



恒生銀行
HANG SENG BANK

(Stock Code: 11)

Vision in Action -
Moving Towards Sustainability Together



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Member HSBC Group

Corporate Sustainability Report
2015

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Report Profile

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

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2015. The Report focuses on the economic, environmental and social issues that have an impact on the sustainability of Hang Seng and that are of interest to stakeholders. The Report supplements the 'Corporate Sustainability' section of the Bank's 2015 Annual Report.

Report Scope

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

Data measurement techniques and the basis of calculations are explained next to the data tables. Financial data is extracted from or compiled based on the Bank's audited annual accounts for the financial year 1 January to 31 December 2015.

There are no significant changes from the previous reporting period in terms of scope, boundary or measurement methods of the Report. Where there has been any restatement of information provided in previous Reports, reasons for such restatement are provided.

Reporting Period

Financial accounts data are for the financial year 1 January to 31 December 2015. Other information covers the same period unless otherwise stated.

Report Coverage

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

Reporting Guidelines

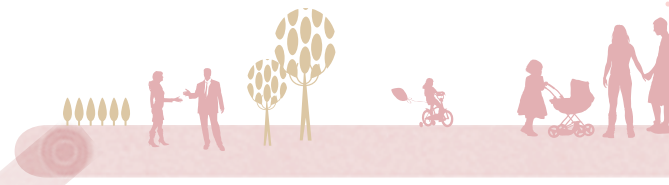
Financial and corporate data included in this year's Report are directly comparable with data from the Bank's 2015 Annual Report unless otherwise stated. The Report has been compiled with reference to the internationally recognised Global Reporting Initiative (GRI G4 Core) sustainability reporting guidelines.

Assurance

This Report has been independently verified and it is confirmed that the Report has been prepared in accordance with the Core Option of GRI G4 sustainability reporting guidelines.

Data Collection

Collection of data for this Report has been coordinated by the Bank's CSR Sustainers through consultation with relevant teams and individuals. Hang Seng has published an annual online Report since 2006. Hang Seng's last Report was published in May 2015.



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Where some see obstacles,
others see opportunities –
it's all about perspective.

As Hong Kong's leading domestic bank, our purpose is to serve the evolving needs of our customers. By seeking out different perspectives, we ensure that our business addresses the needs and priorities of our stakeholders. As a good corporate citizen, we aspire to enhance social well-being, build community harmony and promote diversity.

We are committed to leading by example in inspiring others to contribute to positive social and environmental change, and rise to sustainability challenges. To ensure we 'walk the talk', we actively engage with our stakeholders through a variety of channels with the aim of expanding our perspective to achieve long-term business success.

In 2011, we became the first local bank in Hong Kong to be included as a constituent stock of the Dow Jones Sustainability Asia Pacific Index. We have been a constituent member of the

FTSE4Good Global Index since 2001 and of the Hang Seng Corporate Sustainability Index Series since its establishment in 2010.

Over the past year, our initiatives to address stakeholder interests and concerns include taking steps to strengthen risk management and uphold high standards of corporate governance, enhancing customer convenience, security and choice with online and mobile services, including the launch of an e-Cheque issuance service. We enhance office premises to improve the working environment of our staff.

Our annual Corporate Sustainability Report (CS Report) provides information on all our major sustainability initiatives and practices. Beginning with our 2010 CS Report, we were the first local bank in Hong Kong to employ the internationally recognised Global Reporting Initiative sustainability reporting guidelines.



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“We are committed to leading by example in inspiring others to contribute to positive social and environmental change, and rise to sustainability challenges.”

Since 2006, we have provided over HK\$260m in financial support – including HK\$26m in 2015 – for community development initiatives.

With a strong emphasis on youth development and training future leaders, our sustainability activities aim to provide life-changing experiences by encouraging participants to explore new ideas, view challenges as an opportunity to learn and develop their interests and skills. Through open auditions, students were selected to take part in the inaugural Hang Seng Call for Young Talent in Theatre programme in 2015. They built confidence, self-discipline and team spirit during four months of intensive training in acting, singing and dancing. The final production of a two-night run of the original musical, 'Our Time, Our Hong Kong', was presented to an audience of around 2,000.

Engagement with our community plays a critical role in the development of our city and, in turn, the long-term growth of our business. We will continue to engage with our stakeholders and gain fresh perspectives as we strive to uphold service excellence for our customers, shareholders and community.

Rose Lee

Vice-Chairman and Chief Executive
Hang Seng Bank

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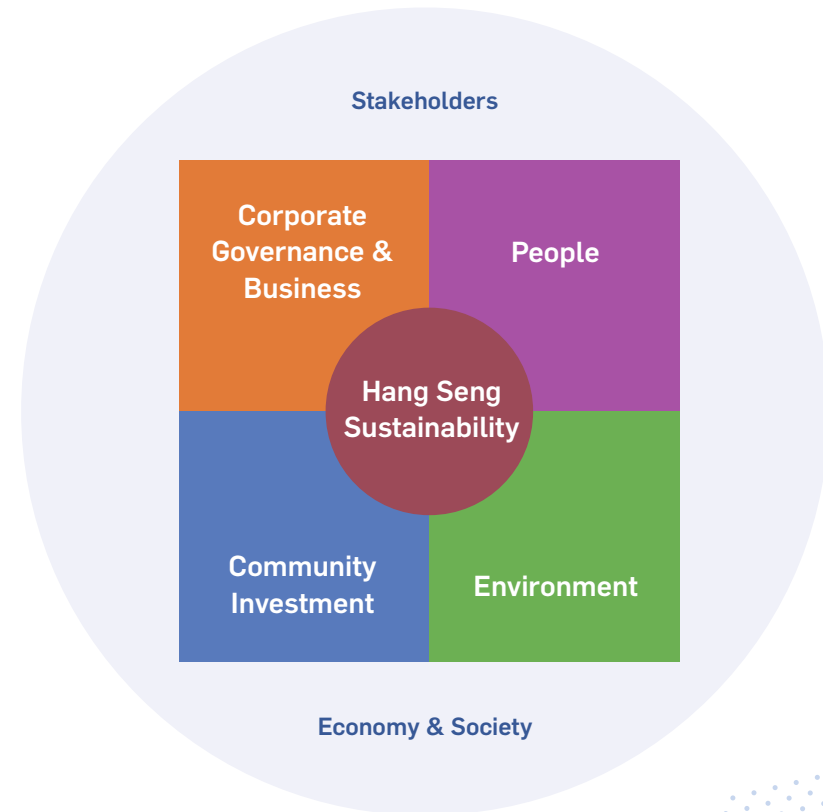
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Strategy

As Hong Kong's leading domestic bank, our strategy for sustainable business growth is built around service excellence. Our initiatives to engage with our stakeholders help ensure we consider a diverse range of perspectives in seeking to meet the needs of our customers, add value for shareholders, provide fulfilling careers for our staff and contribute to building a vibrant local economy and civic pride.

Hang Seng Corporate Sustainability Matrix



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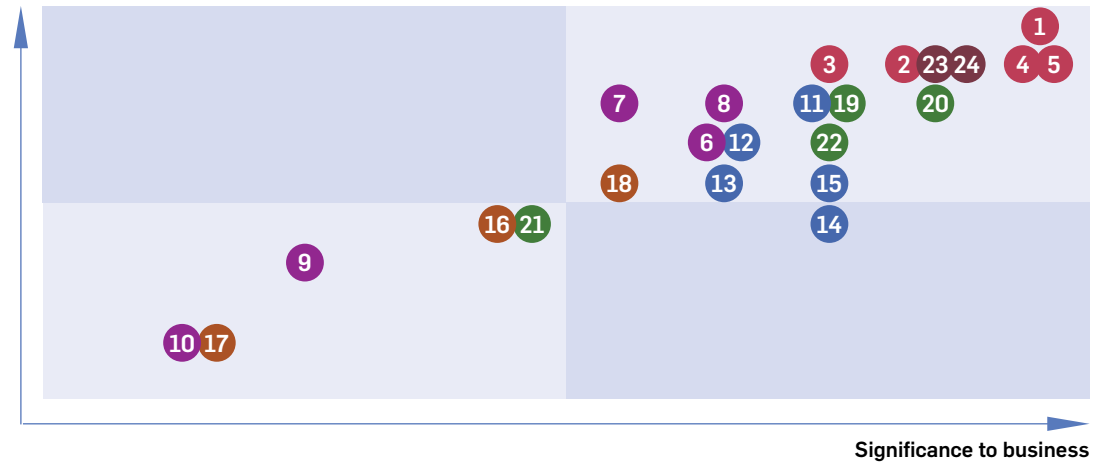
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For the purposes of sustainability, our standard of materiality is defined as follows: issues that could have a significant impact on the reputation or viability of our business and/or an impact on a stakeholder's decision as to whether or not to do business with Hang Seng.

Identifying our material aspects

To identify our reportable material aspects, we aligned our stakeholder engagement process with the structure provided in the Global Reporting Initiative (GRI) sustainability reporting guidelines. We asked internal and external stakeholders to rank sustainability issues based on importance. This included asking managers from different business functions and operations to rank the issues according to their significance to our business. We also considered qualitative feedback gathered through formal and informal meetings. This data was then used by our CSR Sustainers to plot and validate a materiality matrix.

Stakeholder interest



Economic

1. Economic performance
2. Market presence
3. Procurement practices
4. Compliance
5. Regulatory

Environment

6. Energy and GHG emissions
7. Waste
8. Materials
9. Water
10. Biodiversity

Workplace Practices

11. Employment practices
12. Employee engagement
13. Occupational health and safety
14. Employee development
15. Diversity and equal opportunities

Human Rights

16. Human rights and non-discrimination
17. Child labour and forced labour
18. Security practices

Society

19. Community investment
20. Anti-corruption
21. Public policy and advocacy
22. Anti-competitive behaviour

Product Responsibility

23. Customer satisfaction and responsibility / Customer experience
24. Customer privacy



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Our Principles in Practice

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

Our objective is best achieved by maintaining a strong emphasis on responsible corporate practices throughout our operations and finding new and more effective ways to engage our customers, colleagues and local communities. How we do business is as important as what we do in continuing to refine our strategy for long-term growth.

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



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Stakeholder Engagement

We use a variety of top-down and bottom-up approaches to openly, actively and effectively engage our stakeholders, who include customers, staff, shareholders, suppliers and business partners, regulators and the broader community (see table below).

Understanding the diverse range of perspectives

and priorities that inform, inspire and incentivise our stakeholders allows us to be proactive in taking steps to meet their needs, adapting our operational practices and sustainability activities to maintain our market leadership and capitalise on new opportunities, and to strike a good balance in working to optimise long-term outcomes for our business and our stakeholders.

By engaging in constructive development dialogue with our stakeholders through channels as diverse as our staff intranet and community-based volunteer activities, we have identified those areas in which our efforts will have the greatest positive impact on sustainable development in Hong Kong.

Key Stakeholders	Primary Methods of Engagement	Key Stakeholders	Primary Methods of Engagement
Customers	<ul style="list-style-type: none"> customer satisfaction surveys customer loyalty events relationship manager visits daily operations / interactions seasonal seminars / conferences 	Regulators	<ul style="list-style-type: none"> meetings compliance reporting on-site inspection ad-hoc enquiry / checking circulars
Shareholders	<ul style="list-style-type: none"> Annual General Meetings and other general meetings corporate communications, including, but not limited to, letters / circulars to shareholders and notices of meetings interim and annual reports results announcements 	Media	<ul style="list-style-type: none"> media briefings press materials senior management interviews results announcements social gatherings
Employees	<ul style="list-style-type: none"> staff opinion surveys focus groups face-to-face interviews performance and development discussions business briefings volunteer activities CSR communications staff engagement in CSR projects staff intranet 'town hall' meetings and regular department meetings 	Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> volunteer activities community investments and donations meetings CSR communications visits
Analysts / investors	<ul style="list-style-type: none"> results announcements senior management meetings 	Financial sector peers	<ul style="list-style-type: none"> strategic collaborations Group circulars Group 'town hall' meetings
Business partners	<ul style="list-style-type: none"> reports meetings visits gatherings relationship-building events 	Professional bodies	<ul style="list-style-type: none"> meetings visits memberships working groups external audits
		Suppliers	<ul style="list-style-type: none"> vendor risk management processes meetings site visits annual supplier performance review

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Good corporate sustainability is not a static goal, but an ongoing process that requires monitoring, maintenance and a willingness to strive for continual improvement. We have worked hard to bring our sustainability reporting in line with the internationally recognised GRI guidelines – enabling us to evaluate our progress in a standardised manner and benchmark our performance against large listed corporations in Hong Kong and leading financial institutions around the world.

In addition to GRI requirements, the content and structure of our 2015 Report reflects a number of other factors, including:

- Issues identified through the CSR Sustainers workshop (see below)
- Issues arising from stakeholder engagement initiatives
- Issues commonly identified in the banking and finance industry, including benchmarking against other financial institutions
- Use of the materiality assessment and Hang Seng Corporate Sustainability Matrix
- Reference to ISO 14001 environmental management system standard
- Reference to BS OHSAS 18001:2007 occupational health and safety standard
- Reference to the *Environmental, Social and Governance (ESG) Reporting Guide* issued by the Stock Exchange of Hong Kong Limited

We continue to promote a business culture that encourages our employees to keep corporate sustainability at the centre of our operations. Our CSR Sustainers play a crucial role in motivating and mentoring

their colleagues and ensuring we uphold our principles and enhance our sustainability performance (see box: CSR Best Practice: Building Responsibility From Within).

CSR Best Practice: Building Responsibility From Within

To further enhance employee support for our approach to corporate sustainability, we organised our first inter-departmental CSR Sustainers workshop in 2011. These workshops, which have since become an annual event, help us identify our material corporate sustainability issues and ways in which to further enhance engagement with internal and external stakeholders.

Key responsibilities of our CSR Sustainers include:

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

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

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Sustainable Business Success: Keystone Principle and Core Values

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

Keystone Principle

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

Core Values



Courageous Integrity

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



Financial Strength

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



Leadership and Innovation

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



Transparency and Clear Communication

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

Our Business



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Founded in 1933, Hang Seng is one of Hong Kong's largest listed companies.

Our market capitalisation as at 31 December 2015 was HK\$282.0bn. With more than 10,000 employees and about 250 service outlets, Hang Seng serves over half the adult population of Hong Kong. We also maintain branches in Macau and Singapore and a representative office in Taipei.



Established in 2007 and headquartered in Shanghai, our wholly owned mainland China subsidiary Hang Seng Bank (China) Limited operates outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Nanjing, Dongguan, Hangzhou, Ningbo, Tianjin, Kunming, Xiamen, Chengdu, Jinan, Foshan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Shantou.

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

Our Business



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



Retail Banking and Wealth Management

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



Commercial Banking

Commercial Banking activities offer a comprehensive suite of products and services to corporate, commercial and SME customers – including corporate lending, trade and receivable finance, payments and cash management, treasury and foreign exchange, general insurance, key-person insurance, investment services and corporate wealth management.



Global Banking and Markets

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

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Performance

Our operating principles and strategy are designed to enhance our position as the leading domestic bank in Hong Kong and a preferred choice of personal and corporate clients for wealth management and trade solutions in the Greater China region to achieve sustainable business growth while making a significant contribution to the positive long-term development of our communities.

External recognition of our business success during 2015 includes being named Best Bank – Domestic (Hong Kong) for the 16th consecutive year by *The Asset*, Best Bank in Hong Kong by *Global Finance*, and Hong Kong Domestic Trade Finance Bank of the Year by *Asian Banking & Finance*.

In addition to providing quality banking and financial services, our investment in and support for a broad range of youth development, social welfare, sports development and environmental stewardship initiatives is helping to create a well-educated, inclusive and healthy society that, in turn, will sustain our long-term business growth.

