commercial Re-development Project (NWD Project) – and a green loan to Leo Paper Group. Both of these were supported by Hang Seng.

To be eligible for green financing, the relevant funding transactions must follow green principles. These include, but

are not limited to, the use of proceeds, project evaluation and selection, management of proceeds, and reporting. Examples include developing buildings in accordance with green building standards, improving energy and water efficiency through sustainable design, and strengthening building resilience to climate change impacts.

For the NWD Project, we contributed HK\$900 million in a club loan of up to HK\$3,600 million with a loan repayment period of five years. The loan is to be used to finance the construction of a green commercial redevelopment project that has achieved the world's first WELL Building Standard Pre-certification (Platinum), as well as BEAM Plus New Building Version 1.2 (Provisional Platinum) and LEED Building Design and Construction Core and Shell Version 2009 Pre-certification (Platinum).

The costs of green measures – such as retrofitting energy-efficient chillers, luminaires and heaters – can discourage companies from adopting them. As one of the participating banks in Hong Kong Electric's Smart Power Loan Fund and CLP's Energy Saving Loan Scheme, we offer preferential loans for corporate clients to help them finance initiatives and realise their energy-saving goals.

Our Green Financing Promotion Scheme also offers privileges, to encourage corporate customers to acquire environmentally friendly equipment that enhances their resource efficiency and reduces pollution and supports their sustainable development. This Scheme is applicable to lending products including our General Banking Facility and SME Financing Guarantee Scheme and Business Loan, as well as a wide range of equipment suitable for Hong Kong and mainland China. The repayment period is up to seven years.

## Our Customers

### Tailor-made Global Banking and Treasury Solutions

Hang Seng's Global Banking and Markets provide a broad spectrum of financial services to large corporations and financial institutions. In addition to standard banking products, we provide solutions tailored to the specific needs of different customers.

To improve the operating efficiency of our Global Banking clients, we tailor cash management solutions on top of general banking services.

In addition to customising treasury solutions for our customers, we organised seminars in 2018, to increase customer awareness of interest rate trends and the financial market environment. These seminars included up-to-date information such as developments in renminbi onshore/offshore policies and regulatory requirements, economic outlooks, and treasury product features to help customers capture market opportunities and fulfil hedging needs.



### Helping Customers Overcome Financial Challenges

We are committed to working with customers facing challenging financial situations.

Our internal guidelines for working with personal customers are based on the Hong Kong Approach to Consumer Debt Difficulties, issued by the HKMA. We have a dedicated unit for handling debt relief plans that works with the individuals involved, to review their specific circumstances. Where a genuine difficulty exists, solutions may include extending a repayment schedule or offering partial relief.

We provide assessment and advisory services for business customers facing financial challenges. We work with clients to assess their position and determine the best course of action. This may involve loan/debt rescheduling and restructuring, to provide breathing space for a business to get back on track.

Providing timely market information and appropriate treasury products are among the ways in which we assist customers in a fast-changing market. Our dedicated, professional team of product specialists, traders and economic analysts provides fully integrated financial solutions and 24-hour global market coverage. Our well-developed IT infrastructure enables us to deliver quick access to key markets and provide updated financial market information to customers. Based on the uncertain foreign exchange market and gradual interest rate hikes of 2018, we developed tailor-made treasury products to help customers better manage foreign exchange and interest rate risks.



## Our Customers

### Community Outreach

At a broader community level, we partner with local non-governmental organisations – including the Caritas Family Crisis Support Centre and the Tung Wah Group of Hospitals' Healthy Budgeting Family Debt Counseling Centre – to help individuals in financial difficulty, by offering them debt-restructuring services.

In January 2018, we co-organised a community event with St. James' Settlement that promoted financial literacy to more than 500 young people and local residents and raised their awareness of the launch of the Mobile Branch.

Leveraging our core strengths and staff expertise, we help people from various backgrounds make informed money management decisions through improved financial literacy. Our volunteers participate in the Financial Education programme organised by the Hong Kong Association of Banks and the Hong Kong Council of Social Service, which provides financial management advice to low-income individuals. They also work with local charity Po Leung Kuk to teach young children basic money management concepts through role-play, group games and group discussions.

For the first time, Hang Seng Insurance organised Hong Kong's first joint university business case competition, focusing on the insurance business. Co-hosted with the CUHK Business School, the competition provided tertiary students with a chance to better understand the Hong Kong insurance market and gain real-world experience in addressing the strategic challenges and managerial dilemmas faced by senior insurance leaders. Hang Seng will offer job opportunities to the winning teams and finalists. Before the final presentation, six senior management members from the Insurance Department hosted a workshop and coached the finalists by sharing their expertise and offering preparation tips.



For the **1st time**, Hang Seng Insurance organised Hong Kong's first joint university business case competition, focusing on the insurance business.



## Our Customers

### Service Environment

We aim to provide a comfortable, clean and safe environment in all our branches and service outlets. We design our premises with ease of navigation and compliance with health and safety regulations as top priorities. At our manned outlets, floor staff are on hand to assist customers with enquiries.

Managing indoor air quality (IAQ) and ventilation systems is an important element of our health and safety responsibilities. To ensure the IAQ at our branches and offices meets the Good Class established in the Guidance Notes for the Management of IAQ in Offices and Public Places, issued by the Hong Kong Government's Environmental Protection Department, we regularly clean air filters and conduct IAQ measurements to monitor and improve our performance.

The standard temperature in our offices and outlets is 24.5°C during the hot season. This aims to strike a good balance between reducing our energy consumption and providing a pleasant environment for customers and staff.

To maintain the continuity of our core banking services in a crisis or public emergency situation, we have a Major Incident Group to lead the implementation and monitoring of contingency plans that have been developed by various divisions of the Bank.

During outlet or office renovations, we endeavour to minimise service disruption and customer inconvenience. Actions may include setting up durable hoardings to separate site works from functioning business areas, and displaying posters and/or signage to inform customers that renovation works are in progress. Whenever possible, we arrange off-site prefabrication of carpentry and/or metallic works, to shorten on-site construction and assembly times. We also ask contractors to carry out noisy work and final touch-up painting outside of our weekday operating hours, or on weekends and public holidays.



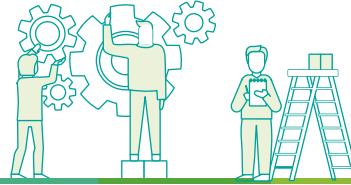
Whenever possible, we choose environmentally friendly building materials and energy-efficient appliances and fittings for outlet and office renovations. Contractors and suppliers are required to follow our guidelines on material recycling and the appropriate handling of construction waste. Good building management and property maintenance services are vital to provide our staff and customers with a safe, comfortable environment. We implement a wide range of measures to minimise potential safety hazards for staff and customers. These include nonslip treatments on floor surfaces and clear, conspicuous signage for temporary safety hazards such as wet floors.

To help ensure our staff's good occupational health, we provide ergonomically designed furniture and related equipment.

All staff undergo health and safety training. They participate in regular emergency evacuation drills to ensure they can efficiently identify, eliminate and mitigate potential risks to customers and/or themselves, and take prompt, appropriate action in the event of a fire or other emergency situation. We have appointed Fire Marshals among staff at all our premises. We have also arranged for a number of employees to acquire Qualified First Aider status and take first aid refresher training courses, for the benefit of their colleagues and customers in the event of a medical emergency or accident.



## Our Suppliers



### Our Approach

We rely on vendors, agencies and third-party financial product suppliers to support our business. This enables us to offer diverse products and services, but potentially exposes us to reputational and other types of risk. Effective supply chain management is therefore key to maintaining the integrity of our operations. We have stringent environmental, social and ethical standards for suppliers.

We require contractors and suppliers to adhere to sustainable business practices and the principle of continual improvement in performance. In return, we provide transparency and fairness in our procurement process and contractual arrangements. Our supply chain requirements are designed to safeguard our brand and business, and to promote responsible practices among companies in our community.

An online platform, launched in October 2018, enables internal users to assess service and supplier risks relating to:

- anti-bribery and corruption compliance;
- anti-money laundering;
- business continuity management;
- external financial reporting;
- regulatory compliance;
- security of people and physical assets;
- subcontracting;
- tax.

The platform also monitors risks, supplier management and contract management for the duration of the engagement. It automatically notifies contract owners and the Procurement Team about the expiration of contracts, and ensures

compliance with the Third Party Risk Management Policy. It enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services, at both aggregate and supplier-specific level. This helps satisfy growing demands from regulators for supplier risk management.

The Procurement Team engages and explores as many suppliers as possible through different means. For instance, conduct briefing sessions to allow bidders to become acquainted with tender requirements. Besides, we meet with existing and potential suppliers to review and strengthen business relationships, and to keep abreast of market trends.

### Establishing the Right Business Partnerships >>

We have clear policies for selecting contractors who fully comply with our supplier sustainability standards. These cover areas such as ethics, health and safety, employment, human rights and environmental performance.

According to our payment records in 2018, around 97% of our suppliers are located in Hong Kong (the remainders are in Asia, Europe and the US). This helps deliver our commitment to minimising our carbon footprint and supporting our local economy.

We do not operate in environments with a high risk of human rights violations. An assessment of our operations has revealed no risk relating to the exercise of freedom of association or

collective bargaining rights. None of our major suppliers and contractors have been identified as having significant risk for child or forced labour.

The Bank is committed to making a positive contribution to human rights in the workplace. We are guided by the International Bill of Human Rights, the UN Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.



## Our Suppliers

### Establishing the Right Business Partnerships >>

Before being engaged for tenders over the purchase threshold, all suppliers must declare compliance with our [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services >>](#), as set out in the HSBC Group policy. This Code outlines our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

All of our suppliers commit to respecting the human rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and communities in which they operate.

Our prequalifying documents include a questionnaire covering environmental issues. It asks suppliers whether they have an established environmental management system (EMS) and/or

have attained ISO 14001 accreditation. This is assessed as part of the supplier due diligence process.

A sustainability assessment is included in our purchasing policy documentation to ensure that suppliers clearly understand our requirements. It is a useful tool for suppliers to assess their status and work out a development plan that meets our standards.

Suppliers with whom we have regular dealings must have demonstrable management processes that ensure they comply with our Code of Conduct. They must make reasonable efforts to ensure that their own supply chains are aware of, and comply with, our standards.

Our procurement policy governs internal control of operating and capital expenditure, covering all purchases and spending

by the Bank. The policy aims to support operational efficiency, segregation of duties and a requirement to make 'the best suitable buy'. It also ensures transparency throughout the procurement process.

We apply 'fair competition' principles to all tender applications from appropriately qualified parties, and consider every vendor's proposal in an unbiased, honest and equal way. We have a zero-tolerance policy on corruption and bribery.

Before order release and payment settlement, all suppliers are subject to checks and ongoing screening. These ensure they do not reside in, are not incorporated in, and do not maintain their primary business operations in sanctioned countries, nor are they named on global sanction lists.

### Monitoring Our Supply Chain

We monitor suppliers following their appointment and reserve the right to randomly review their policies, procedures or documentation against our Code of Conduct. We may request an on-site audit to assess compliance with environmental, social and governance regulations.

Policies guide the ongoing monitoring and improvement of supplier performance. Our Annual Supplier Review and Supplier Risk Management policies provide clear and detailed information on the standards we expect our suppliers to uphold, and how we will assess their performance.

Our procurement is done on a competitive basis, and strict procedures govern employee conduct when handling such processes. The staff responsible are trained to ensure they understand our internal controls and monitoring requirements.

Electronic signatures in our procurement process help reduce paper consumption and lead times, and provide us with enhanced supplier and information management controls. To promote sustainability, we encourage suppliers and contractors to use or offer environmentally-friendly and recycled products wherever possible.

For third-party suppliers of financial products and services, we work only with reputable organisations that have demonstrably high corporate standards. Rigorous assessment procedures ensure any investment or insurance solution we offer to customers meets regulatory requirements and our own standards. We conduct regular reviews to ensure that service providers and their products meet the terms of our agreements.



## Our People

### Our Approach

Our staff are the human face of our brand, the engine of our success and the primary bridge between our business and the local community. We hire and retain talented individuals by making Hang Seng a great place to work. We reward employees with competitive compensation and benefits packages, supportive working conditions and a good work-life balance. We also listen to and learn from our people, recognising them as individuals with a diverse set of strengths, needs and motivations.

The Bank's human resources policies are designed to attract people of the highest calibre and motivate them to excel in their careers, as well as to uphold the Bank's brand equity and core values. We provide a wide range of staff training and development programmes, with the aim of cultivating a team of professionals that will contribute to our success.

