



恒生銀行  
HANG SENG BANK

Stock Code: 11

# Environmental, Social & Governance Report 2021

# Table of Contents

03	Board Statement & Chief Executive's Message
06	Snapshot
07	Our ESG Journey

Our Environment		Social		Governance	
13	Climate Risk Management	21	Our Customers	57	Being Proactive to Manage Risk
15	Sustainable Finance	31	Our People	70	Our Stakeholders
18	Environmental Management	51	Our Community	73	About this Report
				77	Content Index
				93	Key Metrics
				100	Verification Statement



# Board Statement & Chief Executive's Message

To be carbon neutral in our operations by 2030 is key among the new environmental, social and governance (ESG) targets that Hang Seng Bank set in 2021.



## Board Statement

To be carbon neutral in our operations by 2030 is key among the new environmental, social and governance ('ESG' hereinafter) targets that Hang Seng Bank ('Hang Seng' or 'the Bank' hereinafter) set in 2021. This commitment makes us the first local bank in Hong Kong to lay down a concrete roadmap towards carbon neutrality and we are pleased to report that good progress has already been made in 2021.

Over the last year, the Bank also implemented annual ESG key performance indicators (KPIs) and action plans that establish clear accountabilities for different business units and functions while encouraging Bank-wide action to embed ESG as a part of our corporate culture. To provide effective guidance and oversight, the Board of Directors ('the Board' hereinafter) set the Bank's ESG strategies and KPIs, and proactively monitored and oversaw its ESG performance through updates from the management team at least twice a year.

Among all ESG-related risks, the Bank considers those related to climate change to be a top and emerging risk. The acceleration of actions to strengthen our climate risk management capabilities in 2021 include formalising our climate risk management structure; organising climate risk training for the Board including identifying risks and opportunities associated with climate change and maintaining awareness about international agreements and national policies on climate change; and incorporating environmental considerations, such as climate risk, in the Bank's risk appetite for proactive monitoring and oversight.

Mitigating climate risks requires action along our entire value chain. To assist our customers transition to a low-carbon economy and achieve carbon neutrality, we are continuing to expand the diversity and range of our sustainable finance and investment product offerings to meet the different needs of customers. In 2021, we recorded strong growth in the total dollar amount of green loans approved by the Bank and in the sales volume of ESG investment products.

# Board Statement & Chief Executive's Message



We refreshed our corporate purpose and values in 2021 to help ensure we keep pace with new operating realities and continue to thrive in fast-moving market conditions.

## Chief Executive's Message

Climate change and the COVID-19 pandemic have fundamentally changed the world of business and the way we work. The 26th United Nations Climate Change Conference of the Parties ('COP26') held in October 2021 not only led to global climate commitments, but also accelerated awareness of the pressing need to make sustainability an important consideration when making decisions at personal, business or national policy level. Meanwhile, the COVID-19 pandemic has created unprecedented public health challenges, imposing significant changes to the way we live and work.

We refreshed our corporate purpose and values in 2021 to help ensure we keep pace with new operating realities and continue to thrive in fast-moving market conditions.

### Refreshing our purpose and values

Our refreshed purpose as an organisation is to **open up a world of opportunity**. We aim to achieve this by striving to become the preferred banking and financial services partner for customers in Hong Kong and the Greater Bay Area. On an operational level, our actions are guided by four redefined core values:

**We value difference:** Seeking out different perspectives

**We succeed together:** Collaborating across boundaries

**We take responsibility:** Holding ourselves accountable and taking the long view

**We get it done:** Moving at pace and making things happen

# Board Statement & Chief Executive's Message

## Chief Executive's Message

To entrench these values in our corporate culture, members of the senior management team fronted a series of short videos to demonstrate how they embody the new values and share their personal insights and experiences with colleagues throughout the Bank.

### More and better sustainable finance offerings

To facilitate the provision of a wider range of ESG-themed products and services, we established a new team in 2021 that focuses exclusively on developing sustainable financing solutions for business customers.

Recognising the market's growing interest in ESG investment, our subsidiary, Hang Seng Indexes Company, continued to develop new benchmarks and last year launched the HSI ESG Enhanced Index, which applies key ESG principles to its flagship blue-chip index, such as screening constituents for compliance with the United Nations Global Compact ('UNGC') Principles and whether they are involved in the manufacture or distribution of controversial products. Also launched in 2021, the HSI Low Carbon Index adjusts the weightings of Hang Seng Index constituents according to their carbon emissions intensity.

Altogether, Hang Seng Indexes Company has created 11 more ESG-related indexes since 2019, demonstrating a strong commitment to formulating different index products for those who seek to capture investment opportunities arising from the transition to a lower-carbon and greener economy.

Driven by the acceleration of our efforts to drive sustainable finance in Hong Kong, our sale of ESG investment products in 2021 recorded a growth of over 18 fold from 2020 figures to over HK\$1.7 billion.

### Accelerating climate risk management

As a signatory to the Carbon Neutrality Partnership in support of the Hong Kong SAR Government's Climate Action Plan 2050, we put a comprehensive Climate Strategy in place to drive our corporate development during 2021. We also developed a Climate Change Management Roadmap that will direct our decision-making and actions for the next two years with a special emphasis on four key areas: governance, strategy, risk management, and metrics and targets.

Adapting to the physical and transition risks and opportunities associated with climate change, we established a Climate Risk Management Framework with policies for identifying and mitigating such risks. In particular, we incorporated climate risk considerations into our lending business. Since the first quarter of 2021, we have incorporated a transition risk questionnaire into annual credit reviews for customers that engage in climate-sensitive sectors and with whom we have large credit exposure.

In support of our goal to be carbon neutral in our operations by 2030, we undertook a HK\$54 million Bank-wide enhancement programme that aims to reduce our carbon emissions by over 380 metric tonnes per year through initiatives developed in reference to internationally-recognised standards.

We also stepped up efforts to support the development of renewable energy in order to reduce greenhouse gas emissions and conserve natural resources. In addition to purchasing 2,920MWh of renewable energy from local electricity providers in 2021, which is nearly nine times what we purchased in 2020, we installed solar panels at our Mong Kok office building with the capacity to generate over 60MWh of renewable energy each year.

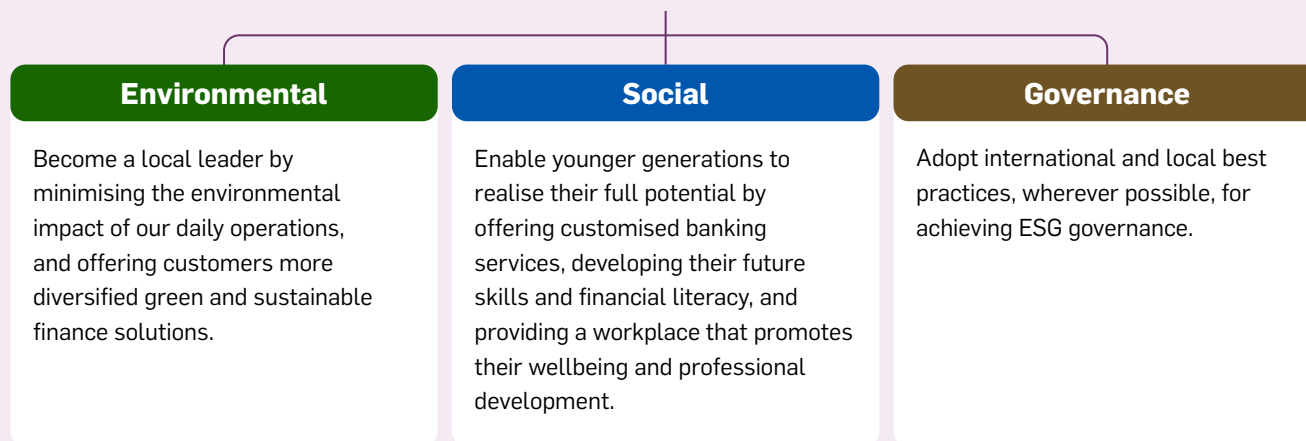
As we move into our 89th year of operation, we continue to innovate with the objective of providing best-in-class, customer-centric banking services. The road ahead will bring new challenges, but we are ready and enthusiastic about continuing to be a leading driver of ESG in the local banking sector, helping to create better futures for our customers and the community.

### Diana Cesar

Executive Director and Chief Executive  
Hang Seng Bank

## Our ESG Strategy

Since 2021, our ESG strategy focuses on the following areas:



To achieve sustainable growth, we have put in place six implementation pillars for our ESG strategy since 2021, which are mapped against the United Nations' Sustainable Development Goals (SDGs) that are relevant to our business:



## Our ESG Achievements



### Key ESG Achievements in 2021

#### ESG Disclosure

Hong Kong ESG Reporting Awards

- Grand Award for the **BEST GRI REPORT**
- Grand Award for the **BEST ESG REPORT**

#### ESG Performance



- Constituent since 2001



- Constituent of the MSCI Pacific ex Japan SRI Index since 2015 (AA rating in 2021)



- Constituent for 11 consecutive years since its inception in 2010 (AA+ rating in 2021)



- Constituent since 2015, ranked fifth in 2021



- Named a Caring Company by the Hong Kong Council of Social Service since 2003



- The only local bank included in the list of Equileap Top 100 Gender-Equal Companies



- Received a low risk rating from Sustainalytics

# Our ESG Journey

## Introduction

Hang Seng aspires to become a leading local bank to drive ESG matters. Since establishing our ESG governance structure in 2020 and launching our ESG strategy and implementation plan in 2021, we have built internal capacity through various means, including webinars, videos, and newsletters to enhance the awareness and understanding of ESG matters among our staff. We also provided climate risk related training to our Board members. To continually make progress towards our ESG targets, we have implemented annual ESG KPIs for different business units since 2021 and the Board receives updates on the progress of achieving the ESG KPIs regularly.

We formalised the management structure with regard to climate-related risks in 2021 as illustrated below:



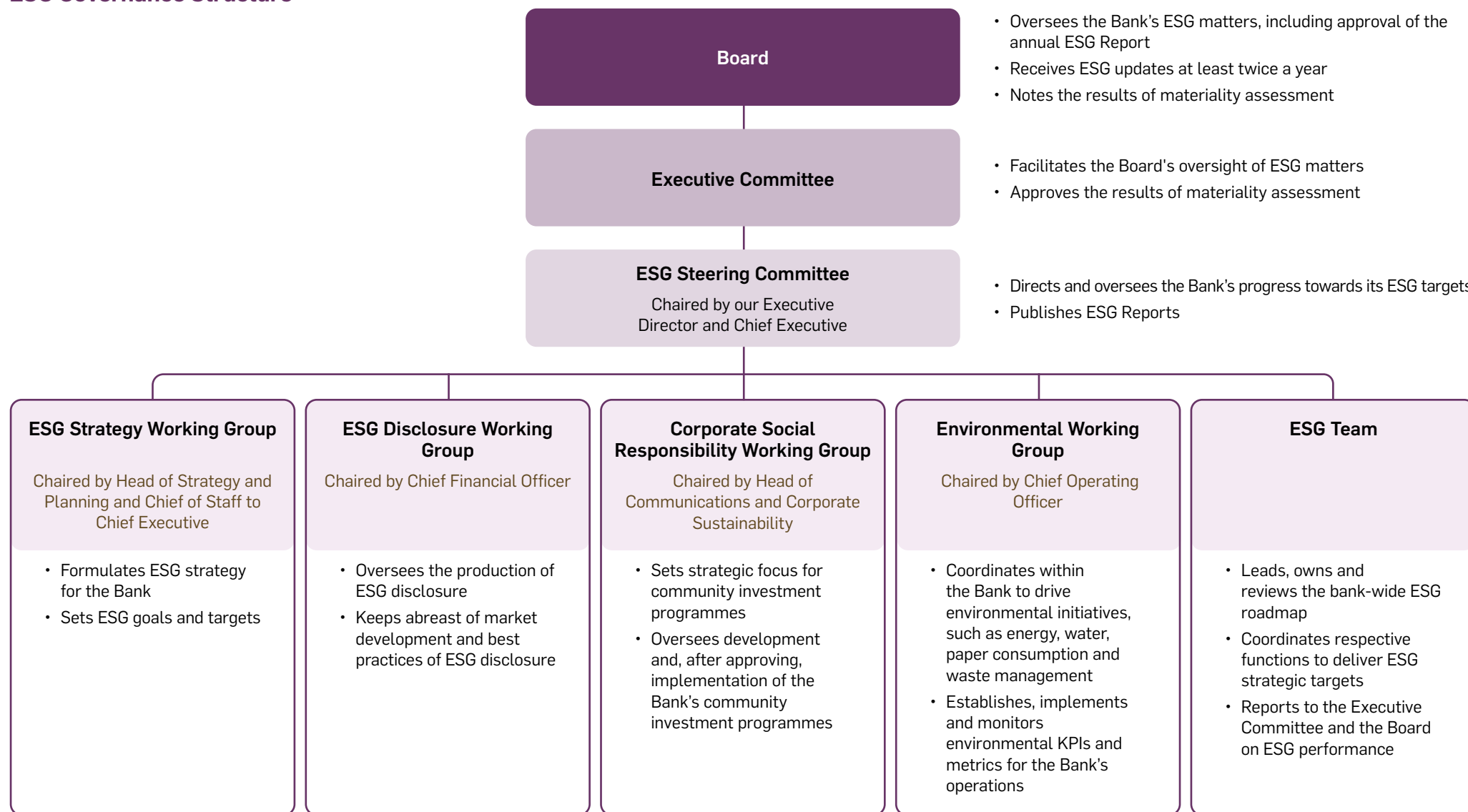
## Our ESG Governance

We are committed to high standards of corporate governance and safeguarding the interests of shareholders, customers, employees and other stakeholders.

Our high-level ESG Steering Committee, chaired by our Executive Director and Chief Executive, reports to the Executive Committee and the Board. The Steering Committee is supported by four Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), each led by an Executive Committee member of the Bank's Executive Committee. Our dedicated ESG Team coordinates with different business units to manage ESG matters from a bank-wide strategic perspective.

# Our ESG Journey

## ESG Governance Structure



# Our ESG Journey

Two Board meetings were held in April and November 2021 to update the Directors on ESG-related matters. At the Board meeting held in April 2021, the Environmental, Social and Governance Strategy and Implementation Plan, together with the 2020 ESG Report, were approved by the Board. At the board meeting held in November 2021, the Directors were informed on the Bank's ESG achievements in 2021 including awards and recognitions. The Board noted that all KPIs set at the beginning of 2021 were well ahead of targets in the aspects of environment, social, governance and customers. Going forward, the management, with the dedicated efforts and commitment of all the business units and functions, would embrace ESG in our business and operations as part of the Bank's corporate culture.

## Pursuing Environmental Excellence

Overall, we were on good track towards our environmental targets, with key achievement as of the end of September 2021 highlighted below:

Aspects	Total consumption/ Emissions*/ Diversion	2022 Short-term Targets	Progress as of 2021 (vs. 2022 targets)
Electricity consumption	Reduced by 9.8%	To reduce by 7.5%	Exceeded 2.3%
Greenhouse gas ('GHG') (Scope 1 & 2) emissions	Reduced by 22.5%	To reduce by 7.5%	Exceeded 15%
Water consumption	Reduced by 7.5%	To reduce by 8%	0.5% less than the target
Paper consumption	Reduced by 30.8%	To reduce by 15%	Exceeded 15.8%
Waste diversion	Diverted 57.3%	To divert 70% waste away from landfills	An additional 12.7% has to be identified

In 2021, nine initiatives were implemented, the following are the initiatives that have made the key contributions on environmental targets:

- Installed intelligent building monitoring system at the headquarters, Hang Seng Tower and Hang Seng 113, to save electricity
- Reduce electricity consumption by rescheduling the provision of building facilities at office buildings and air-conditioning facilities at Automatic Banking Centres
- Reduced water consumption by installing faucet aerators and sensor taps at three core buildings

# Our ESG Journey

## Sustainability in Action



### Our Stakeholders

#### Goals

- Hang Seng's commitment to drive ESG and provide strong support to ESG start-ups have been reaffirmed by its business partners
- Ensuring effective and ethical supply chain management

#### Actions

- We carefully assess environmental and social risks when approving loans and investments
- We train new joiners and continue to update our existing employees in our environmental and social policies
- Our Hang Seng Corporate Sustainability Indexes Series, launched by Hang Seng Indexes Company Limited ('Hang Seng Indexes Company') encourage sustainability by recognising companies with good ESG ratings
- In 2021, our Markets Treasury team invested HK\$2.59 billion in green bonds, most of them are issued by financial institutions and government bodies



### Our People

- Recruiting and retaining the best talent
- Supporting our local community
- Investing in future skills learning and career development of our staff

- We make a commitment to our people: over 99% of our staff are full-time employees
- We appoint 93% of our Executive Committee members from our local community
- Staff in Hong Kong undertook over 4 days of learning and development programmes on average in 2021 to build their technical knowledge and soft skills. New learners' journey with technology enablement as the Degreed learning platform provides staff with access to future skills learning on-demand and facilitates peer learning in networks. Individual learning of future skills goes beyond measures of traditional learning hours
- To support the wellbeing of our staff, we promote flexible working fit for purpose and offer hybrid working policies by role segmentation with up to 4 days per week to work from home and empower our staff in managing their work life balance. We regularly review policies, benchmark and enhance our employee benefits against the market
- We provide guidance and training to our ESG Champions
- We transform our workplace into best-in-class with innovative design and technology, improving operational efficiency and staff satisfaction
- We are certified as compliant with ISO 45001 Occupational Health and Safety Management System



### Our Environment

- Minimising the environmental impacts of our business
- Promoting environmental conservation through our products, services and our community investment programmes

- We explore opportunities and develop management practices to conduct our operations in an environmentally responsible manner and to promote sustainable development. For example, we launched "Integrated Furniture Waste Reduction Programme" and purchased renewable energy certificates from a local electricity company in 2021
- As of the end of 2021, the outstanding balance of the Bank's green loans was HK\$6.7 billion and the outstanding balance of sustainability-linked loans was HK\$1.3 billion



### Our Community

- Providing future skills
- Promoting sustainable finance and financial literacy
- Addressing climate change
- Caring for the community

- In 2021, the Bank spent over HK\$31 million in community investment, supporting local organisations to design and deliver 18 programmes for about 40,000 direct beneficiaries. We also made contributions to The Community Chest of Hong Kong to benefit another 2.5 million people
- In addition, we invested non-financial resources and contributed close to 10,300 hours (equivalent to about HK\$3.9 million) of volunteer time, professional expertise and practical support to further enhance our social and environmental impact
- Over the past 10 years, we have invested about HK\$289 million in community initiatives

# Our ESG Journey

## Addressing Climate Risks

Hang Seng supports the goals of the Paris Agreement. In accordance with our parent company's guidelines for climate sensitive sectors, we manage the Bank's credit exposure to such industries and support customers in the transition to a low-carbon economy.

To identify the transition risks that customers are facing and provide the control and oversight of related credit risk impact, a transition risk questionnaire has been incorporated into the annual credit review since March 2021 for customers that engage in climate sensitive sectors and with whom we have large credit exposure. Data from the questionnaires are collated to identify sectors that are at higher risk from moving to a low-carbon economy to help determine Hang Seng's credit risk appetite and opportunities for sustainable business growth.

Furthermore, to identify the physical risk, we have completed a "trial run" assessment in assessing the impacts of climate risks on properties under our mortgage portfolio in 2021, which is concluded as immaterial in most cases and requires no action plan.

### Actions we take



In 2021, we engaged an external consultant to conduct a gap analysis against regulatory requirement and market best practices. In addition, our ESG and risk management teams regularly meet, and engage other parties when needed, to review our climate risk management roadmap.



A qualitative risk appetite statement for climate risk was formulated in 2021, which is subject to review on semi-annual basis.



To guide and monitor our environmental efforts, we set short, medium and long-term environmental targets in different aspects, including energy consumption, water consumption, paper consumption, greenhouse gas emissions and waste reduction and recycling. In 2021, we made progress on these targets, yet we are well aware that it is a combined result of the resources conservation initiatives implemented by various business units and the COVID-19 impact of more employees working remotely from home and conducting virtual meetings.



As the first local bank in Hong Kong to sign up as a supporter of the Task Force on Climate-related Financial Disclosure (TCFD), we made the first attempt to publish climate-related disclosure information in this Report with reference to the recommendations of the TCFD to increase transparency of our efforts in mitigating and adapting to climate change. For further details, please refer to [Task Force on Climate-related Financial Disclosures \(TCFD\) Content Index](#) in this Report.

# Our Environment



To protect the planet for present and future generations, we endeavour to optimise the use of resources. We conduct business in an environmentally conscious manner and advocate good practices in our value chain.

To minimise the negative environmental impact of our business, we implement environmental programmes to:

- promote energy efficiency, water-saving, and reduction of our greenhouse gas emissions
- reduce consumption of materials to minimise waste
- dispose of waste in an environmentally responsible way
- promote recycling and the use of recycled or environmentally friendly materials
- minimise our use of chlorofluorocarbons (CFCs)
- give preference to suppliers and contractors with environmentally friendly practices
- adhere to all relevant environmental, health and safety laws and regulations
- support environmental initiatives, partly through our community programmes

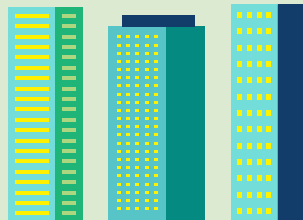
# Our Environment

## Climate Risk Management

### Climate Strategy

As one of Hong Kong's largest listed companies, we are well-positioned to champion environmental stewardship. We strive to set a good example by continually improving our performance. In 2021, examples of our work in this area included:

In support of the government's climate action, three office buildings and some large scale branches have enrolled in the Energy Saving Charter 2021 scheme and the 4T Charter scheme.



We participated in the annual EARTH HOUR 2021 event. On Saturday, 27 March 2021, external lightings at our three office buildings including the Bank's logo and other signage/ billboards, were switched off from 8:30 pm to 9:30 pm.



To contribute to climate change mitigation, we actively explore opportunities to support local renewable energy generation. Solar panels are installed at Hang Seng 113 to generate renewable energy. We conducted a deep dive study on the use of solar power as part of our effort to reduce carbon emissions from electricity consumption. As a result, we co-operated with our power generation and transmission supplier to install 138 solar panels on the roof of the building and activated them in September 2021. For every kilowatt-hour generated by the solar energy system, Hang Seng receives a subsidy up to HK\$4 from the power company. The solar energy system is expected to save 315 tonnes of carbon emission over the next 10 years. The Bank plans to extend this concept to other buildings where possible and to continue to deliver on our commitment to reduce carbon footprint from our operations.

In 2021, we purchased Renewable Energy Certificates worth a total of 2,920,000 kWh from a local electricity supplier, which is around 10% of our total electricity consumption in the year. Each unit in a certificate represents electricity produced by local renewable sources, such as solar, wind and landfill gas. Our efforts to support local renewable energy were recognised by the Renewable Energy Contribution Award in the Smart Energy Award 2021.

# Our Environment

## Climate Risk Management

Hang Seng is the biggest purchaser of renewable energy from CLP in Hong Kong, and also the first bank in Hong Kong committing to have 100% of its electricity come from renewable sources by 2030 via its own renewable source and renewable energy certificates. We have committed to purchase around 154 GWh of renewable energy over a 10-year period from 2021, equivalent to a reduction of over 60,000 tonnes of carbon emissions from electricity use.

To promote the use of electric vehicles and reduce greenhouse gas emissions from transportation, we plan to upgrade two electric vehicle chargers from slow to medium in 2022.

## Climate Risk Resilience

Extreme weather and climate change present risks to our staff, buildings and business. To prepare for and minimise damage during the typhoon season, and to adapt to other extreme conditions, we launched a two-year overall façade enhancement programme at our headquarters building in 2019, which was completed in 2021. Uninterruptible Power Supply (UPS) is installed in all our three core buildings to support the operations of critical departments and ensure service continuity in times of power suspension. Critical departments are split into at least two locations in daily operation so that the critical tasks can be maintained even if one of the offices is down.

We conducted a climate risk stress test to examine how different climate risks will affect the Bank's business. In the assessment, we adopted representative concentration pathway (RCP) 8.5 scenario to assess how physical climate risks, including extreme weather events, increasing temperatures and rising sea levels, will affect our Hong Kong operation from 2051 to 2060. We also assessed our business' exposure to transition risks, and the associated impact, leveraging the orderly and disorderly scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS').

In addition, we have identified residential properties of individual borrowers at "higher physical risk" from climate perils, which are expected to intensify over time with climate change. "Higher physical risk" properties are those which are exposed to either typhoon led coastal flood or fluvial or pluvial flooding where the flooding impact exceeds 0.5 meters. Based on the assumptions and peril data as of December 2021, the residential properties at "higher physical risk" was minimal, which was less than 1% of total residential mortgage of individual borrowers' loan balances in Hong Kong.



# Our Environment

## Sustainable Finance

In keeping with the our parent company's Climate Strategy, we provide sustainable financing services to help our customers' transition to low-carbon economy. In addition, we manage the Bank's credit risk exposure to climate-sensitive sectors in accordance with the our parent company's guidelines.

### Sustainable/Green Finance Strategy

In August 2021, Hang Seng Bank and the Hong Kong Quality Assurance Agency ('HKQAA') signed a Memorandum of Understanding ('MoU') and announced a collaborative initiative to promote green finance and contribute to environmental protection and sustainable development. The collaboration will help corporates and small and medium-sized enterprises ('SMEs') to make their operations greener and begin transitioning towards a low-carbon future. This joint initiative also aims to advance Hong Kong's position as a leading international centre for sustainable finance and facilitate the development of innovative green finance and climate-change initiatives in the Greater Bay Area ('GBA').

Hang Seng has joined the Hong Kong Green Finance Association as a member, to demonstrate our values and keep up-to-date with industry trends, as well as to explore collaboration opportunities with like-minded stakeholders. We have also been nominated by the Hong Kong Association of Banks to join their Alliance for Green Commercial Banks, which is organised by the Hong Kong Monetary Authority ('HKMA') and the International Finance Corporation ('IFC').

For corporate customers, Hang Seng offered green loans and sustainability-linked loans to support their sustainability development. The former is to finance customers' green projects, such as green building, renewable energy, pollution prevention and control projects, and the latter is to incentivise customers to achieve predetermined sustainability performance targets ('SPTs') by linking the loan margins to whether the borrowers satisfy the predetermined SPTs.

Our Green Financing Promotion Scheme, targeting small and medium-sized enterprises, encourages corporate customers to acquire environmentally friendly equipment that contributes to sustainable development.

In 2021, Hang Seng approved HK\$7,291 million of green loans to finance corporate customers' green projects.

For retail and private banking customers, we offer green and ESG investment funds, bonds and equity-linked structured products via branches and e-Banking. We continually explore opportunities to offer new investment products that match our ESG ambitions.

As a wholly owned subsidiary of Hang Seng Bank, Hang Seng Investment Management Limited ('HSVM') has engaged a renowned ESG rating agent and continually invest in integrating its approach to ESG into its investment process. In 2021, HSVM had allocated about HK\$380,000 in relevant research and development for the entity.

HSVM also continuously interacts with its investee companies, in particular those with low or no ESG rating. In 2021, HSVM interacted with more than 10% of the investee companies in its equity portfolios, while for fixed income portfolios, the percentage was 0.5%.

