



恒生銀行  
HANG SENG BANK

Stock Code: 11



## Corporate Sustainability Report 2019

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

The report describes our sustainable development efforts during the calendar year 2019. It focuses on the economic, environmental and social issues that impact our sustainability and that are of interest to stakeholders. It supplements information in the Bank's Annual Report 2019.

## Report Scope

The content of this report is defined by issues arising from our operations in Hong Kong.

Measurement techniques and calculations are explained next to data tables. Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year 1 January to 31 December 2019. Other information covers the same period unless otherwise stated.

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

For more details on the report scope, see [About This Report](#).

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# Chief Executive's Message



As a homegrown financial institution, Hang Seng shares the drive, determination and dreams of the people of Hong Kong and strives to build a prosperous and sustainable future for our city.

As a homegrown financial institution, Hang Seng shares the drive, determination and dreams of the people of Hong Kong and strives to build a prosperous and sustainable future for our city.

Our position as Hong Kong's leading domestic bank reflects our progressive business approach that puts at its centre the needs and well-being of people – be they customers, staff or other stakeholders.

In establishing our sustainability goals, we take the same approach of striving to be our best by serving people right. This means continually improving how we engage with our stakeholders, setting targets for reducing our greenhouse gas emissions and use of natural resources, and implementing and upholding high standards of transparency

and compliance. As the only local bank in Hong Kong to be included as a constituent of the Dow Jones Sustainability Asia Pacific Index 2019, we aim to continue reaching new heights in sustainability excellence.

We have improved channels for listening to the needs and aspirations of our customers. We are responding to growing demand for faster, simpler, more convenient and inclusive services by combining the best of online and offline banking. Our market innovations include AI chatbot services for retail and corporate customers. We are also the first local bank to apply near-field communication (NFC) technology in mobile-initiated contactless ATM cash withdrawals. Our service development model is designed to offer customers greater flexibility, security and choice in managing their banking needs.

We recognise the importance of sustainability in contributing to a positive future. Our community-based investment focuses on creating greater opportunities for young people through programmes such as our long-standing Hang Seng Table Tennis Academy initiative and our recently launched "I am..." online advice portal and app. Both are designed to nurture qualities and skills that will enable young people to thrive in a fast-changing environment.

Staff engagement initiatives such as town hall meetings and H@SE, our internal social communication app, give us insights to improve employee experience and focus on their well-being. This is enabling us to address employee concerns more effectively and to provide meaningful resources and support, such as promoting mental health awareness and flexible working practices to maintain a good work-life

# Chief Executive's Message



balance; and promoting inclusion in the workplace that is made up of generational differences, millennials, new joiners and working parents. We are pleased to report that Hang Seng was named the Most Attractive Employer in the Banking and Financial sector at the Randstad Employer Brand Awards 2019 in Hong Kong.

Our sustainability policies, targets and actions reflect our support for the United Nations' Sustainable Development Goals, as well as our belief that the financial services industry must play an active role in improving the livelihoods and living conditions of people around the world, including by helping to facilitate the transition to a low-carbon global economy. We have robust processes in place to ensure that our financing

decisions do not support or facilitate the exploitation of people or actions that have an unacceptable impact on the environment.

We are actively involved in promoting greater financial literacy through several programmes for adults and children. We are also working to encourage greener practices through initiatives such as our Green Financing Promotion Scheme, which offers commercial customers incentives for the acquisition of environmentally friendly equipment.

We have made solid progress in 2019 but sustainability is a moving target and there is still much to do. Areas of particular focus for us in 2020 will be reinforcing our disclosure

governance and controls, and ensuring that the Board and senior management further integrate environmental, social and governance initiatives into our business strategy.

This report details where we are on sustainability, what we have achieved in 2019, where we want to go and how we plan to achieve our goals. I hope you find it useful and interesting.

**Louisa Cheang**

Vice-Chairman and Chief Executive  
Hang Seng Bank





## Our Strategy

As Hong Kong's leading domestic bank, our sustainable business growth is built on service excellence. We seek to meet the needs of customers, add value for shareholders, provide fulfilling careers for staff, and contribute to a vibrant local economy and civic pride.



### Corporate governance and business

- ✦ We are committed to high standards of corporate governance and safeguarding the interests of shareholders, customers, employees and other stakeholders.
- ✦ We are committed to delivering high quality, accessible services.

### Actions

- ✦ Our responsible banking services carefully assess environmental and social risks when approving loans and investments.
- ✦ Our Corporate Responsibility Indexes, launched by the Hang Seng Indexes Company Limited, drive the adoption of sustainable practices by ranking companies according to environmental, social and governance measures.
- ✦ Our risk management framework proactively identifies and analyses risks to our business.
- ✦ For the past four years, our customer satisfaction rating has been between 95% and 99%.



### People

- ✦ As one of Hong Kong's largest employers, we are committed to recruiting and retaining the best talent, and supporting our local community.
- ✦ We invest in training and developing our staff.

### Actions

- ✦ We make a commitment to our people: 99% of our staff are full-time equivalent.
- ✦ We have devoted resources to appoint a senior management team that is drawn from our local community.
- ✦ Staff in Hong Kong undertook an average 5.5 days of training in 2019.



### Environment

- ✦ We are committed to greening our business operations.

### Actions

- ✦ We are making good progress towards our 2020 CO<sub>2</sub> emission, waste and paper use reduction targets. We have met our target to use 100% sustainably sourced paper.



### Community investment

- ✦ We are committed to our community, and to supporting young people, fitness, culture and creativity.

### Actions

- ✦ Since 2010, Hang Seng has invested HK\$282m in community development programmes in Hong Kong, including HK\$33m in 2019. In addition to our community investment initiatives, we organised over 80 community-based activities for bank volunteers.

# Our Business Values: Principles in Practice



## Hang Seng Corporate Sustainability Matrix



## Sustainable Business Success

### Our Values: D.O.C.

Our values are the enduring values that we live by. They are the behavioural standards we set and which should influence all of our actions as employees of Hang Seng.

### Dependable and do the right thing

- ✦ stand firm for what is right, deliver on commitments, be resilient and trustworthy;
- ✦ take personal accountability, be decisive, use judgment and common sense, empower others.

### Open to different ideas and cultures

- ✦ communicate openly, honestly and transparently, value challenge, 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 individuals and their progress, show respect, be supportive and responsive.

## "RIGHT" TOGETHER



In 2019, we launched a bank-wide cultural change initiative, "RIGHT" Together programme, which aims to promote positive behaviours which form part of a thriving corporate DNA. These efforts support our goal of "Serving Customers Right and Serving the Right Customers" for sustainable business growth. It comprises of five principles:

- ✦ **READY** to challenge across boundaries with an open mind
- ✦ **IGNITE** curiosity to identify root causes and long-term solutions
- ✦ **GO** ahead, escalate concerns
- ✦ **HIGHER** standards by holding yourself and others accountable
- ✦ **TOGETHER** we recognise good conduct and behaviour

# Our Business Values: Principles in Practice



## Our Values: Our Stakeholders

We openly and actively engage those who are highly influential to our business, and those whom our operations affect significantly.

Understanding our customers, staff, shareholders, suppliers, business partners, regulators, and the wider community's opinions, priorities and values helps us to better serve their evolving needs. It also helps us to recognise their expectations and concerns regarding our governance, management and sustainability.

It enables us to respond proactively and creatively to opportunities and challenges, and to build long-term loyalty and trust, as a financial services provider, an employer and a corporate citizen. This contributes to the positive development of our community, which in turn supports our sustainable growth.

By engaging stakeholders through customer surveys, staff intranet, corporate social responsibility (CSR) programmes and community-based volunteering, we identify the areas in which our efforts will have the greatest positive impact.

As part of this year's report preparation, we engaged internal and external stakeholders via an online survey and one-on-one interviews. To ensure open dialogue and impartiality, this exercise was facilitated by an independent third-party consultant and conducted with reference to the AA1000 Stakeholder Engagement Standard and the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness.



Stakeholders were also engaged via the following channels in 2019:

Stakeholders	Primary methods of engagement	Stakeholders	Primary methods of engagement
<b>Customers</b>	<ul style="list-style-type: none"> <li>❖ Daily operations and interactions</li> <li>❖ Financial market updates</li> <li>❖ Relationship manager visits and meetings</li> <li>❖ Seminars and conferences</li> <li>❖ Customer loyalty events</li> <li>❖ Customer satisfaction surveys</li> <li>❖ Online community</li> </ul>	<b>Business partners</b>	<ul style="list-style-type: none"> <li>❖ Reports</li> <li>❖ Visits and meetings</li> <li>❖ Gatherings and seminars</li> <li>❖ Relationship-building events</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>❖ Annual General Meeting</li> <li>❖ Corporate communications</li> <li>❖ Interim and annual reports</li> <li>❖ Results announcements</li> </ul>	<b>Regulators</b>	<ul style="list-style-type: none"> <li>❖ Meetings</li> <li>❖ Compliance reporting</li> <li>❖ On-site inspections</li> <li>❖ Ad hoc enquiries</li> <li>❖ Circulars and guidelines</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>❖ Surveys</li> <li>❖ Focus groups</li> <li>❖ Face-to-face interviews</li> <li>❖ Training and workshops</li> <li>❖ Performance and development discussions</li> <li>❖ Staff intranet</li> <li>❖ Staff mobile app</li> <li>❖ Business briefings</li> <li>❖ Town hall meetings, hosted by Chief Executive and business/function heads</li> <li>❖ Regular exchange meetings, hosted by Chief Executive and managers</li> <li>❖ Speed networking events</li> <li>❖ Forums hosted by businesses/functions to profile their work and expose staff to internal opportunities</li> <li>❖ Employee representation on staff retirement committee</li> <li>❖ Volunteer activities</li> <li>❖ CSR programmes and communications</li> </ul>	<b>Media</b>	<ul style="list-style-type: none"> <li>❖ Briefings</li> <li>❖ Press materials</li> <li>❖ Senior management interviews</li> <li>❖ Results announcements</li> <li>❖ Social gatherings</li> </ul>
		<b>Non-governmental organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>❖ Volunteer activities</li> <li>❖ Community investments and donations</li> <li>❖ CSR programmes/communications</li> <li>❖ Staff workshops</li> <li>❖ Visits and meetings</li> </ul>
		<b>Financial sector peers</b>	<ul style="list-style-type: none"> <li>❖ Strategic collaborations</li> <li>❖ Group circulars</li> <li>❖ Town hall meetings</li> <li>❖ Hong Kong Association of Banks meetings and circulars</li> </ul>
		<b>Professional bodies (including rating agencies)</b>	<ul style="list-style-type: none"> <li>❖ Visits and meetings</li> <li>❖ Memberships</li> <li>❖ Committees/working groups</li> <li>❖ Workshops</li> <li>❖ External audits</li> <li>❖ Index assessments/questionnaires</li> <li>❖ Financial education programmes</li> </ul>
<b>Business analysts/investors</b>	<ul style="list-style-type: none"> <li>❖ Results announcements</li> <li>❖ Post-results announcement briefings</li> <li>❖ Senior management meetings</li> <li>❖ Investor relations meetings</li> </ul>	<b>Suppliers</b>	<ul style="list-style-type: none"> <li>❖ Risk management processes</li> <li>❖ Due diligence processes</li> <li>❖ Performance reviews</li> <li>❖ Visits and meetings</li> </ul>

## From Feedback to Action

Hang Seng's multifaceted approach gives stakeholders ample opportunities to communicate their key areas of interest to us. During the reporting period, internal and external groups provided constructive feedback. Examples of that feedback, and how we addressed the questions raised, are detailed below.

### Financial inclusion

Our peers wanted to know: "What financial services and help does Hang Seng offer to the less fortunate or to small businesses?"

We provide free market analysis videos, investment talks and advice to help customers understand how to make the most of their money. Some are targeted at specific groups, such as athletes.

We offer services for those in [financial difficulty](#) and we partner with NGOs – including the Caritas Family Crisis Support Centre and the Tung Wah Group of Hospitals' Healthy Budgeting Family Debt Counseling Centre – to help individuals in financial difficulty, by offering debt-restructuring services.

We invest in young people and the businesses of the future with fintech education for secondary and university students. And we are proud to launch [e\\$mart Financial Education](#) in 2020: the first financial education programme for Hong Kong primary schools focusing on digital transactions.

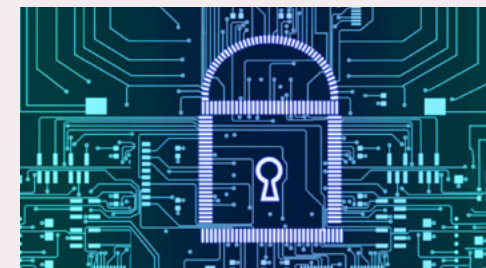
### Cybersecurity

Our customers and suppliers asked: "As Hang Seng develops its digital and virtual banking capabilities, how does it maintain information security?"

Every year, an external consultant assesses our information security system, using the NIST Cybersecurity Framework.

For our customers, we provide cybersecurity education to raise their awareness, and utilise technology to improve customer authentication security, such as implementing voice recognition in phone banking service. Products undergo security and cloud testing, and suppliers undergo a third-party review.

For staff, cybersecurity training is mandatory. We promote a cybersecure culture with regular emails, phishing tests, an incident response team, promotional campaigns and the awarding of cybersecurity stars.





## From Feedback to Action

### Employee engagement

Our suppliers, NGOs and peers asked: "Working with Hang Seng's staff, we see they have high morale. How does the Bank keep employees engaged?"



Biannual surveys bring our staff's voices to decision-making and action-planning. One survey focuses on aspects of well-being, such as work-life balance, and financial well-being.

We also run exchange meetings, at management and departmental level, to listen to each other, understand different views, build trust and make connections. This allows managers

to understand what matters to employees, and hence make informed decisions. We have a raft of initiatives, from speed networking to "Are you IN?" events, for building relationships, sharing ideas and developing careers. Our new internal social networking app H@SE allows staff to engage in open, transparent and two-way communication.

### Sustainable finance

Our shareholders, investors, customers and employees asked: "Green finance has become a buzzword in Hong Kong. How will Hang Seng tap into this market opportunity?"

Sustainable finance underpins our operations. We assess corporate loan applications for sustainability, and require an action plan to be implemented if risks are identified.

In 2019, Hang Seng Indexes Company Limited was proud to launch the HSI ESG (environmental, social and governance) Index and HSCEI ESG Index. These are ESG-factor-adjusted versions of our flagship benchmarks: the Hang Seng Index and the Hang Seng China Enterprises Index.

To promote awareness of environmental protection and green financing, we hosted Low-Carbon Luncheons for clients from June to August 2019. The menus accorded with our goals of saving energy and reducing our greenhouse gas emissions and carbon footprint. We used seasonal, local and organic ingredients assured by the Agriculture, Fisheries and Conservation Department, such as fish from an accredited farm. Ingredients were chosen to reduce transport and refrigeration emissions, the use of fertilisers and pesticides, and the energy needed for processing and packaging.

## Our Materiality Assessment

In sustainability terms, our standard for materiality is an issue that could significantly affect our reputation or viability, and/or impact on a stakeholder's decision to do business with Hang Seng.

For this Corporate Sustainability Report, the following steps determined relevant issues and their materiality:

### 1. Identifying sustainability issues

Using the 21 material topics in the previous year's report as a basis, we analysed industry trends. We added "sustainable finance" as an issue to be considered.