We have been a constituent stock of the FTSE4Good Global Index since 2001, and, in 2011, became the first local Hong Kong bank to be included as a constituent member of the Dow Jones Sustainability Asia Pacific Index. We have also been a constituent stock of the Hang Seng Corporate Sustainability Index Series since its establishment in 2010.



We make direct economic contributions to Hong Kong in a number of ways, including through tax payments and, with nearly 10,000 employees, by being one of the city's largest private sector employers.

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

Our senior management team contribute valuable knowledge and expertise not only by serving as Directors on the boards of other large Hong Kong companies, but also by being a part of various think-tanks focusing on economic and social issues, serving as members of Government advisory groups and industry organisations, and taking up senior positions on the boards and committees

of NGO and charitable organisations that are working to solve economic and social challenges in Hong Kong.

Our subsidiary Hang Seng Indexes Company Limited (Hang Seng Indexes) compiles and manages the Hang Seng Index (HSI), which was launched in 1969, and an expanding range of other indexes tracking various segments of stock markets in Hong Kong and on the Mainland. As the leading index tracking the Hong Kong stock market, the HSI indirectly provides a tool for trading the shares of blue-chip companies in Hong Kong.

Hang Seng Indexes launched Hang Seng Corporate Sustainability Index Series in 2010, which covers companies that perform well with respect to corporate sustainability and provides benchmarks for responsible investment strategies.

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FINANCIAL	2015	2014	2015 vs 2014
Operating profit (HK\$m)	19,433	19,450	-17
Profit attributable to shareholders (HK\$m)¹	27,494	15,131	+12,363
Shareholders' funds (HK\$m)¹	141,981	139,193	+2,788
Total assets (HK\$m)	1,334,429	1,263,990	+70,439
Total liabilities (HK\$m)	1,192,448	1,124,797	+67,651
Earnings per share (HK\$)¹	14.22	7.91	+6.31
Dividends per share (HK\$)²	8.70	5.60	+3.10
			(percentage point)
Return on average ordinary shareholders' funds (%)¹	20.70	13.40	+7.3 p.p.
Return on average total assets (%)	2.10	1.30	+0.8 p.p.
Cost efficiency ratio (%)	33.80	31.80	+2.0 p.p.
Average liquidity coverage ratio (quarter ended 31 Dec 2015) (%)³	195.00	N/A	
Average liquidity coverage ratio (quarter ended 30 Sep 2015) (%)³	237.20	N/A	
Average liquidity coverage ratio (quarter ended 30 Jun 2015) (%)³	221.60	N/A	
Average liquidity coverage ratio (quarter ended 31 Mar 2015) (%)³	167.40	N/A	
Average liquidity ratio (%)	N/A	34.70	

Data coverage: Hang Seng Group

¹ Excluding the financial impact of Industrial Bank-related items in both years

Reported results for 2015 include a gain on partial disposal of the ordinary shares of Industrial Bank of HK\$10,636m and dividends of HK\$119m (HK\$107m after tax). Reported results for 2014 include an impairment loss of HK\$2,103m on the Bank's investment in Industrial Bank and dividend of HK\$1,190m (HK\$1,071m after tax). Figures quoted as 'excluding the financial impact of Industrial Bank-related items in both years' have been adjusted for the above item. Excluding the financial impact of Industrial Bank-related items in both years, key financial results and performance metrics are set out below for comparison purposes:

	2015	2014
Profit before tax (HK\$m)	19,733	18,962
Profit attributable to shareholders (HK\$m)	16,751	16,163
Earnings per share (HK\$)	8.60	8.45
Return on average ordinary shareholders' equity (%)	13.8	14.3

² Including special interim dividend of HK\$3.00 per share

³ The Banking (Liquidity) Rules ('BLR'), which came into effect on 1 Jan 2015, signified the implementation of Liquidity Coverage Ratio ('LCR') for category 1 institutions under Basel III liquidity standards in Hong Kong. The average Liquidity Coverage Ratios reported for the quarters ended 31 Dec, 30 Sep, 30 Jun and 31 Mar 2015 under Basel III are therefore not directly comparable with the average liquidity ratio reported for the year ended 31 Dec 2014, which was calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

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FINANCIAL	2015	2014	2015 vs 2014
Capital Ratio under Basel II:			
Core capital ratio (%)	N/A	N/A	
Capital adequacy ratio (%)	N/A	N/A	
Capital Ratio under Basel III:			
Common Equity Tier 1 ('CET1') Capital Ratio (%)	17.70	15.60	+2.10
Tier 1 Capital Ratio (%)	19.10	15.60	+3.50
Total Capital Ratio (%)	22.10	15.70	+6.40

Data coverage: Hang Seng Group

ECONOMIC	2015	2014	2015 vs 2014
Tax expenses (HK\$m)	2,994	2,918	+76
Number of employees (31 Dec – FTE)	10,141	10,192	-51
Employee compensation and benefits (HK\$m)	4,893	4,616	+277
Number of shareholders (31 Dec)	19,026	19,844	-818

Data coverage: Hang Seng Group

COMMUNITY	2015	2014	2015 vs 2014
Number of outlets (31 Dec)	250	240	+10
Number of customers as at 31 Dec (m)	>3	>3	--
Community investments (HK\$m)	26	31	-5

ENVIRONMENTAL	2015 [#]	2014 [^]	2015 vs 2014 (% change)
Greenhouse gas emissions (kilotonnes CO ₂) ^{Note A}	25.91	24.71	4.87
Electricity consumption (GWh)	36.43	35.19	3.54
Water consumption ('000 m ³)	66.91	68.48	-2.30
IT/electrical waste recycled (tonnes)	41.06	61.50	-33.24

Key: CO₂: Carbon dioxide GWh: Gigawatt hours m³: Cubic metres

[#] From 1 Oct 2014 to 30 Sep 2015

[^] From 1 Oct 2013 to 30 Sep 2014

Note A Includes greenhouse gas emissions arising from energy

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Business Awards and Recognition

- **Best Bank – Domestic (Hong Kong) (16th consecutive year)**
The Asset
- **Best Bank in Hong Kong**
Global Finance
- **Best SME's Partner Award**
The Hong Kong General Chamber of Small and Medium Business
- **Hong Kong Domestic Trade Finance Bank of the Year**
Asian Banking & Finance
- **Trusted Brands Gold Award – Bank (Hong Kong)**
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Corporate Sustainability Recognition

- Constituent Stock of Dow Jones Sustainability Asia Pacific Index (5th consecutive year)
- Constituent Stock of FTSE4Good Global Index (14th consecutive year)
- Constituent Stock of Hang Seng Corporate Sustainability Index Series (6th consecutive year)
- First bank in the world to achieve compliance with international occupational health and safety standard BS OHSAS 18001:2007 (2009)
- First local Hong Kong bank to attain ISO 14001 certification for all offices and branches (2011)
- First local Hong Kong bank to attain A+ Global Reporting Initiative Sustainability rating for Corporate Sustainability Report (2011)
- Hong Kong Council of Social Service Caring Company (13th consecutive year)
- Junzi Corporation Award (5th consecutive year)

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Moody's

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

Standard & Poor's

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

HANG SENG CHINA

Moody's

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

Standard & Poor's

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

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Corporate Governance

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

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

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

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



equal opportunities and data privacy. As part of our zero-tolerance stance on financial crime, we place strong emphasis on training programmes that ensure our staff are well-informed and remain vigilant as regards the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering and insider trading. Additional training is provided for staff working in 'high-risk' roles to provide them with specialised knowledge that will further assist them in detecting, deterring and protecting against financial crime.

We have comprehensive systems to ensure the appropriate use and protection of all data, particularly in relation to customer information. We also have robust 'know your customer' and assessment processes designed to minimise our exposure to the risk of establishing relationships with individuals or organisations engaged in activities such as money laundering, terrorism and irresponsible environmental practices, and/or in operations that may involve forced or child labour or violate indigenous or other human rights.

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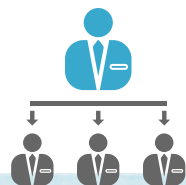
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Hang Seng is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank follows the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' under the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA). The Bank also fully complies with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). The Bank constantly reviews and enhances its corporate governance framework to ensure that it is in line with international and local corporate governance best practices. ^{Note}



Board of Directors

The Board consists of 17 Directors, of whom four are Executive Directors and 13 are Non-executive Directors (NEDs). Among the 13 NEDs, nine are Independent Non-executive Directors (INEDs). Four of the 17 Directors are female.

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 Hang Seng's management.

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

The Bank uses a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the INEDs) will be solicited. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation. In accordance with the requirement under the Banking Ordinance, approval from HKMA will also be obtained.

Note: More details of Hang Seng's actions and practices in this area can be found in the 'Corporate Governance Report' section of the Bank's 2015 Annual Report.

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

The Bank remains committed to meritocracy in the boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a Board Diversity Policy, a copy of which is available on the Bank's website (www.hangseng.com), 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, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

Board Committees

The Board has set up five Committees – the Executive Committee, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee – to assist it in carrying out its responsibilities. Each of these Committees has specific written terms of reference which set out in detail their respective authorities and responsibilities. Each Committee reviews its terms of reference and effectiveness on an annual basis. The terms of reference of all non-executive Committees are available on the Bank's website (www.hangseng.com).^{Note}

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

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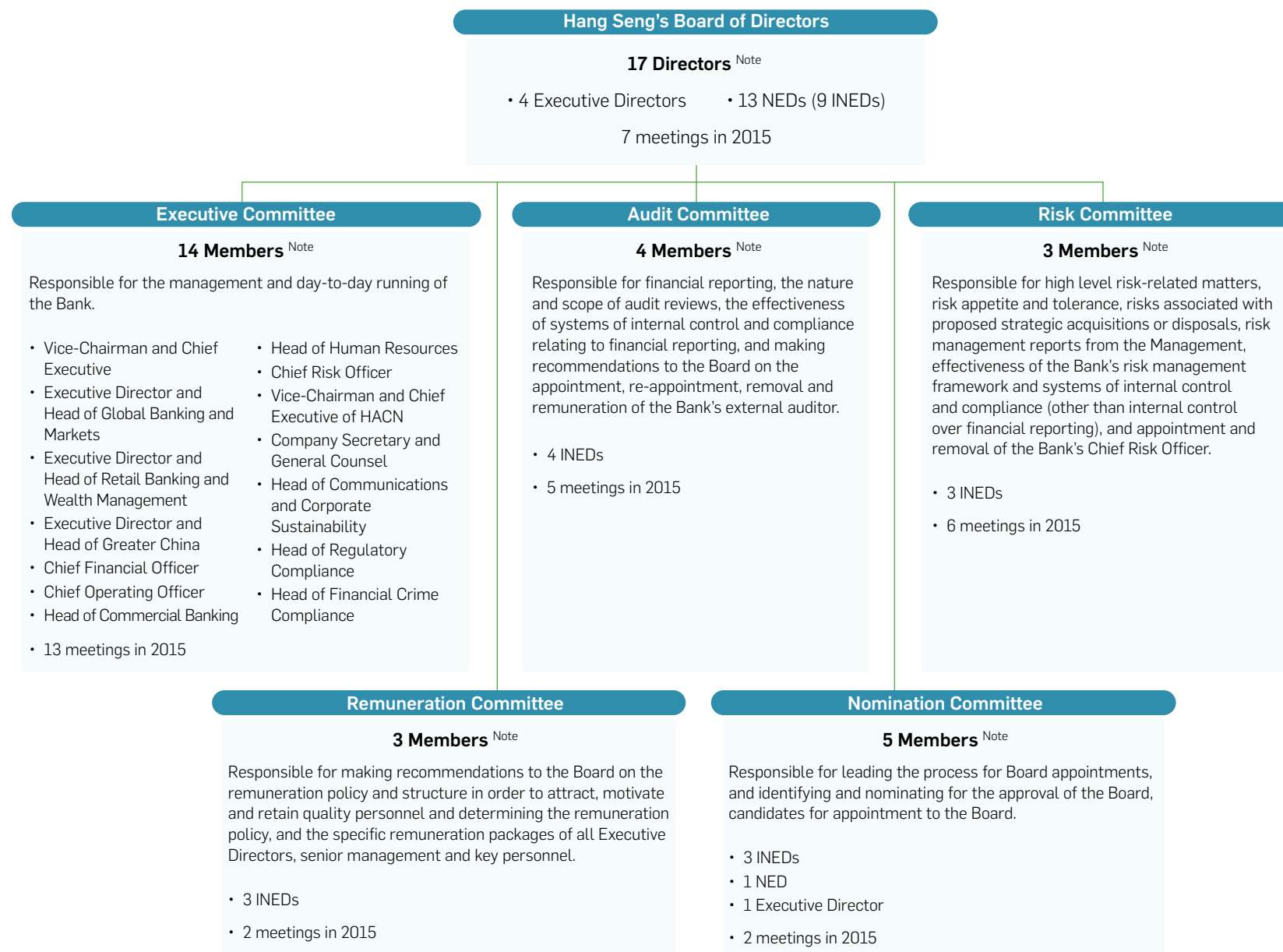
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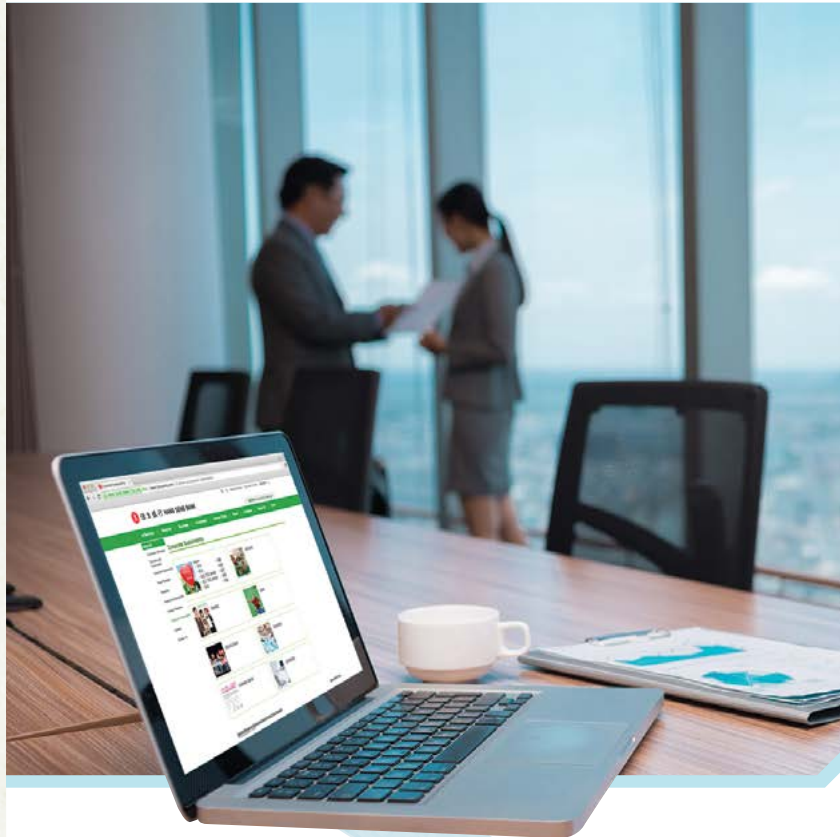
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Hang Seng Bank (China) Limited – Corporate Governance Structure ^{Note}

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

Board of Directors

As at 31 December 2015, there were eight Directors on the Hang Seng China Board, including the Chairman, one Executive Director, who is also Vice-Chairman and Chief Executive of Hang Seng China, and six NEDs. Among the six NEDs, five are INEDs.

