



恒生銀行  
HANG SENG BANK



Stock Code: 11



Environmental, Social  
and Governance Report  
2022

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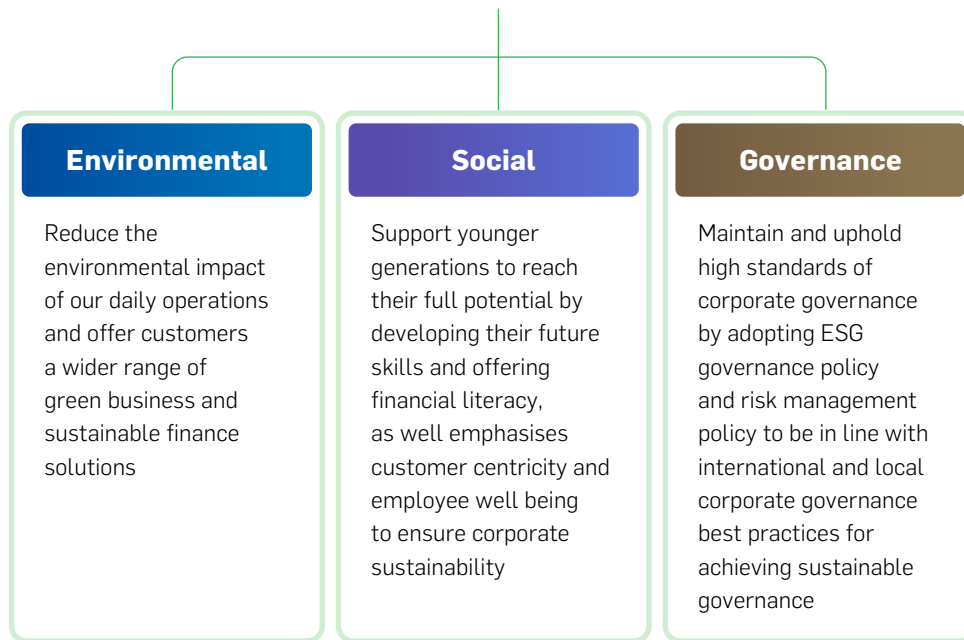
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# SNAPSHOT

## Our ESG Strategy

In 2022, our ESG strategy remained focusing on the following areas:



In designing our six implementation pillars for ESG strategy set out below, we have aligned to some core principles of the United Nations' Sustainable Development Goals ('SDGs') as below:



## ■ Our ESG Achievements

### Major ESG Achievements in 2022

#### ESG Performance



FTSE4Good

- ▶ Constituent of the FTSE4Good Index since 2001



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



- ▶ Constituent of the **MSCI Pacific ex Japan SRI Index** since 2015 (maintained an AA rating in 2022)



- ▶ Maintained a low-risk rating from **Sustainalytics**



Hong Kong Business Sustainability Index



Greater Bay Area Business Sustainability Index

- ▶ Constituent since 2015, and ranked 5<sup>th</sup> in both the **Hong Kong Business Sustainability Index ('HKBSI')** and **Greater Bay Area Business Sustainability Index ('GBABSI')** in 2022



- ▶ Ranked 1<sup>st</sup> among the Top 10 companies in Hong Kong in **Gender Equality Global Report & Ranking (2022 Edition)**



- ▶ Ranked 7<sup>th</sup> in 2022 **Carbon Rating Report of China's 100 Overseas Listed Companies**

#### ESG Awards



- ▶ Commendation Award for the Best GRI Report at the Hong Kong ESG Reporting Awards
- ▶ ESG Excellence Award at the Hong Kong Corporate Governance & ESG Excellence Awards 2022
- ▶ ESG Leading Enterprise Awards and Leading ESG Initiative Awards at the Chinese Edition of Bloomberg Businessweek and Deloitte
- ▶ ESG Corporate Excellence Awards at the Master-Insight Awards
- ▶ Gold Award at 2021 Hong Kong Awards for Environmental Excellence (Services and Trading Sector)
- ▶ Sustainable Finance Awards at Global Finance in Hong Kong 2022

## BOARD STATEMENT & CHIEF EXECUTIVE'S MESSAGE

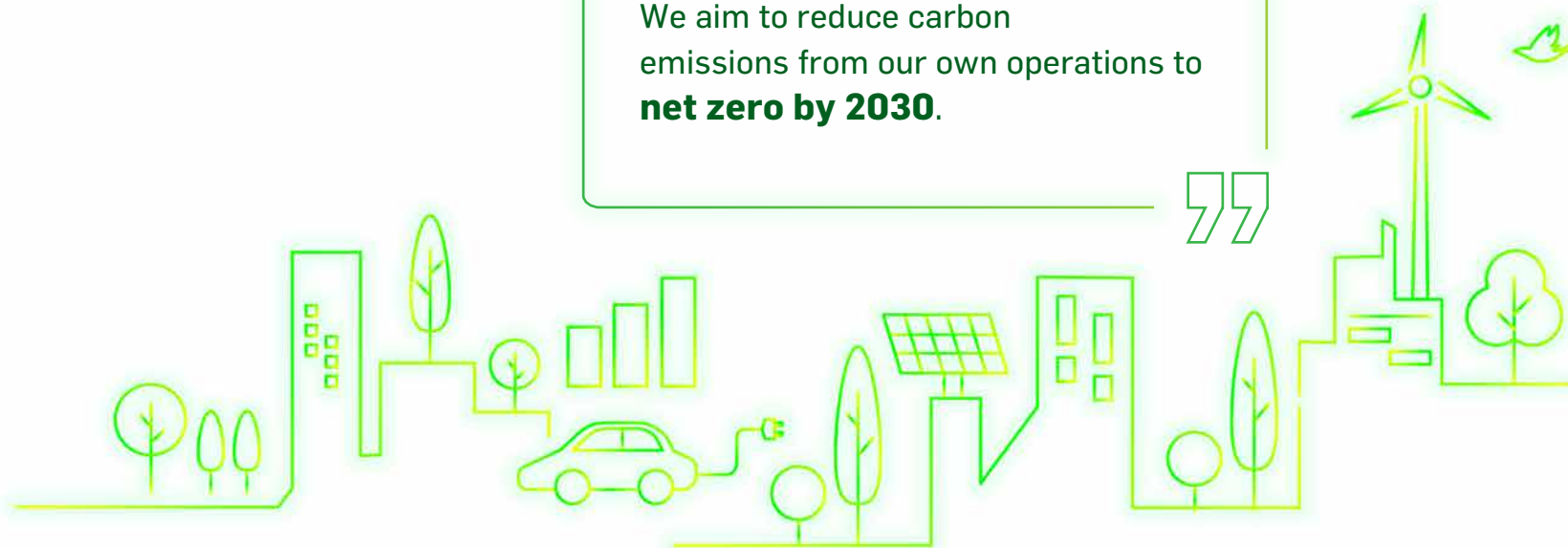
### ■ Board Statement

In an effort to step up our commitment to mitigating climate change, we aim to reduce carbon emissions from our own operations to net zero by 2030. We are also contributing to the HSBC Holdings plc ('HSBC' hereinafter)'s ambitions of becoming net zero in its supply chain by 2030 and aligning the financed emissions in its portfolio of customers to net zero by 2050.

Managing climate-related risks requires a concerted effort across different industries. In order to support our customers in transitioning to a low carbon economy, we have been diversifying our products and services with a focus on sustainable finance to cater for the different needs of customers. In 2022, Hang Seng Investment Management Limited launched the first ESG exchange-traded fund based on the Hang Seng Index. In addition, we launched the green deposit programme to offer our corporate customers the opportunity to invest their surplus funds in sustainable projects.



We aim to reduce carbon emissions from our own operations to **net zero by 2030.**



## Chief Executive's Message



To facilitate our clients' transition to a low carbon economy, we are continuing to develop and provide new products related to sustainable finance.



### Reinforcing the commitment to mitigating climate change

Recognising the urgency of mitigating climate change, we reinforced our commitment to decarbonisation during the year. We set targets for emissions reduction, which are aligned with HSBC.

### Diversifying our sustainable finance offerings

To facilitate our clients' transition to a low carbon economy, we are continuing to develop and provide new products related to sustainable finance. In terms of commercial banking, we launched the green deposit programme and provided our customers with a green trade facility. For retail banking, we rolled out green mortgages to incentivise the purchase of residential properties with specific green building certification. With regard to investments, our subsidiary, Hang Seng Indexes Company Limited, launched the Hang Seng Climate Change 1.5°C Target Index and other ESG-focused indexes, to provide benchmarks for investors who are interested in integrating climate and ESG considerations into their portfolio management.

As we celebrate our 90th anniversary, we will continue to place customer-centricity at the heart of our business, while adding innovations to address our customers' evolving needs. Undoubtedly, there will be challenges in the ever-changing business landscape, yet we are determined to do our part in the ESG journey to bring a positive impact to our customers and the community.

#### **Diana Cesar**

Executive Director and Chief Executive  
Hang Seng Bank

## OUR ESG JOURNEY

### ■ Introduction

Hang Seng ('the Bank' hereinafter) is committed to actively play our role in the local banking industry that drives the awareness of ESG matters. In 2022, we continued to execute our ESG strategy and implementation plan. We strengthened our internal capacity through various means, including webinars, videos and newsletters to enhance the awareness and understanding of ESG matters among our staff.

To continually make progress towards meeting our ESG targets, we have implemented annual ESG key performance indicators ('KPIs') for different business units since 2021, and the Board of Directors ('the Board' hereinafter) receives regular progress updates.

### ■ Our ESG Governance

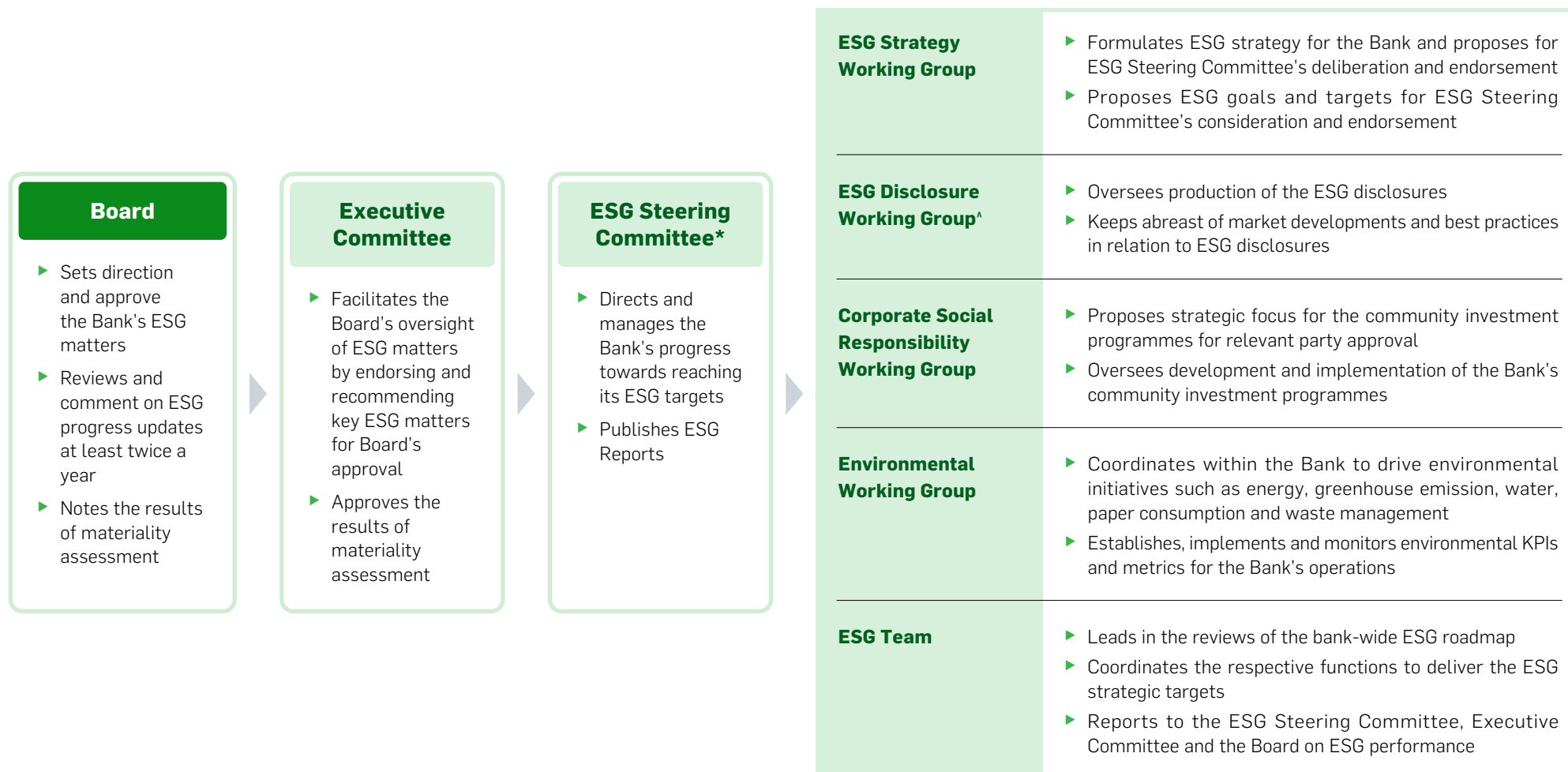
The Bank is committed to maintaining and upholding a high standard of governance over our ESG journey, with a view to safeguarding the interests of our shareholders, customers, employees and other stakeholders.

Our ESG Steering Committee is chaired by our Executive Director and Chief Executive, who also chairs Executive Committee which reports to the Board. The Steering Committee is supported by four Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), each of which is led by a 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.

In accordance with the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited ('HKEX') i.e. Appendix 27 of the Main Board Listing Rules, the Board was updated regularly about the progress on ESG-related matters at certain meetings that were held in 2022 and early 2023. At these meetings, the Board noted the progress update against the ESG-related goals and targets being set at the beginning of 2022, provided related comments or suggestions to the Management and also exercised oversight over the ESG matters. The Board also confirmed the effectiveness and adequacy of the Bank's disclosure framework, including the risk management and internal control systems relating to ESG.



## ■ Our ESG Governance




\* Chaired by our Executive Director and Chief Executive; Alternative Chairperson: Chief Financial Officer

<sup>^</sup> Chaired by the Chief Financial Officer



## Pursuing Environmental Excellence

Overall, we are on good track towards our environmental targets, with key achievement as of the end of September 2022<sup>1</sup> highlighted below:

Aspects	Base year	2022 Targets (against base year)	Our progress as of the end of September 2022	2023 Targets (against base year)
 <b>Electricity consumption</b>	2018	↓ Decreased by 7.5%	↓ Decreased by 13.3%	↓ Decrease of 10%
<b>GHG</b>  <b>GHG emissions – total Scope 1 and 2</b>	2018	↓ Decreased by 7.5%	↓ Decreased by 27.1%	↓ Decrease of 10%
 <b>Water consumption</b>	2018	↓ Decreased by 8%	↓ Decreased by 12.9%	↓ Decrease of 10%
 <b>Paper consumption<sup>^</sup></b>	2019	↓ Decreased by 15%	↓ Decreased by 24.6%	↓ Decrease of 17.5%
 <b>Waste diversion*</b>	N/A	↔ Diverted 70% of waste away from landfill	↔ Diverted 59.5% of waste away from landfill	↔ Divert 63% of waste away from landfill
 <b>Waste reduction*</b>	2018	N/A	↓ Reduced 39.8% of total waste	↓ Reduce 11% of total waste

1. Environmental data in 2022 is compiled from the Bank's operation data from 1 October 2021 to 30 September 2022.

\* Hang Seng conducted waste audit exercise in 2022 to benchmark our waste management against market practices. As a result, the project workgroup introduced waste reduction targets to align with the waste management targets outlined within the Hong Kong 2035 Government Waste Blueprint that published in 2021. The refreshed waste diversion targets were refreshed after factored in the implications of waste reduction initiatives in the subsequent years.

<sup>^</sup> The paper consumption is adjusted due to the new paper conversion formula adjusted by the third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of no. of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.

In 2022, the following three major initiatives were implemented so as to contribute on environmental targets:

### Set up food waste collection point

in Hang Seng Headquarter

### Converted the flushing water

in Hang Seng 113 office building from fresh water to sea water

### Purchased renewable energy

from local electricity supplier, that is equivalent to 30% of the Bank's annual electricity consumption

## Sustainability in Action: Highlights



### Environmental

- ▶ Set up **food waste collection point and decomposer** at our headquarters to convert food waste to sewage and divert to the drainage system
- ▶ Transitioned the use of PVC to **rPVC** for newly issued credit cards and ATM cards to reduce carbon emissions in procurement and operations
- ▶ Reduce our office area by **>100,000 sq. ft.** to minimise our carbon footprint
- ▶ Funded a **one-year carbon sequestration research project** of The Hong Kong Polytechnic University to evaluate the potential effectiveness of oyster farming as a nature-based solution
- ▶ Purchased renewable energy equivalent to **30%** of the Bank's annual electricity consumption in 2022
- ▶ Launched various **green products**, such as, mobile cheque deposit, green deposit, green mortgage and green electric vehicle loan
- ▶ **92.6%** of our shareholders adopted our e-communication services



### Social

- ▶ Pledged nearly **HK\$32 million** on community investments, supporting local organisations to organise **16** programmes for over **77,000** direct beneficiaries
- ▶ Invested non-financial resources and contributed close to **10,728 hours** of volunteer time, professional expertise and practical support to further enhance our social and environmental impact
- ▶ Donated second-hand laptops to the local community with total in-kind donations amounted to around **HK\$1.6 million**
- ▶ Disclosed **gender pay gap** (fixed pay gap and total compensation gap)
- ▶ **QR code** was added for our customers to access our online card activation journeys by the revamp of our card sticker
- ▶ Held **380** staff programmes and activities with **16,000** overall participations
- ▶ Provided **249** university students with internship opportunities



### Governance

- ▶ **84,249 hours** of learning on the topics of preventing bribery and corruption, money laundering and sanctions, conduct, values and regulations received by our staff
- ▶ Hang Seng Indexes has compiled **18** ESG-related Indexes by the end of 2022
- ▶ **>99%** employees who completed the mandatory cybersecurity training
- ▶ **>90%** IT developers who hold at least one of our internal secure developer certifications
- ▶ **50%** of our **top 40 suppliers**, i.e. half of our total spend responded that they had carbon reduction plans in a questionnaire sent by Hang Seng
- ▶ **95%** of our active suppliers are from local community while the rest are from Asia, Europe and the United States

## 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 could influence a stakeholder's decision on whether or not to conduct business with Hang Seng.

To prepare this ESG report, we commissioned an external consultant to determine the Bank's material topics.

### Topics Identification

Based on the topics identified in the previous ESG report, we reviewed and refined the list of material topics according to the industry trends. We have identified 15 material topics while 3 of them are new, including effluents and waste, board structure and materials.

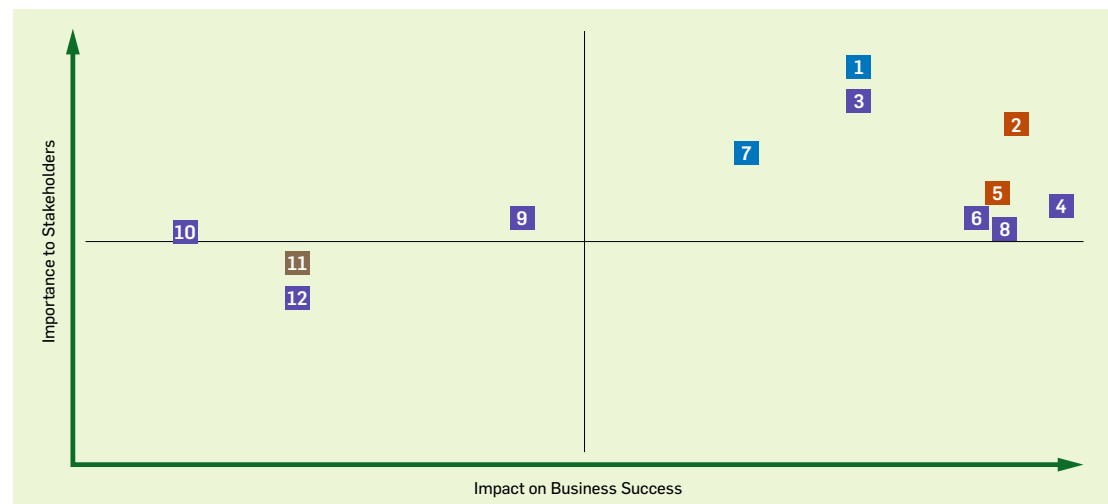
### Stakeholder Engagement

We organised interviews with different stakeholder groups (such as non-governmental organisation ('NGOs'), rating agency, supplier etc.) during 2022 to collect qualitative insights of identified material topics from stakeholders. The importance of material topics was ranked, with a materiality matrix presented.

### Review and Validation

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

### Hang Seng's Material Topics



Material topics	Respective locations
<b>Environment</b>	
1 Climate change mitigation and adaptation	→ Climate Strategy
7 Energy and GHG emissions	→ Environmental Management
<b>Economic</b>	
2 Sustainable finance	→ Sustainable Finance Solutions
5 Economic performance	→ Managing different types of risk
<b>Governance</b>	
11 Transparency	→ Transparency, Accountability and Choice

Material topics	Respective locations
<b>Social</b>	
3 Local communities	→ Community investment
4 Customer privacy	→ Customer privacy
6 Financial inclusion	→ Sustainable / Green Finance Strategy
8 Employment	→ Our People
9 Customer health and wellness	→ Service Dynamics
10 Understanding to customers' business	→ Understanding Our Customers
12 Training and education	→ Development of "Future Proof"

## ■ From Feedback To Action

 Case study

### Climate change mitigation and adaptation

As a wholly-owned subsidiary of Hang Seng, Hang Seng Investment Management Limited ('HSVM') is committed to making its contribution in transitioning to a pathway of low carbon emissions, with implementation of a number of initiatives to meet the requirements on climate-related risk management and disclosure as set by the Securities and Futures Commission ('SFC'). HSVM established its climate change policy to demonstrate its implementation of climate-related risk management based on the perspectives of governance, investment management, risk management and disclosure. Moreover, HSVM established the stewardship and engagement policy to govern the entity's engagement practices, to support the investee companies in stepping up their management quality and ESG practices.

#### Climate change policy

to demonstrate its implementation of climate related risk management based on different perspectives

#### Stewardship and engagement policy

to govern the entity's engagement practices, to support the investee companies in stepping up their management quality and ESG practices



All the electrical equipment in our core buildings is configured to switch off after office hours

### 4T

Three of our office buildings and some of our larger branches have enrolled in the 4T Charter scheme



Three of our office buildings and some of our larger branches have enrolled in the Energy Saving Charter 2022 scheme

### 22:00

The lighting in most of the bulkhead signs at our branches is turned off at 22:00

### Energy and GHG emissions

Various energy-saving measures have been implemented to ensure energy efficient operations. For example, all the electrical equipment in our core buildings is configured to switch off after office hours, and the lighting in most of the bulkhead signs at our branches is turned off at 22:00. In support of the government's climate action, three of our office buildings and some of our larger branches have enrolled in the Energy Saving Charter 2022 scheme and the 4T Charter scheme.

### Effluents and waste

Our staff were asked to join an initiative concerning the reduction of paper consumption in March 2022, implemented by the Environmental Working group ('EWG'), with an aim to reduce consumption across the Bank. Each team conducted monthly tracking of the consumption figures and the EWG would schedule quarterly meetings to discuss the performance and check results against the KPIs and RY2022 targets (RY2022 means October 2021 to September 2022; while each new RY starts from October). As of September 2022 (the end of RY 2022), against a set reduction goal of 15% (or reducing paper consumption to 58.4 tonnes from the 2019 baseline of 68.7 tonnes), we exceeded the target by limiting our paper consumption to 48.3 tonnes, thereby achieving a reduction of 29.7%. To further promote reduction of paper consumption and to achieve our target for RY 2023, three initiatives are proposed: to redesign the process, to encourage the use of e-Advice for transactions, and to launch new tablet solutions for our investment and insurance staff.

## ■ From Feedback To Action ■

### Sustainable finance

Since 2018, Hang Seng has been offering sustainable financing to our corporate customers, including green loans to finance customers who are eligible for green projects and sustainability linked loans. This year, we introduced social loan programmes to provide financing to support our corporate customers' social projects, e.g. an affordable basic infrastructure and access to essential services.

Our green and sustainability-linked trade finance facilities were introduced in December 2021. Meanwhile, the sustainability-linked trade finance facilities provide an incentive for our clients to improve their sustainability profiles. The green and sustainability-linked trade finance facilities are only available when the Green Loan Principle ('GLP') and / or Sustainability-Linked Loan Principles ('SLLP')<sup>1</sup> are met. In addition, borrowers are required to provide pre-issuance third-party verification and annual post-issuance third-party verification reports.

Green deposit are offered to all customers who are interested in investing their surplus cash balances into environmentally beneficial projects and initiatives.

We will continue to promote sustainable investment concepts and ESG products. In this regard, we are actively expanding the ESG investment page of our [corporate website](#) with educational material, ESG knowledge and insights.

To support SMEs to level up their business through digitalising the operation, the Bank has launched diverse digital solutions, including mobile cheque deposit, Hang Seng Commercial World Mastercard Virtual Card, and fully online SME loan application. With digital capabilities, we also maintained offline relationship management with customers through hotline, live chat, enhanced business banking centres, and branches networks.

In 2022, our commitment to serving SMEs earned us the SME Engagement Outstanding Award from the Bloomberg Businessweek Financial Institution Awards 2022 and Best SME Partner Award for the Hong Kong General Chamber of Small and Medium Business.

1 The Green Loan Principles and Sustainability Linked Loan Principles refer to the guidance papers jointly published by Loan Syndication and Trading Association ('LSTA'), Loan Market Association ('LMA') and Asia Pacific Loan Market Association ('APLMA').

### Social loans

We introduced social loan programmes to provide financing to support our corporate customers' social projects



### Green deposit

Green deposit are offered to all customers who are interested in investing into environmentally beneficial projects and initiatives

### Sustainability profiles

Sustainability-linked trade finance facilities provide an incentive for our clients to improve their sustainability profiles

### Third-party verification

Borrowers are required to provide pre-issuance third-party verification and annual post-issuance third-party verification reports

### Corporate website

We are actively expanding the ESG investment page of our [corporate website](#) with educational material, ESG knowledge and insights



# OUR ENVIRONMENT



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

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

1. Reduce **greenhouse gas ('GHG') emissions** through energy efficiency, water-saving and workplace enhancement programme
2. Reduce **consumption of materials** through operational enhancement and customer engagement
3. Support and explore opportunities of **renewable energy** usage and generation
4. Promote reduction and recycling of **wastes and effluents**
5. Identify, assess, and manage our **climate-related risks**
6. Offer a wide range of **sustainable finance products and services** to support our customers transit to a low carbon economy
7. Promote **green supply chain** and environmentally-friendly practices to suppliers and contractors
8. Support **environmental initiatives** through our participation in community programmes

## Climate Strategy

As a listed companies in Hong Kong, we strive to continuously carry out our role in this area. In 2022, examples of our work in this area included:

- ▶ We supported the government's climate commitment, three of our office buildings and some of our large-scale branches enrolled in the [Energy Saving Charter 2022 scheme](#) and the [4T Charter scheme](#).
- ▶ We switched off external lighting at three of our office buildings, including the Bank's logo and other billboards from 8:30 pm to 9:30 pm to participate in [EARTH HOUR 2022](#) on 26th March 2022.

### The Bank's business strategy

To contribute to the mitigation of climate change, we are actively exploring opportunities to support local renewable energy generation. Solar panels have been installed at Hang Seng 113 office building to generate renewable energy, and around 67,000 kWh of renewable energy has been generated in the past 12 months alone, which is equivalent to the avoidance of 26 tonnes of carbon emissions.

In 2022, we purchased renewable energy from a local electricity supplier, which is equivalent to around 30% of our annual electricity consumption for the year. Each unit in a renewable energy certificate represents electricity produced by local renewable sources, such as solar, wind and landfill gas. This helped to reduce around 3,408 tonnes of CO<sub>2</sub> emissions. Our efforts to support local renewable energy were recognised by the Renewable Energy Contribution Award in the Smart Energy Awards 2022. It is the fourth consecutive year that the Bank has received this recognition.

Around HK\$49million has been invested for office renovation to enhance space efficiency in our workplace with support of technology and hybrid work policy. More than 100,000 sq. ft-net of office area was reduced which could reduce over 100 tonnes of CO<sub>2</sub> emissions in our operation.

Hang Seng Investment Management Limited ('HSVM') has engaged a third-party ESG rating agent and implemented an ESG scoring system, which includes a climate change module for incorporating ESG factors and climate-related risks into its investment process. In 2022, HSVM allocated around USD120,000 in the relevant research and development ('R&D') for this entity.

Alongside, HSVM has implemented the responsible Investment Policy which covers all its self-managed portfolios.

### ESG factor integration

HSVM has also commenced steps to embed ESG factors into our investment process, while exploring the possibility to launch new products in future based on the ESG theme.



**~67,000 kWh**

Renewable energy were generated from solar panels installed at Hang Seng 113 office building in 2022



**>100 tonnes**

After office renovation, 100,000 sq. ft-net office area was reduced and reduced >100 tonnes CO<sub>2</sub> emissions in operation



**~US\$120,000**

was allocated in research and development ("R&D") for an ESG scoring system in 2022

## ■ Climate Strategy

### Advocacy of climate and sustainability awareness

During the year, we rolled out a series of publications, in order to enhance our staff's understanding of the Bank's newly launched ESG measures in an interesting and memorable way, including:

- ▶ 6 self-designed ESG comics
- ▶ 6 bite-sized videos with interactive quizzes

They covered topics like our installation of food waste decomposers, green mortgages, financed emissions, banking and climate change, etc. For details, please refer to our [corporate website](#).



A number of staff members have been trained as Green Ambassadors to support the implementation of our environmental management system ('EMS'). They are also raising awareness of environmental matters among their colleagues, families and friends, and provide regular updates on relevant policies and measures.

### Climate risk management

#### Overview

Climate risk relates to financial and non-financial impacts that may arise as a result of climate change and the move to a greener economy. Climate change can impact the organisation through a number of channels.

Physical risk can arise through increasing severity and / or frequency of severe weather or other climatic events, such as rising sea levels and flooding.

Transition risk, can arise from the move to a low carbon economy, such as through policy, regulatory and technological changes.

Greenwashing risk is a thematic risk that can materialise from the act of knowingly or unknowingly misleading stakeholders regarding our strategy relating to climate, the climate impact / benefits of a product or service, or regarding the climate commitments or performance of our customers.

#### Approach and policy

Climate risks may affect us either directly, or through our relationships with our customers, resulting in both financial and non-financial impacts.

We may face direct exposure to the physical impacts of climate change which could negatively affect our day-to-day operations. In addition, if we are perceived to mislead stakeholders on our business activities or if we fail to achieve our stated carbon neutrality ambitions, we could face greenwashing risk resulting in significant reputational damage and potential regulatory fines, impacting the firm's revenue generating ability.

Our customers may find that their business models fail to align to a low carbon economy or that extreme or chronic changes in weather cause disruption to their operations. Any detrimental impact to our customers from climate risk could negatively impact us either through credit losses on our loan book or losses on trading assets. We may also be impacted by reputational concerns related to the climate action or inaction of our customers. Climate risk has been integrated into our existing risk taxonomy and is being incorporated

within the risk management framework through the policies and controls for the existing risks where appropriate.

Our approach to climate risk is aligned to our risk management framework and three lines of defence model, which sets out how we identify, assess, and manage our risks. This approach ensures the Board and senior management have visibility and oversight of our key climate risks.

#### Three Lines of Defence model ('LoD')

<b>1LoD</b>	The first line of defence has ultimate accountability for managing climate risk in line with risk appetite and owns the related controls.
<b>2LoD</b>	The second line of defence sets policies and minimum control standards, provides subject matter expertise and review and challenge to first line activities to ensure actions relating to climate are appropriate. Risk stewards in the existing risk taxonomy are responsible for the oversight of climate risk impacts on their risk types.
<b>3LoD</b>	The third line of defence provides independent assurance to management that climate risk management, governance and control processes are designed and operating effectively.



## Climate Strategy

Our initial approach focused on understanding physical and transition impacts across five priority risk types: wholesale credit risk, retail credit risk, reputational risk, resilience risk and regulatory compliance risk.

We consider greenwashing to be an important emerging risk which is likely to increase over time, as we look to develop capabilities and products to achieve our carbon neutrality commitments, and work with our clients to help them transition to a low carbon economy. To reflect this, our climate risk approach has been updated to include greenwashing and guidance has been provided to the first and second of defence on the key risk indicators, and how it should be managed.



### Climate Risk – Primary Risk

Drivers		Details	Potential Impacts
Physical	Acute	Increased frequency and severity of weather events causing disruption to business operations	<ul style="list-style-type: none"> <li>▶ Decreased real estate values</li> </ul>
	Chronic	Longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves	<ul style="list-style-type: none"> <li>▶ Decreased household income and wealth</li> <li>▶ Increased costs of legal and compliance</li> </ul>
Transition	Policy and legal	Mandates on, and regulation of, existing products and services. Litigation from parties who have suffered from the effects of climate change	<ul style="list-style-type: none"> <li>▶ Increased public scrutiny</li> <li>▶ Decreased profitability</li> </ul>
	Technology	Replacement of existing products with lower emission options	<ul style="list-style-type: none"> <li>▶ Lower asset performance</li> </ul>
	End-demand (market)	Changing consumer behaviour	
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction	

### Climate Risk – Thematic Risk

Drivers	Details	
Greenwashing	Firm Based	Failure to be accurate and transparent in communicating our progress against our carbon neutrality ambition
	Product	Not taking steps to ensure our green and sustainable products are developed and marketed appropriately
	Client	Failing to check our products are being used for green and sustainable business activity and assessing the credibility of our customers' climate commitments and / or progress against KPIs

## Climate Strategy

### Key developments in 2022

We continue to accelerate the development of our climate risk management capabilities. The key achievements in 2022 include:

- ▶ Developed new climate risk metrics to cover our retail mortgage portfolio in Hong Kong
- ▶ Enhanced our corporate transition questionnaire and scoring tool to clients in high transition risk sectors
- ▶ Development of our internal climate stress testing and scenarios capability, including model development and delivery regulatory climate stress tests.