**"Not all clients are fully aware of green finance and are willing to invest large amounts of money in green or innovative technology projects such as renewable energy. In view of this, our team must explain the benefits of green finance, the relevant processes and the dos and don'ts to clients, so that they become willing to accept the green finance concept and integrate it into their business model."**

**Andrew Lau,**

Syndicated Finance, Green and Sustainable Financing and Corporate Advisory Department

# Our Environment

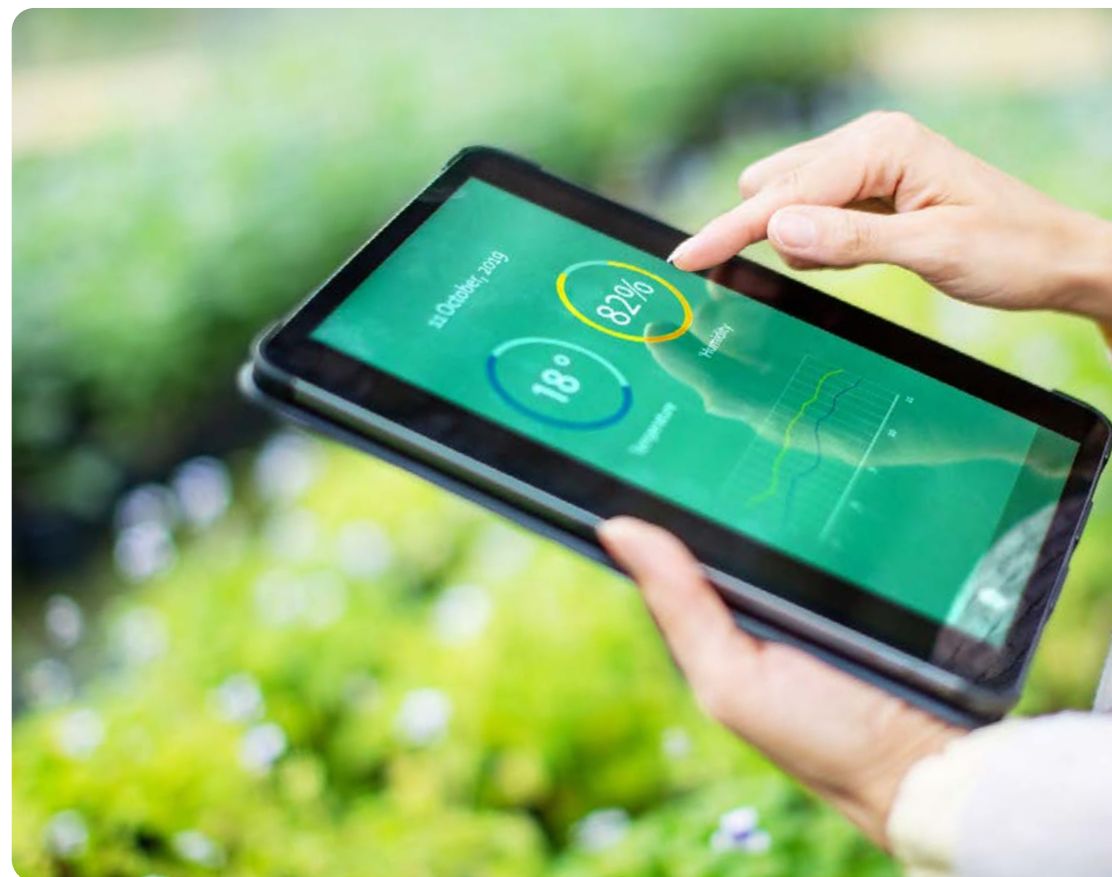
## Sustainable Finance

### Sustainable Finance Solutions

Apart from serving as a benchmark for sustainable investment, Hang Seng Corporate Sustainability Indexes Series has also become one of the sustainability performance requirements of individual listed companies' sustainability-linked loans.

Since November 2021, Hang Seng Indexes Company launched the HSI ESG Enhanced Index and HSI Low Carbon Index, expanding its family of benchmarks for investors interested in sustainable investment strategies. Mainstream focus on ESG issues, particularly climate change, has risen significantly in recent years, with international developments such as the tabling of new climate commitments at the recent COP26 accelerating awareness of the pressing need to make sustainability a central element of personal, business and national policy decision-making, including those related to investment. The HSI ESG Enhanced Index applies key ESG principles to the Hang Seng Index ('HSI'). The HSI constituents are screened based on ESG Risk Ratings, compliance with the UNGC Principles and involvement in controversial products. After these three screenings, the remaining constituents will be re-weighted based on their ESG Risk Ratings.

Given the increasing number of financial market participants committed to reach net zero emissions in investment portfolios, low-carbon strategy is also gaining significance. The HSI Low Carbon Index is also based on the HSI, with constituent weightings adjusted according to constituents' carbon emissions intensity. Constituents with lower carbon emissions intensities will enjoy an increased weighting in the Index, and vice versa. As of 31 December 2021, the weighted average carbon intensity of the HSI Low Carbon Index (measured in tonne of CO<sub>2</sub>e per million USD of revenue) was 53.2% lower compared with the HSI.



# Our Environment

## Sustainable Finance

In December 2021, Hang Seng Indexes Company announced that its HSI/HKQAA Sustainability Ratings and Research ('HSI/HKQAA Ratings') for listed companies is available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by Hong Kong Exchanges and Clearing Limited ('HKEx'). The HSI/HKQAA Ratings, which cover over 500 Hong Kong-listed companies, is displayed in the Equities section of HKEx STAGE's Product Repository, which enhanced access and transparency on HSI/HKQAA Ratings to both institutional and retail investors.

We continually enrich our investment product shelf, in both manufacturing and distribution, to incorporate products that are in keeping with our approach to ESG.

In 2021, we onboarded new sustainable investment products, covering investment funds, bonds and equity-linked structured products, which were welcomed by our retail customers. The total sales volume of such products at retail channels reached over HK\$1.7 billion in 2021, up over 1,800% compared with 2020.

Hang Seng Investment Management Limited also expanded its self-managed sustainable investment portfolios. As of the end of 2021, the total assets under management of relevant portfolios was over HK\$5 billion, increased by more than 30% compared with the end of 2020.

The Bank's subsidiary, Hang Seng Bank (China) Limited ('Hang Seng China'), is actively engaged in a series of green development process such as carbon neutralisation and low-carbon circular development, and continuously improved its green financial service capability. By providing customers with differentiated green financial products, customers are encouraged to establish a sustainable lifestyle.

Hang Seng China launched green mortgage for selected green residential projects which have attained local or international green building certification since May 2021, located in the Yangtze River Delta and GBA as the cooperative projects of our mortgage business. Hang Seng China was the first foreign bank to provide the differentiated mortgage preferential interest rates for customers who buy green houses. Meanwhile, professional mortgage specialists were arranged to provide one-stop high quality services throughout the process to assist customers to complete the housing loan process.

Hang Seng China executed the first ESG linked Interest Rate Swap deal with the subsidiary of a world class mining company ('the client') in April 2021. If the client meets pre-set ESG target, the client will be rewarded and lead to a lower financial hedging cost, which will further encourage the client to achieve sustainable growth in the long run. This is one of green development initiatives launched by Hang Seng China to help clients transition to a low-carbon economy. Hang Seng China is committed to finding out practical insights by continuously implementing ESG strategy to thrive and make sustainable development together with clients.



# Our Environment

## Environmental Management

### Environmental Management Policy and Mechanism

As Hong Kong's first local bank to attain ISO 14001 certification for all offices and branches, we strive to lead by example in supporting the transition to a low-carbon economy. With an Environmental Policy in place, we monitor our environmental management system ('EMS') and ensure its ongoing compliance with ISO 14001 standards.

Hang Seng has been undertaking a bank-wide office enhancement programme. This includes initiatives to make our workplaces more energy-efficient and sustainable, with reference to internationally recognised standards. We have also developed guidelines for green procurement and waste management.

A number of staff members are trained as Green Ambassadors to support the implementation of our EMS. They also raise awareness of environmental matters among their colleagues, families and friends, and provide regular updates to their colleagues in the same department on relevant policies and measures.

Our operations comply with Hong Kong regulations and guidelines, such as the Waste Disposal Ordinance (Cap. 354) that governs the storage and disposal of electronic waste. In 2021, no judgments were entered against the Bank for breaching environmental laws or regulations.

### Greening Our Buildings

We aim for energy-efficient, sustainable buildings that meet the highest international standards. Hang Seng 113 was Hong Kong's first local bank office building to be certified Platinum – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and

Environmental Design) scheme. Our Hang Seng Tower building also attained LEED Gold certification for its fitting-out. In our premises, we use environmentally friendly building materials and energy-efficient appliances. These include low volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade-1-rated electrical appliances.

We have adopted measures to help reduce energy usage. For example, all lighting and air conditioning in our core buildings are programmed to switch off at a set time, typically from 19:30 to 07:30 on working days and whole day on weekends. We limit the number of operating lifts after office hours and at weekends. We shortened the operating hour of most of our branches' bulkhead signage by one hour in 2021 (new signage operating schedule changed from 18:00 to 23:00 to 18:00 to 22:00). We also organised a three-month Branch Energy Saving Competition in 2021 to increase staff awareness on energy savings and inspire actions to reduce carbon emissions. Over half of the branches have recorded a drop in energy consumption compared to the same period last year.

Examples of initiatives carried out in 2021 include:



Became a signatory to Carbon Neutrality Partnership, organised by the Environment Bureau of Hong Kong SAR Government



Joined the Climate Change Business Forum Advisory Group of Business Environment Council to promote and support climate action



The Bank distributed a gift set of reusable cutlery to each employee to encourage staff to reduce the use of disposable cutlery



The staff canteens and cafes at our offices provide discounts to employees who bring their own containers for buying takeaways

# Our Environment

## Environmental Management



↓ **230 tonnes CO<sub>2</sub>e**

The bank invested around HK\$7 million on several environmental initiatives in 2021. It is estimated that these initiatives can help us reduce greenhouse gas emissions by 230 tonnes CO<sub>2</sub>e and operation cost by HK\$500,000 every year.



**Seven of the Bank's buildings enrolled in the Energy Saving Charter 2021 and the 4T Charter schemes**

Supporting the government's effort on energy consumption, seven of the Bank's buildings enrolled in the Energy Saving Charter 2021 and the 4T Charter schemes. In order to reduce energy consumption and carbon emissions, the Bank has embedded energy saving features at its branches. For example, the use of LED lighting and natural light at our new Central branch will reduce the overall electricity consumption of the branch by 50%, compared to conventional lighting designs.



**Standard temperature  
24.5°C**

The standard temperature in our offices and outlets is 24.5°C during the hot season. This reduces our energy consumption while providing a pleasant environment for customers and staff.



**Paperless working**

Our workplace enhancement programme applies technology and digital solutions to achieve paperless working and to reduce storage space, which allows us to redesign meeting rooms and spacious breakout areas to support mobile and collaborative work. The renovation of all the office floors at our headquarters was completed in 2021. This workplace enhancement programme is extended to our two office buildings in Mongkok and Kowloon Bay. Eight more office floors are scheduled to be renovated in 2022.

Construction waste generated from demolition and renovation is handled by contractors and taken only to government-approved facilities. We ensure that contractors' waste management and handling meet our standards. We have initiated an "Integrated Furniture Waste Reduction Programme" to handle furniture which will no longer be used after office renovation by the sequence below:

**1**

Furniture will be reused within Hang Seng as the first priority.

**2**

Offer the remaining furniture to Hang Seng staff for personal use.

**3**

Collaborate with partners to donate or recycle the remaining furniture.

**4**

The remaining furniture will be collected by recycling service providers.

Reusable utensils, containers and cups are provided in pantries to encourage colleagues to abstain from using disposable ones.

All plastic bottle products have been removed from the vending machines in our office buildings in order to minimise non-recyclable waste.

We currently hold the Gold Class Fresh Water Award for our headquarters and the Silver Class Fresh Water and Quality Flushing Water awards for Hang Seng 113. These are the results of our voluntary participation in the Quality Water Supply Scheme for Buildings, administered by Hong Kong's Water Supplies Department. Cooling water was reused for flushing in Hang Seng 113.

# Our Environment

## Environmental Management

### Environmental Performance (Operational Eco-Efficiency)

To reduce our paper usage, 70.2% of our retail customer statements and advice slips were sent via electronic channels as of December 2021. This represents a year-on-year increase of 4.6 percentage points in e-Statements and e-Advices. 95% of personal banking customer transactions were processed via digital channels in 2021. Those channels include our internet banking services, voice response system (VRS), ATMs and automated electronics machine services. The transactions include product transactions, everyday banking services including payments, transfers, deposits and withdrawals. For Commercial Banking, 86% of customer transactions were processed via digital channels in 2021. Those channels include our internet banking services, ATMs and automated electronics machine services. The transactions included payment transfers, auto-pay, deposits, and payroll and ATM services. In 2021, the charitable donations via digital channels totalled 690,653 in transaction count and HK\$117 million in amount. Meanwhile, 93.2% of shareholders adopted our e-communication services in 2021. This saved about 16.8 million sheets of paper.

Aspect	Base year	Our progress as of the end of September 2021	Short-term goals (by 2022)	Medium-term goals (by 2025)	Long-term goals (by 2030)
Electricity Consumption	2018	▼ 9.8%	▼ 7.5%	▼ 15%	▼ 30%
Greenhouse Gas Emissions – total scope 1 and 2*	2018	▼ 22.5%	▼ 7.5%	▼ 15%	▼ 30%
Water Consumption	2018	▼ 7.5%	▼ 8%	▼ 14%	▼ 24%
Paper Consumption <sup>^</sup>	2019	▼ 30.8%	▼ 15%	▼ 22.5%	▼ 35%
Waste Diversion	N/A	Diverted 57.3% of waste away from landfill	Divert 70% of waste away from landfill	Divert 74% of waste away from landfill	Divert 80% of waste away from landfill

Note:

\* This target excludes the carbon emissions reduction from the purchase of renewable energy certificates from local electricity providers.

<sup>^</sup> Data collection methodology for paper consumption was enhanced in 2019. To ensure comparability with future performance, 2019 is used as base year for the target instead.

<sup>#</sup> It is found that the waste recycling rate in 2021 decreased, compared to 2020. One of the reasons is that the general waste in office are mainly food waste and disposal containers & cutlery because more colleagues have lunch in office under the COVID-19 situation. These waste are difficult to be recycled as they are usually disposed in bundle. We installed food waste decomposers at our headquarters and Hang Seng 113 in late 2021. We also plan to set up food waste collection point on our communal floors and arrange cleaners to collect residue food from colleagues and categorise it from disposable utensils starting in 2022. The food waste will then be sent to our composting machine for decomposing to effluent safe for discharge into drainage system. We are going to conduct a waste audit in our office buildings to measure the composition and quantities of our waste, revisit our waste target and propose waste minimisation strategies.



## Our Customers

Since our establishment in 1933, being customer-centric has been at the core of our service delivery approach. Providing excellent customer service and demonstrating our values – we value difference, we succeed together, we take responsibility, and we get it done, through our actions have helped us gain the trust and loyalty of our customers. For the past five years, our customer satisfaction rating was 97% rated at good/very good/excellence in our annual Banking Industry Monitoring Study.

We currently serve over half of the adult residents of Hong Kong. To provide excellent service, we blend innovation with integrity. We also provide clear information to our customers to facilitate them in making informed decisions.

Driving the shift towards a more sustainable economy, we integrate sustainability considerations in the Hang Seng Sustainability Index Family. Besides, we offer other ESG-themed investment products, for instance, sustainable equity funds, low-carbon bonds and structured products. In addition, we offer loans and financing schemes that incentivise green operations and the acquisition of eco-friendly equipment.

We provide sustainable finance solutions to assist our customers and community to transition to a low-carbon economy. In 2021, we started providing sustainability-linked loans. During the year, our subsidiary Hang Seng Indexes Company, launched eight ESG-themed indexes to enrich sustainable investment choices, including the HSI ESG Enhanced Index and HSI Low Carbon Index.

We strive to enhance financial literacy of our customers and the wider community in order to empower them to achieve financial security and their wealth management goals. Since 2020, we have offered “SimplyFund” in-app investment service to facilitate young and novice investors to invest as low as HK\$1, to reduce the barrier to investment.

**“Investment is not only a wealth management choice for the rich, but is also applicable to the mass. If they ditch penny by penny, they should rather think how they can turn ‘1+1 > 2’ in their investments.”**

**Water Lee,**  
Head of Investment Funds

# Social

## Our Customers

### Understanding Our Customers

We proactively gather opinions – via focus groups, surveys, Net Promoter System, suggestion forms and hotlines – to enhance our products and services. We also identify our strengths and best practices via local market benchmarking and a mystery shopper programme that monitors service by frontline staff.

The enhancements include:

- Increased the number of transactions displayed on a passbook to reduce the time of queuing up to change a new passbook at the counter
- Strengthened the notification function of mobile e-Ticketing for counter services to shorten customer queuing time
- Enhanced online banking services interface on personal e-Banking platform, simplified transaction procedures with better page design and continuously improved current services, including the increase of transfer limit
- Rolled out real-time marketing preferences update on both Hang Seng Personal Banking mobile app and Desktop e-Banking

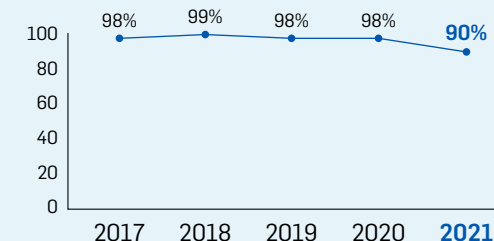
We monitor markets to identify emerging trends and opportunities, and to make sure that we offer products and services that meet customers' needs. Our digital platforms allow customers to perform a wide range of transactions online, and provide information to assist their decision-making.

In an ever-changing market, we offer timely information and appropriate investment solutions. Our product specialists, traders and analysts provide integrated financial solutions and 24-hour global markets coverage. Our IT infrastructure enables us to deliver quick access to key markets and up-to-date information to customers. In addition, amid the uncertain foreign exchanges and interest rates of 2021, we developed tailor-made treasury products to help customers better manage risks.

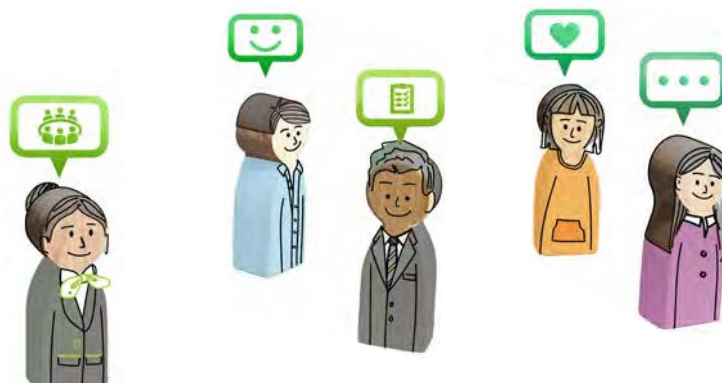
In 2021, we continued to perform well in the annual Banking Industry Monitoring Study by independent research firm, NielsenIQ. This assesses customer satisfaction for the eight major banks in Hong Kong. Our customer satisfaction rating has been named as the highest rated banking services for the past 17 years. In addition, our Strategic Net Promoter Score ('sNPS'), a customer research programme conducted by an independent research agency, InMoment, identified that we were ranked first in 2021 on Bank Recommendation.

We continued to be the highest rated bank in customer satisfaction in Hong Kong. For the past five years, customer satisfaction has achieved the highest score among the eight major banks in Hong Kong in our annual Banking Industry Monitoring Study. We earned the Best Bank, Domestic (Hong Kong) award for the 22nd consecutive year from The Asset; the Best Digital/Mobile Banking Service, Hong Kong from The Asian Banker; and the Best Bank for small and mid-size enterprises (SMEs), Hong Kong from Asiamoney.

Customer satisfaction (%)



The Bank's customer satisfaction dropped in 2021, which was affected by changes of channel usage. We believe that human interaction/ service received from branch staff is one of the keys of driving overall bank satisfaction. There was a drop in branch visits but an increase in online banking and mobile apps usage of our banking services. When customers transition to digital banking, the overall banking satisfaction could be affected as some customers are adapting to digital banking services.



# Social

## Our Customers

Our complaint-handling procedure ensures customer feedback is addressed in a consistent, independent and efficient manner. Our business units' independent customer relations teams aim to acknowledge receipt of comments or complaints within seven calendar days, and to resolve issues as soon as possible.

Should a matter require further investigation, the teams strive to provide a response within 30 calendar days. Any issue that warrants remedial action is referred to the Bank. All complaints from customers must be treated fairly, consistently and promptly to drive improvements in our services.

Senior management regularly review customer suggestions, compliments and complaints. Customer comments are communicated to staff with a view to improve customer service and encourage best practices. In 2021, we received a total of 4,986 complaints, of which 96% were resolved as of 31 December 2021.

### Providing Transparency, Accountability and Choice

Mandatory Provident Fund Schemes Authority ('MPFA') issued the finalised ESG principles on 26 November 2021. MPF trustees are required to report annually on the ESG integration strategy for the financial year ended on or after November 2022. Trustees are also required to review and assess the existing investment process and report to MPFA if gaps against the principles are being identified in the first

quarter of 2022; Hang Seng as one of the Sponsors held the second workgroup meeting to discuss with the Trustee and other stakeholders on the action plan in December 2021. Hang Seng shall further determine the metrics to be used for internal governance monitoring and disclosure. Trustee and Sponsors also target to establish the governance frameworks to assess HSVM's funds in order to provide a reply to MPFA in the first quarter of 2022.

We offer diverse personal banking and wealth management products and services based on customers' needs and their understanding, and appetite for risk. We uphold our principles of providing the right product and service, at the right time, for the right customer, in the right way. We believe an ethical and fair approach supports a sustainable business.

We offer our Financial Health Check solution to help customers better understand their financial needs. With the help of our relationship managers, customers can identify their goals and evaluate their financial health and strengths.

The Bank continues to support 'Treat Customer Fairly'. It is enabled by various culture transformation activities, which promote awareness of conduct and effective management of financial crime risk, hence enabling the Bank to serve the right customers in the right way.

It is mandatory for all our employees to complete e-learning that covers how to treat customers fairly, with dignity and respect. Learning on banking products, sales conduct, and the detecting and deterring financial crime is also offered to our client-facing staff.

### *We observe external regulations and guidelines, and internal Customer Fairness Principles.*



**Treat customers fairly:** We build honest relationships with customers and deliver products and services at a fair price.



**Tailored solutions:** We listen to customers and strive to understand their needs, to provide the most suitable products and services.



**Keep customers informed:** We provide clear, transparent, relevant and timely communications and information that customers need to make informed choices.



**Suitable advice:** Advice to customers must be based on a full understanding of their needs and must best reflect their circumstances.



**Meet commitments:** When we make commitments to customers as to how a product or service will perform, we endeavour to deliver on those commitments.



**Flexibility:** We allow customers to switch products or services as they wish, without enforcing unreasonable barriers. We also make sure the process will be easy to understand for customers who wish to complain or make a claim.

## Our Customers

We are governed by Hong Kong's Code of Banking Practice, and our parent company's Global Principles and Functional Instruction Manual. Our external communications and advertising materials provide clear, transparent and balanced information. They comply with all relevant requirements of the Hong Kong Monetary Authority ('HKMA'), the Securities and Futures Commission, the Hong Kong Association of Banks the Insurance Authority.

Our Brand Centre is an internal resource site that helps staff learn about our branding guidelines and the application of our brand identity. Our marketing department provides advice and ensures that we do not violate or infringe the intellectual property rights, patents and related rights of third parties.

No cases of non-compliance with regulations and voluntary codes concerning marketing communications were reported in 2021.



## Customer Safety

Hang Seng Bank aims to maintain a comfortable, clean, healthy and safe environment in our buildings, branches and service outlets. Ease of navigation and compliance with health and safety regulations are the top priorities. In 2021, we demonstrated once again in full compliance with the applicable Health & Safety Ordinance as well as re-certification of ISO 45001:2018 – Occupational Health and Safety Management System.

Managing indoor air quality ('IAQ') and ventilation is an important element of our health and safety responsibilities, especially under the pandemic. To ensure the IAQ at our branches and offices meets the Good Class, as defined by the Hong Kong Government's, Environmental Protection Department in its guidance notes, we regularly clean air filters and conduct measurements to monitor and improve our performance.

To minimise the impact of outlet or office renovations on customers, contractors must adhere to our Sustainability Policy and submit safety management plans for our appraisal. We strive to reduce safety risks for staff and customers via measures such as anti-slip floor treatments and clear signage for temporary hazards.



## Safeguarding stakeholders' health during COVID-19

To ensure that every stakeholder stays healthy and safe, everyone is required to wear surgical face masks in our buildings and branches. To facilitate this, we maintain sufficient inventory of hygiene consumable for business activities:

- Mask
- Disinfectant wipe
- Bottled hand sanitiser
- Disinfection gel for dispenser
- Disposable glove
- Goggles
- Zip lock bag
- Thermometer

## Our Customers

### Customer Privacy

Ensuring the privacy of our customers' personal information and other data is critical to maintaining our reputation for good governance and reinforcing the trust that underpins lasting business relationships. We comply with the Personal Data (Privacy) Ordinance, have established privacy principles and, at our branches, offer privacy to customers who need to discuss sensitive or confidential matters.

We notify our customers about our collection and use of personal data, classes of transferees, and classes of marketing subjects, their data access and their right to correct personal data. Customers can easily access Hang Seng's Privacy Policy, Notice to Customers and Other Individuals relating to the [Personal Data \(Privacy\) Ordinance, and Cookies Policy](#) on our website.

Data privacy principles are set out to manage data privacy risk. Controls have been implemented and set the way on how we practically manage the risk.

These principles are intended to:



Set out good data privacy practices



Show accountability and compliance with data privacy law and regulations



Outline the Bank's commitments to how it processes identifiable data

We have enhanced three controls since 2021 to provide transparency and choice to customers, and to comply with data privacy laws and regulations:

1. **Rights of Individuals** – To make sure the Bank can respond in a timely and compliant way to an exercise of rights by or on behalf of an individual, relating to the data we hold on the individual.
2. **Privacy Notices** – To make sure we provide individuals with a clear, transparent statement about the fair and lawful processing of identifiable data.
3. **Consent and Choice** – To make sure any "consent" that is needed for the processing of identifiable data is obtained, tracked and managed on an ongoing basis.

In 2021, we hosted two webinars to enhance our staff's understanding of data privacy issues in the digital era. The Privacy Commissioner for Personal Data in Hong Kong joined our General Counsel and Chief Information Officer at a panel discussion on the importance of data privacy. Separately, speakers from an external law firm were invited to discuss the extraterritoriality and potential impacts of the China's Personal Information Protection Law (PIPL) with participants of the Bank.

Following the procedures in our Material Incidents Escalation Manual, our staff are required to identify and report data leaks to our hotline promptly. Our experts investigate and, where appropriate, escalate the matter to the core team. To support our ongoing improvement, the experts also provide guidance on how to contain and respond to cases, and identify remedies and lessons learned.

# Social

## Our Customers

### Leveraging Technology to Enhance Services

We provide comprehensive banking and investment services anytime, anywhere, via e-Banking, hangseng.com and mobile apps. We have also launched fintech initiatives to provide even more digital solutions to customers' increasingly mobile usage.

### Digitalisation of Business

To minimise customer waiting time at branches, eTicketing (Counter Services) has been extended to Chinese New Year new banknote exchange and eAppointment service has been extended to MPF service & Insurance solutions consultation since 2021. We enhanced eTicketing services to merge Preferred & General queues in order to minimise customer waiting time at branches. These services greatly improved customer experience, and complement our efforts to combat COVID-19 by reducing queues and supporting social distancing.

To further digitise the workflow of loans to SMEs, we applied Digital ID verification ('eID&V') and e-Sign functionality to the loan document execution process of Hang Seng Business Loan, to allow customers to secure the loans quickly, saving their time to focus on their businesses.