### 2. Ranking sustainability issues

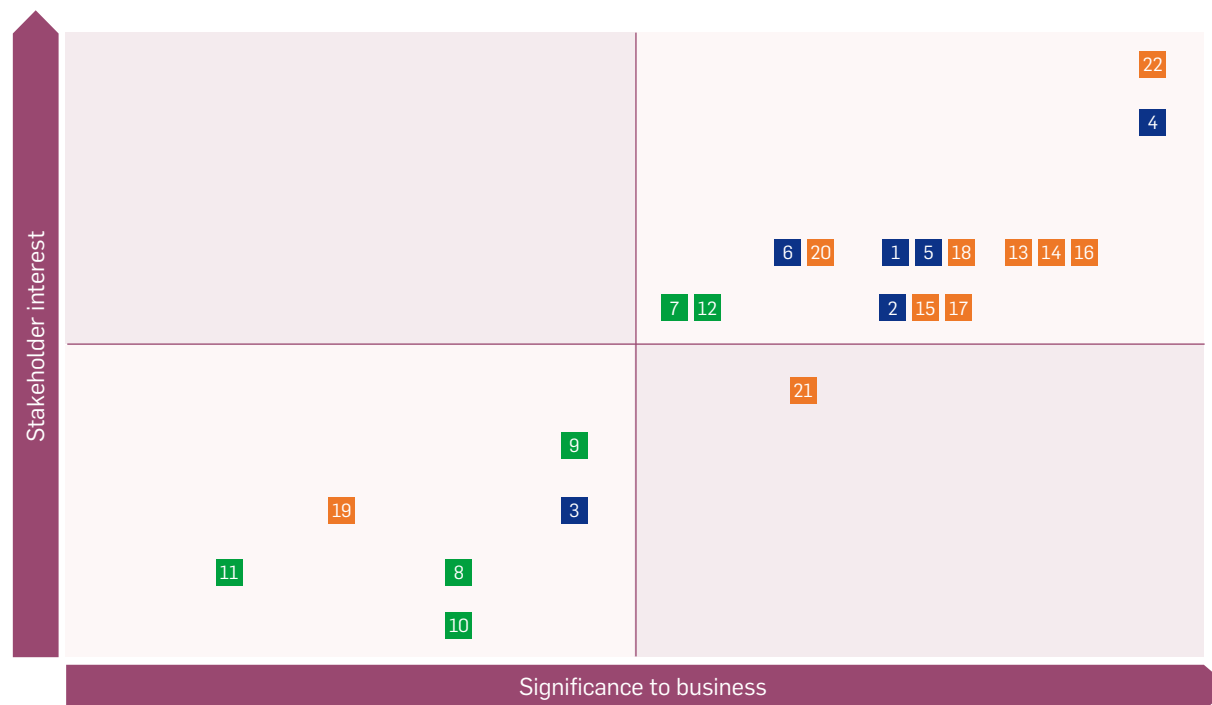
A total of 260 stakeholders participated in an online survey to rank the importance of the identified issues. They were also asked if last year's topics should be retained and whether additional topics should be considered. These results were used to plot the sustainability issues matrix (diagram on the right).

### 3. Validating the results

The results of the materiality assessment were validated by qualitative feedback from stakeholder engagement and peer benchmarking. Finally, the recommended issues were endorsed by senior management.

Of the 22 issues identified, 15 were mapped as the most relevant to our business and operations, inside and outside the Bank. These 15 issues, their areas of impact, and the sections in which they appear in this report are indicated on the next page.

## HANG SENG'S SUSTAINABILITY ISSUES



The seven topics identified as being of less interest to stakeholders are:

- |                         |                                                 |
|-------------------------|-------------------------------------------------|
| 3 Procurement practices | 11 Biodiversity                                 |
| 8 Effluents and waste   | 19 Child labour and forced or compulsory labour |
| 9 Materials             | 21 Public policy                                |
| 10 Water                |                                                 |

The remaining 15 issues are detailed on the next page.

## Our Materiality Assessment > > >

Most material topics	Areas of impacts						Reference
	Inside Hang Seng	Outside Hang Seng (major stakeholders)					
	Employees	Customers	Business partners	Regulators	Suppliers	Non-governmental organisations	
Economic							
1 Economic performance	✓	✓	✓	✓	✓	✓	<a href="#">Our Business Values</a>
2 Market presence	✓	✓	✓	✓	✓		<a href="#">Annual Report 2019</a>
4 Anti-corruption	✓	✓	✓	✓	✓	✓	<a href="#">Our Risk Management</a> ; <a href="#">Our People</a>
5 Financial inclusion	✓	✓				✓	<a href="#">Our Business Values</a> ; <a href="#">Our Customers</a> ; <a href="#">Our Community</a>
6 Sustainable finance	✓	✓		✓			<a href="#">Our Business Values</a> ; <a href="#">Our Risk Management</a> ; <a href="#">Our Customers</a>
Environmental							
7 Energy and greenhouse gas emissions	✓	✓	✓	✓	✓	✓	<a href="#">Our Environment</a>
12 Climate change mitigation and adaptation	✓	✓	✓	✓	✓	✓	<a href="#">Our Customers</a> ; <a href="#">Our Environment</a>
Social							
13 Employment	✓	✓	✓	✓	✓	✓	<a href="#">Our Risk Management</a> ; <a href="#">Our People</a> ; <a href="#">Our Community</a>
14 Labour / management relations	✓						<a href="#">Our People</a>
15 Occupational health and safety	✓	✓	✓	✓			<a href="#">Our Customers</a> ; <a href="#">Our People</a>
16 Training and education	✓						<a href="#">Our Risk Management</a> ; <a href="#">Our People</a>
17 Diversity and equal opportunity	✓	✓	✓	✓		✓	<a href="#">Our Risk Management</a> ; <a href="#">Our People</a>
18 Nondiscrimination	✓	✓	✓	✓	✓	✓	<a href="#">Our Risk Management</a> ; <a href="#">Our People</a>
20 Local communities	✓	✓	✓	✓		✓	<a href="#">Our Community</a>
22 Customer privacy	✓	✓	✓	✓			<a href="#">Our Risk Management</a> ; <a href="#">Our Customers</a>

# Our Business Values: Principles in Practice



## Our Materiality Assessment

### Continual improvement

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

Hang Seng's ESG performance has earned external recognition. Our Corporate Sustainability Report 2018 received a gold award at the 2019 International ARC Awards.

Our business culture encourages employees to keep corporate sustainability at the heart of our operations. CSR Sustainers motivate and mentor their colleagues, uphold our principles and enhance our performance. (See Best practice: Building better corporate sustainability from within)



## BEST PRACTICE: BUILDING BETTER CORPORATE SUSTAINABILITY FROM WITHIN

Our CSR Sustainers, appointed by their respective department heads, ensure the transparency of our reporting and analyse sustainability trends in their areas of expertise. Their appointments are reviewed every year.

Annual workshops help us identify relevant issues and ways to enhance engagement with stakeholders.







The key responsibilities of our CSR Sustainers include:

- ❖ Understanding ESG disclosure requirements and controls
- ❖ Identifying appropriate data owners within divisions/departments and communicating disclosure requirements to them
- ❖ Providing quality-controlled data for reports and index assessments (including bank initiatives and ESG performance objectives)
- ❖ Engaging stakeholders to identify issues that impact on our ESG performance
- ❖ Supporting the external verification body for the Corporate Sustainability Report
- ❖ Driving good ESG practices in their division/department
- ❖ Mobilising staff to participate in ESG activities and forums organised by the Bank

We provide a summary of the Bank's sustainability principles on our intranet. This is accessible by all staff. We encourage employees to read our Corporate Sustainability Report and to provide feedback on its content.



## Hang Seng and the UN Sustainable Development Goals

UNSDG	Hang Seng's key targets / actions	Reference
	<ul style="list-style-type: none"> <li>❖ Provision of training according to role, to enhance staff's technical knowledge and transferable skills</li> <li>❖ Investment in the community to provide future skills for youth regardless of their social or economic status</li> </ul>	<a href="#">Our People</a> <a href="#">Our Community</a>
  	<ul style="list-style-type: none"> <li>❖ Commitment to responsible banking services</li> <li>❖ Promotion of green initiatives through the Bank's services and operations, and community investment programmes</li> <li>❖ Support for and participation in green loans</li> </ul>	<a href="#">Our Risk Management</a> <a href="#">Our Customers</a> <a href="#">Our Environment</a> <a href="#">Our Community</a>
	<ul style="list-style-type: none"> <li>❖ Upholding high standards of governance</li> <li>❖ Adoption of the Board Diversity Policy, in the spirit of transparency and governance</li> <li>❖ Regular reviewing of policies, benchmarking of employee benefits against the market, and enhancement of workplaces to ensure they are fit for purpose and support employee well-being</li> </ul>	<a href="#">Our Risk Management</a> <a href="#">Our People</a>
	<ul style="list-style-type: none"> <li>❖ Commitment to responsible operations and effective supply-chain management</li> </ul>	<a href="#">Our Risk Management</a> <a href="#">Our Environment</a>

## What We Do 🎯🎯🎯

The Bank's major or well-known business activities can be categorised as:



[Retail Banking and  
Wealth Management](#)



[Commercial  
Banking](#)



[Global Banking  
and Markets](#)



[Hang Seng  
Indexes](#)

## HANG SENG SUSTAINABILITY INDEX FAMILY

The market's appetite for sustainable investments is growing. Accordingly, in 2019, we introduced two additions to our Sustainability Index family: the HSI ESG Index and HSCEI ESG Index.

The new indexes share constituents with the Hang Seng Index and Hang Seng China Enterprises Index but with weighting tilted according to ESG scores.

Another member of the family is the Hang Seng Corporate Sustainability Index Series. This identifies "best-in-class" ESG companies. The selection process is robust. We consider the results of a sustainability assessment undertaken by the Hong Kong Quality Assurance Agency. Eligible companies are evaluated against general and industry-specific criteria in seven core areas:



This process ensures that the Index Series is objective, reliable and a repository of companies that are highly investable. It provides excellent benchmarks for index funds with a corporate sustainability theme.

For details of the index methodology, visit the [Hang Seng Indexes website](#).

## What We Do



## Our performance

We contribute to the positive development of our community and to achieving sustainable growth. We directly drive Hong Kong's economy by supporting SMEs and local businesses, paying tax and being one of the region's largest private sector employers.

Our Directors and senior management contribute valuable knowledge to the community. Some serve as directors on the boards of other large Hong Kong companies, participate in think tanks that focus on economic and social issues, and are members of government and industry advisory groups and organisations. Some also hold senior positions on the boards and committees of NGOs and charitable organisations working to solve economic and social challenges in Hong Kong.

Economic	2019	2018	2017	2016
<b>Direct economic value</b>				
Generated (HK\$m) <sup>1</sup>	43,521	41,220	35,367	30,612
Distributed (HK\$m)	30,442	29,399	25,954	23,720
Operating costs	4,661	4,994	4,282	4,202
Employee compensation and benefits	6,229	5,656	5,122	4,807
Payments to providers of capital	16,020	14,756	13,198	12,008
Payments to government in Hong Kong	3,465	3,907	3,278	2,628
Payments to government outside Hong Kong	36	55	46	51
Charitable donations	31	31	28	24
Retained (HK\$m) <sup>2</sup>	13,079	11,821	9,413	6,892

Data coverage: Hang Seng Group

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

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

Community	2019	2018	2017	2016
Number of outlets as of 31 Dec	297	286	270	270
Number of customers as of 31 Dec (m)	>3	>3	>3	>3
Community investment (HK\$m)	33	32	31	26

## What We Do

### Corporate sustainability recognition

Constituent stock of Dow Jones Sustainability Asia Pacific Index 2019

Constituent stock of FTSE4Good Developed Index *(Since 2001)*

Constituent stock of MSCI Pacific ex Japan SRI Index *(Since 2015)*

Constituent stock of Hang Seng Corporate Sustainability Index Series *(Since 2010)*

Constituent stock of Hong Kong Business Sustainability Index *(Since 2015)*

Hong Kong Council of Social Service Caring Company *(Since 2003)*

Junzi Corporation *(Since 2011)*

## MEMBERSHIPS OF INDUSTRY ASSOCIATIONS

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







**Managing risk**  
is a core part of our  
day-to-day activity.

Managing risk is a core part of our day-to-day activity. We protect our operations against compliance risks, and have strong, transparent corporate governance procedures in place. We also have robust procedures to manage information risks such as data privacy, cybersecurity and equal opportunities.

Our supply chain must adhere to our strict ESG standards, and our tendering processes prioritise fairness, transparency and sustainability.



## “THREE LINES OF DEFENCE” FRAMEWORK

Our risk management is assigned to three lines of defence:



**The first line of defence is our business units.** They identify, record, report and manage risks, and enforce controls and assessments to mitigate those risks. Most of Hang Seng's people are in this first line, including risk owners, control owners and business risk and control managers.



**The second line is risk management specialists.** These include the sustainability risk manager, wholesale credit risk, risk stewards and operational risk department. They set and implement policies and guidelines for managing risk.



**The third line is Internal Audit.** It provides independent and objective assurance as to whether the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as designed and represented by management, is adequate.

## Managing Different Types of Risk ❖ ❖ ❖ ❖

### Compliance risks

Our credibility 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 and various management committees. The Board has collective responsibility for promoting the long-term sustainability and success of the Bank by providing forward-thinking leadership within a framework of prudent and effective controls.

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

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

### Financial, tax and ESG risks

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

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

We manage tax risk based on a formal management framework. We adopted initiatives that aim to increase transparency, including the [US Foreign Account Tax Compliance Act](#) and the [OECD Standard for Automatic Exchange of Financial Account Information](#).

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

As a subsidiary of the HSBC Group, we follow the Group's tax policies, principles and strategies, as detailed on <https://www.hsbc.com>.

In accordance with HKE's ESG Guide, the Board determines and evaluates risks faced by the Bank. It ensures that effective ESG risk management and internal controls are in place. Reviews of these systems were conducted in 2019. A year-end attestation was approved by the Board in April 2020.

No noncompliance with laws and regulations that resulted in significant fines or nonmonetary sanctions was recorded in 2019.

### Competition Ordinance

Our Legal function continues to lead an extensive risk mitigation actions across all businesses and functions to ensure we fully comply with Hong Kong's Competition Ordinance. This complements our ongoing wider programme of competition risk mitigation. Staff are trained about the requirements of the ordinance on a regular basis.

### Financial crime risks

We recognise that we have a responsibility to help protect the integrity of the global financial system. In order to fulfil that responsibility, we have made, and continue to make significant investments in our ability to detect, deter and prevent financial crime. We have continuously reviewed our customer portfolio and product offerings to ensure risk mitigating actions will be timely taken to address potential financial crime risk. We implemented HSBC Group's Global Standards initiative, which focused on putting in place the effective standards to combat financial crime across our operations in Hong Kong and overseas offices. As part of this effort, we implemented consistent policies on anti-money laundering (AML) and sanctions that often extend beyond the requirements of local laws and regulations. The relevant policies are subject to regular review by our and HSBC Group's financial crime compliance personnel. Among other steps, we hired experienced senior personnel to lead the effort and significantly increased our financial crime compliance capabilities; we put in place a robust

## Managing Different Types of Risk ❖ ❖ ❖

investigations capability; we improved and expanded our financial crime compliance training initiatives; and we upgraded or replaced key compliance IT systems. Beyond these improvements, as part of our commitment to protect the integrity of the financial system, and to do our part to fight financial crime, we continue to enhance our systems and are working to integrate our reforms into our day-to-day risk management practice so that our programme is effective and sustainable over the long term.

Over the coming years, we aim to evolve significantly our approach to financial crime risk management by building advanced analytical capabilities, including artificial intelligence, designed to help us target illicit conduct with greater sophistication and precision. This will help us make a step change to our effectiveness at fighting financial crime. We continue to build a dynamic risk assessment process which will enable us to be faster and more accurate at detecting potential financial crime. We expect to generate actionable insights that we can use ourselves and provide to law enforcement to help keep criminals out of the financial system. This will benefit the Group, our customers and society at large.

We continue to focus on anti-bribery and corruption as part of adhering to HSBC Group's dedicated three-year programme to advance the Group's anti-bribery and corruption risk management capability. This programme has strengthened our controls and processes and improved our register of associated persons. The Group's programme is now focusing on enhancing the global gifts and entertainment register, which provides a consistent way to record, notify, approve and monitor gifts and entertainment. Dedicated financial crime compliance personnel is appointed to oversee anti-bribery and corruption compliance.

The global fraud landscape is characterised by increasingly sophisticated attacks targeting online banking and other digital services. We follow HSBC Group's fraud transformation programme and continue to prioritise investment in technology-based defences and training of our people to enhance our fraud defences.