### Governance and structure

The Board takes overall responsibility for our climate strategy, overseeing executive management in the development of the approach, execution and associated reporting.

The Chief Risk Officer is responsible for the management of climate-related risks. Our Climate Risk Working Group is responsible for overseeing our climate related risk management.

### Risk appetite

Our climate risk appetite supports the oversight and management of the financial and non-financial risks from climate change, meets regulatory expectations and supports the business to deliver our climate ambition in a safe and sustainable way. Our initial risk appetite has focused on the oversight and management of climate risks, including metrics relating to our high transition risk sectors in our wholesale portfolio and physical risk exposures in our retail portfolio. We continue to review our risk appetite regularly to ensure that it captures the most material climate risks and will develop appropriate metrics to measure and monitor these risks.

### Policies, processes and controls

We are integrating climate risk into the policies, processes and controls for key areas, and we will continue to update these as our climate risk management capabilities mature over time.

In 2022, we have updated policies and incorporated climate considerations into our new money request processes for our wholesale business. We also adopted the updated energy policy, covering oil and gas, power and utilities, hydrogen, renewables, nuclear and biomass, as well as the updated thermal coal phase-out policy after its initial publication in 2021. Our transition risk scoring tool has been enhanced for our corporate portfolios, which will enable us to assess our customer exposures to climate risk.

## ■ Climate Strategy

### Wholesale credit risk

#### Identification and assessment

We have identified six key sectors where our wholesale credit customers have the highest climate transition risk, based on their carbon emissions. These are oil and gas, building and construction, chemicals, automotive, power and utilities, and metals and mining. We continue to roll out our transition and physical risk questionnaire to our largest customers in high-risk sectors, with the addition of four more sectors: agriculture, industrials, real estate and transportation. The questionnaire helps us to assess and improve our understanding of the impact of climate changes on our customers' business models and any related transition strategies. It also helps us to identify potential business opportunities to support the transition.

#### Management

In 2022, we updated our credit policy to incorporate climate considerations in credit applications for new money requests. We continued using a scoring tool, which provides a climate risk score for each customer based on questionnaire responses. The scoring tool will be enhanced and refined over time as more data becomes available. The results of the tool have been provided to business and risk management teams. In 2023 we aim to further embed climate risk considerations in our credit risk management processes.

#### Aggregation and reporting

We internally report our transition risk exposure consumed by the six high-risk sectors in the wholesale portfolio.

### Retail credit risk

#### Identification and assessment

We continue to enhance our identification and assessment of climate risk, prioritising our largest portfolios, by increasing our investment in physical risk data and by developing internal capabilities.

In 2022, we undertook an internal climate stress testing exercise to further our understanding and assessment of the potential impact of physical risk to our mortgage portfolios.

#### Management

We continue to review and update our retail credit risk management policies and processes to further embed climate risk, whilst also monitoring local regulatory developments to ensure compliance.

#### Aggregation and reporting

We implemented physical risk exposure metric for retail mortgage portfolio in 2022.

### Resilience risk

#### Identification and assessment

Our Operational and Resilience Risk under Risk Department is responsible for overseeing the identification and assessment of physical and transition risks that may impact on the organisation's operational and resilience capabilities.

We are developing a deeper understanding of the risks to which our properties are subject to, and assess the mitigants to ensure ongoing operational resilience.

#### Management

We align with the operational and resilience risk policies developed by HSBC and the underlying measurement capability to embed climate risk management within HSBC's risk management framework.

#### Aggregation and reporting

With our ambition to achieve net zero in our own operations, we are particularly focused on developing measures to facilitate proactive risk management and assess progress against this strategic target.

Operational and Resilience Risk is represented on the climate risk related committees and working groups.

## ■ Climate Strategy

### Regulatory compliance risk

#### Identification and assessment

During 2022, key regulatory compliance risks under consideration have evolved to also include post-sale servicing, complaints handling, and market abuse. The priority risk focus remains on greenwashing, namely the development and ongoing governance of new, changed or withdrawn products / services and ensuring sales practices and marketing materials are clear, fair and not misleading.

To support the ongoing management and mitigation of greenwashing risk regarding our products, related functions have worked across all business lines to enhance our product controls. This has improved our ability to identify, assess and manage product-related greenwashing risks throughout the product governance lifecycle. Examples of ongoing enhancements include:

- ▶ Integrating the consideration and mitigation of climate / ESG-related risks within the Regulatory Compliance Risk Taxonomy and Control Library ('RTCL') and the existing New and Ongoing Product Management Policy,
- ▶ Ensure climate risk is actively considered and documented in the enhanced product templates / forms by the business within product review and creation,
- ▶ The HSBC Group's Regulatory Conduct has implemented requirements in the Group Product Governance Enhancement Guide to ensure climate risks are robustly assessed, documented and mitigated, and will be seeking assurance validation and roll out at regionally level covering the Bank.


#### Management

Our policies continue to set the standards that are required to manage the risk of breaches of our regulatory duty to customers, including those related to climate risk, ensuring fair customer outcomes are achieved. Our product and customer lifecycle policies have been enhanced to ensure consideration of climate risks and are reviewed on a periodic basis to ensure they remain relevant and up-to-date.

The Compliance sub-function continues to focus on improving the capability of Compliance colleagues through the provision of ongoing training, communications and dedicated guidance. An area of particular focus is ensuring Compliance colleagues remain up-to-date with changes in the evolving regulatory landscape.

#### Aggregation and reporting

Global Compliance function of HSBC continues to operate an ESG and Climate Risk Working Group at a HSBC Group level to track and monitor the integration and embedding of climate risk within the management of regulatory compliance risks. In addition, the working group continues to monitor ongoing regulatory and legislative changes across the sustainability and climate risk agenda. In Asia-Pacific, a working group was established in February 2022 to coordinate the regional implementation of climate risk-related enhancements across the Compliance Advisory function. The Bank's Compliance Function is a member of this Asia-Pacific working group.



We have continued to develop our key climate-related metrics and indicators at HSBC Group level, aligned to the broader focus on regulatory compliance risks, to continually improve our risk monitoring capability. This has included the development of a climate-specific risk profile, which is produced at a HSBC Group level and regularly disseminated and reviewed at the regional level, alongside the development of new and improvements to existing metrics and indicators.

## Sustainable Finance

### Sustainable / Green Finance Strategy

#### Awareness of shared responsibility

To promote ESG issues to our customers, we have launched ESG-related product promotions. We opened the Wan Chai Business Banking Centre with stationed ESG-trained staff and developed a dedicated website, eDM and branch displays for the purpose of customer communication. For Hang Seng green deposit, a targeted eDM and a website have been developed, and a quarterly report is sent to customers showing how the deposits have been allocated to green financing solutions for commercial customers, for the financing of projects and activities with clearly identified environmental benefits.



#### Develop Green Business

Wan Chai Business Centre with stationed ESG-trained staff



#### Invest Green

Hang Seng green deposit



#### Live Green

Green mortgage



#### Go Green

Electric Vehicle loans



#### Shop Green

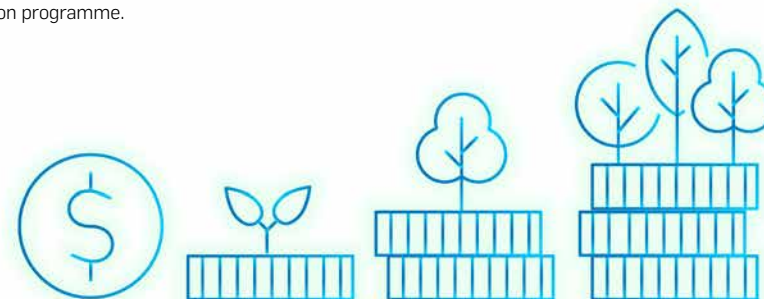
Hang Seng Green Moments

- ▶ In striving to promote sustainable development and contribute to a low carbon future, green mortgage<sup>^</sup> and Electric Vehicle ("EV") loans were introduced on June 2022 to our Personal Banking customers to support a "Live Green" and "Go Green" lifestyle.
- ▶ Followed by the launch of green mortgage and EV Loans, another wave of "Hang Seng Green Moments" was rolled out with the initiative to "Shop Green" on July 2022.

<sup>^</sup> The green mortgage scheme is applicable to designated residential properties with a valid Platinum or Gold rating under the Hong Kong Green Building Council's ('HKGBC') Building Environmental Assessment Method ('BEAM') Plus Certification programme.

#### Overview of sustainable finance programmes

In keeping with HSBC's climate strategy, we provide sustainable financing services to help our customers' transition to the low carbon economy.



## Sustainable Finance

### Sustainable Finance Solutions

#### ESG-focused investment

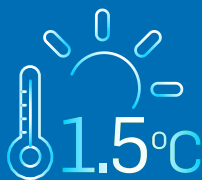
Hang Seng Indexes Company Limited ('Hang Seng Indexes') has become a signatory of the United Nations-supported Principles for Responsible Investment in 2022.

In December 2021, Hang Seng Indexes announced that its HSI / Hong Kong Quality Assurance Agency ('HKQAA') Sustainability Ratings and Research ('HSI / HKQAA Ratings') for listed companies will be available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by the 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 has enhanced both the access and transparency of the HSI / HKQAA Ratings to both institutional and retail investors.

To accommodate increasing demand for tools to support ESG investments, Hang Seng Indexes is adding new products to its Index Series, including the Hang Seng Climate Change 1.5°C Target Index, the HSI ESG Enhanced Index, the Hang Seng China Enterprises Index ('HSCEI') ESG Enhanced Index and the HSI Low Carbon Index. By December 2022, Hang Seng Indexes has compiled 18 ESG-related Indexes.

In 2022, we have onboarded new sustainable investment products, covering investment funds, bonds and equity-linked structured products.

#### Hang Seng Climate Change 1.5°C Target Index



#### May 2022

Hang Seng Indexes launched the Hang Seng Climate Change 1.5°C Target Index

#### 7% on average

to achieve an annual reduction in GHG emissions intensity of at least 7% on average compared to the underlying index

#### 50% reduction

at least a 50% reduction in GHG emissions intensity compared to the underlying index

#### New benchmark

to provide a new benchmark for investors who are interested in integrating climate considerations into their investment portfolios

#### < 1.5°C

to provide references with the EU PAB Standard, which is aimed at limiting the rise in global temperature to no more than 1.5°C compared to pre-industrial levels, by encouraging asset managers to develop investment portfolios that can reduce carbon emissions

#### HSCEI ESG Enhanced Index



#### Mainland China

Hang Seng Indexes launched the HSCEI ESG Enhanced Index, with a range of products that fulfil the needs of investors who are interested in ESG-focused and sustainable investment strategies for mainland China companies

#### Economic transition

Actions to address ESG issues have increased significantly among mainland China companies and communities in recent years, driven in part by the government's emphasis on sustainable development as a central element of mainland China's economic transition and long-term growth strategy

#### Key ESG principles

The HSCEI ESG Enhanced Index applies key ESG principles to its base index of the HSCEI

#### Three screenings

The HSCEI constituents are screened based on the ESG Risk Ratings, as well as their compliance with the United Nations Global Compact ('UNGC') Principles and their involvement with controversial products

#### ESG Risk Ratings

After these three screenings have been applied, the remaining constituents will be re-weighted based on their ESG Risk Ratings

## Sustainable Finance

### Sustainable finance products

#### Digital products

For retail and private banking customers, we offer green and ESG investment funds, bonds and equity-linked structured products via our branches and e-banking.

To further digitalise the corporate lending workflow, we rolled out the digital loan drawdown instructions for Business e-banking and Hang Seng HSBCnet, to enable eligible customers to submit their loan drawdown instructions and upload the supporting documents online, in this way reducing the number of paper forms and at the same time speeding up the loan drawdown process.

#### Electric Vehicle loan

Hang Seng is committed to providing customers with a diverse range of green banking services. In June 2022, we launched our EV loan, exclusively for online applications, which offers a privileged rate for customers who have purchased a recognised EV.

#### Green mortgage

With aim of supporting sustainable development and building a greener future, we launched the green mortgage plan in June 2022.

### Green loan and sustainability-linked loan

In an effort to assist corporate customers to deal with climate changes, we offer green loans to finance customers' eligible green projects that generate environmental benefits. Our sustainability-linked loans ('SLLs') also encourage customers achieve their sustainability performance targets ('SPTs') by linking the loans' interest rates to whether the borrowers satisfy the predetermined SPTs.

In 2022, we continued to offer green loans and SLLs to support our corporate customers for their green projects and in achieving their SPTs. We also introduced social loan programmes to provide financing for the social projects of our corporate customers, thereby supporting them to mitigate social issues and challenges.

Our green loans and SLLs are completed in compliance with international principles, i.e., Green Loan Principles and Sustainability-Linked Loan Principles, respectively, with external credentials set on the greenness of the projects and the appropriateness of the target setting.

### Green deposit programme

The green deposit programme is designed to provide corporate customers with access to means for investing their surplus deposits into environmentally-friendly projects and industries, while earning a stable interest.

#### Case study



In June and July 2022, Structured Finance, Commercial Real Estate and Corporate Advisory ('STL') hosted two external events with the HKQAA and CLP Power Hong Kong ('CLP') for the purpose of sharing our experience and demonstrating our strength in sustainable finance. These events were aimed at helping companies (especially SMEs) to learn how to implement sustainability in their operations and transition towards a low carbon future.

To enhance Hang Seng's market presence in the sustainable finance field, as of December 2022, STL has also participated as a speaker in 13 external events organised by recognised external reviewers under the HKMA Green and Sustainable Finance Grant Scheme, green professionals, universities and NGOs.

## Sustainable Finance

### Green and sustainability-linked trade finance facility

Green and sustainability-linked trade finance facilities were introduced in December 2021. Green trade finance is made available to support environmentally-sustainable / green trade activities, such as sourcing eco-friendly raw materials, manufacturing eco-friendly products and providing services to support green projects (e.g., green building). Meanwhile, sustainability-linked trade finance is provided to support customer in improving their sustainability profile, by aligning the facility terms to the customer's performance against predetermined SPTs.

The green / sustainability-linked trade finance facilities designation can only be applied to trade finance facilities when the corresponding pillars of GLP and / or SLLP are met. In addition, the customer is required to provide a third-party verification and the required transactional documents to demonstrate its adherence to the GLP and / or SLLP.



#### Case study

Hang Seng Bank (China) Limited ('HACN') entered into the first year of 5-Year-USD / CNY currency swap transaction linked to ESG terms with a client in 2022. The structure is designed to hedge FX translation risks, and meanwhile to encourage clients' good ESG performance by enhancing the exchange rate if the pre-set ESG clause embedded can be met during the life time of the transaction. This client has over 10 years relationship with the bank. We accompany the client growing to be the market leader in the textile industry. Their commitment to carbon neutrality is aligned with the bank to continuously promote the sustainable development together.



## Evaluation of our sustainable finance development

Recognising sustainable finance as a development focus within Hang Seng, the Bank acknowledges the importance of sustainable finance topics towards our stakeholders and business operations. Given the increasing market demand for sustainable finance solutions to promote the transition to a low carbon economy, Hang Seng has introduced diversified green investment products since 2018, and quantitative sustainable finance-related data is kept track of. The Bank acknowledges that 2022 ESG Report has not disclosed the quantitative sustainable finance data, which results in inconsistency and affects a meaningful comparison with relevant data of last financial year. Hang Seng is undergoing an alignment process to record sustainable data in its upgraded

system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability; until such time, Hang Seng is required to adopt a different methodology to report sustainable finance-related data than was used last year, with only qualitative sustainable finance content disclosed in the 2022 ESG Report

The Bank's work on sustainable finance focused on developing diversified products and services, which included the new introduction of green mortgages and Electric Vehicle Loans. Hang Seng is also committed to conducting market and public promotion of sustainable

finance, with the Hang Seng Climate Change 1.5°C Target Index launched by the Hang Seng Indexes. This index aims at incorporating an investment portfolio with a mission to minimise environmental impact and encourage more corporates to attain environmentally responsible practices. Hang Seng Indexes is committed to continuously monitoring and evaluating the environmental impact of its investment portfolio. We also plan to compile more investment portfolios with further improved environmental performance that can be included in the Hang Seng Climate Change 1.5°C Target Index. The Bank also considers the market in the Chinese Mainland, and the HSCEI ESG Enhanced Index has also been launched to cater for the Chinese Mainland market.



## ■ Environmental Management

### Environmental Management

#### Environmental management policy and mechanism

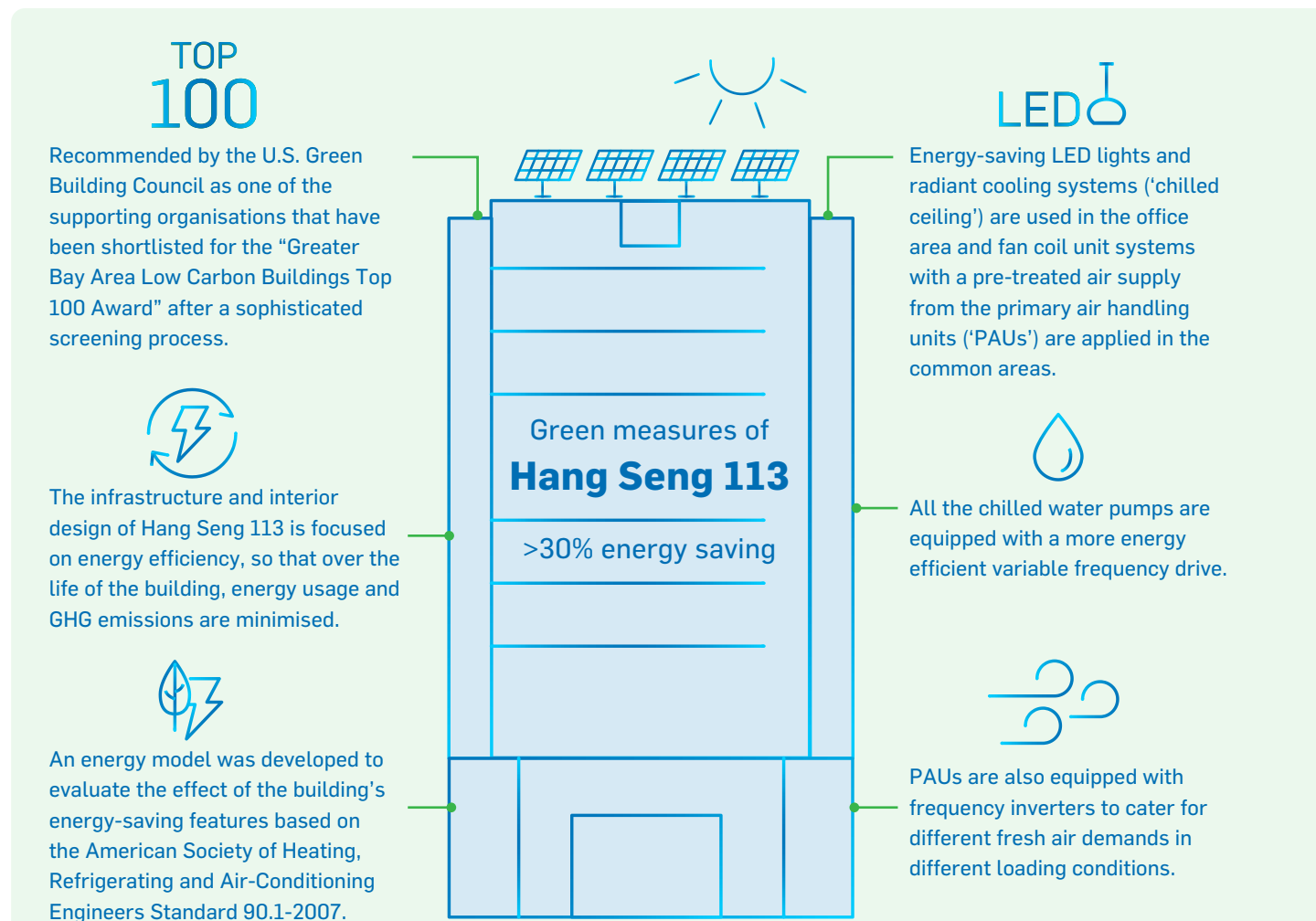
As Hong Kong's first domestic bank to attain ISO 14001 certification for all our offices and branches, we strive to lead by example in supporting the transition to a low carbon economy. With an environmental policy in place, we monitor our EMS and ensure its ongoing compliance with the ISO 14001 standards.

Hang Seng has continued with 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 on green procurement and waste management measures.

Our operations comply with the Hong Kong regulations and guidelines, such as the Waste Disposal Ordinance (Cap. 354) that governs the storage and disposal of electronic waste. In 2022, no judgments were entered against the Bank for breaching the environmental laws or regulations.

#### Greening our buildings

As recognition for our efforts to maintain the highest standard for sustainability and wellness in our office, Hang Seng was awarded as the winner of the Hong Kong RICS Award for the Facilities Management Team of the Year.



## ■ Environmental Management

**“Go Dark” initiative** was launched to help reduce our energy usage during the height of the COVID-19 outbreak in February 2022 where the lighting in the core buildings was turned off fully / partially, depending on the nature of activities on that floor. On vacant floors, air conditioning was also turned off, with a 1-hour on time for daily ventilation. This allowed us to reduce unnecessary energy usage while utilising the office during the work from home period.

**Energy-saving features** were embedded at the Bank’s branches in order to reduce energy consumption and carbon emissions. For example, the use of natural daylight at our new Wan Chai Business Banking Centre helps reduce the electricity consumption required for lighting. Supporting the government’s efforts on energy consumption, seven of the Bank’s buildings enrolled in the Energy Saving Charter 2022 and the 4T Charter schemes.

**Environmentally-friendly building materials and energy-efficient appliances** were used in some of our premises. These include low-volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade 1 rated electrical appliances.

**Workplace enhancement programme** is undertaken at some of our workplaces. We apply technologies and digital solutions to achieve paperless working and to reduce the needed storage space, which allows us to redesign our meeting rooms and spacious breakout areas to support mobile and collaborative work. Eight office floors were renovated in 2022 to absorb the staff from different office buildings, so that our total office area could be reduced by more than 100,000 sq. ft-net. Seven more office floors are scheduled to be renovated in 2023.

**The construction waste** generated from demolitions and renovations is handled by government-approved contractors and is taken only to government-approved facilities. We ensure that our contractors’ waste management and handling practices meet our standards.

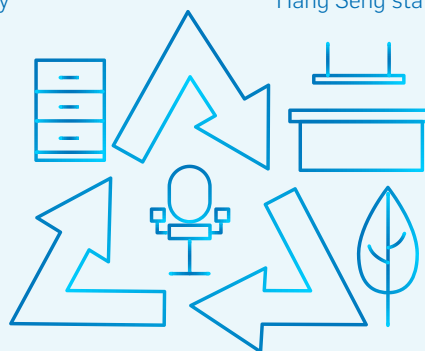
We have also initiated an “Integrated Furniture Waste Reduction Programme” to handle furniture which will no longer be used after our office renovation, which operates according to the sequence below:

### Step 1.

Reuse furniture within Hang Seng as the first priority

### Step 2.

Offer the remaining furniture to Hang Seng staff



### Step 4.

Engage recycling service providers to collect the remaining furniture

### Step 3.

Collaborate with partners to donate the remaining furniture after step 1&2

**Reusable utensils, containers and cups** are provided in our kitchen areas to encourage colleagues to abstain from using disposable ones.

**Non-recyclable waste** is reduced by removing all plastic bottle products from the vending machines in our office buildings.

**Food waste collection point** has been set up in the cafeteria area of our headquarters to separate food waste from packaging, which is then sent to our own food decomposer in the building. The food waste that has been digested and converted to sewage is diverted to the drainage system.

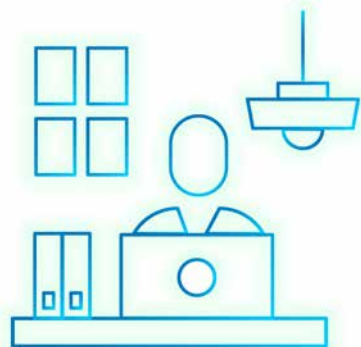
**Internal waste reduction competition** was held within our office buildings to enhance staff awareness of waste reduction.

**Participating in the Quality Water Supply Scheme for Buildings**, administered by Hong Kong’s Water Supplies Department. Bleed-off water from the cooling towers of air conditioning system is reused for toilet flushing in Hang Seng 113 office building. We currently hold the Gold Class Fresh Water Award for our headquarters as well as the Silver Class Fresh Water and the Gold Class Flushing Water awards for Hang Seng 113.







## Environmental Management

### Target-setting and continuous monitoring

To guide and monitor our environmental efforts, we set short-, medium- and long-term environmental targets in different areas, including energy consumption, water consumption, paper consumption, GHG emissions, and waste reduction and recycling. In 2022, we made progress in reaching our targets, this was a combined result of the resource conservation initiatives implemented by various business units, and the COVID-19 impact that resulted in more employees working remotely from home and conducting virtual meetings.



Overall, we are on good track towards our environmental targets, with key achievement as of the end of September 2022<sup>1</sup> highlighted below:

Aspects	Base year	2022 Targets (against base year)	Our progress as of the end of September 2022	2023 Targets (against base year)
 <b>Electricity consumption</b>	2018	↓ Decreased by 7.5%	↓ Decreased by 13.3%	↓ Decrease of 10%
 <b>GHG emissions – total Scope 1 and 2</b>	2018	↓ Decreased by 7.5%	↓ Decreased by 27.1%	↓ Decrease of 10%
 <b>Water consumption</b>	2018	↓ Decreased by 8%	↓ Decreased by 12.9%	↓ Decrease of 10%
 <b>Paper consumption<sup>^</sup></b>	2019	↓ Decreased by 15%	↓ Decreased by 24.6%	↓ Decrease of 17.5%
 <b>Waste diversion*</b>	N/A	◀▶ Diverted 70% of waste away from landfill	◀▶ Diverted 59.5% of waste away from landfill	◀▶ Divert 63% of waste away from landfill
 <b>Waste reduction*</b>	2018	N/A	↓ Reduced 39.8% of total waste	↓ Reduce 11% of total waste

1. Environmental data in 2022 is compiled from the Bank's operation data from 1 October 2021 to 30 September 2022.

\* Hang Seng conducted waste audit exercise in 2022 to benchmark our waste management against market practices. As a result, the project workgroup introduced waste reduction targets to align with the waste management targets outlined within the Hong Kong 2035 Government Waste Blueprint that published in 2021. The refreshed waste diversion targets were refreshed after factored in the implications of waste reduction initiatives in the subsequent years.

<sup>^</sup> The paper consumption is adjusted due to the new paper conversion formula adjusted by the third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of no. of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.

## Environmental Management

### Environmental Performance

	Unit	2022 <sup>+</sup>
<b>Total GHG emissions<sup>1</sup></b>		<b>15,479.79</b>
Scope 1		100.58
Stationary combustion		61.17
Mobile combustion		39.41
Scope 2		14,992.74
Purchased electricity	tonnes of CO <sub>2</sub> e	14,979.85
Towngas		12.90
Scope 3		386.32
Business travel (land and air)		78.10
Transmission and distribution loss		297.64
Upstream transportation and distribution (mobile branch)		10.58
<b>Total GHG emissions per FTE</b>		<b>2.08</b>
From Scope 1	tonnes of CO <sub>2</sub> e / FTE	0.01
From Scope 2		2.02
From Scope 3		0.05
GHG emissions per sq. ft.	tonnes of CO <sub>2</sub> e / sq. ft.	0.013
<b>Total Gas emissions besides CO<sub>2</sub><sup>2</sup></b>		<b>5.99</b>
CH <sub>4</sub>	tonnes of CO <sub>2</sub> e	0.11
N <sub>2</sub> O		5.88
<b>Total energy consumption<sup>3</sup></b>		<b>28,349.81</b>
Indirect: electricity	MWh	28,037.15
Direct: gas and diesel		312.66
Energy consumption per FTE	MWh / FTE	3.82
Energy consumption per sq. ft.	MWh / sq. ft.	0.02
<b>Total water consumption</b>	000 m <sup>3</sup>	<b>68.92</b>
Water consumption per FTE	m <sup>3</sup> / FTE	9.30
<b>Total paper consumption<sup>4</sup></b>	tonnes	<b>1,447.00</b>
<b>Waste disposed to landfill<sup>5</sup></b>	tonnes	<b>214.49</b>
Waste disposed per FTE <sup>6</sup>	tonnes / FTE	0.03

	Unit	2022 <sup>+</sup>
<b>Waste collected for recycling</b>		<b>317.16</b>
Paper	tonnes	255.75
Plastic		0.53
Aluminium cans		0.44
Glass <sup>7</sup>		0
Furniture		33.77
IT and electrical <sup>8</sup>		13.14
Food waste		9.71
Ink jet bottles and toner cartridge		3.81

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

Key: m<sup>3</sup>: cubic metres      CO<sub>2</sub>e: Carbon dioxide equivalent      MWh: Megawatt hour  
FTE: Full-time equivalent employee<sup>9</sup>      sq. ft.: Square foot<sup>10</sup>      <sup>+</sup>1 Oct 2021-30 Sep 2022

Notes:

- Scopes 1 and 2 GHG 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 GHG emissions are calculated based on electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.39 kg CO<sub>2</sub>e / kWh and 0.7336 kg CO<sub>2</sub>e / kWh respectively, as of 2022. Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, our current reporting also incorporates methane and nitrous oxide for completeness.
- The total energy consumption figures cover the energy consumption of the Bank's building operations only and exclude the energy consumption of the Bank's company vehicles.
- The paper consumption is adjusted due to a new paper conversion formula adjusted by a third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of number of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.
- 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 HSBC Group according to environmentally friendly recycling process. In 2022, we have arranged recycling of all IT electronic wastes.
- Full-time equivalent employees as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 were 7,454, 7,820, 8,103 and 8,468 respectively.
- Floor area as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 was 1,235,291, 1,332,183, 1,375,455 and 1,387,344 sq. ft., respectively.

## ■ Environmental Management

### Insights from scenario analysis

Scenario analysis supports our strategic commitments by assessing the Bank's position under a range of climate scenarios. It helps to build our awareness of climate change, to identify and size climate-related risks and opportunities, to inform key activities across the Bank and to meet our growing regulatory requirements.

In climate scenario analysis, we consider:

- ▶ **Transition Risk:** arising from the process of moving to a low carbon economy, including changes in policy, technology, and consumer behaviour and stakeholder perception, which will each impact borrowers' operating income, financing requirements and asset values; and
- ▶ **Physical Risk:** arising from the increased frequency and severity of weather events, such as hurricanes and floods, or chronic shifts in weather patterns, which will each impact property values, repair costs and lead to business interruptions.

### Our Progress in 2022

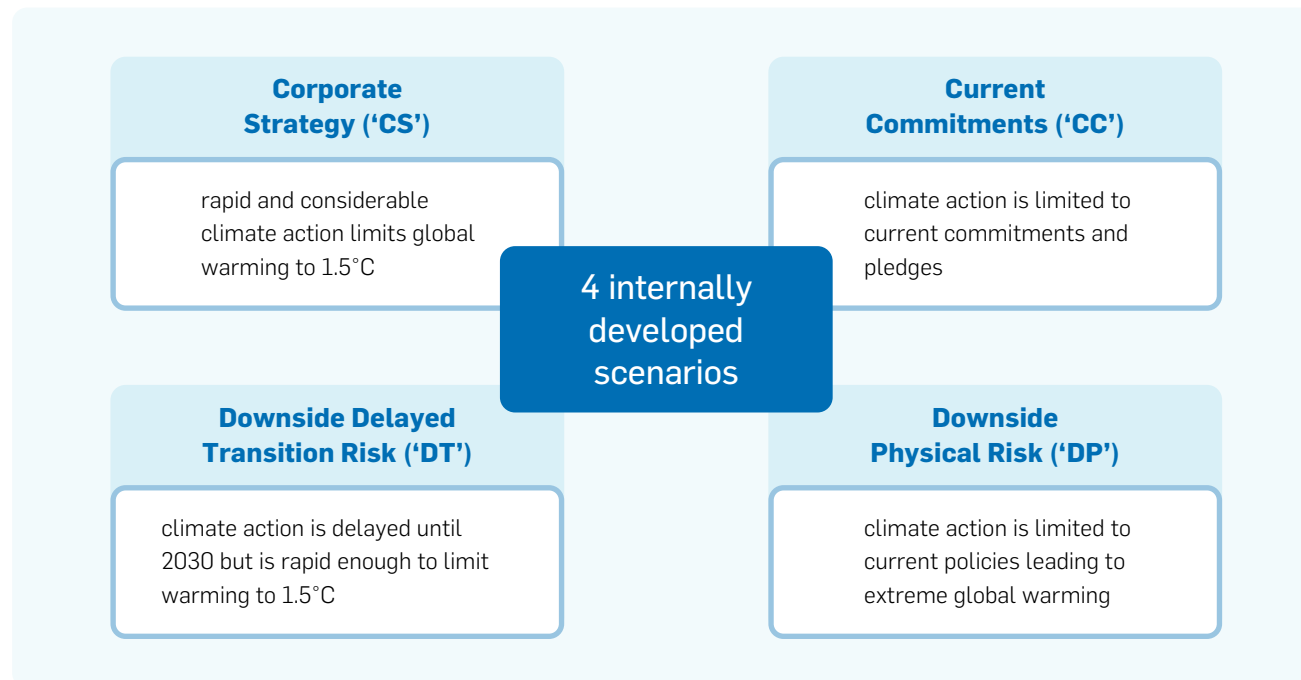
Given the growing regulatory expectations, our focus is on building capabilities to support scenario analysis activities. Following the HKMA Pilot Climate Risk Stress Test and the Bank of England's Climate Biennial Exploratory Scenario ('CBES') exercise in 2021, the Bank continues to enhance our ability to produce more comprehensive internal climate scenario analysis ('ICSA') exercises, to deepen our understanding of climate headwinds, risks and opportunities.