Other upgrades, specifically for corporate customers, include:



An online application portal that allows SMEs to apply for loans and perform eID&V and e-Sign



e-Contract notes for Private Banking and Wealth Management customers to view on Digital Business Banking



Smart accounts for start-up companies with simple company structure



BERI @ WhatsApp provides a new channel for customers to chat with AI chatbot BERI



Payment Tracker on mobile app to view end-to-end payment status



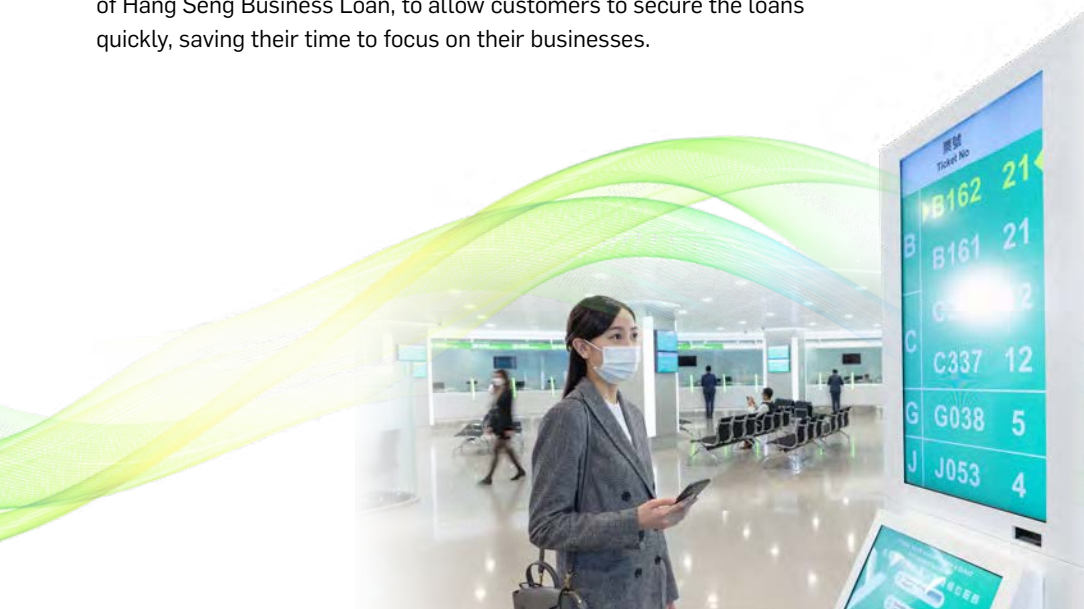
Marketing message Push Notification to reach out to customer and save SMS cost



Digital Business Banking Amendment Form to allow customers to make amendment request online



Full tokenless journey to replace hard tokens entirely



# Social

## Our Customers

### Improving the Online Banking Experience

We have further enhanced Mobile Account Opening service to enable existing customers with standalone deposit account to open an account via their mobile devices – anytime and anywhere.

The ongoing revamp of hangseng.com supports mobile responsiveness. Customers can obtain mobile-friendly banking products/services information via their mobile device anywhere and anytime, which improves customer experience and also reduces the necessity of physical materials, e.g. product brochures.

We enabled one-stop hub for customers to enquire and manage their credit card activities such as card repayment, e-statements, card loan applications, offers, report card lost, card PIN reset, etc. to drive digital engagement & sales conversion. We also enabled real-time card repayment & post-transaction display in all digital platforms in 2021 to resolve customer pain points.

We support social inclusion for people with disabilities. Under the Accessibility Project, visually impaired customers can browse hangseng.com and mobile app product pages to obtain related banking products and services information for better customer digital experience.

We provide flexibility for customers to make eAppointment for Insurance services and MPF via hangseng.com; and provide eMeeting option “Zoom” function for insurance applications, so as to save customer time for related applications.

In 2021, we developed a series of enhancements on DigiLife in order to enrich its capability to encourage more customers to manage their insurance portfolio on Hang Seng’s channels, and further induce product interest to our loyal customers. New activities include protection summary and policy details for insurance portfolio, document centre and change of beneficiary for policy management.



In 2021, we continued to explore and develop new application programming interface ('API') collaboration with third-party service providers to improve customers' online banking experience (e.g. Pay with Hang Seng). Also through the E-referral API services that Hang Seng launched with the leading mortgage agencies, we have saved customers' effort in filling in paper mortgage referral forms and operational staff's effort to process the referral cases.

Our Artificial Intelligence (AI)-powered chatbot HARO service was integrated with live chat in 2021, such that HARO is able to identify customers' enquiry and channel it to live agents when human assistance is needed. We have also introduced an Interaction Net Promoter Score ('iNPS') survey in HARO service, allowing customers to share their experience and feedback from HARO online banking experience from e-format instead of physical paper.

We further extended our business e-Banking AI chatbot BERI to WhatsApp channel that allows customers to chat with BERI through WhatsApp to enquire banking services information such as branch location and foreign currency rate.

# Social

## Our Customers

In 2021, the ongoing development of our digital capability and experience attracted and engaged more digital customer users. As of December 2021, we had close to 2.4 million personal e-Banking customers.



mobile app usage

↑ 26%



active mobile users

↑ 13%

Through Open Banking API and our customised API solutions, we continue to develop the open banking phase 3 API in order to support third-party service providers for account balance and transaction enquiry. In addition, we explore collaboration opportunities with third-party service providers to deliver innovative, integrated services to improve customer experience.

## Financial Inclusion

We revamped our public website and e-Banking platform to be more user-friendly and efficient for day-to-day business. To support a smooth online banking experience, we enabled digital ID verification ('eID&V') and e-Sign allowing customers to perform ID verification and sign the application via their business mobile banking app.

We continue to improve access to our services and facilities, and strive to achieve standards that comply with, or even exceed the regulated requirements.

As of the end of 2021, we operated 73 street-level branches, 11 manned service centres, two mobile branches and 194 self-service outlets. 569 ATMs provide 24-hour service across Hong Kong and our 109 foreign exchange ('FX') automated teller machine ('ATM') located at 49 sites, offer the widest choice of currencies in Hong Kong.

We are committed to providing inclusive financial services to our community. Public housing estates are served by two branches, two mobile branches and 31 ATMs. There are also five branches and 18 ATMs at local universities.

We adopt a barrier-free approach for all new branches and self-service outlets. Social Caring Counters at 22 of our branches provide priority service to the elderly, the disabled and other customers in need. Visually impaired customers can bring guide dogs into the banking halls of our branches. As part of our partnership with Hong Kong Seeing Eye Dog Services ('HKSEDS'), we make some of our branches available for HKSEDS training sites.

Meanwhile, we increased the number of voice-navigable ATMs for visually impaired customers to 281 in 2021. Via headphones, customers can use voice navigation to withdraw cash, make balance enquiries, transfer funds and change passwords. We also provide audible security tokens to facilitate visually impaired customers to use our e-Banking services.



Our mobile branches feature two teller counters that offer a range of general banking services, such as cash withdrawals and deposits. They also feature accessibility facilities such as a wheelchair access platform, a magnifying glass, and a portable induction loop system for customers with hearing aids. These mobile branches aim to serve people in remote areas, including the elderly, and save them from having to visit our branches.

# Social

## Our Customers

### Accessible financial solutions

In 2021, Hang Seng became the first provider of US equity-linked investment products in Hong Kong. This gives our customers flexibility to further diversify investment exposure across local and global markets.

In order to enhance accessibility to banking services by persons with intellectual disabilities ('PWIDs'), we have enhanced our e-banking and mobile banking services in late November 2021 to provide basic e-banking services, i.e. offer account overview and e-statement services, to PWID customers. The enhanced service provides a convenient channel for PWID customers to access their bank accounts anytime and anywhere.

### Affordable insurance

Our online sales channel offers multiple new insurance products for a wider section of our community. In 2021, we launched a life insurance plan "eRefund101 Accident & COVID Insurance Plan (2-Year)". The plan is designed as a short policy term of two-year life, accidental, COVID-19 and vaccine side-effect protection. In addition, a 101% refund of the total premium paid is payable upon maturity if the policy remains in force, irrespective of any claim made under the Plan.

Our eRefund101 life insurance plan provides flexible plan options, with monthly premium as low as HK\$388), which helps give young people, students and those on a low-income access to protection.

Hang Seng Olive, an all-new Wellness App and WeChat Mini-program, was launched in March 2021. Through our invaluable partnership with two health expert organisations – Chinese University Centre and Quality HealthCare Medical Services – Olive aims to become our customers' always-on health companion.

Hang Seng Olive aims to provide holistic wellbeing on physical, mental & financial wellness to customers through:

- Wellness tips & rewards, health services, virtual health consultations from our partners
- Financial wellness solutions on one simple-to-use digital platform

Our Insurance partnership with yuu, launched in October 2021, offers customers with a hassle-free journey to accessing Hang Seng Insurance's all-rounded life protection solutions and more value-added benefits, making it easier and more convenient for them to protect themselves, their families and their loved ones at different life stages. The said partnership provides customers with an extended doorway to access our comprehensive insurance solutions and provide them with more options that fits their needs.



### Promoting financial literacy

We strive to nurture young people's saving habits and help them plan their finances for the future. The Savings Planner service in our mobile app allows users to keep track of their expenses effortlessly, with no data exposure to third parties. As of 31 December 2021, more than 27,000 customers registered to use Savings Planner.

To encourage our customers to consider ESG issues, we carry out ESG-related product promotions. Examples include:

- Video featuring customers who have successfully applied for green loans is available on Hang Seng Commercial Banking Official YouTube Channel to inspire audience to consider ESG issues
- [Dedicated webpage](#) about green financing promotion scheme and e-factsheet has been developed for customer communication

## Our Customers

### *Overcoming the challenges of COVID-19*

We are committed to help customers to overcome financial challenges amid the COVID-19 pandemic through our products and services.

#### Personal loans

We offer 100% Personal Loan Guarantee Scheme for unemployed individuals due to the pandemic.

- Loan interest at 1% annualised percentage rate
- Full handling fee waiver
- Full rebate of the interest
- Maximum amount of the loan is HK\$80,000 or six times of the average monthly income during the unemployment period (whichever is lower)
- Repayment period is 72 months, an optional 12-month principal repayment holiday from the drawdown date of the loan

#### Commercial loans

- To assist SME customers on the road to economic recovery, we continued to support the Special 100% Loan Guarantee, a part of the 2021 SME Financing Guarantee Scheme ('SFGS') in 2021 introduced by The Hong Kong Mortgage Corporation Insurance Limited in 2020. Besides, we also supported the government's interest subsidy programme for the 80% and 90% Guarantee Products under the SFGS, disbursing monthly subsidies to eligible borrowers to alleviate their interest burden. Since the launch in 2020, we have participated in the Pre-approved Principal Payment Holiday Schemes proposed by the Hong Kong Monetary Authority, which provided payment holidays on non-trade and trade loans for eligible corporate customers affected by COVID-19.
- In 2021, Hang Seng rolled out InnoTech Fund, with a pool of USD200 million to provide financing to innovation and technology companies in Hong Kong and the Greater Bay Area ('GBA'). We also continued to offer priority approval of Inno Booster Loans to support the business operations of innovation and technology start-ups.

#### Community

At the community level, we continued to partner with local non-governmental organisations during the year, including the Caritas Family Crisis Support Centre and the Tung Wah Group of Hospitals' Healthy Budgeting Family Debt Counselling Centre, to offer debt-restructuring to individuals in difficulty.

# Social

## Our People

### Living our Purpose and Values in the Hybrid Working Mode

At Hang Seng, our actions are guided by our purpose of “opening up a world of opportunity”, and our values – “we value difference, we succeed together, we take responsibility and we get it done”.

Our values and organisation culture help us make the right choices day to day in a variety of business situations and work environment, uphold our conduct and behaviours on how we treat customers and employees, judge when and how to intervene and speak up, foster an inclusive work environment that supports the wellbeing of staff; and stretch and unleash our potential to shape the Bank fit for the future.

We are committed to cultivating an agile and dynamic culture and workplace that supports holistic development of our people, and achieves the Bank’s ambitions to provide best in class customer experience and create a strong sustainable future for the entire community.



In 2021, the Bank won the Star Award-Social Innovation in the HKIB Talent Development Excellence Award, presented by The Hong Kong Institute of Bankers. The Awards Programme celebrates financial institutions “that pursue forward-looking strategies and undertake long-term investment in nurturing talent development for the finance industry and business community”. This recognises the Bank’s efforts to nurture high potential talents, create career opportunities and address learning needs for the future of banking.



## Advocacy and Awareness

Our Global Principles underpin all policies and procedures, informing and connecting our purpose, values, strategy and risk management. They help us make better decisions when faced with difficult choices. We encourage our employees to act with courageous integrity, to speak up, and to use sound judgement in challenging situations.

Our mission is to ‘serve customers right and serve the right customers’. We embed this mission through our bank-wide risk culture initiative “RIGHT” Together.

The bank-wide cultural change initiative “RIGHT” Together drives our long-term sustainability, maintains the trust of our customers and supports a working environment in which employees feel empowered, valued and inspired.

Its five principles promote positive behaviours that form part of our thriving corporate DNA:

**READY** to challenge across boundaries with an open mind

**IGNITE** curiosity to identify root causes and long-term solutions

**Go** ahead, escalate concerns

**HIGHER** standards by holding yourself and others accountable

**TOGETHER** we recognise good conduct and behaviour



# Social

## Our People

In the third year of our culture campaign, building on our speak-up culture mentoring and workshops for people managers held from 2019 to 2020, a bank-wide “Speak-up starts with ME” campaign was launched in 2021 to reinforce personal ownership of speak-up behaviours through an engaging experience in mind set shift and driven bottom-up. Over 400 individual contributors across the Bank were selected as advocates to lead small groups including management staff in behaviour change experience.



Staff A

**“We engaged cross team members in this initiative which enabled us to view things from different perspectives and enhance mutual respect; we also benefited from learning about each other's diverse contributions.”**



Staff B

**“Through games, the team brought out new and different ideas in the team and impressed on us the need to speak up and challenge issues. Our shared experience also built team spirit.”**



Staff C

**“I felt able to make a difference to our speak up culture through leading this initiative for my team.”**

The Bank continued to promote “RIGHT” behavioural examples and share lessons learned through mass communication and departmental group discussions, which helped share best practices and strengthened the culture of psychological safety in speaking up. We drive and reinforce the accountability of people managers through workshops, further embedding ‘Behaviour first’ as a key principle into day to day performance management.

Through our annual “RIGHT” Together Oscar Award, positive adjustments in annual pay review and the At Our Best Recognition Programme, we recognise and reward colleagues whose actions exemplify our values and who have the courageous integrity to make changes that contribute positively to the Bank and our customers. These positive recognitions in 2021 attested strong “RIGHT” Together behaviours.

Staff are more open in challenging work processes, more risk vigilant in performing business transactions and escalating issues. Besides positive examples of frontline staff who acted robustly to protect customer's and Bank's interest, we also see increasing nominations of “RIGHT” behaviours in middle and back office compared with previous years. There is also an increased usage of the At Our Best Recognition Programme.

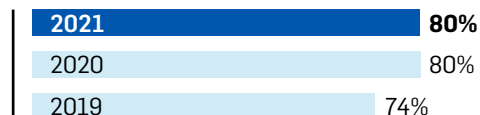
Creating channels for staff to speak with team leaders is a way to foster a stronger speak-up culture, providing staff with opportunities and encouraging them to raise their concerns

or ideas for work process improvements. The Bank continued to hold Exchange meetings within departments. In 2021, it was extended to cross teams/functions with discussion topics selected by the participants to foster a wider exchange of ideas and feedback across the Bank. Guidance has been provided to team leaders and people managers to host the Exchange meetings to listen to the voice of staff.

The impact of behaviour change is demonstrated in the speak-up metrics in our 2021 staff engagement survey.

The Speak-up Index rose from 74% in 2019 to 80% in 2021, which is 13% above the Financial Services Benchmark. The level of trust in senior leaders remained at a high level of 82% in 2021. This demonstrates increased psychological safety of staff in feeling that they are able to speak up without fear or negative consequences.

### The Speak-up Index



# Social

## Our People

To promote work efficiency and flexibility, uplift productivity, and strengthen cross-team collaboration, we deployed MS Teams bank-wide in 2021 and further enhanced our human resources ('HR') support.

### ESME Chatbot and Live Agent to handle HR enquiries

As part of HR digitalisation journey and to improve employees' experience, two new HR online support channels, ESME and Live Agent, went live in 2021 for employees' access. Live Agent is an online live chat tool to contact HR representatives for HR guidance, while ESME is an automated messaging tool which addresses employees' questions or enable prompt access to HR information. When ESME is unable to resolve an enquiry, staff are routed to a real time Live Agent for further assistance. Since the rollout in mid-September 2021, the Live Agent has achieved a 92% resolution rate of the requests received via live chats.

Enhanced HR mobile application enables colleagues to complete HR administrative tasks more effectively. Our mobile HR application enables employees to carry out self-service transactions, such as updating personal profile, completing mandatory learning and managing Everyday Performance and Development, as well as giving or receiving performance feedback. In 2021, we further enhanced the performance management functions in the app to enable employees and managers to complete year-end assessments through the mobile application.

### New learning journey to accommodate Future of work

We engage our staff to embrace new learning by promoting self-paced learning on the Degreed platform. Delivery of learning programmes with innovative digital means such as Virtual Reality technology and mobile gamified learning on applications. We offer action learning in our young talent development programmes. Management Trainees work on projects related to banking business and develop thematic presentations. They have exchanges with senior leaders as part of their learning journey.

### One-stop shop benefit portal Mybenefits

We launched "Mybenefits" in April 2021, to provide employees with an online one-stop shop benefits portal to access benefit information and events. Employees can enrol in employee benefits through the online platform, enhancing the user experience and reducing the use of paper forms.

### People Insights 2.0

We have enhanced our internal HR reporting system, People Insights to make good use of the HR data we have, draw insights in identifying hidden risks/ better solutions in resolving HR issues.

## Employee Centricity

### *Building the ideal future of work*

The Bank has committed significant investment in a Workplace Transformation Programme since 2018, paving our way to the Future of Work. The Bank's vision for new ways of working is to improve employee experience, productivity and their wellness. The Future of Work is enabled by three pillars: Human, Physical and Digital. The pandemic since 2020 has accelerated our pace of change to new ways of working.

### *Human enabler for hybrid working*

To improve staff wellbeing and promote new ways of working, the Bank launched "Future Proof yourself and the Bank" campaign. Bank-wide focus groups were held with cross business / functional employees to engage their input in the Future of Work. We incorporated focus groups' feedback in the workforce segmentation exercise to define hybrid working model by role types, and offer flexibility and autonomy for different workstyles from office-based to primarily home-based working.

We have established a formal policy to provide flexibility for employees to work from home or other Hang Seng offices, depending on the nature of their job, the requirements of the business, and their own circumstances. 75% of office based employees have 1 to 4 days per week working remotely from home. "When Teams Go Virtual" workshops have been offered to upskill people managers in leading high performing teams under Future of Work. Best practices on how to manage ambiguities and challenging situations, and build social and team cohesion and raise work productivity in home working are shared. Real life story sharing from employees help promote the positive outcome from new ways of working.

# Social

## Our People

### Promoting employee wellbeing

#### Flexible working

Promoting employees' wellbeing is the backbone of the Bank's people strategy.

The prolonged pandemic has accelerated the availability of remote working and flex work options which create new ways of working, including flexible work location, distributed teams, virtual teams working from home, etc. These change the way we compose a typical work day, restructure where, when and how we get things done. These new ways of working make a huge difference for employees' wellbeing and engagement.

A Workforce Segmentation Exercise was conducted in May 2021 to properly assess risks and evaluate the suitability of each role including frontline and back offices for the Work from Home ('WFH') arrangement. Another post-implementation review was conducted in December 2021 on a risk-based approach incorporating the following 6 factors:

- Risks including data, security, compliance, regulatory and financial crime risks
- Collaboration with customers and external parties
- Collaboration with internal stakeholders and teams
- Technology feasibility
- Management processes and supervision
- Staff health, wellbeing and engagement

The risk evaluation results on home working arrangement can inform the Bank of its business continuity capability and the risk exposure due to the change of working style and the newly adopted policies, procedures and technical measures.

As our workplace is no longer limited to the office, an adaptive process is required to transition to a hybrid office and home working. We offer flexible working policy including flexible hours, hybrid working, work from home, part-time work, two-hour personal time-off each month, Friday afternoon No Zoom meetings, and 3 to 12 months of sabbatical leave. These pragmatic options enable our employees, particularly working parents and caregivers, to fulfil their household, parenting and home schooling responsibilities in the prolonged pandemic environment.

#### Health and wellness

We are committed to creating a work environment that enables our employees to be at their physical and mental best.

1. Wellbeing 360 – We organised extensive workshops and classes by zoom, face-to-face and hybrid mode to deliver better wellbeing activities for colleagues including yoga, Pilates, stretching exercise, Zentangle, sound bathing, stress management, mindfulness and self-awareness.
2. Tokyo Olympics series – Partnering with Sports Legacy Company Limited under The Sports Federation and Olympic Committee of Hong Kong, we invited current and past Hong Kong Team athletes and coaches to share their stories and the professional knowledge and insight about the Olympics and different sports.



3. Hang Seng Leisure Talents – Colleagues with special talents were invited to conduct workshops to share their stories and knowledge with others such as Astrophotography and Nagomi Pastel Art.
4. ESG-related activities – To demonstrate that we care about the wellbeing of staff, the environment and the community, we partnered with external organisations such as Hong Kong Organic Resource Centre and Kadoorie Farm & Botanic Garden to organise various workshops such as *Hobby Farmers Course* and *Urban-Farmer Tie-up*, *Organic online fresh produces* and *The Secret World of Wild Animals*.
5. On-site amenity facilities such as Game Room and Wellness Corner were reopened in different core buildings in late September and mid-November respectively when precautionary COVID-19 measures were eased. Various gaming and sports amenities were offered in the Game Room, such as table tennis, Playstation4 and Switch, and board games. We also partnered with Sports Legacy to provide on-site personal training sessions for staff in the Wellness Corner.

Overall, more than 16,000 participants joined nearly 400 staff programmes and activities in 2021.

# Social

## Our People

We continued to enhance our medical benefit scheme in 2021.

We launched a new mobile app Benefit+ to enhance employee experience in medical e-claims by including their dependents. Video consultation with general practitioners, and delivery services for medicine have been introduced to make healthcare more accessible especially in the pandemic to provide critical medical consultation to employees who may be tested positive with COVID-19 and under self-quarantine or waiting for hospitalisation.

To support the health and wellness of our employees and their families, we provide hospitalisation and surgical benefits, maternity benefits, outpatient treatments, dental services and wellness support. Newsletters are sent to our staff bi-monthly to share useful health and benefits updates to promote health awareness.

A range of preventive and wellbeing services offered includes routine medical checks, eyesight checks and vaccinations. We also provide annual on-site seasonal influenza vaccinations for employees.

Our Employee Assistance Programme provides employees and their dependents with free access to professional counsellors. This service is confidential – available 24 hours a day, seven days a week.

We organised leisure and recreational activities for our employees to enjoy time with their families:

1. For family cares – Partnering with St. James Settlement, we organised a series of workshops to enhance the wellbeing of the elderly and care for families. Staff were given access to interim caring solutions by covering three important points: health management, family care and self-care.
2. For parents – Partnering with the Hong Kong Federation of Youth Groups, we organised workshops for professionals to share insights on how to better develop relationships between parents and children.
3. For pet lovers – Partnering with the Hong Kong Federation of Youth Groups, we organised workshops especially tailor-made for those newbie pet owners.
4. For children – We organised festive themed arts and crafts workshops for children and their parents to enjoy and celebrate the happy occasions.



## Financial wellbeing

Staff face different work-life challenges at different stages of their lives. To support financial wellbeing of our staff, based on the latest market trend and investment environment, we offer seminars to provide professional analysis on investment strategy. We provide special offers for credit cards, insurance and other products and services. We offer special terms for staff's savings and housing loans, enabling employees to obtain a first home, and we assist with subsequent property purchases as family circumstances change.

To provide more flexibility, the maximum loan tenor for new property purchase applications has been extended to 65 years of age. Employees can shorten the repayment period, depending on their financial circumstances.

To encourage staff to plan for retirement, we offer a wide variety of fund options in the Defined Contribution Scheme. We provide regular fund factsheets, to help employees identify and understand their appetite for investment risk and volatility.

We also offer *ShareMatch* plan to our employees, an employee stock purchase plan through which staff could invest in HSBC shares.

We introduced a new Refund of Rent Programme in 2021 to allow eligible staff to enjoy tax efficiency with concessionary treatment under The Hong Kong Inland Revenue Ordinance.

# Social

## Our People

### Occupational health and safety

Hang Seng Bank commits to upholding high standards in Occupational Health and Safety ('OH&S'). We adopt the international OH&S Management System as a backbone to assure all stakeholders in business activities and our surrounding community are not exposed to health and safety risks associated with our business. We are confident and dedicated to achieving the prescribe standard via clear goals and objectives set out in the [OH&S Policy](#) with engagement and support from employees at all levels.

To support such engagement, the Bank holds an annual Safety Management Committee with representatives from all levels of our business functional departments, e.g. Human Resources Department.

Hang Seng Bank was the first bank in the world to be accredited Occupational Health Safety Assessment System (OHSAS 18001:2007) and subsequently migrated to Occupational Health and Safety Management System (ISO 45001:2018) upon its launch, certified by independent external certification body.

We target and commit to low accident rate, compliance with OH&S related legal requirement and planning & execution of bank-wide campaigns for enhancement of OH&S.

A Safety Management Committee, comprising working member delegate of senior management representatives, monitors and advises on our OH&S programmes. The concerns and views of staff are represented by a working team of middle management representatives. They are supported by approximately 300 job hazard analysis ('JHA') team members.

Risk assessments are undertaken by the JHA team at least once every six months. If there are any changes or proposed changes – including the use of equipment and materials, special or temporary activities or renovations, or actions undertaken after incidents – the existing analysis and assessment are reviewed as soon as possible. When a workplace hazard is identified, control measures are made available according to risk rating so to achieve residual risk at acceptable level.

Staff are encouraged to alert their department's JHA representatives to hazards or potential hazards. These may include improper handling, "slip, trip and fall" risks and loose-lying cables. Action is taken to mitigate the risks.

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

Hang Seng is dedicated to complying with OH&S-related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong).

We implement occupational health and safety management system with the following measures:

- Occupational Health and Safety Management System (ISO 45001:2018)
- Occupational Health and Safety Management Policy
- Occupational health and safety organisation
- Occupational health and safety training
- Occupational health and safety inspection
- Functional Instruction Manual
- Arrangements and systems for resolving OH&S-related issues
- Performance targets and levels of practice
- Reporting of near miss
- Emergency preparedness
- Personal protective equipment
- Safety Management Committee
- Complaint and reporting mechanisms
- Accident investigation
- Job hazard analysis

# Social

## Our People



**We provided 3,722 hours of health and safety training to relevant staff in 2021**

COVID-19 created a raft of challenges for our people and business. Despite these, we upheld our commitment to support our staff, our customers and our community.

To further lessen the risk of infection, we established guidelines on working from home, split-site operations, social distancing and restrictions on moving from one office to another, depending on the severity level of the pandemic. Different businesses and functions worked together to ensure a safe, secure and efficient transition to remote working to reduce the number of staff working on-site.

We still maintain the critical team split-site working arrangements to ensure critical services continue in case of an infection case in the workplace and close contact colleagues are required to be quarantined.

We keep employees up-to-date with work arrangements via an emergency notification system. Regular updates on COVID-19-related topics, including medical and mental health advices, are also available on our intranet and mobile staff app.

We organised two webinars with our Medical Advisor in March 2021 and renowned experts in October 2021 respectively to brief employees the various COVID-19 vaccines available, and answer questions from them on vaccination. The video recording of the seminar was also made available on the Bank's intranet HASExplorer so that employees who could not join the webinars could assess related information.