Board Meetings

The Board held four meetings in 2015.

Board Reports to

Sole shareholder, Hang Seng Bank Limited.

Board Committees

As at 31 December 2015, the Board had set up five committees: the Executive Committee, the Audit Committee, the Risk Committee, the Connected Transactions Control Committee and the Remuneration Committee. Each committee has specific written terms of reference that set out its authorities, responsibilities and meeting rules.

Note: All information provided on Hang Seng Bank (China) Limited is to be considered supplementary information for the purposes of this Report.

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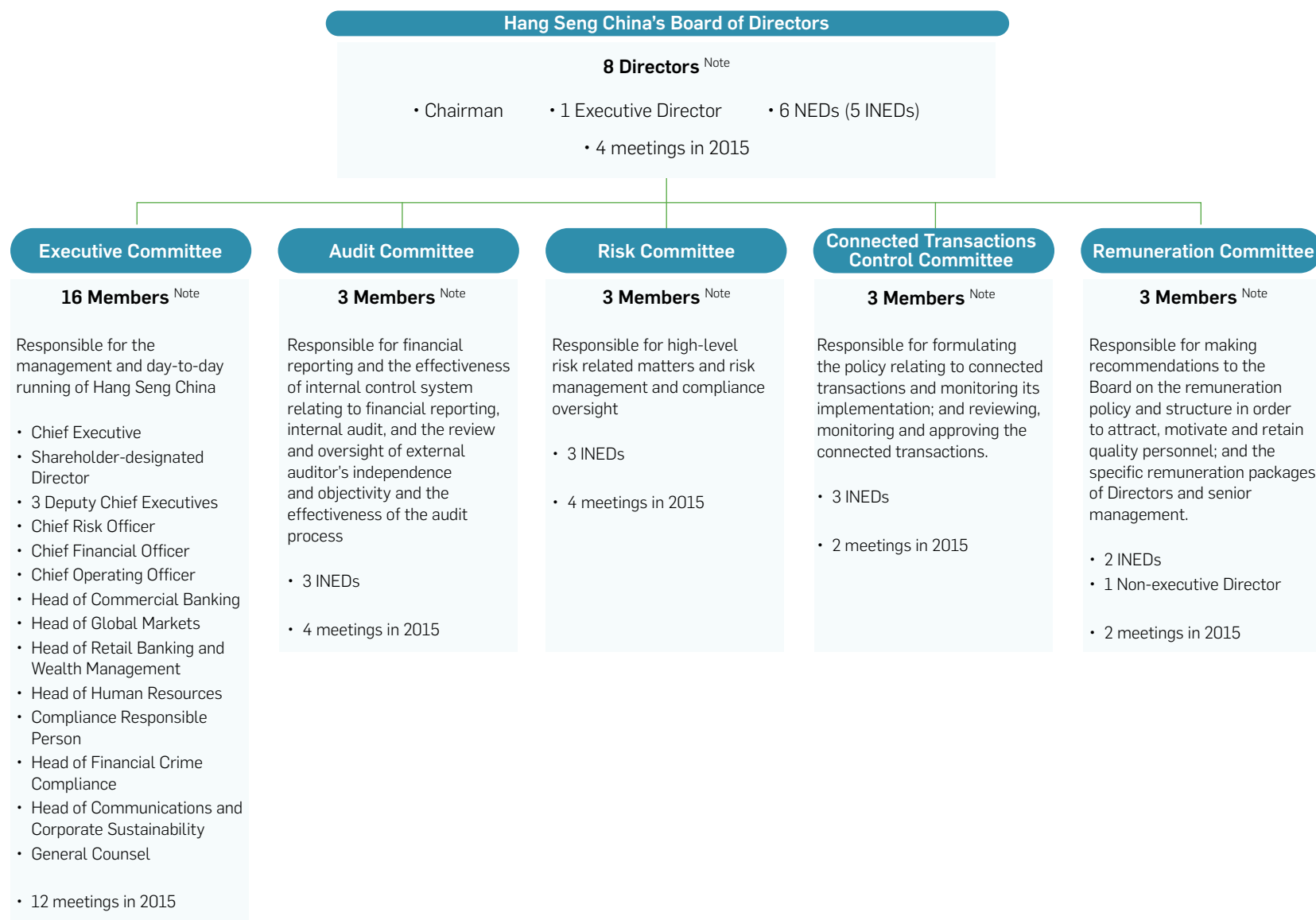
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Supervisor

Hang Seng China has one supervisor, appointed by and reporting to the shareholder, who may sit in on Board meetings. Hang Seng China's supervisor sat in on all Board meetings in 2015.

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The effectiveness of our risk management policies and strategies is a key factor in our success.

The primary role of Internal Audit function (INA) is to help the Board and executive management to protect the assets, reputation and sustainability of the Bank. INA 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. We have adopted a risk management and internal control structure, referred to as the 'Three Lines of Defence', to ensure we achieve our commercial aims while meeting regulatory and legal requirements and our responsibilities to shareholders, customers and staff. INA's role as the 'third line of defence' is independent of the first and second lines of defence.

The Risk Management Committee (RMC) oversees the risk management framework for the Bank and its subsidiaries. The RMC reports directly to the Executive Committee. Its main functions are to review all existing and potential risks on a systematic basis to ensure mechanisms exist for early identification of risks, adequate controls exist to mitigate risks,

related potential returns take risks into account and that capital is appropriately allocated to manage risks. Such risks include, but are not limited to, the eight types of risks stipulated in the HKMA's SPM, namely, credit risk, market risk, liquidity risk, interest rate risk, operational risk, legal and compliance risk, reputation risk and strategic risk.

The Risk Committee is responsible for, among other things, the Bank's high-level risk-related matters, risk appetite and tolerance, risks associated with proposed strategic acquisitions or disposals, risk management reports from the management and the effectiveness of the Bank's risk management framework and the systems of internal control and compliance (other than internal financial and compliance regarding financial reporting). This scope of responsibility is in line with the revised Corporate Governance Code under the Listing Rules, which applies to accounting periods beginning on or after 1 January 2016.

The Bank's Risk Appetite Statement is a key component of its risk management framework. The Risk Appetite Statement for 2015, which was approved by the Board as advised by the Risk Committee, describes the types and amount of risk that the Bank is prepared to accept in executing its business strategy.

Risk appetite statement is a key component of risk management framework. The Group's Risk Appetite Statement for 2015 was approved by the Board as advised by the Risk Committee, which describes the types and amount of risk that the Bank is prepared to accept in achieving our medium and long-term strategic goals.

The RMC regularly reviews and monitors the Group's risk appetite profile against the limits set out in the Risk Appetite Statement and determine appropriate management action in case of deviation from approved limits. The risk appetite profile is also reported to the Risk Committee and Board from Chief Risk Officer including material deviation and management action where required.



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In addition to needing to meet the requirements of the standard due diligence process, new products and services are subject to review and approval by the Bank's Product Oversight Committee, which reports to the RMC and is comprised of senior executives from Risk, Legal, Compliance, Finance and Operations/IT functions. Parties responsible for the development and launch of any new service or product must also undertake an operational risk self-assessment process, which includes the identification, evaluation and mitigation of potential risks arising from the new initiative. Internal Audit is consulted on the internal control aspect of new products and services in development prior to launch.

We maintain documented Business Continuity Plans for critical operations and significant risks, including arrangements for recovery site operations and a clearing and settlement services contingency plan to ensure that critical operations remain functional in emergency situations.

We support international responsible financing principles and sector-specific guidelines to help manage environment-related sustainability risks (see 'Responsible Banking Services' section below). We also require that our business units conduct an overall sustainability risk analysis in relation to all new or existing customers to ensure that the services offered are in line with our sustainability policies.

We conduct quarterly reviews to monitor our compliance with our sustainability risk policies with respect to our corporate customers. As of December 2015, we were in full compliance.

Compliance

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

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

Among other things, the Audit Committee reviews our financial reporting, the nature and scope of audit reviews, the effectiveness of our systems of internal control, and compliance relating to financial reporting.



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Staff Code of Conduct

To ensure the Bank operates according to the highest standards of ethical conduct and professional competence, all staff are required to strictly follow the Code of Conduct contained in our Staff Handbook. With reference to the applicable regulatory guidelines and other industry best practices, the Code sets out the ethical standards and values to which all Bank staff are required to adhere, as well as information on various relevant legal and regulatory issues.

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

Staff Awareness

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

Conflicts of Interest

The Bank has set standards and established policies and procedures to manage actual or potential conflicts of interest for its staff. Stringent internal structures have been designed to ensure adequate segregation of duties and avoid conflicts of interest. Staff working in sensitive or high-risk areas are required to adhere to job-specific rules and undergo training regarding how to avoid conflicts of interest in carrying out their duties.

Whistle-blowing

We encourage the reporting of suspected internal business irregularities and provide clear channels specifically for this purpose.

Inside Information

We have established a robust framework for the disclosure of inside information in compliance with the Securities and Futures Ordinance. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow shareholders, customers, staff and other stakeholders to understand the latest position of the Bank and its subsidiaries. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

Competition Ordinance

The Competition Ordinance (Ordinance) came into effect in Hong Kong on 14 December 2015. Our legal division led an extensive programme of risk mitigation actions across all businesses and functions in Hong Kong to ensure we are able to fully comply with the Ordinance. This work complements our wider programme of competition risk mitigation. Training to enhance staff knowledge of the requirements of the Ordinance was launched in October 2015.

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Anti-money Laundering and Counter Terrorist Financing, Sanctions, and Anti-Bribery and Corruption

We maintain high financial crime controls across our business and have robust systems and measures for detecting, deterring and protecting our business from involvement in financial crimes such as money laundering, the violation of sanctions, and bribery and corruption. Our protective measures include, but are not limited to, the following:

- 1) Application of 'Three Lines of Defence' monitoring concept to strengthen accountability for managing financial crime risk across the Bank.
- 2) Adopting enhanced financial crime risk management approaches (determined and stipulated by the HSBC Group) to ensure all relevant risks are within the risk appetite of the Bank.
- 3) Strengthening the relevant competences of employees with tailor-made financial crime risk training.

We have stringent internal guidelines and procedure manuals that detail regulations, guidelines and HSBC Group policies with respect to customer due diligence, monitoring, financial sanctions and terrorist financing, and reporting of suspicious transactions, as well as related staff training and record-keeping. All Bank staff are required to observe such policies and practices.

We have a zero-tolerance policy concerning bribery and corruption. Matters and policies that relate to anti-bribery and corruption are submitted to the Board and Chief Executive for consideration and comments. The Bank has also set up an Anti-Bribery and Corruption team under the Financial Crime Compliance division to oversee such matters. Its main functions include, but are not limited to, the following:

- 1) Reviewing gifts and hospitality received or offered by staff.
- 2) Drafting policies and regulations governing the receipt and offer of personal benefits by staff.
- 3) Providing recommendations to the Chief Executive and the Board.

To ensure our staff comply with the requirements imposed by relevant legislation and uphold high ethical standards, all employees are required to complete anti-bribery and anti-corruption e-learning programmes.

In order to mitigate potential compliance, regulatory, and reputational risks associated with violations of sanctions laws and regulations and the risk of conducting business with sanctioned parties, we have adopted HSBC Group's Global Sanctions Policy (Policy) and apply it to our entire business operations, including Hang Seng China and our overseas branches.

The Policy was developed with reference to laws, regulations, regulatory guidance and trends in sanctions application and enforcement from the regulatory regimes of the following authorities: United Nations (UN), United Kingdom (UK), Hong Kong (HK), European Union (EU) and United States (US). To meet the Policy's requirements, Hang Seng has adopted the standards set forth in the HSBC Group Policy. These include:

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

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Data Privacy

Ensuring the privacy of customer information and other data is among our most important responsibilities in maintaining our reputation for good governance and in establishing the trust that underpins lasting business relationships. We comply with all data privacy regulations and have formulated a set of Privacy Principles to guide staff in protecting the data and privacy of customers. Specific processes for the handling and protection of customer data are set out in the relevant internal procedure manual. Data privacy matters are overseen by the Head of Regulatory Compliance and the Data Protection Officer. Data Controlling Officers have been appointed at the functional and business unit level to promote data protection and disseminate information on related new guidelines or developments.

Equal Opportunities, Anti-discrimination and Human Rights

We comply with all relevant Hong Kong labour laws. We also take steps to assess potential new client and supplier relationships with the aim of minimising the risk of indirectly facilitating the violation of any individual's labour or human rights.

We provide staff training on the equal opportunities, diversity and human rights-related issues that are relevant to our operations and to creating a positive working environment. We follow the Board Diversity Policy, which was adopted by the Board in May 2013. More details on our equal opportunities policies and training can be found in the 'Our Commitment: Staff' section of this Report.



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Lending and Investment Policies

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

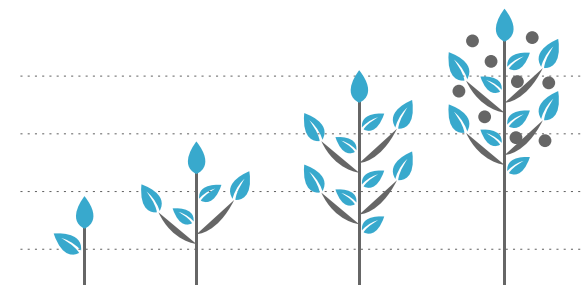
Our credit evaluation process includes assessment of any potential environmental or socially sensitive-related risks. Measures to enable us to monitor the implementation of and compliance with environmental and social requirements by our clients are included in our financing agreement credit assessment process. In cases of material deviation from the required standards, we will work with the customer to establish a target date for compliance. Where no progress is made or in instances of a serious breach, we will exit the relationship.

For environmental risk-related matters, we follow the sustainability risk requirements laid down in the Bank's Corporate Lending Guidelines and FAQ on sustainability risk policies. We have adopted the Equator Principles, a set of voluntary guidelines which define a process for implementing common sustainability standards in project finance.

We have specific guidelines on lending to businesses operating in environmentally sensitive sectors such as chemicals, energy, forestry, freshwater, mining and metals, agricultural commodities, and World Heritage Sites and Ramsar wetlands, and these are refined and updated as required. We also have a Defence Equipment Policy which clarifies the Bank's approach to companies connected to the weapons industry.

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

Environment-related impact assessments are a continuous process and have been incorporated into parts of our standard credit evaluation process, e.g. Sustainability Risk Rating for credit approval. Regular tracking reports are compiled by the Risk and Compliance Division with input from business units. Customers that are not able to comply with our environment policies and requirements by our specified deadlines must obtain our formal approval for a temporary exemption or time extension. Failing this, our relationship managers will begin arrangements to exit the relationship.



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RESPONSIBLE FINANCING

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



Forest Land and Forestry Products Sector

Outlines how we will work with our customers to promote sustainable forestry practices.



Agricultural Commodities Sector

Requires us to undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production in certain high-risk countries.



Freshwater Infrastructure Sector

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



Chemical Industry Sector

Highlights the international, regional and national standards we conform to when lending to the chemical industry and outlines how we will work with our customers towards sustainable chemical manufacture.



Energy Sector

Establishes sustainability standards for our involvement in this sector and for providing financial services to energy sector projects.



Mining and Metals Sector

Sets out the principles and standards that govern our involvement in all areas of this sector, including exploration, extraction, mine closure and reclamation, and primary processing.



Defence Equipment Sector

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



World Heritages Sites and Ramsar Wetlands

Aims to ensure we avoid supporting projects that may damage these sensitive areas.

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Our commitment to customer-centred service puts strong emphasis on building lasting relationships. Since opening our doors more than 80 years ago, core values such as professionalism, passion and taking a prudent-yet-progressive approach have earned us the trust of more than 3 million people in Hong Kong.