### Our Internal Climate Scenario Analysis Exercise ('ICSA')

Making reference to external publicly available climate scenarios, such as the ones produced by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS'), Intergovernmental Panel on Climate Change ('IPCC'), and the International Energy Agency ('IEA'), our ICSA exercise assessed four internally developed scenarios, incorporating our own climate risks and vulnerabilities (e.g. our corporate strategy for the oil & gas sector):

We have quantified the impact of climate change across portfolios, geographies, perils, and risk types. Transition risks are expected to affect all sectors of society and will start to materialise in the near-term. Physical risks are expected to materialise over a longer-term and have more acute implications on exposed assets.

We expect the high emitting sectors from our wholesale corporate lending portfolio, such as construction & building materials, oil & gas, and metals & mining to be most impacted by the possibility of higher carbon prices, under the CS scenario.



## ■ Environmental Management

In terms of our real estate books, our retail mortgages and commercial real estate portfolio could be vulnerable to severe tropical cyclones and flooding events under the DP scenario as physical risk evolves. Even though the risk of tropical cyclones was deemed material in Hong Kong, assumptive losses remain low due to buildings being designed to withstand high wind speeds in Hong Kong.

Scenario analysis can help us reach our climate ambitions by assessing different decisions of Hang Seng under a range of climate scenarios.

### Our actions are aimed at:

- ▶ **Balancing** trade-offs between greener investments vs. traditional financial performance
- ▶ **Identifying** investment and divestment options for the business
- ▶ **Maintaining** market competitiveness and avoiding expensive catch-up actions

### Next Steps

We are continuing to enhance enhancing our capabilities to pivot from exploration to action, using outputs of scenario analysis in core decision-making processes, particularly in respect of risk appetite, client engagement, and strategy.

### Decarbonisation strategy

To reduce our paper usage, 75.6% of our retail customer statements and advice slips have been sent via electronic channels as of December 2022. This represents a year-on-year increase of 5.4 percentage points with regard to e-statement and e-advice slips.

95% of personal banking customer transactions were being processed via digital channels as of December 2022. Those channels include our internet banking services, voice response system ('VRS'), Automated teller machines ('ATMs') and automated electronics machine services. The transactions include product transactions, as well as everyday banking services including payments & transfers and deposits & withdrawals.

Our eWelcome Pack for insurance was launched in May 2022 and we are supporting the environment by allowing customers to view the QuickReward and EasyRefund policy

packs digitally, instead of printing and mailing physical copies to customers. Since its launch, 97.9% of the customers who purchased the above insurance products have enjoyed the new eWelcome pack feature.

e-statement for our insurance services were launched in November 2022. Hardcopy annual statement was replaced by an e-statement. As of December 2022, 85.4% of our insurance customers opted-in for e-statement.

38% of our customers with investment activities performed transactions via digital channels as of December 2022. The Digital Bonds Service was also launched in August 2022 to enable the online journey for customers. In December 2022, 11.1% of the total transactions were recorded as being processed via digital channels. To help get rid of paper documents generated from offline investment sales, My Documents Service was launched in December 2022 for customers to view and retrieve those documents directly via their personal e-banking.



#### Go paperless

**75.6%**

retail customer statements and advice slips sent via electronic channels

**95%**

personal banking customer transactions processed via digital channels

**38%**

customers with investment activities performed transactions via digital channels

**90%**

Commercial Banking customer transactions processed via digital channels

**92.6%**

shareholders adopted our e-communication services

## ■ Environmental Management

For Commercial Banking, 90% of our customer transactions were processed via digital channels in 2022. Those channels included our internet banking services, ATMs and automated electronic machine services. The transactions included payment transfers, auto-payments, deposits, and payroll and ATM services. In 2022, charitable donations via our digital channels totalled 663,795 in terms of the number of transactions, which amounted to a total of HK\$113.6 million.

Meanwhile, 92.6% of our shareholders adopted our e-communication services in 2022. This saved over 15.9 million sheets of paper.

In our survey of top 50 suppliers by spend, 51% of suppliers responded with a Carbon Emissions Reduction Commitment.

### Financed emissions

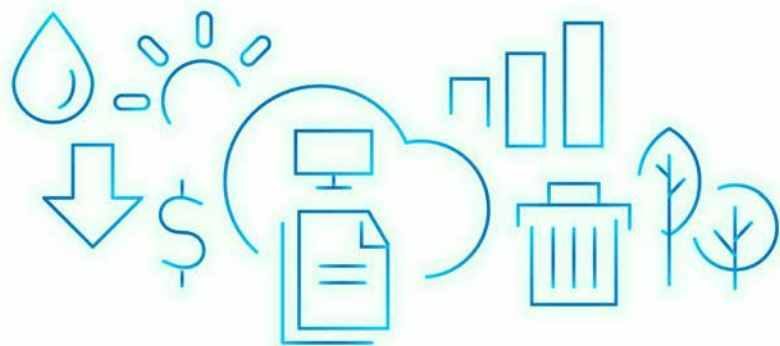
We kick-started our financed emissions journey in 2022. It is followed by data collection from different teams for the further financed emissions calculation. We encountered challenges with data availability during the data collection process, which confirms our expectation that a proxy technique should be applied as a solution.

### Waste management

Our cleaning vendor provides us with a log sheet of how many items of waste are handled every month.

The grey water from our water-cooling tower is reused for flushing at our headquarters and Hang Seng 113 office building.

All IT electronic waste is recycled by the authorised vendor of HSBC, according to an environmental-friendly recycling process. In 2022, we arranged for the recycling of all IT electronic waste with an authorised vendor. Our target and on-going process is to recycle all our IT electronic waste (if any) via the authorised vendor.



## Performance evaluation: Environmental

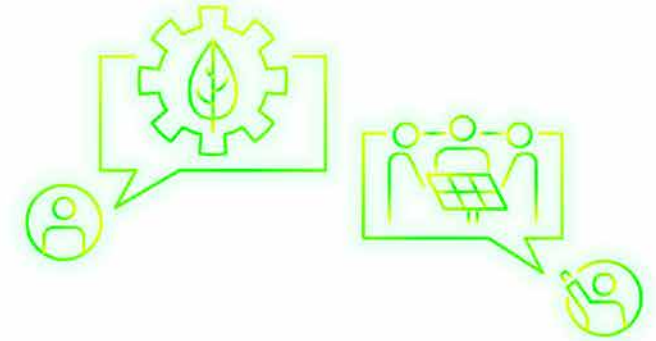
### Green building efficiency

Apart from promoting sustainable finance as long term value to the environment, operating our business in an environmentally friendly way is also material to creating long term value to the environment. Hang Seng has recently addressed this topic by executing large scale renovation of its office buildings. We have observed the great progress and improvements made in applying environmental technologies, and we plan to expand the renovation and retrofit works to our other office buildings.

### Waste management

Waste management requires comprehensive and long-term planning and execution, involving the application of technologies and involving people. With the continuity of our “Integrated Furniture Waste Reduction Programme” established in 2021, food waste is our focus in 2022. New food waste decomposers have been installed to collect food waste. Furthermore, a waste reduction competition was organised to further enhance the involvement of our employees. We acknowledge that additional waste types could be covered in our waste management implementation. We continue to study feasibilities by introducing new plans gradually and enhancing our existing initiatives based on the results of waste audit exercise.

# SOCIAL



## ■ Our Customers

Since our establishment in 1933, customer-centricity has been at the core of our service delivery approach. Providing excellent customer service and demonstrating our values through our actions have helped us gain trust and loyalty of our customers. These values are we value difference, we succeed together, we take responsibility, and we get it done.

We currently serve over 3.5 million customers in Hong Kong. Aiming to provide excellent service, we blend innovation with integrity.

**3.5 million**

We currently serve over 3.5 million customers in Hong Kong.



## ■ Our Customers

### Understanding Our Customers

#### Customer satisfaction & testimonials

We proactively gather opinions – via focus groups, surveys, a 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 the quality of the services provided by our frontline staff.

The enhancement initiatives launched in 2022 include the adoption of enhanced tablet functionalities at our branches, which help to shorten the time required to input and process forms for our customers.

We monitor the markets to identify emerging trends and opportunities, as well as to ensure that we offer products and services that meet our customers' needs. Our digital platforms allow our customers to perform a wide range of transactions through online, while providing information to assist in their decision-making.

In 2022, we continued to perform well in the annual Banking Industry Monitoring Study conducted by an independent research firm. The study assesses customer satisfaction among the eight major banks in Hong Kong. For the past five years, our average customer satisfaction rating was 95%, with good / very good / excellent rating in our annual Banking Industry Monitoring Study.



#### We have also received the following awards:

##### Asia Asset Management

- ▶ Best of the Best Awards 2022, Best ESG Index Provider – Hong Kong
- ▶ Best of the Best Awards 2022, Most Innovative Index – Hong Kong

##### The Asian Banker

- ▶ Best Payments Bank (6th consecutive year) 2022
- ▶ Best API initiative, Frictionless Transaction Awards 2022

##### Global Finance

- ▶ Sustainable Finance Awards in Hong Kong, 2022

#### Customer feedback collection mechanism & complaint handling procedures

Our complaint handling procedure aims to ensure that customer feedback is addressed in a consistent, independent and efficient manner. The independent customer relations teams in our business units aim to acknowledge the receipt of comments or complaints within seven calendar days, and to resolve the related issues as quickly 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, so as to drive improvements in our services.

The Bank's senior management regularly review customer suggestions, compliments and complaints. Their feedback is communicated to staff and the relevant business units, with a view to improving our customer service and encouraging best practices. In 2022, our customers relations teams received a total of 5,547 complaints, of which 93% had been resolved as of 31 December 2022.



**95%**

Our average customer satisfaction rating for the past five years

## ■ Our Customers

### Transparency, Accountability and Choice

#### Customer fairness principles

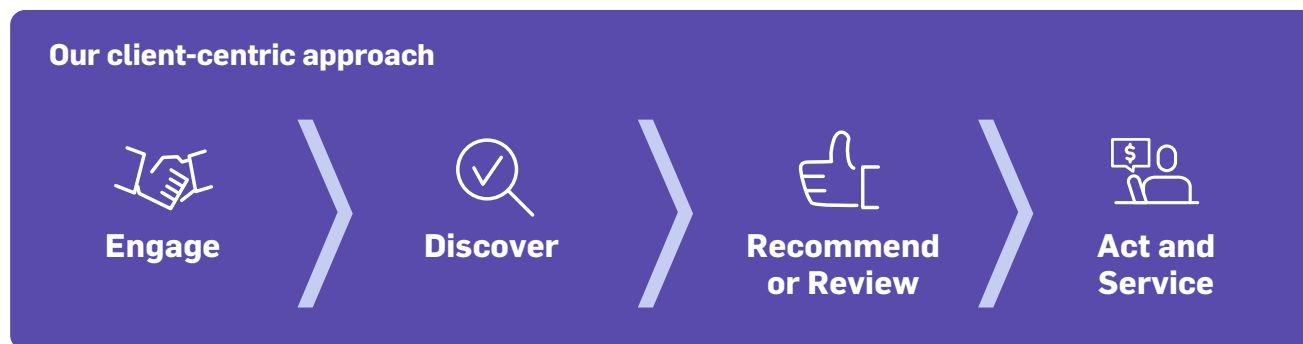
We offer diverse personal banking and wealth management products and services based on our customers' needs, as well as their understanding and appetite for risk. We aim to uphold our principle of providing the right product and service, at the right time, for the right customer, in the right way. We believe that 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.

To reflect our values in how we do business by treating our colleagues and customers fairly, all staff are assigned to mandatory training on our values and the expected conduct in 2022.

Our learning programme – “Developing Customer Relationships” – is aimed for equipping our customer-facing staff with the right skill set and mind set to adopt a client-centric approach throughout the client's journey. The programme has been formalised with the “Engage, Discover,

#### Our client-centric approach



Recommend or Review, Act and Service” sales model, to ensure that we treat customer fairly. In 2022, we trained more than 200 of our customer-facing staff.

The Bank is committed to doing the right thing for our customers. It can be evidenced by the culture and behavioural standards that we set out for our employees in the culture statement, which is reviewed and approved by the Board and Risk Committee on an annual basis. In particular, the Bank's staff code of conduct ensures that we deliver fair outcomes for our customers and do not disrupt the orderly and transparent operations of the financial markets. It encompasses a set of key pillars and required outcomes to ensure that we deliver on our commitment.

We are governed by Hong Kong's Code of Banking Practice, and HSBC'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'), Securities and Futures Commission and the Hong Kong Association of Banks.

Our brand centre is an internal intranet resource that helps staff members familiarise themselves with our branding guidelines and the application of our brand identity. Our marketing department provides advice and ensures that we do not violate or infringe on the intellectual property rights, patents and related rights of any third parties.

**No cases of non-compliance** with the regulations and voluntary codes concerning marketing communications were reported in 2022.

## ■ Our Customers ■ ■ ■ ■ ■

### Customer safety

Managing the indoor air quality ('IAQ') and ventilation is an important element of our health and safety responsibilities, especially during the pandemic.

To ensure the IAQ of our offices meets the requirements of the Good Class, as defined by the Hong Kong Government's Environmental Protection Department in its guidance notes and at our branches, we regularly clean the air filters and conduct measurements to monitor and improve our performance in this area.

We maintain a sufficient supply of face masks, while additional hygiene products for our business activities can be readily ordered.




### 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 our lasting business relationships. We comply with the Personal Data (Privacy) Ordinance and have established privacy principles, while at our branches, by offering privacy to customers who need to discuss sensitive or confidential matters.

Our customers are notified about our collection and use of their personal data, the classes of transferees, classes of marketing subjects, their data access and their right to correct the personal data. Customers can easily access Hang Seng's Privacy Policy and 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 our data privacy risks.

These principles are intended to:

-  Set out good data privacy practices
-  Show accountability and compliance with the data privacy law and regulations
-  Outline the Bank's commitments to how it processes identifiable data

In 2022, a training session on the China's Personal Information Protection Law was held to cover the latest developments in the evolving cross-border data transfer regime, which helped enhance our staff's understanding of the data privacy policy.

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

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

Following the procedures in our material incidents escalation manual, our staff are required to report the case details, immediately on becoming aware of material incidents, to the relevant business risk and control management or our Chief Control Office team. Our experts then investigate and, where appropriate, escalate the matter to the core team. To support our ongoing improvements, the experts also provide guidance on how to contain and respond to such cases, and identify remedies and the lessons learned.

#### Customers' opt-in rate in 2022

As of the end of 2022, the Wealth and Personal Banking customers' opt-in rate for customer data used for secondary purposes, e.g. marketing (non-personal banking customers), was **59.6%**.

The Commercial Banking customers' opt-in rate for marketing, was **90.4%**.

## Our Customers

### Services Dynamics

We provide sustainable finance solutions to our customers and community. In 2022, we launched the green deposit programme and arranged a green trade facility.



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 coverage of the global markets. We are continuing to drive change and have made good progress in enhancing our product capabilities to support our customers by implementing new digital solutions.

We offered 100% Personal Loan Guarantee Scheme for unemployed individuals due to the pandemic. Loan interest at 1% annualised rate with full handling fee waiver and full rebate of the interest. Loan amount is up to HKD100,000 or 9 times of average monthly income during employment period (whichever is lower). Repayment period is 120 months, an optional 18-months principal repayment holiday from the drawdown date of the loan



#### Case study

### Our client experience in Hang Seng Bank (China) Limited ('HACN')

One of HACN's clients who mainly engaged in the provision of financial leasing for environmental protection projects, such as biogas generation, refuse incineration-power generation and sewerage services, has been granted with a lease factoring facility to finance its environmental protection projects.

After a thorough discussion to get a clear idea of client's needs, we decided for domestic leasing and provided the related services for the client. This year, to satisfy

the client's increasing need for capital, we processed an incremental facility for the client in a timely manner and the whole drawdown went smoothly, which resulted in their satisfaction and positive feedback. The client has been granted with funds to expand its business in the sewage treatment area.

The concept of green deposit is highly consistent with the nature of this client's business, and the client has participated the green deposit programme in HACN to make its contribution to the realisation of a sustainable environment and society.



## ■ Our Customers

### Digitalisation of business

	<b>1 e-Sign platform</b>	We launched the e-sign platform to obtain customer signatures on our products and services by electronic means, so that customers do not need to physically visit our branches to provide their signatures for selected services.
	<b>2 Bereavement reporting and document submission</b>	We introduced and provided bereavement reporting and document submission via hangseng.com, to facilitate less branch visits for a better customer experience.
	<b>3 Mobile-responsive</b>	The revamping of hangseng.com is ongoing, with the aim of supporting mobile-responsive features. Customers can obtain mobile-friendly banking product / service information via their mobile devices anywhere and anytime, which is improving the customer experience and also reducing the necessity for physical materials, e.g. product brochures.
	<b>4 Banknote exchange online appointment service</b>	We launched a new banknote exchange online appointment service via our mobile app and e-banking, which provides flexibility for our customers to make bookings in advance.
	<b>5 e-Appointment</b>	We launched e-Appointment for insurance services via hangseng.com to provide flexibility for our Signature and Prestige customers to make appointments online.
	<b>6 e-Ticketing service</b>	We launched a new queuing feature for the Signature segment under e-Ticketing service, which enables our Signature customers to obtain an e-ticket for counter service in advance via our mobile app before visiting branch, so that they can save waiting time at the branch.
	<b>7 Mobile Account Opening service</b>	We have further enhanced our Mobile Account Opening service, to accelerate the journey design so that new-to-bank customers can open an account within a shorter period of time. The scope of the service has also been expanded so that more customers, such as integrated account customers, are eligible to open / upgrade an account via the mobile app, anytime and anywhere.
	<b>8 Real-time push</b>	To further enhance our card repayment experience via the digital channel, we have added a message on top of the page displaying card details to remind the customer to refer to their repayment records in the transaction history following a repayment. In September 2022, we have enabled real-time push notification upon a card repayment with information regarding the amount of Cash Dollars / yuu points earned, the campaign fulfilment and Cash Dollars expiry date extensions, in order to drive the engagement with our mobile app from the card servicing and rewards management perspectives.

## ■ Our Customers

**QR code** was added for our customers to access our online card activation journeys by the revamp of our card sticker, at the end of May 2022, which effectively improves the customer experience and drives digital penetration. The average number of customers using the digital channel for card activation surged by 230% after the launch of this initiative.

**Open Banking Phase III account balance sharing function for third parties** was launching and we continuously expanded the Phase IV FPS App-to-App Payment to service more merchant apps. In 2022, we continued to explore and develop new application programming interface ('API').

**API to online payment and insurance applications** were extended, such as, yuu and price.com. We strengthened our commitment to improving the online banking experience for our customers by partnering with different partners.

**HARO WhatsApp** began supporting the green receipt initiative in August 2022. After conducting an in-person transaction, customers can now choose to receive transaction receipts electronically in real time via Hang Seng's HARO WhatsApp Virtual Assistant. This new eco-friendly service offers customers a more convenient way to store, manage and share their transaction records, while helping the Bank to further reduce the use of paper resources at its branches and business banking centres.

**e-Appointment service** has been extended to support 2022 Chinese New Year new banknote exchanges to minimise customer waiting times at our branches. This service greatly improved the customer experience, and complements our efforts to combat COVID-19 by reducing queues and supporting social distancing.

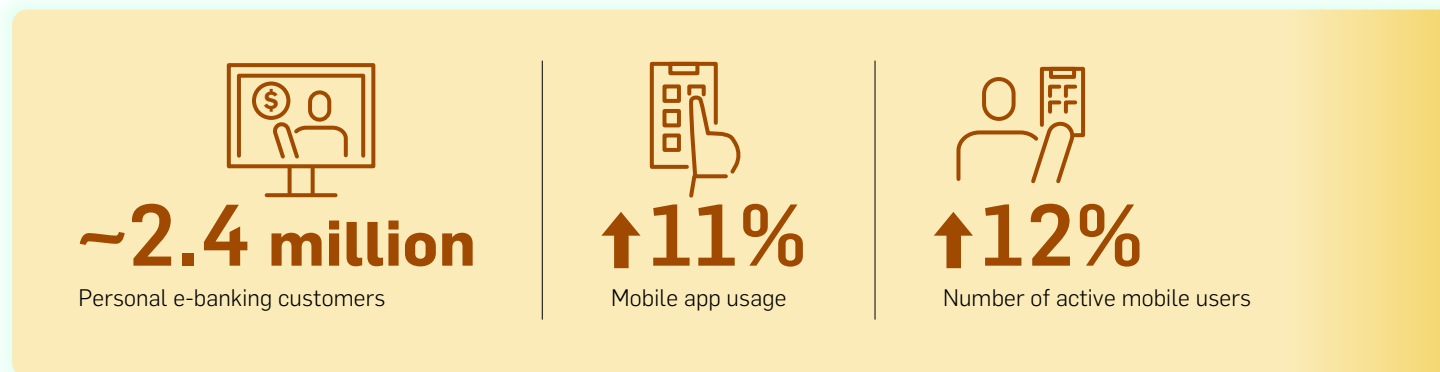
**Live Chat** online messaging service was extended to the Business Banking mobile app in 2022. Now, our customers can contact our service representative via the app and will receive a push notification when they receive a response.

**Open Banking Phase III API** was developed and launched in June 2022 through Open Banking API and our customised API solutions. It supports third-party service providers ('TSP') in handling enquiries about the account status, account balance and transactions. In addition, we are exploring collaboration opportunities with TSPs (such as enterprise resource planning systems, etc.) to deliver innovative, integrated services with the aim to improve our customer experience.

In 2022, the ongoing development of our digital capabilities and experiences attracted and engaged more digital customer users. As of December 2022, we have close to 2.4 million personal e-banking customers.

We supported the pilot launch of the Hong Kong Government Green Bond in 2022 with various customer communications and offers to encourage online applications. The number of applications submitted via digital means was increased to 71%, a 1% increment compared to the launch of the iBond in 2021. Offering documents were also readily available in an electronic format across our online channels to reduce paper usage.

We offered diverse ESG-themed products ranging from investment funds, bonds / CDs and equity linked investments ('ELIs') on our online shelf, in order to cultivate ESG investments.



## Our Customers

### Fintech initiatives

We provide comprehensive banking, payment and investment services, anytime and anywhere, via our e-banking, hangseng.com and mobile apps. We have also launched fintech initiatives, e.g. mobile cheque deposit and payments to non-designated payees, so as to provide even more digital solutions to support the increased mobile usage of our customers.

Furthermore, customers can now place green deposit and other time deposit products on our e-banking platform with the “one-click” function, which is helping us achieve the paperless and low carbon transition (with a shorter processing time and without the need to visit a branch).

In light of Hong Kong’s ageing population, we are collaborating with NGOs to train our frontline staff to better understand the banking needs and challenges of the elderly. For example, our staff took part in training sessions under our “Elder-Youth-Transgenerational (‘EYT’) Financial Education Programme”, and were given opportunities to interact with elderly people and learn practical skills to communicate with them.

In 2022, Hang Seng launched an online trading platform for bond products. This allows our customers to explore ESG-related products through digital banking.

### Promotion of financial literacy

We are striving to enhance the financial literacy of our customers and the wider community, in order to empower them to achieve financial security and their wealth management goals. In 2022, we organised investment seminars and webinars for our Signature customers.

We strive to nurture saving habits among young people 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 in an effortless manner, with no data exposure to third parties. More than 30,800 customers had registered to use the Savings Planner as of the end of December 2022.

### COVID-19 pandemic-related measures and campaigns

Our action	Result
<p><b>Hong Kong’s first Digital ID verification (‘eID&amp;V’) and eSign system</b> were launched for the execution of SME Financing Guarantee Scheme (‘SFGS’) loan documents.</p>	<p>SME customers can enjoy a seamless end-to-end digital lending journey for the application of 90% guarantee product with loan amounts of up to HK\$8 million, from an online application with three-minute instant approval results to remote execution of documents. Our Hang Seng business loan is another product that has been offering the same end-to-end digital lending experience since 2021.</p>
<p><b>Digital loan drawdown instructions</b> was rolled out for Business e-banking and Hang Seng HSBCnet to further digitalise the corporate lending workflow.</p>	<p>Enable eligible customers to submit their loan drawdown instructions and upload supporting documents online, which is helping to reduce paper usage and at the same time to speed up the loan drawdown process.</p>
<p><b>Support SME customers</b> constantly on the road to economy recovery.</p>	<p>We continued to participate in the Pre-approved Principal Payment Holiday Schemes proposed by the Hong Kong Monetary Authority in 2022, and provided payment holidays on non-trade and trade loans for eligible corporate customers affected by COVID-19. In addition, we continued to offer our support to the Special 100% Loan Guarantee – part of the SFGS – that was introduced by The Hong Kong Mortgage Corporation Insurance Limited in 2020.</p>



Case study

### Collaborations with NGOs

At the community level, we continued to partner with local NGOs 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 loan programme to individuals who were referred by the centre and found themselves in financial difficulties.

## Our Customers

### Access for all

We enhanced our Digital Business Banking ('DBB') to provide more digital solutions to our customers. We launched the mobile cheque deposit function, which allows our customers to deposit cheques via mobile apps.

We continued to offer priority approval of Inno Booster Loans to support the business operations of IT startups.

Hang Seng branches and outlets as of the end of 2022:



At the end of December 2022, Hang Seng Inno Booster Loan was supporting 30 I&T companies for their business operations.

As of the end of 2022, we are operating 68 street-level branches, 11 manned service centres, two mobile branches and 184 self-service outlets. Our 553 automated teller machines ('ATMs') provide 24-hour services across Hong Kong; while our 106 foreign currency ATMs, located at 48 locations, offer the widest selection 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 operating at local universities.

We adopt a barrier-free approach for all our 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 bank lobbies of our branches. As part of our partnership with Hong Kong Seeing Eye Dog Services ('HKSEDS'), we also make some of our branches available as HKSEDS training sites.

Meanwhile, we maintained a number of voice-navigable ATMs for visually impaired customers. In 2022, we have 269 voice-navigable ATMs. Via headphones, customers can use voice navigation to withdraw cash, make enquiries about

their balance, transfer funds and change their passwords. We also provide audible security tokens to facilitate our visually impaired customers in using 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, magnifying glass and a portable induction loop system for customers with hearing aids. The aim of these mobile branches is to serve people, especially the elderly who live in remote areas, so that they do not have to travel far to visit our branches.





## ■ Our Customers

Other upgrades, specifically designed for our corporate customers, include:

7 yrs

A seven-year e-statement and payment tracker enhancement, with more currencies supported.

BERI

Customers can chat with BERI – our business virtual assistant – on WhatsApp to enquire about bank services and other information



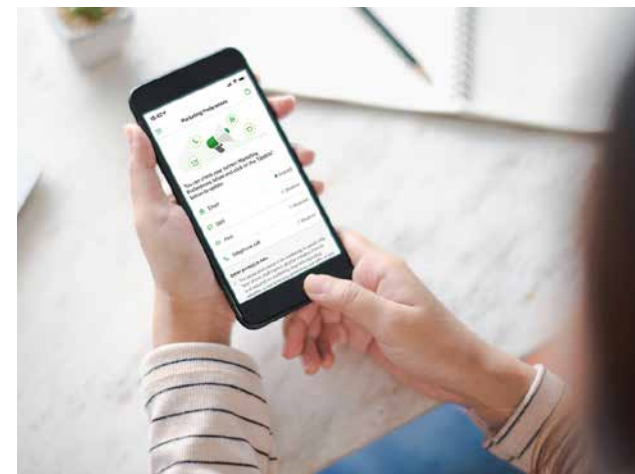


The green deposit programme is publicly offered to all corporate customers who are interested in investing their surplus cash balances in environmentally beneficial projects and initiatives. Customers who register for green deposit include social enterprises, schools, churches and hospitals.

### Affordable insurance

Hang Seng Insurance Company Limited cares about our customers' health and wellness, especially under the COVID-19 pandemic. By partnering with healthcare service providers in Hong Kong, different health and wellness supports were given to our customers via Hang Seng Olive – our bespoke health engagement platform. Our supports ranged from complimentary virtual consultation, COVID-19 / mental wellness related health tips and videos, as well as exclusive health services and privileges in Olive eShop to cater for customers' ever-changing health needs.

Besides, in 2022, we launched "EasyRefund 100% Global Hospital Cash Plan (3-Year)" with a monthly premium as low as HK\$487, aiming to provide health coverage for wider range of customers. This is an addition to our currently available cancer term and pure term insurance, which have monthly premium as low as HK\$9 and HK\$30 respectively.



## Our People

### Living our Purpose and Value

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



Our values and our organisational culture help us make the right choices day to day in a variety of business situations and work environments. They dictate our conduct and behaviour in relation to how we treat customers and employees, judge when and how to intervene and speak up, and foster an inclusive work environment that supports the wellbeing of our staff. They allow us to stretch and unleash our potential to shape a Bank that is fit for the future.

We cultivate an agile and dynamic culture and workplace to support holistic development of our people including their environmental and social responsibility. We live our purpose and values to provide best in class customer experience and services and create a better future for our community including our commitment to the youth development which is a key pillar of the Bank’s ESG Strategy.



#### Youth Placement Programme

The youth placement programme (‘YPP’) is a prime example of how the Bank brings to live our purpose and values. In response to the adverse impacts of prolonged COVID-19 on the employment market in 2022, especially hard hit on graduates with no work experience, the Bank is committed to supporting our youths in their critical first employment experience. Notwithstanding a challenging business environment, the Bank offered graduates a six-month contract under YPP with potential options of permanent roles subject to mutual fit.



#### Star Award – Social Innovation

Hang Seng Bank won the “Star Award – Social Innovation” in the Hong Kong Institute of Bankers (‘HKIB’) Talent Development Excellence Award Programme, presented by The Hong Kong Institute of Bankers. We also received the Active Participation Award for the Greater Bay Area Youth Employment Scheme from the Hong Kong Government in November 2022. These awards recognise the Bank’s commitment to create positive social impacts on our youths and young talents. The awards highlight the Bank’s strategic investment to develop our future banking talents for the finance industry and business community.

## Our People

### Advocacy and awareness

Our corporate principles underpin all the Bank's 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, speak up, and use their sound judgement and principle-based decisions 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, is aimed at enhancing our long-term sustainability, maintaining the trust of our customers and supporting a working environment in which employees feel empowered, valued and inspired.

The five principles of the initiative promote positive behaviours that form part of our thriving corporate DNA:

<b>R</b> <b>READY</b> to challenge across boundaries with an open mind	<b>I</b> <b>IGNITE</b> curiosity to identify root causes and long-term solutions	<b>G</b> <b>GO</b> ahead, escalate concerns	<b>H</b> <b>HIGHER</b> standards by holding yourself and others accountable	<b>T</b> <b>TOGETHER</b> we recognise good conduct and behaviour
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We will continue to promote "RIGHT" stories and share the lessons we have learned through the mass communication of the "RIGHT" Together award winners' stories and departmental group discussions. These engagements have not only helped to share the best practices throughout our organisation, but have also enhanced our employees'

psychological feeling of safety in speaking up. We will continue to drive and reinforce the accountability of our personnel managers through workshops, while further embedding "behaviour first" as one of the objectives in our day-to-day performance management.

Through the "RIGHT" Together awards at the year's end, a positive adjustment in our annual pay review, and the "At Our Best Recognition" programme, we recognise and reward those colleagues whose actions exemplify our values and who have the courageous integrity to make changes that are contributing positively to the Bank and our customers. With the implementation of these initiatives, it has been observed that the "RIGHT" Together spirit is progressively being implanted into the daily work of our employees.

The "speak-up" and "trust" metrics in our annual pulse survey remains at robust levels, demonstrating the impact and effectiveness of our cultural change initiatives.



#### Metrics in our annual pulse survey against the financial services benchmark

##### Speak-up



##### Trust



## ■ Our People

### We listen, from feedback to actions



In the wake of COVID-19, the pandemic has irrevocably changed employees' expectations on their work and lives. Options for employees are increasing in the competitive market. It is crucial for our leaders to listen, rethink and respond to employees' desires and aspirations. It becomes more difficult for our leaders to attract and retain talents in the evolving workforce environment where employees are not only looking for a stable and high-paid job, but also a job that they feel interesting with a sense of purpose in their work, and a workplace that they feel being valued with a sense of shared identity and connectivity, being respect with a certain extent of autonomy and flexibility. In this regard, we take every opportunity to research and seek our employees' feedback, listen to their wants and needs via diversified channels, and respond with sustainable actions and investment in human aspect of work. Together with employees, we can act and change – shaping common purposes to drive business strategies and growth and building the right culture and employee experience to attract and retain talents in order to create competitive advantage.

In response to our staff feedback from the 2022 annual employee survey (snapshot survey), we have taken proactive actions to enhance employee experience and enable their performance:

- ▶ **“Zoom free” Friday afternoons** to avoid scheduling meetings in Friday afternoons
- ▶ **Development Day** to advocate and support development focus for employees and time set aside for individuals or teams to pursue their choice of learning and development activities
- ▶ **Data Literacy Empowerment Programme** was launched bank-wide to equip staff in data and analytics skills
- ▶ **Future Skills development** was offered
- ▶ **Upskilling of people manager** was provided to engage, motivate and enable employees to perform at their best

Actions have been promptly taken to strengthen empowerment and autonomy of colleagues in their day-to-day work. “Be your Own Boss” was an online innovative design of scenario-based experience to inspire and empower colleagues in autonomous and agile ways of working. Individual reflections and lessons learnt from the scenarios have been shared in teams to foster peer learning and best practices.

In view of employees' feedback on our sales management and working arrangement during the fifth wave of COVID-19, a frontline staff sentiment survey was conducted in April 2022 with an aim of gauging staff sentiments on the latest pandemic conditions and gathering insights into areas including:

- ▶ Frontline employees' experience of work arrangements impacting their sales and work pressures during the fifth wave of COVID-19
- ▶ Perceived work practices and management culture
- ▶ Employees' suggestions for improvement areas

The 361 respondents, representing 16% of the frontline staff from Wealth and Personal Banking, were randomly selected to participate in the survey on a strictly anonymous and confidential basis.

We engage our employees to create a better lifestyle in their workplace with their own choices. Coffee tasting is one of the examples. We organise coffee tasting events regularly in which our employees can vote for the coffee they like best to be used in the office. Employees are excited with the results with overwhelming attention, feedback and participation.

## Our People

### Development for “Future Proof”

#### Day-to-day self-directed development journey

We encourage our staff to develop future skills. Through mobile apps with access to the Bank’s portal system, both internal and external learning resources are made available on our web-based learning platform, Degreed. Staff are able to self-assess their learning needs, curate and personalise their learning plans, build networks for peer learning and initiate real-time knowledge transfers and experience sharing. Staff are encouraged to explore their “Focus Four” future skills in personal, data, digital and sustainability skills.