The Bank keeps its employee safe via various methods and control measures. The Bank also reviews the control measures from time to time to ensure their appropriateness in light of the latest development, for example:

- Established and continuously review COVID-19 Work Arrangement Guiding Principles and Procedures
- Modification on work arrangement including but not limited to work from home, split-site operations, social distancing and restrictions on cross offices, cross floor working
- Define and schedule different level of cleanings subject to business need
- Provide personal protective equipment to all staff at work
- Establish cross-department taskforces responding to the latest development of COVID-19



With continued challenges in the pandemic since 2020, we have prioritised the protection of our employees' and customers' physical health and safety and building a resilient workforce by:

- Offering flexibility to employees to get vaccinated during working hours
- Providing three days of vaccination leave to ensure health care and protection to employees
- Offering equipment allowance to support employees in having the right equipment to work from home. The overall allowance budget totalled HK\$20 million

By the end of December 2021, 85% of our employees were vaccinated and complied with the prevailing HKMA's guidance on COVID-19 vaccination and COVID-19 testing.

# Social

## Our People

To take care of the mental health of our employees, which includes emotional, psychological, and social wellbeing, we offer support and resources to our employees and people managers, including:

- One-day wellbeing leave in 2021 to support employees to spend time with family/friends
- "Friday Focus" practice of "no Zoom meetings after 4pm" across the Bank. Employees can enjoy "me time" for self-development or other tasks that require focused attention
- Upskilling workshops for people managers "When Teams Go Virtual" to cultivate trust with remote teams, promote team cohesion and uplift productivity
- Family support workshops for employment coaching of employees' family members to enhance their job search and interview skills and increase their employability

### Reinventing workplace communication

Our headquarters have been renovated and converted to support activity-based working model. We continue to renovate other office buildings. By providing more spacious breakout areas to facilitate colleagues' interactions, we seek to cater to diverse working styles, encourage creativity, agility and collaboration, and support health and wellness.

To make our workplace fun and energised, our building premises are also equipped with amenities including game corners with videogame consoles, billiards and a table soccer, a table tennis room, a library, and a recharge room with massage chairs. Two communal floors in our headquarters, opened in 2021, feature a cafeteria, a kiosk selling healthy fruit and snacks, shower rooms and a wellness corner with fitness equipment such as an aerobic step, a treadmill, a bike and a yoga mat.

Under the *Future of Work* programme, we continue to modernise daily work processes and infrastructure set up to reduce carbon footprint for a sustainable future.

**To safeguard our staff during COVID-19, we took the following measures, some of which were put in place after having consulted medical experts:**



Barred visitors to our core buildings and stopped staff moving between offices and floors when the pandemic was its most serious



Temporarily suspended weekly fruit provision and happy hour gatherings in offices



Encouraged working remotely from home and flexible working hours



Provided surgical masks for all staff



Provided gloves and goggles for staff at branches



Limited the number of people in meeting venues



Encouraged video conferencing instead of face-to-face meetings



Provided disinfectant mats at building entrances



Measured body temperatures at building entrances



Provided disinfectant gel in communal areas



Increased the frequency of routine cleaning



Installed protective screens on desks and counters



Offered clear guiding principles and procedures on COVID-19

## Our People

### Employee engagement

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

Information on the Bank's direction and strategies, policy updates and employment matters is conveyed to employees through business briefings, town hall meetings, intranet posts, morning broadcasts, circulars, e-mails and the Bank's social communication mobile app for staff – an important channel for fostering an open and dynamic culture in which employees feel empowered and inspired to engage in two-way communication with senior management and colleagues at all levels.

The Bank also encourages employees to provide suggestions, comments and feedback through employee surveys, exchange sessions and thematic focus groups. The Bank continuously monitors sentiments and behaviours of staff with the aim of developing training, communication and staff engagement plans that reinforce a positive corporate culture and values.

Moreover, employees can raise issues/grievances about wrongdoing or unethical behaviour via a confidential whistleblowing channel without fear of reprisal or retaliation in line with our speak-up culture. Cases raised by staff will be reviewed and handled by the Bank to achieve the most appropriate and timely outcome. Investigation will be carried out impartially by relevant subject matter experts and re-direction to other alternative channels will only be done after discussion with the staff who raised the concerns. Staff are made well aware of the channel via intranet, HR and administrative portal, induction course, cultural change programme and the awareness was measured through employee survey. In 2021, 27 whistleblowing cases were received and all were reported via the confidential whistleblowing channel.

We conduct employee surveys twice a year focusing on staff engagement, confidence in the Bank's strategy, trust in leaders, speak-up culture, career development and change leadership. The response rate rose from 77% in second half of 2020 to 78% in the second half of 2021.

The most recent survey showed encouraging results of our engagement efforts. We aim to maintain or improve our employee engagement score against the last employee survey. The Employee Engagement Index in the survey in the second half of 2021 improved by 1% from the first half of 2021 to 72%. Our performance under all seven indexes was above financial services industry benchmarks by 1 to 13 percentage points.

### Highlights of Employee Engagement Survey in the second half of 2021

Index	Score*	vs H1 2021	Hang Seng vs benchmark**
Employee Engagement	72	+1	+4
Employee Focus	69	+2	+1
Strategy	79	+2	+9
Change Leadership	81	0	+5
Speak-up	80	+2	+13
Trust	82	+1	+11
Career	75	+1	+11
Wellbeing	78	–	NA
Inclusion	78	+1	+7

\* Each index comprises a group of questions, with the average of these questions forming the index score.

\*\* We benchmark Snapshot results against a peer group of global financial services institutions, provided by our research partner Karian and Box.

## Our People

The breakdown of staff engagement results in the second half of 2021 by age group and by gender is summarised below.

	Number of response received	Employee Engagement Index
<b>Breakdown by age group</b>		
20 – 29 years old	1,463	69%
30 – 39 years old	2,102	71%
40 – 49 years old	1,427	73%
50 – 59 years old	981	76%
<b>Breakdown by gender</b>		
Male	2,502	72%
Female	3,524	72%

Note:

As the respondents of the staff engagement survey can choose to disclose their age group or not, the total number of response from breakdown by age group is different from the total number of response from breakdown by gender.

From the result of our employee engagement survey conducted in the first half of 2021, we understand that there are five success factors for hybrid working, including:

- 1 Better and more streamlined communication
- 2 Improved technology
- 3 Greater management support
- 4 Facilitated collaboration
- 5 Higher flexibility

We address employees' feedback through our investment and enhancement on the digital enablers including HR mobile app, Mybenefits, MS Teams and also offered equipment allowance of HK\$2,500 per employee to set up their home-office. According to the employee survey conducted in the second half of 2021, 81% of employee felt that their line manager was supportive and enabled them to adopt hybrid working.

## Human Capital and Workforce Development

### Talent acquisition

Hang Seng has high commitment to local employment. We open up all external job postings to local candidates. In 2021, 98.6% of external hires were employed locally. The average hiring cost of the Bank's staff was HK\$12,883 in 2021.

With the market rebound in 2021, there was intense market competition for frontline staff and increased market demand for hot skills not limited to banking competitors, and staff exits due to emigration. The Bank's voluntary staff turnover rate was 19.7% in 2021, with higher staff attrition in the frontline and among new joiners. The Bank builds internal pipeline through upskilling, reskilling and internal deployment and retention of our staff.

### Future of work initiative

We have established a formal policy to provide flexibility for employees to work from home or other Hang Seng offices, depending on the nature of their job, the requirements of the business, and their own circumstances.

To support this, we launched new digital collaboration tools and virtual desktops. Staff can work anywhere securely using a laptop, personal computer or mobile device. And we are digitising paper-dependent operations to remove physical constraints. In September 2020, we implemented Integrated Document Management to centralise all physical and electronic document handling. E-workflows for our operations have made working from home more viable.

# Social

## Our People

### Training and Skills Development

We invest in learning and development to build and sustain a professional workforce with strong values aligned behaviours and future skills to contribute to the ongoing success of the Bank. We deploy our staff with requisite skills, knowledge, professional qualifications, experience and soundness of judgement for the responsible discharge of their duties. We continue to build and nurture talent pipeline for the Bank through talent acquisition, job enhancements and career development strategy.



#### *Introducing new learners' journey*

We promote new learners' journey for future skills development. Through technology enablement in the use of mobile apps and access to the Bank portal of internal and external learning resources are made available on the Degreed learning platform. Staff are able to self-assess their learning needs, curate and self-pace their personalised learning plans, build networks for peer learning and real time knowledge transfer and experience sharing. Staff are encouraged to explore their "Focus Four" future skills in personal, data, digital and sustainability. New learners' journeys to develop future skills go beyond the traditional measures of classroom learning hours.

With the outbreak of COVID-19 since 2020, new ways of learning have gained momentum to equip our staff in continued skill building, development of critical banking capabilities and growth mind set to support the Bank's growth plans. We also deliver innovative digital learning solutions with the application of virtual reality technology in credit risk training and mobile game learning on staff apps.

We introduced Development Day in 2021 for leaders across the Bank to provide dedicated time to employees to focus on their future skills learning and embed the self-learning and development culture.

Quality of people management is critical to team productivity and business performance. To enable people managers to embrace new challenges, we organised a series of upskilling workshops in 2021, including:

- Purpose, Values and Strategies workshops
- "When Teams Go Virtual" workshops
- People Management Clinics: Coaching for performance
- Managing with Respect Workshop
- Mental Health Conversation and Skills Practices

**Leaders as Teachers:** We promote our senior leaders and middle managers as teachers to facilitate knowledge transfer and learning from live case studies; we prepare their role as change champions to engage employees to become a purpose led organisation.

**Learning from Peers:** We create platforms for staff to work on bank-wide projects or change initiatives such as Idea Competition to improve resource efficiency, ESG Challenge to pursue innovative ideas to commercialise green loans to retail customers. We provide short-term assignment opportunities and encourage talents to go out of their comfort zone, build broader context, connectivity and accelerate their learning. Job tasting programme is organised within specific businesses or functions to promote role awareness.

# Social

## Our People

**Learn from Market:** In addition to virtual classroom training, we offer various forums and symposiums for information and experience sharing by external subject matter experts, promote external focus in market trends and intelligence, and develop our people to be fit for the Future of Banking through upskilling and reskilling.

**Action Learning:** We promote a start-up ecosystem providing platform and opportunities for staff to pitch their ideas with investors, enterprises, academia and technology innovators to help them develop and nurture their new business model. We provide resources for staff to test and try new technology such as the use of blockchain on digital platform to recognise staff who frequently engage in learning activities.

To facilitate new joiners to integrate into the Bank's culture, we offer a comprehensive induction programme focused on our culture, values, risk management, corporate governance and sustainability objectives to new employees, third-party service providers and agency contractors

We offer role-specific learning and development programmes to equip staff with skills and knowledge to meet challenges and professional requirements. These cover sales and relationship management, products, operations, compliance, credit and risk.

To enrich our staff's industry knowledge and insights and to leverage market practices, we partnered with market experts from educational institutions to design and deliver courses in 2021:

- Partnered with the Vocational Training Council to provide investment compliance training to our licensed staff
- Deployed Hong Kong Institute of Bankers "Enhanced Competency Framework" in different streams
- Partnered with The Chinese University of Hong Kong to design data training programme for upskilling data literacy of our people

All of our employees took part in training programmes in 2021. Out of the employees received training, 44% were male and 56% were female; 2% were senior managers, 34% mid-level managers and 64% junior employees. Our effort in learning and development is well recognised by our staff based on employee engagement survey results showing improved Career Index in 2021. In particular, 80% of our staff felt that their line managers actively supported their career development.

Our learning and development programmes enable employees to advance their careers, and to refine their management and interpersonal skills. We have put in place an Education Subsidy Scheme to support staff who wish to further their education (e.g. postgraduate degrees) and/or attain professional qualifications. We also offer an online portal with access to learning resources on a wide range of banking, technical and management subjects.

E-learning and instructor-led programmes are available to support staff learning and development.

**In 2021, we provided our employees in Hong Kong with 310,514 learning hours.**



# Social

## Our People

### *Fit for the future*

To enable our staff to navigate their focus on Future Skills development, we launched a number of future skills initiatives in 2021:

- **Future Skills Influencers:** Mobilise a community of representatives from different businesses and functions to advocate future skills learning in townhalls and sharing sessions.
- **Skill-Fit Adventure:** A series of virtual events hosted by Future Skills Influencers, inviting internal subject matter experts as speakers to share experience on learning future skills (e.g. Data & Analytics, Creativity).
- **Focus Four:** We promote the benefits of personalised learning by engaging our staff to discover their own "Focus Four" future skills in personal, data, digital and sustainability, and leverage online learning resources.

We also offer a structured and staged leadership development curriculum, from "Leading Self" and building personal impact, to "Leading Teams" and coaching others, to "Leading Business" and driving growth and change.

- The Leading Self curriculum focuses on the development needs of individual participants, enabling them to work more effectively with others.
- The Leading Others curriculum is for newly appointed people managers. We identify gaps in their skills and customise their learning pathways. Workshops help these managers cope with the challenges they face in their new roles.
- The Leading Business or Function programme equips senior leaders with the skills to deliver growth and hones leadership styles.
- Thematic people managers workshops address on-the-job people management challenges. For example, we organised "When Teams Go Virtual" workshops in 2021 to enable people managers to manage virtual teams effectively.

The Bank's Talent Council sponsors bank-wide strategic projects for talent development in learning agility and leadership capabilities. Talents are entrusted with the responsibility to lead these strategic initiatives and create business, commercial, branding and sustainability impact.

Through robust development conversations, we challenge and accelerate the growth of talented individuals in bank-wide projects and planned job moves. Aspiring leaders are also nominated for structured assessment and development programmes for Enterprise Leadership.

### Youth development

We are committed to providing opportunities for university students and graduates. We develop young talents into banking professionals by offering internships across our businesses and functions. In 2021, we offered internship opportunities to 232 university students to help them to gain practical experience, skills and knowledge needed for a successful career in banking.

In 2021, Hang Seng Bank collaborated with The Hong Kong Council of Social Services ('HKCSS') to hire 4 interns as ESG Assistants to engage in ESG projects in the Bank. Recruitment of our Fintech interns more than doubled from 19 hires in 2020 to 52 hires in 2021. We offered 18-month contracts to fresh graduates under the Greater Bay Area Youth Employment Scheme. We employed 481 fresh graduates in 2021 for entry level roles in Hong Kong.



# Social

## Our People

### Management Trainee Programme

Every year we hire graduates to develop and nurture future banking talents through a three-year management trainee ('MT') programme to those seeking to build a banking career and develop their potential as next generation leaders in the Bank. Please refer to the management trainee programme [webpage](#) for further details.



### Proud to be part of the team

"Everyone in Hong Kong is familiar with the Hang Seng Bank's name. The bank has witnessed the growth of the city over its nearly 90-year history and play an important role in the transformation of society, in areas such as education, community services and environment. The bank has shared in many of Hong Kong's remarkable and historical moments – knowing that the three table tennis bronze medallists in Tokyo Olympics 2020 were graduated from Hang Seng Table Tennis Academy shows that every great achievement requires the joint effort of society. This also shows our bank has made significant efforts in sports development and related community services."

**Hazel Fung,**

Management Trainee (2020 intake), Commercial Banking

"The MT programme at Hang Seng allows me to rotate to different departments and experience the cultures of different teams. That unique experience contributed to my placement at Global Markets as I was able to drive cross-team initiatives by becoming the bridge between different departments. Apart from that, trainees are offered a wide range of training courses in areas such as technical knowledge, business etiquette and leadership skills, which equip us for management roles in the future. This is a fruitful journey and I am proud to have joined the MT programme."

**Daniel Ho,**

Management Trainee (2020 intake), Global Markets

# Social

## Our People

### Sustainability

We enhance our staff's awareness and knowledge on ESG so they are equipped to help the Bank become an ESG leader. In 2021, we organised three ESG webinars, in which industry experts shared with our employees how climate change affects Hong Kong and the Bank. They also introduced the benefits of renewable energy. In addition, we held a symposium on ESG investing and two green living workshops for staff. A total of 959 employees joined these ESG trainings.

During the year, we rolled out a series of 8 bite-sized videos to explain what ESG means, their importance and our efforts in enhancing our ESG performance. For details of the videos, please refer to [our corporate website](#).

### Data literacy

Data & Analytics is rated the most important future skills by 56% of employees from a choice of 18 future skills reflected in all staff survey in 2020. The Bank's Data Strategy is to create a digital-ready bank with highly data literate community. We launched a bank-wide Data Literacy Empowerment Programme in 2021 to cultivate data-driven culture in Hang Seng by empowering employees to speak, work and design with data.

81% of Hang Seng executives or senior management have held roundtables and completed training designed in partnership with The Chinese University of Hong Kong. With an estimated investment of USD3 million over three years, the programme will offer two learning curricula for Data Citizen and Citizen Data Scientist, covering 5,600 employees from 2022 to 2024. A three-day training for Data Citizens and five-day training for Citizen Data Scientists will be offered with total training days of 20,000 over the next three years. The programme includes a series of workshops, internal and external speaker series, digital learning and Hackathon, and an integrated platform providing a one-stop shop for all data literacy empowerment relevant information, insights and, learning and development resources. It will also enable users to learn, reflect and exchange ideas.

### Inclusive Culture

#### *Promotion of equal opportunities, diversity and inclusion*

We believe that a diverse and inclusive workforce is critical to running a sustainable and successful business. Our approach aims to harness the benefits of diverse teams to drive greater innovation, enhance collaboration and improve workforce agility.

Our culture values, respects and supports individuals, where their richness of ideas, backgrounds, styles and perspectives are actively sought out with informed empathy to create business value.

With our internal diversity and inclusion policy (set out in the Code of Conduct) and equal opportunities policy, we expect all members of our teams to treat each other with dignity and respect and create an inclusive environment free from discrimination, harassment, victimisation, vilification or bullying on the grounds of age, colour, disability, ethnic or national origin, gender, gender identity / expression, marital status, pregnancy, race, religion or belief, and sexual orientation, etc. We comply with the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance.

# Social

## Our People

Employees are encouraged to speak up if they are aware of any improprieties to their manager, directly to HR or through our internal whistleblowing portals. Whistleblowers are protected. There is no disclosure of whistleblowers' identity without their consent while employees may choose to make a report anonymously. Any concern raised and any related information are kept confidential as far as possible. We strictly prohibit retaliation against any staff member who reports improprieties or who participates in an investigation. We consider any retaliation in those circumstances as a disciplinary matter.

Board appointments are based on merit, and candidates are considered against objective criteria with due regard for diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Transparency in the director nomination process is ensured by a policy that is available on [our website](#).

The Bank continues to offer an inclusive environment to foster diversity where the best want to work. The Bank was ranked 49th out of the 3,702 global companies researched in Equileap's 2021 Gender Equality Global Report & Ranking. We were also one of the 10 companies and the only bank achieving gender balance (40%-60% women) at all four levels – board, executive, senior management and workforce.

- 54 % of Executive Committee members are female
- 45 % of Board of Directors are female
- 41 % of senior leaders are female
- 58% of our employees in Hong Kong are female

Our 41% female senior leaders are well positioned against the our parent company's target of 31% of female senior leaders in 2021. In 2022, we plan to further improve gender representation at the senior level, and strengthen our inclusive culture in the Bank where everyone has the opportunity to grow. We will track our progress with two metrics below:

1. The female representation of senior leaders in Hang Seng Group (including operations in Hong Kong, mainland China, and overseas representative offices) was 43.5% as of the end of 2021. In 2022, Hang Seng Group aims to increase its female representation of senior leaders to 46%.
2. An "inclusion index" derived from the employee survey measures employee sentiments of inclusion and belonging. We stand strong at 78% and target to maintain the score in upcoming year.

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

To strengthen our people-management capabilities and cultivate our inclusive culture, we provide training to our people managers. Regular workshops with case studies are available to combat workplace bullying and discrimination, embrace diversity. Upskilling workshops are also offered to people managers to be non-judgemental and empathetic to spot mental health issues and conduct appropriate conversation with team members in need.

All staff receive learning on diversity, inclusion, equal opportunities and human rights matters that are relevant to our operations. This is also part of our New Joiners Induction Programme. In 2021, we provided our employees in Hong Kong with approximately 5,922 hours of such learning.

### Learning Item / Learning Hours

Making the Bank More Inclusive:

**1,092 hours**

Anti-Harassment and Discrimination Training:

**1,562 hours**

Global Mandatory Training Trimester 3  
(33% of the learning module):

**3,010 hours**

Managing with Respect:

**162 hours**

Mental Health Conversation – Skills in Practice  
Workshops for People Managers:

**96 hours**

We provided Anti-Harassment and Discrimination Training to all staff in 2021 and two workshops related to non-discriminatory practices for 81 people managers, accounted for 4,733 training hours.

# Social

## Our People

### *Gender representation and pay gap*

We have strong female representation at the senior levels which is a clear evidence of our inclusive culture and our open and fair hiring and promotion practice based on meritocracies, with check and balance built in through the input of wider stakeholders in the selection process. We also provide training to hiring managers to ensure that the strongest candidates from diverse talent pools are fairly selected.

We uphold pay practices based on objective criteria of market pay benchmarks for job scope and skill requirements, and uphold the principle of pay for performance supported by "RIGHT" behaviours. We review our pay outcomes in the annual pay review cycle to assure no gender bias in our pay decisions. Performance driven and conduct risk based reward principles are underpinned to ensure pay decisions to all employees are fair and free-from-bias, regardless of gender, ethnicity, or any other characteristic that is unrelated to an employee's performance, contribution or conduct.

Staff responded positively in our employee survey that we have fair processes for moving or promoting people into new roles. We will continue to focus on promoting feedback culture and access to opportunities for everyone to grow and achieve career objectives in the Bank.

For more details of our gender pay gap, please refer to our parent company – [HSBC Group's ESG Datapack 2021](#) as a proxy.

### *Promotion of fairness and feedback culture*

Hang Seng has a well-established system for appraising employee performance and encouraging lifelong learning and continual improvement.

Our Everyday Performance and Development ('EPD') principles encourage frequent, holistic and meaningful conversations between managers and staff. These provide opportunities to discuss progress, give feedback and recognition, identify support that may be needed, and address issues that could affect an individual's wellbeing.

Our HR system and mobile HR App facilitate the EPD principles by enabling employees to give, request and receive feedback, and to track their progress in their assigned duties and activities.

All staff have a formal review at the end of every year, during which they discuss their progress towards established objectives. They also receive performance and behaviour ratings, as per our employee assessment framework. Management teams will conduct fairness review which aims to ensure the year-end assessments are fair, accurate and free-from-bias.

The behaviour rating looks at how they manage issues such as risk and compliance, and how they protect the interests of customers, colleagues, the market and the Bank. The behaviour rating underpins pay recommendations during the annual review.

To encourage voice of staff, and foster wider exchange of ideas and feedback across the Bank, regular Exchange meetings are extended to cross team, cross function, cross first and second lines of defence with focused discussion topics. People managers identify high impact examples and staff feedback from Exchange meetings for wider sharing in the Bank semi-annually.

To foster a fair and unbiased working environment, we offer on-going coaching to managers through workshops and drop-in sessions. Guidance and tips on managing employees' performance are shared with managers.

We offer competitive pay and benefits to attract talented staff. Performance-based remuneration motivates employees and rewards their contributions to growing our business. Variable pay is discretionary and is based on group and business performance, and an individual's behaviour, conduct and contribution. To retain staff and maintain our competitiveness, we regularly review our rewards and career opportunities.

Salaries vary according to market pay for roles and specialist skills, experience level, individual performance and behaviour. Our pay and benefits are well above the minimums stipulated by local laws and statutory regulations. For part-time employees, legislation and market practice provide a framework for contractually agreed pay.

# Social

## Our People

Our human resources policies strictly comply with Hong Kong legislation, ordinances and regulations. As an equal opportunity employer, our pay strategy is designed to attract and motivate the very best people. We determine remuneration by performance, behaviour, internal and external relativity and market benchmarks, regardless of gender, ethnicity, age, disability or any other factors unrelated to performance or experience. We comply with the Hong Kong Equal Opportunities Commission guidelines on equal pay between men and women under the Sex Discrimination Ordinance. We are confident in our approach to pay. We make appropriate adjustments if we identify any pay differences between men and women in similar roles, which cannot be explained by reasons such as performance, behaviour rating or experience.

### *Exploring opportunities and potentials beyond stereotype*

#### Internal mobility

We promote internal mobility for employees to nurture their career development, broaden experience and retain talents. All open roles are advertised in internal job posting portals and a monthly email are sent to all staff to promote Hot Jobs of the month and increase their awareness of internal opportunities and encourage applications. In 2021, a total of 1,067 roles were filled by internal employees, representing 40% of open positions and demonstrated the Bank's support for the career development of our staff.

To build a diverse and inclusive workforce, all hiring managers are required to complete learning programme on hiring and selection. The programme prepares hiring managers with interviewing skills and raise their awareness of unconscious bias in the selection of candidates.

#### Workforce reshaping to maximise opportunities

To proactively reshape the Bank's workforce to be fit for future banking and encourage reskilling opportunities, a workshop "Explore Your Career Potentials" was hosted to share successful career change experience of colleagues in the Bank including role change from the middle office to front line. The workshop also demystified career possibilities and misperceptions and provided information on internal mobility and best practices when considering new role changes in the Bank. The workshop was very well attended with more than 150 employees taking part.

#### Upskilling to unleash potentials

To develop career potentials of our staff, a CareerWise campaign with a programme of initiatives was launched in 2021 to engage senior leaders and colleagues at different stages in their career journey to share personal experience and insights in career development. The programme features:



Rock Your Profile: Workshops to develop personal branding through LinkedIn® professional network and profile professional track record and achievements. This in turn strengthens the Bank's employer brand in the market and ability to attract talents.



Career KOL: External and internal key opinion leaders share their career journeys and personal reflections, provide reality checks and challenge development thinking.



Future Skills: A community of Future Skills champions was formed and mobilised across different businesses and functions to promote future skills learning in the Bank.

Inclusion permeates into the many aspects of our employee experience at Hang Seng. Our leaders and employees share the same purpose to uphold workplace inclusion, fight any stigma, bias and discrimination, provide support to working parents and caregivers, and open opportunities to employees at all levels for professional development and personal growth to reach their full potential.

### *Robust & proper HR governance*

#### Performance management

Performance management enables staff to deliver sustainable and long-term results. It involves setting clear objectives, providing regular feedback and recognition, assessing performance and behaviour, and coaching and supporting employees to perform to the best of their ability. Supplementary resources such as performance and talent management guides are available.

We incorporate risk management measures into employee performance review, e.g. compensation tied to reducing risk.

# Social

## Our People

We operate a number of policies and processes to ensure the effective alignment of risk, performance and reward, and to incentivise compliance with the firm's risk policies and conduct expectations.

- Risk assessment overlay the Bank's variable pay pool: The variable pay pool is based on a range of financial, non-financial and contextual factors. The main quantitative and qualitative performance and risk metrics used for performance assessment include the Bank's financial performance (including fines, penalties and provision), current and future risks by taking into consideration performance against the Bank's risk appetite, financial and resourcing plan and conduct outcomes.
- Performance management: Assessment of individual performance is made with reference to clear and relevant financial and non-financial objectives. Managing risk is every employee's responsibility. A mandatory risk objective is embedded in every employee's objectives. Performance against the risk objective is reviewed throughout the year and formally assessed at year end. Achievement of risk objective impacts employees' performance review and decisions on their remuneration. Employees' behaviour will be reviewed along with their performance. Risk awareness and mitigation and good conduct are robustly assessed

against a behavioural guide with illustrative examples of expected values aligned behaviours at different levels from Role Model, Strong, Good and Unacceptable behavioural ratings. "Behavioural first" means behavioural ratings are considered first in pay decisions.

- Employee Recognition and Conduct Framework: Variable pay awards may be adjusted downwards in circumstances including detrimental conduct, involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to the Bank and non-compliance with the values-aligned behaviours and other mandatory requirements or policies. Positive conduct and behaviours are recognised through At Our Best Recognition Programme, or positive adjustments to variable pay awards. Management reviews are in place to evaluate the extent to which employee ratings and compensation decisions are incentivising the right behaviours, values and culture.
- Identification of Material Risk Takers ('MRTs'): A robust process for identifying MRTs based on the qualitative and quantitative criteria set out under the European Union Regulatory Technical Standard plus additional internal criteria. Variable pay awards for identified MRTs is limited to 200% of fixed pay and awards and are generally subject to a minimum 40% deferral (60% for awards of £500,000 or more) over a minimum period of four years. A minimum of 50% is deferred share awards and the balance is deferred into cash.