Financial crime compliance-related issues and progress will be updated regularly and on thematic basis to relevant senior management governance committees, including but not limited to Executive Committee, Financial Crime Risk Management Committee, Risk Management Meeting, Risk Committee etc.

Our staff ensure we consistently operate ethically, honestly and with full accountability. For these employees on the frontlines, we provide training on banking regulations, codes of practice and data privacy. We ensure they are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering and insider trading.

The Bank's directors completed mandatory training on conduct and culture, anti-bribery and corruption, and anti-money laundering in 2019. Staff who work in high-risk roles receive additional, specialised training regarding the detecting and deterring of financial crime. All employees are required to complete an e-learning programme that covers anti-bribery and corruption, anti-money laundering and sanctions. Role-specific training must also be completed by passing the assessment.

On average, staff in Hong Kong received 0.7 day of such training in 2019.

In 2019, no judgments were entered against the Bank in litigation regarding corruption.

As stipulated by HSBC Group, political contributions and recruitment cannot be used to build business relationships. In the past four years, we made no contributions in any form to lobbyists, trade associations, political organisations or campaigns.

For our policies on anti-money laundering, anti-bribery and corruption, and sanctions, please refer to this link: <https://www.hsbc.com/our-approach/risk-and-responsibility/financial-crime-risk/financial-crime-risk-policies>.

## Managing Different Types of Risk ❖ ❖ ❖ ❖

### Information risk

#### Data privacy

We continually strengthen our data privacy policy and instruct staff how to report security incidents. This includes training on data privacy compliance in Hong Kong. We have a clear desk policy that reduces opportunities for unauthorised data access. Our cybersecurity experts investigate breaches and, if necessary, escalate matters to the major incident group.

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

Data privacy is overseen by individual businesses and functions as first-line risk owners. The Chief Data Officer is the first-line control owner. Our Legal function and Data Protection Officer provide second-line oversight. Officers at functional and business unit levels promote data protection and disseminate information on guidelines and developments. (See [Customer Privacy](#) section in Our Customers for details)

#### Cybersecurity

Banks are high-profile targets for criminals seeking financial gain, personal information and disruption. The potential effects of cyberattacks include financial loss, reputational damage and loss of customers. To protect against these, we engage an external consultant to conduct an annual cyber resilience assessment, using the NIST cybersecurity framework. This assessment helps to identify areas that require improvement and funding.

To strengthen our security, to safeguard the Bank and customers, and to ensure the resilience of our service, we have established a governance forum. Its members include businesses, IT, risk stewards and senior management. They oversee business risk profiles, key risk mitigation, cloud security, cybersecurity awareness, phishing tests, key risk items, material cyber threats, internal and external cybersecurity incidents, regulatory requirements, status of issues and mitigating actions.

We continue to invest in defence against ever more sophisticated cyberattacks. Specifically, we enhance our event detection, incident-response processes and protection against malware, deliberate-denial-of-service (DDoS) attacks and data leakage.

All staff are required to report cybersecurity incidents to our 24x7 hotline. Such incidents include possible or confirmed loss, leakage of restricted or internal information, leakage of customer data, and suspected or confirmed cyberattacks. Our experts manage the investigation of reported issues.

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

Cybersecurity training was delivered throughout 2019. It covered email security and phishing, password management, access control, incident reporting and escalation, secure use of communication devices and social media, our clear desk policy, information classification and labelling, system vulnerabilities and patching, ransomware, DDoS, etc. All staff have undertaken annual mandatory e-learning. Morning broadcasts are delivered monthly, and relevant emails are sent, company-wide, approximately twice a month.

The following training raised awareness of cybersecurity in 2019:

- ❖ Email security and phishing recognition (all staff)
- ❖ Digital Risk Forum (all staff)
- ❖ Cyber Awareness Week (all staff)
- ❖ Cyber Awareness Month (all staff)
- ❖ Cybersecurity Executive Summary (all Executive Committee members)
- ❖ Cyber briefing (Board of Directors of Hang Seng Bank and Hang Seng Insurance Company Limited)
- ❖ Cyber Stars classroom training (high-risk users)
- ❖ Cybersecurity awareness briefing (all business information risks officers)
- ❖ Asia Pacific Cybersecurity Leadership Team Offsite (Global Cyber Executive Committee and Asia Pacific cybersecurity staff)





## Managing Different Types of Risk ❖ ❖ ❖ ❖

### Equal opportunities, nondiscrimination and human rights

Human rights issues are complex and the roles and responsibilities of business and other stakeholders are subject to ongoing international dialogue. We are open and willing to engage in this dialogue where appropriate and constructive. No incidents of discrimination, or violation of the rights of indigenous peoples, were reported in 2019.

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

All security personnel are trained in human rights policies, procedures and security applications. (See the [Equal Opportunities, Diversity and Inclusion](#) section in Our People) To nurture an inclusive culture within the Bank, all staff were directed to undertake diversity training. As of December 2019, more than 65 per cent have completed this e-learning.

### Emergency risk

Our documented Business Continuity Plans, including arrangements for site recovery, ensure that critical operations will function in emergency situations. Our remote desktop allows staff to work from home without the need to retrieve their office computers. This enables the plans to be flexible and realistic.

To maintain our core banking services in a crisis or public emergency, a major incident group, leading and monitoring contingency plans, aims to steer appropriate decision for situation the Bank faces.

### Internal risk mitigation

#### Staff Code of Conduct

To ensure the highest professional and ethical standards, all staff are required to follow the Code of Conduct. This is accessible via our intranet. Drawing on regulatory guidelines and industry best practice, the code sets out standards and values to which staff are required to adhere, and relevant legal and regulatory information. Under our Employees Recognition and Conduct Framework, performance and behavioural assessment is tied in with conduct.

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

Our culture empowers employees to do the right thing for our customers. We promote courageous integrity via skip-level exchanges with senior management. Our morning broadcast includes key messages about expected and unacceptable conduct. We share, via the intranet, stories of best practice and examples of speak-up heroes. We incentivise positive behaviour and values: in 2019, the number of staff who received positive recognition in their year-end variable pay increased by 20 per cent.

#### Conflicts of interest

We have policies and procedures to manage conflicts of interest involving our staff. Stringent internal structures ensure that duties are appropriately segregated. Staff in sensitive or high-risk areas are required to adhere to specific rules and undergo training on how to avoid conflicts of interest.

#### Whistle-blowing

We encourage the reporting of suspected internal business irregularities, human rights abuse and workplace misconduct, and provide grievance and whistle-blowing channels specifically for this purpose. We make every effort to ensure that employees can raise concerns confidentially and without fear of repercussion. Retaliation against whistle-blowers is not tolerated.

We adhere to the [HSBC Statement on Whistle-blowing Arrangements](#). HSBC Confidential is a whistle-blower disclosure line. It is a safe, simple route for staff when they feel normal channels of escalation are unavailable or inappropriate. All whistle-blowing cases are investigated by subject matter experts, in accordance with HSBC Group policies and standards.

## Responsible Value Chain

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

### Addressing environmental and social risks as standard

Our credit evaluation process gauges environmental and social risks. We monitor our clients' implementation of, and compliance with, environmental and social requirements. If they deviate from the required standards, we work with them to establish a target date for compliance. If no progress is made, or a serious breach occurs, we exit the relationship. (See more in Concerted efforts)

For environmental risks, we follow the sustainability risk requirements in the Bank's Corporate Lending Policy. We have adopted the Equator Principles: voluntary guidelines for implementing sustainability standards in project finance.

Our business units conduct a sustainability risk analysis for all new and existing customers. This ensures that the products and services we offer are in line with the HSBC Group's [Sustainability Risk Policies](#). (See Responsible financing for more details)

For corporate customers, we conduct regular reviews to monitor compliance with the policies. As of December 2019, we were fully compliant.

We have specific [guidelines](#) on lending to businesses in environmentally sensitive sectors such as chemicals, energy, forestry, mining and metals, agricultural commodities, World Heritage Sites and Ramsar wetlands. These guidelines are refined and updated as required.

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

We continually enrich our investment funds suite – in both manufacturing and distribution – to incorporate products that are in keeping with our approach to ESG. We monitor regulatory and industry developments and explore ways to embed ESG factors in our product selection.

## CONCERTED EFFORTS



Environmental impact assessments are a continual process and are incorporated in our standard credit evaluations. Customers unable to comply with our environmental policies and requirements by a specified deadline must obtain our formal approval for a temporary exemption or extension. Failing this, our managers will arrange to exit the relationship.



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



## Responsible Value Chain

### RESPONSIBLE FINANCING

We carefully assess environmental and social risks when deciding whether to make a loan or investment. Specific policies focus on sensitive sectors, including those outlined below. We have mechanisms to ensure our customers remain compliant with these policies.

HSBC has established and implemented its [Sustainability Risk Policies](#) at Group level. This embeds ESG into our investment approach, product design and day-to-day operations. As a principal member of the HSBC Group, Hang Seng has applied the relevant HSBC ESG strategies to its operations.



#### Agricultural commodities

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



#### Energy

We no longer finance any projects involved in new coal-fired power plants, new offshore oil or gas projects in the Arctic, new greenfield oil sands projects, etc.



#### Defence equipment

Our policy establishes our appetite with regard to companies involved in the manufacture and trade of weapons. We do not provide financial services to customers which manufacture, sell, purchase or use anti-personnel mines and cluster bomb, and other weapons as per the related policy.



#### Forestry

We work with customers to promote sustainable forestry.



#### Mining and metals

Principles and standards govern our involvement in exploration, extraction, mine closure and reclamation, primary processing, etc. We assess potential customers linked to human rights abuses, and those with poor track records for work-related fatalities and accidents. We will not provide financing for new thermal coal mines, or new customers whose business includes thermal coal mines or mountaintop coal mining in the US.



#### World Heritage Sites and Ramsar wetlands

We avoid supporting projects that may damage culturally important or ecologically sensitive areas, thereby conserving critical habitats and biodiversity.



#### Chemicals

When lending to the chemical industry, we adhere to international, regional and national standards. We work with our customers to achieve sustainable chemical manufacturing.

## Responsible Value Chain

### Supply chain risk

We rely on vendors, agencies and third-party financial product suppliers to support our business. This enables us to offer diverse products and services, but potentially exposes us to reputational and other types of risk.

Effective supply chain management is therefore vital, to safeguard our brand and business, and to promote responsible practices among companies in our community. We require contractors and suppliers to adhere to our stringent environmental, social and ethical standards and to the principle of continual improvement.

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

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

### Commitment to continual improvement

Our Third Party Supplier Risk policies provide clear and detailed information on the standards we expect our suppliers to uphold, and how we assess their performance.

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

### Tendering for sustainability

All contracted suppliers are required to acknowledge their compliance with the HSBC Group's [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#). This outlines our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

Suppliers are requested to have an established environmental management system (EMS). This is part of the supplier due diligence process.

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



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

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

According to our payment records in 2019, around 92.11 per cent of our suppliers are located in Hong Kong (the remainders are in Asia, Europe and the US).

## Responsible Value Chain

### Online risk profiles

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

- ✦ Anti-bribery and corruption compliance
- ✦ Anti-money laundering and sanctions
- ✦ Business continuity and incident management
- ✦ Accounting risk
- ✦ Regulatory compliance
- ✦ Security of people and physical assets
- ✦ Subcontracting
- ✦ Tax
- ✦ Insurable risk
- ✦ Information and cybersecurity risk

The platform also monitors risks, supplier management and contract management for the duration of the engagement. It automatically notifies contract owners and the procurement team about the expiration of contracts, and ensures compliance with our Third-Party Risk Management Policy. It enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services, at both aggregate and supplier-specific level. This helps satisfy growing demands from regulators for supplier risk management.

### Contractor partnerships

Our procurement policy governs internal control of operating and capital expenditure, for all purchases and spending by the Bank. The policy supports operational efficiency, transparency, segregation of duties and our requirement to make “the best suitable buy”.

The procurement team engages and explores as many suppliers as possible through different means. For instance, it conducts briefings to allow bidders to become acquainted with tender requirements. We meet with existing and potential suppliers to review and strengthen business relationships, and to keep abreast of market trends.

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

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

### Human rights

We select contractors who fully comply with our supplier sustainability standards. These cover areas such as ethics, health and safety, employment, human rights and environmental performance. All of our suppliers commit to respecting the human rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and communities in which they operate.

We avoid operating in associations with entities that might have a high risk of human rights violations. The code of conduct does not allow suppliers for any violation relating to the exercise of freedom of association or collective bargaining rights. All our major suppliers and contractors have conformed the prohibition use of child or forced labour. As part of the due diligence process, all of our suppliers are required to sign, and conform to, the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services.

The Bank is committed to making a positive contribution to equal opportunities and diversity and inclusion in the workplace. This commitment reflects the principles of the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work, as well as the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong.







For the past four years,  
our customer  
satisfaction rate has been  
**more than 95%.**

Our customer-centric service puts strong emphasis on building long-term relationships. Since opening our doors in 1933, our commitment to core values – such as professionalism, passion, and taking a prudent but progressive approach – has earned us the trust and loyalty of our customers. Our services are currently used by more than half of the residents of Hong Kong.

We deliver excellence by combining innovation with integrity. We provide clear, honest information, open communication and full accountability. We support customers' concerns about sustainability and environmental conservation. We undertake regular initiatives to address issues such as paper waste and excessive energy consumption. Our efforts extend to our products and services; for example, we offer financing schemes that incentivise green business operations.

We work to improve financial literacy in our community. We aim to empower individuals and businesses to achieve financial security and advance their wealth management goals.

To safeguard customers' interests, we continue to strengthen and significantly invest in [data privacy and cybersecurity](#) to protect customer privacy, and to deliver high-quality service that ensures we maintain excellent customer satisfaction. In 2019, this included successful completion of an external safety assessment programme of migrating the OHSAS 18001:2007 Safety Management System to the newly launched ISO 45001 OHSMS.

## Understanding Our Customers' Needs 🏆

A deep understanding of our customers' financial needs and objectives underpins our reputation for service excellence. We proactively gather opinions – which includes the use of focus groups and comprehensive surveys – to enhance our service and ensure products and services meet customer needs. Suggestion forms and hotlines channel customer-initiated feedback to us.

We identify our strengths and industry best practices via local market benchmarking and a mystery shopper programme that monitors service by frontline staff at our manned outlets.



## Understanding Our Customers' Needs ❖ ❖

We monitor markets to identify emerging trends and opportunities, and to offer products and services that meet unserved or underserved customer needs. Our expanded and enhanced digital platforms allow customers to perform a range of transactions online, and provide information to facilitate their decision-making.

The annual Banking Industry Monitoring Study, conducted by independent research firm Kantar Hong Kong Limited, assesses customer satisfaction for the eight major banks in Hong Kong. In 2019, we were the bank most recommended by customers. We have had the highest rated banking services for 15 consecutive years.

We aim to achieve at least 80 per cent customer satisfaction. For the past four years, our customer satisfaction rate has been more than 95 per cent.

Year	Customer Satisfaction (%)
2019	98
2018	99
2017	98
2016	95

We received the following major awards in 2019:

- ❖ Best Bank – Domestic (Hong Kong) (20th consecutive year) from The Asset.
- ❖ Strongest Bank in Hong Kong and Asia Pacific from The Asian Banker.
- ❖ Best Bank for SMEs, Hong Kong from Asiamoney.



## Transparency, Accountability, Choice

We offer a diverse range of personal banking and wealth management products. It is our policy to sell products and services based on customers' needs, understanding and appetite for risk; hence our principles of providing "the right product and service, at the right time, for the right customer, in the right way" and pursuing "ethical and fair dealings for long-lasting business". We have workshops for people managers, based on real cases, to emphasise the importance of treating customers fairly.

Our external communications and advertising materials provide clear, transparent and balanced information for our customers, and comply with all relevant requirements from the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Hong Kong Association of Banks.

We have established our Brand Centre: an internal resource site to help staff learn about our branding guidelines and correct application of our brand identity. Our Marketing department provides advice and ensures that we do not violate or infringe upon the intellectual property rights, patents and related rights of third parties.