A skill diagnostic tool is available in the Degreed whereby employees can conduct individual skill review to understand their skills level and development areas. According to the review results, the platform provides relevant and personalised learning resources to cater to different learning needs and goals.



#### Focus Four future skills



**>5,300**

employees registered at Degreed in 2022

**20,638**

self-reported learning hours in 2022

**Top 5 skills**

rated by our employees at Degreed are:  
Leadership, Negotiation, Operations, Project Management & Sales

## Our People

### New Ways of Learning

#### 1. Leaders as Teachers

We foster our senior leaders and middle managers as teachers to facilitate knowledge transfer on real-life case studies; we prepare their role as change champions to engage staff in the Bank. For example, business leaders and Human Resources ('HR') led the discussion in workshops to broaden participants' views from a diverse perspective. The "Branch Managers Development Programme" was led by area managers to build people's leadership and coaching capabilities, business acumen, customer focus and decision making.

#### 2. Learning from our Peers

We create platforms for our staff to build network across departments and facilitate peers learning on bank-wide change initiatives. For example, we hosted a bank-wide competition, "ESG Challenge", to explore new business ideas on green loans for our retail customers. We provided short-term assignment opportunities in order to encourage our staff to venture out of their comfort zone and enhance their connectivity. We introduced "Job Tasting Programme" within specific businesses or functions to promote cross team learning.

#### 3. Learn from Market Experts

We offered a variety of forums and symposiums in fintech, data and analytics, innovation, ESG etc. We invited external subject matter experts to share market information and their experience, in order to facilitate our staff to prepare for the future of banking through upskilling and reskilling.

#### 4. Action Learning

We promoted a "Start-up Ecosystem" and provided platform and opportunities for our staff to pitch their new business ideas with investors, enterprises, academia and technology innovators. We provided resources for our staff to apply and test new technology. For example, utilise blockchain to track and recognise those staff who frequently engage in learning activities.

#### 5. Learning with Technology Enablement

With the outbreak of COVID-19 since 2020, new ways of learning have gained momentum to equip our staff in their continued skill building, development of critical banking capabilities and growth mind set to support the Bank's strategy. We also innovate and design digital learning solutions with the application of Virtual Reality ('VR') technology in credit risk training and gamified learning on mobile apps for licensed staff to earn accredited learning hours.

##### 5.1. Virtual Reality Technology to Transform Cross-Border Site Visit Training

- ▶ partnered with our businesses to transform the delivery model of our cross-border
- ▶ conducted on-site factory visit training with the use of VR technology
- ▶ digitalised the learning content through VR, and our innovation and investment paid off when the pandemic put cross-border travel on hold
- ▶ delivered VR factory visit, which are a core element of our credit risk training
- ▶ a total of 160 staff members attended this VR training visit in 2022

##### 5.2. Gamified Learning on Mobile

- ▶ developed a mobile learning programme using a gamified approach for bank-wide colleagues to acquire future skills and to obtain the Continuing Professional Development hours required with respect to the Insurance Authority
- ▶ met our learners' preferences by providing learning through portable devices
- ▶ allowed staff to learn anytime and anywhere that learning efficiency and experience were enhanced

The aim of the gamified learning with the theme "One Dice, One Map, Three Animated Scenarios, Three Levels of a Life Journey" is to incentivise the learners to learn effectively. Learners are asked to learn and apply future skills during the three levels of a life journey, ranging from playing board games and augmented reality games, to solving the problems from animated scenarios. In 2022, more than 2,200 of our colleagues completed this gamified mobile learning programme.

## Our People

### Data Literacy Empowerment Programme



Data Literacy Empowerment Programme ('DLEP') is a bank-wide transformation programme to equip staff with critical future skills in data and analytics and embed cultural transformation in data mindset. DLEP enables our vision to innovate with data in action and become a digital ready Bank. The programme is designed to engage and empower staff to learn and apply data analytics for business and operations. DLEP also focuses on data analytics in risk and control to recognise the importance of data quality, security and privacy to protect customers and bank interest for sustainable business growth.

Data and analytics is also key to engage our young talents and our youths in the community and create social impacts as a part of ESG. Prospective candidates for our 2023 Management Trainee ('MT') programme who engaged in the "Finoland" experience have overwhelmingly voted data and analytics as their top interest area in fintech.

DLEP hosted events and on-site data exhibition for students in order to support youth development. We are planning to provide career talks and site-visits for university students focusing on data and digital skills in banking.

DLEP transformation programme encompasses the following:

#### 1. Executives Roundtables

Executive Committee members participated DLEP Executives Roundtables to prepare their role as data leaders and advocate for the programme.

#### 2. Data Literacy Empowerment ('DLE') Champions model

Over 100 DLE Champions across lines of businesses and functions have formed a strong community of "advocators" and "ambassadors" of the programme to energise their colleagues in this cultural change journey. They attended train-the-trainer programmes and received accreditation to facilitate DLE learning delivery in the Bank, with over 100 classes delivered.

#### 3. Data and Analytics training

In its first-year launch in 2022, 2,215 staff completed over 12,400 hours in data and analytics training. The data citizen curriculum developed with 21.5-hour instructor-led training. Dedicated trainings had been offered to 233 colleagues in operations to support their new skills development.

#### 4. Gamification

A wide range of gamified learning activities were designed and launched with rewards. The staff participation in the learning activities, events and competitions were tracked and recognised on the leaderboard in the DLE portal.

#### 5. Connectivity

To promote and facilitate social connectivity in learning, "Meet Up" events are hosted. Senior leaders from HSBC and guest speakers shared use cases and market practices. "Brown bag" sessions led by DLE Champions facilitated the exchange of knowledge and experience of practical data analytics applying at work among colleagues.

#### 6. Data Hackathon

Data hackathon was launched in September to address practical business issues and explore innovative solutions for banking. The participated staff received trainings and coaching on data analysis and data visualisation. There were 15 entries across businesses and functions joining the competition with 5 winning ideas.

Our colleagues told us in Snapshot survey that Data and Analytics are the two future skills staff would like to develop.

2,215

colleagues attended DLEP training



446

colleagues received "Data Citizens" certification

2,119

participants attended 18 DLEP events including "Meet Up" and "Brown bag" sessions in 2022

## ■ Our People

### Transformation

According to government statistics, with HKMA's "Fintech 2025" strategy announced in June 2021, it is estimated that the fintech start-ups in HK may recruit an extra 2,200 Fintech employees in the coming 3 years. We are creating new positions and building fintech-savvy workforce to meet the future needs of our business. Digitalisation of banking products, services and operations becomes the prime initiative and solution to cope with the new requirements from our stakeholders.

As a responsible employer, we plan ahead and go through the transformation together with our employees. DLEP is one of these entity-level initiatives and opportunities to upskill and reskill our employees to fit for the future and increase their employability and mobility. Over 38% of participants are junior employees who crave new opportunities and career advancement. Around 60% of participants are aged 45 and above, who are willing to stretch their potential and explore new opportunities.

In 2022, we supported and facilitated employees' internal mobility and career advancement and achieved positive outcome:

**822** internal promotions

**1,016** positions filled by internal employees (representing 46.8% of open positions, +6% vs 2021)

### Deepen our Learning Culture to Future Proof the Bank

To unleash the career potentials of our staff, a new platform "Talent Marketplace" ('TMP') was implemented to enable our staff to develop new skills and navigate career opportunities through part-time projects and build network across the organisation. The platform gathers information of staff's aspirations, skills, roles and experience in order to match their preferences to various projects and connections. The participants' learning agility and leadership capabilities were uplifted through the opportunities.

### Projects and Networking

TMP supports the future skills vision of creating a culture of continuous learning and growth, where colleagues are curious to learn new skills and build a sustainable and inclusive future. TMP matches the supply and demand of skills by aligning the employees' career and development goals with the business needs while promoting exchanges of expertise, insights and best practices across the Bank.

More than 780 employees registered to take part in projects and networking opportunities (as of December 2022).

### Successful Project – Domestic Startup Champions

The project connects colleagues from different departments, to contribute and provide ideas relating to the new-to-bank customers acquisition plan and enhancing the onboarding experience. The diverse background of the group of participants stimulated the brainstorming of ideas, innovation and learning across different specialties.

#### Kelly Chan

Head of Customer Propositions, Business Banking



### Project Participants' Experience

I am glad to have been a part of the domestic startup project. We could tailor various solutions for the domestic startups and evaluate the effectiveness of them, which enhanced our project management and stakeholder engagement skills.

#### William Chan

Head of Innovation and Growth, Wholesale Digital, Strategic Change and Simplification

Through discussions and sharing sessions in the project, I was inspired to reach out to the target segment and identify new-to-bank prospects with borrowings needs. It was a great opportunity to understand more about Commercial Banking, including the marketing strategies and the competitive edge of the Bank.

#### Tiffany Or

Assistant Relationship Manager, Global Banking





## Our People

### Training and skills development

To ensure that knowledge, skills and experience of our staff are appropriate for discharging their duties at work, the Bank has implemented a control process called a “Capability Gap Analysis”, where the business / function / Digital Business Services proactively identify the capability requirements in the workforce that are aligned to the strategic goals and business / function objectives. In cases where a training need is identified, our Learning and Talent Development Team will provide support to the individual department in formulating a learning plan with multiple learning solutions (eLearning, in-house / external instructor-led training, etc.), so that our staff members can acquire adequate knowledge and skills to carry out their duties effectively and support their overall performance.

We invest in learning and development, to build and sustain a professional team that will contribute to the success of the Bank. We are committed to deploying staff with sufficient skills, knowledge, professional qualifications, experience and soundness of judgement required for the responsible discharge of their duties. All of our staff undertake mandatory training on ethical standards that include treating their colleagues and customers fairly and with dignity and respect. To leverage our industry knowledge, insights and market practices, we partner with market experts from educational institutions and thought leaders to design and deliver these courses. In 2022, we partnered with the VTC for learning on insurance and investment market trends as well as on the latest regulatory requirements. We developed the “Resilience Training Workshops” with the input of a thought leader on this subject who delivered a series of workshops to equip our bank talents in their adaptability to challenging situations to sustain high performance and wellbeing.

### Induction Programme

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

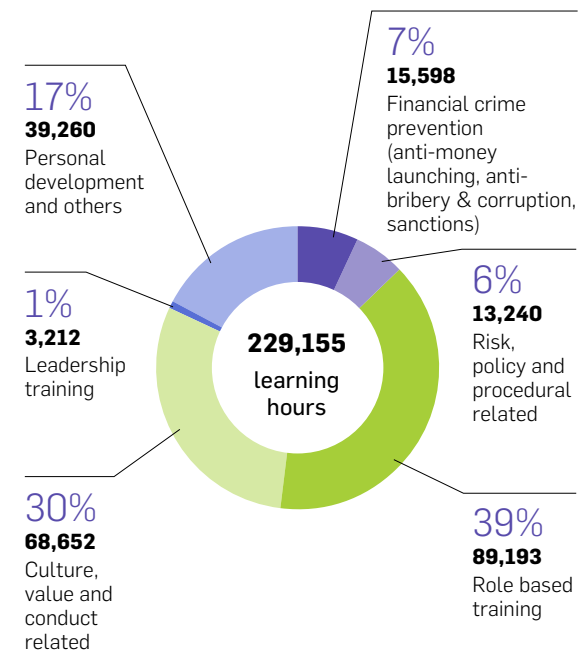
### Our learning and development programmes

<b>Education Subsidy Scheme</b>	To support our staff who wish to further their education (e.g., in postgraduate degrees) and / or attain professional qualifications.
<b>Innovation and Technology Fund Scheme</b> (Reindustrialisation and Technology Training Programme)	To support our staff in understanding advanced technologies.
<b>Enhanced Competency Framework</b> ('ECF')	To support the capacity building and talent development for banking professionals, we partner with HKIB to deploy an industry-wide “Enhanced Competency Framework” ('ECF') for banking practitioners within the Bank. This is a recommended licensing regime, designed to enhance the level of core competencies and support the on-going professional development of banking practitioners.

### Role-Specific Learning and Development Programmes

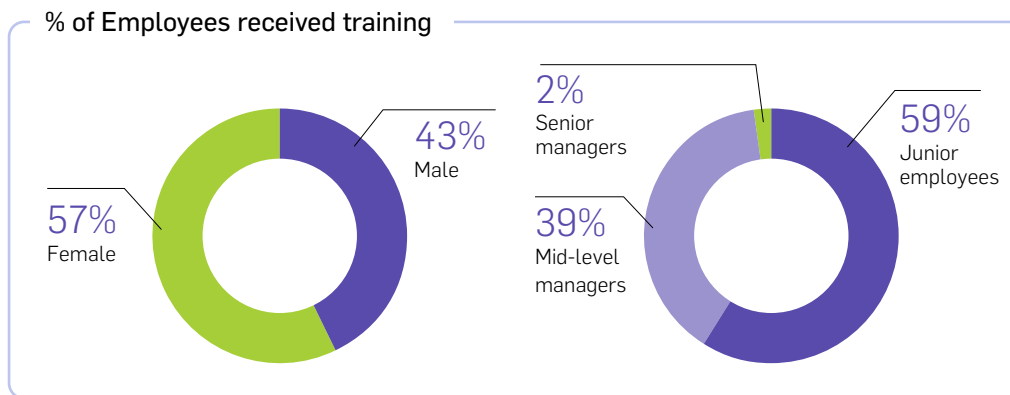
We offer role-specific learning and development programmes to equip our staff with the skills and knowledge they need to meet challenges and the related professional requirements. These programmes cover topics including sales and relationship management, products, operations, compliance, credit and risks.

### Training provided for employees in Hong Kong in 2022



## Our People

All of our employees took part in training programmes in 2022. Out of the employees received training, 43% were male and 57% were female; 2% were senior managers, 39% were mid-level managers and 59% were 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 2022. In particular, 77% of our staff felt that their line managers actively supported their career development.



# 2,301 hours

We provided 2,301 hours of Competition Law<sup>^</sup> training to staff.

<sup>^</sup> Remarks: Training on Competition Law Modules is on a two-year cycle. The module has been deployed to all employees in 2021 and the assignment will be deployed again in 2023 whereas employees who are exposed to Competition Law risk in their day-to-day roles are assigned with additional training on Competition Law.

### Average hours of training

Average learning and development days per employee in Hong Kong **3.25**

#### By gender



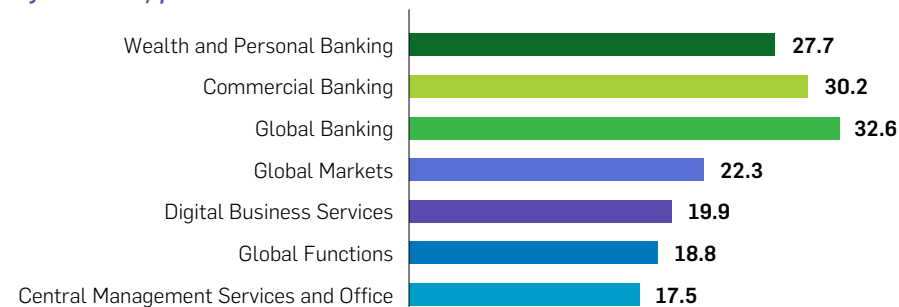
#### By employee category



#### By age group



#### By business / functions



Notes:

- 1 All headcounts are in full-time employee equivalent (FTE).
- 2 The above learning hours exclude the learning and development activities arranged by individual departments.

## ■ Our People ■ ■ ■

### *Learning Solutions for People Managers*

In addition to the leadership curriculum provided to our employees, to support people managers in leading high-performing teams and share best practices on how to manage ambiguities and challenging situations in hybrid working, a theme-based people management workshop facilitates the learning process of team leaders to address practical work challenges and manage team protocol in flexible working.

### *Leadership Curriculum by HSBC University*

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.

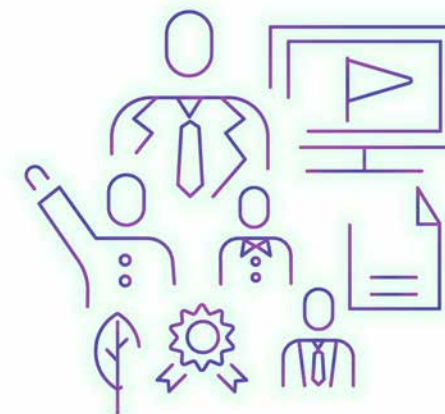
The **Leading a Business or Function programmes** equip senior leaders with the skills to deliver growth and support the efficiency of our business.

### *Workshops for people managers*

<b>“When Teams Go Virtual” workshops</b> – five sessions	196 people managers across different lines of businesses attended with seven senior leaders sharing
<b>People Management Clinics: Leading Change for a Cohesive and Performing Team</b>	165 people managers have attended the training
<b>“Managing with Respect Workshops”</b> – three sessions	111 people managers participated
<b>“Mental Health Conversation and Skills Practices” Workshop</b>	Enabling people managers to be confident to have open conversations about mental health at work and ensure everyone feel comfortable to seek support
<b>Mandatory training on wellbeing</b>	All people managers have to participate to enable them to support their staff to achieve a positive physical and mental health

### *ESG-related training*

We are enhancing our staff’s awareness and knowledge of ESG, so that they will be equipped to help the Bank to progress in its ESG journey. In 2022, we organised two ESG webinars, in which industry experts shared how the development of ESG and fintech is affecting the market and the Bank. For regular awareness programmes, we published ESG comics and newsletters to our staff on our [corporate website](#). We also conducted interactive ESG mini-quizzes internally and received a total of 1,648 responses.



## Our People

### Innovation in action

FinTecubator, a platform developed by Hang Seng Bank, continues to gather momentum in championing and driving bank-wide progress in innovation. The human enabler of FinTecubator empowers staff to innovate and develop entrepreneurship.

Two internal start-ups, PartyKing and U+H Biz have successfully launched their pilots to the market.

FinTecubator aligns well with the Hong Kong Monetary Authority ('HKMA')'s "Fintech 2025" strategy to promote "All banks go fintech". The Bank has been very proactive in fintech adoption to enhance our business and operating models

### Project Participant's Experience

FinTecubator supports our internal innovation incubation programme, by encouraging our staff to think, act and eventually become entrepreneurs. Our staff enjoy the freedom to develop their own fintech ideas while we provide them with knowledge, resources and business connections. They also have opportunities to work with outside developers on new banking solutions. We aim to better serve our customers today and tomorrow by putting ideas into action.

**Nike Kong**  
Head of Innovation



and commercialise opportunities in digital banking services to engage customers and enhance customer experience. FinTecubator serves business needs to produce proof-of-concepts and production cases and explore the development of cutting-edge solutions.

Over the past year, FinTecubator collaborated with HR to launch fintech Innovation Experience ('FIE'). This initiative presented a series of fintech Talks, metaverse and virtual reality immersion tours and showcases to promote and develop future skills. Over 5,900 staff received training and completed over 21,000 fintech courses. Through liaison with our technology partners, HR offered Bank talents the opportunities to visit five leading technology organisations for their learning and development.

In driving the ESG agenda, Hang Seng sponsored the "Fintech X ESG Symposium" to bring together industry leaders to explore key considerations and opportunities in fintech and ESG.

Over the past year, we have seen increasing traction in our in-house innovations to drive Hang Seng to become more agile and future fit. FinTecubator held its first-ever "Innovation and Partnership Ceremony" to recognise the efforts of our colleagues and celebrate their success in bringing to life fintech innovations across the Bank.

Looking ahead, FinTecubator will continue to drive value creation for the Bank and harness the four pillars of digitalisation, new model and ecosystem, organisation agility and brand elevation. The people focus will drive and embed innovation mindsets and entrepreneurial culture fostering experimentation, prudent risk taking, and "test and learn" approaches. We will also seek out opportunities to create a wider impact in devising strategy and roadmaps for selective agreed initiatives, such as central bank digital currency ('CBDC'), virtual assets, web3, metaverse and other emerging technologies.

Hang Seng received the following recognitions in 2022:

### Master-Insight ESG Award

for our contribution to facilitate ESG development

### Leading Innovator

in the "Hong Kong Fintech Week" with Hang Seng and Hang Sang Insurance winning awards in "Best Fintech Transformation" and "Best Fintech Talent Development" respectively

### 3rd ranking

in the "2022 Corporate Innovation Index" launched by the Chinese University of Hong Kong

## Our People

Other examples of innovation in action within the Bank over the past year include:

**Data Hackathon** – To promote the application of data analytics to varied business challenges in the Bank and through new data insights to create innovative solutions.

**AWS DeepRacer** – To engage employees with hands-on experience in Artificial intelligence ('AI') and Machine Learning ('ML'), an innovative and fun car racing competition was held. Through the use of Amazon cloud based 3D racing simulator and a fully autonomous 1/18 scale race car modelled on reinforcement-learning, the participants from diverse disciplines and roles across the Bank participated in the car race to learn about AI and ML.

**Hang Seng Finland** – We pioneered the creation and launch of "Hang Seng Finland" in the metaverse environment to engage prospective candidates in the MT programme and socialise the programme features, development proposition, Bank's strategy and culture with candidates. Through an interactive experience for one hour, candidates are introduced to different career development opportunities open across the Bank and offers of diverse learning activities and rotations arrangement for MTs to get the right exposure and support to become future leaders in the bank.

### Case study



### Central Bank Digital Currency

Hang Seng Bank received the "Best Use Case Award" from HKMA in the Global Fast Track 2022 – Central Bank Digital Currency ('CBDC') Track Pitching Competition. Gilbert Lee, Head of Strategy & Planning and Chief of Staff to CE at Hang Seng, said: "Hang Seng is delighted to receive this award. We are leveraging our broad network and large customer base to be a pioneer in e-HKD development. We will continue to support the initiatives of the HKMA, including its e-HKD sandbox environment, which is expected to launch in the third quarter of next year. We will also collaborate closely with other key stakeholders to explore the feasibility of various e-HKD application scenarios."

### Hang Seng's "Future of Work" initiative

We have established a formal policy to provide flexibility for employees who wish 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. This means that staff can work anywhere securely using a laptop, personal computer or a mobile device. We are also digitising our paper-dependent operations in order to remove physical constraints. In September 2020, we implemented integrated document management to centralise all our physical and electronic document handling. The introduction of e-workflows for our operations has made working from home more viable.

## ■ Our People

Our headquarter and Hang Seng 113 office building have been renovated and converted to an activity-based working model. By providing more spacious breakout areas to facilitate interactions between colleagues, we are seeking to cater to diverse working styles, encourage creativity, agility and collaboration, and support health and wellness in our workspaces.

To make our workplaces fun and energised, our building premises are also equipped with amenities including game corners with videogame consoles, billiards and table soccer, a table tennis room, a library and a recharge room with massage chairs. Two communal floors in our headquarters feature a cafeteria, a kiosk selling healthy fruit and snacks, shower rooms and a wellness corner with fitness equipment.

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

### HR digitalisation

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

To improve employees' experience, two new HR online support channels with the use of ESME and Live Agent were launched in 2021. Employees can access the Live Agent, an online live chat tool to contact representatives for HR guidance, while ESME is an automated messaging tool addressing employees' queries or providing HR information promptly. For unresolved queries by ESME, they will be routed to a real-time live agent for further assistance. Since the rollout in mid-September 2021, the Live Agent has achieved 92% resolution rate of the requests received through live chats.

The staff's efficiency to complete HR-related administrative tasks was enhanced. The performance management function in the HR app allows employees and managers to complete the year-end assessments through mobile app.

#### New learning journey to fit for the future of work

We engage our staff to embrace the new learning journey by promoting self-paced learning on the Degreed platform. Delivery of learning programmes has applied innovative digital solutions such as VR technology and mobile gamified learning on apps. We offer action learning in our young talent development programmes. MT's work on banking business projects and give thematic presentations, they have exchanges with senior leaders as part of their learning journey.

### Mybenefits portal for one-stop shop for employees' services

We launched "Mybenefits" in April 2021 to provide an online one-stop shop benefit portal for our employees to access benefits information and life events and enroll in employee benefits through mobile platform to enhance users experience and reduce the use of paper forms.

### People insights 2.0

We have enhanced the reporting and analysis of people data to draw insights, spot trends and identify any emerging people risk and prompt solutions to address issues, plan and deploy people resources.

### Digitalised employee experience

Digitalisation enhances customer engagement and experience, and new technology investments also transform the workplace and employee experience. Digitalisation transcends the workday of employees from arrival in the office using QSeat to locate available hot desks; accessing Microsoft Office functionalities in Teams Chat, Calendar and Emails; using staff apps to reserve sessions with IT Express Centre or pre-order meals and beverages; online bookings of meeting rooms in any buildings. Well-resourced and modernised equipment such as All in One USB-C cable, VIA to join zoom calls and share screen, pairing zoom with home devices significantly enhance work efficiency.

## Our People

### Diversity and Inclusion underpinning sustainable and inclusive growth

#### Engagement

We conduct employee surveys annually to gauge staff sentiments and engagement level, staff confidence in the Bank's strategy, trust in leaders, speak-up and inclusive culture, career development and change leadership.

We aim to maintain or improve our employee engagement score against the last employee survey.

2022 survey reflects the continuous efforts of leaders in the Bank to engage their staff. Six out of eight indices have remained strong with favourable responses over 70%; the Bank's employee engagement index and employee focus index are 1% and 7 % below the financial services industry benchmarks, the other 6 indices are above the financial services industry benchmarks by 3%-8%.

Improving the Employee Engagement Index and Employee Focus Index which score below 70% will be our focus area in 2023.



Snapshot Core Indices*	Hang Seng HK 2022 score <sup>#</sup>	Hang Seng HK 2021 Score <sup>#</sup>	vs. Financial Services Benchmark <sup>^</sup>
Employee Engagement Index	69	72	-1
Employee Focus Index	63	69	-7
Strategy Index	74	79	+3
Change Leadership Index	78	81	+4
Speak-up Index	76	80	+8
Trust Index	78	82	+4
Career Index	71	75	+7
Inclusion Index	75	78	+3
Wellbeing Index	78	78	0

	Number of Responses Received	Employee Engagement Index
<b>Breakdown by age group</b>		
20-29 years old	1,272	67%
30-39 years old	2,202	69%
40-49 years old	1,463	69%
50-59 years old	1,011	73%
60 years old	57	80%
<b>Breakdown by gender</b>		
Male	3,527	70%
Female	2,479	69%
<b>Breakdown by management level</b>		
Executive	2,419	73%
Officer	2,543	71%
Clerical / Blue-Collar	1,044	68%

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

<sup>#</sup> The employee survey change from semi-annually to annually in 2022.

<sup>^</sup> We benchmark snapshot results against a peer group of global financial services institutions, provided by our research partner.

## Our People

### Helping each other grow and improve Performance management & constructive feedback

All staff have a formal review at the end of every year with performance and behaviour ratings in line with the assessment framework. Management will conduct fairness review cross teams to ensure the year-end assessments are fair, evidence based and meritocratic.

To foster a fair and meritocratic working environment, we offer on-going coaching to managers through workshops and drop-in sessions to provide guidance and tips to team leaders on managing employees' performance and behaviours.

The continuous performance and feedback toolkit has been refreshed in 2022.

The enhanced toolkit helps employees navigate below topics

- ▶ Performance management
- ▶ Taking ownership of your career
- ▶ Regular conversations
- ▶ Managing feedback

To equip our people managers with essential knowledge to conduct a fair and accurate performance assessment for their team members, 2 drop-in sessions were held for people managers in 2022 and 480 people managers joined the session, representing 44% of participation rate. Guidance and key principles of performance review were shared with managers.

Hang Seng has a robust process to appraise employee performance and behaviours with stakeholders' input and encourage development of employees.

**Conversations between managers and staff** are encouraged through our everyday performance and development principles for holistic and meaningful discussions on performance progress, feedback and recognition, development and support, and individuals' wellbeing.

**Performance management** enables our staff to deliver sustainable and long-term results. It involves objectives set-up, feedback and recognition, performance and behaviour assessment, coaching and support. Supplementary resources, such as performance and talent management guides, are available.

**Top management performance objectives**, including Chief Executive and all Executive Committee members, have been incorporated with ESG initiatives, such as carbon reduction KPI / targets. The variable pay awards made to the Chief Executive and other Executive Committee members have reflected the assessment of their performance against the scorecard objectives in relation to both financial and non-financial objectives, including the ESG commitment that is in place.

**Risk management measures** are incorporated into our employee performance review, where the performance in managing risks is linked to the remuneration that an employee receives.

**Mandatory risk objective** is automatically added to every employee's list of objectives. The employee's performance against the risk objective is reviewed throughout the year. The achievement of this goal impacts the employee's performance review and pay review.

**Employee's awareness of risk mitigation** is one of the criteria to be assessed for the behaviour rating, which is one of the major factors in the annual pay review. The behaviour rating looks at how employees live our Corporate Values, perform in risk and compliance, and how they protect the interests of customers, colleagues and the Bank.

### Celebration

We use At Our Best Recognition, an online tool for employees to celebrate colleagues who bring the Bank's values to life. The programme promotes a better understanding of values in everyday practice and enables a consistent way of recognising people globally. We also thank our employees for choosing to build their career with the Bank and mark service anniversary milestones with us. Through At Our Best Service Recognition ('AOBSR'), we recognise employee service milestones at 5, 10, 15, 20, 25, 30 and 40 years. When achieving these milestones, employees will have access to a celebratory page on the AOBSR site and receive a points award and they will also receive messages from line manager, peers and stakeholders congratulatory in the system.





## Our People

### Supporting mind, body and purpose

#### Staff benefits

A variety of staff benefits is provided to employees to suit their personal needs in different stages of life, including different leave types to fulfil work-life balance, parental and family responsibilities, various benefits and offers to achieve personal goals, physical, mental and financial wellness:



#### Leave type

- ▶ Up to 30-day annual leave
- ▶ six-day marriage leave
- ▶ 16-week maternity / adoption leave
- ▶ 10-day paternity leave
- ▶ Birthday leave
- ▶ Volunteer day leave
- ▶ Exam leave
- ▶ Compassionate leave



#### Personal time-off

Employees are allowed short periods of time-off (e.g. two hours) each month



#### Retirement benefit



#### Medical benefit

Medical benefit cover employee and their dependants (including legal spouse, domestic partner and children), with easy access to healthcare and wellness treatment for medical conditions, illnesses or injuries.

Our staff receive bi-monthly newsletter to share useful wellness and health benefits updates to raise employees' health awareness.

Our medical benefit covers domestic partners regardless of sex. In 2022, we recorded a total of 236 domestic partners. 4% of them are same sex domestic partners.



#### Housing

- ▶ Housing loan
- ▶ Refund of rent



#### Shares plan

An employee stock purchase plan that invest in HSBC shares



#### Life assurance

Financial support for employee and their family if employee die or suffer from total permanent disability while working for Hang Seng



#### Employee assistant programme, Head Space – wellness App

Our employee assistance programme provides access to professional counsellors. This service is available 24 hours a day, seven days a week. It is offered free of charge to employees and the service is kept strictly confidential.

## Our People

### Benefits enhancements made during the year:

- ▶ **Enhance marriage leave** from five to six days, and **compassionate leave** extended to a wider scope of deceased family members being covered
- ▶ **Introduce Flex Returns** to support employees returning from maternity / paternity / parental leave who may start / finish work hours flexibly, or work half days or a shorter week, subject to working a minimum of 20 hours per week for up to two weeks
- ▶ **Streamline approval protocol** for part-time working, unpaid leave and sabbatical leave applications
- ▶ **Enhance medical benefit scheme and services** by launching a mobile app, Benefit+ to enhance users experience in claims process, allowing e-claim submission more flexibly, increasing the outpatient e-claim limit and extending the e-claim feature to dependents
- ▶ **Introduce video consultation** via Benefit+ with medicine delivery
- ▶ **Introduce a new feature, HealthScan+:** It is an AI health tracker which elevates digital healthcare with precise and accessible digital diagnostic solutions and help people conveniently monitor their health and stay healthy with a face scan
- ▶ **Launch of Total Reward Statement:** The statement is available online that summarises the monetary value of benefits offers and enhances employees' experience and understanding of the value of their total reward package, including fixed pay, variable pay and a wide range of benefits and support being offered

### Occupational Health and Safety

Hang Seng Bank is committed to upholding high standards in Occupational Health and Safety ('OH&S'). We have therefore adopted the international OH&S management system as a backbone to ensure that all stakeholders in business activities and our surrounding community are not exposed to health and safety risks associated with our operations. We are confident and dedicated to achieving the prescribed standards via clear goals and objectives set out in the [OH&S Policy](#), with engagement and support from our employees at all levels.

Hang Seng Bank is the first bank in the world to be accredited by the Occupational Health Safety Assessment System ('OHSAS 18001:2007') and subsequently migrated to the

Occupational Health and Safety Management System ('ISO 45001:2018') upon its launch, which is certified by an independent external certification body.

We are targeted and committed to keeping a low rate of accidents, and we comply with the OH&S-related legal requirements. A variety of bank-wide campaigns for the enhancement of OH&S are also planned and implemented.

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



## Our People

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 the risk rating, so as to maintain the residual risk at an acceptable level.

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


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

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

We implement various OH&S systems, policies and controls at a bank-wide and functional level, including the following examples:

- ▶ 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
- ▶ Safety Management Committee
- ▶ Accident Investigation
- ▶ Risk Assessment
- ▶ Job Hazard Analysis

Their effectiveness had been assessed during the certification process performed by an independent certification body.