- Malus and clawback: All deferred awards are subject to malus provisions, subject to compliance with local laws. Awards granted to MRTs are subject to clawback. Malus can be applied to unvested deferred awards granted in prior years in circumstances including detrimental conduct; past performance being materially worse than originally reported; restatement, correction or amendment of any financial statements; and improper or inadequate risk management. Clawback can be applied to vested or paid awards granted to MRTs as a result of participation in, or responsibility for, conduct that results in significant losses; failing to meet appropriate standards and propriety; reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment; and a material failure of risk management suffered by the Bank in the context of our risk management standards, policies and procedures.
- Annual HKMA CG-5 Self-Assessment Review: The Bank as an authorised institution under the Banking Ordinance is required by the HKMA Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System" ('the Guideline') to assess whether their existing remuneration systems and policy are in line with the principles in the Guideline, independently of management and at least annually. All prior year assessments have delivered confirmation of our compliance to the HKMA CG-5 guidelines.

# Social

## Our People

### Managing incentives for frontline colleagues

In Wealth and Personal Banking ('WPB'), we apply a discretionary approach to incentivising our frontline colleagues rather than formulaic incentives linked to sales. Following the review of incentives during 2020, we continued to embed the changes with the aim to be even more customer-centric and focused on employee development.

The WPB Performance Framework aims to drive the right customer outcomes, reward competitively the achievement of long-term sustainable performance, and motivate sales staff on incentive pay to adhere to the Bank's values. The framework intends to reward employees to serve our customers in a more flexible, digital and customer-centric way through a simpler and more transparent arrangement. Under the framework, a behavioural gateway is in place whereby employees have to meet minimum behavioural standards to be eligible for a discretionary variable pay award. The behavioural gateway will be assessed against the values and behaviours guide to align with behaviour ratings assessment.

The scorecard objectives include people, experience, quality and solutions to reflect holistic roles and responsibilities of frontline employees. Managing financial crime risk behaviours come under the quality objective. The structured balanced scorecard approach enables a holistic assessment to ensure the right customer outcomes are delivered. Sales quality forms a part of the overall assessment of performance. The sales quality and mystery shopping reviews assess whether customers receive a fair outcome. If any issues are identified, we investigate the root cause, put things right and act to reduce the risk of the issue occurring again with mandatory deductions applicable in instances of misconduct or regulatory breaches in accordance with our personal conduct case framework.

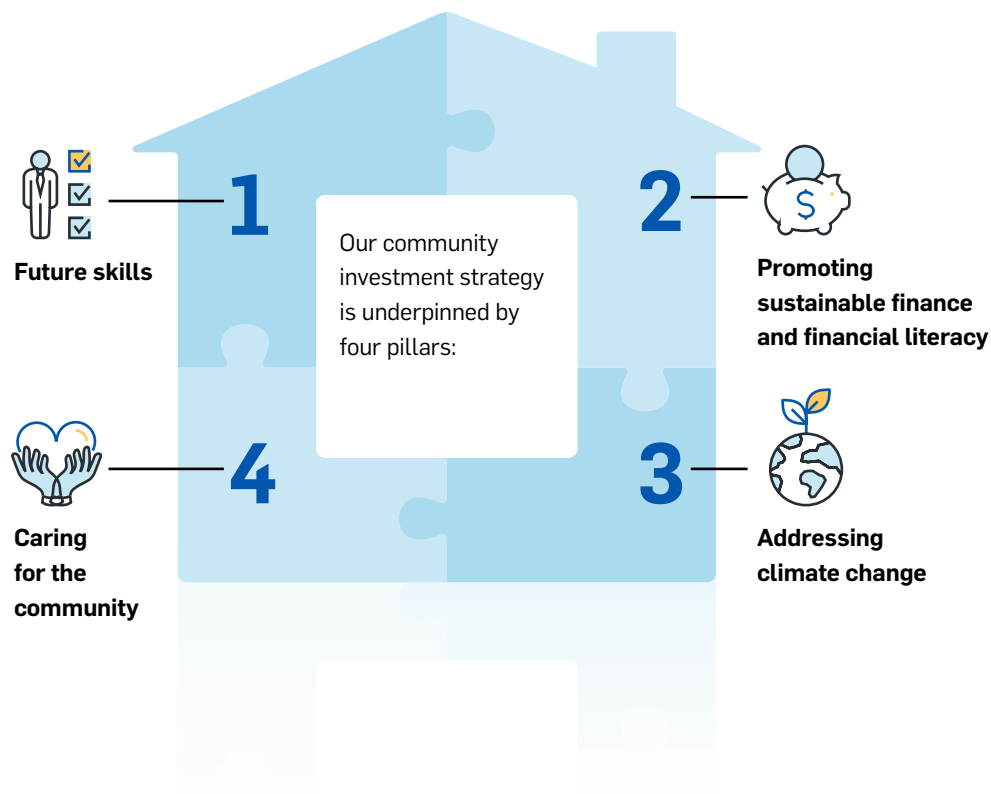


# Social

## Our Community

### Overview

Hang Seng's commitment to creating a more prosperous and sustainable future for Hong Kong is embedded in everything we do as a bank.



### Our strategic focus for 2021

At the heart of our 2021 focus is "Addressing Climate Change". This is in recognition of the importance in building capacity and resilience in our local community to meet existing and future climate challenges. To achieve the Bank's target of carbon neutrality by 2030 in our own operations, all functions and business units are implementing action plans to contribute to a low-carbon future.

Our community investment programme embarked to help drive renewable energy in the local community. In 2021, we launched the Hang Seng Low Carbon Future: SolarCare Programme to fund the installation of solar panels in non-profit community sites. Income generated from the solar panels are being put towards climate education programmes for young people. Thus the solar panels not only help to reduce carbon emissions but also provide a continual source of community investment. We also plan to adopt this approach in schools and more NGO sites in the future.

Furthermore, through the ESG and Green Finance Opportunities Forum which we initiated in 2021, we created a platform to connect key stakeholders, including investors, corporates, non-profits, regulators, and more to drive a collective effort to identify solutions that support a more sustainable future.

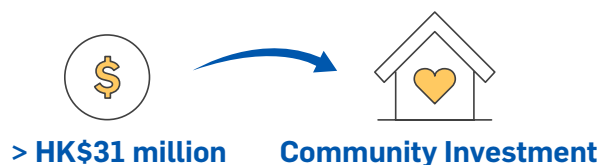
Going forward, we plan to allocate at least 25% of our community investment budget to "Addressing Climate Change" in the next five years.

Besides climate change, Hang Seng is also committed to supporting local young people by creating a wide range of opportunities for them to improve their employability and financial literacy. Over the course of 2021, we expanded the coverage of our financial education programmes to target young people of different ages and backgrounds. Our focus is to continue expanding the reach of our programmes to provide access to learning this important life skill to a wider audience including kindergarten students and their parents.

We remain intensely focused on our four community investment pillars, and provide meaningful impact leveraging our areas of expertise and influence.

# Social

## Our Community



In 2021, the Bank spent over HK\$31 million in community investment, supporting local organisations to design and deliver 18 programmes for about 40,000 direct beneficiaries. We also made contributions to The Community Chest of Hong Kong to benefit another 2.5 million people.



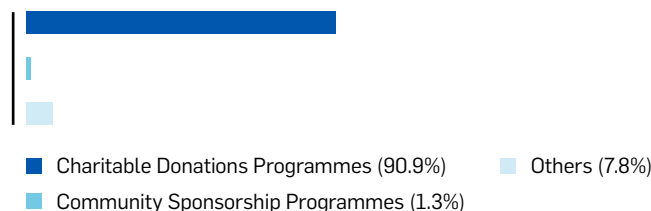
**Contributed close to 10,300 hours of volunteer time and professional expertise**

We also invested non-financial resources and contributed close to 10,300 hours (equivalent to about HK\$3.9 million) of volunteer time, professional expertise and practical support to further enhance our social and environmental impact.



Over the past 10 years, we have invested about HK\$289 million in community initiatives.

**Breakdown of Hang Seng's community investment**



**Breakdown of community investment areas, in terms of monetary value, in 2021:**



\* Less was allocated to "Promoting sustainable finance and financial literacy" programmes than the 20% originally planned because delivery of some school programmes was affected by Hong Kong's half-day schooling arrangement during the pandemic. We plan to launch and resume more financial literacy programmes in schools in 2022.

For more details of each Hang Seng community investment programme, please refer to <https://www.hangseng.com/en-hk/about/esg/social/>.

The Corporate Social Responsibility Working Group, chaired by the Bank's Head of Communications and Corporate Sustainability, oversees the development and implementation of our community investment strategy. The Working Group reports progress on the Bank's various community investment initiatives to the ESG Steering Committee on a quarterly basis.

## Addressing Climate Change

For many years, Hang Seng has been a supporter of environmental sustainability, building the resilience of our community against climate change. To further enhance our efforts in responding to this pressing global issue and to align with the Bank's ESG aspirations, we invested more resources and introduced new initiatives under the "Addressing Climate Change" pillar in 2021.

We launched the innovative "Hang Seng Low Carbon Future: SolarCare Programme" to support renewable energy development by installing solar panels at an NGO site. Leveraging the Government's Feed-in Tariff Scheme, the solar panels will generate funds to deliver high quality climate education activities for local youths for up to 10 years. This programme is unique as it not only provides sustainable funding for community projects, but also helps to directly reduce carbon emissions.

In the future, we plan to expand the programme to local schools and enhance engagement with students to build understanding and encourage their participation in championing a low-carbon future.

**"Hang Seng is open-minded to innovative ideas. They provide funding to develop a financially sustainable 'Hang Seng Low Carbon Future – SolarCare Programme', which provides a long-term positive impact on youth empowerment on climate actions and contributes to transitioning Hong Kong into a carbon neutral city."**

**Alissa Tung,**  
CarbonCare InnoLab Programme Director

# Social

## Our Community

**1** Hang Seng donated HK\$3 million to fund the Programme's first project which involved the installation of **390 solar panels** at the youth campsite of local NGO, Breakthrough.

**2** The solar energy system is expected to generate approximately 150MWh of clean energy a year, equivalent to an estimated annual usage of **31 average Hong Kong households.**

**3** This will earn an annual rebate of around **HK\$600,000** under the Hong Kong Government's Feed-in-Tariff Scheme, extending the impact of the original donation and generating a positive ripple effect for years to come.



To facilitate collaboration and inspire actions, the Bank initiated and title-sponsored the Chamber of Hong Kong Listed Companies' first ever "ESG and Green Finance Opportunities Forum 2021", which brought together corporates, regulators and sustainability professionals to discuss ESG best practices and the potential of green finance.

We also continue to support WWF Hong Kong's and Business Environment Council's corporate membership programme.

From 2016 to 2020, we supported Hang Seng Yunnan Low-carbon Village following the successful completion of a biogas initiative in Yunnan in the preceding 10 years. The low-carbon facilities installed in the villages continue to reduce carbon emissions every year, demonstrating the sustainable contributions of programmes like these which reach well beyond the initial project period.



Estimated carbon reductions  
from 2016 to 2021:  
**12,000 tonnes**

### Carbon Removal

We have been working with The Conservancy Association to plant seedlings in local country parks to absorb the carbon already emitted in the atmosphere. In 2021, we planted 2,000 seedlings, bringing our total contributions to 22,400 seedlings over the past 15 years.

# Social

## Our Community

### Future Skills

We believe young people are agents of change and play a significant role in the future development of society. So we continue to invest resources to create opportunities for younger generations to learn future skills, helping them to achieve their goals and thrive in the ever-changing world.

We support youth from diverse backgrounds through our community investment programmes to help build their future readiness and competitiveness. For example, 'I am...' Youth Portal provides career guidance and mentorship to young

people through its one-stop online portal. "Hang Seng Youth Career Planning Scheme" supports youth at-risk and ethnic minorities with entrepreneurship and career-related training. "Community in Action" develops the essential soft skills of athletes to enhance their future employability. Through these initiatives, we hope every young person has an equal opportunity to learn and acquire skills and develop attitudes that would help them succeed in life.

Building on our HK\$10 million COVID-19 relief initiative "Hang Seng Academic Assistance Programme" to provide academic support for over 4,600 underprivileged primary and secondary school students in 2020, we took the programme forward in 2021 by donating a further HK\$2 million to improve the learning efficacy and mental wellbeing of 800 students.

### Long-term Social Impact

Hang Seng Youth Career Planning Scheme approved 97 business proposals from 2014 to 2021, of which 75% are still in operation and under regular monitoring and guidance of The Society of Rehabilitation and Crime Prevention. All applicants received start-up entrepreneurship training courses and tailor-made coaching to suit their specific needs.

For example, Emily, a single mom with a drug addiction problem, rebuilt her life with the support of the scheme. She started her own beauty business with the seed money granted, and with devotion and determination, her business is now going strong, bringing positive changes to her life.



# Social

## Our Community



The Kam Fan Advertising Gold award winner, **GO!GingerOnion**, is a Hang Seng Bank owned social media platform developed to empower young people to build confidence in exploring opportunities in life. In 2021, **GO!GingerOnion's** Instagram follower numbers exceeded 54,000.

54,000



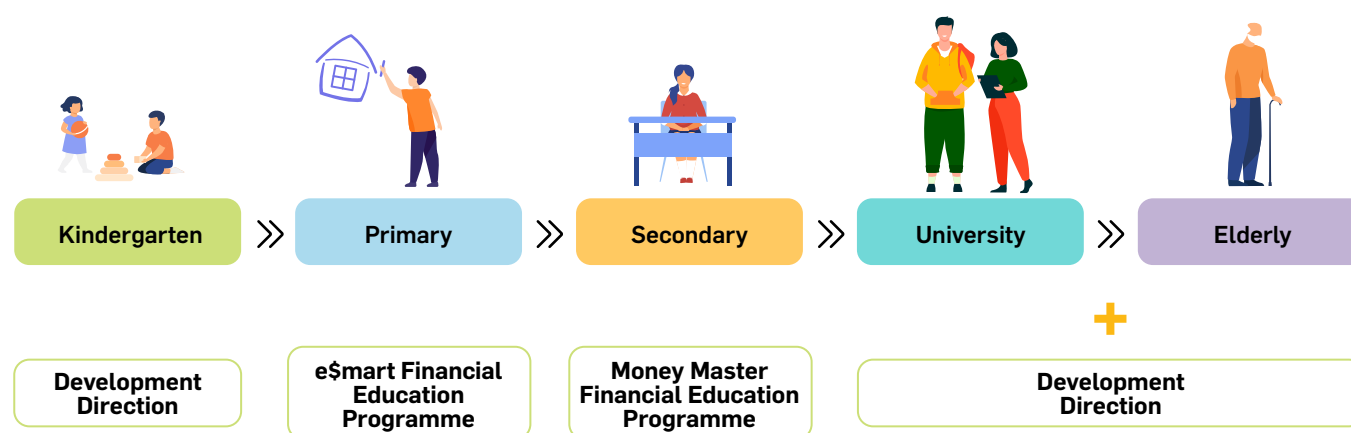
## Promoting Sustainable Finance and Financial Literacy

We believe financial literacy is a core life skill that has substantial impact on one's financial future. Therefore, we have created a series of financial education programmes designed for students and adults of different ages to build a stronger foundation in fundamental financial knowledge.

In 2021, we launched the new Money Master Financial Education Programme, which targets to build digital financial literacy and money management skills among 2,000 junior secondary school students as well as to raise their awareness on issues such as online financial security and financial cybercrime.

Taking our education initiatives a step further, we designed a Career in Finance Taster Programme to let secondary school students interested in a career in finance to hear first-hand from our in-house experts on the different opportunities and careers available in banking. More than 20 students participated in the pilot programme held in 2021.

In the coming years, we aim to expand the reach of our financial education to cover a wider spectrum of beneficiaries from kindergarten, primary, secondary and university students to adults and the elderly.



# Social

## Our Community

### Care for the Community

Hang Seng has been supporting the development of table tennis in Hong Kong for 30 years to nurture home-grown world-class talent as well as support young people to establish goals and develop life skills.

We are delighted to witness the medal winning performances of the Hang Seng Table Tennis Academy's graduates at the Tokyo Olympics and the Doha ITTF-ATTU Asian Championships. We donated HK\$3.2 million cash prize to be shared by all members of the Olympic table tennis team to celebrate their outstanding performance and recognise their on-going hard work and commitment.

### Staff Volunteering

As a responsible corporate citizen, Hang Seng encourages its staff to give back to their local community. The Bank offers two days of leave for each employee to perform volunteer service.

In 2021, besides organising virtual staff volunteering activities to help people in need, we resumed physical volunteering whenever possible while observing safe social distancing measures.

We leveraged our core strengths and expertise, and organised an anti-money laundering training workshop for social workers of Tung Wah Group of Hospitals to enhance participants' ability to help their clients avoid becoming involved in money laundering activities. We also supported the Hong Kong Association of Banks' Financial Education Workshop initiative and delivered basic financial knowledge to the underprivileged community.

"Hang Seng has been actively supporting the development of table tennis in Hong Kong for 30 years. Through training at Hang Seng Table Tennis Academy, young people can learn to face life challenges with a positive attitude, as well as enhance their confidence and interpersonal skills. The Academy has also nurtured many world-class table tennis talents for Hong Kong."

**Theresa Chan,**

Coaching and Athlete Development Director at Hong Kong Table Tennis Association

### Long-term Social Impact

The Hang Seng Table Tennis Academy has helped to develop 140 past and present members of the Hong Kong Table Tennis Team or Hong Kong Table Tennis Youth Team. Five out of the six core players of the Hong Kong Table Tennis Team at the 2020 Tokyo Olympics were Academy graduates, including the three medal winners. Since its official establishment in 2001, Hang Seng Table Tennis Academy has provided training to more than 65,000 students and reached close to 410,000 beneficiaries through over 7,700 activities.



### In-kind Donation

We continued to donate second-hand laptops to the local community. Not only does this allow for more responsible and environmentally-friendly use of resources, it also helps to improve digital inclusion and accessibility for the community. Total in-kind donation in 2021 amounted to about HK\$1.2 million.



## Being Proactive to Manage Risk

### Risk Management Framework

Managing risk is a core part of our day-to-day activities. We protect our operations against compliance risks, and have strong, transparent corporate governance. Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Please refer to our [Annual Report 2021](#) to learn more about our bank-wide approach to risk.

A minimum time commitment of 75 hours per annum for a Non-Executive Director ('NED') is set out in the letter of appointment which the NED would sign and acknowledge. Further, pursuant to the HKMA Guideline (Supervisory Policy Manual on Corporate Governance of Locally Incorporated Authorised Institutions ('CG-1')), the Bank's Directors are expected to attend all meetings of the Board and any Committees of which they act as Chairmen or members, especially where major issues are to be discussed.

Pursuant to the Conflicts of Interest Policy adopted by the Board, NEDs should consult the Bank's Chairman or the Company Secretary when they are considering whether to accept any additional or changed commitment. In deciding whether to permit the NED to take up the additional or changed commitment, factors including time commitment will be taken into account.

The Directors' attendance records have been set out in the [Corporate Governance Report of the Annual Report 2021](#).

# Governance

## Being Proactive to Manage Risk

### Three Lines of Defence Framework

We use three lines of defence to define roles and responsibilities within the Bank. The activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each line of defence. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes.

There must be a clear segregation between risk ownership (the first line of defence), risk oversight and stewardship (the second line of defence) and independent assurance (the third line of defence) to help support effective identification, assessment, management, and reporting of risks. It is our activities, not our job titles, which determine where we sit in the three lines of defence model.

Global functions may have responsibilities across both the first and second lines of defence, and therefore must segregate these responsibilities across teams. At an appropriate level of seniority (normally executive committee member level or their direct reports), a single individual may have responsibilities across the first and second lines of defence. However, any such dual accountability cannot create unmanageable conflicts for the responsible person, particularly if they have regulatory accountability.

The third line of defence, Internal Audit, provides independent and 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, is adequate.

**Third Line  
of Defence**

**Independent  
assurance**

**Second Line  
of Defence**

**Risk oversight and  
stewardship**

**First Line  
of Defence**

**Risk  
ownership**

### Climate Risk Management Framework

We attach great importance to climate risk management. We established a climate risk management framework that is aligned with our parent company. We also developed a Climate Change Management Roadmap in 2021 with four focus areas: governance, strategy, risk management, and metrics and targets. We believe that a comprehensive risk management framework helps to identify and manage risks and enables us to make effective decisions and take appropriate risks as a result.

A Climate-related Risk Working Group at Risk function led by Chief Risk Officer (CRO) was formed in 2021 to oversee the climate related risk. The working group is comprised of subject matter experts and function heads of the Risk function. The working group is responsible for designing accountability for climate risk management and disclosure related to the Risk function for the Bank, update climate-related risk to ensure oversight by the senior management and oversee actions to mitigate climate-related risk to the Bank. Besides, our Risk and Finance functions work with relevant parties in resourcing, training, data and scenario analysis of climate risk with reference to the Bank's and our parent company's strategy. In addition, progress and issues for escalation relating to climate related risk are regularly updated at ESG Steering Committee and Risk Management Meeting to ensure senior management oversight. Besides, training sessions are organised for management and colleagues from time-to-time, for example, Climate Risk Programme Training was organised for the Bank's Executive Committee and Board members in September 2021.

Our Chief Executive and all Executive Committee members have incorporated ESG initiatives such as carbon reduction and/or sustainable finance with relevant KPI/ target in their 2021 performance objectives. Variable pay awards made to Chief Executive and other Executive Committee members have reflected the assessment of performance against scorecard objectives on both financial and non-financial objectives including risk performance and the ESG commitment in place.

# Governance

## Being Proactive to Manage Risk

### Managing Different Types of Risk

#### *ESG risk management*

In accordance with the Hong Kong Exchanges and Clearing Limited ('HKEx')'s ESG Guide, the Board determines and evaluates the ESG risks that we face. It ensures that effective risk management and internal controls are in place. Reviews of these systems were conducted and attested by the management. Management presented its confirmation on the effectiveness and adequacy of the Bank's disclosure framework, including risk management and internal control systems relating to Environment, Social and Governance, to the Board in April 2021.

The Bank formulated its ESG strategies, raised staff awareness of the importance of and issues relating to ESG, assisted customers with migration to low-carbon journey, and strengthened ESG disclosure to align with latest regulatory requirements. The Board approved the Bank's 2021 ESG Strategy and Implementation Plan, as reviewed by the ESG Steering Committee and Executive Committee ('EXCO'). The Plan mainly focused on satisfying key stakeholders' expectations on relevant ESG topics, and prioritising areas for investment based on the Bank's strength and Strategic Plan.

The target outcome of the 2021 ESG Strategy was to make the Bank a leading entity to drive ESG in the banking industry, from stakeholders' perspective (which included the staff and customers of the Bank, as well as the community, regulators and analysts).

To achieve such strategy, three key focuses, six key pillars and three key messages were developed in the 2021 ESG Implementation Plan. The Board has overall responsibility for ESG matters identified by EXCO based on the recommendation of the ESG Steering Committee, and the integration of such matters into the Bank's strategies. ESG updates would be provided to the Board at least twice a year. Meanwhile, ESG performance of the Bank and the relevant key performance indicators would be measured, monitored and reported on a regular basis. The Bank has committed to achieve "Carbon Neutral" in its operations by 2030.

Our Chief Risk Officer (CRO) represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management.

#### *Compliance*

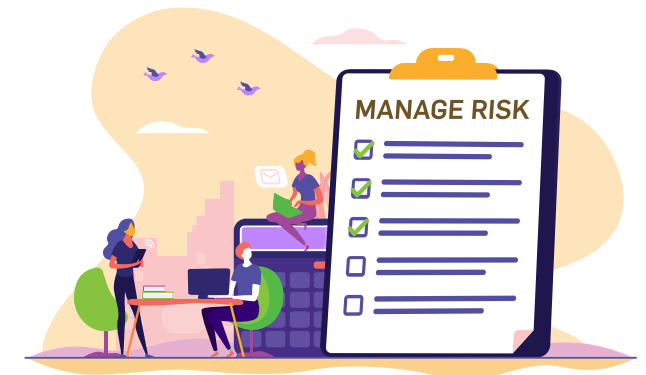
Our credibility relies on our operational integrity and the transparency of the information we provide to stakeholders. Upholding strong corporate governance, adherence to the highest ethical standards and effective risk management are essential to being an accountable, transparent and well-managed company. Compliance issues are discussed and reviewed by the Board and management committees. Responsible for promoting our long-term sustainability and success, the Board provides forward-thinking leadership within a framework of prudent and effective controls. We are committed to quality, professionalism and integrity throughout our business. Internal controls, risk management, compliance, and legal and regulatory requirements are considered at Board meetings.

In 2021, all directors and staff undertook various training on values and conduct. This covered, among other topics, whistleblowing, anti-bribery and corruption. Such training is further provided from time to time to our directors and senior leaders. We require all our staff members to comply with relevant codes of conduct. For details, please refer to the "[Staff code of conduct and staff awareness](#)" section.

If the local corporate governance requirements are of a lower standard than our own, our higher standards apply (where they do not conflict with the law).

The Audit Committee reviews our financial reporting, the nature and scope of audit reviews, and the effectiveness of our control and compliance relating to financial reporting.

No non-compliance with laws and regulations that resulted in significant fines or non-monetary sanctions was recorded in 2021.



# Governance

## Being Proactive to Manage Risk

### *Financial and tax risks*

Regular reports on financial crime and regulatory compliance risk management are submitted to senior management governance committees.

We manage tax risk based on a formal management framework. We have adopted initiatives that increase transparency, such as the US Foreign Account Tax Compliance Act and the Organisation for Economic Co-operation and Development's ('OECD') Common Reporting Standard.

We do not use tax avoidance structures or strategies, such as artificially diverting profits to low tax jurisdictions. We principally operate and pay taxes in Hong Kong but are committed to complying with the spirit and the letter of the tax law in all territories and countries in which we operate and maintaining an open and transparent relationship with tax authorities. Relevant financial information is disclosed in our Annual Report.

We follow our parent company's tax policies, principles and strategies.

### *Competition*

Our Legal function is tasked with providing policies, guidance and training modules to help our businesses and functions understand and conduct their business in compliance with the spirit and letter of Hong Kong's Competition Ordinance. This complements our ongoing training, in which staff learn about essential elements of competition law and how they apply to our businesses.

In 2021, no judgements were entered against Hang Seng for breaching the Competition Ordinance.

### *Financial crime*

We have a fundamental responsibility to help protect the integrity of the financial system on which millions of people depend. We are committed to only doing business with customers who meet our strict standards. We have ended relationships with customers where we felt that the financial crime risks were too great to manage effectively, and continue to invest in expertise, partnerships and systems.

We are committed to high ethical standards. Our policies on anti-money laundering, sanctions, and anti-bribery & corruption aim to ensure that risks identified by the bank are appropriately mitigated.

We have built a dedicated team of financial crime specialists and equip our employees to speak up when something does not look right. Our dedicated Risk and Compliance function, led by senior experienced personnel, brings together all areas of financial crime risk management within the bank.

As threats to the global financial system grow, we will continue to adapt our approach to stay one step ahead. Over the coming years, we aim to make a step change in our effectiveness at fighting financial crime through intelligence-led financial crime risk management.

The global fraud landscape is characterised by increasingly sophisticated attacks targeting online banking and other digital services. Under our multi-year fraud transformation programme, launched in 2018, we are investing in training our people, as well as enhancing our technology-based defences.