We promote a culture of personal and professional respect among colleagues. We provide a comfortable, inclusive, dynamic work environment that emphasises equal opportunities for all.

Our workplace enhancement programme empowers employees with flexibility and entrusts them with accountability. We offer employees choice as to where and how they work, as well as flexi-hours, based on their personal preferences and project needs.

We have established a 'digital floor' at our head office, which uses a new workspace model: Activity-based Working. This

supports a diverse range of working styles, encourages creativity, agility and collaboration, and promotes improved employee's health and wellness.

As part of our 'speak up and speak out' culture, we hold town hall-style meetings and exchange sessions at which employees ask questions and share opinions and ideas.

Our volunteer team activities provide opportunities for staff to become more involved in the development of the communities in which they live and work.

We are one of Hong Kong's largest listed companies in terms of employees. Among more than 10,000 full-time equivalent staff, 98% are permanent and 2% are contractors<sup>1</sup>.

Our Bank's significant location of operations is Hong Kong, and members of the Senior Management<sup>2</sup> team are hired locally<sup>3</sup>.

Of our senior leaders, 41% are female. This is well above the HSBC Group's diversity target of 30% of senior roles being filled by women by the end of 2020. 58% of our employees are female, and 42% are male.

As one of Hong Kong's most reputable banks, we strive to lead by example. We comply fully with the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance.



We are one of Hong Kong's largest listed companies in terms of employees. Of our senior leaders, 41% are female.

#### Note:

<sup>1</sup> The figures reported in this chapter cover all employees in our Hong Kong operations unless stated otherwise.

<sup>2</sup> 'Senior Management' refers to those executives who are: (a) Executive Directors of the Bank; (b) Alternate Chief Executives of the Bank; (c) members of the Executive Committee of the Bank; or (d) head(s) of the Bank's principal subsidiary/subsidiaries with offshore operations and with total assets representing more than 5% of the Bank's total assets.

<sup>3</sup> 'Local community' is equivalent to our significant locations of operations.



# Our People

## Promoting High Performance

The Bank has a well-established system for appraising employee performance and encouraging a culture of lifelong learning and continuous improvement.

Our Everyday Performance and Development approach encourages frequent, holistic and meaningful conversations, throughout the year, between managers and employees. These provide an opportunity to discuss progress, give feedback and recognition, identify support that may be needed, and address issues that could affect an employee's well-being.

To help employees perform at their best, managers and employees are encouraged to maintain open, honest dialogue throughout the year with respect to role expectations, performance feedback and career development. All employees have a formal performance review at the end of every year, during which they discuss their performance and progress in line with previously established goals and objectives. They also receive performance and behaviour ratings under the Bank's employee assessment framework. The behaviour assessment looks at how individuals manage issues such as risk and compliance, as reflected in how they act to protect the interests of colleagues, customers, the environment, markets and the Bank. Assessment ratings determine differentiated pay recommendations during the annual pay review.

## Pay and Benefits

We offer competitive pay and benefits to attract talented staff, and we use a performance-based remuneration system that motivates employees and rewards them in line with their contributions to growing our business. A variable-pay scheme – based on individual contributions and the performance of the Bank – provides additional incentives.

To retain staff and maintain our competitiveness, we regularly review our rewards and career opportunities, particularly for key positions. The Bank's pay and benefits are well above the minimums stipulated by local laws and statutory regulations.

## Fair Rewards for Equal Work

The Bank's prudent human resources policies are established and operated in strict compliance with Hong Kong legislation, ordinances and regulations.

As an equal opportunities employer, we determine employee remuneration with reference to performance and market benchmarks. Wages are not differentiated by gender.

For casual part-time employees, legislative requirements and market practice provide a framework for the negotiation of contractually agreed benefits on an individual basis.

## Staff Turnover

Our voluntary turnover rate in Hong Kong in 2018 was 17.9%. We closely monitor turnover and gather insights and information through exit surveys. These enable us to address employee concerns and implement retention measures.



## Business Principles and Values

Our business principles and corporate values guide staff to uphold the highest personal standards of integrity, and to comply with the spirit and letter of all laws and regulations when conducting business. We operate with courageous integrity, whereby every employee is empowered to do the right thing without compromising ethical standards and to behave in a dependable, open and connected way. The 'At Our Best Recognition' programme promotes the Bank's core values by recognising positive behaviours that are aligned with our principles.

### Acting with Courageous Integrity

We empower our employees to always act in accordance with our core value of courageous integrity, and to be dependable, open and connected in all that they do.

#### Dependable – do the right thing

- Stand firm for what is right, deliver on commitments, and be resilient and trustworthy
- Take personal accountability, be decisive, and use good judgment and common sense
- Empower others

#### Open – to different ideas and cultures

- Communicate openly, honestly and transparently, value challenges and learn from mistakes
- Listen, treat people fairly, be inclusive and value different perspectives

#### Connected – to customers, communities, regulators and each other

- Build connections, be aware of external issues and collaborate across boundaries
- Care about other people and their progress, show respect, and be supportive and responsive



# Our People

## Training and Skills Development >>>

We invest in staff training and development to build and sustain a competent, professional, ethical workforce that will contribute to the success of the Bank.

Our commitment to staff development aligns with our recognition that authorised institutions engage and deploy personnel with sufficient skills, knowledge, professional qualifications, experience and soundness of judgment for the responsible discharge of their duties.

### Building a Culture of Success

To ensure employees' seamless integration with Bank culture, and to fully develop their competence and potential, we provide new joiners, third-party service providers and agency contractors with a comprehensive induction programme. This enhances understanding of our history, vision, culture, values, risk management, corporate governance and sustainability objectives.

To equip staff with the skills and knowledge to meet future challenges and professional requirements – especially as regards regulated businesses and activities – the Bank offers a wide range of training and development programmes. These cover sales and relationship management, products, operations, compliance, credit and risk.

The Bank holds training on anti-money laundering, conduct, anti-bribery and corruption to strengthen its financial crime risk management culture. On average, the Bank's staff members received five days of such training in 2018.

We also provided approximately 82,100 hours of training for all employees, as appropriate, on related policies and procedures. Further programmes built awareness of human rights issues that are relevant to our working environment and operations.

### Maintaining Professional Standards

Depending on their role, staff receive training in areas such as financial knowledge, banking products and operations, compliance, risk management, leadership and management, and sales and relationship management. Reinforcement and refresher programmes help ensure that employees have the latest information and skills to carry out their duties to the highest standard.

Other internal training programmes are designed to develop employees' capabilities, to advance their careers, and to enhance their management and interpersonal skills. We have enhanced our education subsidy scheme, to encourage and support members of staff who wish to further their higher education (e.g. undergraduate and postgraduate degrees) and/or attain professional qualifications. Since this policy enhancement, applications have risen by 55% from 2017.

The Bank offers a suite of online resources, and e-learning and instructor-led programmes, on its intranet, to support staff learning and development.

To strengthen staff's retirement-planning knowledge and skill, we partnered with the Institute of Financial Planners of Hong Kong to provide an in-house Qualified Retirement Advisor programme.

### Developing Future Leaders with a People-centric Culture

To strengthen our people-management capabilities and cultivate our preferred corporate culture, we hold workshops for senior leaders, experienced people managers and new people managers. Workshops for senior leaders stress the importance

of authenticity, and encourage staff to speak up, to develop an open culture. (See [Cultivating a Speak-up Culture >>](#))

Our workshops for experienced people managers focus on addressing practical people-management challenges. Participants gain the confidence and skills to handle a variety of challenges, via discussions about real cases and experience-sharing sessions.

The Bank has also designed workshops to build core team management skills among new people managers. These workshops help participants transition from individual contributors to people managers and equip them with core management capabilities.

A series of training on financial knowledge, wealth management, banking products and operations, risk and compliance, and sales relationship management is provided to client-facing staff as appropriate to facilitate them to deliver professional and fair trading to customers.

In 2018, we held a total of 382,000 hours of training.

Training	2018	2017	2016
<b>Average Training Days per Full-time Employee</b>			
Number of days	5	5	5
<b>Average Training Hours by Gender</b>			
Male	46	43	47
Female	38	36	41
<b>Average Training Hours by Employee Category</b>			
Executive	29	32	37
Officer	49	41	50
General staff	40	41	38

## Our People

### Training and Skills Development >>>

#### Nurturing Talent and Succession Planning

To build and maintain high quality internal talent, we identify and develop individuals who display high potential for leadership roles and other key positions. Our Leadership Capability framework nurtures people management and leadership skills. (See [Building Better Leaders >>](#))

We develop young talent into banking professionals by offering internships across our businesses and functions. In 2018, more than 450 university students joined our internship programmes, to gain the knowledge and skills needed in our industry.

We are committed to promoting internal mobility within the Bank, and retaining expertise and talent by encouraging employees to pursue their career goals. In 2018, more than 900 employees successfully applied for different roles within the Bank to nurture their talent and broaden their experience.

#### Management Trainee Programme

Our Management Trainee Programme (MT Programme) is a three-year, fast-track programme for recent graduates seeking long-term careers in the banking industry. It prepares participants to take up executive-level positions in one of the Bank's eight business functions through an intensive programme with comprehensive classroom training on business operations, products and services; exposure to Mainland and overseas business; job rotations within and across business functions; senior management mentorship; and support for attaining professional qualifications.



In 2018, more than **450** university students joined our internship programmes, to gain the knowledge and skills needed in our industry.



The great variety of learning and development opportunities provided by the Bank's MT Programme impresses me most. At work, we are mentored by business leaders who constantly share with us knowledge and experience, based on their subject expertise. Outside work, classroom training and leadership workshops offer us holistic views of the Bank's business and equip us with skills to take up management positions in the future.



**Yutie Cheng**

Management Trainee (2016 intake), Retail Banking and Wealth Management



What attracted me to the Bank's MT Programme is its all-round training and rotational experience. This gives us chances to learn, develop and contribute to not only one, but various teams throughout the three-year programme, widening our exposure and enhancing our professional capabilities in the banking industry.



**Jenny Tsoi**

Management Trainee (2016 intake), Financial Control



## Our People

### Training and Skills Development >>>

#### Building Better Leaders

The retention and development of high-potential employees supports the sustainable growth of our business. Examples of the specialised training provided by our Leadership and Management Development programmes are:

##### Talent Development

We accelerate the professional growth of high-potential talent with feedback and coaching, self-learning online resources, planned job moves for career and skills development (including cross-fertilisation between businesses and functions) and individual development plans.

##### Performance Management

People managers are offered training to enhance their ability to facilitate the personal and professional growth of their team members. Through our Everyday Performance and Development programme, managers build a values-led, high-performance culture by providing effective performance feedback, coaching and career development guidance in their interactions with staff.

##### Our Charter

In 2016, we established our Charter to bring together the Bank's purpose and values in the context of its history and future. This resource helps us make better decisions when

faced with difficult choices. The Charter encourages employees to act with courageous integrity, to speak up and to use sound judgment when navigating challenging situations. Employees can access real-life workplace examples and relevant reference materials on our intranet.

##### Culture Change

Our corporate values (Dependable, Open and Connected) are embedded in our daily work practices. Our recognition programme rewards positive behaviour that aligns with our corporate values and supports the Bank's long-term growth strategy. In 2018, we launched People Management Clinics to help experienced people managers address practical challenges. We also have workshops that help new People Managers build core team management skills.

##### Leadership Development

Our leadership programmes are designed to develop people management skills that drive high performance, create a positive employee experience, and build strong capabilities to lead oneself as well as businesses and functions.

##### Co-op Programme

We operate a six- to 11-month work placement programme for non-final-year university students. This helps them gain

practical experience, and the skills and knowledge needed for a successful career in the banking industry.

##### Summer Internship

We offer non-final-year university students eight- to 10-week internships that provide first-hand experience and insights into the fast-changing banking industry, as well as the opportunity to learn more about what it takes to build a long-term career in banking and finance.

##### Summer Seed Programme

Our Summer Seed Programme is an intensive 10-week work placement initiative for penultimate-year university students. It offers the chance to gain valuable experience and a better understanding of the core business functions of banks. Students who perform strongly may be granted early selection for the Bank's Management Trainee Programme.

##### Fintech Career Accelerator Scheme (FCAS)

Following a successful pilot in 2017, we continue to participate actively in Hong Kong's FCAS. This internship programme was initiated by the Hong Kong Monetary Authority and the Hong Kong Applied Science and Technology Research Institute. It sponsors six- to 12-month internships for local university students, to support fintech career development.