**3,625** 

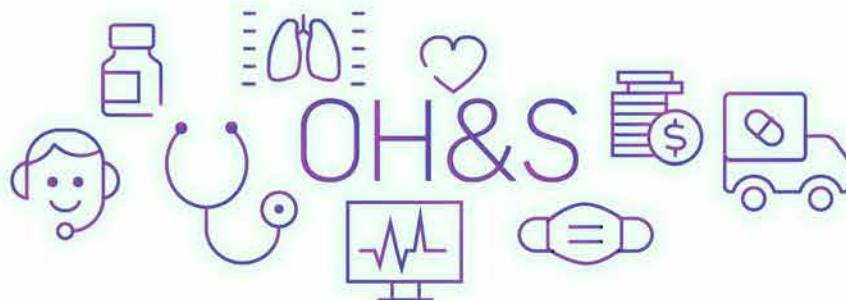
hours of health and safety training were provided to relevant staff members

**44** 

lost days due to work injury in 2022

**0**

number of work-related fatalities occurred in 2022



## Our People

### Health and wellness

<b>For staff as families</b>	Partnered with external organisations, we organised an online sharing session to introduce the topic of dementia to our staff and encourage them to provide care and support for their elderly contacts
<b>For staff as parents</b>	Partnered with external organisation, we organised “Enriching Children’s Summer Holiday”, a series of sports-related workshops for children and their parents to enjoy early summer in March / April 2022
<b>For staff as pet lovers</b>	Partnered with external organisation, we organised workshops that were tailor-made for new pet owners, including “Basic Daily Care for Cats and Dogs”
<b>For staff with children</b>	Organised festive themed arts and crafts workshops for children and their parents to enjoy and celebrate these happy occasions
<b>Wellbeing 360</b>	Organised extensive workshops and classes to deliver a variety of wellbeing activities for our colleagues, including cooking, yoga, Pilates, live music, Zentangle, stress management, etc.
<b>Internal and external sports competitions</b>	Competitions – Hang Seng Cup Bowling Competition, Hang Seng eSports tournament  Hang Seng Sports Teams – Several sports teams including our dragon boat team, football team, basketball team and bowling team underwent training and participated in external competitions

<b>ESG-related activities</b>	Partnered with external organisations to organise various green workshops, such as the “DIY Coffee Grounds Scrub Workshop”  The Bank supported the Community Chest and participated in the “Walk for Millions”; a virtual hiking activity, “Green Power Hike” with the Green Enthusiast Award
<b>On-site amenity facilities</b>	The Game Rooms and Wellness Corners were opened to staff for leisure, including table tennis, Playstation4, Switch, board games, etc.



**16,000**

overall participations

**>380**

staff programmes and activities held in 2022

## Our People

### Employee Health and Safety

COVID-19 was a challenge to both our people and business in 2022. Nonetheless, we continued to uphold our commitment to supporting our staff, our customers and our community.

With COVID-19 related challenges remain for almost three years now, our staff are well-accustomed to our contingency work arrangements, including 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. We have over 80% of our office-based staff working from home on a daily basis during the peak of the fifth wave of the pandemic in February / March 2022, and this ratio remained at over 30% even after we have removed the restriction on people working on-site in April 2022.

In line with the trend in Hong Kong, about half of the employees have been infected and recovered since the fifth wave. The Bank extended its care to our infected staff and their families by contacting them to express our sympathies and delivering the warm care packs.

Modelled after the Government's vaccine pass programme, the Bank has also implemented a Vaccine Pass programme, under which our staff and visitors to the Bank's core buildings are required to be vaccinated, with exemptions for those who have recovered from COVID-19 or who are medically exempted. Vaccine pass scanners were set up at the concierge counters at the Headquarters Building and at Hang Seng 113 office building, in order for visitors to scan their "LeaveHomeSafe" health codes.

We kept our employees up-to-date work arrangements via staff communication emails. Regular updates on COVID-19-related topics, including medical and mental health advices, were also available on our intranet and mobile staff app.

We organised a webinar with our medical advisor on long COVID in July 2022, in which we answered questions raised by our staff on Omicron and their concerns on its long-term health impact.

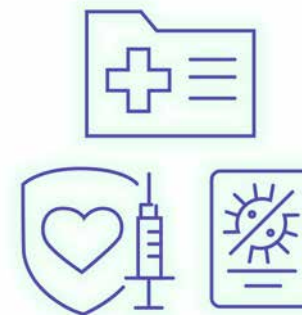
The Bank keeps its employees safe via a holistic safety management system supported by a variety of processes, programmes and control measures. The Bank also reviews the control measures from time to time, to ensure their appropriateness in light of the latest developments. These include, for example:

- ▶ Surveillance visits by the certification body of the accredited ISO 45001, with a continuous focus on the issue of COVID-19
- ▶ Risk assessments on our work processes
- ▶ Safety instructions on our work processes
- ▶ Emergency preparedness programme
- ▶ Annual compliance return
- ▶ Health and safety promotion
- ▶ Our medical advisor regularly advises us on the latest COVID-19 developments, followed by the related mitigation measures
- ▶ Establishment of cross-department task forces in response to the latest COVID-19 developments

### COVID-19 health measures

To safeguard our staff during COVID-19, we undertook the following measures, some of which were put in place after consultations with medical experts:

- ▶ Registration of visitors to our core building
- ▶ Provision of surgical masks for all staff
- ▶ Provision of RAT test kits
- ▶ Installation of protective screens on desks and counters
- ▶ Setting clear guidance principles and procedures in relation to COVID-19
- ▶ Regular advice from our medical advisor on the latest COVID-19 developments, followed by mitigation measures
- ▶ Establishment of cross-department taskforces in response to the latest COVID-19 developments



## Our People

### Equality and Openness

#### Equal opportunities

##### Internal mobility

We promote internal mobility for all levels of employees with equal opportunities and with an aim to nurture their career development and enrich their experience, while it is also helpful for us to retain talents. All of the open roles are advertised in internal job posting portals and monthly emails are sent to all staff to promote the hot jobs of the month. In April 2022, we launched an automatic job alert's function, which further enhances our staff's internal job search experience. Employees can customise their job alerts setting based on their prioritised areas of interest and preferred frequency (daily, weekly or monthly) for receiving notifications.

In 2022, a total of 1016 positions were filled by internal employees with different backgrounds, skills and experience, representing 46.8% of open positions (+6% vs 2021), which demonstrates the Bank's support for employees' career development and openness to explore employees' uncovered potential.

**1,016**

positions were filled by internal employees

#### Case study

#### Tina So, 2019 Management Trainee, is currently the ESG Manager of Hang Seng Bank

Tina's talent development story is a successful example featured by The Hong Kong Association of Banks to promote career prospects in the banking industry. From a non-banking or finance academic background, Tina benefited from a broad-based development in the three-year MT programme and acquired diverse skills and experience and discovered her passion in ESG. With full support of the Bank, Tina pursues her career interests as a dedicated ESG professional, contributing to one of the most important strategic pillars of the Bank.



### Transparency

#### Hiring process

To build a diverse and inclusive workforce, all hiring managers are required to complete a learning programme "Hiring and Selection: Getting it Right" on hiring and selection as a pre-requisite. The programme prepares hiring managers with evidence-based interviewing skills and raises their awareness of unconscious bias in the selection of candidates.

#### Launch of Total Reward Statement

The "Total Reward Statements" improve transparency and employee experience by better informing their understanding and enhancing the perceived value of individual total reward package.

## Our People

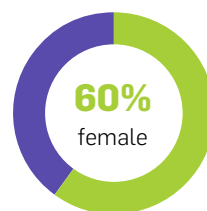
### Gender representation and pay

We comply with the Hong Kong Equal Opportunities Commission guidelines on equal pay between men and women under the Sex Discrimination Ordinance. The definition of gender pay gap for this reporting purpose is simply the pay difference (mean and median) between male and female employees across the organisation regardless of roles or seniority, illustrating gender representation differences. The gap is mainly attributed by a higher number of female (vs. male) employees at the more junior level.

### Gender pay gaps

Our approach to pay is fair and meritocratic. Remuneration decisions are based on a combination of business results, performance against objectives, desired leadership behaviour, adherence to our company's values, business principles and HSBC risk-related policies (See "Performance management & Constructive feedback" section). We make appropriate adjustments if we identify any pay differences between men and women in similar roles, that cannot be explained by reasons such as their performance, behaviour rating or experience. To engage, develop and retain our employees, we regularly review the internal remuneration equity and competitiveness with the external labour markets in order to maintain appropriate market pay positions and ensure diverse offerings of career progression opportunities to all levels of employees.

### Hang Seng Group Based Population



Remark: Hang Seng Group here refers to Hang Seng and its all subsidiaries

### Gender Remuneration Gap

	Fixed Pay	Total Compensation
Mean	16.6%	16.8%
Median	23.3%	22.0%

- ▶ **A gender fixed pay gap** (mean or median) is the difference between the full time equivalent (annualised) fixed pay of male and female employees as of 31 December 2022. The figure is expressed as a percentage of full time equivalent (annualised) male fixed pay.
- ▶ **A gender total compensation gap** (mean or median) is the difference between the total compensation paid to male employees and that paid to female employees. This is expressed as a percentage of total compensation paid to male employees. Total compensation is the sum of full time equivalent (annualised) fixed pay and variable pay. This is for the performance year ending on 31 December 2022.
- ▶ The **mean** is calculated by adding up the pay of all relevant employees and dividing the figure by the number of employees. For example, the mean gender pay gap is calculated based on the difference between mean male pay and mean female pay.

- ▶ The **median** is the figure that falls in the middle of a range when the pay of all relevant employees is lined up from smallest to largest. For example, the median gender pay gap is calculated based on the difference between the employee in the middle of the range of male pay and the middle employee in the range of female pay.

We offer fair and competitive pay and benefits to attract, retain and motivate talented staff. We maintain the internal remuneration equity and competitiveness with the external labour markets and regularly review our pay positions and career progression opportunities.

### Human rights and inclusion

**“Valuing Differences” and “Succeeding Together” are two core Bank’s values.**



To sustain our business growth and to thrive in a rapidly changing environment, the Bank fosters an open and inclusive culture and harnesses the benefits of diverse teams to drive innovation, enhance collaboration and improve workforce agility. We value, respect and support individual differences where the richness of ideas, backgrounds, styles and perspectives are actively sought out with informed empathy to create business value.

## Our People

We firmly uphold fairness and meritocracy in our hiring and selection process in line with our Equal Employment Opportunities Policy. They are trained in self-awareness of unconscious bias and upskilled in evidence-based selection against clear criteria of capabilities and experience defined for the role. All shortlisted candidates are interviewed and selected based on capabilities and experience fit with the use of a capability interview guide. Selection decisions are based on the input of a panel of interviewers to assure diverse input and holistic considerations in assessing meritocracy (e.g. Input from 1st and 2nd line of defence, front and mid office, stakeholders and peers' input etc.)

We expect all staff to adhere to the standard of behaviours clearly articulated under our diversity and inclusion policy as set out in the staff code of conduct. We expect all staff to treat each other with dignity and respect. We 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, 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. Staff who are found in breach of the standard of behaviours laid out in the code of conduct are treated as misconduct and subject to disciplinary actions. 4 out of 10 reported incidents were upheld from the investigations and were properly dealt with in 2022.

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 members who reports improprieties or who participates in an investigation. We consider any retaliation in those circumstances as a disciplinary matter.

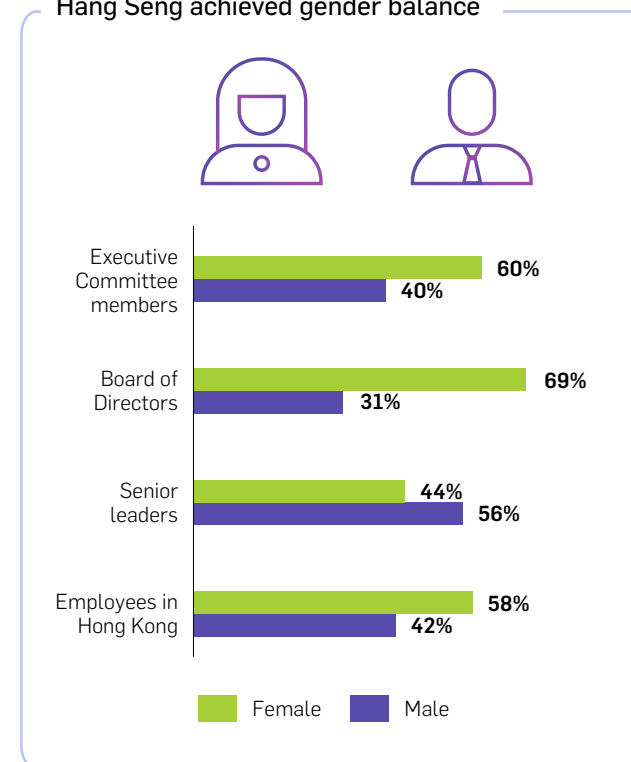
The Board has adopted a board diversity policy and reviewed the same in 2022, which has been made available on the Bank's [website](#) for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, characteristics, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, and any other factors that the Board may consider relevant and applicable from time to time. The Board considers that its diversity, including gender diversity, is a vital asset to the business, the selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience.

As of December 2022, the female representation of the Board was 69% which is above the Board's aspirational target of a minimum of 40% female representation according to the Bank's board diversity policy.

The Board has also adopted a nomination policy which has been made available on the Bank's [website](#) to emphasis the Bank's commitment on transparent nomination process in the selection of candidates for Board appointment.

The Bank continues to offer an inclusive environment, in order to foster diversity and become the best workplace for talented individuals. The Bank was ranked 162nd out of the 3,895 global companies included in Equileap's 2022 Gender Equality Global Report and Ranking. According to Equileap, we were also the only company in Hong Kong that has achieved a gender balance (44%-69% women) at all four levels, including our Board, executive, senior management and workforce.

Hang Seng achieved gender balance





## Our People

44% of our senior leaders are female – a ratio that is well aligned with HSBC’s target of 39% in 2022. The female representation of senior leaders in Hang Seng (including operations in Hong Kong, mainland China, and overseas representative offices) was 46% as of the end of 2022.

In 2023, we will continue to sustain our inclusive culture in the Bank where everyone has the opportunity to grow and achieve their career objectives in the Bank, thereby improve and sustain our female representation at the senior level.

The female representation is driven by 3 factors, hiring, promotion and attrition (as of the end of 2022).

- ▶ 47% of our external senior hires are female
- ▶ 58% of our promotion into senior leaders are female
- ▶ 41% of our voluntary attrition of senior leaders are female

An “Inclusion Index” derived from the employee survey measures employee sentiments of inclusion and belonging including aspects of trust with their managers, psychological safety to speak up, fairness in treatment, sense of belonging in the Bank, ability to be themselves and to achieve individual career objectives. Our index which stands at 75% in 2022 is evidence of our strong inclusive culture. We target to sustain our strong Inclusion Index in the coming year.

Our inclusive culture also extends to the community where we support an inclusive society. Our new social initiative YPP launched in 2022 sought to offer employment opportunities

to graduates in an adverse employment market impacted by the prolonged pandemic. We seek to provide these graduates with their first employment experience to acquire employable skills and make a head start in their careers to fulfil their development potential.

We regularly review and enhance our diversity and inclusion policies and practices to ensure that they are in line with regulatory requirements, market trends and industry best practice. All staff receive training in diversity and inclusion, equal opportunities and are informed on human rights updates that are relevant to our operations. These focuses are part of our “New Joiners Induction Programme”. In 2022, we provided our employees in Hong Kong with approximately 6,127 hours of such learning.

We provide continued people management training to reinforce the role of team leaders to create and embed our inclusive culture.

To increase staff awareness on anti-harassment, bullying and discrimination, all of our staff members undertook mandatory training on these topics. Workshops run by legal professionals titled “Building a Safe Workplace” were arranged to equip employees with the knowledge and skills needed to combat workplace bullying and discrimination. To strengthen our staff-management capabilities and to cultivate our inclusive culture, “Managing with Respect” workshops were delivered to the Bank’s personnel managers. The content was based on situational scenarios, along with discussion to simulate the real-life experiences of our managers.

In 2022, we provided 5,760 hours of training on anti-harassment, bullying and discrimination against our staff

while more than 1,500 colleagues attended the scenario-based workshops. Upskilling workshops are also delivered to people managers on mental wellbeing to heighten their awareness of mental health, equip managers to spot mental health issues and conduct appropriate conversation with team members in need, with an empathetic and non-judgemental approach.

### Learning Item / Learning Hours (Hong Kong Employees)

- ▶ **939 hours**  
Anti-Harassment and Discrimination Training
- ▶ **1,429 hours**  
Building a Safe Workplace
- ▶ **2,504 hours**  
Global Mandatory Training Trimester 3 (33% of the learning module)
- ▶ **666 hours**  
Making the Bank More Inclusive
- ▶ **222 hours**  
Managing with Respect
- ▶ **36 hours**  
Mental Health Conversation – Skills in Practice Workshops for People Managers
- ▶ **331.5 hours**  
When Teams go Virtual
- ▶ Ability programme for WPB – How to Provide Banking Service to Dementia Friends

## Our People

The prevalence of hybrid working has presented new challenges to people managers in leading their teams and managing individual performance and productivity. “When Teams Go Virtual” workshops are offered to people managers to share challenging situations and offer practical guidance to develop team protocol in an inclusive, trusting and empowering work environment and enable new ways of working under hybrid working model.



**1,429** 

employees joined the “Building a Safe Workplace” workshop

**111** 

people managers participated in “Managing with Respect” workshops in 2022

**10**

incidents of discrimination and harassment were reviewed in 2022

### “Building a Safe Workplace” workshop

We are committed to providing our employees with an inclusive and healthy work environment and to raising staff awareness of their daily behaviour and enhancing their understanding of the employees’ responsibilities in fostering a culture of mutual respect and speaking up to stop inappropriate behaviour. As a result, five “Building a Safe Workplace” workshops were held in the second half of 2022. We invited legal professionals from an external law firm as speakers to share their knowledge of workplace harassment, discrimination and bullying, and to provide practical guidance through case studies. A total of 1,429 employees joined us in the workshop.



### “Managing with Respect” workshop for people managers

“Managing with Respect” workshops were organised for our people managers regularly throughout the year, with aim of improving their capability for dealing with workplace discrimination, harassment and bullying, and ensuring our personnel managers understand their accountability in managing a respectful workplace for their own team. Practical guidance on handling staff cases was shared with the participants through case studies.

## ■ Our People

### Talent Attraction and Retention

#### Talent acquisition

Hang Seng is committed to local employment. We open up all external job positions to local candidates. In 2022, 97.9% of external hires were employed locally.

The average hiring cost of the Bank's staff was HK\$14,439 in 2022, inclusive of sourcing, advertisements, agency fees, use of assessment tools and vetting fees.

Since 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 voluntary staff turnover rate was 21.4 % bank wide in 2022, with higher staff attrition in the frontline branch network. The Bank builds internal pipelines through upskilling, reskilling and internal deployment and retention of our staff.

### Creating Opportunities for Youth

#### Management Trainee ('MT') Programme

Every year, we hire high calibre graduates for our MT Programme. Our MT Programme offers a holistic scope of development, encompassing two key dimensions – enterprise and professional levels. At the enterprise level, our MTs are immersed in the Bank's purpose and values, and learnt the Bank's strategy in Fintech, Greater Bay Area development and ESG initiatives. At the professional level, our MTs build their core banking knowledge and specialist skills at work.

In 2022, the Bank created a new and innovative MT recruitment experience for university students and recent graduates. MT Finland is an in-house development with collaboration between the HR, IT and FinTecubator departments which enable us to engage prospective candidates in metaverse. Through interactions and mini games in the metaverse, participants understand the job rotation plans of different

MT streams, Future Skill learning curriculum and the Bank strategy in areas as fintech, ESG etc.

Compared with conventional campus recruitment talks, MT Finland has significantly increased our reach of MT candidates by 4 times and applicants to our 2023 MT Programme has increased 50% on 2022 applicants, and 83% participants consider MT Finland a better way to socialise and introduce our MT Programme.

Instead of acquiring a readily-made programme from vendor, we chose to develop the MT Finland in-house with a strong collaboration between the HR, IT and FinTecubator departments. We received very encouraging feedback from MT Finland visitors who recognised Hang Seng as the leading bank in the market to use metaverse in MT recruitment and serve the interest of the young generation. Compared with conventional campus recruitment talks, MT Finland has significantly increased our reach of MT.

The Virtual MT immersive experience in Finland is really interesting. It highlights the Bank's strong emphasis on the wellbeing of its employees and showcases the sense of oneness within the Bank. The one-hour experience in Hang Seng's Finland reflects a true taste of what it is like to be a MT in Hang Seng, including different career rotation opportunities across departments and functions, and diverse learning activities.

**Roc Lui**

MT, 2022 cohort, Compliance

The rotation arrangement of the MT programme allowed me to take part in cross-team projects. It was a unique and rewarding learning journey, where the exposure to different placements added up to a give me a greater picture of the business as a whole. Outside our particular fields, the programme offered us many opportunities to take part in a range of initiatives throughout the Bank with our fellow peers and equipping us for the responsibilities related to management roles at the end of the programme.

**Eugene Chan**

MT, 2021 cohort, Insurance (Actuarial)

I recommend highly of the mentorship programme, where trainees are paired with senior management for regular catchups. In these catchups, my mentor has continuously provided prominent advice for my rotation performances and career planning. I truly value the chance to connect as it is an experience conducive to my career-building journey, and also a prime example of how the programme supports us on top of hard skills-learning.

**Athena So**

MT, 2021 cohort, Wealth and Personal Banking

## Our People

### Youth Placement Programme

We are developing young talents into banking professionals by offering internships across our businesses and functions. In 2022, 249 (+7% vs 2021) university students joined us in the various internship opportunities provided by the Hang Seng programmes, from which they acquired the practical experience and skills in banking.

The Bank newly launched a social initiative in March 2022, the youth placement programme ('YPP'), offering six-month employment contracts to graduate hires, with potential options to extend their contract or offer of permanent roles at the end of six months subject to mutual fit.

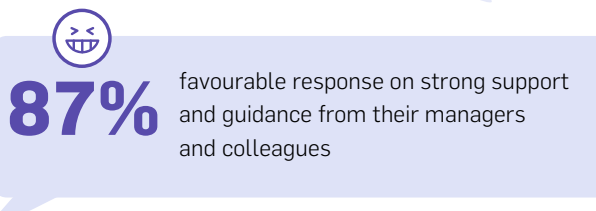
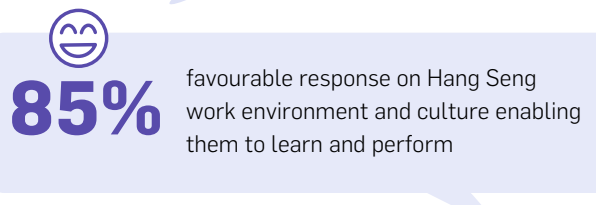
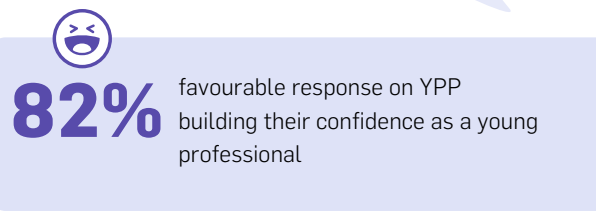
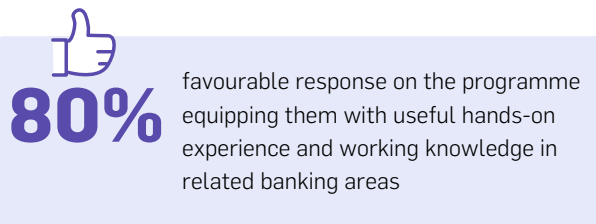
YPP attracted more than 700 applicants with 82 graduate hires successfully onboarded in July to September 2022. Graduates were offered diverse roles in business and functions across the Bank, such as, Data Analytics, Strategic Planning, Trade Business Management, Credit Risk Management, Financial Reporting, Audit, etc.

YPP participants learnt soft skills in teamwork, stakeholders' engagement, communication and ownership of personal accountabilities. They gave strong unanimous feedback on the Bank's open and inclusive culture, for providing them a wide array of learning resources including Robotic Processing Automation, Data & Analytics, Design Thinking etc.

Given these employment opportunities in banking, YPP participants gained first-hand experience and understanding of financial services and were motivated to develop their professional careers in banking. The Programme has made

a strong social impact to promote the prospects of banking career to young talents. YPP brings positive social impacts on Youth, which is one of the key pillars of our ESG strategy.

Results from a survey of YPP Associates as follow:



### Feedbacks from different parties



**Managers**

Positive impacts of YPP were also strongly felt by managers, notably a very high level of work commitment and motivation amongst YPP hires, bringing new ideas and energies to the team. YPP helped build an effective pipeline of young talents for ongoing recruitment needs in the Bank.

A YPP participant who started in Insurance Operations has found her professional development interest in Insurance Underwriting with a permanent offer in the Bank after YPP.



**YPP Participant A**



**YPP Participant B**

Another YPP participant in the Risk function who supported risk identification, has been offered a permanent role in Risk Policy team.

### Bank talent development programmes

Staff with a high level of potential are nominated for executive leadership development programmes (including our resilience workshop, financial leaders programme and accelerating into leadership programme). They are provided with an incredible opportunity to develop their career through future opportunities. These programmes feature a series of group coaching sessions, visibility and exchanges with senior leaders, networking events which help talents in building the skills and mind-set required for more encompassing and sophisticated roles.

## Our Community

### Our Community Investment

Hang Seng is committed to contributing to a more prosperous and sustainable future for the communities in which we operate.

Our community investment strategy is underpinned by four pillars:

- ▶ **Future skills**
- ▶ **Promoting sustainable finance and financial literacy**
- ▶ **Addressing climate change**
- ▶ **Caring for the community**

### Our strategic focus for 2022

At the heart of our 2022 focus is "Addressing Climate Change". Hang Seng has been an advocate of environmental sustainability for many years. We continue to build the capacity for resilience in our local community with a view to ensuring with a more sustainable future. The Bank has contributed to HSBC's net zero ambitions.

In collaboration with CarbonCare InnoLab ('CCIL'), we funded the Hang Seng Low Carbon Future – SolarCare Programme, a project which involved the installation of over 268 solar panels at the Breakthrough Youth Village in 2022, and the system is expected to generate 134 MWh of energy annually on average. The income generated from the solar panels will in turn be used to develop climate education programmes for young people.

For second year in a row, we continued to be the title-sponsor of the "2022 ESG and Green Finance Opportunities Forum" organised by the Chamber of Hong Kong Listed

Companies. Over 200 business leaders and ESG experts gathered at the forum to discuss how to navigate climate risks and to finance climate actions that can support a more sustainable future.

As a home-grown financial institution, Hang Seng is also dedicated to caring for the local community. At the time when the community was hit by the fifth wave of COVID-19, the Bank made a donation to arrange outreach programmes and to provide care packs to support people in need.

We believe young people are the future, and we are dedicated to enabling local youths to reach their full potential. In 2022, we expanded the scope of our financial education programmes to cover young people of different ages and backgrounds, including kindergarten children, university students and young parents.

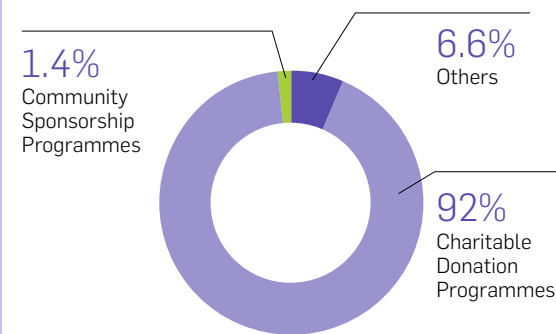
During 2022, we pledged nearly HK\$32 million on community investment initiatives, supporting local organisations to organise 16 programmes for over 77,000 direct beneficiaries. We were named a Caring Company for 20 consecutive years.

Over the past 10 years, we have pledged to invest about HK\$300 million in community initiatives.

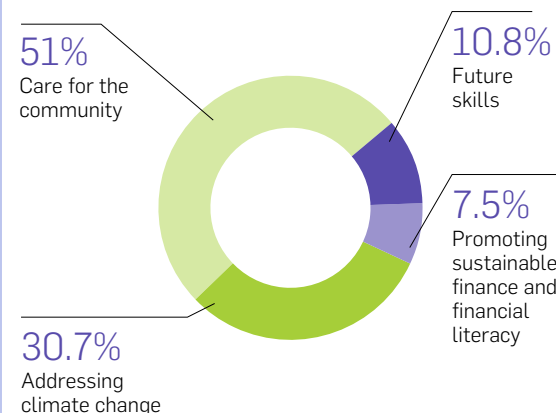
For more details about individual Hang Seng community investment programmes, please refer to: <https://www.hangseng.com/en-hk/about/esg/social/>

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

Breakdown of Hang Seng's pledge of support to the community:



Breakdown of community investment areas, in terms of monetary value, in 2022:



## Our Community

### Addressing Climate Change

Hang Seng's commitment to address climate change is demonstrated by our support for various initiatives.

We supported The Conservancy Association ('CA') in the Country Parks Plantation Enrichment Programme ('PEP'), which was launched by the Agriculture, Fisheries and Conservation Department. In June 2022, Bank volunteers helped plant 800 seedlings of native tree species in Tai Lam Country Park. The aim of the programme is to increase the biodiversity and ecological value of the planting area, with the goal of enhancing its sustainability by increasing the site's carbon sequestration capacity.

We also continued to provide support to the corporate membership programmes of the World Wide Fund for Nature Hong Kong and Business Environment Council. In addition, we supported Green Power by donating to Green Power Hike for 15 years.



The first solar power system under the "Hang Seng Low Carbon Future – SolarCare Programme" has been installed at the Breakthrough Youth Village. The programme will make use of the rebates resulting from the Hong Kong Government's Feed-in Tariff Scheme to organise various youth climate education activities.



Financial rebates are utilised to provide training for Hang Seng and youth volunteers, in order to equip them with the knowledge and skills needed to serve as guides for solar panel tours.



We have been working with The Conservancy Association to plant seedlings in local country parks.



# 23,200

Total number of trees planted to date: 23,200 seedlings over the past 16 years

## ■ Our Community



### Future skills

We believe that young people are agents of change, and they play a significant role in the future development of our society. We continue to invest resources to create opportunities for the younger generation to learn future skills, helping them develop their employability and thrive in an ever-changing world.

Hang Seng has a long history of actively supporting youth development initiatives and programmes that are aimed at enhancing the community-wide understanding of climate change issues. We have supported youths from diverse backgrounds to help build their future readiness and competitiveness. This year, we launched the “Hang Seng x PolyU Sustainable Future Challenge: Textile and Fashion” to nurture the creativity and entrepreneurial mindset of young innovators, in an effort to drive the sustainable development of our community.



The “I am...” Youth Portal is a one-stop online platform that provides career guidance and mentorship to young people. In addition, the “Hang Seng Youth Career Planning Scheme” supports at-risk youth and ethnic minorities with entrepreneurship and career-related training.

Moreover, Hang Seng believes it is vital that all segments of society, and particularly disadvantaged groups, have the equal opportunity to learn future skills. Thus, the “Hang Seng Future Skills Fund” provides support to NGOs which currently do not receive ongoing government funding, to equip their service users to be future-ready with knowledge and skills such as financial and digital literacy and climate change awareness.

The “Community in Action” programme enables athletes to develop essential soft skills, which will enhance their future employability after their retirement from sports. Through these initiatives, we hope that every young person has an equal opportunity to learn and acquire the skills as well as develop the attitudes that will help them succeed in life.

**Long-term Social Impact:** Since the launch in 2019, the number of registered members on the “I am...” Youth Portal has grown to over 33,000. To gain a greater insight into young people’s views on their future readiness, we interviewed about 1,000 Form Four and Five students via the portal in 2022. The result of the interview shows that over 80% of high school students have specific further education or career aspirations, but only 30% are keeping themselves up-to-date with the information that will help them pursue their goals.

### Promoting sustainable finance and financial literacy

As one of the Hong Kong’s leading banks, promoting sustainable finance and financial literacy is aligned with our core banking focus. We created a series of financial education programmes designed for different ages to build a stronger foundation for their fundamental financial knowledge.

In 2022, we launched the new “Money-wise Kids Financial Education Programme” to educate kindergarten children about basic financial management concepts and enhance their parents’ knowledge and skills on healthy financial management. Over 560 participants from 19 kindergartens took part in the programme.

We rolled out the “Elder-Youth-Transgenerational Financial Education Programme” aimed at enhancing financial literacy among 110 college students who will in turn help educate about 200 elderly people in Hong Kong. The programme helped foster cross-generational engagement between youths and the elderly by raising their awareness of issues such as online financial security and financial cybercrime.

## Our Community

### Care for the community

Over the past 30 years, Hang Seng has worked hand-in-hand with the Hong Kong Table Tennis Association to nurture talented home grown youths into world-class players and to help young people establish personal goals and develop valuable life skills through training programmes and other activities.



### Hang Seng Table Tennis Academy

Co-organised with the Hong Kong Table Tennis Association, the Hang Seng Table Tennis Academy ('HSTTA') identifies and nurtures home-grown table tennis talents through high-quality, structured training sessions.

We are pleased to see the Hong Kong team achieving an outstanding performance at the 2022 World Team Table Tennis Championships, which was held in Chengdu in September 2022. In recognition of their outstanding performance and great team spirit, Hang Seng awarded the participating team with a HK\$350,000 special cash incentive.

**Long-term Social Impact:** Over 140 members of the Hong Kong Table Tennis Team and the Hong Kong Table Tennis Youth Team are graduates of the HSTTA, including seven out of ten players of the Hong Kong Table Tennis Team at 2022 World Team Table Tennis Championships, and five out of six core players of the Hong Kong Team at 2020 Tokyo Olympics. Since 2001, the HSTTA has provided training to more than 422,000 students over 7,900 activities.

### Hang Seng Community COVID Support Programme

In response to the rapid spread of the virus during the fifth wave of the COVID-19 pandemic in Hong Kong, the Bank partnered with the Hong Kong Family Welfare Society to donate HK\$10 million worth of care packs that included RATs, surgical masks and disinfectant products to 25,000 senior citizens and grassroots families.

The funding also supported the setup and operation of the Emotional Well-being and General COVID Support Hotline from March to May 2022. Nearly 5,500 calls were answered to provide people with emotional wellbeing support and health information. Bank staff also participated to support these initiatives through donations and assistance with the hotline.

Supporting the Charitable and Fundraising Event hosted by The Community Chest of Hong Kong. Hang Seng has continued to provide support to The Community Chest of Hong Kong ('the Chest'). We are the Diamond Sponsor of Dress Casual Day for the 25th consecutive year. The Bank also supported the Chest's other programmes, including the Walks for Millions, Christmas Greetings for the Chest, Corporate & Employee Contribution Programme and the Corporate Challenge.