We are constantly striving to improve the way we detect and prevent financial crime and explore technologies that help us build on existing capabilities. Fighting financial crime is a key area that can benefit from innovation and we're working with and investing in a number of fintech firms that can help us achieve this.

We partner with local police to proactively tackle financial crime. Designated police hotlines are available for staff to report suspected fraud and forgery, protecting our customers from suffering financial loss.

We uphold the standards that the Bank consistently operates ethically, honestly and with full accountability. We ensure that our staff are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering, sanctions and insider trading. All employees are required to complete a learning programme on these subjects. For frontline staff, we provide learning programmes on banking regulations, codes of practice and data privacy. Staff who work in high-risk roles also receive additional, specialised learning regarding the detection and deterrence of financial crime.

**In 2021, staff in Hong Kong received over 93,836 hours of policy and procedural learning on bribery and corruption, money laundering and sanctions, conduct, values and regulations**

# Governance

## Being Proactive to Manage Risk

Financial crime risk-related issues and progress are updated regularly and on thematic basis to relevant senior management governance committees and Board Committees, including the Executive Committee, the Risk Management Meeting, and Risk Committee.

In 2021, no judgements were entered against Hang Seng for failing to fight financial crime.

### *Anti-bribery and corruption*

We have adopted a three-year programme to advance the Bank's anti-bribery and corruption risk management capability. We have strengthened our controls and processes, and improved our global register for Associated Persons. The programme now focuses on enhancing our global gifts and entertainments register, which provides a consistent way to record, notify, approve and monitor gifts and entertainment. Dedicated personnel oversee anti-bribery and corruption compliance.

In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.

We operate a zero tolerance approach to bribery and corruption and considers such activity to be unethical and contrary to good corporate governance. The Bank, its staff and associated persons are prohibited from engaging in bribery and corruption.

For our policies on money laundering, bribery, corruption and sanctions, please refer to <https://www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime/financial-crime-risk-policies>.



Anti-corruption training are mandatory for **all** staff in Hong Kong including contractors.



Anti-corruption training hours delivered to Directors in 2021: **11 hours**



Percentage of Directors received anti-corruption training in 2021: **100%**

### *Data privacy*

We continually strengthen our data privacy policy, instruct staff to report security incidents and provide training on compliance in Hong Kong. Our cybersecurity experts investigate breaches and, if necessary, escalate matters to the major incident group. Specific processes for the handling and protection of customer data are set out in an internal procedure manual. Our clear desk policy reduces opportunities for unauthorised data access.

Data privacy is overseen by individual businesses and functions as first-line risk owners, while the Chief Data Officer is the first-line control owner. Our legal function and Data Protection Officer provide second-line oversight. Officers at functional and business units promote data protection and disseminate information on guidelines and developments (refer to Customer Privacy in [Our Customers](#)).

Data privacy principles are set out to manage data privacy risk. Four mandatory controls are implemented for us to practically manage the risks:

- **Records of Processing:**  
To understand identifiable data processed by the Bank, record the details of how the Bank processes identifiable data, and keeps evidence of the process, to make sure the Bank can demonstrate that it complies with data privacy laws.
- **Privacy Impact Assessments:**  
To make sure that there is timely identification of data privacy risks, arising from a new use, or change in processing, of identifiable data, and to make sure that the risks identified are properly managed before the new use, or change in processing of identifiable data.
- **Internal and External Data Transfers:**  
To make sure that any transfers of identifiable data are approved and compliant with data privacy laws and the Bank policies with respect to data privacy. This includes internal transfers (transfers between Group entities in any jurisdiction) and external transfers.
- **Data Disclosures:**  
To make sure that external disclosures of identifiable data are processed in a timely, consistent, compliant and accurate manner and in compliance with data privacy laws. These disclosures are usually made in response to external requests.

# Governance

## Being Proactive to Manage Risk

As of the end of 2021, Wealth and Personal Banking ('WPB') existing customers opt-in rate for customer data used for secondary purposes, e.g. marketing (non-private banking customers) was 59.8%. Meanwhile, the marketing opt-in rate for the Bank's commercial banking customers was 90.4%.

Source	Customer privacy upheld* complaints
Outside parties	1
Regulatory bodies	0
<b>Total</b>	<b>1</b>

Type	Customer privacy upheld* complaints
Identified leaks	1
Thefts	0
Losses of customer data	0
Others	0
<b>Total</b>	<b>1</b>

\* Upheld means the cases are considered legitimate after an internal investigation

## Cybersecurity

The cyber threat landscape continues to evolve at a fast pace, leveraging the ubiquitous nature of, and dependence upon technology. Driven by the rapid advancement of technology, controls designed to effectively mitigate cybersecurity risk will become outdated, circumvented or obsolete over time, as malicious threat actors continue to enhance their methods of attack. Our regulators, customers and clients expect us to take the necessary steps to protect the markets, their data and business interests to the best standards available in the industry. We have invested over the last few years to attain standards of good practice in cybersecurity and is committed to maintaining this position in the future. Not to do so could result in loss of customer and client trust and regulatory confidence, leading in turn to loss of market value, customer attrition, and regulatory censure.

To maintain these standards of good practice, due to the dynamic nature of the threat environment, we need to continuously review the cyber risk appetite and the ongoing effectiveness of our controls in mitigating these risks. While in most cases it is extremely difficult to reduce the potential impact of a cyberattack, it is possible, through ongoing control investment, to reduce the overall likelihood of a cyber risk being realised. This means that our controls require continuous review and augmentation and that an end state to cyber control effectiveness and less than high residual risk is likely unachievable. Cybersecurity risk, is likely therefore to remain residually high at a Group-wide level for the foreseeable future. To ensure this position does not degrade over time, a continued re-evaluation of effectiveness and where necessary investment in control maintenance and enhancement does however, enable organisations like us to keep residual risk at an acceptable level over time.



To protect our operations against compliance risks, we have strong, transparent corporate governance. Our risk governance forums such as Board-delegated Risk Committee and Risk Management Meeting hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated.

Banks are high-profile targets for criminals seeking financial gain, personal information and disruption. The potential effects of cyberattacks include financial loss, reputational damage and loss of customers.

Protecting our customers and our company from such threats is a key component of our strategy to become a global, connected, digital business. All our IT infrastructure in our operations adopt the industry-standard National Institute of Standards and Technology ('NIST') framework. We engage an external consultant to conduct an annual cyber resilience assessment with this framework to assure the security of our IT infrastructure and identifies areas that require improvement and funding.

To strengthen our capability, we have developed a Cybersecurity Maturity Improvement Programme. Using threat scenarios witnessed in our industry, our cyber risk quantification model calculates the likelihood of an attack being successful. This determines the value of projects aimed at risk reduction.

# Governance

## Being Proactive to Manage Risk

To support the Board and senior management's oversight of cybersecurity, we regularly report on our strategic programmes and key indicators. Our cybersecurity strategy is reviewed and business risk profiles, mitigation awareness, internal and external cybersecurity incidents, and regulatory requirements are discussed.

We offer security training to all users such as executives and their assistants, privilege users, IT end users, software developers, third-party service providers and adopt automated cybersecurity assessment tools. Vulnerabilities across the network, operating systems, application layer, and in-house custom software are managed on a centralised platform and remediated according to priority.

Meanwhile, we continue to invest in defence against ever more sophisticated cyberattacks. We have enhanced our event detection, incident responses, secure development, vulnerability remediation, and protection against malware, application layer attacks and data leakage. Also we have strengthened our third-party management by including cybersecurity due diligence which delivers stricter governance and enforced third-party security testing prior to contract approval.

Staff are required to report cybersecurity incidents to our 24/7 hotline as soon as possible once discovered. Such incidents include the loss of restricted information, leakage of customer data, and suspected or confirmed cyberattacks. These are then

dealt with by our cybersecurity analyst and Security Operations Centre, and are reported to management for direction on remediation. Cybersecurity incident response procedures have been established and are tested regularly to enhance the level of understanding in terms of roles, protocols, internal communication paths and escalation procedures across the business in the event of a cybersecurity incident.

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

Cybersecurity learning was delivered throughout 2021. It covered data security, email security and phishing, password management, access control, incident reporting and escalation, secure use of communication devices and social media, our clear desk policy, information classification and labelling, system vulnerabilities and patching, ransomware and deliberate denials of service.

Periodical cyberattack drills are conducted to enhance the level of understanding in terms of roles, protocols, internal communication paths and escalation procedures across the business in the event of a cyberattack. Phishing tests are also conducted on a regular basis to raise the level of security awareness across the organisation.

**Number of data breaches in 2021, including those involving personally identifiable information (PII): 0**

Training or communication regarding cybersecurity offered in 2021 included:

- Mandatory e-learning for all staff
- Briefings to the Board and Executive Committee members
- Role specific training for staff who have access to consumer and commercial credit data
- Seminars hosted by senior leaders which also featured expert speakers
- Cybersecurity awareness and training regarding data security has been delivered to all staff including selected user groups and the security community on a regular or as-needed basis
- Training delivered to selected user group and the security community such as executive assistants and privileged access users on a risk and skill-based basis



# Governance

## Being Proactive to Manage Risk

### *Equal opportunities, non-discrimination and human rights*

Human rights matters are complex and the roles and responsibilities of business and other stakeholders are subject to ongoing international dialogue. We are open to engaging in this dialogue.

We are committed to an inclusive culture. Our people managers are expected to create and foster a strong speak-up culture in their teams, where our staff can be confident that their views matter, that their workplace is free from bias, discrimination and harassment, and that their careers advance based on merit. We uphold diversity and inclusion when hiring. Recruitment is merit-based and free from bias and discrimination.

To nurture an inclusive and speak-up culture, all staff undertook mandatory training on values and conduct. Workshops are organised for people managers to equip them with knowledge and skills to handle discrimination, harassment and bullying. Diversity learning is also embedded in the induction programme for new joiners.

We have Disciplinary Procedures for Misconduct and Gross Misconduct Policy setting out principles which should be adhered to when dealing with disciplinary matters to ensure that fair, non-discriminatory and consistent methods are used.

To ensure consistent approach and high standard on managing misconduct and inappropriate behaviours, guidance materials is available to managers for determining disciplinary sanction and performance and reward outcomes.

The Management Accountability Framework is also in place, outlining the expectations for managers and holding them accountable for their role in protecting the Bank from conduct and regulatory breaches.

Aligning with values of our parent company, we value difference, champion inclusivity and foster a respectful workplace free from discrimination, or violation of human rights. The Bank's Staff Code of Conduct outlines our expectations on human rights matters. With Board representatives' involvement, the People Committee reviews the Staff Code of Conduct on an annual basis and as when required to reflect the latest regulatory requirements and the Bank's internal policies.

**Our commitment to human rights extends to our value chain (refer to [Protecting human rights](#)). No incidents of discrimination, or violation of the rights of indigenous people, were reported in 2021.**

### *Staff code of conduct and staff awareness*

The Staff Code of Conduct is uploaded to our employee self-help portal in English and Chinese. By issue of circular, all employees and contractors are informed of any changes of Staff Code of Conduct and are reminded to read and abide by the rules and regulations. All employees and contractors are required to complete an online curriculum for the Code to ensure their understanding on the rules and regulations set out in the Code.

With Board representatives' involvement, the People Committee reviews the Staff Code of Conduct on an annual basis and as when required to reflect the latest regulatory requirements and the Bank's internal policies.

In 2021, we launched the e-learning programme "Guide to the Code of Conduct" to all staff, aiming to help our staff better understand the expected behaviours, apply the requirements of the Code to everyday environment and clarify questions that they may have.

In 2021, there was one identified material case of non-adherence to our Staff Code of Conduct. Apart from reporting to relevant regulator(s) where appropriate, the Bank has been proactive in taking consequence management, depending on the severity level of the cases.

# Governance

## Being Proactive to Manage Risk

### *Conflict of interest*

Stringent internal structures ensure that duties are appropriately segregated. For example, our investment frontline business and investment operations are managed by different departments to avoid conflicts of interest. Staff in sensitive or high-risk areas are required to adhere to specific rules and undergo training on how to avoid conflicts of interest.

### *Whistleblowing*

We make every effort to ensure that employees can raise concerns confidentially and without fear of repercussion. Retaliation against whistleblowers is not tolerated. We adhere to our parent company's whistleblowing policy, and utilise a secure and confidential platform via which staff can raise concerns when normal channels for escalation are unavailable or inappropriate. We also provide a number of speak-up channels, including reporting to manager, escalation to HR, Financial Crime Unusual Activity Report platform and our internal whistleblowing portal, etc.

Our internal whistleblowing portal is a process to promote consistency in controls, investigation, reporting, oversight, and governance of all whistleblowing activities. With our internal whistleblowing portal, which is accessible through 24/7 hotlines and online portal in multiple languages managed by independent third party, employees can raise concerns confidentially while employees may make an anonymous report if they are not comfortable with disclosing their identities. All cases reported are treated confidentially as far as possible.

All whistleblowing cases are investigated by subject matter experts, in accordance with our parent company's policies and standards.

A well-established employee grievance procedure is in place and best endeavours are made to ensure investigations are carried out objectively in light of the information provided and resulting actions are taken. In 2021, 9 grievance cases were reported to HR through HR online portal. No consequence management actions were taken as no cases were identified as upheld, while 1 case is not actionable and 1 case is still under investigation.

To regularly monitor and assess the Bank's culture, the Bank reviews the Bank's Culture Statement annually and conducts an internal assessment "Culture Dashboard" every six months, to assess the strength of the Bank's culture in enabling the fulfilment of our purpose to support customers and communities; protect the Bank and its investors; and uphold both the standards expected by regulators and integrity of the financial systems within which we operate. Culture is assessed through:

- Employee sentiments – how people feel about our culture, measure by the employee survey
- Behaviours – What people see around them, measure by the employee survey
- Business Outcomes – How people's behaviours impact business outcomes and customer experience, measure by personal conduct cases, compliance breaches, financial crime activity, whistleblowing, incentives and recognition, customer centricity and customer experience

Analysing the relationship between how people feel about our culture, how they behave, and whether or not this is seen to play through into business outcomes enables identification of areas of strengths and weaknesses while informing where remediation efforts should be directed.

Suppliers are encouraged to immediately report to us by email in the event of concerns about ethical conduct, including bribery and corruption. Upon receipt of such reports, an independent team investigates and proposes follow-up actions. We also expect suppliers to have grievance mechanisms in place. Our parent company's [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#) provides clear guidance on grievances and disciplinary practices, and includes provisions prohibiting mental, physical and verbal abuse.

At times individuals may not feel comfortable speaking up through the usual channels. Our global whistleblowing channel allows our colleagues and other stakeholders to raise concerns confidentially, and if preferred, anonymously (subject to local laws). Enhancements to the channel in December 2020 mean the majority of concerns are now raised through an independent third party offering 24/7 hotlines and a web portal in multiple languages.

**In 2021, there were 27 cases of whistleblowing cases and 14 of them were investigated and closed. The rest of the cases were still under investigation or review as of 31 December 2021. Out of the total 27 cases of whistleblowing cases reported, 100% of the cases was reported through confidential whistleblowing platform.**

# Governance

## Being Proactive to Manage Risk

### *Business continuity planning*

Business continuity and incident management policies are formulated with reference to the our parent company's guidelines and the Bank's own circumstances. Our Business Continuity Planning Policy, Pandemic Guidelines and the Major Incident Management Plan are reviewed and updated on regular basis or upon lessons learned from actual incidents to provide clear guidance to the businesses and functions to plan on how to manage the contingency risk. The Bank's Business Resilience Steering Group consists of senior management representatives and is chaired by the Chief Operating Officer to provide guidance and to ensure governance of the Bank's business continuity management four times a year.

The Bank's businesses and functions have documented business continuity plans to ensure continuity of critical operations functions in emergency situations and relevant drill exercises are conducted at least yearly.

**With remote computing technology and paperless workflow, the work-from-home readiness maintained at over 85% of our office staff since last year.**

This enables our plans to be flexible and practical, and ultimately makes our operations more resilient.

The Major Incident Group continues to lead and monitor our contingency plans, and steers appropriate decision for crisis and emergency situations that the Bank faces.

### *Responsible Value Chain*

Our financing decisions reflect our principles, our risk assessments, and the needs of our customers.

### *Responsible financing*

Our corporate lending policy details our requirements regarding sustainability risks.

We observe the Equator Principles: voluntary guidelines for implementing sustainability standards in project finance. Currently, the Bank's portfolio does not have loan under the Equator Principles.

Our business units conduct sustainability risk analyses for all new and existing customers in sensitive sectors. This ensures that the products and services we offer are in line with our [sustainability risk policies](#). Corporate customers are reviewed regularly to monitor compliance with our policies. As of December 2021, we were fully compliant.

We send updates on environmental or social risk-related policies to all relevant staff on a timely basis. Up-to-date policies and guidelines can be accessed by relevant staff via the intranet. Training on our environmental and social policies is included in the New Joiners Induction Programme.



We have included environmental impact assessments in our standard credit evaluations. In the environmental impact assessments, we communicate with our customers to assess their environmental policies, achievements and risk mitigation measures.

For customers within the scope of our [sustainability risk policies](#), we assess the potential impact of their business on people and the environment, and their ability to manage that impact. Then, we allocate a sustainability risk rating to each of these customers. Specific standards apply in high-risk areas and, where applicable, approvers take sustainability into account when recommending a relationship or transaction. They also ensure that the sustainability risk ratings are correct, and suggest amendments where necessary.

# Governance

## Being Proactive to Manage Risk

### Responsible Financing

We carefully assess environmental and social risks when deciding whether to make a loan or investment. We also adopt our parent company's [sustainability risk policies](#). Specific guidelines apply to businesses in sensitive sectors, including those outlined on the right. These guidelines are refined and updated as required and we have mechanisms to ensure our customers remain compliant with these policies.

This embeds ESG into our investment approach, product design and day-to-day operations.

### Agricultural commodities



We undertake special assessments of customers involved with palm oil, soy, cattle ranching or rubberwood sectors. Enhanced governance aims to ensure that we maintain relationships only with customers who engage in sustainable development. They must operate in accordance with international standards and industry practice, and provide a public commitment to do so.



### Energy

We avoid financing new projects involved in thermal coal-fired power plants, offshore oil or gas projects in the Arctic, greenfield oil sands projects, large dams for hydro-electric projects inconsistent with the World Commission on Dams Framework, and nuclear projects inconsistent with the International Atomic Energy Agency ('IAEA') standards.



### World Heritage Sites and Ramsar wetlands\*

We avoid supporting projects that may have unacceptable impacts on sites of special international significance.



### Forestry

We work with customers to promote sustainable forestry.



### Chemicals

We adhere to national and international standards. We communicate with our customers to achieve sustainable chemical manufacturing.



### Defence equipment

We are restricted to provide financial services to customers who manufacture, sell, purchase or use anti-personnel mines and cluster bombs and other weapons as per the guidance.



### Mining and metals

We assess potential customers linked to human rights abuses, and those with poor track records for work-related fatalities and accidents. We avoid financing for thermal coal mines, mines using mountaintop removal ('MTR') or customers dependent on MTR in the Central Appalachian Mountains of the United States of America, or customers commencing the disposal of tailings in rivers or shallow sea-water in or since 2007.

\* Remark: The Convention on Wetlands is an inter-governmental treaty to protect wetlands of international importance, signed at Ramsar in Iran in 1971.

# Governance

## Being Proactive to Manage Risk

### *Responsible investment*

Based on the Proxy Voting guidelines, Hang Seng Investment Management Limited ('HSVM') has exercised over 99% of its voting authority to cast influence on its investee companies in 2021. This demonstrates the effort in ensuring the best interest of HSVM's clients.

HSVM has also established the Responsible Investment policy to further integrate responsible investment concept into the day-to-day management of its investments and clients' portfolios.

**HSVM became a Principles for Responsible Investment ('UNPRI') signatory in December 2021.**

### *Supply chain integrity*

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 risks, both reputational and otherwise.

Effective supply chain management is therefore vital to safeguard our brand and business, and to promote responsible practices among companies in our community. We require

contractors and suppliers to adhere to our stringent environmental, social and ethical standards and to the principle of continual improvement.

We maintain transparency and fairness in our procurement and contracts processes. Procurement is done on a competitive basis, and strict procedures govern employee conduct when handling such processes. Employees are trained to understand our internal controls and monitoring requirements.

Our third-party risk policy provides clear details of the standards we expect our suppliers to uphold, and how we assess their performance via supplier's self-assessment on commitment to reducing carbon emissions and adding ESG element into tender scorecard. As of 2021, we had 1,684 contracted suppliers. All are required to acknowledge their compliance with the our parent company's [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#) before contract award. Relevant records will be kept in online platform by our global utility team. This code communicates our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

We monitor suppliers following their appointment and reserve the right to review their policies on demand, procedures or documentation. We may also request an on-site audit to assess compliance with ESG and local regulations.

To ensure that suppliers clearly understand our requirements, sustainability standards are included in our purchasing policy documentation. This enables suppliers to assess their status

and develop a plan that meets our standards. They must also make reasonable efforts to ensure that their own supply chains are aware of, and comply with, our standards. We require our suppliers to establish environmental management system, as part of the due diligence process. To support our carbon-neutral ambition, we also assess the relevant commitment and performance of our suppliers, and ensure environmental considerations are incorporated in their purchasing process.

For financial products and services, we work with reputable third-party suppliers who have demonstrably high corporate standards. Rigorous assessments ensure any investment or insurance solution that we offer 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.

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

Using local suppliers demonstrates our support for our community, while eliminating unnecessary transportation reduces our impact on the environment. According to our payment records in 2021, around 90.4% of our suppliers have presences in Hong Kong. The remainder are in Asia, Europe and the United States.

# Governance

## Being Proactive to Manage Risk

### Human rights

#### Protecting human rights

Our commitment to human rights extends to our value chain. Our sustainability standards require suppliers to commit to respecting the rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and areas in which they operate.

We avoid associating with entities with a high risk of human rights violations. Our parent company's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services prohibits suppliers who restrict freedom of association or rights to join labour unions or who use child or forced labour.

We require our suppliers' employment practices should observe our parent company's requirements, including the principles of the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong and local regulations.

Our expectations regarding human rights are communicated to our suppliers via their acceptance of the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services. They must state compliance with this code by signing and returning it to us before the contract award stage.

They must:

- Respect the rights of the people and communities in which they operate, and strive to improve the lives of those people and the conditions in those communities
- Not use child, underage and forced labour
- Not engage in or support human trafficking
- Provide evidence of due diligence regarding their supply chain and labour processes, to ensure they comply with laws on slavery and human trafficking

We assess clients before we commit to corporate lending. We do not provide financial services to customers in the agricultural commodities sector that are involved in, or sourcing from, suppliers involved in the exploitation of people and communities, such as child labour or forced labour. We analyse incidents including mining and metal sector customers causing severe adverse impacts on human rights. In such events, we engage the customer and consider the impacts, the potential remedies, and whether we should continue the relationship. For details, please refer to our [sustainability risk policies](#).

### Contractor partnerships

For all operating and capital expenditure, our procurement policy strives for efficiency, transparency, segregation of duties and the most suitable buys. Our procurement team engages with as many suppliers as possible and briefs bidders on our tender requirements. We apply fair competition principles to all applications from appropriately qualified parties, and consider every proposal in an unbiased and honest way. We have zero tolerance for corruption and bribery.

We meet with existing and potential suppliers to review and strengthen business relationships, and keep abreast of market trends.

Before order release and payment, 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 named on global sanction lists.

### Online risk profiles

Our online platform enables internal users to assess service and supplier risks relating to:

- Bribery and corruption
- Money laundering and sanctions
- Business continuity and incident management
- Accounting
- Regulatory compliance
- Security of people and physical assets
- Subcontracting
- Tax
- Insurable risk
- Information and cybersecurity risks

The platform helps us in monitoring risks and supplier management. It automatically proposes and tracks the completion of related controls. It ensures compliance with our third-party risk management policy. And it enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services. This helps satisfy growing demands from regulators for supplier risk management.

In 2021, there was no confirmed incident when contracts with business partners were terminated or not renewed due to violations related to corruption.

# Governance

## Our Stakeholders

We proactively engage with stakeholders who are highly influential to our business, and those could be affected by our operations significantly. The stakeholder groups include customers, staff, shareholders, suppliers, business partners, regulators and the wider community. Understanding their concerns helps us to better meet or even exceed their expectations and concerns regarding our governance, management and sustainability.

To prepare our ESG Report, we conduct stakeholder engagement exercises annually. In 2021, we conducted an online survey with staff, and collected a total of 1,759 responses. We also arranged interviews with selected senior management representatives and external stakeholders. To ensure open dialogue and impartiality, this exercise was undertaken 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.

### Engaging Our Stakeholder Community

Stakeholders were also engaged regularly via the following channels in 2021:

Stakeholders	Primary methods of engagement	
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Daily operations and interactions</li> <li>• Financial market updates</li> <li>• Relationship manager visits and meetings</li> <li>• Seminars and conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Loyalty events</li> <li>• Satisfaction surveys</li> <li>• Online community</li> <li>• Net Promoter System</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Corporate communications</li> </ul>	<ul style="list-style-type: none"> <li>• Interim and annual reports</li> <li>• Results announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Focus groups</li> <li>• Face-to-face interviews</li> <li>• Training and workshops</li> <li>• Performance and development discussions</li> <li>• Business briefings</li> <li>• Town hall meetings hosted by the Chief Executive and business/function heads</li> <li>• Regular exchange meetings hosted by the Chief Executive and managers</li> </ul>	<ul style="list-style-type: none"> <li>• Symposiums</li> <li>• Forums hosted by businesses/functions to profile their work and expose staff to internal opportunities</li> <li>• Employee representation on staff retirement committee</li> <li>• Intranet</li> <li>• Staff mobile app</li> <li>• Morning broadcasts</li> <li>• Volunteer activities</li> <li>• Community investment programmes and communications</li> </ul>
<b>Business analysts and investors</b>	<ul style="list-style-type: none"> <li>• Results publications</li> <li>• Announcements and circulars to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Investor Relations meetings</li> </ul>

# Governance

## Our Stakeholders

Stakeholders	Primary methods of engagement	
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• Calls</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Reports</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Compliance reports</li> <li>• On-site/ Off-site inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc enquiries</li> <li>• Circulars and guidelines</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Briefings</li> <li>• Press materials</li> </ul>	<ul style="list-style-type: none"> <li>• Senior leaders' interviews</li> <li>• Results announcements</li> </ul>
<b>Non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>• Volunteer activities</li> <li>• Community investment programmes and communications</li> </ul>	<ul style="list-style-type: none"> <li>• Visits and meetings</li> </ul>
<b>Financial sector peers</b>	<ul style="list-style-type: none"> <li>• Hong Kong Association of Banks meetings and events</li> </ul>	
<b>Professional bodies (including rating agencies)</b>	<ul style="list-style-type: none"> <li>• In-depth consultations</li> <li>• Memberships</li> </ul>	<ul style="list-style-type: none"> <li>• External audits</li> <li>• Index assessments and questionnaires</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Risk management processes</li> <li>• Due diligence processes</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reviews</li> <li>• Visits and meetings</li> </ul>

## From Feedback to Action

The key feedback that we received from our stakeholders during the reporting period and our responses are detailed below.

### *Championing local business*

Building lasting partnerships with SMEs is one of our key focuses. By working with these businesses, we support the local economy and help create employment opportunities and wealth.

"Biz-Virtual+" account, a new-tier of bank accounts was launched in 2021 to facilitate access to banking facilities for start-ups and new businesses. New customers enjoy a wide range of privileges, including a monthly fee waiver with no minimum total relationship balance requirements for the first two years. To make account opening more convenient for enterprises, we introduced Remote Account Opening service to enable a fully online business account application in as fast as three days. While we have further strengthened our digital capabilities to support SMEs' daily banking requirements, we also maintained strong offline relationship management with customers.

In 2021, our commitment to serving SMEs earned us the SME Engagement Outstanding Award from the Bloomberg Businessweek Financial Institution Awards 2021 and Best Bank for SMEs, Hong Kong from Asiamoney.