## Employee Engagement and Communication

The Bank aims to create a work environment that promotes employee engagement, champions diversity and an inclusive culture, and empowers staff to perform at their best.

Employees are encouraged to engage in two-way communication with senior management and colleagues at all levels. In 2018, we continued to run the multi-pronged staff engagement programme 'You Matter', to foster an open, progressive and dynamic culture. The programme promotes key elements of our brand equity such as customer service excellence, inclusion and creativity. It also includes a series of town hall and exchange sessions with senior management, informal networking events, and forums hosted by heads of businesses and functions to profile their scope of work.

To enhance communication, collaboration and collegiality, we will launch 'H@SE', a mobile app for staff, in January 2019. This provides an interactive platform for over 8,000 staff in Hong Kong. Not only will this new app allow staff members to get the Bank's latest updates, it will also enable them to freely share comments, and cast a vote on various topics, just like other social media apps. This app will serve as a dedicated tool to engage employees and facilitate transparent, direct and two-way communication with staff.

Information on the Bank's direction and strategies, culture and values, policy updates and employment matters is conveyed to employees through business briefings, town hall meetings, the intranet, morning broadcasts, circulars and emails.

We encourage staff to provide suggestions, comments and feedback through employee surveys, exchange sessions, thematic focus groups and other channels. We also gauge the sentiments and behaviours of our staff to enhance training, communication and employee engagement plans with the aim of promoting the adoption and practice of our corporate culture.

### Cultivating a Speak-up Culture

Team leaders are increasingly aware of the value of exchange meetings. Staff enjoy the informality of these meetings which come in different forms, sizes and styles.

For past three years, our annual employee surveys showed that staff who recently participated (within 3 months) in an exchange meeting increased from 14% (second quarter 2016) to 31% (second quarter 2017), and further to 56% (second quarter 2018). In 2018, the Chief Executive hosted more than 10 exchange sessions in which staff could raise issues and express their opinions openly and directly.

This additional channel of enhancing the approachability of senior leaders was the number one suggestion made by staff in previous surveys, when they were asked what could be done to address a fear of speaking up. Employees respond positively to these sessions, and the Bank will continue to make them a core part of its staff engagement.

Our most recent employee survey, in the fourth quarter of 2018, confirmed that more than 80% of employees are

Due consideration is given to ensuring there are appropriate notification periods and communication channels when any significant operational changes that could substantially affect staff are implemented.



willing to voice concerns when they see behaviour that is considered to be wrong. The Bank's commitment to encouraging staff to speak up has been received positively.

The survey also indicated that employer advocacy in Hang Seng has increased since the second quarter of 2018. Employees – whose advocacy has increased – attributed this to aspects of the working culture and employee experience, apart from remuneration package. Behavioural analysis supports this view: fair treatment of employees, an open and honest environment, and supporting employees' potential are all closely linked to increased advocacy.

Starting in 2019, bank-wide employee surveys will be conducted on a biannual basis to gauge the sentiment and behaviour of staff. Pulse surveys will be rolled out between the biannual surveys to study issues of key strategic importance to the business.



## Our People

### Equal Opportunities, Diversity and Inclusion

Hang Seng strives to attract and retain best-in-class talent with a positive, welcoming company culture. Our employment practices do not discriminate on the grounds of gender, gender identity, sexual orientation, ethnicity, race, disability, age, religious belief, family status, marital status, pregnancy, socioeconomic background, or any other aspect of personal difference that is unrelated to job requirements or role. In championing a diverse, inclusive workplace, we expect all members of our team to appreciate, respect and care for each other, regardless of personal differences.

To combat discrimination, harassment and victimisation in the workplace, we have an Equal Opportunities Policy. Our human resources policies comply with relevant government legislation, ordinances and regulations. The principles of our Equal Opportunities Policy are incorporated in our Staff Code of Conduct, with which all staff must comply. No violation of relevant laws and regulations was reported in 2018.

The Bank is committed to promoting diversity and an inclusive work environment in which employees feel comfortable to be themselves and are encouraged to realise their potential. We strongly believe this contributes to a more innovative, collaborative work environment.

We care about our employees' needs inside and outside the workplace. Staff may face different work-life challenges at different stages of their lives. Therefore, we offer flexibility to work from home, to work part-time or to take sabbatical leave, so employees may fulfil their responsibilities as parents or caregivers. We have also upgraded our office facilities, with Mother-care Rooms at our three core buildings that cater to the needs of nursing mothers.

We regularly review and, when appropriate, revise our diversity and inclusion policies, to ensure they are in line with regulatory requirements, market trends and industry best practice.

We belong to the Gender Focal Point Network, a Hong Kong Government-led initiative to promote equal status, rights and opportunities for women in all aspects of life. The network enables us to share best practices with other industry players and stay up-to-date with regulatory requirements.

Our Employee Resource Network Group initiative encourages the establishment of voluntary, employee-led groups that promote a diverse, inclusive work environment.

All staff receive training on issues such as diversity and inclusion, equal opportunities, and data privacy. This is also included as part of our New Joiners Induction Programme.

We believe gender diversity is important for human capital development. By tracking and reporting our findings to senior management, we work to ensure that a balanced representation of gender is achieved at all levels.



The principles of our Equal Opportunities Policy are incorporated in our Staff Code of Conduct, with which all staff must comply. No violation of relevant laws and regulations was reported in 2018.



# Our People



## Employee Well-being >>

### Work-life Balance

Employees who enjoy a good work-life balance are better equipped to perform well. We support our people to manage their work and life commitments efficiently, with initiatives such as flexi-hours, adoption leave and volunteer leave. We introduced a flexible working arrangement in 2018: employees are encouraged to agree options with their managers, such as flexible working hours, personal time and working from home, to match their personal circumstances and avoid excessive working hours.

We regularly review employee benefits against the market to ensure they are fit for purpose and support staff well-being. In 2018, we increased our annual leave entitlement. We also began granting annual leave for contract staff upfront in their joining year.

To provide greater support for families, our paid maternity and primary adopter leave increased from 14 weeks to 16 weeks, effective 1 January 2019. In 2018, 172 female employees and 124 male employees applied for maternity and paternity leave, respectively. Return-to-work and retention rates following parental leave were close to 100%.

To encourage our people to contribute to the community and experience the personal rewards of civic participation, eligible Hang Seng staff may take up to two days of volunteer leave per year to engage in charitable initiatives.

In 2018, we continued to organise leisure and recreational activities that encourage employees to keep physically active, pursue their hobbies and interests, and build closer connections with their colleagues, friends and family members. Highlights included a singing contest, a family fun day and our inaugural Bring Kids To Work day, through which parents were able to show their children what they do on a "typical day at the office". More than 43,000 people took part in our various classes and events in 2018.

In addition to our annual Hang Seng Cup competition, which promotes team spirit and greater cross-departmental interaction through basketball, football, bowling, badminton, table tennis and golf, we held our first 'eSports Carnival' in 2018, where colleagues partook in friendly competition in the digital arena. We also supported staff participation in external sporting competitions such as the city-wide Corporate Games organised by the Leisure and Cultural Services Department, in which our basketball team brought home the Overall Champion (Basketball Group A) title.

In 2018, we increased the number of our vacation quarters at five-star hotels to seven rooms. More than 7,500 staff and their family members took advantage of this exclusive benefit.

Catering outlets are available in some of our office buildings. The cafe at Hang Seng 113 has become a convenient venue for staff to enjoy a relaxing lunch and organise team-building activities after office hours.

### Health and Wellness

Striking a balance between work and personal demands can be challenging. Our Employee Assistance Programme provides staff with access to professional counsellors. This service – available 24 hours a day, seven days a week – is free and confidential.

As part of our commitment to supporting the health and wellness of our employees and their family members, we provide a wide range of benefits such as hospitalisation and surgical benefits, outpatient treatment, dental services and medical wellness checkups. We also provide seasonal influenza vaccinations for employees and their eligible dependents.

Effective 1 January 2019, our employee medical benefit coverage has been enhanced to provide more flexible choices for our staff and their dependents.

To further engage employees and improve their health and wellness, commencing January 2019, all staff at core buildings and branches can enjoy weekly fruit. 'Happy Hour Gatherings' are to be held monthly at different core buildings. While enjoying free drinks, snacks and games, employees from different business and functions can relax, mingle with their peers and stay connected.



## Our People

### Employee Well-being >>

#### Lifestyle and Leisure

Employees may wish to take time away from the workplace to pursue personal interests or activities with the security of knowing their job will be waiting for them on their return. We introduced the flexible working arrangement in 2018 and offer a bundle of options, such as alternative work location, part-time work, sabbatical leave and personal time. These offer employees the opportunity to achieve a better balance between the office and personal commitments. These initiatives also enhance engagement, increase retention and attract talent.

Our workplace enhancement programme uses technology and digital solutions to achieve a paperless working environment and to reduce storage space. This will allow us to build more meeting rooms, spacious office pantries and breakout areas to support mobile and collaborative work.

#### Wealth and Finances

To assist the financial well-being of our employees, we provide special offers for credit cards, insurance, and other products and services. We offer favourable terms for staff housing loans, enabling employees to purchase a primary residence, and provide assistance with subsequent property purchases, to help employees adjust to changing family circumstances.

To provide more flexibility, the maximum loan tenor for new purchase property application for our employees has been extended from 65 years old from 60, effective from 1 December 2018. Employees continue to have the option of shortening the loan repayment period based on their personal financial circumstances.

To encourage staff to plan for retirement at an early stage, we provide a wide choice of fund options in the Defined Contribution Scheme. We also provide regular fund factsheets, to help employees identify and understand their tolerance for investment risk and volatility.

#### Other Well-being Activities

We are committed to creating a work environment that enables employees to be at their physical and mental best. In 2018, we organised a series of workshops and activities to increase employees' awareness of physical and mental health, to enable them to take better care of their bodies and minds, and to start making the daily changes necessary for their well-being to flourish.

We organised talks and seminars to give information and support to working parents, and help them fulfil the demanding dual roles of active family member and effective employee. These activities and programmes have been well-received by staff.

In 2018, the Bank launched informal networking events, to create forums for staff to connect with senior managers and mingle in a fun, fast-paced style. Working parents, millennial employees and new joiners were invited to participate, share challenges and offer support.

### Occupational Health and Safety >>

We uphold high standards of occupational health and safety (OH&S) in the workplace. This involves engaging employees at all levels through committees, forums and working groups, as we develop our OH&S policy and management framework.

In 2009, Hang Seng established its [Health and Safety Policy](#). That same year, it became the first bank in the world to implement a certified BS OHSAS 18001:2007-compliant Occupational Health Safety Management System (OHSMS). It is designed to reduce the exposure of staff, contractors and customers of Hang Seng and its subsidiaries in Hong Kong to

health and safety risks associated with the Bank's business activities.

The OHSMS is overseen by a Safety Management Committee (SMC), comprising senior management representatives who are responsible for monitoring and advising on OH&S programmes. The concerns and views of staff are represented by the SMC's Working Team, a committee comprising middle management representatives, who are supported by approximately 300 Job Hazards Analysis (JHA) team members. (See [OH&S: Everyone's Business](#))

Job hazard analysis and risk assessments are undertaken by the JHA team at least once every six months. If there are any changes or proposed changes to activities – including the use of equipment and materials, special or temporary activities or renovations, or actions taken following incidents – the existing analysis and assessment will be reviewed as soon as possible. When a workplace hazard is identified, safety instructions are made available for staff reference.

Staff are encouraged to bring hazards or potential hazards to the attention of their department's JHA representative. Safety

# Our People

## Occupational Health and Safety >>

measures will be implemented to mitigate the risks. Hazards reported in 2018 included improper handling, 'slip, trip and fall' hazards and loose-lying cables.

We provide a range of training courses to enhance the OH&S knowledge of our staff, from classroom-based training to web-based e-learning. OH&S training is included in our New Joiners Induction Programme.

Employees from different sites and business lines are trained to be Qualified First Aiders. This enables them to offer prompt assistance to colleagues and customers in the event of a medical emergency or accident. A number of our first aiders have been trained to operate the automated external defibrillators that are installed in various bank premises.

Our Contingency Plan for Communicable Diseases sets out the key issues to be addressed, and actions taken, in the event of a serious outbreak. Our intranet provides information on the importance of personal hygiene and good health practices, and on the contingency measures that will enable the Bank to continue serving the community during emergencies.