## Our Community

### Volunteering

As a responsible corporate citizen, Hang Seng supports its staff in giving back to their local community. Each employee is entitled to two days of volunteer leave each year, in order to participate in volunteer activities.

Our senior management members have also devoted their time to civic and volunteer activities. For example, the Bank's Executive Director and Chief Executive, Diana Cesar, is the Chairman of the Board of Governors at the Hang Seng University of Hong Kong, as well as a Director, Campaign Committee Co-Chairman and Member of Executive Committee of The Community Chest of Hong Kong.

### Hang Seng Volunteer Team

The Hang Seng Volunteer Team comprised of over 350 staff members, partnered with various organisations to support a wide range of volunteering activities, including tree planting and Eco-rangers clean-up activities, the Money-wise Kids Financial Education workshops, and packing goody bags. Our ongoing efforts earned us the Hong Kong Volunteer Award 2022, presented by the Agency for Volunteer Service.

### In-kind donations

We are continuing to donate second-hand laptops to the local community. Not only does this allow for a more responsible and environmentally-friendly use of resources, but it also helps facilitate digital inclusion and accessibility in the community. The total in-kind donations in 2022 amounted to around HK\$1.6 million.



### Forward-looking strategic plans: financial inclusiveness

We provide comprehensive banking, payment and investment services anytime, anywhere, via e-banking, hangseng.com and mobile apps. We have also launched fintech initiatives e.g., mobile cheque deposit and payment to non-designated payee to provide even more digital solution to customers' increasingly mobile usage.

Customer can now place green deposit and other TMD products on our e-banking (DBB and HSBCnet) platform with 1-click function, which helps to achieve paperless and low carbon transformation (less processing time and without the need to visit branch).

## Performance evaluation: Social

### Digitalisation of business

Digitalisation of business is one of the key strategies to enhance the service dynamics of Hang Seng and is receiving our devoted efforts. The Bank has developed new features / platforms to facilitate online processing. Our new Open Banking Phase III API has been launched to target providing services to third-party service providers ('TSP'). Furthermore, the launch of mobile cheque deposit as a new fintech initiative to support the processing of cheques deposited via mobile apps, payments to non-designated payees and provide an online trading platform for bond products. The Bank continues to evaluate the effectiveness of digitalisation as a means for further enhancement of its offerings whilst at the same being committed to developing more leading digitalisation solutions to offer to customers.

### Employees' future development

To align with the Bank's strategy for promoting the digitalisation of the business, the Bank has designed data and analytics training to employees in order to equip them with skills in applying data analytics for business and operations. This training has had a satisfactory participation rate and the Bank will plan for more applicable training programmes in the future.

Hang Seng has disclosed its gender pay gap data in this ESG Report for the first time and the Bank will continue to keep track of more ESG-related data.

# GOVERNANCE



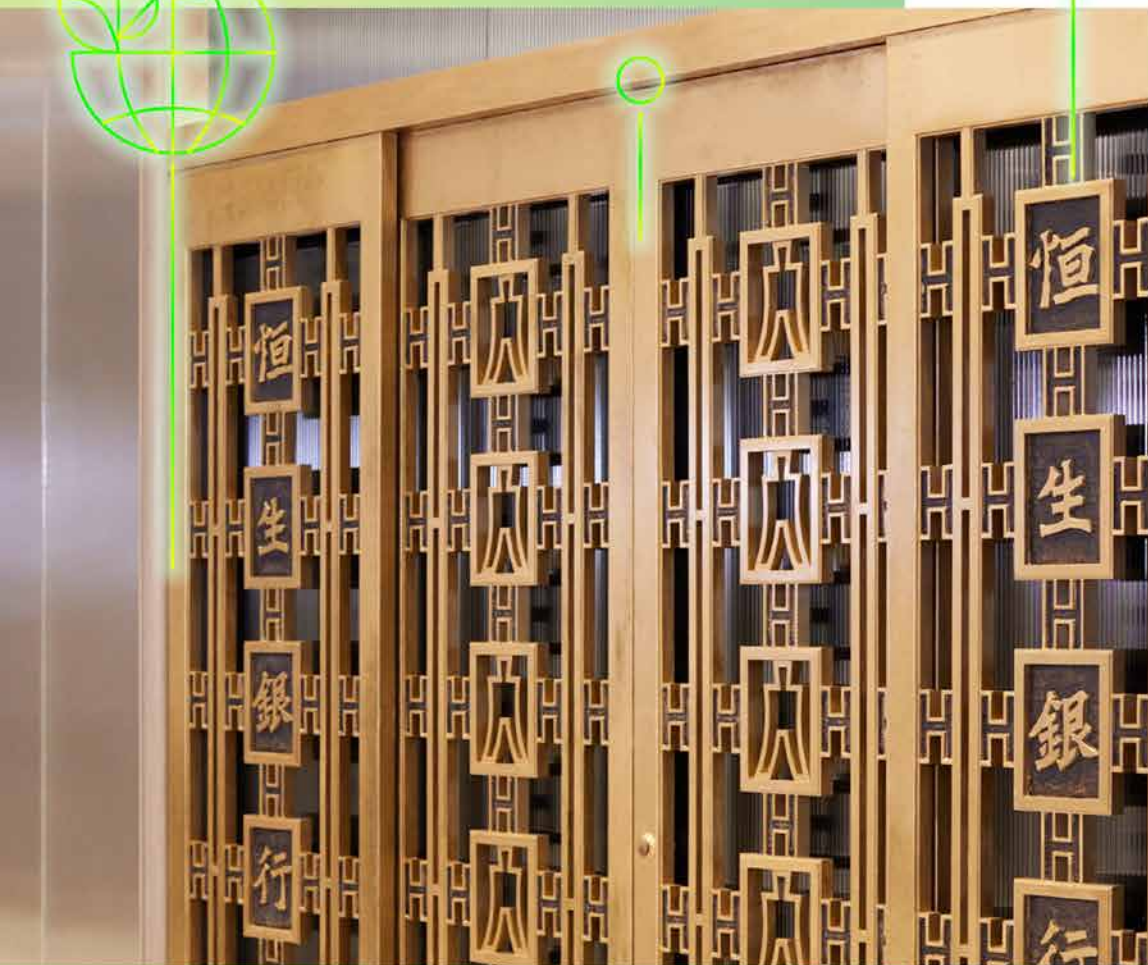
The Bank continues to maintain and uphold high standards of corporate governance and consistently reviews and enhances its corporate governance framework through a structured hierarchy.

Since 2023, our Board comprised 12 Directors, of whom two were Executive Directors and 10 were Non-executive Directors ('NEDs'). Among the 10 NEDs, 8 were Independent NEDs. There is a strong independent element on the Board, to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the management.

The governance structure, oversight of compliance, and frequency of meetings of the Board, Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee are set out in the Corporate Governance Report of the [Annual Report 2022](#). The Board and Nomination Committee comprise Executive Directors and NEDs while all members of the Audit, Risk and Remuneration Committees are Independent NEDs.

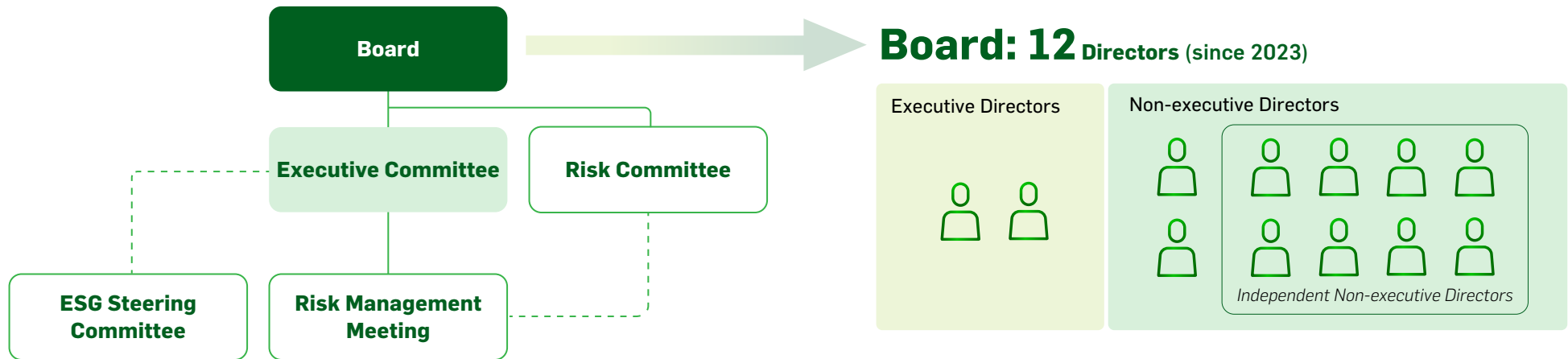
A minimum time commitment of 75 hours per year for a NED is set out in the letter of appointment, which the NED must sign and acknowledge. Furthermore, pursuant to the HKMA Guideline (Supervisory Policy Manual on Corporate Governance of Locally Incorporated Authorised Institutions ('CG-1')), the Bank's Directors are expected to attend all meetings of the Board and any Committees in which they act as Chairmen or members, especially in cases where major issues are to be discussed. In addition, 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 allow the NED to take up the additional or changed commitment, factors including time commitment are taken into account.

The Directors' attendance records will be set out in the Corporate Governance Report of the [Annual Report 2022](#).



## ■ Being Proactive to Manage Risk

We have managed risks with the following management structure:



### Risk Management Framework

Managing risk is a core part of our day-to-day activities. We aim to protect our operations against compliance risks, and have a strong, transparent form of corporate governance. Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Besides, Our Chief Risk Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management. Please refer to our [Annual Report 2022](#) to learn more about our bank-wide approach to risk.

### Three Lines of Defence model

We adopt the three lines of defence model to define the roles and responsibilities within the Bank. The activity-based framework delineates the 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, including both financial risks (e.g., reputational risk, market risk) and non-financial risks (e.g., resilience risk), and supports the delivery of conduct outcomes.

**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) is essential to help support effective identification, assessment, management and reporting of risks. Our activities, rather than our job titles, determine where we lie in the three lines of defence model.

**Global functions** may have responsibilities across both the first and second lines of defence, and therefore these responsibilities must be segregated across all 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.

**Risk appetite** is defined as the level and types of risks that we are willing to take in order to achieve our strategic objectives. It is articulated through the risk appetite statement ('RAS'), which consists of qualitative statements and quantitative metrics covering financial and non-financial risks with the defined risk appetite and tolerance thresholds. Our RAS is approved by the Board and is subject to biannual review and regular monitoring.

## ■ Being Proactive to Manage Risk

**Risk reporting** enables the senior management and stakeholders to make informed decisions, by providing insightful analyses created from accurate and timely data, together with the perspectives of subject matter experts from across the three lines of defence. This risk reporting helps senior management to understand what the top risks are, and if they are managed within our risk appetite. It also provides visibility of the common themes and systemic issues across the organisation, which enables us to manage the risks more proactively and effectively.

**Internal audit** is the third line of defence, it 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.

### Managing different types of risk

#### ESG risk management

In accordance with the HKEX's ESG Reporting Guide, the Board determines and evaluates the ESG-related risks that we face. The Bank recognises that effective management of ESG-related risks could help us shape a sustainable future and create long-term value for our stakeholders. Throughout the year, effective risk management and internal controls were put in place and reviews of these systems were conducted and confirmed by the management. The management also presented its confirmation of the effectiveness and adequacy of the Bank's disclosure framework, including its risk management and internal control systems relating to ESG to the Board for its confirmation.

Three Lines of Defence model

**3rd**

Line of Defence

**Independent assurance**

**2nd**

Line of Defence

**Risk oversight and stewardship**

**1st**

Line of Defence

**Risk ownership**

During 2022, the Bank continued to formulate its ESG strategies, raised the level of staff awareness of the importance of and issues relating to ESG. It also continued to assist customers in transition to a low carbon economy, and strengthened its ESG disclosure to align with the latest regulatory requirements.

The Board has overall responsibility for the ESG matters identified by EXCO, based on the recommendations of the ESG Steering Committee, and for the integration of such matters into the Bank's strategies. ESG updates are provided to the Board at least twice a year, and the relevant key performance indicators are measured, monitored and reported to EXCO on

a quarterly basis. Meanwhile, ESG performance of the Bank and the relevant key performance indicators are measured, monitored and reported on a regular basis.

For HSVM, investee companies with low ESG scores are reviewed in the entity's ESG investment review meetings. Negative and exclusionary screenings are generally applied to all actively-managed portfolios under HSVM.

## ■ Being Proactive to Manage Risk

### Compliance

Our credibility relies on our operational integrity and the transparency of the information we provide to our 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. As the body 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 maintaining quality, professionalism and integrity throughout our business operations. Internal controls, risk management, compliance, and legal and regulatory requirements are considered at our Board meetings.

In 2022, all Directors and staff undertook various training on values and conduct. This covered, among other topics, sustainability, risk management, cybersecurity, and anti-bribery and corruption. From time to time, further training is provided to our Directors and senior leaders. We require all our staff members to comply with the relevant codes of conduct. For details, please refer to the ["Staff code of conduct and staff awareness"](#) section.

NEDs attended NED Summits in March and September 2022. Topics of the Summits covered, among others, climate and energy security, net zero and sustainability policies. Directors also received a training on climate risk management in November 2022.

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

We perform horizon scanning for regulatory developments issued by the Hong Kong financial regulators, including the HKMA, SFC, IA, MPFA and other authorities supported by the Compliance Team. These include laws and regulations, circulars, codes, guidelines, consultations and consultation conclusions.

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

The Audit Committee reviews our financial reporting, the nature and scope of audit reviews, the effectiveness of the systems of internal control and compliance relating to financial reporting, and the operation and effectiveness of whistleblowing policies and procedures.

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

No instance of non-compliance with laws and regulations that resulted in significant fines or non-monetary sanctions was recorded in 2022.

### 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 we continue to invest in the related expertise, partnership and systems.

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

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

We work in close partnership with law enforcement agencies to protect our customers. We are upgrading our systems to enable us to spot and analyse suspicious activities more effectively.

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

## ■ Being Proactive to Manage Risk

We constantly strive to improve the ways that we detect and prevent financial crime and explore technologies that will help us build on our existing capabilities. Fighting financial crime is a key area that can benefit from innovation; therefore, we are 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 our staff to report instances of suspected fraud and forgery, in order to protect our customers from suffering financial loss. Designated emails are provided for the police, for the purpose of sharing the latest fraud intelligence with selected branches.

We uphold the standards that help ensure the Bank consistently operates ethically, honestly and with accountability. In 2022, our staff in Hong Kong received over 84,249 hours of learning on the topics of bribery and corruption, money laundering and sanctions, conduct, values and regulations.

We aim to ensure that our all 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 our 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 receive additional, specialised learning regarding the detection and deterrence of financial crime.

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

In 2022, no judgements were entered against the Bank for failure to fight financial crime.

### Finance and tax risks

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 13.1% which is lower than the statutory profits tax rate. 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.

# 84,249 hours

of learning on the topics of bribery and corruption, money laundering and sanctions, conduct, values and regulations received by our staff

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 we are committed to complying with the spirit and the letter of the tax law in all territories and countries in which we operate and to maintaining an open and transparent relationship with the tax authorities. Relevant financial information is disclosed in our [Annual Report 2022](#). We follow the tax policies and principles of HSBC.

Factors	Detail description	Effects on the ETR
Non-taxable income and non-deductible expenses	Mainly income from tax-exempt debt instruments (e.g. government bonds)	-3.4%
Others	Mainly tax deduction on Additional Tier 1 capital instruments	-0.3%
Share of losses / (profits) of associates	Exclusion of the tax effect of Hang Seng's share of net losses / (profits) from its associates	-0.03%*
Different tax rates in other countries / areas	Differential in the statutory tax rates between higher tax jurisdictions where Hang Seng also operates and Hong Kong (e.g. mainland China where the statutory tax rate equals to 25%)	+0.3%

\* The effect is immaterial

## ■ Being Proactive to Manage Risk

### Anti-bribery and corruption

We began a three-year programme in 2017 to advance the Bank's anti-bribery and corruption risk management capabilities. We have strengthened our controls and processes, and improved our global register for Associated Persons. The programme focused 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 are committed to maintaining high ethical standards. Our policies on anti-money laundering, sanctions, and anti-bribery and corruption are aimed at ensuring that the risks identified by the Bank are appropriately mitigated.

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>

Suppliers are required to agree to comply with the Ethical and Environmental Code of Conduct ('ECOC') for Suppliers of Goods and Services when they are invited for request for proposals or tendering, and when signing an agreement. This reminds suppliers the importance of our commitment to anti-bribery and anti-corruption. More than 300 suppliers signed the ECOC in 2022.

In 2022, there was no confirmed incident when contracts with business partners were terminated or not renewed due to violations related to corruption.



### Competition

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

In 2022, no judgements were entered against Hang Seng for breaching the Competition Ordinance.

# Mandatory

for all our staff in Hong Kong, including contractors, to attend anti-corruption training

# 12 hours

anti-corruption training delivered to Directors in 2022



# 100%

of Directors received anti-corruption training in 2022

## ■ Being Proactive to Manage Risk

### Data privacy

The Bank continues to strengthen our data privacy policy, educates staffs on how to report security incidents and provides 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 our customer data are set out in an internal procedure manual. Our clear desk policy reduces the 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. The Operational and Resilience Risk under Risk Department and Data Protection Officer provide second-line oversight. Officers at the functional and business units promote data protection and disseminate information on our guidelines and developments. (See Customer Privacy in [Our Customers](#))

Data Privacy Principles are set out to help manage data privacy risk.

**Four mandatory controls have been implemented since 2021, in order 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 such identifiable data, and keep evidence of the process, in order to make sure the Bank can demonstrate that it complies with data privacy Laws.



#### Internal and External Data Transfers

To make sure that any transfers of identifiable data are approved and compliant with the data privacy laws and the Bank's policies with respect to data privacy. This includes both internal transfers (transfers between HSBC entities in any jurisdiction) and external transfers.



#### Privacy Impact Assessments

To make sure that there is timely identification of data privacy risks arising from a new form of use, or a change in the processing, of the identifiable data, and to make sure that the risks identified are properly managed before the new form of use, or change in the processing of the identifiable data are enacted.



#### 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 law. These disclosures are usually made in response to external requests.

Source	Customer privacy upheld* complaints
Outside parties	28
At the Bank	2
Regulatory bodies	0
<b>Total</b>	<b>30</b>

Type	Customer privacy upheld* complaints identified
Identified leaks	28
Thefts	0
Losses of customer data	2
Others	0
<b>Total</b>	<b>30</b>

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



## ■ Being Proactive to Manage Risk

### Cybersecurity

The cyber threat landscape continues to evolve at a fast pace, while controls designed to effectively mitigate cybersecurity risk will become outdated over time. Our stakeholders expect us to take the necessary steps in order to protect the markets, their data and business interests to the best standards. Over the years, we have invested in attaining the good practice standards for cybersecurity and we are committed to maintaining this position in the future.

**Ongoing review** on the cyber risk appetite and the ongoing effectiveness of our controls in mitigating these risks is needed, in order to maintain good practice standards under the dynamic environment with threats. While in most cases it is extremely difficult to reduce the potential impact of a cyberattack, it is possible, through an investment in ongoing controls, to reduce the overall likelihood of a cyber-risk being realised. A continued re-evaluation of the effectiveness and an investment in the maintenance and enhancement of the controls, can enable the Bank to keep the residual risk at an acceptable level.

**Ongoing investment** in our defence against ever more sophisticated cyberattacks are made. We have enhanced our event detection, incident responses, secure development, vulnerability remediation and protection against malware, application layer attacks and data leakages. We have also strengthened our third-party management by including cybersecurity due diligence, through which stricter governance and enforced third-party security testing prior to the approval of a contract.

**All the IT infrastructure** in our operations has adopted the industry-standard National Institute of Standards and Technology framework. Banks are high-profile targets for criminals seeking financial gain, personal information and disruption, which may potentially lead to financial loss, reputational damage and customers loss. Protecting our customers and the Bank from such threats is a key component in our strategy to become a connected business.

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

**Regularly reporting** on our strategic programme and key indicators are conducted to support the Board and senior management's oversight of cybersecurity. Our cybersecurity strategy is reviewed and the business risk profiles, mitigation awareness, internal and external cybersecurity incidents, as well as the regulatory requirements are discussed.

**Cybersecurity drills** are also conducted with Board and senior management, to rehearse the types of decisions that may need to be taken and to reconfirm the individual roles and responsibilities during a major cyber incident. Periodical cyberattack drills are conducted to enhance the level of understanding in terms of the 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.

**24/7 hotline** is available for our staff to report cybersecurity incident immediately at its occurrence. These incidents are handled by our cybersecurity analyst and Security Operations Centre, then they are reported to our management personnel to seek direction on the remediation. Cybersecurity incident response procedures have also been established and tested regularly.


**Cybersecurity training** with automated cybersecurity assessment tools are offered to all users, such as, executives and their assistants, IT end users, software developers, third-party service providers, etc. We adopt vulnerabilities across the network, operating systems, application layers and in-house custom software are managed through a centralised platform and are remedied according to the priority.

Throughout 2022, cybersecurity awareness and training regarding data security has been delivered to all staff including the security community on a regular or as-needed basis. It covered topics such as data security, email security and phishing, access control, incident reporting and escalation, secure use of communication devices and social media, information classification and labelling, etc.

## ■ Being Proactive to Manage Risk

Training or communication regarding cybersecurity offered in 2022 included:

- ▶ Mandatory e-learning for all staff
- ▶ Briefings to the Board and Executive Committee members
- ▶ Role-specific training for staff who play an integral part in the businesses and functions and have the responsibility to effectively manage their information security risks
- ▶ Training for executive assistants and IT staff
- ▶ Awareness sharing for all staff and their family members
- ▶ Seminars hosted by senior leaders which also featured expert speakers

>99% 

Employees who completed the mandatory cybersecurity training on time.

>90% 

IT developers who hold at least one of our internal secure developer certifications.

### Staff code of conduct and staff awareness

The Bank's staff code of conduct ('the Code') sets out the rules, regulations and standards of behaviour that all employees and contractors are expected to adhere to.

The staff code of conduct is available on our employee self-service portal in English and Chinese. All employees, including new joiners and contractors, are required to read the Code and complete an online curriculum for the Code to ensure their understanding on the rules and regulations set out in the Code.

We provide learning programmes on different behaviour standards outlined in the Code. Employees are required to complete the learning programme based on their roles.

In 2022, there was no identified material cases of non-adherence to our staff code of conduct involving regulatory compliance. Apart from reporting to relevant regulator(s) where appropriate, the Bank has been proactive in undertaking consequence management, depending on the severity level of the cases.

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

We are committed to promoting 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 will advance based on merit. We uphold diversity and inclusion when hiring staff. Our recruitment process is merit-based and free from bias and discrimination.

To nurture an inclusive and speak-up culture, all our staff undertake mandatory training on our values and conduct. Workshops by legal professionals are arranged for the employees to be equipped with the knowledge and skills to handle discrimination, harassment and bullying. In particular, to support people managers in handling staff matters. Diversity learning is also embedded in the induction programme for new joiners.

The impact is demonstrated by a favourable inclusion index at 75% in our 2022 employee survey. 82% of our staff indicated that they believe that the Bank is committed to addressing bullying and harassment at work.

## ■ Being Proactive to Manage Risk

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.



Disciplinary action was taken against 1.3% of our employees due to poor conduct, for example, demonstrating poor sales conduct when conducted sales activities, use of inappropriate language. Three employees were dismissed for dishonesty behaviours.

The Bank's staff code of conduct also outlines our expectations on human rights matters. It is reviewed on an annual basis and when required to reflect the latest regulatory requirements and the Bank's internal policies. Any changes to the Code are submitted to EXCO for review and approval.

2% of the staff have reported they are with disability from 2022 Snapshot survey.

### Conflicts 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 responsible for sensitive or high-risk areas are required to adhere to specific rules and to undergo training on how to avoid conflicts of interest.

### Whistleblowing

We are committed to providing our employees a safe and secure workplace. We value diversity and aims to create a workplace where individuals from varied backgrounds come together to deliver in a high-performance organisation, with equal opportunity for all.

Individual differences, be it interpersonal or more complex and related to organisational policy / decision(s), can arise in the workplace. Although most are resolved through engagement between employees and their managers in an informal setting, a formal grievance mechanism may be necessary to resolve more complex grievances.

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

Our internal whistleblowing portal is designed as a process to promote consistency in our controls, investigations, reporting, oversight and governance of all whistleblowing activities. With our internal whistleblowing portal, which is accessible through 24/7 hotlines and an online portal in multiple languages managed by independent third party, our employees can raise concerns confidentially, while employees may choose to 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 the subject matter experts, in accordance with HSBC's policies and standards.

## ■ Being Proactive to Manage Risk

A well-established employee grievance procedure is in place. We make our best endeavours to ensure that investigations are carried out objectively in light of the information provided and that necessary resulting actions are taken. In 2022, 15 grievance cases were reported to HR through HR online portal.

At times, individuals may not feel comfortable speaking up through the usual channels. HSBC Confidential is our global whistleblowing channel, which is open to all our colleagues to raise concerns about wrongdoings and unethical behaviour. The Bank's policy is that staff members and others should be able to raise any matters of concern confidentially and anonymously. Therefore, appropriate steps should be taken to maintain that confidentiality.

Whistleblowing channels are stated in the section of HSBC's Supplier Management Conduct Principles and also at the whistleblowing policy. Suppliers can express their concerns via this email [[hsbc.vendor.concerns@hsbc.com](mailto:hsbc.vendor.concerns@hsbc.com)].

In 2022, there are 50 new whistleblowing cases received. By the end of the year, 42 cases were closed, including 31 cases raised during the same year.

### Business continuity planning

Business continuity and incident management policies are formulated with reference to HSBC'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 learnt from the 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 ('BRSG') consists of senior management representatives and is chaired by the Chief Operating Officer to provide guidance and to ensure the effectiveness of our operational resilience capabilities. In discharging these responsibilities, Hang Seng senior management committee members will evaluate, approve, action or escalate resilience issues on resilience policy, capability and risks. The BRSG Pre-Group is formed to support the Hang Seng HK BRSG. The membership and responsibilities of the BRSG Pre-Group is defined in separate sections of this Terms of Reference.

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. These plans have addressed interruptive situations caused by increasing environmental and climate changes. With remote computing technology and paperless workflow, the work-from-home readiness maintained at over 85% of our office staff since 2020. This enables our plans to be flexible and practical, and ultimately makes our operations more resilient.



#### Case study



The Major Incident Group ('MIG') continues to lead and monitor our contingency plans, and steers appropriate decision for crisis and emergency situations that the Bank faces. For example, during the start of the Fifth Wave of the pandemic in late January 2022, our MIG quickly responded to the lockdown of several buildings at Kwai Chung Estate, identified and provided supports to our staff who were impacted under the Government quarantine measures. Besides, trainings and simulation exercises were conducted for the MIG members to keep them abreast of the activation mechanism and on emerging threats like cyberattacks.

We have also deployed data analytic & visualisation tools to articulate the COVID-19 confirmed cases information, and the impacts to our operations. A map indicating the branches and business centres closed due to staff confirmed cases and a graph plotting the staff confirmed cases and trending were generated from the daily data to assist the MIG members to make informed decisions.

## ■ Being Proactive to Manage Risk

### Responsible value chain

Our financing decisions of the wholesale segment reflect our credit risk assessment, and the needs of our customers.

### Responsible financing

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.

We adopt [HSBC's sustainability risk policies](#) to assess sustainability risk when deciding whether to proceed with certain transactions. The sustainability risk policies cover agricultural commodities, chemicals, energy, forestry, mining and metals, thermal coal, UNESCO World Heritage Sites and Ramsar-designated wetlands.

These policies define our appetite for business in these sectors and seek to encourage customers to meet good international standards of practice. Where we identify activities that could cause material negative impacts, we will only provide finance if we can confirm clients are managing these risks responsibly. Such customers are subject to greater due diligence and generally require additional approval by sustainability risk specialists.

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 [HSBC's sustainability risk policies](#). Corporate customers are reviewed regularly to monitor compliance with our policies. As of December 2022, we were fully compliant.

The workflows of labelling green / sustainability-linked trade finance facilities are in place to ensure the facilities we offer are comply with the international industry standards - Green Loan Principles and Sustainability Linked Loan Principles respectively.

For all approved green / sustainability-linked trade finance facilities, clients are required to obtain independent and external verification annually to ensure the facilities are aligned with GLP or SLLP respectively.

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.

### Case study

Based on the proxy voting guidelines, HSVM exercised over 97% of its voting authority to cast influence on its investee companies in 2022. This demonstrates the effort in ensuring the best interest of HSVM's clients.

HSVM became a Principles for Responsible Investment ('UNPRI') signatory in 2021. While the entity had implemented the responsible investment policy, in 2022, it further established the stewardship and engagement policy to govern its engagement practice including proxy voting to demonstrate its fiduciary responsibility to protect the interest of its clients. Proxy voting guideline explains the general principles and guidelines in detail that HSVM adopts in casting proxy votes and reflects the views of the investment team of HSVM.


## ■ Being Proactive to Manage Risk

### Supply chain integrity

We select and onboard new suppliers subjected to the minimum ESG requirements, related to environmental, social and governance matters.

We require our suppliers to comply with the Bank's supplier code of conduct before signing an agreement or submitting a proposal. In the revised version of the supplier code of conduct in 2022, the suppliers are required:

- ▶ to comply with the carbon emissions reduction goals
- ▶ to be a responsible consumer
- ▶ to respect as well as uphold human rights
- ▶ to be committed to diversity and inclusion
- ▶ to comply with our business conduct requirements
- ▶ to have an effective governance system in place to execute its compliance process

 >300

suppliers signed up to comply with the supplier code of conduct as of 31 December 2022.

↓ CO<sub>2</sub>

50% of our top 40 suppliers, i.e. half of our total spend, responded that they had committed in carbon reduction

More than 300 suppliers signed up to comply with the supplier code of conduct as of 31 December 2022.

The suppliers gain an understanding of the Bank's requirements in environmental, social and governance areas along the supply chain by reading the supplier code of conduct in the bidding documents and contract terms.

For financial products and services, we work with reputable third-party suppliers who have demonstrably high corporate standards. Rigorous assessments aim to help 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.

95% of our active suppliers are from Hong Kong while the rest are from Asia, Europe and the United States.

We intend to adopt HSBC's mandatory policy to promote diversity and inclusion. It encourages sourcing from local, small and medium enterprises ('SME'), woman-led or ethnic-minority companies.

We have sent a questionnaire to our suppliers for understanding their carbon reduction plans. 50% of our top 40 suppliers, i.e. half of our total spend, responded that they had committed in carbon reduction.



### Human rights

To pledge our strong commitment to human rights, we reviewed the supplier code of conduct and updated the document in the fourth quarter of 2022.

In the revised supplier code of conduct, we emphasised on supporting, protecting and embracing human rights. Our suppliers need to comply with this Code before participating in a bidding activity or signing an agreement.

## ■ Being Proactive to Manage Risk

We do not have appetite to provide financial services to corporate customers in the agricultural commodities sector that are involved in, or are sourcing from, suppliers involved in the exploitation of people and communities, such as harmful or exploitative child labour or forced labour. Additional due diligence should be conducted in cases of mining and metal sector customers causing a severe adverse impact on human rights. In such events, we engage with the customer to consider the impact, the potential remedies, and whether we may have financed such an impact. For details, please refer to HSBC's [sustainability risk policies](#).

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. To support people managers in leading high-performing teams and provide best practices and advice on how to manage ambiguities and challenging situations when working virtually, a theme-based people management workshop teaches experienced managers to address on-the-job challenges.

5 incidents of discrimination, and no violation of the rights of indigenous peoples, were reported in 2022.

### Contractor Partnerships

We used a global online system for managing assessment and monitoring of third-party (supplier) risks and ensuring overall compliance of third-party management.

Inherent risks and residual risks are assessed, and related action are identified by the global online system.

There are measures to mitigate the contractual risks in phases: pre-engagement, contract negotiation and post-contract management. In addition, our line of businesses, legal, compliance and procurement Teams, as well as other subject matter experts participate in different phases of onboarding contractors. In the onboarding process, we have continuous communication and exchanges with the contractors, who are also required to sign the relevant contractual documents, e.g. non-disclosure agreement, letter of intent and contract, to align the understanding and commitment to the engagement.



### Online risk profiles

In 2023, we will adopt HSBC's mandatory policy to monitor the ESG compliance via the global online system. We can then keep track of whether the suppliers meet their commitments in carbon reduction and any other social, environment, governance requirements through the system.

At the same time, the procurement team will refer to a monthly risk report for mitigating risks.



## ■ Our Stakeholders

We proactively engage with stakeholders who are highly influential to our business, and those who 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 2022, we conducted a focus group with staff. We also arranged interviews with 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.

### Primary engagement channels

Stakeholders	Primary methods of engagement		
Customers	<ul style="list-style-type: none"> <li>▶ Daily operations and interactions</li> <li>▶ Financial market updates</li> <li>▶ Relationship manager visits and meetings</li> </ul>	<ul style="list-style-type: none"> <li>▶ Seminars and conferences</li> <li>▶ Loyalty events</li> <li>▶ Satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>▶ Online community</li> <li>▶ Net Promoter System</li> </ul>
Shareholders	<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>	
Employees	<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> </ul>	<ul style="list-style-type: none"> <li>▶ Regular exchange meetings hosted by the Chief Executive and managers</li> <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> </ul>	<ul style="list-style-type: none"> <li>▶ Staff mobile app</li> <li>▶ Morning broadcasts</li> <li>▶ Email blasts to all staff</li> <li>▶ Volunteer activities</li> <li>▶ Community investment programmes and communications</li> </ul>

## Engaging Our Stakeholder Community

### Stakeholder overview

Our Directors and senior leaders contribute valuable knowledge to the surrounding 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 NGOs and charities that are dedicated to tackling the economic and social challenges in Hong Kong.