We are committed to acting as a springboard for entrepreneurs in Hong Kong and across the Greater Bay Area to scale new heights. We established strategic alliance with business partners, such as Hong Kong Cyberport Management Company Limited, Hong Kong Trade Development Council, and Hong Kong Science and Technology Parks Corporation, to empower the next generation of innovators.

# Governance

## Our Stakeholders

### *Environmental management*

Various energy saving measures have been implemented to assure energy efficient operations. For example, all electrical equipment in our core buildings are programmed to switch off after office hour; operating time of most of our branches' bulkhead signage has been shortened. In support of the government's climate action, three of our office buildings and some of large-scale branches have enrolled in the Energy Saving Charter 2021 scheme and the 4T Charter scheme.

### *Sustainable finance*

In addition to green loans offered to corporate customers since 2018, Hang Seng introduced sustainability-linked loan programmes in 2021 to incentivise corporate customers to achieve predetermined sustainability performance targets ('SPTs'). The loan interest rates would be linked to whether the borrowers satisfy the predetermined SPTs. We partnered with HKQAA to launch a sustainability-linked loan assessment programmes to make it faster, easier and cost-effective for customers to access sustainability-linked financing.

We continue to promote ESG as a thematic investment idea in our products' digital journey by showing labels for ESG equity-linked investment products, enriching ESG investment page on our corporate website with educational materials, and also highlighting the ESG fund list in personal e-Banking fund exploration journey.

### *Membership of industry associations*

We demonstrate our values, and keep up-to-date with industry trends, via membership of various associations. These include:

- Business Environment Council Limited
- Employers' Federation of Hong Kong
- Federation of Hong Kong Industries
- The Hong Kong Association of Banks
- The Hong Kong General Chamber of Commerce
- The Hong Kong Green Finance Association
- The Hong Kong Institute of Bankers
- Hong Kong Investment Funds Association
- The Hong Kong Management Association
- The Hong Kong Retirement Schemes Association
- Hong Kong Securities and Investment Institute
- The Institute of Financial Planners of Hong Kong
- International Chamber of Commerce – Hong Kong
- International Swaps and Derivatives Association, Inc.
- Treasury Markets Association



# Governance

## About This Report

### Report Coverage

The Hang Seng Bank's Environmental, Social and Governance Report 2021 documents our sustainability achievements and challenges encountered in 2021. It focuses on ESG issues that affect our business and are of concerns to our stakeholders. It also describes how the Bank drives ESG progress in its operations and along its value chain. The information and performance data of this report cover our operations in Hong Kong only, unless otherwise specified. This report covers the Bank's operation with 93.4% of total operating income.

Mainland China and other operations are excluded as their contribution to the Hang Seng Bank Group's profit before tax and total assets is not significant. To qualify as significant, the average of both profit before tax and total assets should be more than 5% for each of the past five years. Unless otherwise stated, the term 'Group' in this report refers to Hang Seng and its subsidiaries in Hong Kong. Hang Seng China has voluntarily published ESG Report 2021 covering the operations of the Bank in mainland China. For more details, please refer to their [ESG Report 2021](#).

Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year from 1 January to 31 December 2021. Other information covers the same period unless otherwise stated. There are no significant changes from the previous reporting period in terms of scope, boundary or measurement. Reasons are provided for any restating of information published in previous reports.

Our previous report, Environmental, Social & Governance Report 2020, was published on 31 May 2021.

### Reporting Guidelines and Assurance

Financial and corporate data in this report parallel those in the Bank's [Annual Report 2021](#) unless otherwise stated.

We have adopted the fundamental reporting principles from the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited ('HKEx'). This report has also been prepared in accordance with the Global Reporting Initiative ('GRI') Standards: Core option (May 2020 version), and with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Boards ('SASB') and the recommendations by the Task Force on Climate-Related Financial Disclosures ('TCFD'). The report has been independently verified by the Hong Kong Quality Assurance Agency ('HKQAA') (refer to [Verification Statement](#)).

According to Hong Kong Monetary Authority ('HKMA')'s SPM CG-5 requirement "Guideline on a Sound Remuneration System", we have fully complied with the HKMA's disclosure requirements to disclose information related to remuneration of our Senior Management and Key Personnel in aggregate amount, split into fixed and variable remuneration.

Our major business activities include:

- Wealth and Personal Banking
- Commercial Banking
- Global Banking and Markets
- Hang Seng Indexes Company

For more information, please refer to the Bank's [Annual Report 2021](#).

#### Materiality:

We commissioned an external consultant to assess the priorities of our materiality assessment through stakeholder engagement. The issues identified were endorsed by our ESG Disclosure Working Group and ESG Steering Committee, approved by the Executive Committee and noted by the Board.

#### Quantitative:

As approved by the ESG Steering Committee, we have established targets to reduce our operational impact on the environment (refer to [Our Environment](#)).

#### Balance:

To provide an unbiased picture of the Bank's performance, we review and disclose our achievements as well as areas for improvement.

#### Consistency:

To allow for meaningful comparisons of ESG data over time, the Bank uses the same methodology each year.

# Governance

## About This Report

### Our Performance

We support Hong Kong's economic development through providing financial services to individual and corporate customers paying tax and employing local staff. With our vast network of service outlets, we serve over 3.5 million of customers in Hong Kong.

Our directors and senior leaders contribute valuable knowledge to the community. Some of them serve on the boards of other large Hong Kong companies, participate in think tanks that focus on economic and social issues, and belong to regulatory and industry advisory groups. Some hold senior positions on the boards and committees of non-governmental organisations ('NGOs') and charities that tackle economic and social challenges in Hong Kong.

We principally operate and pay taxes in Hong Kong where the statutory profits tax rate is 16.5%. Our average Effective Tax Rate ('ETR') is 14.5%, which is lower than the statutory profits tax rate due to non-taxable income and non-deductible expenses:

- non-taxable income and non-deductible expenses – mainly represents income from tax-exempt debt instruments (e.g. government bonds) (ETR-1.8%)
- others – mainly represents tax deduction on additional Tier 1 capital instruments (ETR-0.6%)
- share of losses / (profits) of associates – represents exclusion of the tax effect of HASE's share of net losses / (profits) from its associates (ETR – 0.01%, effect of which is immaterial)

- partly offset by different tax rates in other countries/areas – mainly represents the differential in statutory tax rates between higher tax jurisdictions where HASE also operates (e.g. mainland China of which the statutory tax rate equals to 25%) and Hong Kong (ETR+0.4%)

### Materiality Assessment

We strive to address issues that matter to our stakeholders. We deem an issue material if it could significantly affect our reputation or viability, and/or influence stakeholders to do business with Hang Seng.

To prepare this ESG report, we commissioned an external consultant to determine the material issues.

#### 1. Issues identification

Based on the topics identified in the previous ESG report, we reviewed and refined the list according to industry trends. We identified eight new material topics—climate change mitigation and adaptation, energy and GHG emission, effluents and waste, transparency, materials, customer health and wellness, understanding customers' business, and board structure. Meanwhile, we removed market presence from the list of material topics.

#### 2. Issues ranking

A total of 1,759 employees, which was over eight times of the participants in 2020, took part in an online survey in 2021 to rank the importance of the identified topics. They were also asked if any topics should be added or removed. These results were used for plotting the materiality matrix.

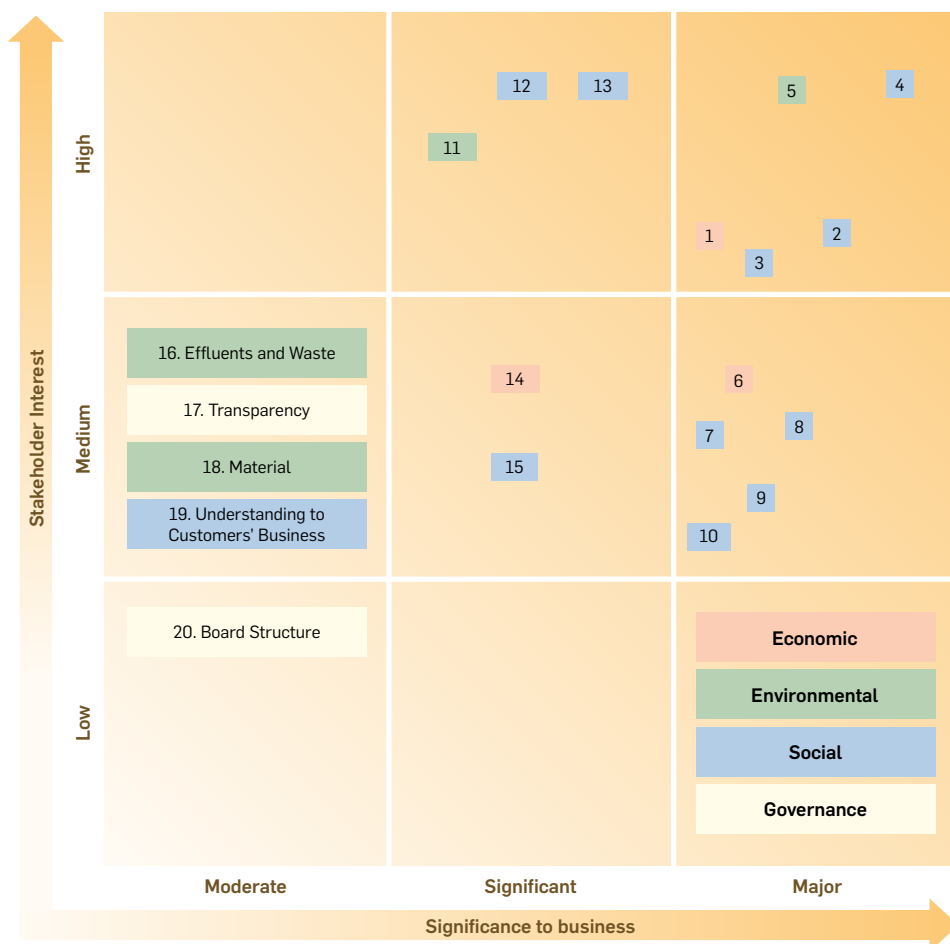
#### 3. Review and validation

We validate the assessment results with the qualitative feedback from stakeholder engagement and peer benchmarking. The recommended issues were discussed by the ESG Disclosure Working Group and ESG Steering Committee, then approved by the Executive Committee and noted by the Board.

# Governance

## About This Report

### Hang Seng's Material Issues



Among the 20 topics, 15 of them have significant impact on business success or above and medium importance to stakeholders or above are considered the most relevant to our business. These 15 topics and the areas of impact are listed below.

Areas of Impact			
	Material Topics	Inside Hang Seng	Outside Hang Seng
1	Sustainable finance	✓	✓
2	Customer privacy	✓	✓
3	Diversity and equal opportunity	✓	✓
4	Financial inclusion	✓	✓
5	Climate change mitigation and adaptation	✓	✓
6	Anti-corruption	✓	✓
7	Occupational health and safety	✓	✓
8	Non-discrimination	✓	✓
9	Labour / Management relations	✓	
10	Employment	✓	✓
11	Energy and GHG emission	✓	✓
12	Local communities	✓	✓
13	Customer health and wellness	✓	✓
14	Economic performance	✓	✓
15	Training and education	✓	

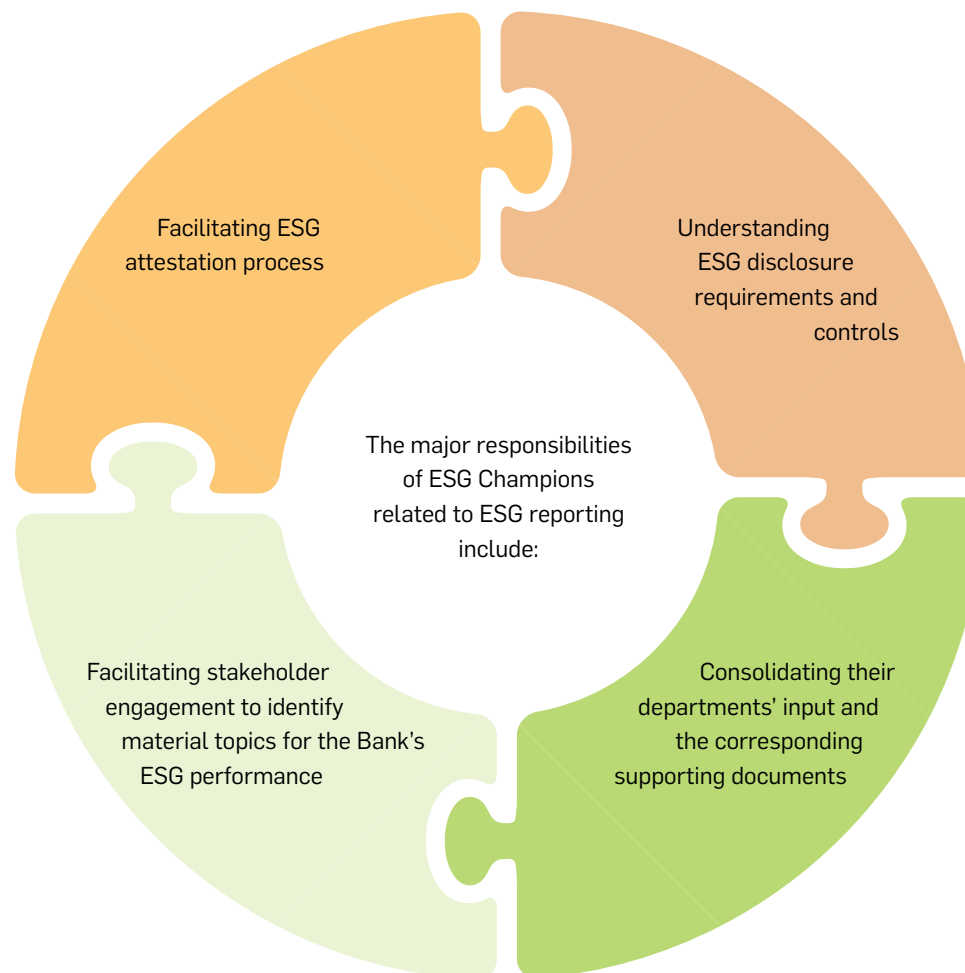
# Governance

## About This Report

### Data Collection

The Bank's ESG Champions are responsible for coordinating the data collection. To ensure the quality, accuracy and transparency of our ESG disclosure, we continue to use the Bank's Three Lines of Defence framework to collect and validate our ESG data, which is overseen by our ESG Disclosure Working Group.

Driving ESG disclosure and enhancement requires concerted efforts across departments and business units. Our ESG Champions and first line of defence, which are appointed by their department heads, help ensure the transparency, accuracy and reliability of our ESG disclosure.



After ESG Champions have provided relevant information and supporting documents, the first line of defence reviews the said information against the appropriate, verifiable evidence. If necessary, the second and the third lines of defence would independently review the information and supporting files provided by ESG Champions.

At our annual ESG Champion workshop in 2021, we discussed ESG reporting trends, how the Bank's perform against our peers in the sustainability arena and the best practice of our peers.

# Content Index

## Content Index for GRI Standards, Sector Disclosure and HKEx ESG Guide

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>			
<b>Organisation Profile</b>			
102-1		Name of the organisation	Cover; About This Report > Report Coverage
102-2		Activities, brands, products, and services	About This Report > Our Performance
102-3		Location of headquarters	Hong Kong
102-4		Location of operations	Hong Kong, mainland China, Macau, Singapore and Taipei
102-5		Ownership and legal form	Listed on The Stock Exchange of Hong Kong Limited
102-6		Market served	About This Report > Report Coverage; Our Performance
102-7		Scale of the organisation	Social > Our People > Training and Skills Development > Providing youth opportunities > Supporting industry initiatives
102-8	<b>KPI B1.1</b>	Information on employees and other workers	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
102-9	<b>KPI B5.1</b>	Supply chain	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Supply chain integrity
102-10		Significant changes to the organisation and its supply chain	About This Report > Report Coverage There was no significant change to the Bank's supply chain in 2021.
102-11		Precautionary principle or approach	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Supply chain integrity
102-12		External initiatives	Social > Our Community > Addressing Climate Change
102-13		Membership of associations	Governance > Our Stakeholders > From Feedback to Actions > Memberships of industry associations
<b>Strategy</b>			
102-14	<b>Governance Structure 13</b>	Statement from senior decision maker	Board Statement; Chief Executive's Message
102-15	<b>Governance Structure 13</b>	Key Impacts, risks, and opportunities	Board Statement; Chief Executive's Message

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>Ethics and Integrity</b>			
102-16		Values, principles, standards, and norms of behaviour	Social > Our People > Advocacy and Awareness
102-17	KPI B7.2	Mechanisms for advice and concerns about ethics	Social > Our People > Advocacy and Awareness; Employee Centricity
<b>Governance</b>			
102-18		Governance structure	Our ESG Journey > Introduction; Our ESG Journey > Introduction > Our ESG Governance
102-26	Overall Approach 10	Role of highest governance body in setting purpose, values, and strategy	Governance > Being Proactive to Manage Risk > Managing Different Types of Risk
102-29	Governance Structure 13	Identifying and managing economic, environmental, and social impacts	Board Statement; Chief Executive's Message
102-30	Governance Structure 13	Effectiveness of risk management processes	Board Statement; Chief Executive's Message
102-31	Governance Structure 13	Review if economic, environmental, and social topics	Board Statement; Chief Executive's Message
102-32	Overall Approach 10	Highest governance body's role in sustainability reporting	Our ESG Journey > Introduction > Our ESG Governance
<b>Stakeholder Engagement</b>			
102-40		List of stakeholder groups	Governance > Our Stakeholders
102-42		Identifying and selecting stakeholder engagement	Governance > Our Stakeholders > Engaging Our Stakeholder Community
102-43		Approach to stakeholder engagement	Governance > Our Stakeholders > Engaging Our Stakeholder Community; Social > Our People; Social > Our Customers > Understanding Our Customers
102-44		Key topics and concerns raised	Governance > Our Stakeholders > From Feedback to Action

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>Reporting Practice</b>			
102-45	<b>Reporting Boundary 14</b>	Entities included in the consolidated financial statement	About This Report > Report Coverage
102-46		Defining report content and topic boundaries	About This Report > Report Coverage; About This Report > Reporting Guidelines and Assurance
102-47		List of material topics	About This Report > Materiality Assessment
102-48		Restatements of information	Lost days due to work-related injuries from 2018 to 2020 are restated in Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
102-49	<b>Reporting Boundary 15</b>	Changes in reporting	About This Report > Report Coverage
102-50		Reporting period	About This Report > Report Coverage
102-51		Date of most recent report	About This Report > Report Coverage
102-52		Reporting cycle	About This Report > Report Coverage; About This report > Reporting Guidelines and Assurance
102-53		Contact point for questions regarding the report	<a href="mailto:esg.report@hangseng.com">esg.report@hangseng.com</a>
102-54		Claims of reporting in accordance with the GRI Standards	About This Report > Reporting Guidelines and Assurance
102-55		GRI content index	Content Index
102-56	<b>Overall Approach: paragraph 9</b>	External assurance	About This Report > Assurance; Verification Statement
	<b>The Guide paragraph 4</b>	An issuer must publish its ESG report on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report or in a separate report.	About This Report > Report Coverage

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 103 Management Approach</b>			
<b>103-1</b>	<b>Governance Structure 13</b>	Explanation of each material topic and its boundary	Board Statement; Chief Executive's Message
<b>103-2</b>	<b>Governance Structure 13</b>	The management approach and its components	Board Statement; Chief Executive's Message
<b>103-2</b>	<b>KPI B6.2</b>	The management approach and its components	Social > Our Customers > Understanding Our Customers; Social > Our People > Human Capital and Workforce Development
<b>103-3</b>	<b>Governance Structure 13</b>	Evaluation of the management approach	Our People > Employee Centricity; Board Statement
<b>Economic Standards Series</b>			
<b>GRI 201 Economic Performance 2016</b>			
<b>201</b>		Economic performance	Our Environment > Sustainable Finance > Sustainable/Green Finance Strategy
<b>103-1, 103-2, 103-3</b>	<b>GD A4, KPI A4.1</b>	Management approach	Chief Executive's Message; Our ESG Journey > Addressing Climate Risks
<b>201-1</b>	<b>KPI B8.2, KPI B8.1</b>	Direct economic value generated and distributed	Social > Our Community > Care for the Community; Overview; Our ESG Journey > Sustainability in Action; About This Report > Our Performance; Key Metrics – Performance Data Summary > Economic Performance
<b>201-2</b>	<b>KPI A4.1</b>	Financial implication and other risks and opportunities due to climate change	Our Environment > Climate Risk Management > Climate Risk Resilience; Our Environment > Sustainable Finance
<b>GRI 202 Market Presence 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B1</b>	Management approach	Chief Executive's Message; Social > Our People > Inclusive Culture; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights
<b>202-2</b>		Proportion of senior management hired from the local community	Social > Our People > Human Capital and Workforce Development > Talent acquisition
<b>GRI 203 Indirect Economic Impacts 2016</b>			
<b>203-1</b>	<b>GD B8, KPI B8.1</b>	Infrastructure investments and services supported	Social > Our Community > Care for the Community; Our ESG Journey > Sustainability in Action

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 204 Procurement Practices 2016</b>			
<b>103-1, 103-2, 103-3</b>		Management approach	Governance > Being Proactive to Manage Risks > Responsible Value Chain > Supply chain integrity
<b>204-1</b>	<b>KPI B5.1</b>	Proportion of spending on local suppliers	Governance > Being Proactive to Manage Risks > Responsible Value Chain > Supply chain integrity
	<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Contractor partnerships
	<b>KPI B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Supply chain integrity
<b>GRI 205 Anti-corruption 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B7</b>	Management approach	Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Financial crime; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Anti-bribery and corruption
<b>205-2</b>	<b>KPI B7.3</b>	Communication and training about anti-corruption policies and procedures	Social > Our People > Training and Skills Development; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance
<b>205-3</b>	<b>GD B7, KPI B7.1</b>	Confirmed incidents of corruption and action taken	Governance > Being Proactive to Manage risk > Managing Different Types of Risk > Financial crime In 2021, there were no fines, penalties or settlements in relation to corruption. In 2021, there was no case of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery.
<b>GRI 207 Tax 2019</b>			
<b>GRI-207</b>		Approach to tax	Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Financial and tax risks

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>Environmental Standards Series</b>			
<b>GRI 301 Materials 2016</b>			
<b>103-1, 103-2</b>	<b>GD A1, GD A2, GD A3</b>	Management approach	Our Environment > Environmental Management > Greening Our Buildings
<b>301-1</b>		Materials used by weight or volume	Key Metrics – Performance Data Summary > Environmental Performance Packaging materials used are not material to the business and therefore not disclosed.
<b>GRI 302 Energy 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD A1, GD A2, GD A3</b>	Management approach	Our Environment > Environmental Management > Greening Our Buildings; Our Environment > Environmental Management > Environmental Management Policy and Mechanism
<b>302-1</b>	<b>KPI A2.1</b>	Energy consumption within the organisation	Key Metrics – Performance Data Summary > Environmental Performance
<b>302-3</b>	<b>KPI A2.1</b>	Energy intensity	Key Metrics – Performance Data Summary > Environmental Performance Direct energy consumption per employee: 0.02 MWh Indirect energy consumption per employee: 3.73 MWh
	<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment; Our Environment > Environmental Performance (Operational Eco-Efficiency)
<b>GRI 303 Water and Effluents 2018</b>			
<b>103-1, 103-2</b>	<b>GD A1, GD A2, GD A3</b>	Management approach	Our Environment
<b>303-1</b>		Interactions with water as a shared resource	Our Environment > Environmental Management > Greening Our Buildings
<b>303-3</b>	<b>KPI A2.4</b>	Water withdrawal	Only municipal water from Water Supplies Department is used in the operation. Hong Kong is of low water stress, and there is no issue in sourcing water.
<b>303-5</b>	<b>KPI A2.2</b>	Water consumption in total and intensity	Key Metrics – Performance Data Summary > Environmental Performance

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 305 Emissions 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD A1, GD A2, GD A3, KPI A1.1</b>	Management approach	Our Environment > Environmental Management
<b>305-1</b>	<b>KPI A1.2</b>	Direct (Scope 1) GHG emission	Key Metrics – Performance Data Summary > Environmental Performance
<b>305-2</b>	<b>KPI A1.2</b>	Energy indirect (Scope 2) GHG emissions	Key Metrics – Performance Data Summary > Environmental Performance
<b>305-3</b>	<b>KPI A1.2</b>	Other indirect (Scope 3) GHG emissions	Key Metrics – Performance Data Summary > Environmental Performance
<b>305-4</b>	<b>KPI A1.2</b>	GHG emissions intensity	Key Metrics – Performance Data Summary > Environmental Performance
<b>305-5</b>	<b>KPI A2.3, KPI A1.5</b>	Reduction of GHG emissions	Our Environment > Environmental Management > Greening Our Buildings
	<b>KPI A1.5</b>	Description of emission target and steps to achieve them	Our Environment > Climate Risk Management > Climate Strategy; Our Environment > Environmental Management > Environmental Performance (Operational Eco-Efficiency)
<b>GRI 306 Waste 2020</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD A1, GD A3</b>	Management approach	Our Environment > Environmental Management > Greening Our Buildings; Our Environment > Environmental Management > Environmental Management Policy and Mechanism
<b>306-1</b>	<b>KPI A3.1</b>	Waste generation and significant waste-related impacts	Our Environment > Environmental management > Environmental Management Policy and Mechanism
<b>306-2</b>	<b>KPI A3.1</b>	Waste by Type and disposal method	Our Environment > Environmental management > Environmental Management Policy and Mechanism
<b>306-3</b>	<b>KPI A1.3, KPI A1.4</b>	Waste generated	Our Environment > Environmental Management > Environmental Performance (Operational Eco-Efficiency)
<b>306-4</b>	<b>KPI A1.6</b>	Waste diverted from disposal	Our Environment > Environmental management > Greening Our Buildings; Our Environment > Environmental Management > Environmental Performance (Operational Eco-Efficiency)
<b>306-5</b>	<b>KPI A1.6</b>	Waste directed to disposal	Our Environment > Environmental management > Greening Our Buildings; Our Environment > Environmental Management > Environmental Performance (Operational Eco-Efficiency)

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 307 Environmental Compliance 2016</b>			
<b>307-1</b>	<b>GD A1, GD A2, GD A3</b>	Non-compliance with environmental laws and regulations	Our Environment > Environmental Management
	<b>KPI A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Our Environment > Climate Risk Management Apart from the climate-related issues that are covered by this Report, the Bank is not aware that there are other significant climate-related issues that have impacted the Bank.
<b>Social Standard Series</b>			
<b>GRI 401 Employment 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B1</b>	Management approach	Social > Our People > Inclusive Culture; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights
<b>401-1</b>	<b>KPI B1.2</b>	New employee hires and employee turnover	Social > Our People > Human Capital and Workforce Development; Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
<b>GRI 403 Occupational Health and Safety 2018</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B2, KPI B2.3</b>	Management approach	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
<b>403-1</b>		Occupational health and safety management system	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
<b>403-3</b>		Occupational health services	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
<b>403-4</b>		Worker participation, consultation, and communication on occupational health and safety	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
<b>403-5</b>		Worker training on occupational health and safety	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
403-9	KPI B2.1	Work-related injuries	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
	GD B2	Compliance with health and safety-related laws and regulations	Social > Our People > Employee Centricity > Promoting employee wellbeing > Occupational health and safety
	KPI B2.2	Lost days due to work injury	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
<b>GRI 404 Training and Education 2016</b>			
103-1, 103-2, 103-3	GD B3	Management approach	Social > Our People > Training and Skills Development
404-1	KPI B3.2	Averaging hours of training per year per employee	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
404-2	GD-B3	Programs for upgrading employee skills and transition assistance programs	Social > Our People > Training and Skills Development
404-3		Percentage of employees receiving regular performance and career development reviews	Social > Our People > Inclusive Culture > Promotion of fairness and feedback culture
	GD B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Social > Our People > Human Capital and Workforce Development > Fit for the future; Social > Our People > Training and Skills Development
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Social > Our People > Training and Skills Development