In 2018, we sought ways to encourage staff to improve their wellness and achieve work-life balance. A promotion programme called 'Time to Appreciate Your Body' included health, safety and wellness seminars, workshops and massage therapy sessions. These aimed to improve employees' physical and mental health, to remind us to appreciate life and make the changes necessary for our well-being. We also organised a 'Health and Safety Week', full of activities including seminars, fire safety exchange sessions and information booths to promote health, safety and fire safety awareness. These promoted a 'Be healthy, be safe' message and aimed to minimise work-related illnesses and injuries.

### OH&S: Everyone's Business

Under our BS OHSAS 18001:2007 – OHSMS certification, we have established processes for addressing a broad range of OH&S issues at bank-wide and functional levels.

#### Functional level

- Personal protective equipment
- Organisation and operation of the SMC
- Staff representative participation in health and safety inspections, safety audits and accident investigations
- OH&S training and education
- Complaints and reporting mechanisms
- Safe workplace rights

#### Bank-wide level

- Compliance with the International Labour Ordinance as required under the internationally recognised BS OHSAS 18001:2007 certification standards
- Arrangements and systems for resolving OH&S-related problems
- Commitments regarding target performance standards and levels of practice



## Occupational Health and Safety Statistics

Lost Day Rate <sup>^</sup>	2018	2017	2016
Male	0.73	0.04	0.06
Female	0.26	2.22	2.62
Overall	0.99	2.26	2.68
<b>Total Lost Days</b>	<b>92.5</b>	<b>187.5</b>	<b>224.5</b>

Occupational Injury Rate <sup>#</sup>	2018	2017	2016
Male	0.03	0.01	0.01
Female	0.03	0.10	0.12
Overall	0.06	0.11	0.13

Absenteeism Rate <sup>*</sup>	2018	2017	2016
Male	1.50%	1.25%	1.49%
Female	2.15%	1.95%	2.24%
Overall	1.87%	1.66%	1.93%
<b>Number of Occupational Fatalities</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Note:

<sup>^</sup> The lost day rate is calculated based on the number of days lost per 200,000 hours worked (100 employees working 40 hours per week for 50 weeks).

<sup>#</sup> The injury rate is calculated based on the number of injuries per 200,000 hours worked.

<sup>\*</sup> The absentee rate indicates the number of absentee days (as a result of occupational injuries and other illnesses) as a percentage of the total number of work days scheduled for the workforce.

# Our People

## A Statistical Snapshot of Our People >>>>

### Headcount by Employment Type and Gender

	Hang Seng Bank and Others #						Hang Seng China					
	2018		2017		2016		2018		2017		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Full-time Permanent Staff	3,580	4,882	3,349	4,611	3,242	4,600	434	1,141	460	1,144	482	1,129
Full-time Contract Staff	65	34	128	92	60	41	44	68	49	61	35	50
Part-time Staff	8	42	4	28	4	25	-	-	-	-	-	-
Temporary Staff	-*	-*	1	2	2	3	-	-	-	-	-	-
<b>Total</b>	<b>3,653</b>	<b>4,958</b>	<b>3,482</b>	<b>4,733</b>	<b>3,308</b>	<b>4,669</b>	<b>478</b>	<b>1,209</b>	<b>509</b>	<b>1,205</b>	<b>517</b>	<b>1,179</b>
<b>Grand Total</b>	<b>8,611</b>		<b>8,215</b>		<b>7,977</b>		<b>1,687</b>		<b>1,714</b>		<b>1,696</b>	

### Headcount by Employee Category and Gender

	Hang Seng Bank and Others #						Hang Seng China					
	2018		2017		2016		2018		2017		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Executive	1,205	1,216	1,045	1,047	847	907	150	333	153	311	144	277
Officer	1,702	2,314	1,604	2,108	1,597	2,056	180	503	195	499	191	484
Clerical / Non-clerical	747	1,428	833	1,578	864	1,706	148	373	161	395	182	418
<b>Total</b>	<b>3,653</b>	<b>4,958</b>	<b>3,482</b>	<b>4,733</b>	<b>3,308</b>	<b>4,669</b>	<b>478</b>	<b>1,209</b>	<b>509</b>	<b>1,205</b>	<b>517</b>	<b>1,179</b>
<b>Grand Total</b>	<b>8,611</b>		<b>8,215</b>		<b>7,977</b>		<b>1,687</b>		<b>1,714</b>		<b>1,696</b>	

**Note:**

# 'Others' includes Macau / overseas and other Mainland operations (around 1.0% of total headcount of Hang Seng Group).

\* The category of 'temporary staff' was retired in 2018. The headcount was reflected in the other three categories accordingly.

# Our People

## A Statistical Snapshot of Our People >>>>

### Headcount by Age Group

	Hang Seng Bank and Others #			Hang Seng China		
	2018	2017	2016	2018	2017	2016
Below 30	2,585	2,535	2,530	503	580	598
30 to 39	2,650	2,354	2,108	931	917	913
40 to 49	2,034	2,025	2,061	228	184	157
50 to 59	1,291	1,261	1,240	25	31	27
60 or above	50	40	38	0	2	1
<b>Grand Total</b>	<b>8,611</b>	<b>8,215</b>	<b>7,977</b>	<b>1,687</b>	<b>1,714</b>	<b>1,696</b>

### Average Years of Service

	Hang Seng Bank and Others #			Hang Seng China		
	2018	2017	2016	2018	2017	2016
Executive	8	9	10	7	6	6
Officer	10	11	11	5	5	5
Clerical / Non-clerical	11	11	12	3	3	3
<b>Overall</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>4</b>

**Note:**

# 'Others' includes Macau / overseas and other Mainland operations (around 1.0% of total headcount of Hang Seng Group).



# Our People

## A Statistical Snapshot of Our People >>>>

### Average Age

	Hang Seng Bank and Others #			Hang Seng China		
	2018	2017	2016	2018	2017	2016
Executive	40	40	41	38	38	38
Officer	36	37	36	34	33	33
Clerical / Non-clerical	38	37	37	29	29	29
Overall	38	38	38	34	33	33

### New Hires by Age Group and Gender

	Hang Seng Bank and Others #						Hang Seng China					
	2018		2017		2016		2018		2017		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Below 30	563	616	553	566	406	428	62	136	94	162	75	151
30 to 39	346	295	258	246	103	130	41	86	35	75	32	57
40 to 49	67	121	61	68	23	26	5	6	4	4	1	2
50 to 59	32	31	27	16	15	13	0	0	0	0	0	1
60 or above	3	4	13	4	7	6	0	0	0	0	0	0
Total	1,011	1,067	912	900	554	603	108	228	133	241	108	211
Grand Total	2,078		1,812		1,157		336		374		319	
New Hire Rate <sup>^</sup>	24.1%		22.1%		14.8%		19.9%		21.8%		18.8%	

**Note:**

# 'Others' includes Macau / overseas and other Mainland operations (around 1.0% of total headcount of Hang Seng Group).

<sup>^</sup> The new hire rate is the percentage of total new hires among total employees at the end of the year.

## A Statistical Snapshot of Our People >>>>

### Employee Voluntary Turnover by Age Group and Gender

	2018				2017				2016			
	Male		Female		Male		Female		Male		Female	
	Headcount	Turnover rate^	Headcount	Turnover rate^	Headcount	Turnover rate^	Headcount	Turnover rate^	Headcount	Turnover rate^	Headcount	Turnover rate^
Hang Seng Bank & others #												
Below 30	368	4.4%	384	4.7%	361	4.6%	411	5.3%	363	4.5%	357	4.5%
30 to 39	238	2.8%	208	2.5%	175	2.2%	196	2.5%	142	1.8%	155	1.9%
40 to 49	70	0.8%	113	1.4%	47	0.6%	77	1.0%	40	0.5%	83	1.1%
50 to 59	49	0.6%	44	0.6%	23	0.3%	30	0.4%	31	0.4%	38	0.5%
60 or above	35	0.4%	36	0.4%	53	0.7%	30	0.4%	57	0.7%	34	0.4%
Total	761	9.0%	784	9.5%	659	8.4%	745	9.6%	633	7.9%	667	8.5%
Grand Total	1,545 (17.8%)				1,404 (18.0%)				1,300 (16.4%)			
Hang Seng China												
Below 30	55	3.2%	86	4.9%	53	3.1%	91	5.4%	55	3.2%	131	7.5%
30 to 39	51	3.0%	101	5.9%	41	2.4%	82	4.9%	56	3.2%	108	6.2%
40 to 49	3	0.2%	8	0.5%	6	0.4%	8	0.5%	8	0.5%	9	0.5%
50 to 59	4	0.2%	1	0.1%	1	0.1%	1	0.1%	0	0.0%	1	0.1%
60 or above	4	0.2%	0	0%	0	0.0%	0	0.0%	2	0.1%	0	0.0%
Total	117	6.8%	196	11.3%	101	6.0%	182	10.9%	121	7.0%	249	14.3%
Grand Total	313 (18.6%)				283 (16.9%)				370 (21.3%)			

**Note:**

No significant seasonal variations in headcount were reported. Numbers remain generally stable throughout the year.

All headcounts are in full-time employee equivalent (FTE).

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

<sup>#</sup> 'Others' includes Macau / overseas and other Mainland operations (around 1.0% of total headcount of Hang Seng Group).

<sup>^</sup> The turnover rate is calculated based on the actual number of employees.

# Our Environment



## Our Approach

Reflecting our understanding of the need to protect the planet for present and future generations, we make ongoing efforts to use fewer natural resources and to promote environmental responsibility. We operate our business in an environmentally conscious manner and advocate for good environmental practices in our relationships with stakeholders.

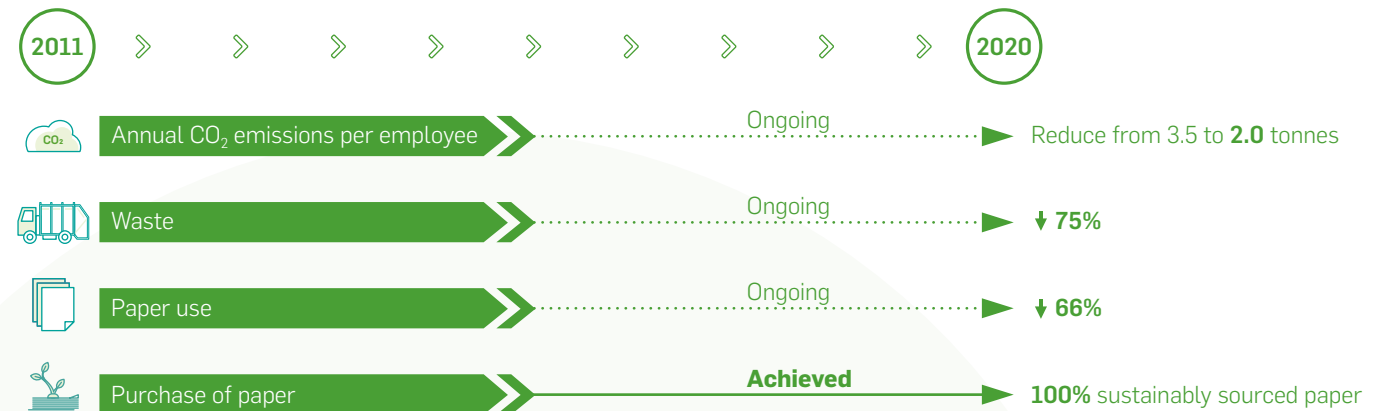
We are working to reduce our consumption of energy and natural resources, to reduce waste, and to use environmentally friendly products and services wherever possible. We ensure that our operations comply fully with environmental laws and regulations enacted by the Hong Kong Government. We use internal channels and engage in volunteer service to raise environmental awareness and communicate green values to our staff. We encourage our suppliers, business partners and customers to improve their environmental performance with our policies, services and community engagement activities.



We set annual targets for minimising the negative environmental effects of our business, and engage in activities that have positive impacts. We have also adopted HSBC Group's environmental strategic plan:

### HSBC Group's Short-term Goal to be Delivered by 2020

### Hang Seng's Progress in Support of the Group



By raising the awareness of green issues through various channels, including training and volunteer activities, we empower our staff to act as ambassadors for the environment. We also consider the environmental impact of our business travel policies, and are working to reduce nonessential travel through increased use of alternatives such as teleconferencing.

We follow the HSBC Group's direction – mitigation, adaptation and finance – in tackling the global challenge of climate change. Through advocacy, our products and our services, we support our customers as they move quickly and smoothly towards a low-carbon economy. This policy is detailed in the [HSBC Group's Statement on Climate Change](#).

Our operations comply with the latest Hong Kong regulations and guidelines, such as Waste Disposal Ordinance (Cap. 354). In 2018, we did not identify any non-compliance with environmental laws or regulations.