We want to help customers have secure finances throughout their life, including retirement. In 2019, we launched the tax-deductible PrimeLife Deferred Annuity Life Insurance Plan to help customers begin retirement planning earlier, for greater financial flexibility.

Our online sales channel offers multiple new insurance products that connect with a younger and wider customer base. In particular, our five-year eEndowment Life Insurance Plan has five options for premiums, starting from as low as HK\$1,000 per month. This helps youngsters, students and low-income people access protection. As our business model becomes more digitised, we achieved remarkable results with the direct channel: we ranked second in the market in 2019.

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



### Treat me fairly

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



### Tailored solutions

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



### Keep me informed

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



### Suitable advice

Advice to customers 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 endeavour to deliver on those commitments.



### Flexibility

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

We are also governed by Hong Kong's Code of Banking Practice, the HSBC Group's Global Principles, and Functional Instruction Manual.

## Transparency, Accountability, Choice

### Customer safety

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

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

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

During outlet or office renovations, we endeavour to minimise service disruption and customer inconvenience. For example, durable hoardings separate site works from functioning business areas, and posters or signs inform customers about the renovation. Whenever possible, we arrange off-site prefabrication of carpentry and metalwork, to shorten on-site construction and assembly times, and minimise disruption. We ask contractors to carry out noisy work and final touch-up painting outside of our weekday operating hours, or on weekends and public holidays.

Property management and maintenance provide staff and customers with a safe, comfortable environment. Risks for staff and customers are minimised by measures such as nonslip treatments on floors and clear signage for temporary hazards such as wet surfaces.

### Customer privacy

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

In 2019, a panel discussion was organised for staff to get a better understanding on different legal and regulatory issues relating to digital account opening. Data privacy issues were one of the examined topics and an external speaker was invited to share his views.

Our customers are notified of our purposes of collection and use of personal data, the classes of transferees, classes of marketing subjects, and their data access and correction rights. They can easily access our Privacy Policy, Notice to Customers and Other Individuals relating to the Personal Data (Privacy) Ordinance, and [Cookies Policy](#) on our website.

An incident management procedure applies to customer privacy breaches. All staff are required to identify and report data leaks to our hotline promptly, following steps in the Material Incidents Escalation Manual. Our experts then investigate, and escalate the matter to the core team if appropriate. The experts also provide guidance on how to contain and respond to cases, identifying remedies and lessons learned.

### Listening to our customers

Our complaint-handling procedure ensures customer feedback is dealt with in a consistent, efficient manner.

The customer relations teams of our various business units aim to acknowledge receipt of comments or complaints within seven calendar days, and to resolve most issues as soon as possible. Should a matter require further investigation, the teams strive to provide a response within 30 days. Any issue that warrants remedial action is referred to the Bank for rectification.

Senior management regularly review customer suggestions, compliments and complaints. Lessons learned are communicated to staff, to improve service and encourage best practice.





# Our Customers



## Power to the People

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

### Branch and self-service outlet service improvement

New customer-friendly services were introduced at branches/self-service outlets include mobile cash withdrawals via NFC and QR code technologies, eTicketing for counter services, as well as tablets in branches, to minimise customer's waiting time.

### API development

In 2019, we launched our Open Application Programming Interface (API), to allow third-party service providers to collaborate on innovative and integrated services that improve the customer experience and in accordance with the HKMA schedule.



We also launched the e-Valuation API, in partnership with Midland Realty. This API allows customers to obtain free property valuations from Hang Seng, via partner's website and mobile application.

### AI chatbot enhancement

Our AI-powered personal e-Banking chatbot HARO allows customers to manage their finances via interactive dialogue, obtain FX quotes, instantly buy and sell FX, and locate FX ATMs.

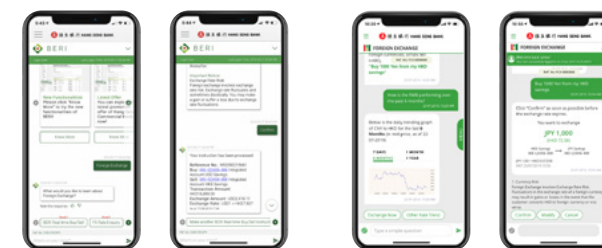
We have also extended our business e-Banking chatbot BERI's functions to allow customers to check account balances, view account balance trends, buy and sell FX, and live chat with contact centre agents.

### Website revamp

A revamped public website improves customers' online experience. Our business e-Banking platform has also been revamped, to be more user-friendly and efficient for customers performing daily transactions.

### Other fintech initiatives

Our recent introduction of mobile cash withdrawals via NFC and QR code technologies provides greater choice and convenience for our customers. Our new FX Order Watch service enables customers to monitor exchange rates, receive notifications, buy and sell at designated targets, and access FX cash at any time through an HK-based FX ATM network. The Hang Seng Invest Express mobile app provides easy and convenient stock-trading services and other value-added features.



Other upgrades, specifically for corporate customers, include:

- ❖ An online lending portal which allows SMEs to apply for loans and upload supporting documents quickly and easily;
- ❖ A Faster Payment System (FPS) that enables IDs for merchant payments via Hang Seng HSBCnet. These IDs can be phone numbers, email addresses or FPS ones;
- ❖ The Linkscreen for Commercial Card – a screen-sharing technology that enables customers to complete card applications with online guidance;
- ❖ The Xero Bank Feed which allows business e-Banking customers to manage third-party connections. Our online accounting portal enables account transaction data to be synchronised;
- ❖ The One-click time deposit which allows customers to take advantage of our special time deposit rates quickly and easily.

## Power to the People

### Overcoming challenges

We are committed to working with customers facing challenging financial situations. For personal customers, our internal guidelines are based on the Hong Kong Approach to Consumer Debt Difficulties, issued by the HKMA. We have a dedicated unit to offer debt relief plans to affected individuals. Where a genuine difficulty exists, solutions may include extending a repayment schedule or offering partial relief.

For business customers, we provide assessment and advisory services for those facing financial challenges. We work with them to assess their position and determine the best course of action. For instance, we provide credit relief measure to relieve their funding pressure.

Providing timely market information and appropriate treasury products are among the ways in which we assist customers in a fast-changing market. Our product specialists, traders and analysts provide integrated financial solutions and 24-hour global market coverage. Our IT infrastructure enables us to deliver quick access to key markets and provide up-to-date information to customers. To negotiate the uncertain foreign exchange market and interest rate environment of 2019, we developed tailor-made treasury products to help customers better manage risks in these areas.

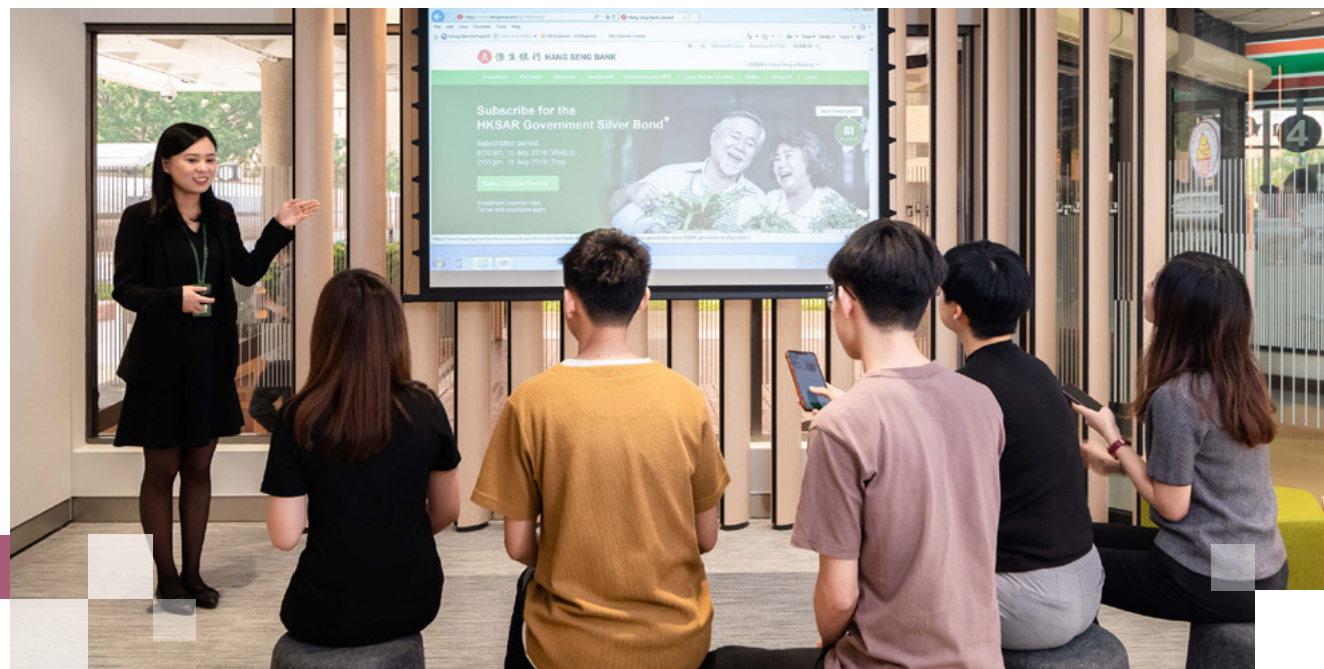
At a broader community level, we partner with local non-governmental organisations – including the Caritas Family Crisis Support Centre and the Tung Wah Group of Hospitals' Healthy Budgeting Family Debt Counseling Centre – to offering debt-restructuring services to individuals in financial difficulty.

### Community outreach

Leveraging our core strengths and staff expertise, we help people from various backgrounds make informed money-management decisions, via improved financial literacy. For example, our volunteers work with the local charity Po Leung Kuk to teach young children about basic money management through role-play, games and discussions.

Hang Seng Digital Banking organised a workshop to promote Hong Kong's Qualifications Framework and banking industry to senior secondary students. Activities included a tour to our digital floor and design thinking workshop. Hands-on experience of our day-to-day work encourages students to consider banking as a career, and to choose relevant programmes at university. In the long run, we aim to bolster the talent pool for the banking industry.

To support people with disabilities, to raise awareness about the importance of critical illness protection, and – by showcasing a new film director – to motivate young people to follow their dreams, Hang Seng Insurance hosted a charity movie night and sponsored tickets for local university students.



## Championing Global and Local Business

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

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

In 2019, our commitment to such businesses earned us a 14th consecutive Best SMEs Partner award from the Hong Kong General Chamber of Small and Medium Business, and a third consecutive Best Commercial Bank award from Hong Kong Business.

## A total solution for SMEs

In 2019, we enhanced our SME trade loans to better fit customers' business models and financing needs. The migration of our Trade Services Hotline to our Corporate Call Centre has cut waiting time, and SMEs can upload documents for loan applications via our mobile app and website. These platforms help reduce paper use.

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

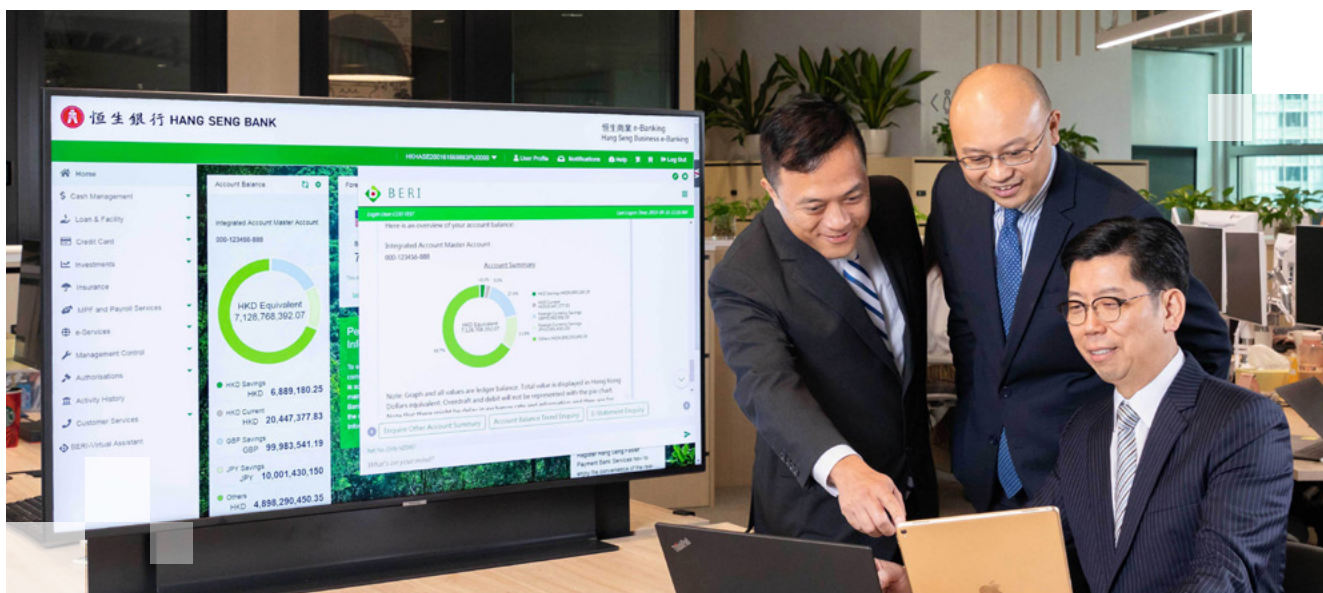
In collaboration with external parties and associations, we may run seminars for SMEs and corporate customers. The topics can be related to financing solutions, cash

management, trade finance, taxation and investment markets. The seminars improve financial literacy and awareness of management tools. We also engage with diverse SME segments – from schools to NGOs – to better understand their needs, and hence provide effective solutions.

## Tailor-made global banking and treasury solutions

Hang Seng's Global Banking and Markets provide a broad spectrum of services to large corporations and financial institutions. In addition to standard banking products, we provide solutions tailored to the needs of different customers. For example, we design cash management that improves the efficiency of our global banking clients, and customise treasury solutions.

In 2019, we organised seminars to raise awareness of interest rate trends and the financial market environment. These seminars included developments in renminbi onshore/offshore policies and regulatory requirements, economic outlooks, and treasury products. Our aim was to help customers capture market opportunities and fulfil hedging needs.





## Improving Access for All

We are working to improve access to our banking services and facilities. Our recently revamped website is designed to emphasise readability and ease of navigation. As of the end of 2019, we had 297 outlets, including 60 street-level branches, 35 manned service centres, two Mobile Branches and 200 self-service outlets.

We strive to further improve access and facilities, and to achieve standards that comply with, or exceed, government regulations. We have adopted a barrier-free approach for new branches. Meanwhile, Social Caring Counters provide priority service to the elderly, the disabled and other customers in need. As of the end of 2019, we had Social Caring Counters in 21 branches.

As part of our partnership with Hong Kong Seeing Eye Dog Services (HKSEDS), visually impaired customers may bring their assistance dogs into the banking halls of designated Hang Seng branches. Some of our branches are HKSEDS training sites.

We increased our number of voice-navigable ATMs for visually impaired customers to 110 in 2019. Via headphones, customers can use voice navigation to withdraw cash, make balance enquiries, transfer funds and change passwords. We also provide audible security tokens for visually impaired customers' e-Banking.

## Customer convenience

Our first Mobile Branch, launched in late 2017, reflects our commitment to improving financial inclusion. It provides access to banking services at five public housing estates in Hong Kong. The second Mobile Branch commenced operation in December 2019.

The Mobile Branches feature two teller counters that offer a range of general banking services. They also have accessibility facilities such as a wheelchair access platform, a "Seeing Eye Dog" sign by HKSEDS, a magnifying glass, and a Portable Audio Frequency Induction Loop System, for customers with hearing aids.

As of the end of 2019, 593 Hang Seng ATMs provided 24-hour services across Hong Kong. We have expanded our foreign exchange ATM service, which offers the widest choice of currencies in Hong Kong, from 14 to 39 sites.

We had 2.2 million Personal e-Banking customers as of 31 December 2019. This is an increase of 10 per cent from 2018.