We deliver service excellence by combining innovation with integrity in offering our products and services, including clear and honest information that is tailored to specific customer needs, open communication and full accountability in all our business dealings, and high respect for client privacy. We are strengthening connectivity with customers through a variety of channels with investments in digital services, network enhancement and product development.

We work to improve financial literacy within our community, with the objectives of empowering individuals and businesses to achieve financial security and move forward with their wealth management goals.



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Customers > Understanding Customers' Needs

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



We identify our strengths, areas for improvement and industry best practices through local market benchmarking exercises. We also operate a mystery-shopping programme to monitor and ensure quality service by our frontline staff at branch outlets and MTR station offices. Data analytics plays an important role in how we gauge the performance of our products and services and identify enhancement opportunities. Building on analytic insights, we use focus groups to help affirm that new products and services will meet the needs of their intended audiences. We also continuously review the customer experience across service touchpoints to enhance our service delivery.

We closely monitor markets to identify emerging trends and opportunities for offering products and services that will meet unserved or underserved needs of customers. We continue to expand and enhance our digital platforms, which not only allow customers to perform a wide range of investment transactions online, but also provide an array of information to facilitate their financial decision-making.

The annual Banking Study conducted by Added Value, an independent research house, assesses customer satisfaction with respect to the eight major banks in Hong Kong. In the 2015 survey, we were the most recommended bank by customers. We also had the highest-rated banking services among the eight banks – a status we have maintained for 11 consecutive years.

We have participated in the Hong Kong Association of Banks' Annual Banking Services Survey since 2005. The survey gathers input from banks on general banking services and service channels in response to enquiries from and concerns expressed by the government, legislators and regulators.

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Customers > Service Excellence

In upholding service excellence as our keystone principle, we continue to receive recognition for our banking and financial services.



Awards

Category

• Hong Kong Leaders' Choice Brand Awards 2015	Excellent Brand of Wealth Management - Banking
• EastWeek Hong Kong Service Awards 2015	General Banking Services Award
• Economic Digest The Outstanding Brand Awards 2015	Banking (Personal)
• Next Magazine Top Service Awards 2015	Personal Banking Services
• The Reader's Digest Trusted Brand Awards 2015	Trusted Brands Gold Award in Bank Category Trusted Brands Gold Award in Credit Card Issuing Bank Category
• e-brand Awards 2015	The Best of Consumer e-banking Service Provider
• Yahoo! Hong Kong Emotive Brand Awards 2015	Banking/Credit Card Category
• CAPITAL The 6th Merits of Achievement in Banking & Finance 2015	Wealth Management Banking Category
• TVB Weekly Super Brand Award 2015	最強人氣品牌大獎 最具人氣信譽銀行
• BENCHMARK Fund of the Year Award 2015	Outstanding Achiever Award (Hang Seng MPF-ST Plus-Chinese Equity Fund)

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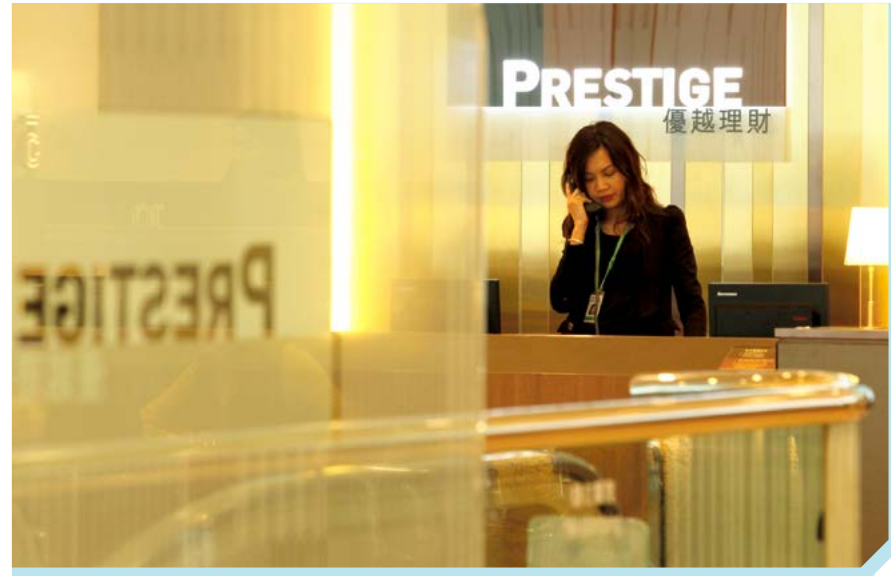
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Customers > Handling Customer Feedback

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

QAD, which is an independent unit, handles customer comments and assists business units in resolving complaints. QAD staff aim to acknowledge receipt of feedback or a complaint within two working days and to resolve most issues within seven days. Should the matter require further investigation, QAD will undertake this task and provide a follow-up reply within 30 days. If QAD's investigations identify any issues that require remedial action, line management will take the necessary steps.

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



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Customers > Access for All

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

Serving Special-needs Populations

We are working to improve special-needs access to our banking services. Our website is designed with readability and ease of navigation as priorities. As of the end of 2015, we had 192 outlets with wheelchair access, including street-level branches, MTR branches and standalone automated banking centres. At the end of 2013, we began introducing 'Social Caring Counters' at selected branches. These designated counters provide priority service to the elderly, disabled people and other customers in need. As of the end of 2015, we had Social Caring Counters in 21 branches.

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



Customer Convenience

Our 'iPoint' sales and service centres located in the city's centres of activities and furnished with a contemporary design with particular appeal for busy professionals and younger customer segments. Building on the success of our early outlets, we opened two new street-level 'iPoint' centres in Shatin and Yau Tong in 2015. All iPoint centres operate from 11:30 to 19:30 from Monday to Saturday, and those in Causeway Bay, Mong Kok, Sheung Shui, Shatin and Yau Tong are also open on Sundays.

As of the end of 2015, there were 535 Hang Seng ATMs providing 24-hour ATM services across Hong Kong.

Other technology-based initiatives include the 2013 launch of a first-of-its-kind near-field communication contactless payment channel that enables Hang Seng MasterCard holders to use their smartphones to make fast, secure payments at selected retail outlets.

As at 31 December 2015, we had 1.64 million Personal e-Banking customers – up by 6.5% compared with a year earlier.

Transparency, Accountability, Choice

We are committed to providing clear, transparent and balanced information to our customers. Product features, terms and conditions, and any associated risks are clearly communicated to ensure customers can make informed decisions.

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



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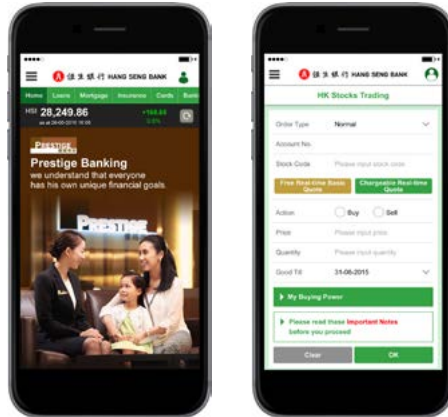
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Customers > Access for All



Our marketing and promotional material is designed to provide a clear, concise and comprehensive overview of the features of our products and services, including information on all applicable fees and commissions and all associated material risks.

Customer Privacy

Ensuring the privacy of our customers' personal information and other data is critical in maintaining our reputation for good governance and establishing the trust that underpins lasting business relationships. We comply with the Personal Data (Privacy) Ordinance and have established a set of Privacy Principles to guide staff in protecting customer information. For more information, please see 'Data Privacy' in the 'Corporate Governance' section of this Report. Our branch facilities are designed to offer customers who need to discuss sensitive or confidential financial management matters an appropriate amount of privacy.

Our Service Pledge

In addition to complying with external regulations and guidelines, we apply a set of internal Customer Fairness Principles.



Treat Me Fairly

We will build honest relationships with customers and deliver products and services at a fair price.



Tailored Solutions

We will listen to customers and work to understand their needs in order to provide the most suitable products and services.



Keep Me Informed

We will provide clear, transparent, relevant and timely communications that give customers all the information they need to make informed choices.



Suitable Advice

When we provide advice to customers, it must be based on a full understanding of their needs and best reflect their circumstances.



Meet Commitments

When we make commitments to customers as to how a product or service will perform, we will always endeavour to deliver on these commitments.



Flexibility

We will provide customers with the ability to change products or services as their requirements change without enforcing unreasonable barriers. If a customer wishes to complain or make a claim, the process will be easy to understand.

We are also governed by Hong Kong's Code of Banking Practice, the Group's Standards Manual and our internal legal and compliance Functional Instruction Manual.

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Customers > Championing Local Business

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

We offer a wide range of products tailored specifically for SME customers and continue to enhance service delivery through better use of technology and improved relationship management. Our Trade Advisory team provides support to SME customers in handling their trading business. Moreover, customers staying on the Mainland can call our Hong Kong toll-free hotline number to make enquiries related to our commercial banking services.

The Hang Seng Green Financing Scheme provides funding for Hong Kong-owned factories in the Pearl River Delta Region to acquire green equipment that will enhance energy efficiency and reduce pollution. For business customers that receive endorsement under the assessment process conducted by the Hong Kong Productivity Council (HKPC), we will offer financing of up to 100% on equipment financing loans, as well as other banking privileges and discounts on insurance. Top-up financing is also available to provide extra funds to finance additional equipment acquisitions, service charges, working capital and trade finance needs. In addition, we will donate HK\$1 per HK\$1,000 loan amount to a green



fund administered by HKPC for environmental protection activities (subject to a maximum of HK\$5,000 per customer).

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

We regularly run seminars for SME and corporate customers in collaboration with external parties and associations on topics related to financing

solutions, taxation and investment markets, and to help improve financial literacy and increase awareness of relevant financial management tools.

Our continuing commitment to supporting SME businesses earned us our 10th consecutive 'Best SME's Partner Award' from The Hong Kong General Chamber of Small and Medium Business and our fourth consecutive 'Hong Kong Domestic Trade Finance Bank of the Year' from *Asian Banking & Finance* in 2015.

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Customers > Helping Customers Overcome Financial Challenges

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

For business customers, we provide assessment and advisory services to help them get back on track. We work with customers to assess their current position and use this to determine the best course of action. This may involve loan/debt rescheduling and restructuring to provide breathing space for a business to work through tough times.

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



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Customers > Community Outreach

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

We have participated in the Financial Education Programme organised by the Hong Kong Association of Banks and the Hong Kong Council of Social Service since 2011, with the aim of sharing key concepts of savings and credit as well as strategies for sound financial management with low-income groups and single-parent families.

We also offer specialised financial literacy programmes and seminars for customers. In 2015, quarterly Prestige Banking investment seminars have been organised to provide customers with the latest market views from in-house financial experts and external market analysts. Our Prestige Banking customers also receive an exclusive quarterly newsletter with comprehensive latest market information and extensive wealth management offers. Copies of the newsletter are available in all of our branches and e-versions can be downloaded from our website.



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Customers > Service Environment

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

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

The standard temperature set point in our offices and outlets is 24.5°C during the hot season, with the aim of striking a good balance between reducing our energy consumption while providing a pleasant environment for customers and staff.

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



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

We implement a wide range of measures to minimise potential safety hazards for both staff and customers, including non-slip treatments on floor surfaces and clear and conspicuous signage for temporary safety hazards such as wet floors.

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

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

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We rely on a range of vendors, agencies and third-party financial product suppliers to support the operation of our business. This enables us to offer enhanced products and services to customers but also exposes us to increased reputational and other risks. Effective supply chain management is therefore an important operational process and we have stringent standards for assessing suppliers, including requirements relating to environmental, social and ethical practices.

We require our suppliers to adhere to sustainable business practices and the principle of continuous improvement in performance. In return, we provide transparency and fairness in our procurement process and contractual arrangements. Our supply chain requirements are designed to not only safeguard our brand and our business, but also to promote responsible practices among other companies in our community.



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Suppliers > Establishing the Right Business Partnerships

As a service-based business, supply chain management is not a primary driver of our sustainability performance. However, our relationships with contractors and suppliers represent an additional opportunity for us to encourage positive change among the broader business community. We must also protect our corporate reputation by requiring suppliers to demonstrate a commitment to sound operating values.

We have clear policies for selecting contractors that will provide services in full compliance with our supplier sustainability standards, which cover areas such as ethics, health and safety, employment policies and human rights-related issues, and environmental performance.

We do not operate in environments that entail a high risk of human rights violations and assessment of our operations has not revealed any risk relating to the exercising of freedom of association or collective bargaining rights. Under the current system of assessment, none of our major suppliers and contractors has been identified as having significant risk for incidents of child or forced labour. Nonetheless, we are committed to protecting human rights in the workplace, as established by internationally accepted principles such as those in the Universal Declaration of Human Rights and in the Codes of Practice

on Employment promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.

Suppliers must comply with our Ethical and Environmental Code of Conduct for Suppliers of Goods and Services (available for review at: <http://www.hsbc.com/about-hsbc/procurement>). All of our suppliers have committed to respecting the human rights of their employees and of individuals in their communities and to comply with all relevant legislation, regulations and directives in the countries and communities in which they operate.

Our supplier pre-qualification documents ask contractors to complete a questionnaire covering environmental issues, including whether they have an established environmental management system (EMS) and/or have attained ISO 14001 accreditation, which is assessed as part of the tender process.

We added a new appendix on core sustainability assessment to our purchasing policy in 2015 to ensure that every new supplier clearly understands the Bank's sustainability requirements. This also serves as a useful tool for suppliers to assess their current status in aiming to work out a development plan to fulfil the standards required under the policy.

Suppliers with which we have regular and recurring dealings must have demonstrable management processes in place to ensure they comply with our Code of Conduct and must make reasonable efforts to monitor and ensure that their own supply chains are aware of and comply with such standards.

Our procurement policy also governs internal control of operating and capital expenditures, covering all purchases and expenditure by the Bank. The policy aims to support operational efficiency, segregation of duties, and the requirement to make the 'best buy', as well as ensure transparency throughout the procurement process.

We apply 'fair competition' principles to all tender applications from appropriately qualified parties, and consider every vendor's proposal in an unbiased, true and equal way.



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Suppliers > Monitoring Our Supply Chain

We continue to monitor supplier practices following their appointment and reserve the right to randomly review a supplier's policies, procedures or any other document related to our Code of Conduct. In some cases, we may request an on-site audit.

Policies are also in place for guiding the ongoing monitoring and continuous improvement of supplier performance. Annual Supplier Review, Vendor Risk Management and Supplier Performance Improvement policies are in place which provide clear and detailed standards for driving suppliers to meet the requirements of our business leading to sustainable growth.

Our procurement is done on a competitive basis and we have strict procedures governing staff conduct when handling procurement issues. In 2015, we held four workshops to ensure relevant staff understand our purchasing and vendor risk management policies and procedures.

Our e-procurement systems reduce paper consumption and lead times and provide us with enhanced supplier and information management controls. We encourage our suppliers and contractors to use or offer environmentally friendlier or recycled products whenever possible.

For third-party suppliers of financial products and services, we only work with reputable organisations that have a demonstrable track record of upholding high corporate standards. We have rigorous assessment procedures in place to ensure any investment or insurance solution we intend to offer to customers not only meets regulatory requirements but also our internal standards. We conduct regular reviews to help ensure that the services delivered by service providers meet the agreed terms of our service agreement.



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Our people are more than just employees – they are the ambassadors, relationship builders and public face of our business. To successfully establish long-term customer and community relationships we provide our most valuable assets with the support, skills and working conditions they need to deliver service excellence.

The human resources policies of the Bank are designed to attract people of the highest calibre and to motivate them to excel in their careers, as well as uphold the Bank's brand equity and core values.