We are aware of the business risks that extreme weather and climate change may present. To prepare for and minimise damage by typhoons, and to adapt to other forms of extreme weather, we commenced enhancement on the curtain wall at our headquarters in 2018.



## Our Environment

### Greening Our Operations >>

As Hong Kong's first domestic bank to attain ISO 14001 certification for all offices and branches, we strive to lead by example in supporting the transition to a lower-carbon economy.

Our Environmental Management Committee was established under the [Environmental Policy](#) that we implemented in 2003. It is chaired by an Executive Committee member, and closely monitors our environmental management system (EMS) to ensure it continues to meet ISO 14001 standards.

The Committee is responsible for ensuring that our EMS and business strategies complement each other and support continual improvement in our environmental performance. It has set out a wide array of environmental instructions, such as green procurement and waste management. These guide our employees to adopt various green practices and achieve a greener workplace.

A number of our staff are trained as Green Ambassadors to support the implementation of our EMS. They also play a crucial role in raising awareness of environmental issues among their associates, families and friends, by providing regular updates on relevant policies and measures.

To help reduce energy usage and mitigate climate change, we have adopted certain measures in our buildings. For example, all lighting and air conditioning systems in Hang Seng core buildings are programmed – via the Building Management System – to switch off at a set time, typically 19:30. Also, unnecessary lift services in our office buildings are suspended during non-office hours.

We work towards designing and operating energy-efficient, sustainable office buildings that meet the highest international standards. On top of installing low-energy LED lighting, our newly renovated Hang Seng 113 office building has chilled ceiling and fresh air systems that, per year, use about 25% less energy than conventional air conditioning.

In 2017, Hang Seng 113 became Hong Kong's first domestic bank office building to be awarded Platinum certification – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) scheme. In 2016, our Hang Seng Tower office building attained LEED Gold certification for its fitting-out works.

During the year under review, Hang Seng launched a workplace enhancement programme that represents a shift from the traditional workplace towards a more progressive space. This includes employing activity-based work (ABW) design with shared seating to deliver a high-performance workplace with maximum utilisation, a variety of spaces, and also allow seamlessly integrated technology.

We employ contractors to remove construction waste generated by demolition and renovation. Our Corporate Real Estate team ensures that construction waste is taken only to Government-approved facilities. We communicate Hang Seng's waste-handling requirements to contractors and ensure that their waste management and handling meet the Bank's standards. When renovating offices, we look for ways to reuse furniture that is in good condition. To increase resource efficiency, we engage vendors to recycle furniture that can no longer be used.

We support the use of environmentally-friendly building materials and energy-efficient appliances in our premises. These include low volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade-1-rated electrical appliances. Our efforts to be a responsible energy consumer earned the Peak Demand Management Outstanding Award at CLP's inaugural Smart Energy Awards.

We also ensure the provision of quality water. Hang Seng received the Gold Class Fresh Water Award for its headquarters and the Quality Fresh Water and Quality Flushing Water awards for Hang Seng 113. These are the result of our voluntary participation in the Quality Water Supply Scheme for Buildings, administered by the Water Supplies Department.



## Our Environment

### Greening Our Operations >>

As at the end of December 2018, 48% of our credit card customers received electronic statements rather than physical copies. E-channels accounted for 47% of credit card applications and 96% of personal loan applications. Our e-Statement, e-Advice and shareholder e-communication services collectively saved 85.5 million sheets of paper in 2018. Through our e-Donation channel, we have helped our customers give more than HK\$40m to charitable causes since 2001.

We closely monitor our greenhouse gas emissions (see [Environmental Performance >>](#)) and stay informed about environment-related regulatory developments that could directly or indirectly impact our business. We continue to participate in the Carbon Disclosure Project, which provides a forum for the world's largest institutional investors to consider the business implications of climate change collectively.

We support the conservation of biodiversity through our financing policies and within our operations. We stopped serving shark fin at Bank's functions in 2003 and subsequently removed endangered reef fish species from our menus. We also provide a WWF (Hong Kong)-endorsed sustainable seafood menu at our banquet hall.

### An Environmental Advocate

As one of Hong Kong's largest listed companies, we are well positioned to champion the cause of environmental stewardship. We strive to set a good example by continually improving the environmental performance of our operations. In addition, our investment and financing policies and support for external initiatives are designed to encourage our staff, customers and the wider community to take a broad, more engaged perspective on the importance of safeguarding natural resources and enhancing the environmental health of our planet.

For over a decade, we have worked with The Conservancy Association on a major environmental initiative in rural communities in Yunnan Province. Building on our success in constructing biogas facilities, we jointly launched a low-carbon village project near Yuxi in 2016. The project aimed to improve the living standards of village residents while reducing the burden on the natural environment, by providing low-carbon facilities such as solar panels and the means to cultivate higher value crop varieties. For more details, please refer to [Protecting Our Planet by Improving Livelihoods >>](#) in Our Community.

In 2018, we supported The Conservancy Association's Hang Seng – CA Eco-Rangers orienteering event. This raised funds while promoting public awareness of environmental issues and the natural outdoor beauty of Hong Kong.

Hang Seng supports local NGOs and green groups as a corporate member and through various campaigns and initiatives such as

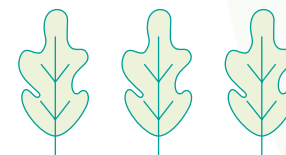
Friends of the Earth (HK)'s Power Smart Energy Saving Contest, WWF (Hong Kong)'s Earth Hour, the Green Power Hike and the Environmental Bureau's Charter on External Lighting.

Since 1999, we have planted approximately 93,000 trees in Hong Kong and on the Mainland.



For over a decade, we have worked with The Conservancy Association on a major environmental initiative in rural communities in Yunnan Province.

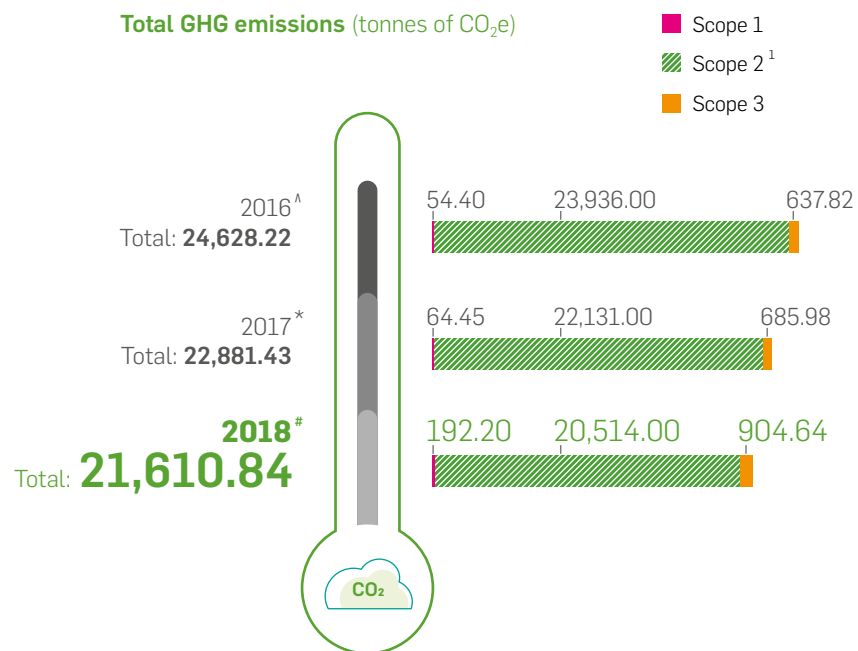




## Environmental Performance >>>



### Greenhouse Gas (GHG) Emissions



GHG emissions	Unit	2018 <sup>#</sup>	2017 <sup>*</sup>	2016 <sup>A</sup>
<b>Scope 1</b>	tonnes of CO <sub>2</sub> e	<b>192.20</b>	64.45	54.40
• Stationary combustion	tonnes of CO <sub>2</sub> e	<b>79.32</b>	64.45	54.40
• Mobile combustion	tonnes of CO <sub>2</sub> e	<b>112.88</b>	N/A	N/A
<b>Scope 2<sup>1</sup></b>	tonnes of CO <sub>2</sub> e	<b>20,514.00</b>	22,131.00	23,936.00
• Purchased electricity	tonnes of CO <sub>2</sub> e	<b>20,496.00</b>	22,116.00	23,923.00
• Towngas	tonnes of CO <sub>2</sub> e	<b>18.00</b>	15.00	13.00
<b>Scope 3</b>	tonnes of CO <sub>2</sub> e	<b>904.64</b>	685.98	637.82
• Business travel (land and air)	tonnes of CO <sub>2</sub> e	<b>563.43</b>	342.98	305.82
• Transmission and distribution loss	tonnes of CO <sub>2</sub> e	<b>337.00</b>	343.00	332.00
• Upstream transportation and distribution (mobile branch)	tonnes of CO <sub>2</sub> e	<b>4.21</b>	N/A	N/A
<b>Total GHG emissions per FTE</b>	tonnes of CO <sub>2</sub> e / FTE	<b>2.56</b>	2.95	3.16
• Scope 1	tonnes of CO <sub>2</sub> e / FTE	<b>0.02</b>	0.01	0.01
• Scope 2 <sup>1</sup>	tonnes of CO <sub>2</sub> e / FTE	<b>2.43</b>	2.85	3.07
• Scope 3	tonnes of CO <sub>2</sub> e / FTE	<b>0.11</b>	0.09	0.08
<b>GHG emissions per sq ft</b>	tonnes of CO <sub>2</sub> e / sq ft	<b>0.016</b>	0.016	0.016

Data coverage: Hang Seng Bank's Hong Kong operations  
Data is round up to 2 decimal places.

Key: CO<sub>2</sub>e: Carbon dioxide equivalent      FTE: Full-time equivalent employee<sup>2</sup>      sq ft: Square foot<sup>3</sup>

<sup>#</sup> From 1 Oct 2017 – 30 Sep 2018    <sup>\*</sup> From 1 Oct 2016 – 30 Sep 2017    <sup>A</sup> From 1 Oct 2015 – 30 Sep 2016

<sup>1</sup> Scope 2 greenhouse gas emissions were calculated based on electricity and towngas consumed as well as the corresponding emission factors as provided by the utility companies.  
The emission factor for CLP and Hong Kong Electric were 0.51 kg CO<sub>2</sub>e/kWh and 0.79 kg CO<sub>2</sub>e/kWh respectively, as of 2017.

<sup>2</sup> The number of full-time equivalent employees as at 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,452, 7,769 and 7,786, respectively.

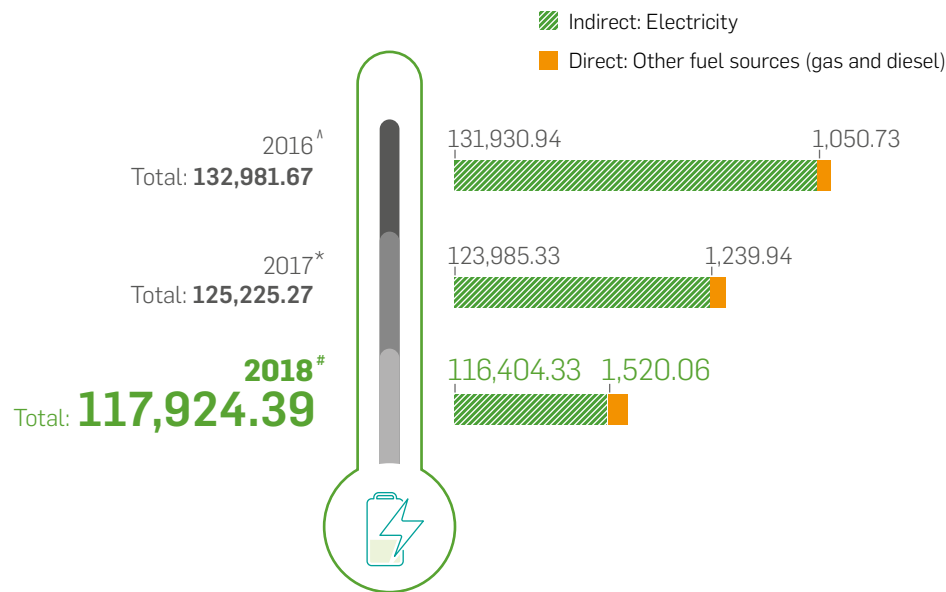
<sup>3</sup> The floor area as at 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 1,357,948, 1,427,358 and 1,635,975 sq ft, respectively.