## ■ Our Stakeholders



Stakeholders	Primary methods of engagement		
Business analysts and investors	<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>	
Business partners	<ul style="list-style-type: none"> <li>▶ Calls</li> <li>▶ Visits and meetings</li> </ul>	<ul style="list-style-type: none"> <li>▶ Seminars and events</li> <li>▶ Reports</li> </ul>	
Regulators	<ul style="list-style-type: none"> <li>▶ Meetings</li> <li>▶ Compliance reports</li> </ul>	<ul style="list-style-type: none"> <li>▶ On-site / off-site inspections</li> <li>▶ Ad hoc enquiries</li> </ul>	<ul style="list-style-type: none"> <li>▶ Circulars and guidelines</li> </ul>
Media	<ul style="list-style-type: none"> <li>▶ Briefings</li> <li>▶ Press materials</li> </ul>	<ul style="list-style-type: none"> <li>▶ Senior leader interviews</li> <li>▶ Result announcements</li> </ul>	
NGOs	<ul style="list-style-type: none"> <li>▶ Volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>▶ Community investment programmes and communications</li> </ul>	<ul style="list-style-type: none"> <li>▶ Visits and meetings</li> </ul>
Financial sector peers	<ul style="list-style-type: none"> <li>▶ Hong Kong Association of Banks meetings and events</li> </ul>		
Professional bodies (including rating agencies)	<ul style="list-style-type: none"> <li>▶ In-depth consultations</li> </ul>	<ul style="list-style-type: none"> <li>▶ External audits</li> </ul>	<ul style="list-style-type: none"> <li>▶ Index or rating assessments and questionnaires</li> </ul>

## ■ Our Stakeholders

### Communication of ESG issues

We collect employees' comments on ESG programme in exchange meetings, and engage the lines of businesses in setting up the scorecards in sustainable supplier selection and onboarding from 2023.

We actively engaged with business partners who provide strategic value to us. These business partners are engaged in entity-level with memorandum of understandings ('MoU') signed to indicate the commitments of partnership between both parties. Our entity partners included Hong Kong Science Park ('HKSTP'), Hong Kong Cyberport and Hong Kong Trade Development Council ('HKTDC').

We engage our business partners in various channels on a regular as needed basis, covering topics such as partnership with start-up companies focusing on ESG field, participation in ESG seminars invited by or co-hosted with our business partners.

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 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
- ▶ Hong Kong Advertisers Association

## Performance evaluation: Governance

### Cybersecurity

Cybersecurity has been identified as one of the material risks of Hang Seng. The Bank is committed to implementing initiatives to oversee and manage cybersecurity, concluding with focused work on equipping professionals and arranging training in 2022. The Bank has started disclosing the on time cybersecurity training completion rate of employees (i.e. more than 99% of employees in 2022) as well as the rate of IT developers who have held internal secure developer certifications (i.e. more than 90% of IT developers). The Bank continues to explore means to oversee and address cybersecurity risks in the future.

### Supply chain integrity

Hang Seng has contributed to HSBC's net zero ambition for net zero in the supply chain by 2030 and we understand that continued work and improvement needed for our supply chain to help achieve this ambition. Therefore, we have started enhancement works, such as to include the ESG requirements in our supplier selection scorecard in 2023 and to list out environmental and social criteria in the Bank's supplier code of conduct. We have also started to collect and calculate the percentage of our suppliers that are committed to carbon emissions reduction.



## ABOUT THIS REPORT

### ■ Report Coverage

The Bank's Environmental, Social and Governance Report 2022 describes our sustainability performance and the challenges we encountered in 2022. It focuses on the ESG topics that are material to our business and our stakeholders.

The report also describes how the Bank is driving the ESG progress in its operations and along its value chain. The information and the performance data in this report cover our operations in Hong Kong only, unless it is otherwise specified. This ESG Report 2022 covers the Bank's operation with 93.7% of total operating income.

Mainland China and other operations are excluded from the report, as their contribution to the Hang Seng Bank Group's profit before tax and total assets is not significant. To qualify as significant, the 5-year average of both the profit before tax and the total assets should be more than 5% for each of the past five years. Unless it is otherwise stated, the term "Group" in this report refers to Hang Seng and its subsidiaries in Hong Kong. Hang Seng China has voluntarily published its ESG Report 2022 covering the operations of the Bank in mainland China. For more details, please refer to their ESG Report 2022.

The financial data is extracted or compiled from the Bank's audited annual accounts for the financial year from 1 January to 31 December 2022. Other information covers the same period, unless it is otherwise stated.

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

Our previous report, Environmental, Social & Governance Report 2021, was published on 25 May 2022.

### ■ Reporting Guidelines

This report has also been prepared with reference to the Global Reporting Initiative ('GRI') Standards, and with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Boards ('SASB') and the recommendations from the Task Force on Climate-Related Financial Disclosures ('TCFD'). The report has been independently verified by the Hong Kong Quality Assurance Agency ('HKQAA'). (See [Verification Statement](#))

We have also considered our "comply-or-explain" approach under the Hong Kong Monetary Authority's Supervisory

Policy Manual GS-1 on Climate Risk Management, and we can confirm that we have disclosed the information consistently in adherence to the TCFD's recommended disclosures in this report.

As per Hong Kong Monetary Authority ('HKMA') CG-5 requirement, our [Annual Report](#) has already included the relevant section on remuneration of senior management and key personnel. The aggregated amount of remuneration, split into fixed and variable remuneration are reported. Deferred share awards are in the form of HSBC shares (with HSBC being the ultimate holding company of the Bank).

We have adopted the fundamental reporting principles of HKEX's ESG Guide.



#### Materiality

We also commissioned an external consultant to assess the priorities of our material issues through stakeholder engagement. The issues identified were endorsed by our ESG Disclosure Working Group and ESG Steering Committee, and were 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. (See [Our Environment](#))



#### Balance

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



#### Consistency

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

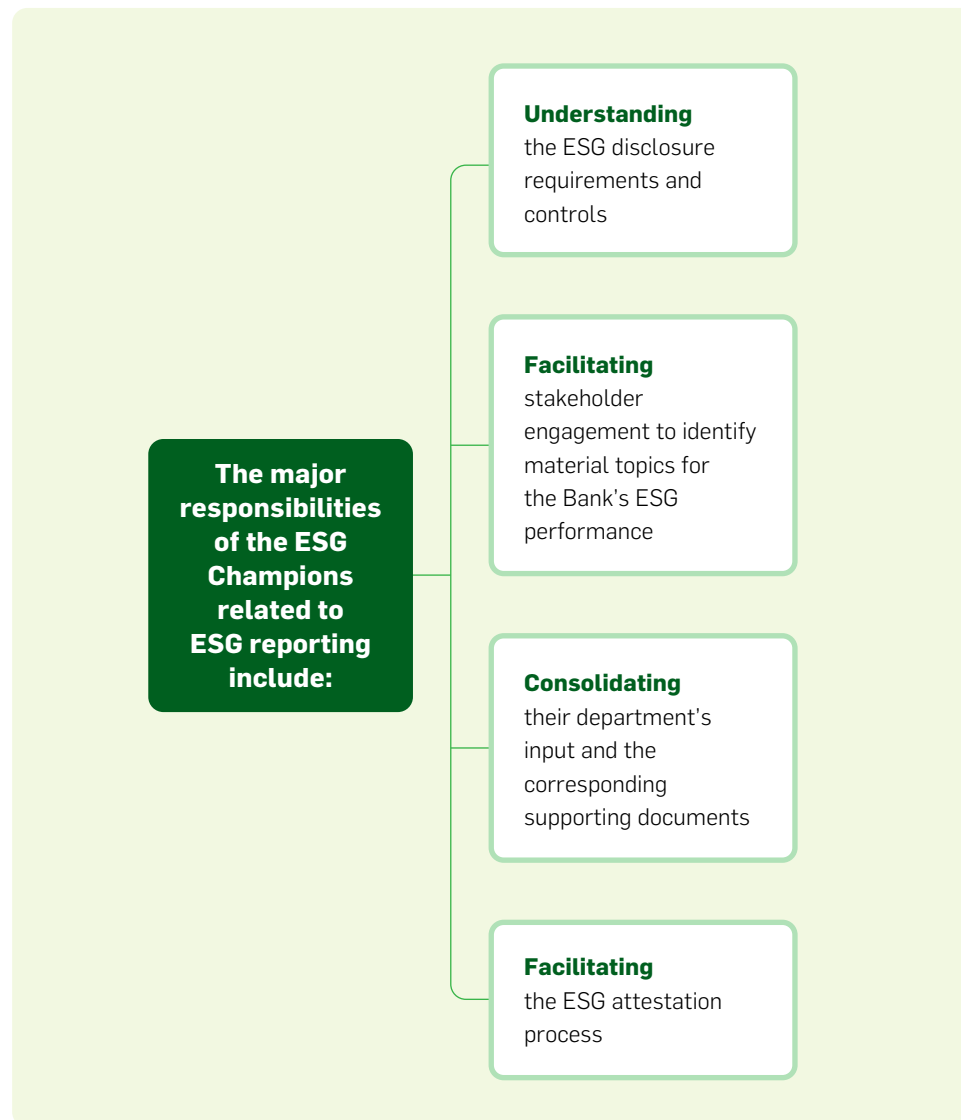
## ■ Data Collection

The Bank's ESG Champions are responsible for coordinating our data collection. To ensure the quality, accuracy and transparency of our ESG disclosure, we have continued 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 our ESG disclosure and its enhancement requires a concerted effort from our departments and business units. Our ESG Champions and the first line of defence, which are appointed by their department heads, help ensure the transparency, accuracy and reliability of our ESG disclosures. The nomination process also ensures that the ESG Champions and first line of defence have the related work experience and / or have received training relevant to the material ESG aspects of their departments, in order to coordinate the preparation of the disclosures.

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

At our ESG Report 2022 kick-off meeting workshop, we briefed the ESG Champions and the first line of defence on the latest ESG reporting trends, as well as how the Bank is performing against our peers in terms of ESG disclosures and the best practices.



## Cautionary Statement Regarding ESG and Climate-related Data, Metrics and Forward-Looking Statements

The ESG Report 2022 contains a number of forward-looking statements (as defined above) with respect to Hang Seng's ESG targets, commitments, ambitions, climate-related scenarios or pathways and the methodologies we use to assess our progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in the ESG Report 2022, Hang Seng has made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. We have used ESG and climate data, models and methodologies that we consider, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions - and operational and supply chain emissions, to set ESG-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are new, are rapidly evolving and are not of the same standard as those available in the context of other

financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and we expect industry guidance, market practice, and regulations in this field to continue to change. In light of the highly uncertain nature of the evolution of climate change and its impact, Hang Seng may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG and climate analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develops rapidly. The ESG-related forward-looking statements and metrics discussed in the ESG Report 2022 therefore carry an additional degree of inherent risk and uncertainty.

No assurance can be given by or on behalf of the Bank as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to Hang Seng, could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied

and / or reflected in any ESG-related forward-looking statements or metrics due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

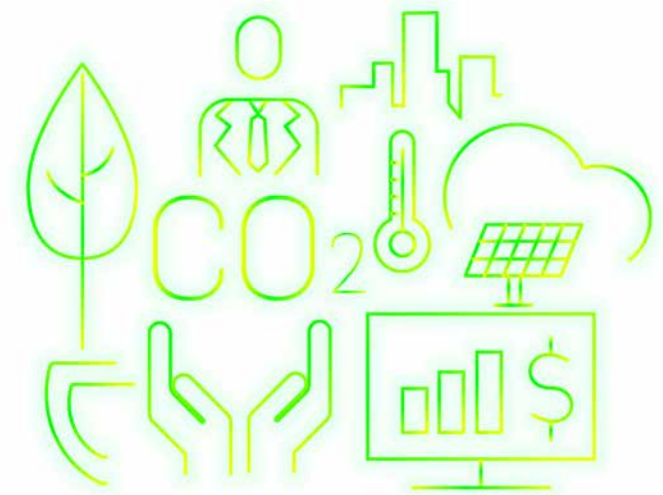
- ▶ **Climate change projection risk:** this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ▶ **Changes in the ESG regulatory landscape:** this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- ▶ **Variation in reporting standards:** ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- ▶ **Data availability, accuracy, verifiability and data gaps:** our disclosures are limited by the availability of high quality data needed to calculate financed emissions. Where data is not available for all sectors or consistently year on year, there may be an impact to our data quality scores. Whilst we expect our data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within

sectors year on year, and / or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;

- ▶ **Developing methodologies:** the methodologies Hang Seng uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and / or developments in science, where applicable. Any such developments in methodologies could result in revisions to reported data going forward, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year. In addition, climate scenarios and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology driven outcomes; and
- ▶ **Risk management capabilities:** governments', customers', and Hang Seng's actions may not be effective in supporting the transition to carbon neutrality and in managing and mitigating ESG risks, including in particular climate risk, nature-related risks and human rights risks, each of which can impact Hang Seng both directly and indirectly through our customers, and which may result in potential financial and non-financial impacts to the Bank. In particular:

1. we may not be able to achieve our ESG targets, commitments and ambitions (including with respect to the commitments set forth in HSBC Group's thermal coal phase-out policy, energy policy and targets to reduce on-balance sheet financed emissions in its portfolio of selected high-emitting sectors) which may result in our failure to achieve any of the expected benefits of our strategic priorities; and
2. we may not be able to develop sustainable finance and climate-related products consistent with the evolving expectations of our regulators, and our capacity to measure the climate impact from our financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect our ability to contribute to HSBC Group's climate ambition, targets to reduce on-balance sheet financed emissions in its portfolio of selected high-emitting sectors and the commitments set forth in HSBC Group's thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Hang Seng makes no commitment to revise or update any ESG forward-looking statements to reflect events or circumstances occurring or existing after the date of any ESG forward-looking statements. Written and / or oral ESG-related forward-looking statements may also be made in our periodic reports to summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by Hang Seng's Directors, officers or employees to third parties, including financial analysts.



## KEY METRICS – PERFORMANCE DATA SUMMARY

### Economic Performance

	Unit	2022	2021	2020	2019
<b>Direct economic value generated</b>		<b>33,987</b>	33,230	36,087	43,521
<b>Direct economic value distributed</b>		<b>22,677</b>	24,592	24,415	30,442
Operating Costs		<b>5,628</b>	5,256	4,691	4,661
Employee compensation and benefits		<b>6,445</b>	6,311	6,102	6,229
Providers of capital	HK\$ million	<b>8,548</b>	10,453	11,214	16,020
Government in Hong Kong		<b>1,822</b>	2,466	2,287	3,465
Governments outside Hong Kong		<b>205</b>	77	92	36
Charitable donations		<b>29</b>	29	29	31
<b>Direct economic value retained</b>		<b>11,310</b>	8,638	11,672	13,079

Notes:

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 2022](#).

Banking Disclosure Statement 2022:

## Environmental Performance

	Unit	2022 <sup>+</sup>	2021 <sup>''</sup>	2020 <sup>#</sup>	2019 <sup>*</sup>
<b>Total GHG emissions<sup>1</sup></b>		<b>15,479.79</b>	16,411.02	19,571.59	20,926.67
Scope 1		<b>100.58</b>	70.16	144.52	193.87
Stationary combustion		<b>61.17</b>	27.19	57.98	78.30
Mobile combustion		<b>39.41</b>	42.97	86.54	115.57
Scope 2		<b>14,992.74</b>	15,973.04	18,904.47	19,865.00
Purchased electricity	tonnes of CO <sub>2</sub> e	<b>14,979.85</b>	15,967.65	18,892.81	19,848.00
Towngas		<b>12.90</b>	5.39	11.66	17.00
Scope 3		<b>386.32</b>	367.81	522.60	867.80
Business travel (land and air)		<b>78.10</b>	70.57	201.85	551.96
Transmission and distribution loss		<b>297.64</b>	283.17	309.99	309.00
Upstream transportation and distribution (mobile branch)		<b>10.58</b>	14.07	10.76	6.84
<b>Total GHG emissions per FTE</b>		<b>2.08</b>	2.10	2.41	2.47
From Scope 1	tonnes of CO <sub>2</sub> e / FTE	<b>0.01</b>	0.01	0.02	0.02
From Scope 2		<b>2.02</b>	2.04	2.33	2.35
From Scope 3		<b>0.05</b>	0.05	0.06	0.10
GHG emissions per sq. ft.	tonnes of CO <sub>2</sub> e / sq. ft.	<b>0.013</b>	0.012	0.014	0.015
<b>Total Gas emissions besides CO<sub>2</sub><sup>2</sup></b>		<b>5.99</b>	N/A	N/A	N/A
CH <sub>4</sub>	tonnes of CO <sub>2</sub> e	<b>0.11</b>	N/A	N/A	N/A
N <sub>2</sub> O		<b>5.88</b>	N/A	N/A	N/A
<b>Total energy consumption<sup>3</sup></b>		<b>28,349.81</b>	29,292.18	30,030.36	31,719.92
Indirect: electricity	MWh	<b>28,037.15</b>	29,154.51	29,734.74	31,289.08
Direct: gas and diesel		<b>312.66</b>	137.67	295.62	430.84
Energy consumption per FTE	MWh / FTE	<b>3.82</b>	3.75	3.71	3.75
Energy consumption per sq. ft.	MWh / sq. ft.	<b>0.02</b>	0.02	0.02	0.02
<b>Total water consumption</b>	000 m <sup>3</sup>	<b>68.92</b>	73.21	72.19	76.74
Water consumption per FTE	m <sup>3</sup> / FTE	<b>9.30</b>	9.36	8.91	9.06



## Environmental Performance

	Unit	2022 <sup>+</sup>	2021 <sup>''</sup>	2020 <sup>#</sup>	2019 <sup>*</sup>
<b>Total paper consumption<sup>4</sup></b>	tonnes	<b>1,447.00</b>	1,401.00	1,747.00	1,920.00
<b>Waste disposed to landfill<sup>5</sup></b>	tonnes	<b>214.49</b>	264.42	507.26	305.60
Waste disposed per FTE <sup>6</sup>	tonnes / FTE	<b>0.03</b>	0.03	0.06	0.04
<b>Waste collected for recycling</b>		<b>317.16</b>	354.42	569.96	633.75
Paper		<b>255.75</b>	324.44	442.51	598.20
Plastic		<b>0.53</b>	0.72	0.79	1.40
Aluminium cans		<b>0.44</b>	1.36	0.58	0.66
Glass <sup>7</sup>	tonnes	<b>0</b>	0.06	0.28	0.29
Furniture		<b>33.77</b>	14.81	5.55	0.79
IT and electrical <sup>8</sup>		<b>13.14</b>	1.90	106.82	4.79
Food waste		<b>9.71</b>	6.31	13.43	27.62
Ink jet bottles and toner cartridge		<b>3.81</b>	4.82	N/A	N/A

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

Key: m<sup>3</sup>: cubic metres      CO<sub>2</sub>e: Carbon dioxide equivalent      MWh: Megawatt hour      FTE: Full-time equivalent employee<sup>9</sup>      sq. ft.: Square foot<sup>10</sup>  
<sup>+</sup>1 Oct 2021-30 Sep 2022      <sup>''</sup>1 Oct 2020-30 Sep 2021      <sup>#</sup>1 Oct 2019-30 Sep 2020      <sup>\*</sup>1 Oct 2018-30 Sep 2019

Notes:

- Scopes 1 and 2 GHG 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 GHG emissions are calculated based on electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.39 kg CO<sub>2</sub>e / kWh and 0.7336 kg CO<sub>2</sub>e / kWh respectively, as of 2022.  
Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, our current reporting also incorporates methane and nitrous oxide for completeness.
- The total energy consumption figures cover the energy consumption of the Bank's building operations only and exclude the energy consumption of the Bank's company vehicles.
- The paper consumption is adjusted due to a new paper conversion formula adjusted by a third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of number of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.
- 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 HSBC Group according to environmentally friendly recycling process. In 2022, we have arranged recycling of all IT electronic wastes.
- Full-time equivalent employees as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 were 7,454, 7,820, 8,103 and 8,468 respectively.
- Floor area as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 was 1,235,291, 1,332,183, 1,375,455 and 1,387,344 sq. ft., respectively.

## Social Performance – Our People in Numbers

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

	2022	2021	2020
<b>Total number of employees</b>	<b>7,020</b>	7,629	7,843
<b>Breakdown by age group</b>			
Below 30	1,437	1,850	1,999
30 to 39	2,626	2,769	2,712
40 to 49	1,679	1,750	1,824
50 to 59	1,208	1,197	1,262
60 or above	70	63	46
<b>Percentage breakdown of all employees in Hong Kong by nationality (Top 4 nationalities)</b>			
Chinese	98.21%	97.99%	N/A
British	0.67%	0.71%	N/A
Canadian	0.34%	0.41%	N/A
Australian	0.21%	0.22%	N/A
<b>Percentage breakdown of executive in Hong Kong by nationality (Top 4 nationalities)</b>			
Chinese	97.11%	93.37%	N/A
British	1.13%	2.41%	N/A
Canadian	0.6%	1.20%	N/A
Australian	0.4%	0.60%	N/A

	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
<b>Total number of employees</b>	<b>7,020</b>		7,629		7,843	
<b>Breakdown by gender</b>	<b>2,967</b>	<b>4,053</b>	3,242	4,387	3,358	4,485
<b>Breakdown by employment type and gender</b>						
Full-time permanent staff	2,927	4,013	3,200	4,352	3,319	4,465
Full-time contract staff	39	35	41	31	38	17
Part-time staff	1	5	1	4	1	3
Temporary staff <sup>2</sup>	—	—	—	—	—	—
<b>Breakdown by employee category and gender</b>						
Executive	1,498	1,505	1,439	1,441	1,340	1,355
Officer	1,116	1,857	1,278	1,970	1,447	2,069
Clerical / blue-collar	353	691	525	976	572	1,061

## Social Performance – Our People in Numbers

### Headcount by global career band

	2022					
	Male		Female		Grand Total	
	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage
Managing Director <sup>3</sup>	19	0.28%	17	0.24%	36	0.52%
3	83	1.18%	64	0.91%	147	2.09%
4	394	5.61%	392	5.58%	786	11.19%
5	1,002	14.27%	1,032	14.71%	2,034	28.98%
6	1,116	15.90%	1,857	26.45%	2,973	42.34%
7	308	4.39%	661	9.42%	969	13.80%
8	45	0.64%	30	0.43%	75	1.07%
<b>Grand Total</b>	<b>2,967</b>	<b>42.27%</b>	<b>4,053</b>	<b>57.73%</b>	<b>7,020</b>	<b>100.00%</b>

### Share of women in management positions in revenue-generating functions

	2022	
	Female	Total
Managing Director <sup>3</sup>	7	0.5%
3	24	1.6%
4	157	10.5%
5	515	34.5%
<b>Total</b>	<b>703</b>	<b>47.1%</b>

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

	2022	2021	2020	2019
<b>Average age of employees</b>				
Overall	<b>39</b>	38	38	38
Executive	<b>40</b>	40	40	40
Officer	<b>38</b>	37	37	37
Clerical / blue-collar	<b>39</b>	37	37	36
<b>Average years of service</b>				
Overall	<b>10</b>	10	10	9
Executive	<b>9</b>	9	9	9
Officer	<b>11</b>	11	11	10
Clerical / blue-collar	<b>12</b>	10	11	9

## Social Performance – Our People in Numbers

### New Hire and Internal Hire

	2022		2021		2020 <sup>5</sup>		2019	
	Male	Female	Male	Female	Male	Female	Male	Female
Below 30	232	259	370	418	135	98	525	490
30 to 39	242	199	295	249	117	50	227	180
40 to 49	88	78	77	93	15	28	50	85
50 to 59	13	31	23	13	7	3	19	27
60 or above	3	6	5	8	1	1	12	13
<b>Breakdown by employee category</b>								
Executive	224	187	N/A	N/A	N/A	N/A	N/A	N/A
Officer	274	290	N/A	N/A	N/A	N/A	N/A	N/A
Clerical / blue-collar	80	96	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>578</b>	<b>573</b>	770	781	275	180	833	794
<b>Grand total</b>	<b>1,151</b>		1,551		455		1,628	
<b>New hire rate<sup>4</sup></b>	<b>16.4%</b>		20.3%		5.8%		19.1%	
<b>External hire rate<sup>5</sup></b>	<b>53.2%</b>		59.2%		37.4%		48.9%	
<b>Internal hire rate<sup>5</sup></b>	<b>46.8%</b>		40.8%		62.6%		51.1%	

### Total turnover by age and gender in 2022

	Male		Female		Undeclared	
	Headcount	Turnover rate	Headcount	Turnover rate	Headcount	Turnover rate
Below 30	273	3.7%	289	3.9%	0	0.0%
30 - 39	360	4.9%	338	4.6%	0	0%
40 - 49	126	1.7%	145	2.0%	0	0%
50 - 59	46	0.6%	84	1.1%	0	0%
60 or above	53	0.7%	46	0.6%	0	0%
<b>Total</b>	<b>858</b>	<b>11.6%</b>	<b>902</b>	<b>12.2%</b>	<b>0</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>1,760 (24%)</b>					

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

	2022		2021	
	Headcount	Turnover rate	Headcount	Turnover rate
Executive	587	8.0%	455	5.8%
Officer	776	10.5%	769	9.8%
Clerical / blue-collar	340	4.6%	316	4.0%

## Social Performance – Our People in Numbers

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

	2022				2021				2020				2019			
	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	269	3.7%	286	3.9%	276	3.5%	286	3.6%	225	2.9%	191	2.8%	320	3.8%	343	4.1%
30 to 39	356	4.8%	336	4.6%	296	3.8%	267	3.4%	172	2.1%	131	1.6%	256	3.0%	227	2.7%
40 to 49	124	1.7%	141	1.9%	84	1.6%	122	1.6%	36	0.4%	79	1.0%	72	0.8%	113	1.3%
50 to 59	41	0.6%	72	1.0%	46	0.6%	62	0.8%	30	0.4%	41	0.5%	81	0.9%	83	1.0%
60 or above	42	0.6%	36	0.5%	53	0.7%	47	0.6%	40	0.5%	46	0.6%	3	0.1%	4	0.1%
<b>Total</b>	<b>832</b>	<b>11.3%</b>	<b>871</b>	<b>11.9%</b>	755	10.2%	784	10.0%	504	6.3%	488	6.5%	733	8.6%	770	9.2%
<b>Grand total</b>	<b>1,703 (23.2%)</b>				1,540 (20.2%)				992 (12.8%)				1,502 (17.8%)			

Notes:

- 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.
- The 'temporary staff' category was retired in 2018. The headcount was incorporated into the other three categories.
- Due to leadership band changes, all Hang Seng global career band 1 and 2 were mapped to Managing Director since 1 Mar 2022
- Percentage of total new hires compared to total employees at the end of year.
- Percentage of external and internal hires refers to the total number of open positions filled by external candidates and employees divided by the total number of vacancies in the year. This is a new calculation formula adopted in 2022. Data from 2019 to 2021 is reinstated by calculating with this new calculation formula.
- The turnover rate is based on the actual number of employees.
- No significant seasonal variations in headcount were reported.
- 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.
- 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).

## Social Performance – Our People in Numbers

### Training and Skills Development

	2022 <sup>1</sup>	2021	2020	2019
<b>Average learning and development days</b>				
Per employee in Hong Kong	<b>3.3</b>	4.1	3.8	5.5
<b>Average hours by gender<sup>2</sup></b>				
Male	<b>27.9</b>	35.0	34.0	52.0
Female	<b>25.4</b>	29.0	28.0	40.0
<b>Average hours by employee category</b>				
Executive	<b>21.5</b>	18.0	25.0	29.0
Officer	<b>25.3</b>	23.0	33.0	44.0
General staff	<b>27.4</b>	37.0	37.0	64.0
<b>Average hours by age group</b>				
Boomers (Age 58 and above)	<b>17.5</b>	N/A	N/A	N/A
Gen-X (Age 42 to 57)	<b>22.6</b>	N/A	N/A	N/A
Gen-Y (Age 26 to 41)	<b>28.4</b>	N/A	N/A	N/A
Gen-Z (Age 25 and below)	<b>33.8</b>	N/A	N/A	N/A
<b>Average hours by Business / Functions</b>				
Wealth and Personal Banking	<b>27.7</b>	N/A	N/A	N/A
Commercial Banking	<b>30.2</b>	N/A	N/A	N/A
Global Banking	<b>32.6</b>	N/A	N/A	N/A
Global Markets	<b>22.3</b>	N/A	N/A	N/A
Digital Business Services	<b>19.9</b>	N/A	N/A	N/A
Global Functions	<b>18.8</b>	N/A	N/A	N/A
Central Management Services and Office	<b>17.5</b>	N/A	N/A	N/A

Notes:

- 1 All headcounts are in full-time employee equivalent ('FTE').
- 2 We delivered training courses equally to all staff members depending on their roles and needs. The difference in average training hours is mainly due to less male colleagues in total headcount.
- 3 The above learning hours exclude the learning and development activities arranged by individual department.

### Occupational Health and Safety

	2022	2021	2020	2019
<b>Absenteeism rate</b>				
Male	<b>1.17%</b>	1.31%	1.56%	1.50%
Female	<b>1.85%</b>	2.07%	2.28%	2.15%
Overall	<b>1.57%</b>	1.75%	1.98%	1.87%
<b>Lost days due to work injury</b>	<b>44</b>	32	625	333
<b>Work-related fatalities</b>	<b>0</b>	0	0	0

## Social Performance – Our Community

Community	2022	2021	2020	2019
Number of outlets*	<b>263</b>	281	288	297
Number of customers (million) *	<b>&gt;3.5</b>	3.7	>3	>3
Pledged community investment (HK\$ million) <sup>^</sup>	<b>32</b>	31	30	33

Notes:

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

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

# CONTENT INDEX

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

Items with # were selected and rigorously verified by HKQAA as part of the report verification process to devise opinions and conclusions on this report.