We provide a wide range of staff training and development programmes with the aim of cultivating a team of professionals that will contribute to our success.

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

We continue to strengthen employee engagement through various channels and activities. We maintain open channels for dialogue between senior management and staff at all levels and encourage employees to take full ownership of their role in our business success.

We support our people in managing their personal and professional commitments through flexible work arrangements and other family friendly policies. We provide opportunities for our staff to become more involved in the development of the community in which they live and work through our Bank Volunteer team activities.

We are one of Hong Kong's largest listed companies in terms of employees, with a full-time equivalent staff of 10,141 as at 31 December 2015.

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Staff > Promoting High Performance

The Bank has a well-established system for appraising employee performance and encouraging continual improvement.

On an annual basis, every employee will work with his or her manager to jointly establish challenging but achievable work objectives, a career development plan and measurable performance standards. Managers and employees are encouraged to discuss performance and career development matters during the year, and every employee will have at least two formal performance reviews that will include discussion of the employee's performance and progress, and feedback on mid-year checkpoint/year-end ratings in line with the Bank's employee assessment framework.



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Staff > Training and Skills Development

We allocate ample resources to staff training and development with the aim of sustaining a competent, professional and ethical workforce that will contribute to the success of the Bank.

Our commitment to staff development is also aligned with the expectation that authorised institutions should engage and deploy personnel with sufficient skills, knowledge, professional qualifications, experience and soundness of judgment for the discharge of their duties. Depending on their role, staff members will receive relevant training in areas such as financial knowledge, banking products and operations, compliance, risk management, leadership & management, and sales & relationship management. Reinforcement and refresher training programmes help ensure employees have the latest information and skills to carry out their duties to the highest standards.

To further embed the Bank's vision, strategy and values, we have rolled out a series of global cultural change training programmes designed to strengthen the mindset of staff and the capabilities of people managers as regards promoting the Bank's culture.

Other internal training offerings are designed to help employees develop their capabilities, advance their careers and enhance their management and interpersonal skills. We also operate the Staff Education and Professional

Qualification Award Scheme that supports members of staff who wish to further their higher education (e.g. undergraduate and postgraduate degrees) and/or attain professional qualifications.

To support new recruits and help establish a common mission for the entire Hang Seng team, we run a New Joiners Induction Programme that gives all new employees a good understanding of the Bank's history, vision, culture, values, corporate governance and risk management culture.

Our 'Introduction to Environmental Management System' training programme was put in place to improve staff competency with respect to implementing environmental and social policies and procedures as applied to our business lines. This concept is also incorporated in the New Joiners Induction Programme, which include details of our sustainability policies and procedures and the actions we should all take to ensure they are well implemented. A number of our staff serve as Green Ambassadors and can use the materials and concepts introduced in this programme to assist them in conducting environmental briefings with their departmental colleagues.

Our average number of training days per full-time member of staff in 2015 was six – the same as in 2014.

Training per Employee 2015

Training days

No. of days

6

Training hours (by gender)



Training hours (by employee category)



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Staff > Training and Skills Development

Nurturing Talent and Succession Planning

With the aims of retaining talent and ensuring a quality internal pipeline, we identify and develop individuals displaying high potential to fill future leadership roles and other key positions. We have a Leadership and Management

Development framework in place to help colleagues with high potential to enhance their leadership capabilities, people management abilities and interpersonal skills (see box: Building Better Leaders).

Building Better Leaders

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

Performance Management Workshops

Training to help enable managers with people responsibilities to enhance their ability to engage in effective career development dialogue with their staff, build a values-led high performance culture through effectively providing performance feedback and conduct career conversations with their staff.

Global Culture Change Training Series

A series of global culture change training programmes to strengthen the management philosophy and skills of people managers with respect to driving the Bank's culture and motivating employees to live up to our corporate values in support of the Bank's long-term growth strategy.

Core Leadership Programmes

Workshop-style programmes such as 'Leadership Transition' and 'Leader in You' are designed to help young leaders to strengthen their leadership capabilities.

New Joiners Induction Programmes

A series of virtual and instructor-led training programmes to help new joiners at all levels to understand and integrate with the Bank's culture, values and work environment.

Co-op Programme

A 6 to 11-month work placement programme for non-final year university students to gain practical work experience and build the skills and knowledge needed to embark on a successful career in the banking industry following their graduation.

Summer Internship

An 8 to 10-week internship programme for non-final year university students to gain first-hand experience and insights in the fast-changing banking industry, as well as learn more about what it takes to build a successful career in banking and finance.

Summer Seed Programme

An intensive 10-week work placement programme for penultimate-year university students to gain valuable experience and enhance their understanding of the core business functions of banks. Students who perform strongly in the programme may be granted the privilege of early selection for the Bank's Management Trainee Programme.

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Staff > Training and Skills Development

Management Trainee Programme

Hang Seng's Management Trainee Programme (MT Programme) is a three-year, fast-track programme for recent graduates who are looking for a high-flying career in the banking industry. The MT Programme prepares participants for taking up executive-level positions in one of the Bank's six business functions through an intensive programme that includes comprehensive classroom training on business operations and products and services, exposure to China and overseas business, job rotations within and across business functions, senior management mentorship and support for attaining professional qualifications.



During the first year of the [MT] Programme, I underwent very intense training and job rotations in different departments. This broad-ranging exposure to banking business fast-tracked my learning about different products, services and job types.



Henry Cheng

2013 Management Trainee, Commercial Banking



We are often invited to internal and external corporate events, and these are good opportunities for us to learn from senior management who are very experienced in their fields. The networks and connections we build by attending these events are valuable for our future career development.



Cecilia Lee

2014 Management Trainee, Operations, Services and Technology



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Staff > Pay and Compensation

We offer competitive pay and employee benefits to attract talented staff and use a performance-based remuneration system to motivate and reward them in line with their contributions to growing our business.

Additional incentivisation is generated through the use of a variable-pay scheme that is based on the performance of the Bank and individual employees. As part of our staff retention programme, we regularly review packages and career advancement opportunities, particularly for key positions, to ensure continuing market competitiveness.

Fair Rewards for Equal Work

The Bank establishes and operates prudent human resources policies strictly in compliance with Hong Kong's legislation, ordinances and regulations.

An employee's remuneration is determined with reference to performance and market benchmarks. Wage levels are not differentiated by gender.

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

Turnover Rate

Our voluntary turnover rate in Hong Kong for 2015 was 19.5%.



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Staff > Employee Engagement and Communication

Effective communication is crucial in building a motivated and engaged workforce. Since 2007, we have conducted an annual staff survey to measure engagement levels and gain insights into perceptions regarding our performance against our strategic objectives and in cultivating a values-led culture. The results of this survey are used to identify motivations, catalysts and barriers with respect to achieving high performance.

Information relating to employment matters, the Bank's business direction and strategies, and factors affecting the Bank's performance are conveyed to staff via different channels, including business briefings, circulars, individual e-mails to employees, our intranet site, and morning broadcasts.

Due consideration is given with regard to the minimum notice period and appropriate communication channels for the implementation of any significant operational changes.

Employees are encouraged to engage in two-way communication with senior management or provide feedback through such initiatives as Chief Executive's Mailbox and Post-results Business Briefings.



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Staff > Equal Opportunities, Diversity and Inclusion

Our employment practices do not discriminate on the grounds of gender, gender identity, sexual orientation, ethnicity, race, disability, age, religious beliefs, family status, marital status, pregnancy, socio-economic background or any other aspect of personal difference that is unrelated to job requirements or role. In championing a diverse and inclusive workplace, we expect all members of our team to demonstrate appreciation, care and respect for each other, regardless of personal differences.

To help combat discrimination, harassment and victimisation in the workplace, we have an Equal Opportunities Policy in place. Our human resources policies comply with relevant government legislation, ordinances and regulations. The principles established in our Equal Opportunities Policy are incorporated into our Staff Code of Conduct with which all staff must comply.

The Bank is committed to promoting diversity and an inclusive work environment where employees feel comfortable to be themselves and encouraged to realise their full potential. To achieve this objective and ensure our principles and practices are in line with regulatory requirements, market trends and best industry practices, we regularly review and, when appropriate, revise, our diversity and inclusion policies.

In 2015, we launched our Employee Resource Network Group (ERNG) initiative, which encourages the establishment of independent, voluntary, employee-led groups to promote a diverse and inclusive work environment within the context of the Bank's values, brand and business strategy.

All staff receive training on issues such as diversity and inclusion, equal opportunities and data privacy, including as part of our New Joiners Induction Programme. In 2015, we provided about 30,842 hours of training on policies, procedures, and building greater awareness of human rights issues that are relevant to our working environment and operations.

Diversity and inclusion are well supported in our culture. Gender diversity is desirable for human capital development and is thus tracked and reported to the senior management team as appropriate, to ensure a balanced representation of gender is achieved in our employee base, including in senior positions.



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Staff > Occupational Health and Safety

Our efforts to uphold high standards of occupational health and safety (OH&S) in the workplace include engaging employees at all levels through committees, forums and working groups in the development of our OH&S policy and management framework.

In 2009, we became the first bank in the world to implement a certified BS OHSAS 18001:2007-compliant Occupational Health Safety Management System (OHSMS). Designed to reduce the exposure of staff, contractors and customers to health and safety risks associated with our business activities, the OHSMS is overseen by a Safety Management Committee (SMC), comprising senior management representatives, that has responsibility for monitoring and advising on OH&S programmes. The concerns and views of staff are represented by the Working Team of the SMC, which is a lower-tier committee of the SMC comprising middle management representatives, with the support from around 300 Job Hazards Analysis (JHA) Team members (see box: OH&S: Everyone's Business).

We provide a range of training courses to enhance the OH&S knowledge of our staff, from conventional class-based types to web-based e-learning programmes. An OH&S training course has been included in the induction programme that is mandatory for all new employees.

We arrange for employees from different sites and business lines to acquire Qualified First Aider status so as to offer prompt assistance to colleagues and customers in the event of a medical emergency or accident. A number of our First Aiders have been trained to operate the automated external defibrillators that are installed in various Bank premises.

We have developed a Contingency Plan for Communicable Diseases, which sets out the key issues to be addressed and the actions to be taken by various units in response to the occurrence of a serious communicable disease. Our intranet provides staff with information on the importance of personal hygiene and good health practices, and on the contingency measures that will be adopted to enable the Bank to continue to serve the community during an outbreak of a serious contagious disease.



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Staff > Occupational Health and Safety

OH&S: Everyone's Business

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

Issues discussed at a functional level

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

Issues discussed at a Bank-wide level

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

Occupational Health and Safety Statistics 2015

Lost day rate[^]



Occupational injury rate[#]



Absenteeism rate^{*}

1.82%

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

[#] The injury rate is calculated based on the number of injuries per 200,000 hours worked.

^{*} The absentee rate indicates the number of absentee days (as a result of occupational injuries and other illnesses) as a percentage of the total number of work days scheduled for the workforce.

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Staff > Business Principles and Values

Our business principles and corporate values are designed to guide staff in upholding the highest personal standards of integrity and complying with the spirit and letter of all laws and regulations when conducting business. 'Courageous integrity' is the guiding principle whereby every employee has the courage to do the right thing without compromising ethical standards and integrity, and behaves in a 'Dependable, Open and Connected' way (see box: Acting with Courageous Integrity).

Acting with Courageous Integrity

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

Dependable – do the right thing

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

Open – to different ideas and cultures

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

Connected – to customers, communities, regulators and each other

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



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Employees who enjoy a good work-life balance are better equipped to give their best performance. We support our people in effectively managing their work and life commitments through initiatives such as flexi-time arrangements, adoption leave and volunteer leave.

In addition to offering maternity leave to female employees, in 2008 we implemented a paternity leave scheme that gives fathers the chance to provide greater support to their families upon the arrival of a new baby. Up to 12 weeks' paid maternity leave will be granted to female employees. Up to five days' paid paternity leave will be granted to male employees. We offer adoption leave to female and male employees on their legal adoption of a child.

In 2015, 168 female employees and 112 male employees exercised their maternity and paternity leave rights respectively. The return-to-work rate and retention rate following parental leave were close to 100% and 90% respectively.

To encourage more of our people to contribute to the community and experience the personal rewards that are gained from greater civic participation, eligible Hang Seng staff are now able to take up to two working days of volunteer leave per year to engage in charitable initiatives.

In 2015, around 21,000 colleagues and members of their families participated in Bank-organised recreational and leisure activities, including Hang Seng Fun Day at which over

1,300 members of staff together with their families and friends took part in various cultural and arts-themed programmes. Other activities included six sporting competitions (bowling, badminton, football, basketball, table tennis and golf) under the Hang Seng Cup and a talk on marathon running to promote a healthy lifestyle that was well attended by over 300 members of staff. Members of staff brought their family members and friends to more than 280 Bank-organised recreational activities during the year, with over 4,200 individuals enjoying a variety of crafts, cultural events and fitness sessions that ranged from aerobics, yoga, and Thai boxing to hiking, cake making and Chinese calligraphy.



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Staff > A Statistical Snapshot of Our People

Headcount by Employment Type by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Full-time Permanent Staff	3,448	4,724	538	1,223	9,933	(97.9%)
Full-time Contract Staff	55	25	40	34	154	(1.5%)
Part-time Staff	5.12	30.93	-	-	36.05	(0.4%)
Temporary Staff	10	8	-	-	18	(0.2%)
Total	3,518.12	4,787.93	578	1,257	10,141.05	(100.0%)

Headcount by Employee Category by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Executive	842.59	856.22	155	250	2,103.81	(20.8%)
Officer	1,719.70	2,108.27	214	526	4,567.97	(45.0%)
Clerical / Non-clerical	955.83	1,823.44	209	481	3,469.27	(34.2%)
Total	3,518.12	4,787.93	578	1,257	10,141.05	(100.0%)

Note:

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

[#] "Others" includes Macau/overseas and other Mainland operations (around 0.7% of total headcount of Hang Seng Group)

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Average Age

	Hang Seng Bank & Others [#]	Hang Seng China	Overall
Executive	41	38	40
Officer	36	33	35
Clerical / Non-clerical	37	28	36
Overall	37	32	37



Average Years of Service

	Hang Seng Bank & Others [#]	Hang Seng China	Overall
Executive	10	6	9
Officer	10	4	9
Clerical / Non-clerical	12	3	10
Overall	11	4	10

Note:

[#] "Others" includes Macau/overseas and other Mainland operations (around 0.7% of total headcount of Hang Seng Group)

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New Hires by Age Group by Gender

	Hang Seng Bank & Others [#]		Hang Seng China		Total	
	Male	Female	Male	Female	Total	(%)
Below 30	623.8	678.95	106	214	1,622.75	(72.0%)
30 to 39	168	191.89	28	64	451.89	(20.0%)
40 to 49	48	41.81	4	3	96.81	(4.3%)
50 to 59	34.52	17.93	1	-	53.45	(2.4%)
60 or above	24.1	4.8	-	-	28.9	(1.3%)
Total	898.42	935.38	139	281	2,253.8	(100.0%)

Employee Voluntary Turnover by Age Group by Gender

	Hang Seng Bank & Others [#]				Hang Seng China				Total			
	Male		Female		Male		Female		Male		Female	
	Head count	Turnover rate [^]	Head count	Turnover rate [^]	Head count	Turnover rate [^]	Head count	Turnover rate [^]	Head count	Turnover rate [^]	Head count	Turnover rate [^]
Below 30	452.13	5.7%	454.64	5.7%	67	3.6%	155	8.3%	519.13	5.3%	609.64	6.2%
30 to 39	147.5	1.8%	183.05	2.3%	45	2.4%	100	5.4%	192.5	1.9%	283.05	2.8%
40 to 49	51	0.6%	106.56	1.3%	5	0.3%	8	0.4%	56	0.5%	114.56	1.2%
50 to 59	35.08	0.5%	45.3	0.6%	-	-	2	0.1%	35.08	0.4%	47.3	0.5%
60 or above	49.75	0.6%	33.8	0.5%	-	-	-	-	49.75	0.5%	33.8	0.4%
Total	735.46	9.2%	823.35	10.4%	117	6.3%	265	14.2%	852.46	8.6%	1,088.35	11.1%
Grand Total	1,558.81 (19.6%)				382 (20.5%)				1,940.81 (19.7%)			

Note:

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

[#] "Others" includes Macau/overseas and other Mainland operations (around 0.7% of total headcount of Hang Seng Group)

[^] The turnover rate is calculated based on the actual number of employees

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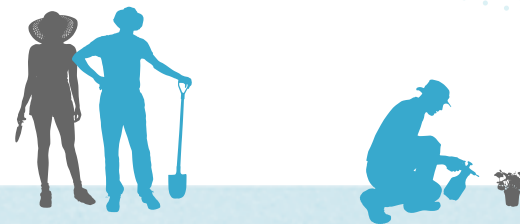
Environment

The health of our planet and its natural resources has a fundamental impact on all of us and is a collective responsibility that cannot be ignored. We are committed to improving our own performance, raising environmental awareness among our stakeholders, and playing a role in addressing large-scale environmental issues that require a global response.