# Our Environment

## Environmental Performance >>>



### Total energy consumption (GJ)



	Unit	2018 <sup>#</sup>	2017 <sup>*</sup>	2016 <sup>^</sup>
Energy consumption per FTE	GJ/ FTE	13.95	16.12	17.08
Energy consumption per sq ft	GJ/ sq ft	0.09	0.09	0.09



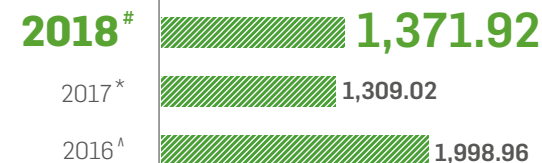
### Total water consumption<sup>1</sup> (000 m<sup>3</sup>)



	Unit	2018 <sup>#</sup>	2017 <sup>*</sup>	2016 <sup>^</sup>
Water consumption per FTE	m <sup>3</sup> / FTE	9.36	9.65	8.96



### Total paper consumption (tonnes)



**100% Compliant paper<sup>2</sup>**

Data coverage: Hang Seng Bank's Hong Kong operations  
Data is round up to 2 decimal places.

Key: m<sup>3</sup>: Cubic metres    GJ: Gigajoules    FTE: Full-time equivalent employee<sup>3</sup>    sq ft: Square foot<sup>4</sup>

<sup>#</sup> From 1 Oct 2017 – 30 Sep 2018    <sup>\*</sup> From 1 Oct 2016 – 30 Sep 2017    <sup>^</sup> From 1 Oct 2015 – 30 Sep 2016

<sup>1</sup> Hang Seng 113 office building became fully operational in 2017. Freshwater is used for toilet flushing in this building as it is not covered by the Water Supplies Department's seawater supply system.

<sup>2</sup> Paper certified by an HSBC-approved certification scheme. Currently includes FSC, Canadian Standards Association, etc.

<sup>3</sup> The number of full-time equivalent employees as at 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,452, 7,769 and 7,786, respectively.

<sup>4</sup> The floor area as at 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 1,357,948, 1,427,358 and 1,635,975 sq ft, respectively.

# Our Environment

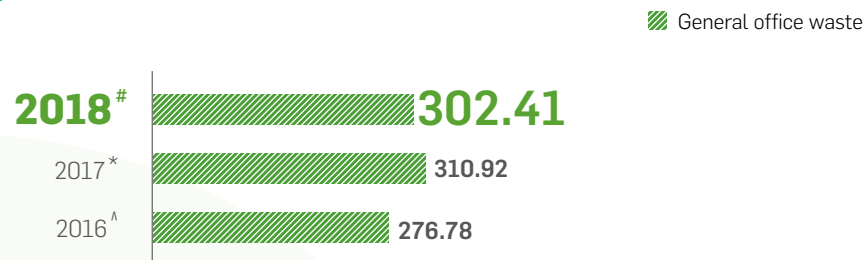
## Environmental Performance >>>



### Total waste collected for recycling (tonnes)



### Total waste disposed to landfill (tonnes)



	Unit	2018 <sup>#</sup>	2017 <sup>*</sup>	2016 <sup>^</sup>
Waste disposed per FTE	tonnes/ FTE	0.04	0.04	0.04

Data coverage: Hang Seng Bank's Hong Kong operations  
Data is round up to 2 decimal places.

Key: FTE: Full-time equivalent employee<sup>3</sup>

<sup>#</sup> From 1 Oct 2017 – 30 Sep 2018    <sup>\*</sup> From 1 Oct 2016 – 30 Sep 2017    <sup>^</sup> From 1 Oct 2015 – 30 Sep 2016

<sup>1</sup> Relevant data has been collected for reporting since 2018.

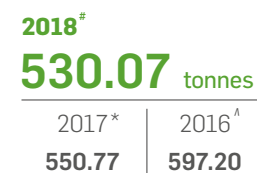
<sup>2</sup> IT and electrical waste which consists of flat panel display (FPD) and printed circuit boards (PCB) are classified as hazardous waste.

<sup>3</sup> The number of full-time equivalent employees as at 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,452, 7,769 and 7,786, respectively.

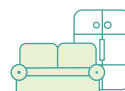
### Types of waste collected for recycling



Paper



Aluminium cans



Furniture



Plastic



Glass<sup>1</sup>



IT and electrical<sup>2</sup>



## Our Community



### Our Approach

As Hong Kong's leading domestic bank, we aim to set a high standard for responsible corporate practices and sustainability initiatives. In line with our 'speak up and speak out' culture, we encourage our stakeholders to share their aspirations, ideas and concerns. We are also using new technology to amplify our sustainability actions and build closer connections with and among young people as the voices of tomorrow.

We act with integrity and accountability in our interactions with stakeholders. Working with trusted local organisations, we support corporate sustainability programmes that promote social well-being, economic opportunity and positive life values.

Apart from leveraging our financial strength, we foster community development by integrating our core values of

leadership and innovation into community programmes. Our Corporate Responsibility Committee is responsible for setting strategy and practices, overseeing community investment and assessing proposals. The Vice-Chairman and Chief Executive of the Bank serves as Committee Chairman. Senior executives from various functions and business units serve as Committee members. Approved projects are reported at Executive Committee meetings and Board meetings.

In the past 10 years, we have invested HK\$277m in community development, including HK\$32m in 2018. Our non-financial contributions to the betterment of society include active involvement in a diverse range of volunteering initiatives and providing expertise and practical support to community-based programmes.

In the past 10 years,  
we have invested HK\$277m  
in community development,  
including HK\$32m in 2018.







## Our Community

### Our Vision for a Sustainable Future

Through service excellence and actions that create value for stakeholders, we create positive change by promoting civic mindedness, improved economic and social well-being, and the need to address large-scale sustainability challenges. We focus particularly on young people, who will determine the future of our city. By encouraging tomorrow's leaders to explore their potential, think creatively and adopt an entrepreneurial mindset, we are preparing them to thrive in a rapidly changing world.

We are committed to providing future skills learning opportunities for youth, regardless of social or economic status. This supports the UN Sustainable Development Goal (UNSDG) of Quality Education. In 2018, our community investment programmes and staff volunteering initiatives included more than 1,250 activities, reaching more than 2.5 million people.

We treasure our close partnerships with trusted local organisations, including those with whom we have worked for more than a decade or over a quarter of a century. Our commitment and contributions to development across all sectors of the community are highly regarded by our stakeholders.

### What do our long-term partners say?



Over the past 27 years, the partnership between the Hong Kong Table Tennis Association and Hang Seng Bank has been very rewarding. Our biggest achievement is the Hang Seng Table Tennis Academy (HSTTA). This plays a key role in identifying and training top table tennis talent, and provides a platform for Hong Kong players to pursue their sporting dreams in local and international arenas. HSTTA also encourages participation in table tennis across the community, ensuring the growth of this great sport for many years to come.



**Tony Yue**

Chairman of the Hong Kong Table Tennis Association



The Conservancy Association has joined hands with Hang Seng for a number of years to promote environmental development in Yunnan Province. Two years ago, we revamped our initiative and successfully launched the first Hang Seng Yunnan Low-Carbon Village, which marks a milestone in our partnership.



**W. T. Yan**

Chairman of the Conservancy Association





## Our Community

### Giving Young People the Tools to Succeed >>>>>

Our emphasis on youth development programmes reflects our commitment to supporting the future development of Hong Kong. We help young people explore their talents, interests and ideas, and to develop the confidence, creativity and civic awareness that will encourage entrepreneurialism and promote social mobility.

Our educational, sporting and arts-based initiatives place equal importance on developing a positive spirit, a healthy body and an inquiring mind.

### Broadening Horizons, Creating Opportunity

In a new initiative with St. James' Settlement, we are developing the Hang Seng – St. James' Settlement Youth Portal, 'I am...', an online platform and mobile app that will provide personalised career and academic advice for young people aged between 15 and 29. Combining interactive online mentorship, e-learning and AI information services with offline outreach and counselling support, the project will broaden young people's future horizons and help them make informed career decisions. Currently in the preparatory stage, the portal is expected to launch in September 2019 (see box: [Speaking the Same Language as Younger Generations >>](#)).

We continued with our Hang Seng Character Master programme, launched with St. James' Settlement in 2017, that encourages primary school students to embrace 'Respect, Caring, Trustworthiness and Responsibility' as fundamental values for making good choices and guiding their interactions with others. Through role play, job-shadowing opportunities and teacher-parent sharing sessions, about 3,800 students and their family members have benefitted from the programme. A new learning dimension will be added in the second half of 2019 with the launch of a 'Character Building Resource' mobile app.



Through role play, job-shadowing opportunities and teacher-parent sharing sessions, about **3,800** students and their family members have benefitted from the programme.

## Our Community

### Giving Young People the Tools to Succeed >>>>>

#### Strengthening Relationships through Greater Understanding

Now in its sixth year, the award-winning Hang Seng – HKFWS Youth Mediation Scheme has trained over 1,700 senior primary students from 100 schools as Peer Mediators to promote mediation as a positive way to resolve conflict, strengthen relationships and enhance communication. Organised by the Hong Kong Family Welfare Society and supported by Hang Seng, the Scheme has expanded over the years to include workshops, talks and storytelling sessions, reaching a total of over 45,000 students, teachers and parents.

In April 2018, 100 Peer Mediators took part in Hong Kong's first peer mediation competition for primary schools, giving participants the opportunity to demonstrate their skills in a public setting. Launched in the 2018/19 academic year, a new mediation mobile app is helping teachers and Mediation Ambassadors – which include Hang Seng volunteers and students training to be teachers at The Education University of Hong Kong – to communicate key mediation concepts via a fun and interactive digital platform (see box: [Speaking the Same Language as Younger Generations >>>](#)).



Scan here to  
download the app



The Scheme has expanded over the years to include workshops, talks and storytelling sessions, reaching a total of over **45,000** students, teachers and parents.



## Giving Young People the Tools to Succeed >>>>>

### Speaking the Same Language as Younger Generations

Effective engagement means meeting people where they feel most comfortable. To build life skills, employment skills and facilitate career planning among our younger generations, we use fun, interactive apps and online platforms that engage youth on their time and terms. This digital-friendly approach lets us reach this important target audience – the most technology-literate cohort – in a fast, cost-effective way.

Hang Seng has been working with expert advisors from a number of industries on a new initiative that will use artificial intelligence to help young people in their studies and career planning. Introduced by Hang Seng and St. James' Settlement, and scheduled to launch in September 2019, the youth portal, "I am...", is full of high-tech features. It is the first youth portal in Hong Kong with online mentorship, powered by a chatbot that responds instantly

to provide scholastic and career information. It also offers:

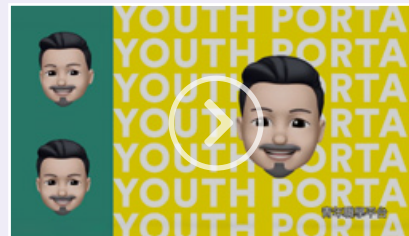
- e-learning through live webinars;
- individual assessments based on the widely used Holland Code Test that help young people understand their personalities; and
- aggregated data analysis on academic and career paths that makes use of social listening and data analytics tools.

This is a new, high-tech approach for engaging "digital natives", many of whom have never known a world without digital technology and social media. Loaded with tools, "I am..." will provide personalised advice to help young people make informed school and career decisions, which is crucial in a world full of paradigm shifts and fast-changing trends. We continue to gather input from youth groups to ensure that the portal will meet their expectations and needs. Our targets for the first year are to reach more than 1,500,000 potential users and obtain more than 10,000 registered members.



**Tai Kam-ting**, a student at Hong Kong Baptist University, and **Fu Yeo-feng**, at The University of Hong Kong, note that while traditional mentorship is valuable, it is not always easy for mentors and mentees to find time to meet. They believe that a reliable app for instant communications with mentors will make it easier to seek advice on careers and studies.

▶ Watch the video (Chinese only)



**Hung Ching-nga** (right), a trained Peer Mediator and Primary 5 student at Ma On Shan Methodist Primary School, says the app's stories and mini games accurately reflect situations she experiences in real life. She adds that the app has enhanced her understanding of mediation, particularly its pop-up mottos that remind her of what she has learned over the course of her peer mediation training.

Our award-winning Hang Seng – HKFWS Youth Mediation Scheme, with the Hong Kong Family Welfare Society, saw the launch of a mobile app to introduce peer mediation at primary schools using digital technology. Learning to resolve conflict through communication at an early age is a valuable skill for children. Featuring interactive games, stories and mini quizzes, this first-of-its-kind app in Hong Kong is designed to expand the reach of the scheme and provides our Mediation Ambassadors with a tool to share concepts with students in an interesting, interactive way. It is expected to benefit approximately 4,000 students, teachers and parents.