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>GRI 1: Foundation 2021</b>			
<b>GRI 1</b>	<b>Reporting Principles: para 11; Overall Approach: para 7, para 8. para 11</b>	Foundation	About This Report (91-94)
<b>General Disclosure</b>			
<b>GRI 2: General Disclosures 2021</b>			
<b>The organisation and its reporting practices</b>			
<b>Disclosure 2-1</b>		Organisational details	Cover, About This Report (91-94)
<b>Disclosure 2-2</b>	<b>Reporting Boundary 15</b>	Entities included in the organisation's sustainability reporting	About This Report (91-94)
<b>Disclosure 2-3</b>		Reporting period, frequency and contact point	About This Report (91-94)
<b>Disclosure 2-4</b>		Restatements of information	About This Report (91-94)
<b>Disclosure 2-5</b>	<b>Overall Approach: para 9</b>	External assurance	Verification Statement (127)
<b>Activities and workers</b>			
<b>Disclosure 2-6</b>	<b>Reporting Boundary 15; KPI B5.1</b>	Activities, value chain and other business relationships	About This Report (91-94)
<b>Disclosure 2-7</b>	<b>KPI B1.1</b>	Employees	Key Metrics – Performance Data Summary (98-102)
<b>Governance</b>			
<b>Disclosure 2-9</b>		Governance structure and composition	Our ESG Journey (7-8)
<b>Disclosure 2-10</b>		Nomination and selection of the highest governance body	Governance (74), Social > Our People (64)
<b>Disclosure 2-11</b>		Chair of the highest governance body	Our ESG Journey (7-8)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>Disclosure 2-12</b>	<b>Overall Approach: para 10, Governance structure 13</b>	Role of the highest governance body in overseeing the management of impacts	Board Statement & Chief Executive's Message (5-6), Governance (74-75)
<b>Disclosure 2-13</b>		Delegation of responsibility for managing impacts	Governance (74-75)
<b>Disclosure 2-14</b>	<b>Overall Approach: para 10</b>	Role of the highest governance body in sustainability reporting	Our ESG Journey (7-8)
<b>Disclosure 2-15</b>		Conflicts of interest	Governance (74, 83)
<b>Disclosure 2-16</b>		Communication of critical concerns	Governance (88-90)
<b>Disclosure 2-17</b>		Collective knowledge of the highest governance body	Governance (77)
<b>Disclosure 2-18</b>		Evaluation of the performance of the highest governance body	Our ESG Journey (7-8)
<b>Disclosure 2-19</b>		Remuneration policies	Social > Our People (56, 63)
<b>Disclosure 2-20</b>		Process to determine remuneration	Social > Our People (56, 63), Governance (74)
<b>Strategy, policies and practices</b>			
<b>Disclosure 2-22</b>	<b>Governance Structure 13</b>	Statement on sustainable development strategy	Board Statement & Chief Executive's Message (5-6), Snapshot (3)
<b>Disclosure 2-23</b>		Policy commitments	Our ESG Journey (8), Our Environment (14-31), Social > Our Customers (32-41), Social > Our People (42-68), Governance (74-87)
<b>Disclosure 2-24</b>		Embedding policy commitments	Our ESG Journey (8), Our Environment (14-31), Social > Our Customers (32-41), Social > Our People (42-68), Governance (74-87)



GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>Disclosure 2-25</b>		Processes to remediate negative impacts	Our ESG Journey (7-8)
<b>Disclosure 2-26</b>	<b>KPI B7.2</b>	Mechanisms for seeking advice and raising concerns	Social > Our People (64), Governance (83-84)
<b>Disclosure 2-27</b>		Compliance with laws and regulations	Our Environment (14-31), Social > Our Customers (32-41), Social > Our People (42-68), Governance (74-87)  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 2022.
<b>Disclosure 2-28</b>		Membership associations	Governance (90)
<b>Stakeholder engagement</b>			
<b>Disclosure 2-29</b>	<b>Overall Approach: para 7</b>	Approach to stakeholder engagement	Governance (88-89), Our ESG Journey (11-13)
<b>Material topics</b>			
<b>GRI 3: Material Topics 2021</b>			
<b>Disclosure 3-1</b>	<b>Reporting Principles: para 11</b>	Process to determine material topics	Our ESG Journey (11-13)
<b>Disclosure 3-2</b>		List of material topics	Our ESG Journey (11-13)
<b>Disclosure 3-3</b>		Management of material topics	Board Statement & Chief Executive's Message (5-6), Our ESG Journey (11-13)
<b>Economic performance</b>			
<b>GRI 201: Economic Performance 2016</b>			
<b>Disclosure 3-3</b>	<b>GDA4, KPI A4.1</b>	Management of material topics	Governance (77-78)
<b>201-1</b>	<b>KPI B8.2</b>	Direct economic value generated and distributed	Key Metrics - Performance Data Summary (95)
<b>201-2</b>	<b>KPI A4.1</b>	Financial implication and other risks and opportunities due to climate change	Our Environment (15)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>201-3</b>		Defined benefit plan obligations and other retirement plans	Social > Our People (75)
<b>GRI 202: Market Presence 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B1; KPI B1.1</b>	Management of material topics	Social > Our People (42-68)
<b>GRI 203: Indirect Economic Impacts 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Our ESG Journey (10), Social > Our Community (69-73)
<b>203-1</b>	<b>GD B8; KPI B8.1</b>	Infrastructure investments and services supported	Our ESG Journey (10), Social > Our Community (69-73)
<b>203-2</b>		Significant indirect economic impacts	Social > Our Community (69-73)
<b>GRI 204: Procurement Practices 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Governance (86-87)
<b>204-1</b>	<b>KPI B5.1</b>	Proportion of spending on local suppliers	Governance (86-87)
<b>GRI 205: Anti-corruption 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B7</b>	Management of material topics	Governance (79)
<b>205-1</b>	<b>KPI B7.2</b>	Operations assessed for risks related to corruption	Governance (79)
<b>205-2</b>	<b>KPI B7.3</b>	Communication and training about anti-corruption policies and procedures	Governance (79)
<b>205-3</b>	<b>KPI B7.1</b>	Confirmed incidents of corruption and action taken	Governance (79)  In 2022, there were no fines, penalties or settlements in relation to corruption. In 2022, there was no case of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery.
<b>N/A</b>	<b>KPI B7.3</b>	Description of anti-corruption training provided to directors and staff	Governance (79)
<b>N/A</b>	<b>KPI B7.2</b>	Whistleblowing procedures	Governance (79)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>GRI 206: Anti-competitive Behaviour 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Social > Our People (50), Governance (79)
<b>206-1</b>	<b>KPI B7.3</b>	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Governance (79)
<b>GRI 207: Tax 2019</b>			
<b>Disclosure 3-3</b>		Management of material topics	Governance (78)
<b>207-1</b>		Approach to tax	Governance (78)
<b>207-2</b>		Tax governance, control, and risk management	Governance (78)
<b>207-3</b>		Stakeholder engagement and management of concerns related to tax	Governance (78)
<b>207-4</b>		Country-by-country reporting	Governance (78)
<b>Environmental Standards Series</b>			
<b>GRI 301: Materials 2016</b>			
<b>Disclosure 3-3</b>	<b>GD A1, GD A2, GD A3</b>	Management of material topics	Our Environment (14-31)
<b>301-1</b>		Materials used by weight or volume	Key Metrics - Performance Data Summary (97)
<b>GRI 302: Energy 2016</b>			
<b>Disclosure 3-3</b>	<b>GD A1, GD A2, GD A3</b>	Management of material topics	Our Environment (14-31)
<b>302-1</b>	<b>KPI A2.1</b>	Energy consumption within the organisation	Our Environment (28), Key Metrics - Performance Data Summary (96)
<b>302-3</b>	<b>KPI A2.1</b>	Energy intensity	Our Environment (28), Key Metrics - Performance Data Summary (96) Direct energy consumption per employee: 0.04 MWh Indirect energy consumption per employee: 3.77 MWh

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>302-4</b>	<b>KPI A2.3; KP1 A1.5</b>	Reduction of energy consumption	Our Environment (14-31)
<b>302-5</b>	<b>KPI A2.3; KP1 A1.5</b>	Reduction in energy requirements of products and services	Our Environment (14-31)
<b>N/A</b>	<b>KPI A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our ESG Journey (9), Our Environment (27)
<b>GRI 303: Water and Effluents 2018</b>			
<b>Disclosure 3-3</b>	<b>KPI A2.2, KPI A2.4</b>	Management of material topics	Our Environment (14-31)
<b>303-1</b>	<b>KPI A2.4</b>	Interaction with water as a shared resource	Our Environment (14-31)
<b>303-2</b>		Management of water discharge-related impacts	Our Environment (14-31)
<b>303-3</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	Our Environment (28), Key Metrics - Performance Data Summary (96)
<b>N/A</b>	<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our ESG Journey (9), Our Environment (27)
<b>GRI 305: Emissions 2016</b>			
<b>Disclosure 3-3</b>	<b>GD A1 GD A2 GD A3</b>	Management of material topics	Our Environment (14-31)
<b>305-1</b>	<b>KPI A1.2</b>	Direct (Scope 1) GHG emissions	Our ESG Journey (9), Our Environment (28), Key Metrics - Performance Data Summary (96)
<b>305-2</b>	<b>KPI A1.2</b>	Energy indirect (Scope 2) GHG emissions	Our ESG Journey (9), Our Environment (28), Key Metrics - Performance Data Summary (96)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>305-3</b>		Other indirect (Scope 3) GHG emissions	Our Environment (28), Key Metrics - Performance Data Summary (96)
<b>305-4</b>	<b>KPI A1.2</b>	GHG emissions intensity	Our Environment (28), Key Metrics - Performance Data Summary (96)
<b>305-5</b>	<b>KPI A1.5; KPI A2.3</b>	Reduction of GHG emissions	Our Environment (14-31)
<b>305-7</b>	<b>KPI A1.1</b>	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	The topic of Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions is not material to the business and therefore not disclosed.
<b>N/A</b>	<b>KPI A1.5</b>	Description of emission target and steps to achieve them	Our ESG Journey (9), Our Environment (27)
<b>GRI 306: Waste 2020</b>			
<b>Disclosure 3-3</b>	<b>KPI A1, KPI A1.3, KPI A1.4, KPI A1.6</b>	Management of material topics	Our Environment (14-31)
<b>306-1</b>	<b>KPI A1.6</b>	Waste generation and significant waste-related impacts	Our Environment (14-31)
<b>306-2</b>	<b>KPI A1.6</b>	Management of significant waste-related impacts	Our Environment (14-31)
<b>306-3</b>	<b>KPI A1.3 KPI A1.4</b>	Waste generated	Our Environment (28), Key Metrics - Performance Data Summary (97)
<b>306-4</b>	<b>KPI A1.3</b>	Waste diverted from disposal	Our Environment (28)
<b>306-5</b>	<b>KPI A1.3</b>	Waste directed to disposal	Our Environment (28), Key Metrics - Performance Data Summary (97)
<b>N/A</b>	<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our ESG Journey (9), Our Environment (14-31)
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B5, KPI B5.2, KPI B5.4</b>	Management of material topics	Our Environment (25), Governance (86-87)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>308-1</b>	<b>KPI B5.2</b>	New suppliers that were screened using environmental criteria	Our Environment (25), Governance (86-87)  In our survey of top 50 spending-rank suppliers, 51% of suppliers responded with a Carbon Emissions Reduction Commitment. 50% of our top 40 suppliers, i.e. half of our total spend, committed to the Carbon Emissions Reduction when we sent out the questionnaire on a zero carbon commitment.
<b>Social Standard Series</b>			
<b>GRI 401: Employment 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B1; KPI B1.1</b>	Management of material topics	Social > Our People (42-68)
<b>401-1</b>	<b>KPI B1.2</b>	New employee hires and employee turnover	Key Metrics - Performance Data Summary (98-102)
<b>401-2</b>		Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social > Our People (57-58)
<b>401-3</b>		Parental leave	Social > Our People (58)
<b>GRI 402: Labour Management Relations 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Social > Our People (42-68)
<b>GRI 403: Occupational Health and Safety 2018</b>			
<b>Disclosure 3-3</b>	<b>GD B2, KPI B2.3</b>	Management of material topics	Social > Our People (58-61)
<b>403-1</b>		Occupational health and safety management system	Social > Our People (58-61)
<b>403-2</b>		Hazard identification, risk assessment, and incident investigation	Social > Our People (58-61)
<b>403-3</b>		Occupational health services	Social > Our People (58-61)
<b>403-4</b>		Worker participation, consultation, and communication on occupational health and safety	Social > Our People (58-61)
<b>403-5</b>		Worker training on occupational health and safety	Social > Our People (58-61)
<b>403-6</b>		Promotion of worker health	Social > Our People (58-61)
<b>403-7</b>		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social > Our People (58-61)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>403-8</b>		Workers covered by an occupational health and safety management system	Social > Our People (58-61)
<b>403-9</b>	<b>KPI B2.1</b>	Work-related injuries	Key Metrics - Performance Data Summary (102)
<b>N/A</b>	<b>GD B2, KPI B2.3</b>	Specify health and safety-related laws and regulations (e.g. Occupational Safety and Health Ordinance)	Social > Our People (58-61)
<b>N/A</b>	<b>KPI B2.1, KPI B2.2</b>	Lost days due to work injury.; Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Key Metrics - Performance Data Summary (102)
<b>GRI 404: Training and Education 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B3</b>	Management of material topics	Social > Our People (49-51, 67-68)
<b>404-1</b>	<b>KPI B3.2</b>	Averaging hours of training per year per employee	Social > Our People (50), Key Metrics - Performance Data Summary (102)
<b>404-2</b>	<b>GD B3</b>	Programmes for upgrading employee skills and transition assistance programmes	Social > Our People (49-51, 67-68)
<b>404-3</b>		Percentage of employees receiving regular performance and career development reviews	Social > Our People (56)
<b>N/A</b>	<b>GD B3</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social > Our People (49-51, 67-68)
<b>N/A</b>	<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social > Our People (50)
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B1</b>	Management of material topics	Social > Our People (63-66), Governance (86-87)
<b>405-1</b>		Diversity of governance bodies and employees	Social > Our People (64)
<b>GRI 406: Non-discrimination 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B1</b>	Management of material topics	Social > Our People (63-66), Governance (86-87)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>406-1</b>		Incidents of discrimination and corrective actions taken	Social > Our People (64) 10 incidents of discrimination and harassment were reviewed in 2022.
<b>GRI 408: Child Labour 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B4, GD B5</b>	Management of material topics	Governance (86-87)
<b>408-1</b>	<b>KPI B5.2, KPI B5.3</b>	Operations and suppliers at significant risk for incidents of child labour	Governance (86-87)
<b>GRI 409: Forced or Compulsory Labour 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B4, GD B5</b>	Management of material topics	Governance (86-87)
<b>409-1</b>	<b>KPI B5.2, KPI B5.3</b>	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Governance (86-87)
<b>GRI 410: Security Practices 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Social > Our People (63-66)
<b>410-1</b>		Security personnel trained in human rights policies or procedures	Social > Our People (63-66)
<b>GRI 411: Rights of Indigenous Peoples 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Governance (87)
<b>411-1</b>		Incidents of violations involving rights of indigenous peoples	Governance (87) No violation of the rights of indigenous peoples, were reported in 2022
<b>GRI 413: Local Communities 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B8; KPI B8.1; KPI B8.2</b>	Management of material topics	Social > Our Community (69-73)
<b>413-1</b>		Operations with local community engagement, impact assessments, and development programmes	Social > Our Community (69-73)
<b>413-2</b>		Negative social impacts in the supply chain and actions taken	Social > Our Community (69-73)
<b>N/A</b>	<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport); Resources contributed (e.g. money or time) to the focus area	Social > Our Community (69-73)



GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>N/A</b>	<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area	Our ESG Journey (10), Social > Our Community (69-73)
<b>GRI 414: Supplier Social Assessment 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B5</b>	Management of material topics	Governance (86-87)
<b>414-1</b>	<b>KPI B5.2, KPI B5.3</b>	New suppliers that were screened using social criteria	Governance (86-87)  In 2022, there was no confirmed incident when contracts with business partners were terminated or not renewed due to violations related to corruption.
<b>GRI 415: Public Policy 2016</b>			
<b>Disclosure 3-3</b>		Management of material topics	Governance (79)
<b>415-1</b>		Political contribution	Governance (79)  In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.
<b>GRI 416 Customer Health and Safety 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B6</b>	Management of material topics	Social > Our Customers (32-41)
<b>416-1</b>		Assessment of the health and safety impacts of product and service categories	Social > Our Customers (32-41)
<b>416-2</b>	<b>KPI B6.1</b>	Incidents of non-compliance concerning the health and safety impacts of products and services	Social > Our Customers (32-41)  In 2022, there were no incidents of non-compliance concerning the health and safety impacts of products and services.
<b>N/A</b>	<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	Social > Our Customers (33)
<b>GRI 417: Marketing and Labeling 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B6</b>	Management of material topics	Social > Our Customers (34)
<b>417-1</b>	<b>GD B6</b>	Requirements for product and service information and labeling	Social > Our Customers (34)
<b>417-2</b>	<b>GD B6</b>	Incidents of non-compliance concerning product and service information and labeling	Social > Our Customers (34)
<b>417-3</b>	<b>GD B6</b>	Incidents of non-compliance concerning marketing communications	Social > Our Customers (34)

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>N/A</b>	<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Social > Our Customers (34)
<b>GRI 418: Customer Privacy 2016</b>			
<b>Disclosure 3-3</b>	<b>GD B6; KPI B6.5</b>	Management of material topics	Social > Our Customers (35), Governance (80-81)
<b>418-1</b>	<b>KPI B6.5</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Governance (80-81)
<b>Product and Service Labeling</b>			
<b>G4-DMA</b>		Management approach	Social > Our Customers (34)
<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 2022</a> : Segmental Analysis <a href="#">Banking Disclosure Statement 2022</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
<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	Hang Seng is undergoing an alignment process to record sustainable data in its upgraded system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability.
<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	Hang Seng is undergoing an alignment process to record sustainable data in its upgraded system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability.

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
<b>Active Ownership</b>			
<b>G4-DMA</b>		Management of material topics	Governance (74-90)
<b>G4-FS10</b>		Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Hang Seng is undergoing an alignment process to record sustainable data in its upgraded system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability.
<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 HSBC'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 (36-41)
<b>G4-FS14</b>	<b>KPIB8.1</b>	Initiatives to improve access to financial services for disadvantaged people	Social > Our Customers (36-41)

## Content Index for SASB Standards

Topic	Code	Disclosure Description	Section / Remarks (page number)
<b>Activity Metric</b>	<b>FN-CB-000.A</b>	(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\$931 billion
	<b>FN-CB-000.B</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\$383 billion
<b>Data Security</b>	<b>FN-CB-230a.1</b>	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Social > Our Customers (35), Governance (80-81)
	<b>FN-CB-230a.2</b>	Description of approach to identifying and addressing data security risks	Social > Our Customers (35), Governance (80-81)
<b>Financial Inclusion &amp; Capacity Building</b>	<b>FN-CB-240a.1</b>	(1) Number and (2) amount of loans outstanding qualified to programmes 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 2022.
	<b>FN-CB-240a.2</b>	(1) Number and (2) amount of past due and nonaccrual loans qualified to programmes designed to promote small business and community development	
	<b>FN-CB-240a.3</b>	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Nil.
	<b>FN-CB-240a.4</b>	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Social > Our Customers (36-41), Social > Our Community (69-73)

Topic	Code	Disclosure Description	Section / Remarks (page number)
<b>Incorporation of Environmental, Social, and Governance Factors in Credit Analysis</b>	<b>FN-CB-410a.1</b>	Commercial and industrial credit exposure, by industry	<a href="#">Annual Report 2022</a> : Segmental Analysis <a href="#">Banking Disclosure Statement 2022</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
	<b>FN-CB-410a.2</b>	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Our Environment (15-24, 29-31), Governance (85)
<b>Business Ethics</b>	<b>FN-CB-510a.1</b>	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 (79)
	<b>FN-CB-510a.2</b>	Description of whistle-blower policies and procedures	Governance (79)
<b>Systematic Risk Management</b>	<b>FN-CB-550a.1</b>	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 2022</a> : Management Discussion and Analysis – Risk
	<b>FN-CB-550a.2</b>	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 (15-24, 29-31) Draft <a href="#">Annual Report 2022</a> Management Discussion and Analysis (Risk Management page 8 and 9, "Management Discussion and Analysis > Risk > Risk management tools > Stress testing and recovery planning")

## Task Force on Climate-related Financial Disclosures ('TCFD') index table

The table on the next page sets out the 11 TCFD recommendations and summarises where additional information can be found.

Where Hang Seng has not included climate-related financial disclosures consistent with all of the TCFD recommendations and recommended disclosures, the reasons for this and steps being undertaken are set out accordingly. Hang Seng will continue to develop and refine its reporting and disclosures on ESG matters in line with feedback received from our stakeholders, and in view of our obligations under the HKMA SPM GS-1.

With respect to our obligations under HKMA SPM GS-1 as part of considering what to measure and publicly report, we perform an assessment to ascertain the appropriate level of detail to be included in the TCFD that are set out in our ESG Report. Our assessment takes into account factors such as the level of our exposure to climate-related risks and opportunities, the scope and objectives of our climate-related strategy, transitional challenges, and the nature, size and complexity of our business.

Recommendation	Response	Disclosure location
<b>Governance</b>		
<b>a) Describe the Board's oversight of climate-related risks and opportunities</b>		
<b>Process, frequency and training</b>	<p>The Board takes overall responsibility for our climate strategy, overseeing executive management in the development of the approach, execution and associated reporting.</p> <p>NEDs attended NED Summits in March and September 2022. Topics of the Summits covered, among others, climate and energy security, net zero and sustainability policies. Directors also received a training on climate risk management in November 2022.</p> <p>Our ESG Steering Committee is chaired by our Executive Director and Chief Executive, who also chairs Executive Committee which reports to the Board. The Steering Committee is supported by four Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), each of which is led by a member of the Bank's Executive Committee. 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.</p> <p>The Chief Risk Officer is responsible for the management of climate-related risks. Our Climate Risk Working Group is responsible for overseeing our climate related risk management. Chief Risk Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management.</p>	Page 7, 77
<b>Examples of the Board and relevant Board committees taking climate into account</b>	<p>During 2022, the discussion of important climate change matters among the Board and the Risk Committee included:</p> <ul style="list-style-type: none"> <li>The Board set direction and approved the Bank's ESG matters, review and comment on ESG progress updates at least twice a year, note the results of the materiality assessment. The Board had endorsed our net zero ambition in our own operations by 2030</li> <li>The Risk Committee had engaged consultant to develop the Bank's climate risk management.</li> </ul>	Page 7

Recommendation	Response	Disclosure location
<b>b) Describe management's role in assessing and managing climate-related risks and opportunities</b>		
<b>Who manages climate-related risks and opportunities</b>	The Chief Risk Officer is responsible for the management of climate-related risks. Our Climate Risk Working Group is responsible for overseeing our climate related risk management. Chief Risk Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management.	Page 18
<b>How management reports to the Board</b>	In accordance to the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited ('HKEX') i.e. Appendix 27 of the Main Board Listing Rules, the Board was updated regularly about the progress on ESG-related matters at certain of its meetings that were held in 2022 and early 2023. At these meetings, the Board noted the progress update against the ESG-related goals and targets being set at the beginning of 2022, provided related comments or suggestions to the Management and also exercised oversight over the ESG matters. The Board also confirmed the effectiveness and adequacy of the Bank's disclosure framework, including the risk management and internal control systems relating to ESG.	Page 7
<b>Processes used to inform management</b>	Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Besides, Our Chief Risk Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management. Please refer to our <a href="#">Annual Report 2022</a> to learn more about our bank-wide approach to risk. ESG updates are provided to the Board at least twice a year, and the relevant key performance indicators are measured, monitored and reported to EXCO on a quarterly basis. Meanwhile, ESG performance of the Bank and the relevant key performance indicators are measured, monitored and reported on a regular basis.	Page 75
<b>Strategy</b>		
<b>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</b>		
<b>Processes used to determine material risks and opportunities</b>	<p>We have identified six key sectors where our wholesale credit customers have the highest climate transition risk, based on their carbon emissions. These are oil and gas, building and construction, chemicals, automotive, power and utilities, and metals and mining. We continue to roll out our transition and physical risk questionnaire to our largest customers in high-risk sectors, with the addition of four more sectors: agriculture, industrials, real estate and transportation. The questionnaire helps us to assess and improve our understanding of the impact of climate changes on some of our customers' business models and any related transition strategies. It also helps us to identify potential business opportunities to support the transition.</p> <p>For retail credit risk, we continue to enhance our identification and assessment of climate risk, prioritizing our largest portfolios, by increasing our investment in physical risk data and by developing internal capabilities.</p> <p>In 2022, we undertook an internal climate stress testing exercise to further our understanding and assessment of the potential impact of physical risk to our mortgage portfolios</p>	Page 16, 19, 29

Recommendation	Response	Disclosure location
<b>Relevant short, medium, and long term time horizons</b>	<p>Hang Seng continues to contribute to the HSBC Group's ambitions to achieve net zero in its financed emissions by 2050, in its supply chain by 2030, and HSBC Group to provide and facilitate between US\$750bn and US\$1tn of sustainable finance and investment for its customers in their transition to net zero and a sustainable future by 2030.</p> <p>Hang Seng has also set its ambition to net zero carbon emissions in our own operations by 2030. We have our internal KPIs in environmental performance in 2025 and 2030.</p> <p>Hang Seng aligns with HSBC Group's definition of short, medium, and long term time horizon: short term to be less than one year, medium term to be by 2030 and long term to be by 2050.</p>	Page 5
<b>Transition or physical climate-related issues identified</b>	<p>Transition or physical climate-related risk, together with greenwashing risk exist across Hang Seng's risk taxonomy.</p>	Page 17
<b>Risks and opportunities by sector and / or geography</b>	<p>Scenario analysis supports the group's risks and opportunities under a range of climate scenarios. It helps to build the group's awareness of the impact of climate change and future planning.</p> <p>Hang Seng completed an asset-level analysis in terms of real estate books, that our retail mortgages and commercial real estate portfolio would be vulnerable to severe tropical cyclones and flooding events under the DP scenario as physical risk evolves.</p> <p>Hang Seng does not currently fully disclose the impacts of transition and physical risk quantitatively by sector/geography, due to transitional challenges including data limitations and evolving science and methodologies.</p>	Page 29-30
<b>Concentrations of credit exposure to carbon-related assets (supplemental guidance for banks)</b>	<p>We have identified six key sectors where our wholesale credit customers have the highest climate transition risk, based on their carbon emissions. These are oil and gas, building and construction, chemicals, automotive, power and utilities, and metals and mining.</p> <p>We internally report our transition risk exposure consumed by the six high-risk sectors in the wholesale portfolio, and will further enhance its disclosure as more data becomes available.</p>	Page 19
<b>Climate-related risks in lending and other financial intermediary business activities (supplemental guidance for banks)</b>	<p>We expect the high emitting sectors from our wholesale corporate lending portfolio, such as Construction &amp; Building Materials, Oil &amp; Gas, and Metals &amp; Mining to be most impacted by the possibility of higher carbon prices, under the CS scenario.</p>	Page 19
<b>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning</b>		
<b>Impact on strategy, business, and financial planning</b>	<p>We have aligned with HSBC and contributed to its ambitions in achieving net zero in their supply chain by 2030, and aligning the financed emissions of their portfolio of customers to be net zero by 2050.</p> <p>Hang Seng does not currently fully disclose the impacts of climate-related issues on financial planning, and particularly the impact of climate-related issues on our financial performance (for example, revenues and costs) and financial position (for example, assets and liabilities), acquisitions / divestments or access to capital, in each case due to lack of data and systems for compiling the relevant financial impacts. In 2022, Hang Seng started the calculations on its financed emissions. This will be further enhanced in the medium term as more data is available.</p>	Page 5



Recommendation	Response	Disclosure location
<b>Impact on products and services</b>	<p>In aligning with HSBC's Climate Strategy, we provide sustainable financing services to help our customers' transition to the low carbon economy. In addition, we are managing the Bank's credit risk exposure to climate-sensitive sectors in accordance with HSBC's guidelines.</p> <p>The Bank acknowledges that 2022 ESG Report has not disclosed the quantitative sustainable finance data, which results in inconsistency and affects a meaningful comparison with relevant data of last financial year. Hang Seng is undergoing an alignment process to record sustainable data in its upgraded system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability; until such time, Hang Seng is required to adopt a different methodology to report sustainable finance-related data than was used last year, with only qualitative sustainable finance content disclosed in the 2022 ESG Report</p>	Page 21-24
<b>Impact on supply chain and / or value chain</b>	<p>Hang Seng has contributed to HSBC's ambition for net zero in supply chain by 2030 and we understand that our current frameworks of regulating suppliers are not robust to achieve the commitment. We also started to collect and calculate percentage of suppliers that are committed to Carbon Emissions Reduction.</p>	Page 5
<b>Impact on adaptation and mitigation activities</b>	<p>We focus on mitigation measures to address climate change, including to support local renewable energy generation and purchase renewable energy. Our four offices have been renovated to enhance space efficiency in our workplace.</p>	Page 15
<b>Impact on operations</b>	<p>To protect the planet for present and future generations, we are endeavouring to optimise the use of resources. We conduct our business in an environmentally-conscious manner and advocate for good practices in our value chain in aspects of GHG emissions, materials, energy usage and generation, waste management, climate change and sustainable finance by the following actions:</p> <ol style="list-style-type: none"> <li>1. Reduce greenhouse gas ('GHG') emissions through energy efficiency, water-saving and workplace enhancement programmes</li> <li>2. Reduce consumption of materials through operational enhancement and customer engagement</li> <li>3. Support and explore the opportunities of renewable energy usage and generation</li> <li>4. Promote reduction and recycling of wastes and effluents</li> <li>5. Identify, assess, and manage our climate-related risks</li> <li>6. Offer a wide range of sustainable finance products and services to support our customers transit to low carbon economy</li> <li>7. Support environmental initiatives through our participation in community programmes</li> </ol>	Page 14
<b>Impact on investment in research and development</b>	<p>Hang Seng Investment Management Limited has engaged a third-party ESG rating agent and implemented an ESG scoring system, which includes a climate change module for incorporating ESG factors and climate-related risks into its investment process. In 2022, HSVM allocated around USD120,000 in the relevant R&amp;D for this entity.</p>	Page 15
<b>Transition plan to a low carbon economy</b>	<p>Hang Seng does not currently disclose climate transition plan. HSBC Group has committed to publish its own climate transition plan in 2023. Hang Seng will align and contribute to its transition plan once published.</p>	

Recommendation	Response	Disclosure location
<b>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</b>		
<b>Embedding climate into scenario analysis</b>	In 2022, Hang Seng enhanced the approach to analysing climate scenarios and delivered the internal climate scenario analysis ('ICSA') exercise applying four bespoke climate scenarios: Corporate Strategy, Current Commitments, Downside Delayed Transition Risk, and Downside Physical Risk.	Page 29-30
<b>Key drivers of performance and how these have been taken into account</b>	The ICSA scenarios reflect different levels of physical and transition risk and, underpinned by various assumptions of governmental climate policy changes, macroeconomic factors and technological developments.	Page 29-30
<b>Scenarios used and how they factored in government policies</b>	Our ICSA makes reference to external publicly available climate scenarios, such as the ones produced by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS'), Intergovernmental Panel on Climate Change ('IPCC'), and the International Energy Agency ('IEA'), our ICSA exercise assessed four internally developed scenarios, incorporating our own climate risks and vulnerabilities (e.g. our corporate strategy for the Oil & Gas sector).	Page 29-30
<b>How our strategies may change and adapt</b>	Our strategies include the focus on enhancing our corporate transition questionnaire and scoring tool to clients in high transition risk sectors, and conducting of physical risks assessment to our retail mortgages and commercial real estate portfolio. Scenario analysis can help assess how different decisions position Hang Seng under a range of climate scenarios.	Page 29
<b>Risk management</b>		
<b>a) Describe the organisation's processes for identifying and assessing climate-related risks</b>		
<b>Traditional banking risk types considered</b>	Hang Seng identifies and assesses climate-related risks is initially focused on understanding physical and transition impacts across five priority risk types: wholesale credit risk, retail credit risk, resilience risk, regulatory compliance risk and reputational risk.	Page 19-20
<b>Process</b>	Hang Seng uses scenario analysis to assess portfolio exposures taking into account evolving regulatory requirements. In addition, Hang Seng uses transition and physical risk questionnaire to request information from certain wholesale customers. Hang Seng does not currently fully disclose the detailed impacts of transition and physical risk, due to transitional challenges including data limitations and evolving science and methodologies.	Page 19-20
<b>Integration into policies and procedures</b>	Climate change mitigation and adaptation  In 2022, we have updated policies and incorporated climate considerations into our new money request processes for our wholesale business. We also adopted the updated energy policy, covering oil and gas, power and utilities, hydrogen, renewables, nuclear and biomass, as well as the updated thermal coal phase-out policy after its initial publication in 2021. Our Transition risk scoring tool has been enhanced for our corporate portfolios, which will enable us to assess our customer exposures to climate risk.	Page 18

Recommendation	Response	Disclosure location
<b>Consider climate-related risks in traditional banking industry risk categories (supplementary guidance for banks)</b>	In 2022, Hang Seng broadened its climate risk approach to include material risk types in its risk taxonomy.	Page 19-20
<b>b) Describe the organisation's processes for managing climate-related risks</b>		
<b>Process and how we make decisions</b>	Our climate risk appetite supports the oversight and management of the financial and non-financial risks from climate change, meets regulatory expectations and supports the business to deliver our climate ambition in a safe and sustainable way. Our initial risk appetite has focused on the oversight and management of climate risks, including metrics relating to our high transition risk sectors in our wholesale portfolio and physical risk exposures in our retail portfolio. We continue to review our risk appetite regularly to ensure that it captures the most material climate risks and will develop appropriate metrics to measure and monitor these risks.	Page 18
<b>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework</b>		
<b>How we have aligned and integrated our approach</b>	Climate Risk has been integrated into our existing Risk Taxonomy and is being incorporated within the Risk Management Framework through the policies and controls for the existing risks where appropriate.  Our approach to climate risk is aligned to our risk management framework and three lines of defence model, which sets out how we identify, assess, and manage our risks. This approach ensures the Board and senior management have visibility and oversight of our key climate risks.	Page 16
<b>How we take into account interconnections between entities, functions</b>	Hang Seng does not currently disclose interconnections between entities, functions. This will be further enhanced as more data is available.	
<b>Metrics and targets</b>		
<b>a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process</b>		
<b>Metrics used to assess the impact of climate-related risks on our loan portfolio</b>	We continue to accelerate the development of our climate risk management capabilities. The key achievements in 2022 include: <ul style="list-style-type: none"> <li>• Developed new climate risk metrics to cover our retail mortgage portfolio in Hong Kong</li> <li>• Enhanced our corporate transition questionnaire and scoring tool to clients in high transition risk sectors</li> </ul> Compliance continues to be represented at the Group's and the group's Climate Risk Oversight Forum.	Page 18

Recommendation	Response	Disclosure location
<b>Metrics used to assess progress against opportunities</b>	<p>Hang Seng does not disclose climate-related opportunities, and no further details about metrics used to assess progress against opportunities.</p> <p>Hang Seng does not currently fully disclose the proportion of revenue or proportion of assets, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services, internal carbon prices, forward-looking metrics consistent with our business or strategic planning time horizons. In relation to sustainable finance revenue and assets, Hang Seng is disclosing certain elements. Hang Seng expects climate related metrics to be further integrated into financial planning and forecasting as data and system limitations are addressed.</p>	
<b>Board or senior management incentives</b>	<p>Our Chief Executive and all Executive Committee members have incorporated ESG initiatives, such as carbon reduction and / or sustainable finance with the relevant KPI / target, into their 2022 performance objectives. The variable pay awards made to the Chief Executive and other Executive Committee members have reflected the assessment of their performance against the scorecard objectives in relation to both financial and non-financial objectives, including the ESG commitment that is in place.</p> <p>Hang Seng does not currently fully disclose the content related to Board or senior management incentives. This will be further enhanced in the medium term as more data is available.</p>	Page 56
<b>Metrics used to assess the impact of climate risk on lending and financial intermediary business (supplemental guidance for banks)</b>	<p>Hang Seng does not fully disclose metrics used to assess the impact of climate-related risks on retail lending, wholesale lending and other business activities (specifically credit exposure, equity and debt holdings, or trading positions, each broken down by industry, geography, credit quality, average tenor). This is due to data and system limitations which Hang Seng is working to address.</p>	
<b>b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks</b>		
<b>Our own operations</b>	<p>Hang Seng collects environmental data for calculating and analysing Scope 1, Scope 2 and Scope 3 GHG emissions data within its own operations.</p>	Page 28, 96
<b>GHG emissions for lending and financial intermediary business (supplemental guidance for Banks)</b>	<p>We kick-started our financed emissions journey in 2022. It is followed by data collection from different teams for the further financed emissions calculation. We encountered challenges with data availability during the data collection process, which confirms our expectation that a proxy technique should be applied as a solution.</p> <p>We do not fully disclose financed emissions data.</p>	Page 31

Recommendation	Response	Disclosure location
<b>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b>		
<b>Details of targets set and whether they are absolute or intensity based</b>	<p>Taking into account the nature of our business, we set 2023 environmental targets on electricity consumption, GHG emissions, water consumption, paper consumption and waste diversion in absolute based.</p> <p>This report also covered Environmental Performance data in intensity base, including the Total GHG emissions per FTE, GHG emissions per sq. ft., etc.</p> <p>Hang Seng does not currently disclose its targets used to measure and manage physical risk, due to transitional challenges and data and system limitations which the bank is working to address in the medium term.</p>	Page 9, 27
<b>Other key performance indicators used</b>	Hang Seng mainly relies on the existing environmental KPIs.	Page 9, 27

## VERIFICATION STATEMENT



### Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has conducted an independent verification for the Environmental, Social and Governance Report 2022 ("The Report") of Hang Seng Bank Limited ("Hang Seng"). The Report illustrates Hang Seng's efforts and performance in environmental, social and governance ("ESG") aspects for the period of 1st January 2022 to 31st December 2022. The Report focuses on the ESG 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 and with reference to the Global Reporting Initiative ("GRI") Standards, the standards for Commercial Banks set by the Sustainability Accounting Standards Boards ("SASB") and the recommendations from 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 reference to 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, ESG Guide and SASB Standards, etc.

Our verification procedures included discussion of the materiality analysis process, reviewing the 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 indicated that:

- ▶ The Report satisfies all the mandatory disclosure requirements and "comply or explain" provisions specified in the ESG Guide;
- ▶ The disclosure in the Report aligns with the TCFD's recommendations;
- ▶ The Report is referenced to the GRI Standards and SASB Standards;
- ▶ The Report illustrates Hang Seng's ESG performance, covering the material and relevant aspects, 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 ESG 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  
February 2023

**Jorine Tam**  
Director, Corporate Business