We take steps to cut our consumption of energy and natural resources, reduce waste, and utilise environmentally friendly products and certified materials whenever possible. We encourage our customers and suppliers to take similar steps through our services, policies and community engagement initiatives.

We empower our staff to act as ambassadors for the environment by raising their awareness of green issues through volunteer activities.

We consider the environmental impact of our business travel policies and are working to reduce non-essential travel through increased use of alternatives such as teleconferencing.



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Beginning with our headquarters building in 2005, we have led the way in gaining the internationally recognised ISO 14001 environmental accreditation among local banks. In 2011, we became the first local bank to achieve this certification for all its Hong Kong offices and branches.

Established under the Environmental Policy we implemented in 2003, our Environmental Management Committee closely monitors our environmental management system (EMS) to ensure it continues to meet ISO 14001 standards. The Committee is also responsible for ensuring that our EMS and business strategies complement each other in support of the objective of continual improvement of our environment performance.

We have set annual environmental targets that aim to minimise the negative impacts of our business, and we engage in activities that have a positive impact on the environment.

At our newly renovated Hang Seng 113 office building, we have installed chilled ceiling and fresh air systems that use about 25% less energy per year compared to a conventional air-conditioning system. The building also uses low-energy LED office lighting, of which the lighting power density is about 55% of the latest government energy code requirement.

At our newly renovated Hang Seng 113 office building, we have installed chilled ceiling and fresh air systems that use about

 **25% less**
energy per year
compared to a
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system.

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Other energy management enhancements implemented in 2015 include the introduction of more energy efficient air-conditioning systems at selected branches and the introduction of motion-activated lighting in public areas of Hang Seng investment buildings, which has resulted in a 70% reduction in lighting-related power consumption. The installation of oil-free air-conditioning chillers at Hang Seng Castle Peak Road Building, has led to a 25% drop in annual electricity consumption.

We were awarded the Joint Energy Saving Award and the Silver Award in the Bank and Office industry category at the 2015 CLP GREENPLUS Recognition Award.

Our e-Statement and e-InvestAdvice services offer e-Banking customers the option to receive account statements and other notices in electronic rather than paper format. At the end of 2015, the number of e-Statement subscribers was around 1.70 million and over 150,000 customers were using e-InvestAdvice – collectively saving around 48 million sheets of paper a year. By the end of 2015, 32% of our credit card customers were receiving electronic card statements rather than physical copies, and e-channels accounted for 39% and 94% of applications for credit cards and personal loans respectively.

At the end of 2015, the number of e-Statement subscribers was around 1.70 million and over 150,000 customers were using e-InvestAdvice – collectively saving around



48 million sheets
of paper a year.

Designed specifically for full-time tertiary students at local universities and tertiary institutions, our Green Banking Integrated Account encourages greener banking practices by offering a range of environmentally friendly financial services.

The vital need to protect fragile ecosystems and support the conservation of biodiversity is reflected in our financing policies and within our own operations. We stopped serving shark's fin at Bank functions in 2003 and have removed endangered reef fish from our menus. Since 2011, we have provided a sustainable seafood menu endorsed by WWF (Hong Kong) at our banquet hall.

Through training programmes and our internal practices, we empower our staff to act as Green Ambassadors among their associates, families and friends by raising their awareness of environmental issues.

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

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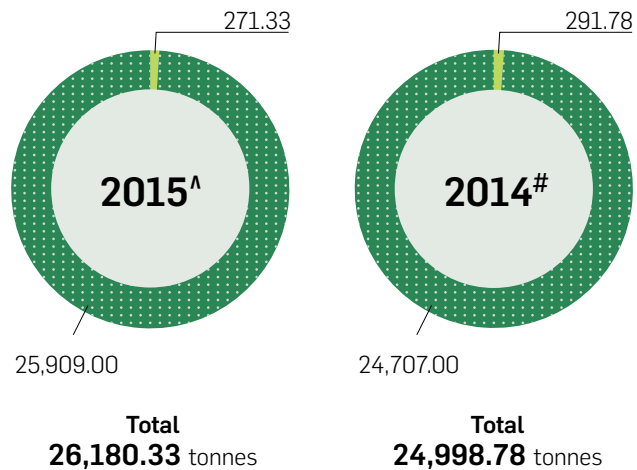
Environmental Performance



Carbon Dioxide Emissions

Total CO₂ emissions (tonnes)

- Energy
- Business travel



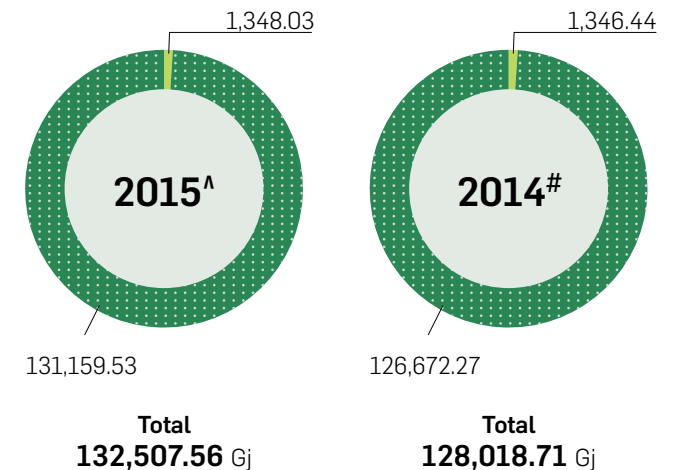
	Unit	2015 [^]	2014 [#]
Total CO₂ emissions per FTE	tonnes/FTE	3.20	3.12
- CO ₂ emissions per FTE from energy	tonnes/FTE	3.17	3.08
- CO ₂ emissions per FTE from business travel	tonnes/FTE	0.03	0.04
CO₂ emissions per sq ft	tonnes/sq ft	0.02	0.02



Resources Consumption

Total energy consumption (Gj)

- Electricity
- Other fuel sources (gas and diesel)



	Unit	2015 [^]	2014 [#]
Energy consumption per FTE	Gj/FTE	16.20	15.97
Energy consumption per sq ft	Gj/sq ft	0.09	0.09

Data is round up to 2 decimal places.

Key: CO₂: Carbon dioxide

Gj: Gigajoules

FTE: Full-time equivalent employee (respectively 8,182 and 8,016 as of 30 Sep 2015 and 30 Sep 2014)

sq ft: Square foot

[^] From 1 Oct 2014 - 30 Sep 2015

[#] From 1 Oct 2013 - 30 Sep 2014

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Environmental Performance



Water Consumption

Total water consumption (000m³)



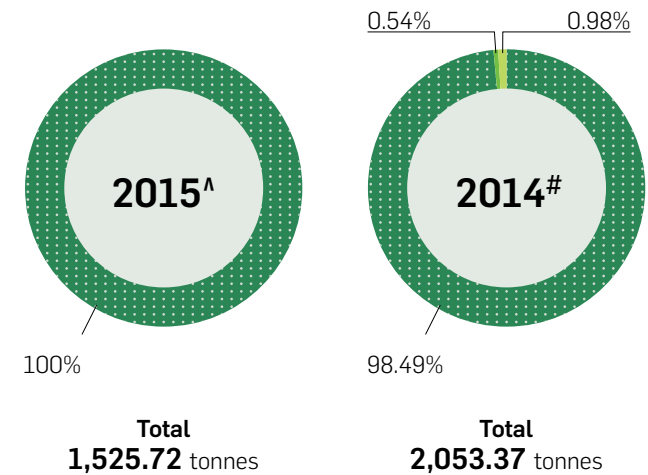
	Unit	2015 [^]	2014 [#]
Water consumption per FTE	m ³ / FTE	8.18	8.54



Paper Consumption

Total paper consumption⁺ (tonnes)

- Compliant
- Compliant due to exemption
- Non-compliant



Data is round up to 2 decimal places.

Key: m³: Cubic metres

FTE: Full-time equivalent employee (respectively 8,182 and 8,016 as of 30 Sep 2015 and 30 Sep 2014)

[^] From 1 Oct 2014 - 30 Sep 2015

[#] From 1 Oct 2013 - 30 Sep 2014

+ Paper

- Compliant Paper: Paper certified by an HSBC Approved Certification Scheme. Currently includes FSC, Canadian Standards Association, etc.

- Compliant due to Exemption: Paper which received a dispensation authorised by the Chief Procurement Officer and entered in the HSBC Group Manuals System prior to the purchase.

- Non-compliant Paper: Source country of the virgin portion is unknown or on the high-risk country list, and is not certified by any HSBC approved scheme.

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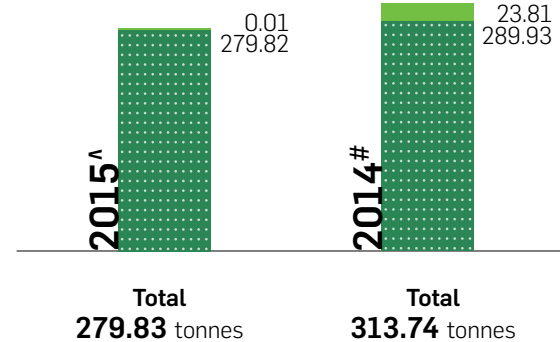
Environmental Performance



Waste Disposed to Landfill

Total waste disposed to landfill (tonnes)

-  General office waste
-  IT and electrical






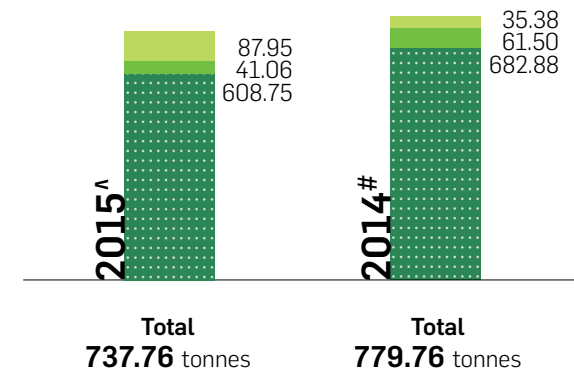
	Unit	2015 [^]	2014 [#]
Waste disposed per FTE	tonnes/ FTE	0.03	0.04



Waste Collected for Recycling

Total waste collected for recycling (tonnes)

-  General office waste
-  IT and electrical
-  Other waste



Data is round up to 2 decimal places.

Key: FTE: Full-time equivalent employee (respectively 8,182 and 8,016 as of 30 Sep 2015 and 30 Sep 2014)

[^]From 1 Oct 2014 - 30 Sep 2015

[#] From 1 Oct 2013 - 30 Sep 2014

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Environment > An Environmental Advocate



“I am pleased to have participated in the Hang Seng Yunnan Biogas Project. Through volunteering I have not only helped rural villagers in Yunnan, I have also gained new knowledge of and greater exposure to sustainability issues.”

Sika Si

Corporate Banking and Bank Volunteer

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

Since 2007, the Hang Seng Yunnan Biogas Project has built 4,600 biogas facilities in remote areas of Yunnan Province – including 800 facilities built in 2015. A joint initiative with The Conservancy Association, the Project has improved the lives of nearly 18,000 rural residents by providing them with a free, clean and stable source of energy. The Project has also reduced carbon dioxide emissions by over 48,000 tonnes per year.

We empower our staff to act as ambassadors for the environment by raising their awareness of green issues through volunteer activities. We support local NGOs and green groups as a corporate member and through various campaigns and initiatives, such as the 'Power Smart' Energy Saving Contest organised by Friends of the Earth (HK), which enables schools to borrow monitoring equipment for use in energy-saving classroom projects. Our employees also participate in environment-focused fundraising events such as the Green Power Hike and the WWF(HK)'s Walk for Nature.

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

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As a good corporate citizen, we are contributing to a better future for our community by working to improve social mobility, promoting inclusiveness, tolerance and civic responsibility, and participating in initiatives to create empowered, inspired and socially aware young people. By facilitating life-changing experiences, we aim to generate positive energy across all sectors of our community to drive social development.

Our Corporate Responsibility Committee is responsible for setting the Bank's corporate responsibility strategy and practices, overseeing community investment activities, and assessing community investment proposals. The Chairman of the Committee is the Vice-Chairman and Chief Executive of the Bank and senior executives from various functions and business units serve as Committee members.

In line with our belief that building strong human connections underpins lasting positive change, our senior management and staff give their time as volunteers on initiatives that range from advising on high-level community development initiatives to spending time serving charities and other worthy causes. We establish long-term partnerships with leading local non-governmental organisations and other institutions that are working to improve well-being and build a bright tomorrow.

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Community > Empowering Young People

Empowering and inspiring young people lies at the heart of our sustainability programmes. The aspirations, innovations and social engagement of today's younger generations will play a critical role in the future development of our city.

Focusing particularly on socially disadvantaged groups, we work with community partners to provide young people with opportunities to explore their interests, develop their talents and skills, and experience positive social interactions that help to build self-esteem and a greater sense of civic responsibility.

In collaboration with the Hong Kong Federation of Youth Groups and the Hong Kong Repertory Theatre, the 'Hang Seng Call for Young Talent in Theatre' aims to build the confidence and team spirit of participating students as well as give them an insight into the workings of the performing arts industry.

Following an open audition process, 40 primary and secondary students were selected to participate in an intensive four-month acting, singing and dance training programme, which culminated in the staging of a two-night run of the original musical, 'Our Time, Our Hong Kong', in front of audiences of around 2,000 people.



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Community > Empowering Young People

Call for young talent to explore their potential



Participation in the arts not only enables young people to express themselves and explore new ideas, but can also help build self-esteem and teach valuable lessons about focus and commitment. With auditions and a rigorous four-month training schedule that culminates in public theatrical performances, the Hang Seng

Call for Young Talent programme challenges participants aged 9 to 15 to show dedication, passion and perseverance in pursuit of a goal, and, through the channel of creative expression, develop the confidence needed to fulfil their aspirations and face life's challenges in the future.

Taking part in 'Our Time, Our Hong Kong', the musical that was developed specifically for the programme, gave **Wong Tsz-kin**, a Form 3 student from Kowloon Technical School, his first experience of performing on stage in front of an audience.