## IMPROVING ACCESS TO FINANCE



- Three branches and 35 ATMs at public housing estates
- Two mobile branches serving seven public housing estates
- Five branches and 18 ATMs at local universities



## Promoting Sustainable Finance

The cost of green measures – such as retrofitting energy-efficient chillers, luminaires and heaters – can discourage companies from adopting them. We introduced a Green Financing Promotion Scheme that offers preferential loans for corporate clients. These encourage our customers to invest in environmentally friendly equipment that enhances efficiency, reduces pollution, protects the environment and supports sustainable corporate development.

The Scheme is applicable to a range of equipment suitable for Hong Kong and mainland China. The repayment period is up to seven years. The HKQAA verification service validates the green nature of equipment for which customers cannot provide adequate evidence of green credentials.

Eligible equipment falls into at least one of the following categories:

- ❖ Renewable energy
- ❖ Energy efficiency
- ❖ Water efficiency
- ❖ Waste management
- ❖ Wastewater management
- ❖ Air pollution control
- ❖ Noise pollution control

(Environmentally friendly vehicles are excluded)

In 2019, we approved two green financing applications for mid-market enterprise customers, totalling HK\$1,008 million. The first was for a leading glass manufacturer to finance the design, acquisition, installation and development of a green production base. The second was for a leading gen-set system integration provider to fund biogas projects.

A syndicated loan for a major local developer during the year demonstrates our green financing in action. The interest rates are indexed against the sustainability of hotels owned and operated by the borrower in Hong Kong. A Sustainability Margin Adjustment is applied to pricing, to encourage the borrower to think sustainably. If they exceed the objectives, the interest margin is reduced, and vice versa. Sustainability is measured against benchmarks such as average energy intensity and average waste to landfill. The hotels are monitored and accredited by EarthCheck – a benchmarking, certification and advisory group for travel and tourism.

This project is a testament to our innovative solutions that bring positive change to our environment and hold borrowers accountable for their impact on that environment.





We promote a culture of personal and professional respect.

Our **open, inclusive, fair and meritocratic** work environment emphasises equal opportunities for all.

Our staff are the engine of our success and the primary bridge between our business and the local community. We reward employees with competitive compensation and benefits packages, supportive working conditions and a good work-life balance. We listen to and learn from our people, recognising them as individuals with a diverse set of strengths, needs and motivations.

The Bank's human resources policies are designed to hire and retain people of the highest calibre, to motivate them to excel, and to uphold our brand equity and core values. Training and development programmes cultivate a team of professionals who contribute to our success.

We promote a culture of personal and professional respect. Our open, inclusive, fair and meritocratic work environment emphasises equal opportunities for all.

Our volunteering activities provide opportunities for staff to be involved in the development of the communities in which they live and work.

We are one of Hong Kong's largest listed companies in terms of employees. Of more than 8,000 full-time equivalent staff, 99 per cent are permanent and one per cent are contractors<sup>1</sup>. Our Bank's significant location of operations is Hong Kong, and most members of the Senior Management<sup>2</sup> team are hired locally<sup>3</sup>.



Note:

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

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

<sup>3</sup> "Local" refers to our significant locations of operations.



## Promoting High Performance

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

We encourage frequent, holistic and meaningful conversations between managers and staff. These provide an opportunity to discuss progress, give feedback and recognition, identify support that may be needed, and address issues that could affect an individual's well-being.

All employees have a formal review at the end of every year, during which they discuss their progress in line with established objectives. They also receive performance and behaviour ratings, as per our employee assessment framework. The behaviour assessment looks at how individuals manage issues such as risk and compliance, and how they protect the interests of colleagues, customers, the environment, markets and the Bank. The results influence pay recommendations during the annual review.

## Pay and benefits

We offer competitive pay and benefits to attract talented staff, and use performance-based remuneration that motivates employees and rewards their contributions to growing our business. Variable pay is discretionary, according to how the Group, business or individual upholds our values and adheres to risk and compliance standards.

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

## Fair rewards for equal work

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

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

For casual and part-time employees, legislation and market practice provide a framework for contractually agreed pay.

## Retaining staff

Our voluntary turnover rate in Hong Kong in 2019 was 17.8 per cent. We closely monitor turnover and gather insights and information through exit surveys. These enable us to address concerns and implement retention measures.



## Training and Skills Development

We invest in training and development to build and sustain a professional, ethical team that contributes to the success of the Bank.

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

### Building a culture of success

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

To equip staff with the skills and knowledge to meet challenges and professional requirements – especially regarding regulated business – we offer training and development programmes. These cover sales and relationship management, products, operations, compliance, credit and risk.

In 2019, we provided approximately 67,480 hours of training, for all employees in Hong Kong on policies and procedures covering anti-bribery and corruption, anti-money laundering and sanctions. Further programmes raised awareness of inclusion and treating others with respect.

### Maintaining sustainability

Our training develops employees' capabilities, to advance their careers, and to refine their management and interpersonal skills. We have enhanced our education subsidy scheme, to support staff who wish to further their education

(e.g. undergraduate and postgraduate degrees) and/or attain professional qualifications. Since the policy enhancement in 2018, applications have risen by more than 50 per cent.

We offer online portal with access to learning resources on wide-ranging banking, technical and management subjects, e-learning and instructor-led programmes, to support staff learning and development.

To strengthen staff's retirement-planning, we partnered with the Institute of Financial Planners of Hong Kong to provide an in-house retirement advisor programme.

### Developing future leaders with a people-centric culture

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

Workshops for senior leaders stress the importance of authenticity, and encourage staff to speak up, to develop an open culture. (See [Cultivating a speak-up culture](#))

Workshops for experienced people managers address practical management challenges. Participants gain the confidence and skills to handle a variety of situations, via discussions about real cases and experience-sharing sessions.

Workshops for people managers build core team management skills. To enable people managers to combat workplace discrimination, harassment and bullying, a Managing with Respect session was piloted in 2019.

Training on financial knowledge, wealth management, banking products and operations, risk and compliance, consultative sales and relationship management is provided to client-facing staff.

In 2019, we hosted a total of approximately 405,030 hours of training for employees in Hong Kong, including interns.

100 per cent of our employees were trained. Of the employees trained, 43 per cent were male and 57 per cent female. 28 per cent were executives, 45 per cent officers and 27 per cent general staff.

Training (including e-learning, Classroom Training and Virtual Training Class)	2019	2018	2017	2016
<b>Average training days</b>				
Per full-time employee including interns	5.5	5	5	5
<b>Average hours by gender</b>				
Male	52	46	43	47
Female	40	38	36	41
<b>Average training hours by employee category</b>				
Executive	29	29	32	37
Officer	44	49	41	50
General staff	64	40	41	38

## Training and Skills Development ▣ ▣ ▣

### Nurturing talent and succession planning

We identify and develop individuals who display potential for leadership and other key positions. (See [Building better leaders](#))

We develop young talent into banking professionals by offering internships across our businesses and functions. In 2019, 488 university students joined these programmes.

We promote internal mobility for employees, to nurture talent, broaden experience and retain expertise. In 2019, 1,632 employees successfully applied for different roles within the Bank.

### Management Trainee Programme

Hang Seng offers a three-year structured programme for recent graduates seeking long-term banking careers. The intensive programme prepares participants to assume executive-level positions among our eight business functions. It includes training on business operations, products and services, and Mainland and overseas business. Job rotations within and across business functions, senior management mentorship, and support for attaining professional qualifications enhance the programme.

“

My most memorable experience was my first attachment at Retail Insurance Distribution, to take part in the launch of a large-scale project. I learnt to work in a more flexible and agile way at departments such as compliance and products.

”

**Anson Cheung**

Management Trainee (2018 intake), Insurance

“

I kicked off my career at Hang Seng because of its long-standing reputation and friendly working culture. The Bank is actively involved in the community, including sports, education and volunteering, which makes it a proudly local company to work for.

”

**Tommy Cheung**

Management Trainee (2017 intake), Financial Control





## Training and Skills Development ■ ■ ■

### Building better leaders

Retaining and developing high-potential employees support our sustainable growth. Examples of the specialised training provided by our Leadership and Management Development programmes are:

#### Talent development

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

#### Performance management

People managers are trained to enhance the personal and professional growth of their team. Through our Everyday Performance and Development programme, they build a values-led, high-performance culture by providing staff with performance feedback, coaching and career development guidance.

#### Culture change

The values of being dependable, open and connected are embedded in our daily work. We reward positive behaviour that corresponds with these values and supports our long-term growth.

In 2019, we launched the “RIGHT” Together programme. This involves culture-building initiatives, training, and internal campaigns and communications across the Bank. Its aim is to “Serve Customers Right and Serve the Right Customers”, for sustainable business growth.

#### Leadership development

We offer a structured leadership development curriculum to employees from leading self and building personal impact, leading teams and coaching for performance, to leading business and the organisation and driving growth strategy and change. Strong leadership capability is key to the sustainable growth of the Bank.

#### Fintech Career Accelerator Scheme

Following a successful pilot in 2017, we actively participate in Hong Kong's Fintech Career Accelerator Scheme. This internship programme was initiated by the HKMA and the Hong Kong Applied Science and Technology Research Institute. It sponsors internships – from six to 12 months – for local university students, to support their fintech career development.

#### Summer internship

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

#### Summer Seed programme

Summer Seed is an intensive 10-week work placement initiative for penultimate-year university students. It offers the chance to gain valuable experience and an understanding of our core functions. Students who perform strongly may earn early selection for our Management Trainee Programme.

#### Co-op programme

A six to 11-month work placement programme for non-final-year university students helps them gain practical experience, skills and knowledge for a successful career in banking.

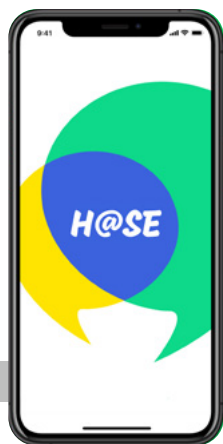
#### Our Charter

Our Charter encapsulates our purpose and values, and helps us make better decisions when faced with difficult choices. It encourages us to act with courageous integrity, to speak up, and to use sound judgment in challenging situations. Employees can access real-life workplace examples and reference materials on our intranet.

## Employee Engagement and Communication

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

In 2019, a cultural change initiative was launched to enhance our long-term sustainability, to maintain the trust of our customers and to support a working environment in which employees feel empowered, valued and inspired. The initiative promotes positive behaviours that form part of a thriving corporate DNA. Focus groups look into issues; training and internal campaigns help employees adopt those positive behaviour; and workshops empower people managers to facilitate open discussion, promote effective listening, and drive a robust speak-up culture. These efforts support our goal of “Serving Customers Right and Serving the Right Customers”.



We continued the multipronged staff engagement programme You Matter, to foster an open, progressive and dynamic culture. The programme promotes key elements of our brand, such as customer service excellence, inclusion and creativity. It also includes town hall meetings and exchange sessions with senior management, informal networking events, and forums in which heads of businesses and functions profile their work.

To enhance communication, collaboration and collegiality, we launched the mobile app H@SE in 2019. This interactive platform enables over 8,000 of our Hong Kong employees to receive bank updates, to freely share comments and to cast votes on various topics, just like on other social media. This app is key to our open and dynamic culture in which employees are encouraged to engage in transparent, direct and two-way communication with senior management and colleagues at all levels. An 85 per cent activation rate was attained two months after the app's launch. In 2019, more than 1,000 posts were published by our units to communicate corporate information, important news and business-related stories. To generate feedback, polling questions were published. More than 5,800 votes were received.

Information about the Bank is also conveyed to staff through business briefings, town hall meetings, the intranet, morning broadcasts, circulars and emails.

We encourage our people to provide suggestions, comments and feedback through surveys, exchange sessions, focus groups and the staff app. Their sentiments and behaviour inform training, communication and engagement plans, which in turn encourage staff to embrace our culture. Due consideration is given to ensuring there are appropriate notification periods and communication channels when any significant operational changes that could substantially affect staff are implemented.

A bank-wide employee survey is conducted biannually. The response rate has risen from 38 per cent (first half of 2018) to 66 per cent (second half of 2019). The number of employees who recommend Hang Seng as a great place to work is at 73 per cent, the highest since 2018. A majority – 85 per cent – feel that the Bank is genuine in its commitment to encouraging a speak-up culture.



## CULTIVATING A SPEAK-UP CULTURE

Enhancing the approachability of senior leaders was the number one suggestion made by staff in previous surveys, when they were asked what would remedy a fear of speaking up. Our popular exchange meetings which allow staff to speak with senior management are the result. Staff enjoy their informality, and we will continue to make them a core part of our engagement strategy. Our most recent survey, in the second half of 2019, confirmed that 85 per cent of employees are willing to voice concerns when they see behaviour that is considered wrong.

Staff participation in exchange meetings has risen from 14 per cent (second quarter of 2016) to more than 60 per cent (second half of 2019). Attendees hailed the sessions as interactive, constructive and fruitful.

## Equal Opportunities, Diversity and Inclusion

Hang Seng strives for a fair, meritocratic company culture. We do not discriminate on the grounds of gender, gender identity, sexual orientation, ethnicity, race, disability, age, religious belief, family status, marital status, pregnancy, socioeconomic background, or any other aspect of personal difference that is unrelated to job requirements or role. In championing a diverse, inclusive workplace, we expect all members of our team to appreciate, respect and care for each other, regardless of personal differences.

We strive to lead by example. We comply with the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance.

The Bank remains committed to meritocracy in the boardroom. Our diverse and inclusive culture requires that directors' views be heard, that their concerns be attended to, and that they serve in an environment where bias, discrimination and harassment are not tolerated. Our [Board Diversity Policy](#) is available on the Bank's website.

Board appointments are based on merit, and candidates are considered against objective criteria with due regard for the benefits of diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Board has also adopted a [Nomination Policy](#), to ensure transparency in the director nomination process. It is available on the Bank's website.

Of our senior leaders, 43 per cent are female. This is well above the HSBC Group's diversity target of 29 per cent of



senior roles being filled by women for 2019. Of our employees in Hong Kong, 57 per cent are female and 43 per cent are male.

The Bank aims to achieve a balanced representation of gender at all levels. We belong to the Gender Focal Point Network, a Hong Kong Government-led initiative to promote equal status, rights and opportunities for women. The network enables us to share best practices with other industry players and stay up-to-date with regulatory requirements.

To combat discrimination, harassment and victimisation in the workplace, we have an Equal Opportunities Policy which is posted on our intranet. Its principles are incorporated under "Diversity & Inclusion" in our Staff Code of Conduct, with which all employees must comply. Our human resources policies comply with relevant government laws and regulations. In 2019, no judgments were entered against the Bank in litigation in relation to the above policies.

In the event of inappropriate behaviour, people managers provide practical guidance for resolving complaints. If cases are referred to Human Resources, they mediate as far as possible and investigate further if necessary.

We strongly believe that an inclusive environment – in which employees feel comfortable to be themselves and are encouraged to realise their potential – contributes to innovation and collaboration.

We regularly review and, when appropriate, revise our diversity and inclusion policies. This ensures they correspond with regulatory requirements, market trends and industry best practice.

We encourage employees with common interests and shared purpose (e.g. working parents) to build their networks and share information and resources through the design of community chat groups in H@SE staff app. These employee-led groups help nurture a supportive and inclusive culture for employees with diverse interests and background.

All staff receive training on diversity, inclusion, equal opportunities and human rights issues that are relevant to our operations. This is also part of our New Joiners Induction Programme. In 2019, we provided new joiners in Hong Kong with a total of 19,075 hours of training on such issues.

## Employee Well-being



Employees who enjoy a good work-life balance are better equipped to perform well. They may wish to take time away from the workplace to pursue personal interests, with the security of knowing their job will be waiting for them on their return.

We support our people with initiatives such as adoption leave and volunteer leave. Employees are encouraged to agree options with their managers, such as flexible working hours and alternative locations, to better balance their work and personal commitments. These initiatives enhance engagement, increase retention and attract talent.

Staff face different work-life challenges at different stages of their lives. Therefore, we offer the flexibility to work from home, to work part-time or to take sabbatical leave, so employees can fulfil their responsibilities as parents or caregivers.