## Our Community

### Giving Young People the Tools to Succeed >>>>>

#### Keeping Hong Kong on the Move

Over the past 27 years, our support for table tennis in Hong Kong has grown into a landmark sports development and community fitness initiative. Partnering with the Hong Kong Table Tennis Association, we have donated a total of over HK\$60m to nurture promising young table tennis talent and encourage people in our city to keep physically active.

Established in 2001 and counting many of Hong Kong's top players among its alumni, the Hang Seng Table Tennis Academy (HSTTA) identifies and trains future sporting stars. It also

strengthens civic pride by reinforcing Hong Kong's reputation as a leading competitor in international table tennis and contributes to community building by bringing people from all walks of life together to participate in fun events. To date, nearly 370,000 people have taken part in over 6,900 HSTTA activities.

To further enhance Hong Kong as a centre for table tennis excellence, we sponsored two world-class events: the 2018 Hang Seng Junior & Cadet Open and the Seamaster 2018 ITTF World Tour – Hang Seng Hong Kong Open.



To date, nearly **370,000** people have taken part in over **6,900** HSTTA activities.





## Our Community

### Giving Young People the Tools to Succeed >>>>>

#### Community Building through Creativity

Since 2015, we have partnered with the Hong Kong Repertory Theatre to organise the Hang Seng Call for Young Talent in Theatre, a music and dramatic arts programme designed to help primary and secondary students build self-confidence, develop better communication skills and learn the value of good teamwork and creative expression. Including school outreach activities, over 25,000 people have participated in or engaged with the programme.

Culminating in four public performances of the musical 'Our Time, Our Hong Kong' in Hong Kong, the 2018 programme for the first time included young people from Hong Kong and Guangzhou among the cast of about 70 individuals and two performances in Guangzhou to promote cultural exchange between Hong Kong and the Greater Bay Area.



Over **25,000** people have participated in or engaged with our musical education programme.



Under the Hang Seng - YMCA Balloon Twisting Programme for Special Educational Needs Students, local social enterprise YM Balloon runs small-group workshops that use balloon art activities to help special educational needs students enhance their coordination, concentration and communication skills. In the 2017/18 school year, with support from Hang Seng volunteers, over 200 students from 24 schools took part in balloon-twisting classes that helped build their self-esteem and sense of achievement. A study by The Hong Kong Polytechnic University found that programme participants recorded improvements in their executive functions and in their ability to use their non-dominant hand.

Our support for a variety of student ticket and subsidy schemes enabled more than 11,000 students and underprivileged children to attend Hong Kong Philharmonic Orchestra performances and Hong Kong Arts Festival events in 2018.



The Ming Pao Student Reporter Programme, an initiative we have supported for 20 years, promotes greater civic awareness while honing analytical, research and communication skills. Over 9,500 senior students have taken part in the Programme since its establishment, including 345 students from 125 schools in 2018.



## Our Community

### Giving Young People the Tools to Succeed >>>>>

#### Choosing the Right Path

We are working with The Society of Rehabilitation and Crime Prevention, Hong Kong to demonstrate that a challenging start in life need not be a barrier to building a better future. The Hang Seng Youth Career Planning Scheme offers at-risk and underprivileged youths and ex-young offenders the chance to explore future career possibilities through job-shadowing opportunities and exposure to the entrepreneurial experience. About 50 management-level staff from local SMEs served as advisors and mentors to 150 young people in 2018. Around 40 participants subsequently undertook entrepreneurship training to gain the knowledge and skills needed to develop business proposals. Scheme participants who have their proposals approved are eligible to receive start-up funds and professional business guidance.

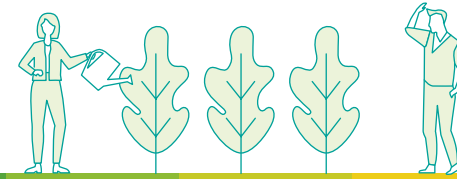


Our long-term partnership with the Hong Kong Police Force through the biennial Hang Seng Bank – Help the Police Fight Youth Crime Competition reflects our efforts to reinforce a sense of civic responsibility among young people and encourage them to share anti-crime and community-building messages with their peers. The 2018 Competition attracted over 340,000 participants – a record high. The winning ‘Key Opinion Leader’ videos were broadcast on various social media platforms to further extend the Competition’s reach.

We also continue to make it easier for gifted young people to further their academic journey. Since 1995, we have allocated more than HK\$65m to various scholarship schemes in Hong Kong and mainland China, benefitting over 2,400 students.



The 2018 fight youth crime competition attracted over **340,000** participants – a record high.



## Protecting Our Planet by Improving Livelihoods

To support a transition to a lower-carbon economy, we promote green initiatives through our community investment programmes. These align with UNSDGs such as Affordable and Clean Energy, Sustainable Cities and Communities, and Climate Action.

For more than a decade, Hang Seng has worked with The Conservancy Association to provide biogas facilities in mainland China's rural Yunnan Province. In 2016, we teamed up once again to launch our first low-carbon village project, located near Yunnan's Yuxi, as part of our efforts to improve sustainability and improve livelihoods in rural communities.

The Hang Seng Yunnan Low-Carbon Village project tackles issues that threaten the local environment and natural resources. Low-carbon facilities, such as solar panels, and

energy-efficient wood stoves that help reduce the use of wood as fuel, are installed. To promote small-scale entrepreneurialism, we provide seedlings and cultivation advice for higher-value crops such as konjac and *Chonglou*.

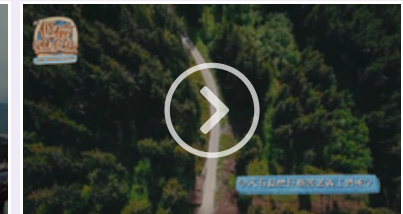
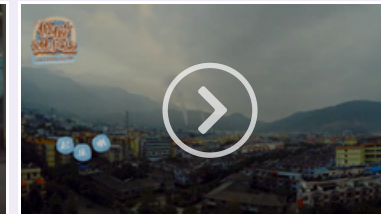
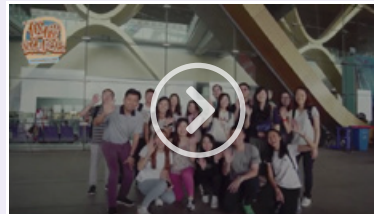
These efforts significantly improve living standards, and do so in a way that does not put the environment at risk. Villagers no longer rely on firewood for fuel. Advanced planting techniques have empowered them to earn a sustainable, long-term living.

In 2018, 15 staff volunteers from Hong Kong and Kunming visited Yunnan to assess the impacts of the project and see firsthand how it is transforming the lives of approximately 400 rural villagers in Yuxi. They also held a basic financial literacy workshop for villagers.



**Hazel Wong**, a volunteer from the Private Banking Department, reported that the trip was an eye-opening experience. She was touched by the gratitude and gracious hospitality of the villagers. She is glad to see that the programme makes a significant impact, and that sustainable support will continue to change the lives of the villagers, their children and grandchildren.

▶ [Watch the video sequels \(Chinese only\)](#)





## Our Community

### An Active Member of the Community >>

Our internal culture is founded on 'doing the right thing', open communication and building stronger connections. We extend this culture of integrity, openness and relationship building to the local community by participating in projects that promote understanding, inclusivity, and social well-being and support.

We organised over 130 community-focused activities for Bank volunteers in 2018, focusing particularly on the social well-being of vulnerable and underprivileged groups, improved financial literacy and economic mobility, and environmental issues. Under the leadership of senior management, Bank departments engage in giving back as teams to build a collegial mindset and strengthen relationships with local stakeholders. Colleagues

also enjoy two days of volunteer leave per year to support worthy causes.

We aim to maximise the positive impact of our financial donations by working with reputable charitable organisations that have deep knowledge of our community's most urgent needs and the network and infrastructure to ensure that funds are used efficiently and effectively. We have been a close partner of The Community Chest of Hong Kong since 1994, raising over HK\$78m – including a total of around HK\$25m for The Chest's annual Dress Casual Day Campaign.

Since 2001, our e-Donation channel has facilitated the giving of more than HK\$40m to charitable causes by our customers.



Colleagues enjoy **2 days** of volunteer leave per year to support worthy causes.

# Our Community

## An Active Member of the Community >>

### Giving Back by Leveraging Our Strengths

Corporations have a responsibility to work with the wider community to build a happier, healthier Hong Kong. Every year, Hang Seng engages in a number of social and environmental activities that have positive impacts across our city and even beyond its borders.

Serving the community is part of our DNA, and we want it to be an integral part of employees' lives. We lead by example, encouraging staff to contribute to civic well-being through volunteering. Senior management regularly participates in Bank-organised community programmes. Hang Seng also includes two volunteer days per year as part of its annual leave package, making it easier for employees to support community initiatives.

One of the most valuable services Hang Seng provides is leveraging our core strengths and expertise to help



people from all backgrounds make informed decisions through improved financial literacy. Staff are encouraged to share their professional skills and knowledge pro bono at financial education and entrepreneurial workshops for underprivileged youth.

In 2018, we participated in the Financial Education programme, organised by the Hong Kong Association of Banks and Hong Kong Council of Social Service. This provides financial management advice to low-income individuals. We partnered with local charity Po Leung Kuk to help children master basic money management concepts through role play, group games and discussions. We also supported Junior Achievement China's 2018 China Youth Financial Literacy Education Programme.

Volunteering benefits society, and promotes camaraderie and bonding among colleagues.

Volunteering is part of my life. It allows me to care for society, and the happiness and satisfaction I get through volunteering motivates me to continue serving those in need.

**Florence Chung**

Operations, Services and Technology division



# Report Verification

## Verification Statement



### VERIFICATION STATEMENT

#### Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has been commissioned by Hang Seng Bank Limited ("Hang Seng") to conduct an independent verification for its Corporate Sustainability Report 2018 ("the Report"). The Report describes Hang Seng's efforts towards sustainable development during the calendar year of 2018.

The aim of this verification is to provide a reasonable assurance on the reliability of the reporting contents. The Report was prepared in accordance with the Core Option of the GRI Sustainability Reporting Standards (GRI Standards) and the GRI G4 Financial Services Sector Disclosures, as well as the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by the Hong Kong Exchanges and Clearing Limited.

#### Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board, and ISO 14064-3 : Specification with guidance for the validation and verification of greenhouse gas assertions. The verification process was designed to obtain a reasonable level of assurance in accordance with the standard for the purpose of devising the verification conclusion. The extent of verification covered the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), the GRI G4 Financial Services Sector Disclosures and the Environmental, Social and Governance Reporting Guide ("ESG Guide") of The Stock Exchange of Hong Kong Limited.

The verification procedures performed included discussion of the materiality analysis process, reviewing systems and processes for collecting, collating and reporting of the performance data, verifying relevant documentation, interviewing responsible personnel with accountability for preparing the Report. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process.

#### Independence

Hang Seng was responsible for the collection and presentation of the information. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents where HKQAA's verification activities were entirely independent from Hang Seng. There was no relationship between HKQAA and Hang Seng that would affect the independence of HKQAA for providing the verification service.

#### Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the GRI Standards – Core Option and GRI G4 Financial Services Sector Disclosures, as well as the ESG Guide;
- The Report illustrates Hang Seng's sustainability performance, covering all material and relevant aspects and topics, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Hang Seng has been putting continuous efforts to enhance the report quality by incorporating new improvement elements such as with a wider and more systematic stakeholder engagement and materiality assessment process. Also, the clearer and detail performance data reporting enables greater extent of disclosure regarding Hang Seng's overall sustainability status.

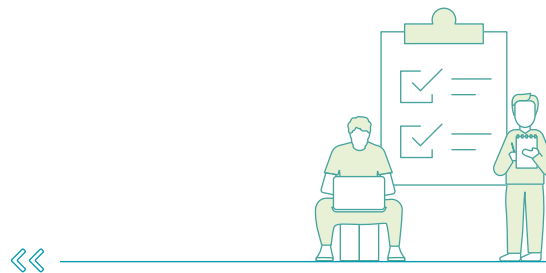
Signed on behalf of Hong Kong Quality Assurance Agency



Connie Sham  
Head of Audit  
March 2019



Jorine Tam  
Director, Corporate Business





## Content Index for GRI Standards and HKEx ESG Reporting Guide

Items with # were selected and rigorously verified by HKQAA as part of the report verification process to derive opinions and conclusions on this report (see [Verification Statement](#) »).