For Tsz-kin, the experience was particularly inspiring as he was not initially selected as a cast member. Tsz-kin had no experience of singing or dancing, which are the two key components of a musical. However, with his passion for theatre, he was determined to overcome the challenge and practised hard. His perseverance was rewarded when the Director of the musical offered him the role of 'Ka Ming'. His unfailing enthusiasm, positive outlook and dedication also had an energising influence on the other members of the cast.

“The young participants not only showcased their talents on stage but also built up their self-confidence and learnt from each other through teamwork. The themes explored in the musical also stimulated members of the audience and performers of different generations to think about how to live up to the unfailing Hong Kong spirit of perseverance, hard work and continual self-improvement.”

Matthew Cheung
Secretary for Labour and Welfare



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Community > Empowering Young People

Run in partnership with The Hong Kong Family Welfare Society (HKFWS), the Hang Seng – HKFWS Youth Mediation Scheme helps nurture a positive attitude among young people in working to resolve conflicts with their peers and family members. We have committed to training an addition 700 'Peer Mediators' by the end of 2017, taking the total number of those trained since 2014-15 to 1,000. In addition, around 240 primary school teachers are expected to complete introductory mediation training between 2015 and 2017.

Many Paths to Personal Achievement

The Hang Seng Youth Entrepreneurship Scheme offers young ex-offenders and at-risk youths the chance to create a new future for themselves by giving them access to the support they need to turn entrepreneurial ambitions and ideas into solid business proposals. Since mid-2014, over 200 young people have benefited from initiatives such as skills training, business development subsidies and business planning advice, with 10 budding entrepreneurs receiving start-up funds and professional guidance on turning their business dreams into reality. Several Bank executives have served as guest speakers and judges to share their experience with those participating in the Scheme, which is organised in partnership with the Society of Rehabilitation and Crime Prevention, Hong Kong.

We are working with the Hong Kong Federation of Youth Groups on the innovative Hang Seng GPS Youth Employment Programme. Targeting low academic achievers, the initiative is the first in Hong Kong to promote the 'gap year' concept among secondary students. Participants put their studies on hold for a year to take up job placements in industries that complement their skills and interests to gain valuable work experience. As part of the programme, human resources staff from the Bank's recruitment team volunteered to conduct mock job interviews with the participants to give them the opportunity to practice their personal presentation skills and build confidence for future real-life employment experiences. About 60 students have taken part in the Programme since its launch in 2014.

About 200 Form 4 students were given behind-the-scenes access to companies in four selected Hong Kong industries in 2015 to enable them to make more informed career-planning choices. Organised jointly with The Hong Kong Council of Social Service (HKCSS), the Hang Seng – HKCSS Youth Career Exploration Programme has benefited 550 students since 2013.

We continue to promote the development of useful life skills, positive social values and an international perspective through our long-standing support for initiatives such as the Ming Pao Student Reporter Programme, the Hang Seng Bank – Help the Police Fight Youth Crime Competition and the Hang Seng Leaders to Leaders Lecture Series.

Since 1995, we have allocated more than HK\$65 million to various Hong Kong and mainland China university scholarship schemes, benefiting over 2,300 students.



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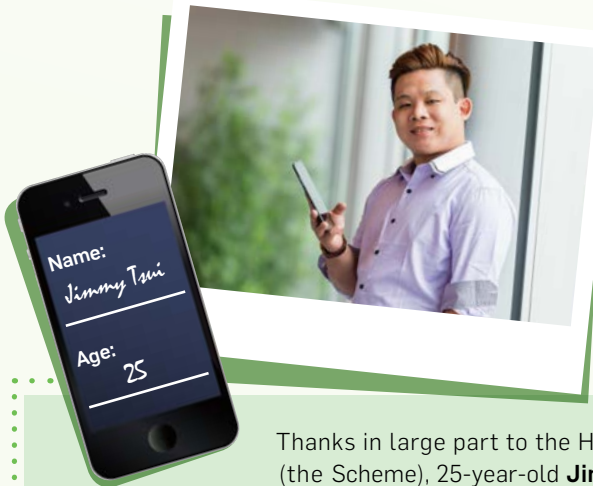
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Community > Empowering Young People

Changing young lives, creating possibilities



Our corporate sustainability activities support long-term social development by creating life-changing opportunities, focusing particularly on underprivileged and at-risk youths. One example is the Hang Seng Youth Entrepreneurship Scheme, which promotes social mobility, encourages a sense of civic responsibility and champions the value of a diverse society. By encouraging young people to pursue their

interests, develop their talents and believe in the importance of their contributions, we are helping to nurture well-rounded individuals with the values and skills to become capable and promising future leaders.

Some young people are impulsive and may commit wrong doings. They may lose self-confidence due to the social stigma attached to their conviction. However, these young people could be very creative. Given opportunities and support, and with their acquired experience and learning through practice, they may realise their wish to create their own business.

The Hon Mr Justice Patrick Li

Chairperson of Executive Committee of the Society of Rehabilitation and Crime Prevention, Hong Kong

Thanks in large part to the Hang Seng Youth Entrepreneurship Scheme (the Scheme), 25-year-old **Jimmy Tsui** is taking his life from tragedy to triumph. Tsui lost most of his savings during the financial crisis in 2008 and turned to drugs as an escape. He quickly became an addict and eventually ended up in prison on a drug smuggling charge.

Following his release from prison, he participated in the Scheme in 2014-15, with the idea of founding a local smartphone brand based on his interest in mobile phones and electronics. His robust business plan resulted in him being selected as one of 10 young entrepreneurs to win start-up funds under the Scheme.

"I was confident that I had the knowledge and skills to assemble a smartphone. But the judges' comments made me realise that I also had to consider safety issues and that I needed a comprehensive and well-thought-out plan to turn an idea into a viable business. I learned a lot through the Scheme," Tsui says.

Tsui has used the start-up funds he received to establish his company in late 2015. His business not only sells locally assembled smartphones at a competitive price, but also provides after-sales and maintenance services. His smartphone prototype has received certification and is being promoted to the retail shops in Hong Kong.



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Community > Using Culture to Improve Communication

Our efforts to increase young people's exposure to the arts are designed to encourage creativity, promote positive values and spark constructive discussion. Communication and learning through cultural experiences can also help build confidence and increase understanding on social development.

In 2015, we worked with the Jao Tsung-I Academy to give around 3,000 students from close to 100 secondary schools a greater appreciation for Hong Kong's development through their participation in the Hang Seng – Jao Tsung-I Academy Historical and Cultural Programme, which included a guided tour of a historical photo exhibition and a series of cultural and history exploration activities.

Under the Hang Seng Bank Student Matinees initiative with Hong Kong Repertory Theatre, a total of more than 800 secondary school students attended two exclusive Bank-sponsored performances of the play 'Circle Mirror Transformation', which invites the audience to contemplate life's journey. The students also participated in four acting workshops to learn basic theatrical and stagecraft skills.

Our sponsorship of Hong Kong Arts Festival and Hong Kong Philharmonic student ticket schemes provided subsidised entry to a variety of performances for more than 25,000 students in 2015.



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Community > An Active Way to Build Civic Unity

For the past 25 years, our support for table tennis development has helped bring the community together to participate in healthy activities and build a shared sense of civic pride around outstanding performances by local athletes.

Set up in partnership with the Hong Kong Table Tennis Association in 2001, the Hang Seng Table Tennis Academy nurtures the skills of talented young players with the potential to become future sporting stars. Academy graduates who have attained regional and international

success serve as positive role models and inspire young people to embrace perseverance and dedication in striving for their goals. Over 290,000 participants have benefited from about 5,300 activities organised by the Academy since its establishment.



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Community > An Active Way to Build Civic Unity

Long-term partnership bears sporting fruit

Our 25-year relationship with Hong Kong Table Tennis Association continues to promote participation in sports as part of a healthy lifestyle and to build community spirit. Hang Seng Table Tennis Academy graduates – including Lee Ho-ching, Wong Chun-ting and Doo Hoi-kem – are now holding their own against

the world's leading players to bring honour to Hong Kong and inspire others to pursue their ambitions. Since 1991, we have contributed over HK\$38.5 million to promote table tennis in Hong Kong through various community-based events. We will provide a further HK\$10.2 million in support for the Academy for 2016-18.

Hong Kong table tennis star **Wong Chun-ting** joined hands with fellow Hang Seng Table Tennis Academy graduate Doo Hoi-kem in 2015 to bring home a Mixed Doubles Bronze Medal from the World Table Tennis Championships.

Now 25 years old and ranked 8th in the world (world ranking as of May 2016), Chun-ting embarked on his journey into table tennis later than many other players – only taking up formal table tennis training at 9 years old.

But while the chance to hone and develop his natural talent led to a place in the Hang Seng Regional Squad, the path to his impressive sporting achievements hasn't always been a smooth one. Lauded as a Star of Tomorrow, Chun-ting became a member of Hong Kong team when he was 18. But he admits that his relatively late start made it hard for him to adapt to the life of a full-time athlete. But with perseverance and the support of his family and coaches, he managed to overcome his personal hurdles to achieve outstanding sporting success at an international level.

In appreciation for the Academy's support and to encourage and inspire promising young players, Chun-ting periodically participates in demonstration sessions at the Academy.



Name: Wong Chun-ting

Age: 25

“ These players continue to achieve great success representing Hong Kong in international competitions. The Academy's systematic training has helped such players become more mature and their accomplishments are due in large part to the Academy's efforts. We will continue to promote table tennis in the community, which, in the long term, should see the quality of the Hong Kong Table Tennis Team continue to improve. ”

Tony Yue

Chairman, Hong Kong Table Tennis Association

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Community > Championing a Service Culture

We are committed to making our community a better place to live. Improving social well-being and contributing to the development of an inclusive, compassionate and socially aware culture will support our sustainable growth by providing new customers, colleagues and business opportunities in the years ahead.

We encourage our staff to spread concepts of service and giving among the local community by taking part in volunteer work. Focusing particularly on underprivileged children, elderly people and environmental education, we organised about 120 volunteer activities in 2015.

Since 2011, Bank volunteers and their family members have contributed over 110,000 hours of their time to good causes and charitable work in Hong Kong.



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Community > Championing a Service Culture

Volunteers experience the rewards of giving back



Name: *Pinky Poon*

Our commitment to building a better society embraces volunteering as a tool to give back, grow and gain understanding, as well as to build team spirit among Bank staff. In 2015, we launched a new initiative with the Chinese YWCA. Bank staff and young people from ethnic minority groups came together to support the

elderly through activities such as home visits, a bowling day and preparation of traditional dishes. Such efforts help build greater understanding between different community groups and demonstrate the strengths of a diverse and inclusive society.



Volunteering gives me an opportunity to learn and appreciate different cultures, and has strengthened my understanding of the value of social inclusion. ”



Pinky Poon, Assistant Unit Manager, Business Support, says that her experience of spending time with children from ethnic minority groups in Hong Kong to cook traditional food has given her a better understanding of other cultures.



Our commitment to serve is also reflected in the close relationships we have established with NGOs and other organisations that are working for the benefit of our community.

Our long-term partnership with The Community Chest of Hong Kong has raised more than HK\$71 million, including over HK\$21 million through the Dress Casual Day – an annual event that we have participated in since 1994.

Our support for the Hang Seng – Regeneration Society Top Ten Regeneration Warriors Competition promotes positive life values by enabling individuals who have overcome the challenges of chronic illness by maintaining an upbeat attitude and positive outlook to share their stories and experiences with the community.

We also facilitate charitable giving by our customers through our e-Donation service, under which more than HK\$30 million has been donated to deserving causes in Hong Kong since December 2001.

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Strategy and Analysis

G4-1

Statement from the organisation's most senior decision-maker.

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G4-2

Description of key impacts, risks and opportunities.

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G4-3

Name of the organisation.

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G4-4

Primary brands, products, and services.

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G4-5

Location of organisation's headquarters.

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G4-6

Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

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G4-7

Nature of ownership and legal form.

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G4-8

Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).

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G4-9

Scale of the reporting organisation.

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G4-10

KPI A1.1

Total workforce by employment type, employment contract and region (broken down by gender).

Our Commitment > Staff > A Statistical Snapshot of Our People

G4-11

Percentage of employees covered by collective bargaining agreements.

None in 2015. The Bank respects the right to form and join trade unions and will work in a professional manner with legitimate employee representative bodies in accordance to the HSBC Group's HR Functional Instruction Manual.

G4-12

GD C1

Organisation's supply chain.

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G4-13

Significant changes during the reporting period regarding the organisation's size, structure, ownership and/or supply chain.

No significant change in 2015.

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI General Standard Disclosures	References
G4-14		Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Annual Report 2015: Corporate Governance Report (page 96-117) Our Commitment > Corporate Governance > Risk Management
G4-15		Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	Chief Executive's Message; Our Values; Our Commitment > Corporate Governance > Responsible Banking Services; Staff > Occupational Health and Safety; Environment
G4-16		Memberships of associations	Annual Report 2015: Biographical Details of Directors and Senior Management (page 118-129)

Identified Material Aspects and Boundaries

G4-17		Entities included in the organisation's consolidated financial statements.	Annual Report 2015
G4-18		Process for defining the report content and the aspect boundaries. Explain how the organisation has implemented the reporting principles for defining report content.	About this Report; Our Values > Materiality Assessment
G4-19		Material aspects identified in the process for defining report content.	Our Values > Materiality Assessment
G4-20		Aspect boundary within the organisation.	About this Report; Our Values > Materiality Assessment
G4-21		Aspect boundary outside the organisation.	About this Report; Our Values > Materiality Assessment
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Not applicable.
G4-23		Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant change.

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GRI G4 Indicators	HKEs ESG Reporting Guide	GRI General Standard Disclosures	References
Stakeholder Engagement			
G4-24		List of stakeholder groups engaged by the organisation.	Our Values > Stakeholder Engagement
G4-25		Basis for identification and selection of stakeholders with whom to engage.	Our Values > Stakeholder Engagement
G4-26		Approach to stakeholder engagement.	Our Values > Stakeholder Engagement; Our Commitment > Staff > Employee Engagement and Communication
G4-27		Key topics and concerns that have been raised by stakeholder groups through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Chief Executive's Message; Our Values > Materiality Assessment; Stakeholder Engagement
Report Profile			
G4-28		Reporting period.	About this Report
G4-29		Date of most recent previous report.	About this Report
G4-30		Reporting cycle.	About this Report
G4-31		Contact point for questions regarding the report or its contents.	Contact Us > Feedback Form
G4-32		'In accordance' option the organisation has chosen, GRI Content Index, reference to the External Assurance Report.	About this Report; Report Verification
G4-33		Policy and current practice with regard to seeking external assurance for the report.	About this Report; Report Verification
Governance			
G4-34		Governance structure of the organisation, including committees of the highest governance body. Committee responsible for decision-making on economic, environmental and social impacts.	Annual Report 2015: Corporate Governance Report (page 96-117) Our Commitment > Corporate Governance > Corporate Governance Structure

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI General Standard Disclosures	References
G4-37		Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	Annual Report 2015: Communication with Shareholders (page 110-111); Employee Engagement (page 115) Our Values > Stakeholder Engagement; Our Commitment > Staff > Employee Engagement and Communication
G4-38		Composition of the highest governance body and its committees.	Annual Report 2015: Corporate Governance Report (page 96-105); Biographical Details of Directors and Senior Management (page 118-125) Our Commitment > Corporate Governance; Staff > Occupational Health and Safety; Environment; Community
G4-39		Indicate whether the Chair of the highest governance body is also an executive officer.	Our Commitment > Corporate Governance
G4-40		Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Annual Report 2015: Board Composition (page 97); Appointment and Re-election of Directors (page 99) Our Commitment > Corporate Governance
G4-41		Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	Annual Report 2015: Board Process (page 98-99) Our Commitment > Corporate Governance

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI General Standard Disclosures	References
G4-44		Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, as well as the actions taken.	Annual Report 2015: Corporate Governance Report (page 96-110) Our Commitment > Staff > Occupational Health and Safety; Environment; Community
G4-45		Highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities; and whether stakeholder consultation is used.	Annual Report 2015: Corporate Governance Report (page 96-114) Our Values; Our Commitment > Corporate Governance; Staff > Occupational Health and Safety; Environment; Community
G4-47		Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	Annual Report 2015: Corporate Governance Report (page 96-114) Our Values; Our Commitment > Corporate Governance; Staff > Occupational Health and Safety; Environment; Community Environmental Management Committee meets every quarter to review the Bank's environmental performance. Safety Management Committee meets bi-annually to monitor and advise on occupational health and safety programmes. Corporate Responsibility Committee meets three times a year. Community investment projects approved are reported at Exco Meetings and Board Meetings.