We regularly review employee benefits against the market to ensure they are fit for purpose and support staff well-being. In 2019, we increased our annual leave, maternity leave and adoption leave to provide greater support for families. During the year, 195 female employees and 137 male employees applied for maternity and paternity leave. Return-to-work and retention rates following parental leave were close to 100 per cent. Our three core buildings feature rooms that cater for the needs of nursing mothers.

To encourage our people to contribute to the community and experience the personal rewards of civic participation, staff may take up to two days of volunteer leave per year.

We continued to organise leisure and recreational activities that encourage employees to be physically active, pursue their hobbies and interests, and strengthen connections with colleagues, friends and family members. More than 270 classes and events attracted our staff participation in 2019. Highlights included a family fun day and our inaugural Bring Kids to Work day, on which parents at our three core buildings were able to show their children what they do in a typical day. We organised talks and seminars to give information and support to working parents, and helped them strengthen communication with their children. These activities and programmes were well-received by staff.

Our annual Hang Seng Cup competition promotes team spirit and cross-departmental interaction through basketball, football, bowling, badminton, table tennis and darts. We also support staff participation in external competitions such as those organised by the Chinese Bankers Club, Hong Kong Tenpin Bowling Congress Ltd and the Hong Kong Table Tennis Association. Our new dragon boat and rugby teams have engaged younger generations and achieved encouraging results.

In 2019, we increased the number of our vacation quarters at five-star hotels to eight rooms. This exclusive benefit attracted more than 2,760 nights stay by our staff and their family members.

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





## Employee Well-being 🧩

### Health and wellness

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

As part of our commitment to supporting the health and wellness of our employees and their family members, we provide hospitalisation and surgical benefits, outpatient treatment, dental services and wellness support. A range of preventive and flexible well-being services includes routine medical checkups, eyesight checks and vaccinations. We provided on-site seasonal influenza vaccinations for employees in 2019.

We are committed to creating a work environment that enables us to be at our physical and mental best. In 2019, we organised workshops and activities to encourage staff to adopt and maintain a healthy lifestyle by staying active, eating healthily and managing their stress levels. A programme called “We Support” included health, safety and wellness seminars and workshops.

All staff at core buildings and branches have enjoyed weekly fruit since January 2019. Happy Hour gatherings are held monthly at core buildings. While enjoying free drinks, snacks and games, staff from different business and functions can relax and remain connected with their peers. Other informal networking events act as forums for staff to connect with senior managers and mingle in a fun, fast-paced environment. Working parents, millennial employees and new joiners participate, share challenges and offer support.



A “digital floor” at our head office uses a new workspace model: activity-based working. This supports a diverse range of working styles, encourages creativity, agility and collaboration, and supports health and wellness.

### Financial well-being

To assist the financial well-being of our staff, we provide special offers for credit cards, insurance, and other products and services. We offer favourable terms for housing loans, enabling employees to obtain a first home, and assist with subsequent property purchases as family circumstances change.

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

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



## Occupational Health and Safety

We uphold high standards of occupational health and safety (OH&S). We develop our [OH&S policy](#) and management framework by engaging employees at all levels via committees, forums and working groups. All staff undergo OH&S training. This ranges from classroom-based training to e-learning, and is included in our induction programme.

Hang Seng was the first bank in the world to implement a certified BS OHSAS 18001:2007-compliant Occupational Health Safety Management System (OHSMS). This is designed to reduce the exposure of staff, contractors and customers – and those of our subsidiaries in Hong Kong – to health and safety risks associated with our business activities. In 2019, we sought to upgrade our certification to the newly launched ISO 45001 OHSMS and successfully completed an external safety assessment of the migration programme.

Staff participate in regular evacuation drills to ensure they can identify, eliminate and mitigate risks to customers and/or themselves, and take prompt action in the event of an emergency. We have appointed staff fire marshals at all our premises. Employees at different sites and businesses are qualified first aiders who can offer prompt assistance to colleagues and customers in the event of an emergency or accident. A number of our first aiders are trained to operate external defibrillators that are installed in various bank premises.

A Safety Management Committee, comprising senior management representatives, monitors and advises on our OH&S programmes. The concerns and views of staff are represented by a working team of middle management representatives. They are supported by approximately 300 job hazards analysis (JHA) team members. (See Occupational health and safety: Everyone's business)

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

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

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

Our Fire Prevention Month included seminars, fire safety exchange sessions and information booths to promote health, safety and awareness.

## OCCUPATIONAL HEALTH AND SAFETY: EVERYONE'S BUSINESS

We implement occupational health and safety at functional and bank-wide level.



### Functional

- ✦ Personal protective equipment
- ✦ Safety Management Committee
- ✦ Staff representation in health and safety inspections, safety audits and accident investigations
- ✦ Training and education
- ✦ Complaint and reporting mechanisms
- ✦ Safe workplace rights



### Bank-wide

- ✦ Compliance with the international labour standards, as required by our BS OHSAS 18001:2007 certification
- ✦ Arrangements and systems for resolving OH&S-related issues
- ✦ Performance targets and levels of practice

## Occupational Health and Safety

Occupational health and safety statistics	2019	2018	2017	2016
<b>Lost day rate<sup>^</sup></b>				
Male	0.23	0.73	0.04	0.06
Female	2.41	0.26	2.22	2.62
Overall	2.64	0.99	2.26	2.68
<b>Total lost days</b>	<b>232.5</b>	<b>92.5</b>	<b>187.5</b>	<b>224.5</b>
<b>Occupational injury rate<sup>#</sup></b>				
Male	0.02	0.03	0.01	0.01
Female	0.06	0.03	0.10	0.12
Overall	0.08	0.06	0.11	0.13
<b>Absenteeism rate<sup>*</sup></b>				
Male	1.56%	1.50%	1.25%	1.49%
Female	2.28%	2.15%	1.95%	2.24%
Overall	1.98%	1.87%	1.66%	1.93%
<b>Occupational fatalities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Note:

<sup>^</sup> The lost day rate is based on number of days lost per 200,000 hours worked (100 employees working 40 hours per week for 50 weeks). The full-time employee equivalent (FTE) in 2019, 2018, 2017 and 2016 was 8,315, 8,814, 7,828 and 7,897 respectively.

<sup>#</sup> The injury rate is calculated based on the number of injuries per 200,000 hours worked. The full-time employee equivalent (FTE) in 2019, 2018, 2017 and 2016 was 8,315, 8,814, 7,828 and 7,897 respectively.

<sup>\*</sup> The absentee rate indicates the number of absentee days (as a result of occupational injuries and other illnesses) as a percentage of the total number of work days scheduled for the workforce, i.e. average headcount of the year. The average headcount in 2019, 2018, 2017 and 2016 was 8,677, 8,421, 7,863, and 7,998, respectively.



## Our People: In Numbers

### Headcount by employment type and gender

	2019		2018		2017		2016	
	Male	Female	Male	Female	Male	Female	Male	Female
Full-time permanent staff	3,591	4,783	3,580	4,882	3,349	4,611	3,242	4,600
Full-time contract staff	66	31	65	34	128	92	60	41
Part-time staff	17	56	8	42	4	28	4	25
Temporary staff	-*	-*	-*	-*	1	2	2	3
<b>Total</b>	<b>3,674</b>	<b>4,870</b>	<b>3,653</b>	<b>4,958</b>	<b>3,482</b>	<b>4,733</b>	<b>3,308</b>	<b>4,669</b>
<b>Grand total</b>	<b>8,543</b>		<b>8,611</b>		<b>8,215</b>		<b>7,977</b>	

### Headcount by employee category and gender

Executive	1,267	1,311	1,205	1,216	1,045	1,047	847	907
Officer	1,599	2,246	1,702	2,314	1,604	2,108	1,597	2,056
Clerical / blue-collar	809	1,312	747	1,428	833	1,578	864	1,706
<b>Total</b>	<b>3,674</b>	<b>4,870</b>	<b>3,653</b>	<b>4,958</b>	<b>3,482</b>	<b>4,733</b>	<b>3,308</b>	<b>4,669</b>
<b>Grand total</b>	<b>8,543</b>		<b>8,611</b>		<b>8,215</b>		<b>7,977</b>	

### New hires by age and gender

Below 30	525	490	563	616	553	566	406	428
30 to 39	227	180	346	295	258	246	103	130
40 to 49	50	85	67	121	61	68	23	26
50 to 59	19	27	32	31	27	16	15	13
60 or above	12	13	3	4	13	4	7	6
<b>Total</b>	<b>833</b>	<b>794</b>	<b>1,011</b>	<b>1,067</b>	<b>912</b>	<b>900</b>	<b>554</b>	<b>603</b>
<b>Grand total</b>	<b>1,628</b>		<b>2,078</b>		<b>1,812</b>		<b>1,157</b>	
<b>New hire rate<sup>^</sup></b>	<b>19.1%</b>		<b>24.1%</b>		<b>22.1%</b>		<b>14.8%</b>	

### Headcount by age group

	2019	2018	2017	2016
Below 30	2,536	2,585	2,535	2,530
30 to 39	2,704	2,650	2,354	2,108
40 to 49	1,957	2,034	2,025	2,061
50 to 59	1,271	1,291	1,261	1,240
60 or above	75	50	40	38
<b>Grand total</b>	<b>8,543</b>	<b>8,611</b>	<b>8,215</b>	<b>7,977</b>

Note:

\* The category of "temporary staff" has been retired since 2018. The headcount is reflected in the other three categories as appropriate.

<sup>^</sup> Percentage of total new hires among total employees at the end of the year.

## Our People: In Numbers

### Average age

	2019	2018	2017	2016
Executive	40	40	40	41
Officer	37	36	37	36
Clerical / blue-collar	36	38	37	37
<b>Overall</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>

### Average years of service

	2019	2018	2017	2016
Executive	9	8	9	10
Officer	10	10	11	11
Clerical / blue-collar	9	11	11	12
<b>Overall</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>

### Voluntary turnover by age and gender

	2019				2018				2017				2016			
	Male		Female		Male		Female		Male		Female		Male		Female	
	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>	Headcount	Turnover rate <sup>a</sup>
Below 30	320	3.8%	343	4.1%	368	4.4%	384	4.7%	361	4.6%	411	5.3%	363	4.5%	357	4.5%
30 to 39	256	3.0%	227	2.7%	238	2.8%	208	2.5%	175	2.2%	196	2.5%	142	1.8%	155	1.9%
40 to 49	72	0.8%	113	1.3%	70	0.8%	113	1.4%	47	0.6%	77	1.0%	40	0.5%	83	1.1%
50 to 59	81	0.9%	83	1.0%	49	0.6%	44	0.6%	23	0.3%	30	0.4%	31	0.4%	38	0.5%
60 or above	3	0.1%	4	0.1%	35	0.4%	36	0.4%	53	0.7%	30	0.4%	57	0.7%	34	0.4%
<b>Total</b>	<b>733</b>	<b>8.6%</b>	<b>770</b>	<b>9.2%</b>	<b>761</b>	<b>9.0%</b>	<b>784</b>	<b>9.5%</b>	<b>659</b>	<b>8.4%</b>	<b>745</b>	<b>9.6%</b>	<b>633</b>	<b>7.9%</b>	<b>667</b>	<b>8.5%</b>
<b>Grand total</b>	<b>1,502 (17.8%)</b>				<b>1,545 (17.8%)</b>				<b>1,404 (18.0%)</b>				<b>1,300 (16.4%)</b>			

#### Note:

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

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

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

Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.

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



We set annual targets for minimising the negative environmental effects of our business, such as a

## two per cent annual reduction

in greenhouse gas emissions.

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

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

## Our Shared Responsibility

We set annual targets for minimising the negative environmental effects of our business, such as a two per cent annual reduction in greenhouse gas emissions.

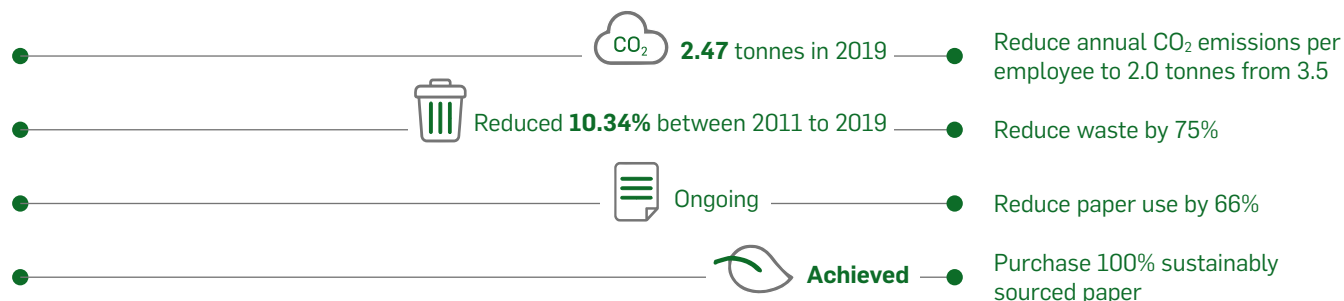
We follow the HSBC Group's direction – mitigation, adaptation and finance – in tackling the global challenge of climate change. Through advocacy, our products and our services, we support customers as they progress towards a low-carbon economy. This policy is detailed in the [HSBC Group's Statement on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

## We have also adopted the HSBC Group's environmental strategic plan:

### Start from 2011

### Hang Seng's Progress

### HSBC Group goal, to be delivered by 2020





## Our Environmental Management

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

We monitor our environmental management system (EMS) to ensure it continues to meet ISO 14001 standards. A committee established under our [Environmental Policy](#) verifies that our EMS and business strategies complement each other and support continual improvement in our environmental performance. The committee's instructions – regarding issues such as procurement and waste management – provide a guide to adopting green practices and achieving a greener workplace.

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

We monitor regulatory developments that could directly or indirectly impact our business, and participate in the Carbon Disclosure Project. This is a forum for the world's largest institutional investors to collectively consider the business implications of climate change.

We support the conservation of biodiversity through our financing policies and within our operations. At bank functions in our penthouse, we do not serve shark fin and have removed endangered reef fish species from our menus. We provide a WWF (Hong Kong)-endorsed sustainable seafood menu at our banquet hall.

Our operations comply with Hong Kong regulations and guidelines, such as the Waste Disposal Ordinance (Cap. 354). This governs the storage and disposal of electronic waste and is relevant to our office-based operation. In 2019, no sanction for breach in environmental laws or regulations was identified or reported.

## Our green ambassadors

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

## Our buildings

We have adopted measures to help reduce energy usage and mitigate climate change. For example, all lighting and air conditioning in Hang Seng core buildings are programmed to switch off at a set time, typically 19:30. Unnecessary lift services are suspended out of office hours.

We aim for energy-efficient, sustainable office buildings that meet the highest international standards. Hang Seng 113 was Hong Kong's first domestic bank office building to be certified Platinum – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) scheme. Our Hang Seng Tower office building also attained LEED Gold certification for its fitting-out works.

Hang Seng 113 has low-energy LED lighting and chilled ceiling and fresh air systems that, per year, use approximately 25 per cent less energy than conventional air conditioning. In 2019, the office earned a Merit Award in the Green Building awards. Solar panels are to be installed at Hang Seng 113 to generate renewable energy.

In 2019, we purchased Renewable Energy Certificates worth a total of 330 MWh from the local electricity suppliers. Each unit in a certificate represents electricity produced by local renewable energy sources, such as solar, wind and landfill gas. The Bank's efforts to support local renewable energy generation were recognised with a Renewable Energy Contribution Award in the CLP Smart Energy Award 2019.



## Our Environmental Management

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

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

## Our construction

We employ contractors to remove construction waste generated by demolition and renovation. That waste is taken only to government-approved facilities. We ensure that contractors' waste management and handling meet our standards. When renovating offices, we try to reuse furniture that is in good condition. We engage vendors to recycle furniture that can no longer be used.

## Our materials

We use environmentally-friendly building materials and energy-efficient appliances in our premises. These include low volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade-1-rated electrical appliances.

## Our water

Hang Seng earned the Gold Class Fresh Water Award for its headquarters and the Quality Fresh Water and Quality Flushing Water awards for Hang Seng 113. These are the

result of our voluntary participation in the Quality Water Supply Scheme for Buildings, administered by the Water Supplies Department. We reuse cooling water for flushing in Hang Seng 113.