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>			
<b>Organisation Profile</b>			
102-1		Name of the organisation	<a href="#">About This Report</a>
102-2		Activities, brands, products, and services	<a href="#">Our Business</a>
102-3		Location of headquarters	<a href="#">Our Business</a>
102-4		Location of operations	<a href="#">Our Business</a>
102-5		Ownership and legal form	<a href="#">Our Business</a>
102-6		Markets served	<a href="#">Our Business</a>
102-7		Scale of the organisation	<a href="#">Our Business</a> ; <a href="#">Our People</a>
102-8 <sup>#</sup>	KPI B1.1	Information on employees and other workers	Our People > <a href="#">A Statistical Snapshot of Our People</a>
102-9	KPI B5.1	Supply chain	<a href="#">Our Suppliers</a>
102-10		Significant changes to the organisation and its supply chain	There was no significant change to the organisation and its supply chain in 2018.
102-11		Precautionary principle or approach	Annual Report 2018: <a href="#">Corporate Governance Report (page 104-127)</a> Our Corporate Governance > <a href="#">Risk Management</a>
102-12		External initiatives	<a href="#">Our Values</a>
102-13		Membership of associations	<a href="#">Our Performance</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>Strategy</b>			
102-14		Statement from senior decision-maker	<a href="#">Chief Executive's Message</a>
<b>Ethics and Integrity</b>			
102-16		Values, principles, standards, and norms of behaviour	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Customers</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our People</a> ; <a href="#">Our Environment</a> ; <a href="#">Our Community</a>
102-17	KPI B7.2	Mechanisms for advice and concerns about ethics	Our Corporate Governance > <a href="#">Risk Management</a>
<b>Governance</b>			
102-18		Governance structure	Annual Report 2018: <a href="#">Corporate Governance Report (page 104-127)</a> Our Corporate Governance > <a href="#">Corporate Governance Structure</a>
<b>Stakeholder Engagement</b>			
102-40 <sup>#</sup>		List of stakeholder groups	Our Values > <a href="#">Stakeholder Engagement</a>
102-41		Collective bargaining agreements	None in 2018. The Bank respects the right to form and join trade unions and will work in a professional manner with legitimate employee representative bodies in accordance with the HSBC Group's HR Functional Instruction Manual.
102-42 <sup>#</sup>		Identifying and selecting stakeholders	Our Values > <a href="#">Stakeholder Engagement</a>
102-43 <sup>#</sup>	KPI B6.2	Approach to stakeholder engagement	Our Values > <a href="#">Stakeholder Engagement</a> ; <a href="#">Our Customers</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our People</a> ; <a href="#">Our Environment</a> ; <a href="#">Our Community</a>
102-44 <sup>#</sup>	KPI B6.2	Key topics and concerns raised	Our Values > <a href="#">Actions to Address Key Stakeholder Concerns</a>
<b>Reporting Practice</b>			
102-45		Entities included in the consolidated financial statements	<a href="#">Annual Report 2018</a>
102-46 <sup>#</sup>		Defining report content and topic boundaries	<a href="#">About This Report</a> ; Our Values > <a href="#">Materiality Assessment</a>
102-47 <sup>#</sup>		List of material topics	Our Values > <a href="#">Materiality Assessment</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
102-48		Restatements of information	No restatements of information in previous report
102-49		Changes in reporting	No significant change
102-50		Reporting period	<a href="#">About This Report</a>
102-51		Date of most recent report	April 2018
102-52		Reporting cycle	<a href="#">About This Report</a>
102-53		Contact point for questions regarding the report	<a href="#">Your Feedback</a>
102-54 <sup>#</sup>		Claims of reporting in accordance with the GRI Standards	<a href="#">About This Report</a>
102-55		GRI content index	<a href="#">Content Index</a>
102-56		External assurance	<a href="#">About This Report</a> ; <a href="#">Report Verification</a>

### Economic Standards Series

#### GRI 201 Economic Performance 2016

103-1, 103-2, 103-3		Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our Performance</a>
201-1	KPI B8.2	Direct economic value generated and distributed	Our Business > <a href="#">What We Do</a> ; Our Performance > <a href="#">Performance by the Numbers</a>

#### GRI 202 Market Presence 2016

103-1, 103-2, 103-3	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>
202-2		Proportion of senior management hired from the local community	Annual Report 2018: <a href="#">Appointment and Re-election of Directors (page 108)</a> ; <a href="#">Biographical Details of Directors and Senior Management (page 128-141)</a> ; Our People > <a href="#">Our Approach</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 204 Procurement Practices 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B5	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our Suppliers</a>
204-1 <sup>#</sup>		Proportion of spending on local suppliers	Our Suppliers > <a href="#">Establishing the Right Business Partnerships</a>
<b>GRI 205 Anti-corruption 2016</b>			
103-1, 103-2, 103-3	GD B7	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a>
205-2 <sup>#</sup>		Communication and training about anti-corruption policies and procedures	Our Corporate Governance > <a href="#">Risk Management</a>
205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	Our Corporate Governance > <a href="#">Risk Management</a>
<b>Environmental Standards Series</b>			
<b>GRI 301 Materials 2016</b>			
103-1, 103-2, 103-3	GD A2, GD A3, KPI A3.1	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our Environment</a>
301-1 <sup>#</sup>	KPI A2.5	Materials used by weight or volume	Our Environment > <a href="#">Environmental Performance</a>  Packaging materials used are not material to the business so the indicator is not disclosed.
<b>GRI 302 Energy 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD A2, KPI A2.3, GD A3, KPI A3.1, KPI A1.5	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our Environment</a>
302-1 <sup>#</sup>	KPI A2.1	Energy consumption within the organisation	Our Environment > <a href="#">Environmental Performance</a>
302-3 <sup>#</sup>	KPI A2.1	Energy intensity	Our Environment > <a href="#">Environmental Performance</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 303 Water 2016</b>			
103-1, 103-2, 103-3	GD A2, GD A3, KPI A2.4, KPI A3.1	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our Environment</a>
303-1 <sup>#</sup>	KPI A2.2	Water withdrawal by source	Our Environment > <a href="#">Environmental Performance</a>  Only municipal water is used in the operation.
<b>GRI 305 Emissions 2016</b>			
103-1, 103-2, 103-3	GD A1, GD A3, KPI A1.5, KPI A3.1	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our Environment</a>
305-1 <sup>#</sup>	KPI A1.2	Direct (Scope 1) GHG emission	Our Environment > <a href="#">Environmental Performance</a>  Scopes 1 and 2 greenhouse gas emissions were estimated according to the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition).
305-2 <sup>#</sup>	KPI A1.2	Energy indirect (Scope 2) GHG emissions	Our Environment > <a href="#">Environmental Performance</a>  See remark for 305-1 above.
305-3 <sup>#</sup>	KPI A1.2	Other indirect (Scope 3) GHG emissions	Our Environment > <a href="#">Environmental Performance</a>  Scope 3 greenhouse gas emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
305-4 <sup>#</sup>	KPI A1.2	GHG emissions intensity	Our Environment > <a href="#">Environmental Performance</a>
	KPI A1.1	Air emissions	Air emissions are not material to the business so the indicator is not disclosed.



## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 306 Effluents and Waste 2016</b>			
103-1, 103-2, 103-3	GD A1, KPI A1.6, GD A3, KPI A3.1	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our Environment</a>
306-2 <sup>#</sup>	KPI A1.3, KPI A1.4, KPI A1.6	Waste by type and disposal method	Our Environment > <a href="#">Environmental Performance</a>  Hazardous waste: not applicable – given the nature of our business, it is not a material issue for our direct operations.
<b>GRI 307 Environmental Compliance 2016</b>			
307-1	GD A1	Non-compliance with environmental laws and regulations	Our Environment > <a href="#">Our Approach</a>  No case relating to non-compliance with environmental laws or regulations was identified in 2018.
<b>Social Standards Series</b>			
<b>GRI 401 Employment 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>
401-1 <sup>#</sup>	KPI B1.2	New employee hires and employee turnover	Our People > <a href="#">A Statistical Snapshot of Our People</a>
<b>GRI 402 Labour / Management Relations 2016</b>			
103-1, 103-2, 103-3		Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>
402-1		Minimum notice periods regarding operational changes	Our People > <a href="#">Employee Engagement and Communication</a>
<b>GRI 403 Occupational Health and Safety 2018</b>			
103-1, 103-2, 103-3	GD B2, KPI B2.3	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
403-1		Occupational health and safety management system	Our People > <a href="#">Occupational Health and Safety</a> ; Our Customers > <a href="#">Service Environment</a>
403-9 <sup>#</sup>	KPI B2.1, KPI B2.2	Work-related injuries	Our People > <a href="#">Occupational Health and Safety</a>
<b>GRI 404 Training and Education 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B3	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>
404-1 <sup>#</sup>	KPI B3.2	Average hours of training per year per employee	Our People > <a href="#">Training and Skills Development</a>
404-3		Percentage of employees receiving regular performance and career development reviews	Our People > <a href="#">Promoting High Performance, Training and Skills Development</a>
<b>GRI 405 Diversity and Equal Opportunity 2016</b>			
103-1, 103-2, 103-3	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our People</a>
405-1 <sup>#</sup>	KPI B1.1	Diversity of governance bodies and employees	Annual Report 2018: <a href="#">Board Composition (page 105)</a> ; <a href="#">Biographical Details of Directors and Senior Management (page 128-141)</a> ;  Our Corporate Governance > <a href="#">Corporate Governance Structure</a> ; Our People > <a href="#">A Statistical Snapshot of Our People</a>
<b>GRI 406 Non-discrimination 2016</b>			
103-1, 103-2, 103-3	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our People</a>
406-1		Incidents of discrimination and corrective actions taken	Our Corporate Governance > <a href="#">Risk Management</a>

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 412 Human Rights Assessment 2016</b>			
103-1, 103-2, 103-3		Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; Our Corporate Governance > <a href="#">Responsible Banking Services</a> ; <a href="#">Our Suppliers</a> ; <a href="#">Our People</a>
412-2 <sup>#</sup>		Employee training on human rights policies or procedures	Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a>
<b>GRI 413 Local Communities 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B8, KPI B8.1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Community</a>
413-1 <sup>#</sup>		Operations with local community engagement, impact assessments, and development programmes	Our Customers > <a href="#">Access for All</a> , <a href="#">Helping Customers Face Financial Challenges</a> , <a href="#">Community Outreach</a> ; <a href="#">Our Community</a>
<b>GRI 418 Customer Privacy 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B6, KPI B6.2, KPI B6.5	Management Approach	<a href="#">Our Values</a> ; <a href="#">Our Corporate Governance</a> ; <a href="#">Our Customers</a>
418-1	GD B6, KPI B6.2	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Our Corporate Governance > <a href="#">Risk Management</a> ; Our Customers > <a href="#">Access for All</a>
<b>GRI 419 Socioeconomic Compliance 2016</b>			
419-1	GD B1, GD B2, GD B4, GD B6, GD B7	Non-compliance with laws and regulations in the social and economic area	No issues were reported relating to non-compliance with regulations concerning employment practice, occupational health and safety, child or forced labour, product responsibility and corruption in 2018.

## Content Index for GRI Standards and HKEx ESG Reporting Guide

GRI Sector Disclosure	Financial Services Sector Disclosure Description	Reference
<b>Product and Service Labelling</b>		
G4-DMA	Management Approach	Our Customers > <a href="#">Access for All</a> , <a href="#">Community Outreach</a>
<b>Product Portfolio</b>		
G4-DMA	Management Approach	Our Corporate Governance > <a href="#">Risk Management</a> , <a href="#">Responsible Banking Services</a> ; <a href="#">Our Suppliers</a> ; Our People > <a href="#">Training and Skills Development</a>
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Annual Report 2018: <a href="#">Segmental Analysis (page 188-191)</a>
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose.
<b>Audit</b>		
G4-DMA	Management Approach	Our Corporate Governance > <a href="#">Risk Management</a>
<b>Active Ownership</b>		
G4-DMA	Management Approach	We do not report publicly on the voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting. All subsidiaries are covered by the HSBC Group's sustainability policies.
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Our Corporate Governance > <a href="#">Responsible Banking Services</a>
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	We do not report publicly on this indicator. All subsidiaries are covered by the HSBC Group's sustainability policies.
<b>Local Communities</b>		
G4-FS13 <sup>#</sup>	Access points in low-populated or economically disadvantaged areas by type	Our Customers > <a href="#">Access for All</a>
G4-FS14 <sup>#</sup>	Initiatives to improve access to financial services for disadvantaged people	Our Customers > <a href="#">Access for All</a>