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI General Standard Disclosures	References
G4-49		Process for communicating critical concerns to the highest governance body.	Annual Report 2015: Communication with Shareholders (page 110-111); Employee Engagement (page 115) Our Values > Stakeholder Engagement; Our Commitment > Staff > Employee Engagement and Communication Critical concerns are discussed by the Environmental Management Committee, Health & Safety Committee and Corporate Responsibility Committee, as relevant to their respective responsibilities.
G4-51		Remuneration policies for the highest governance body and senior executives, and how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Annual Report 2015: Remuneration of Directors; Senior Management and Key Personnel (page 106-107)
Ethics and Integrity			
G4-56		Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Chief Executive's Message; Our Values; Our Commitment > Corporate Governance; Customers; Suppliers; Staff; Environment; Community

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GRI G4 Indicators	HKEs ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
Economic			
G4-DMA		Disclosures on management approach.	Chief Executive's Message; Our Values
G4-EC1	KPI D1.2	Direct economic value generated and distributed.	Our Business > What We Do; Our Commitment > Performance > Performance by the Numbers
G4-EC2		Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Our Commitment > Corporate Governance > Responsible Banking Services Hang Seng has not launched any business programme or product covering climate change-related risks or opportunities.
G4-EC3		Coverage of the organisation's defined benefit plan obligations.	Annual Report 2015: Consolidated Statement of Comprehensive Income (page 139)
G4-EC4		Financial assistance received from government.	None in 2015.
G4-EC5		Ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation.	Our Commitment > Staff > Pay and Compensation Our employment practices do not discriminate on the grounds of gender, entry-level wages are the same for men and women who are equally qualified.
G4-EC6		Proportion of senior management hired from the local community at significant locations of operation.	Annual Report 2015: Appointment and Re-election of Directors (page 99); Biographical Details of Directors and Senior Management (page 118-129) Our Commitment > Staff > Equal Opportunities, Diversity and Inclusion Our employment practices do not discriminate on grounds of nationality.

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G4-EC7	KPI D1.1	Development and impact of infrastructure investments and services supported.	Our Commitment > Community
G4-EC9		Proportion of spending on local suppliers at significant locations of operation.	Our Commitment > Customers; Suppliers The Bank's Purchase and Expense Control Manual governs purchase activities.
Environmental			
G4-DMA	GD B1, B2, B3 KPI B1.5, B1.6, B2.3, B2.4	Disclosures on management approach.	Our Values; Our Commitment > Corporate Governance; Environment
G4-EN1	KPI B2.5	Materials used by weight or volume.	Our Commitment > Environment > Greening our Operations
G4-EN2		Percentage of materials used that are recycled input materials.	Our Commitment > Environment
G4-EN3	KPI B2.1	Energy consumption within the organisation.	Our Commitment > Environment > Greening our Operations
G4-EN8	KPI B2.2	Total water withdrawal by source.	Our Commitment > Environment > Greening our Operations
G4-EN11		Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.	Not applicable – given the nature of our business with its urban centre locations, this is not a material issue for our direct operations.
G4-EN12	KPI B3.1	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not applicable – given the nature of our business with its urban centre locations, this is not a material issue for our direct operations.
G4-EN15	KPI B1.1, B1.2	Direct greenhouse gas (GHG) emissions (Scope 1).	Our Commitment > Environment > Greening our Operations
G4-EN16	KPI B1.1, B1.2	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Our Commitment > Environment > Greening our Operations

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-EN17	KPI B1.1, B1.2	Other indirect greenhouse gas (GHG) emissions (Scope 3).	Our Commitment > Environment > Greening our Operations
G4-EN20	KPI B1.1	Emissions of ozone-depleting substances.	Not applicable – no significant amount
G4-EN21	KPI B1.1	NOx, SOx and other significant air emissions.	Not applicable – no significant NOx, SOx, and other significant air emissions.
G4-EN22	KPI B1.3, B1.4	Total water discharge by quality and destination.	Due to the nature of our industry, the volume of our wastewater discharge is about the same as our water consumption. All wastewater goes to the government sewerage system.
G4-EN23	KPI B1.3, B1.4	Total weight of waste by type and disposal method.	Our Commitment > Environment > Greening our Operations
G4-EN24		Total number and volume of significant spills.	Not applicable – due to the nature of our industry.
G4-EN27	KPI B3.1, B2.3	Extent of impact mitigation of environmental impacts of products and services.	Our Commitment > Corporate Governance > Responsible Banking Services; Customers > Service Environment, Championing Local Business
G4-EN28	KPI B2.5	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable – due to the nature of our industry.
G4-EN29		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None in 2015.
Social – Labour Practices and Decent Work			
G4-DMA	GD A1, A2, A3	Disclosures on management approach.	Chief Executive's Message; Our Values; Our Commitment > Staff
G4-LA1	KPI A1.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Our Commitment > Staff > A Statistical Snapshot of Our People

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-LA3		Return to work and retention rates after parental leave, by gender.	Our Commitment > Staff > Work-Life Balance
G4-LA4		Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Due consideration is given to the minimum notice period and communication channels for the implementation of any significant operational changes.
G4-LA5	KPI A2.3	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Our Commitment > Staff > Occupational Health and Safety; Customers > Service Environment
G4-LA6	KPI A2.1, A2.2	Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender.	Our Commitment > Staff > Occupational Health and Safety
G4-LA7	GD A3	Workers with high incidence or high risk of diseases related to their occupation.	Our Commitment > Staff > Occupational Health and Safety; Customers > Service Environment
G4-LA8		Health and safety topics covered in formal agreements with trade unions.	We do not have formal agreement with trade unions.
G4-LA9	KPI A3.1, A3.2	Average hours of training per year per employee by gender and by employee category.	Our Commitment > Staff > Training and Skills Development
G4-LA10	KPI A3.1, A3.2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our Commitment > Staff > Training and Skills Development
G4-LA11	KPI A3.1, A3.2	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Our Commitment > Staff > Training and Skills Development
G4-LA12		Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	Annual Report 2015: Board Composition (page 97); Biographical Details of Directors and Senior Management (page 118-129) Our Commitment > Staff > A Statistical Snapshot of Our People

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GRI G4 Indicators	HKEs ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-LA13		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	<p>Our Commitment > Staff > Equal Opportunities, Diversity and Inclusion</p> <p>Employee remuneration is not determined on the grounds of gender, but with reference to employees' performance, experience and market data relevant to their skills and responsibilities.</p> <p>The Bank adopts a performance-based remuneration system to reward its employees for their contribution such that employees are incentivised through salary adjustment, variable pay and long-term incentives, which are tied to the Bank's overall performance and each employee's individual performance and contribution.</p>
Social – Human Rights			
G4-DMA	GD A4, C1	Disclosures on management approach.	Chief Executive's Message; Our Values; Our Commitment > Corporate Governance > Responsible Banking Services; Staff
G4-HR1		Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	<p>Our Commitment > Corporate Governance > Responsible Banking Services</p> <p>All investment agreements and contracts are set under the responsible financing guidelines.</p>
G4-HR2		Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Our Commitment > Staff > Equal Opportunities, Diversity and Inclusion

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-HR3		Total number of incidents of discrimination and actions taken.	None in 2015.
G4-HR4		Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken support these rights.	We do not consider our operations or suppliers to have high exposure to human rights-related risks and we have not identified any operations that constitute risk to the right to exercise freedom of association or collective bargaining.
G4-HR5	KPI A4.1, A4.2	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Under the Labour Law of Hong Kong, we do not consider our operations or significant suppliers to have high exposure to risk concerning the use of child labour.
G4-HR6	KPI A4.1, A4.2	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	We do not consider our operations or significant suppliers to have high exposure to risk concerning the use of forced or compulsory labour.
G4-HR7		Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations.	100% of security personnel trained. The Bank places strong importance on all aspects of human rights and also health and safety.
G4-HR8		Total number of incidents of violations involving rights of indigenous people and actions taken.	None in 2015.
G4-HR9		Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	None in 2015.

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GRI G4 Indicators	HKEs ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-HR10	KPI C1.1, C1.2	Percentage of new suppliers that were screened using human rights criteria.	None in 2015. Suppliers are required to fulfil and comply with the Ethical Code of Conduct and the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services as set out under HSBC Group policy. We added a new appendix on core sustainability assessment to our purchasing policy in 2015 to ensure that every new supplier clearly understands the Bank's sustainability requirements. This also serves as a useful tool for suppliers to assess their current status in aiming to work out a development plan to fulfil the standards required under our policy.
G4-HR12		Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms.	None in 2015.
Social – Society			
G4-DMA	GD C3, D1	Disclosures on management approach.	Chief Executive's Message; Our values; Our Commitment > Corporate Governance; Community
FS13		Access points in low-populated or economically disadvantaged areas by type.	Our Commitment > Customers > Access for All
FS14		Initiatives to improve access to financial services for disadvantaged people.	Our Commitment > Customers > Access for All
G4-SO1		Percentage of operations with implemented local community engagement, impact assessments and development programmes.	Our Commitment > Customers > Access For All, Helping Customers Face Financial Challenges, Community Outreach; Community The approach is applicable to all operation covered by this Report.

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-S02		Operations with significant actual and potential negative impacts on local communities.	Given our business nature and our sustainability approach, our impacts on Hong Kong society are benign.
G4-S03	KPI C3.1, C3.2	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Annual Report 2015: Risk Management (page 34-83)
G4-S04	KPI C3.1, C3.2	Communication and training on anti-corruption policies and procedures.	100% of employees were trained in the Bank's anti-corruption policies and procedures in 2015. Our Commitment > Corporate Governance > Risk Management
G4-S05	KPI C3.1, C3.2	Confirmed incidents of corruption and actions taken.	None in 2015.
G4-S06		Total value of political contributions by country and recipient/ beneficiary.	None in 2015.
G4-S07		Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	None in 2015.
G4-S08		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None in 2015.
Social: Product Responsibility			
G4-DMA	GD C2, KPI C2.4	Disclosures on management approach.	Our Values; Our Commitment > Corporate Governance; Customers; Community
FS6		Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector.	Annual Report 2015: Segmental Analysis (page 167-170)
FS7		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Our Commitment > Performance > Performance by the Numbers
FS8		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Our Commitment > Corporate Governance > Responsible Banking Services
G4-PR1	KPI C2.1, C2.2	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Due to the nature of our business, the Bank's products and services do not involve any significant health and safety impacts to be assessed.

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
G4-PR2		Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	None in 2015.
G4-PR3		Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	Our Commitment > Customers > Access for All; Suppliers
G4-PR4		Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	None in 2015.
G4-PR5		Results of surveys measuring customer satisfaction.	Our Commitment > Customers
G4-PR6		Sale of banned or disputed products.	None in 2015.
G4-PR7		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	None in 2015.
G4-PR8	KPI C2.5	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	The Bank received a few complaints on alleged breaches of customer privacy and losses of customer data in 2015. These cases were investigated and resolved with appropriate remedial and preventive measures.
G4-PR9		Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None in 2015.
Financial Services Sector Supplement			
FS1		Policies with specific environmental and social components applied to business lines.	Our Commitment > Corporate Governance > Responsible Banking Services
FS2		Procedures for assessing and screening environmental and social risks in business lines.	Our Commitment > Corporate Governance > Responsible Banking Services
FS3		Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Our Commitment > Corporate Governance > Responsible Banking Services

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GRI G4 Indicators	HKEx ESG Reporting Guide	GRI Specific Standard Disclosures (Financial Services Sector)	References
FS4		Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Our Commitment > Corporate Governance > Responsible Banking Services; Staff > Training and Skills Development
FS5		Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Our Commitment > Corporate Governance > Risk Management, Responsible Banking Services; Suppliers
FS9		Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Our Commitment > Corporate Governance > Risk Management
FS10		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 adheres strictly to its environmental policies. Every corporate customer will be assigned a sustainability risk rating (SRR) (SRR customer rating: Leader/ Compliant/ Near-compliant/ Non-compliant/ NA; SRR impact rating: High/ Medium/ Low/ No Risk).
FS11		Percentage of assets subject to positive and negative environmental or social screening.	We do not report publicly on this indicator – all subsidiaries are covered by the HSBC Group's sustainability policies.
FS12		Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	We do not report publicly on this indicator – all subsidiaries are covered by the HSBC Group's sustainability policies.
FS15		Policies for the fair design and sale of financial products and services.	Our Commitment > Customers > Access for All
FS16		Initiatives to enhance financial literacy, by type of beneficiary.	Our Commitment > Customers > Community Outreach



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VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has been commissioned by Hang Seng Bank Limited ("Hang Seng") to conduct an independent verification of its Corporate Sustainability Report 2015 ("the Report"). The Report describes Hang Seng's efforts to support the principles of sustainable development during the calendar year of 2015. The Report focuses on the economic, environmental and social issues that contribute to the sustainability of Hang Seng and are of interest to stakeholders.

The aim of this verification was to provide a reasonable assurance on the reliability of the reporting contents. The Report is prepared in accordance with the Core Option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and The Stock Exchange of Hong Kong Limited's (SEHK) Environmental, Social and Governance (ESG) Reporting Guide as well as the Financial Services Sector Disclosures.

Methodology

The verification methodology was reference to practices such as:

- International Standard on Assurance Engagement 3000 (Revised) – "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board;
- GRI G4 Sustainability Reporting Guidelines and the Financial Services Sector Disclosures; and
- SEHK's ESG Reporting Guide.

The verification process included reviewing of relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying the selected representative sample of data and information presented in the Report. Raw data and supporting evidence of the selected samples were thoroughly examined.

Independence

HKQAA was not involved in collecting and calculating data, or in the development of the Report. HKQAA's activities are independent from Hang Seng.

Conclusion

The verification results revealed that the Report has been prepared in accordance with the Core Option of the GRI G4 Sustainability Reporting Guidelines and the Financial Services Sector Disclosures as well as the SEHK's ESG Reporting Guide. The Report provides a reliable, accurate and consistent reflection of the sustainability achievement of Hang Seng in 2015. It is a fair, balanced and honest presentation of the identified material aspects with a stronger coherence to stakeholders' expectations.

The materiality assessment and stakeholder engagement process has been continuously evolved with ceaseless efforts that form the basis of the report contents. Similar to other years, numbers of engagement events were held between Hang Seng and its stakeholders in 2015 to establish effective dialogues and responses. The determination of integrating sustainability into Hang Seng's day-to-day operations has been sustained with even greater management commitments and stewardship as witnessed throughout the many corporate sustainability strategies and programs. Reliability and accuracy of the contents stated within the Report is doubtless as the data and information mechanism is robust and well-structured.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Verification Team Leader
May 2016

Jorine Tam
Director, Corporate Business

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Thank you for reading our Corporate Sustainability Report 2015. Your comments and suggestions play an important part in our efforts to continually improve our performance. We would greatly appreciate it if you could take a few minutes to complete our feedback form.



You can also e-mail your comments to: csreport@hangseng.com.