## Our customer communications

53.3 per cent of our statements and advices are sent out to customers through electronic channel in 2019. Comparing to 2018, there is 13.3 per cent increase in the count of e-statement and e-advice. Particularly in credit card business, as of the end of 2019, 53.3 per cent of our credit card customers received electronic rather than physical statements while 51.3 per cent of credit card applications and 96.2 per cent of personal loan applications were received from phone or electronic channels.

89.82 per cent of shareholders adopted our e-communication services in 2019 that saved approximately 13.39 million sheets of paper.

For Commercial Banking, 78.6 per cent of customer transactions were being processed via different digital channels for 2019 (15.06 million digital transactions out of total 19.15 million transactions). The digital channels include our internet banking service, mobile apps, ATM and phone banking services. The digital transactions include payment transfer, autopay, deposit placing, payroll and ATM services. The 2019's donation via eChannels to charitable organisations reached more than 500,000 in transaction count and HK\$60 million in amount.

## Our environmental advocacy

As one of Hong Kong's largest listed companies, we are well positioned to champion environmental stewardship. We strive to set a good example by continually improving



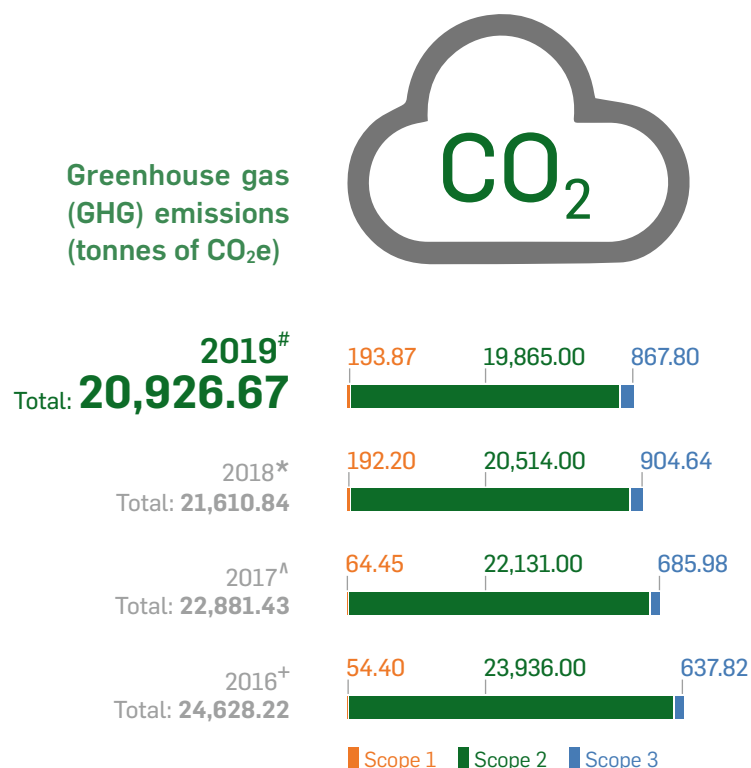
our environmental performance. Our financing policies and support for external initiatives, are designed to encourage staff, customers and the community to appreciate the importance of safeguarding natural resources and enhancing environmental health.

Talks on waste reduction and recycling were held at our core offices in 2019. Quarterly newsletters also include green facts. At our annual CSR Sustainers Workshop, we discuss how climate risk affects our daily operation.

In 2019, we continued to support the Conservancy Association's Hang Seng – CA Eco-Rangers orienteering event. This raised funds while promoting public awareness of environmental issues and the natural outdoor beauty of Hong Kong.

Hang Seng supports local NGOs and green groups as a corporate member and via campaigns and initiatives such as Friends of the Earth (Hong Kong)'s Power Smart Energy Saving Contest, WWF (Hong Kong)'s Earth Hour, the Green Power Hike and the Environmental Bureau's Charter on External Lighting.

## Environmental Performance



	Unit	2019 <sup>#</sup>	2018 <sup>*</sup>	2017 <sup>^</sup>	2016 <sup>+</sup>
<b>Greenhouse gas (GHG) emissions</b>					
<b>Total GHG emissions<sup>1</sup></b>	tonnes of CO <sub>2</sub> e	20,926.67	21,610.84	22,881.43	24,628.22
<b>Scope 1</b>	tonnes of CO <sub>2</sub> e	193.87	192.20	64.45	54.40
• Stationary combustion	tonnes of CO <sub>2</sub> e	78.30	79.32	64.45	54.40
• Mobile combustion	tonnes of CO <sub>2</sub> e	115.57	112.88	N/A	N/A
<b>Scope 2</b>	tonnes of CO <sub>2</sub> e	19,865.00	20,514.00	22,131.00	23,936.00
• Purchased electricity	tonnes of CO <sub>2</sub> e	19,848.00	20,496.00	22,116.00	23,923.00
• Towngas	tonnes of CO <sub>2</sub> e	17.00	18.00	15.00	13.00
<b>Scope 3</b>	tonnes of CO <sub>2</sub> e	867.80	904.64	685.98	637.82
• Business travel (land and air)	tonnes of CO <sub>2</sub> e	551.96	563.43	342.98	305.82
• Transmission and distribution loss	tonnes of CO <sub>2</sub> e	309.00	337.00	343.00	332.00
• Upstream transportation and distribution (mobile branch)	tonnes of CO <sub>2</sub> e	6.84	4.21	N/A	N/A
<b>Total GHG emissions per FTE</b>	tonnes of CO <sub>2</sub> e/FTE	2.47	2.56	2.95	3.16
• From Scope 1	tonnes of CO <sub>2</sub> e/FTE	0.02	0.02	0.01	0.01
• From Scope 2	tonnes of CO <sub>2</sub> e/FTE	2.35	2.43	2.85	3.07
• From Scope 3	tonnes of CO <sub>2</sub> e/FTE	0.10	0.11	0.09	0.08
<b>GHG emissions per sq ft</b>	tonnes of CO <sub>2</sub> e/sq ft	0.015	0.016	0.016	0.016

Data coverage: Hang Seng Bank's Hong Kong operations.

Data is rounded up to two decimal places.

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

<sup>#</sup> From 1 Oct 2018 – 30 Sep 2019 <sup>\*</sup> From 1 Oct 2017 – 30 Sep 2018 <sup>^</sup> From 1 Oct 2016 – 30 Sep 2017 <sup>+</sup> From 1 Oct 2015 – 30 Sep 2016

<sup>1</sup> Scopes 1 and 2 greenhouse gas emissions were estimated according to the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition).

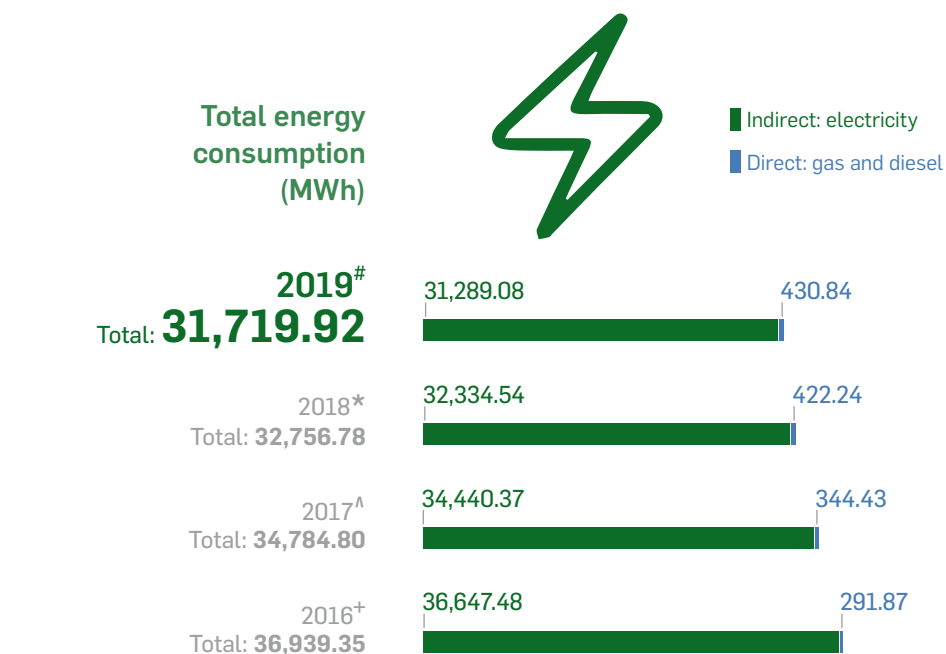
Scope 2 greenhouse gas emissions are calculated based on electricity and towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.51 kg CO<sub>2</sub>e/kWh and 0.80 kg CO<sub>2</sub>e/kWh respectively, as of 2018.

Scope 3 greenhouse gas emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

<sup>2</sup> The number of full-time equivalent employees as at 30 Sep 2019, 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,468, 8,452, 7,769 and 7,786, respectively.

<sup>3</sup> The floor area as of 30 Sep 2019, 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 1,387,344, 1,357,948, 1,427,358 and 1,635,975 sq ft, respectively.

## Environmental Performance



	Unit	2019 <sup>#</sup>	2018 <sup>*</sup>	2017 <sup>^</sup>	2016 <sup>+</sup>
Energy consumption per FTE	MWh/FTE	3.75	3.88	4.48	4.74
Energy consumption per sq ft	MWh/sq ft	0.02	0.02	0.02	0.02

Data coverage: Hang Seng Bank's Hong Kong operations.

Data is rounded up to two decimal places.

Key: m<sup>3</sup>: Cubic MWh: Megawatt hour FTE: Full-time equivalent employee<sup>4</sup> sq ft: Square foot<sup>5</sup>

<sup>#</sup> From 1 Oct 2018 – 30 Sep 2019 <sup>\*</sup> From 1 Oct 2017 – 30 Sep 2018 <sup>^</sup> From 1 Oct 2016 – 30 Sep 2017 <sup>+</sup> From 1 Oct 2015 – 30 Sep 2016

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

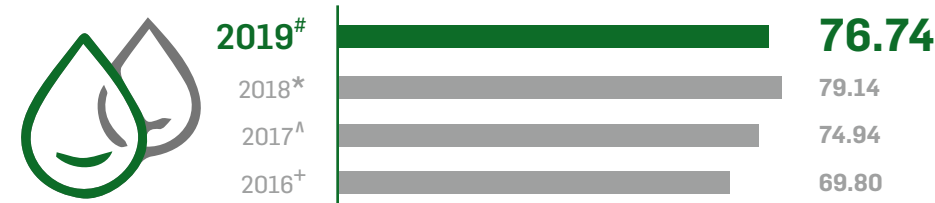
<sup>2</sup> The surge in paper consumption in office was resulted from change in data collection method in the second quarter of 2019 which reflects upon user base.

<sup>3</sup> Paper certified by an HSBC-approved certification scheme. Currently includes FSC, Canadian Standards Association, etc.

<sup>4</sup> The number of full-time equivalent employees as at 30 Sep 2019, 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,468, 8,452, 7,769 and 7,786, respectively.

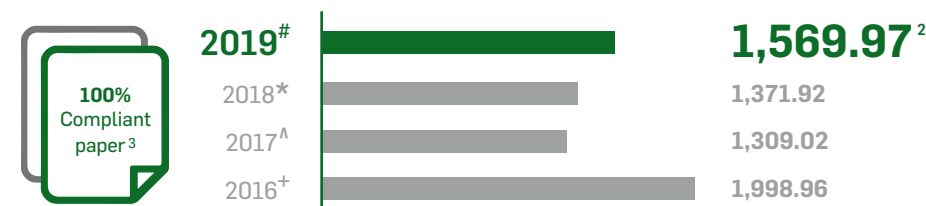
<sup>5</sup> The floor area as of 30 Sep 2019, 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 1,387,344, 1,357,948, 1,427,358 and 1,635,975 sq ft, respectively.

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



	Unit	2019 <sup>#</sup>	2018 <sup>*</sup>	2017 <sup>^</sup>	2016 <sup>+</sup>
Water consumption per FTE	m <sup>3</sup> /FTE	9.06	9.36	9.65	8.96

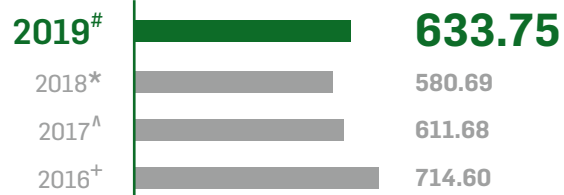
## Total paper consumption (tonnes)





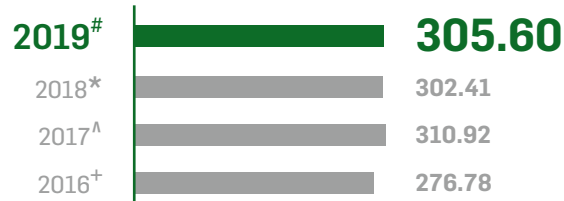
## Environmental Performance > > >

### Waste collected for recycling (tonnes)



	Unit	2019 <sup>#</sup>	2018 <sup>*</sup>	2017 <sup>^</sup>	2016 <sup>+</sup>
Waste collected for recycling					
Paper	tonnes	598.20	530.07	550.77	597.20
Plastic	tonnes	1.40	0.59	0.44	0.53
Aluminium cans	tonnes	0.66	0.20	0.18	0.12
Glass <sup>2</sup>	tonnes	0.29	0.10	N/A	N/A
Furniture	tonnes	0.79	7.14	19.11	53.31
IT and electrical <sup>3</sup>	tonnes	4.79	17.61	20.73	47.22
Food waste	tonnes	27.62	24.98	20.45	16.22

### Waste disposed to landfill<sup>1</sup> (tonnes)



	Unit	2019 <sup>#</sup>	2018 <sup>*</sup>	2017 <sup>^</sup>	2016 <sup>+</sup>
Waste disposed per FTE	tonnes/FTE	0.04	0.04	0.04	0.04

Data coverage: Hang Seng Bank's Hong Kong operations.

Data is rounded up to two decimal places.

Key: FTE: Full-time equivalent employee<sup>4</sup>

<sup>#</sup> From 1 Oct 2018 – 30 Sep 2019    <sup>\*</sup> From 1 Oct 2017 – 30 Sep 2018    <sup>^</sup> From 1 Oct 2016 – 30 Sep 2017    <sup>+</sup> From 1 Oct 2015 – 30 Sep 2016

<sup>1</sup> Disposal amount of hazardous waste is not counted due to the insignificant amount of hazardous waste disposal.

<sup>2</sup> Relevant data has been collected for reporting since 2018.

<sup>3</sup> IT and electrical waste consisting of flat panel displays and printed circuit boards is classified as hazardous.

<sup>4</sup> The number of full-time equivalent employees as at 30 Sep 2019, 30 Sep 2018, 30 Sep 2017 and 30 Sep 2016 was 8,468, 8,452, 7,769 and 7,786, respectively.

# Our Community



We invested  
**HK\$33** million in  
 community development in  
 Hong Kong in 2019, bringing  
 our total contribution over  
 the past decade to  
**HK\$282** million.

As Hong Kong's leading domestic bank, we play a key role in our community.

Young people are key to sustainability. Engaging them and providing them with tools for development keeps our community and business viable. It also fosters lasting and positive social and environmental change.

This is why a key component of our approach is empowering Hong Kong's young people with the skills, knowledge and self-esteem that they need to thrive in an ever-changing economy.

Hang Seng is also committed to the wider society. Our four pillars of community investment are:



Future skills for  
employability



Financial  
literacy



Entrepreneurship



Care for the  
community

Our Corporate Responsibility Committee – chaired by the Bank's Vice-Chairman and Chief Executive – sets community strategy, assesses proposals and oversees investments. We instil our core values of leadership and innovation into community programmes.

We invested HK\$33 million in community development in Hong Kong in 2019, bringing our total contribution over the past decade to HK\$282 million.