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 405 Diversity and Equal Opportunity 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B1</b>	Management approach	Social > Our People > Inclusive Culture; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights
<b>405-1</b>	<b>KPI B1.1</b>	Diversity of governance bodies and employees	Social > Our People > Inclusive Culture > Promotion of equal opportunities, diversity and inclusion; Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers
<b>GRI 406 Non-discrimination 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B1</b>	Management approach	Social > Our People > Inclusive Culture; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights
<b>406-1</b>		Incidents of discrimination and corrective actions taken	No case of incidents of discrimination was reported in 2021.
<b>GRI 409 Forced or Compulsory Labour 2016</b>			
<b>103-2</b>	<b>GD B4, KPI B5.2, KPI B5.4</b>	Management approach	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Human rights
<b>GRI 412 Human Rights Assessment 2016</b>			
<b>103-1, 103-2, 103-3</b>		Management approach	Social > Our People > Inclusive Culture > Promotion of equal opportunities, diversity and inclusion; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights; Governance > Being Proactive to Manage Risk > Responsible Value Chain > Human Rights
<b>412-2</b>		Employee training on human rights policies or procedures	Social > Our People > Inclusive Culture > Promotion of equal opportunities, diversity and inclusion; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights; Governance > Being Proactive to Manage Risk > Responsible Value Chain > Human rights
<b>GRI 413 Local Communities 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B8, KPI B8.1, KPI B8.2</b>	Management approach	Snapshot > Our ESG Strategy; Social > Our Community > Care for the Community

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
413-1		Operations with local community engagement, impact assessments, and development programmes	Social > Our Community > Care for the Community
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Snapshot > Our ESG Strategy; Social > Our Community > Overview
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Our ESG Journey > Sustainability in Action; Social > Our Community
<b>GRI 414 Supplier Social Assessment 2016</b>			
414-1		New suppliers that were screened using social criteria	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Contractor partnerships  In 2021, there was no confirmed incident when contracts with business partners were terminated or not renewed due to violations related to corruption.
<b>GRI 416 Customer Health and Safety 2016</b>			
103-1, 103-2, 103-3	GD B6	Management approach	Social > Our Customers > Customer Safety
416-1		Assessment of the health and safety impacts of product and service categories	Social > Our Customers > Customer Safety
<b>GRI 417 Marketing and Labeling 2016</b>			
103-2	GD B6	Management approach	Social > Our Customers
417-2	GD B6	Incidents of non-compliance concerning product and service information and labeling	Social > Our Customers > Providing Transparency, Accountability and Choice
417-3	GD B6	Incidents of non-compliance concerning marketing communications	Social > Our Customers > Providing Transparency, Accountability and Choice

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>GRI 418: Customer Privacy 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B6</b>	Management approach	Social > Our Customers > Customer Privacy
<b>418-1</b>	<b>GD B6, KPI B2.3, KPI B6.2, KPI B6.5</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social > Our Customers > Understanding Our Customers; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Data privacy
<b>GRI 419 Socioeconomic Compliance 2016</b>			
<b>419-1</b>	<b>GD B1</b>	Non-compliance with laws and regulations in the social and economic area	Social > Our People > Inclusive Culture; Social > Our People > Employee Centricity; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Financial crime; Governance > Being Proactive to Manage Risk > Responsible Value Chain > Human rights  No judgments were entered against the Bank in litigation concerning employment practice, occupational health and safety, child or forced labour, product responsibility and corruption in 2021.
<b>419-1</b>	<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Social > Our Customers > Providing Transparency, Accountability and Choice
<b>Product and Service Labeling</b>			
<b>G4-DMA</b>		Management approach	Social > Our Customers > Providing Transparency, Accountability and Choice
<b>Product Portfolio</b>			
<b>G4-FS6</b>		Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	<a href="#">Annual Report 2021</a> : Segmental Analysis  <a href="#">Banking Disclosure Statement 2021</a> : Table 18: CR2 – Changes in defaulted loan and debt securities Table 19: CRB1 – Exposures by geographical location Table 20: CRB2 – Exposures by industry Table 26: Loans and advances to customers by geographical location Table 27: Gross loans and advances to customers by industry sector Table 28: Overdue loans and advances to customers

# Content Index

GRI Standards and Sector Disclosure	HKEx ESG Guide	Disclosure Description	Section/Remarks
<b>G4-FS7</b>		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Our Environment > Sustainable Finance > Sustainable Finance Solutions
<b>G4-FS8</b>		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Our Environment > Sustainable Finance > Sustainable Finance Solutions
<b>Active Ownership</b>			
<b>G4-DMA</b>		Management approach	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Responsible financing
<b>G4-FS10</b>	<b>Overall Approach: paragraph 7</b>	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Our Environment > Sustainable Finance> Sustainable/Green Finance Strategy
<b>G4-FS11</b>		Percentage of assets subject to positive and negative environmental or social screening	We do not report publicly on percentage of assets subject to positive and negative environmental or social screening. All subsidiaries are covered by our parent company's sustainability policies.
<b>Local Communities</b>			
<b>G4-FS13</b>		Access points in low-populated or economically disadvantaged areas by type	Social > Our Customers > Financial Inclusion
<b>G4-FS14</b>		Initiatives to improve access to financial services for disadvantaged people	Social > Our Customers > Financial Inclusion; Social > Our Community > Promoting Sustainable Finance and Financial Literacy

# Content Index

## Content Index for SASB Standards

Topic	Code	Disclosure Description	Section/Remarks
Activity Metric	FN-CB-000.A	1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Total value of deposit (personal banking): HK\$853.2 billionn
	FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Total value of loans (personal banking): HK\$355.7 billion
Data Security	FN-CB-230a.1	1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Data privacy
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	Social > Our Customers > Understanding Our Customers; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Cybersecurity; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Data privacy
Financial Inclusion & Capacity Building	FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	As we are still in the process of defining internal framework for calculating the internal metrics, we do not disclose such information for Financial Year 2021.
	FN-CB-240a.2	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	
	FN-CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Nil.
	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Social > Our Customers > Financial Inclusion > Promoting financial literacy; Social > Our Community > Promoting Sustainable Finance and Financial Literacy

# Content Index

Topic	Code	Disclosure Description	Section/Remarks
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis			<a href="#">Annual Report 2021</a> : Segmental Analysis
	FN-CB-410a.1	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	<a href="#">Banking Disclosure Statement 2021</a> : Table 18: CR2 – Changes in defaulted loans and debt securities Table 19: CRB1 – Exposures by geographical location Table 20: CRB2 – Exposures by industry Table 26: Loans and advances to customers by geographical location Table 27: Gross loans and advances to customers by industry sector Table 28: Overdue loans and advances to customers
	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance ('ESG') factors in credit analysis	Our ESG Journey > Addressing Climate Risks; Governance > Being Proactive to Manage Risk > Responsible Value Chain > Responsible financing
	FN-CB-410a.2	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Responsible financing
Business Ethics	FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anticompetitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Competition; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Financial crime
	FN-CB-510a.2	Description of whistleblower policies and procedures	Social > Our People > Employee Engagement; Social > Our People > Inclusive Culture; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk > Whistleblowing
Systematic Risk Management	FN-CB-550a.1	Global Systemically Important Bank ('G-SIB') score, by category	As Hang Seng is not classified as G-SIB, we disclose information on being a Domestic Systematically Important Bank ('D-SIB'). <a href="#">Annual Report 2021</a> : Management Discussion and Analysis – Risk
	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Our Environment> Climate Risk Management > Climate Risk Resilience; <a href="#">Annual Report 2021</a> : Management Discussion and Analysis – Risk and Corporate Governance Report

# Content Index

## Task Force on Climate-related Financial Disclosures (TCFD) Content Index

Area	Recommended Disclosure	Section/Remarks
<b>Governance</b>	a) Describe the board's oversight of climate-related risks and opportunities.	Board Statement; Our ESG Journey > Our ESG Governance
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Our Environment > Climate Risk Management > Climate Risk Resilience; Our Environment > Sustainable Finance; Governance > Being Proactive to Manage Risk > Managing Different Types of Risk
<b>Strategy</b>	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Governance > Being Proactive to Manage Risk > Responsible Value Chain > Responsible financing
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	Our Environment > Climate Risk Management > Climate Resilience; Our Environment > Sustainable Finance; Our Environment > Climate Risk Management > Climate Strategy; Our Environment > Environmental Management > Greening Our Buildings
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including Disclosure under a 2°C or lower scenario.	In 2021, we ran our first climate stress testing and scenario analysis exercise. We do not currently fully disclose the impacts of transition and physical risk quantitatively, due to transitional challenges such as data limitations and evolving science and methodologies.
<b>Risk Management</b>	a) Describe the organization's processes for identifying and assessing climate-related risks.	About This Report > Materiality Assessment; Our Environment > Climate Risk Management > Climate Resilience; Our Environment > Sustainable Finance; Our ESG Journey > Addressing Climate Risks
	b) Describe the organization's processes for managing climate-related risks.	Our Environment > Climate Risk Management > Climate Resilience; Our Environment > Sustainable Finance
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Our ESG Journey > Addressing Climate Risks; Our ESG Journey > Sustainability in Action; Our Environment > Climate Risk Management > Climate Resilience; Our Environment > Sustainable Finance Governance > Being Proactive to Manage Risk > Managing Different Types of Risk
	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Environment > Environmental Management > Greening Our Buildings; Governance > Being Proactive to Manage Risk > Climate Risk Management Framework
<b>Metrics and Targets</b>	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our ESG Journey > Addressing Climate Risks; Key Metrics – Performance Data Summary > Environmental Performance <a href="#">Annual Report 2021</a> ; Management Discussion and Analysis – Risk
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Our Environment > Environmental Management > Greening Our Buildings; Key Metrics – Performance Data Summary > Environmental Performance

# Key Metrics – Performance Data Summary

## Economic Performance

	Unit	2021	2020	2019	2018
<b>Direct economic value generated</b>		<b>33,230</b>	36,087	43,521	41,220
<b>Direct economic value distributed</b>		<b>24,592</b>	24,415	30,442	29,399
Operating Costs		<b>5,256</b>	4,691	4,661	4,994
Employee compensation and benefits		<b>6,311</b>	6,102	6,229	5,656
Payments to providers of capital	HK\$ million	<b>10,453</b>	11,214	16,020	14,756
Payments to government in Hong Kong		<b>2,466</b>	2,287	3,465	3,907
Payments to governments outside Hong Kong		<b>77</b>	92	36	55
Charitable donations		<b>29</b>	29	31	31
<b>Direct economic value retained</b>		<b>8,638</b>	11,672	13,079	11,821

Note: The data in Economic Performance table cover Hang Seng Group, including Hang Seng and all its subsidiaries.

More details on our business continuity policies and approach of incorporation of stress test to capital planning strategies are available in the [Annual Report 2021](#).

# Key Metrics – Performance Data Summary

## Environmental Performance

	Unit	2021 <sup>''</sup>	2020 <sup>#</sup>	2019 <sup>*</sup>	2018 <sup>^</sup>
<b>Total GHG emissions<sup>1</sup></b>		<b>16,411.02</b>	19,571.59	20,926.67	21,610.84
Scope 1		<b>70.16</b>	144.52	193.87	192.20
Stationary combustion		<b>27.19</b>	57.98	78.30	79.32
Mobile combustion		<b>42.97</b>	86.54	115.57	112.88
Scope 2		<b>15,973.04</b>	18,904.47	19,865.00	20,514.00
Purchased electricity	tonnes of CO <sub>2</sub> e	<b>15,967.65</b>	18,892.81	19,848.00	20,496.00
Towngas		<b>5.39</b>	11.66	17.00	18.00
Scope 3		<b>367.81</b>	522.6	867.80	904.64
Business travel (land and air)		<b>70.57</b>	201.85	551.96	563.43
Transmission and distribution loss		<b>283.17</b>	309.99	309.00	337.00
Upstream transportation and distribution (mobile branch)		<b>14.07</b>	10.76	6.84	4.21
<b>Total GHG emissions per FTE</b>		<b>2.10</b>	2.41	2.47	2.56
From Scope 1	tonnes of CO <sub>2</sub> e / FTE	<b>0.01</b>	0.02	0.02	0.02
From Scope 2		<b>2.04</b>	2.33	2.35	2.43
From Scope 3		<b>0.05</b>	0.06	0.10	0.11
GHG emissions per sq. ft.	tonnes of CO <sub>2</sub> e / sq. ft.	<b>0.012</b>	0.014	0.015	0.016
<b>Total energy consumption<sup>2</sup></b>		<b>29,292.18</b>	30,030.36	31,719.92	32,756.78
Indirect: electricity	MWh	<b>29,154.51</b>	29,734.74	31,289.08	32,334.54
Direct: gas and diesel		<b>137.67</b>	295.62	430.84	422.24
Energy consumption per FTE	MWh/FTE	<b>3.75</b>	3.71	3.75	3.88
Energy consumption per sq. ft.	MWh/sq. ft.	<b>0.02</b>	0.02	0.02	0.02
<b>Total water consumption<sup>3</sup></b>	000 m <sup>3</sup>	<b>73.21</b>	72.19	76.74	79.14
Water consumption per FTE	m <sup>3</sup> /FTE	<b>9.36</b>	8.91	9.06	9.36
<b>Total paper consumption</b>	tonnes	<b>1,085.65</b>	1407.75	1,569.97 <sup>4</sup>	1,371.92
<b>Waste disposed to landfill<sup>5</sup></b>	tonnes	<b>264.42</b>	507.26 <sup>6</sup>	305.60	302.41
Waste disposed per FTE	tonnes/FTE	<b>0.03</b>	0.06	0.04	0.04

# Key Metrics – Performance Data Summary

## Environmental Performance

	Unit	2021 <sup>''</sup>	2020 <sup>#</sup>	2019 <sup>*</sup>	2018 <sup>^</sup>
<b>Waste collected for recycling</b>		<b>354.42</b>	569.96	633.75	580.69
Paper		<b>324.44</b>	442.51	598.20	530.07
Plastic		<b>0.72</b>	0.79	1.40	0.59
Aluminium cans		<b>1.36</b>	0.58	0.66	0.20
Glass <sup>7</sup>	tonnes	<b>0.06</b>	0.28	0.29	0.10
Furniture		<b>14.81</b>	5.55	0.79	7.14
IT and electrical <sup>8</sup>		<b>1.90</b>	106.82	4.79	17.61
Food waste		<b>6.31</b>	13.43	27.62	24.98
Ink jet bottles and toner cartridge		<b>4.82</b>	N/A	N/A	N/A

### Remarks:

Data coverage of environmental performance data: Hang Seng Bank's Hong Kong operations. Data is rounded up to 2 decimal places. Most Of our environmental footprint dropped in 2020 and 2021 owing to altered working conditions during COVID-19.

Key: m<sup>3</sup>: cubic metres    CO<sub>2</sub>e: Carbon dioxide equivalent    MWh: Megawatt hour    FTE: Full-time equivalent employee<sup>8</sup>    sq. ft.: Square feet<sup>9</sup>

<sup>''</sup>1 Oct 2020–30 Sep 2021

<sup>#</sup>1 Oct 2019–30 Sep 2020

<sup>\*</sup>1 Oct 2018–30 Sep 2019

<sup>^</sup>1 Oct 2017–30 Sep 2018

- 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). Scope 2 greenhouse gas emissions are calculated based on electricity and town gas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.37 kg CO<sub>2</sub>e/kWh and 0.7314 kg CO<sub>2</sub>e/kWh respectively, as of 2021. Scope 3 greenhouse gas emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- The total energy consumption figures cover the energy consumption of the Bank's building operation only and exclude the energy consumption of the Bank's company vehicles.
- Freshwater is used for toilet flushing in Hang Seng 113 as it is not covered by the Water Supplies Department's seawater supply system.
- The surge in paper consumption in office was resulted from a change in the data collection method since the second quarter of 2019, which reflects upon user base.
- Hazardous waste is not counted owing to the insignificant amount.
- Renovation of our headquarters and other core buildings generated construction waste, hence a higher volume of waste disposal.
- Relevant data have been collected for reporting since 2018.
- All IT electronic wastes are recycled by authorised vendor of our parent company according to environmental friendly recycling process or donated to charity (if the equipment can be reused). In 2021, we have arranged recycling of all IT electronic wastes with Mass 8 Computer Service Limited. While 600 laptops were donated to Crossroads Foundation. Our target and on-going process are to recycle or donate all IT electronic wastes (if any) via the two said organisations.
- Full-time equivalent employees as of 30 Sep 2021, 30 Sep 2020, 30 Sep 2019 and 30 Sep 2018 were 7,820, 8,103, 8,468 and 8,452 respectively.
- Floor area as of 30 Sep 2021, 30 Sep 2020, 30 Sep 2019 and 30 Sep 2018 was 1,332,183, 1,375,455, 1,387,344 and 1,357,948 sq. ft., respectively.

# Key Metrics – Performance Data Summary

## Social Performance – Our People in Numbers

### Headcount by age group, employment type, gender and nationalities

	2021	2020	2019	2018				
Total number of employees	7,629	7,843	8,543	8,611				
Breakdown by age group								
Below 30	1,850	1,999	2,536	2,585				
30 to 39	2,769	2,712	2,704	2,650				
40 to 49	1,750	1,824	1,957	2,034				
50 to 59	1,197	1,262	1,271	1,291				
60 or above	63	46	75	50				
Percentage breakdown of all employees in Hong Kong by nationality (Top 4 nationalities)								
Chinese	97.99%	N.A.	N.A.	N.A.				
British	0.71%	N.A.	N.A.	N.A.				
Canadian	0.41%	N.A.	N.A.	N.A.				
Australian	0.22%	N.A.	N.A.	N.A.				
Percentage breakdown of executive in Hong Kong by nationality (Top 4 nationalities)								
Chinese	93.37%	N.A.	N.A.	N.A.				
British	2.41%	N.A.	N.A.	N.A.				
Canadian	1.20%	N.A.	N.A.	N.A.				
Australian	0.60%	N.A.	N.A.	N.A.				
Breakdown by gender	Male	Female	Male	Female	Male	Female	Male	Female
	3,242	4,387	3,358	4,485	3,674	4,870	3,653	4,958
Breakdown by employment type and gender								
Full-time permanent staff	3,200	4,352	3,319	4,465	3,591	4,783	3,580	4,882
Full-time contract staff	41	31	38	17	66	31	65	34
Part-time staff	1	4	1	3	17	56	8	42
Temporary staff <sup>2</sup>	–	–	–	–	–	–	–	–
Breakdown by employee category and gender								
Executive	1,439	1,441	1,340	1,355	1,267	1,311	1,205	1,216
Officer	1,278	1,970	1,447	2,069	1,599	2,246	1,702	2,314
Clerical/blue-collar	525	976	572	1,061	809	1,312	747	1,428

# Key Metrics – Performance Data Summary

## Social Performance – Our People in numbers

### Employee profile by age group and years of service

	2021	2020	2019	2018
Average age of employees				
Overall	<b>38</b>	38	38	38
Executive	<b>40</b>	40	40	40
Officer	<b>37</b>	37	37	36
Clerical/blue-collar	<b>37</b>	37	36	38
Average years of service				
Overall	<b>10</b>	10	9	10
Executive	<b>9</b>	9	9	8
Officer	<b>11</b>	11	10	10
Clerical/blue-collar	<b>10</b>	11	9	11

### New Hire and Internal Hire

	2021		2020 <sup>5</sup>		2019		2018	
	Male	Female	Male	Female	Male	Female	Male	Female
Below 30	<b>370</b>	<b>418</b>	135	98	525	490	563	616
30 to 39	<b>295</b>	<b>249</b>	117	50	227	180	346	295
40 to 49	<b>77</b>	<b>93</b>	15	28	50	85	67	121
50 to 59	<b>23</b>	<b>13</b>	7	3	19	27	32	31
60 or above	<b>5</b>	<b>8</b>	1	1	12	13	3	4
<b>Total</b>	<b>770</b>	<b>781</b>	275	180	833	794	1,011	1,067
<b>Grand total</b>	<b>1,551</b>		455		1,628		2,078	
<b>New hire rate<sup>3</sup></b>	<b>20.3%</b>		5.8%		19.1%		24.1%	
<b>Internal hire rate<sup>4</sup></b>	<b>20.3%</b>		57.3%		42.1%		26.3%	

### Total turnover by age and gender in 2021

	Male		Female		Undeclared	
	Headcount	Turnover rate	Headcount	Turnover rate	Headcount	Turnover rate
Below 30	280	3.6%	287	3.7%	1	0.0%
30 – 39	299	3.8%	270	3.4%	0	0%
40 – 49	91	1.2%	129	1.6%	0	0%
50 – 59	56	0.7%	68	0.9%	0	0%
60 or above	65	0.8%	50	0.6%	0	0%
<b>Total</b>	<b>791</b>	<b>10.1%</b>	<b>804</b>	<b>10.3%</b>	<b>1</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>1,596 (20.4%)</b>					

### Voluntary turnover by employee category<sup>6</sup> in 2021

	2021	
	Headcount	Turnover rate
Executive	<b>455</b>	<b>5.8%</b>
Officer	<b>769</b>	<b>9.8%</b>
Clerical/blue-collar	<b>316</b>	<b>4.0%</b>

# Key Metrics – Performance Data Summary

## Voluntary turnover by age and gender<sup>6</sup>

	2021				2020				2019				2018			
	Male		Female		Male		Female		Male		Female		Male		Female	
	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>	Headcount	Turnover <sup>7</sup>
Below 30	276	3.5%	286	3.6%	225	2.9%	191	2.8%	320	3.8%	343	4.1%	363	4.4%	382	4.7%
30 to 39	296	3.8%	267	3.4%	172	2.1%	131	1.6%	256	3.0%	227	2.7%	233	2.8%	207	2.5%
40 to 49	84	1.6%	122	1.6%	36	0.4%	79	1.0%	72	0.8%	113	1.3%	70	0.8%	113	1.4%
50 to 59	46	0.6%	62	0.8%	30	0.4%	41	0.5%	81	0.9%	83	1.0%	49	0.6%	43	0.6%
60 or above	53	0.7%	47	0.6%	40	0.5%	46	0.6%	3	0.1%	4	0.1%	35	0.4%	36	0.5%
<b>Total</b>	<b>755</b>	<b>9.6%</b>	<b>784</b>	<b>10.0%</b>	<b>504</b>	<b>6.3%</b>	<b>488</b>	<b>6.4%</b>	<b>733</b>	<b>8.6%</b>	<b>770</b>	<b>9.2%</b>	<b>751</b>	<b>9.1%</b>	<b>780</b>	<b>9.7%</b>
<b>Grand total</b>	<b>1,540 (19.6%)</b>				<b>992 (12.7%)</b>				<b>1,502 (17.8%)</b>				<b>1,531 (17.9%)</b>			

### Remarks:

1. All headcounts are in full-time employee equivalent (FTE). Due to rounding, numbers presented may not add up precisely to the totals provided and the percentages may not precisely reflect the absolute figures.
2. The "temporary staff" category was retired in 2018. The headcount was incorporated into the other three categories.
3. Percentage age of total new hires compared to total employees at the end of year.
4. Percentage age of internal hires refers to the total number of open positions filled by employees divided by the total number of vacancies in the year.
5. In 2020, due to impact of COVID-19 and the slowdown in economic activity, the Bank maintained a relatively low attrition rate, which reduced the need for external recruitment. The Bank was also prudent in cost control and headcount expansion.
6. The turnover rate is based on the actual number of employees.
7. No significant seasonal variations in headcount were reported.
8. Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.
9. Headcount, number of new hires and total turnover may not be calculated precisely from the data, due mainly to inter-company transfers with subsidiaries and change of employment status of individual employees (e.g. from full-time to part-time, or vice versa).

# Key Metrics – Performance Data Summary

## Occupational Health and Safety

	2021	2020	2019	2018
<b>Absenteeism rate*</b>				
Male	<b>1.31%</b>	1.06%	1.56%	1.50%
Female	<b>2.07%</b>	1.60%	2.28%	2.15%
Overall	<b>1.75%</b>	1.37%	1.98%	1.87%
<b>Lost days due to work injury<sup>^</sup></b>	<b>32</b>	625	333	136.5
<b>Work-related fatalities</b>	<b>0</b>	0	0	0
<b>Work-related fatalities rate</b>	<b>0</b>	0	0	0

## Training and Skills Development

	2021*	2020	2019	2018
<b>Average learning and development days</b>				
Per employee in Hong Kong	<b>4.1</b>	3.8	5.5	5
<b>Average hours by gender<sup>#</sup></b>				
Male	<b>35</b>	34	52	46
Female	<b>29</b>	28	40	38
<b>Average hours by employee category</b>				
Executive	<b>18</b>	25	29	29
Officer	<b>23</b>	33	44	49
General staff	<b>37</b>	37	64	40

Remarks:

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

# We delivered training courses equally to all staff members depending on their roles and needs. The difference in average training hours between male and female members of staff is mainly due to more male colleagues received role-based training with longer training hours, as well as relatively less male colleagues in total headcount.

<sup>^</sup> The lost days due to work injury are counted based on the date of incident. Hence, at the time of the preparation of this Report, we may not be able to reflect the total number of lost working days of the incident for staff that have not completed the whole sick leave period. As a results, the lost days of 2018 to 2020 disclosed in this Report are greater than the figures disclosed in the Bank's ESG Report 2020.

## Social Performance – Our Community

	Unit	2021	2020	2019	2018
Number of outlets as of 31 December 2021*	N.A.	<b>281</b>	288	297	286
Number of customers as of 31 December 2021*	Million	<b>3.7</b>	>3	>3	>3
Community investment <sup>^</sup>	HK\$ million	<b>31.7</b>	30	33	32

Remarks:

\* Data coverage: Hang Seng Group includes Hang Seng and all its subsidiaries.

<sup>^</sup> Community investment includes charitable donations and community sponsorships.

# Verification Statement



## Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has conducted an independent verification for the Environmental, Social and Governance Report 2021 ("The Report") of Hang Seng Bank Limited ("Hang Seng"). The Report illustrates Hang Seng's sustainability efforts and performance in the period from 1st January 2021 to 31st December 2021. The Report focuses on the environmental, social and governance issues that affect Hang Seng's business and are of concerns to its stakeholders.

The aim of this verification is to provide a reasonable assurance on the reliability of the reporting contents. The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by the Hong Kong Exchanges and Clearing Limited, the Core option of the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") and GRI G4 Financial Services Sector Disclosures. It also provides disclosures with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Board ("SASB standards") and the recommendations by the Task Force on Climate-Related Financial Disclosures ("TCFD").

## 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 has been 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 GRI Standards, the GRI G4 Financial Services Sector Disclosures, ESG Guide and SASB standards.

Our verification procedures included discussion of the materiality analysis process, reviewing mechanisms 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.

## Independence

Hang Seng is responsible for the preparation and presentation of the Report. HKQAA's verification activities are independent from Hang Seng. There is no relationship between HKQAA and Hang Seng that would affect the impartiality of the verification service.

## Conclusion

The verification results revealed that:

- The Report has complied with all mandatory disclosure requirements and "comply or explain" provisions outlined in the ESG Guide;
- The Report has been prepared in accordance with the GRI Standards: Core option and GRI G4 Financial Services Sector Disclosures;
- The Report disclosure is aligned with the SASB standards and recommendations by the TCFD;
- 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 stated in the Report are reliable and complete.

In conclusion, HKQAA has obtained reasonable assurance and is in the opinion that Hang Seng has disclosed its sustainability performance in a transparent manner. The information included in the Report are objective, responsive and free from material misstatement.

**Signed on behalf of Hong Kong Quality Assurance Agency**

**Connie Sham**

Head of Audit  
April 2022

**Jorine Tam**

Director, Strategic Business