Apart from leveraging our financial strength, we also invest nonfinancial resources, such as volunteer time, professional expertise and practical support. In 2019, our community programmes and staff volunteering initiatives included more than 1,800 activities. We donated financial and nonfinancial resources to Bank volunteer activities, charities and community organisations that collectively served more than 2.5 million people in Hong Kong.



The breadth of our initiatives is illustrated by the programmes detailed below.

## **Future Skills for Employability**

Providing employment-related skills for youth, regardless of social or economic status, accounts for more than one-third of our community investment. This supports the UN Sustainable Development Goal 4: Quality Education. Our programmes for this pillar are outlined below.

### **The “I am...” online platform and mobile app**

This new portal – run in partnership with the non-governmental organisation St. James' Settlement – provides personalised career and academic advice, including mentorship, for young people between 15 and 29. To help

those at the crossroads of studying and beginning a career, it provides information and guidance, including recruitment market data, for personal development or career planning.

Launched in September 2019, it is Hong Kong's first youth portal offering interactive mentorship via chatbot and aggregated data analysis technology. Users receive real-time advice from over 230 qualified online career and academic mentors, including 45 Hang Seng staff and management trainees. The portal also provides personality tests, career and academic news, and an online TV channel.

Thirty-three schools have enjoyed demonstrations, reaching around 6,900 students. Of those, 50 per cent registered as members of the portal.



## **Hang Seng – HKFWS Youth Mediation Scheme**

Hong Kong's first primary school peer mediation programme was launched in 2013 by Hang Seng and the Hong Kong Family Welfare Society to promote harmony at this key developmental stage. With a range of activities – including mediation training, storytelling and a mobile app – the programme has benefited over 60,000 young students, their parents and their teachers.

More than 160 Hang Seng staff members trained as mediation ambassadors. They lead storytelling sessions and education technology classes in primary schools.

In 2020, we will continue to enhance the functionality and content of the scheme's mobile app – the first-of-its-kind education app on peer mediation launched in 2018. We will also host spin-off events to reach a wider community, such as peer mediation storytelling.





## Future Skills for Employability

### Hang Seng Character Master Programme

Respect, caring, trustworthiness and responsibility are the core values promoted to senior primary students by our Character Master programme. A partnership with St. James' Settlement since 2017, it offers life simulation activities, workplace experience and workshops. The programme helps students appreciate and understand good qualities, and encourages moral behaviour and a positive attitude so they can face challenges with a sense of self and well-being.



I was very reserved at the start of the programme, and not a good communicator. But with encouragement from my teacher, I talked to people I did not know in the life simulation game. This motivated me to communicate with customers during my workplace experience as a supermarket cashier. All of these memorable experiences taught me the importance of being respectful and genuine when interacting with people.



**Lam Tung-sun**

Sau Mau Ping Catholic Primary School

Over 13,900 students and 2,200 parents have participated, and 100 teachers and 200 volunteers have been trained to deliver the programme. A mobile app has also been developed. Character Master has been well received by schools, parents and students.

### Hang Seng – YMCA Balloon-Twisting Programme for Special Educational Needs Students



Now in its third year, this programme aims to unleash the potential of students with Special Educational Needs (SEN), by developing their concentration, coordination, organisation and communication through balloon-twisting training and competition. This empowers them to face challenges in school and later in life.

In August 2019, eight SEN students participated in an international balloon twisting competition in Taiwan. Despite competing amid professionals, they earned an Award for Excellence which is a testament to the efforts and talents of SEN students.

The programme extended its reach from secondary to primary schools in 2019. Occupational therapy classes were introduced to cater to the needs of younger participants.



I was given opportunities to try, to think and to succeed. I discovered my strengths and developed my confidence. I feel more engaged now in school.



**Jacky Tsang**

SKH Li Fook Hing Secondary School

### Community in Action

We have long supported sports development in Hong Kong. In 2019, we took another step forward, in partnership with the Hong Kong Sports Institute. The Community in Action programme enables athletes to develop essential soft skills, which enhances their employability after they retire from sports.

Community in Action also exposes youths and students to choose sports as a career, via school visits, community days and workshops.

### Ming Pao Student Reporter Programme

We have supported this programme for 20 years. It promotes civic awareness while honing analytical, research and communication skills. More than 9,500 senior students have taken part, including 345, from 125 schools, in 2019.

### Hang Seng Community Service Scholarships

Since 1995, we have allocated more than HK\$66 million to various scholarship schemes in Hong Kong and mainland China. This has made it easier for over 2,400 gifted young people to further their academic journey.





## Entrepreneurship

We encourage budding entrepreneurs to develop sustainable businesses. Our programmes for this pillar include:

### Hang Seng Youth Career Planning Scheme

We partner with The Society of Rehabilitation and Crime Prevention in Hong Kong to offer at-risk youths and juveniles ex-offenders an opportunity to explore career possibilities. We

equip them with essential skills – including communication and problem-solving – and help build their sense of identity for making the right career decisions.

Hang Seng senior management volunteer as guest speakers. They share their professional insights and experience, and judge the participants' business proposals. Successful participants receive start-up funds and guidance, turning their dreams into business blueprints.

The programme attracted more than 2,300 young people in 2018-19. Over 250 of them participated in job-shadowing, training, and employment and entrepreneurship workshops. In August 2019, nearly 30 participants' businesses were showcased at a two-day bazaar in Lai Chi Kok.

### Hang Seng Yunnan Low Carbon Village

Hang Seng partnered with The Conservancy Association to pilot a low-carbon village model in the Yunnan province of China in 2016. This followed the successful completion of a decade-long biogas initiative.

The second low-carbon project – at Tengchong, Yunnan was completed in 2019. Traditional firewood stoves have been replaced with high-efficiency ones, and solar-powered water heaters and streetlamps have been installed. Villagers no longer rely on nearby forests for resources and their standard of living has been substantially enhanced.

Villagers have also been educated about environmentally-friendly farming and produce management. This facilitates a sustainable agricultural supply chain.



The results have led to a positive economic impact which I believe could tempt villagers – who left to pursue opportunities in the city – to come back and make a living.



**Ma Zigao**  
Dahaoping villager



## Financial Literacy

We leverage our core strengths and expertise by helping people from various backgrounds make informed money-management decisions via improved financial literacy. For example, our volunteers participated in two programmes organised by the Hong Kong Association of Banks. One promotes financial literacy through the use of digital banking services by all ages. The other provides financial management advice for low-income youths.

These programmes supported our focus in 2019: equipping young people with the skills to secure their financial futures. We also partnered with the charity support organisation Po Leung Kuk to deliver financial education to kindergarten students, through interactive games and activities.

## e\$mart Financial Education Programme

We are very excited to support a new, ground-breaking programme: the new e\$mart programme, developed in partnership with the Hong Kong Family Welfare Society.

In the new fintech era of cashless transaction, young people have reduced physical contact with cash and hence give less thought to the management of money.

To be officially launched in first half of 2020, the first-of-its-kind e\$mart Financial Education Programme is aimed at Hong Kong's primary school students. A game that simulates digital transactions raises the students' awareness, while seminars for young parents enhance their awareness and knowledge. This enables effective parent-child dialogue about financial literacy.

In 2019, pilot runs of the game, training sessions for students and parental seminars benefitted about 1,000 people. Hang Seng volunteers will support the game and utilise their financial expertise to educate students and their parents.



## Care for the Community

We build strong connections with our community and our environment via activities that promote inclusivity and social well-being.



## Hang Seng Table Tennis Academy

This long-standing initiative – a partnership with the Hong Kong Table Tennis Association (HKTTA) – encourages healthy participation, and develops valuable life skills such as perseverance and a sense of fair play. The academy also provides specialist training and programmes to nurture and support young table tennis talent as they pursue their long-term sporting aspirations. To date, more than 390,000 individuals have taken part in over 7,300 activities.

In 2019, we announced our provision of HK\$13 million to the HKTTA for 2019-21. This reflects our commitment to encouraging people of all ages and backgrounds, and to providing high-quality training for promising talent. In 2020, we will celebrate nearly three decades of partnering with the HKTTA, supporting Hong Kong's young people and developing international-class table tennis in the region.

The annual New Generation Championships, targeting talents aged five to nine, is the one of most sought-after of the academy's competitions. The overwhelming response in 2019 saw more than 800 children enrolled.

In 2019, we sponsored two major events in Hong Kong: the Seamaster 2019 ITTF World Tour – Hang Seng Hong Kong Open (an M Mark event) and the 2019 Hang Seng Junior & Cadet Open.





## Care for the Community

### Hang Seng Volunteer Team

We organised more than 80 community activities for bank volunteers in 2019. Our focus is on the social well-being of vulnerable and underprivileged groups, improved financial literacy, economic mobility, and environmental issues. Each staff member is entitled to two days of volunteer leave.



The Bank encourages staff to volunteer as a department. It is great for team-building; colleagues interact with each other in a casual way and enjoy fun times together while giving back to the community.



**Vivian Au**

Head of Distribution Planning and Portfolio Management



### Environment

For a second year, we supported the Conservancy Association's Hang Seng – CA Eco-Rangers outdoor orienteering competition. "No plastic" was this year's theme, to boost awareness of reuse and recycling and encourage the public to reduce plastic usage. More than 400 people joined the competition.

Our staff participated in environmental-related events such as Eco-Rangers, Green Power Hike and Walk for Nature. These events raised their awareness of the importance of conservation.

### Education

Our support for ticket and subsidy schemes enabled about 11,000 students and underprivileged children to attend Hong Kong Philharmonic Orchestra performances and Hong Kong Arts Festival events in 2019.

### Social Welfare

We have been a close partner of The Community Chest of Hong Kong since 1994, raising over HK\$80 million – including over HK\$25 million via the annual Dress Casual Day.

## Report Coverage

This report covers Hang Seng's Hong Kong operations unless otherwise stated. It covers operations that are under Hang Seng's direct control and documents the Bank's influence on the sustainability awareness and activities of its employees, customers, suppliers and business partners, as well as the wider community. Mainland China and other operations are excluded as their contribution to the Hang Seng Bank Group's profit before tax and total assets is not significant. In terms of significance, the average of both profit before tax and total assets should be more than five per cent for the past five years. Unless otherwise stated, the term 'Group' in this report refers to Hang Seng and its subsidiaries in Hong Kong.

## Reporting Guidelines

Financial and corporate data in this report are directly comparable to those in the Bank's Annual Report 2019 unless otherwise stated. The report was prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) and GRI G4 Financial Services Sector Disclosures, and the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by the Hong Kong Exchanges and Clearing Limited (HKEx).

## Assurance

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

## Data Collection

Collection of data for this report was coordinated by the Bank's CSR Sustainers, in consultation with relevant teams and individuals. Hang Seng has published an annual online report since 2006. Hang Seng's previous report was published in May 2019.





## Verification Statement



### VERIFICATION STATEMENT

#### Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has been commissioned by Hang Seng Bank Limited ("Hang Seng") to conduct an independent verification for its Corporate Sustainability Report 2019 ("the Report"). The Report describes Hang Seng's efforts towards sustainable development during the calendar year of 2019.

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

#### Level of Assurance and Methodology

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

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

#### Independence

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

#### Conclusion

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

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

Substantial efforts have been made by Hang Seng to transform its report into more transparent and responsive to stakeholders by disclosing its long term sustainability strategies, goals, actions and progress that are commensurate with its sustainability context. In sum, the Report divulges adequate information on Hang Seng's overall sustainability performance.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham  
Head of Audit  
March 2020

Jorine Tam  
Director, Corporate Business



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

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>			
<b>Organisation Profile</b>			
102-1		Name of the organisation	<a href="#">Cover</a> ; <a href="#">Table of Content</a>
102-2		Activities, brands, products, and services	Our Business Values: Principles in Practice > <a href="#">What We Do</a>
102-3		Location of headquarters	Hong Kong.
102-4		Location of operations	Hong Kong, mainland China and others.
102-5		Ownership and legal form	Listed on The Stock Exchange of Hong Kong Limited.
102-6		Markets served	<a href="#">Our Business Values: Principles in Practice</a>
102-7		Scale of the organisation	<a href="#">Our Business Values: Principles in Practice</a> ; <a href="#">Our People</a>
102-8 <sup>#</sup>	<b>KPI B1.1</b>	Information on employees and other workers	Our People > <a href="#">Our People: In Numbers</a>
102-9		Supply chain	Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a>
102-10		Significant changes to the organisation and its supply chain	There was no significant change to the organisation and its supply chain in 2019.
102-11		Precautionary principle or approach	<a href="#">Annual Report 2019: Corporate Governance Report (page 110-139)</a> ; <a href="#">Our Risk Management</a>
102-12		External initiatives	Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a> ; Our Environment > Our Environmental Management > <a href="#">Our environmental advocacy</a>
102-13		Membership of associations	Our Business Values: Principles in Practice > What We Do > <a href="#">Memberships of industry associations</a>
<b>Strategy</b>			
102-14		Statement from senior decision-maker	<a href="#">Chief Executive's Message</a>

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>			
<b>Ethics and Integrity</b>			
<b>102-16</b>		Values, principles, standards, and norms of behaviour	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Business Values: Principles in Practice</a> ; <a href="#">Our Risk Management</a> ; <a href="#">Our Customers</a> ; <a href="#">Our People</a> ; <a href="#">Our Environment</a> ; <a href="#">Our Community</a>
<b>102-17</b>	<b>KPI B7.2</b>	Mechanisms for advice and concerns about ethics	Our Risk Management > Managing Different Types of Risk > <a href="#">Internal risk mitigation</a>
<b>Governance</b>			
<b>102-18<sup>#</sup></b>		Governance structure	Our Risk Management > Managing Different Types of Risk > <a href="#">Compliance risks</a> <a href="#">Annual Report 2019: Corporate Governance Report (page 110-139)</a>
<b>Stakeholder Engagement</b>			
<b>102-40<sup>#</sup></b>		List of stakeholder groups	Our Business Values: Principles in Practice > <a href="#">Our Values: Our Stakeholders</a>
<b>102-41</b>		Collective bargaining agreements	None in 2019. The Bank respects the right to form and join trade unions and will work in a professional manner with legitimate employee representative bodies in accordance with the HSBC Group's HR Functional Instruction Manual.
<b>102-42<sup>#</sup></b>		Identifying and selecting stakeholders	Our Business Values: Principles in Practice > <a href="#">Our Values: Our Stakeholders</a>
<b>102-43<sup>#</sup></b>	<b>KPI B6.2</b>	Approach to stakeholder engagement	Our Business Values: Principles in Practice > <a href="#">Our Values: Our Stakeholders</a>
<b>102-44<sup>#</sup></b>	<b>KPI B6.2</b>	Key topics and concerns raised	Our Business Values: Principles in Practice > <a href="#">From Feedback to Action</a>

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>General Disclosures</b>			
<b>GRI 102: General Disclosure 2016</b>			
<b>Reporting Practice</b>			
<b>102-45</b>		Entities included in the consolidated financial statements	<a href="#">Annual Report 2019</a>
<b>102-46<sup>#</sup></b>		Defining report content and topic boundaries	<a href="#">About This Report</a> ; Our Business Values: Principles in Practice > <a href="#">Our Materiality Assessment</a>
<b>102-47<sup>#</sup></b>		List of material topics	Our Business Values: Principles in Practice > <a href="#">Our Materiality Assessment</a>
<b>102-48</b>		Restatements of information	No restatements of information in previous report.
<b>102-49</b>		Changes in reporting	No significant change.
<b>102-50</b>		Reporting period	Table of Content > <a href="#">Report Scope</a>
<b>102-51</b>		Date of most recent report	Our most recent report, Corporate Sustainability Report 2018, was published in May 2019.
<b>102-52</b>		Reporting cycle	Our corporate sustainability report is published annually.
<b>102-53</b>		Contact point for questions regarding the report	<a href="#">Your Feedback</a>
<b>102-54<sup>#</sup></b>		Claims of reporting in accordance with the GRI Standards	About This Report > <a href="#">Reporting Guidelines</a>
<b>102-55</b>		GRI content index	<a href="#">Content Index</a>
<b>102-56</b>		External assurance	<a href="#">Report Verification</a> ; About This Report > <a href="#">Assurance</a>



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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>Economic Standards Series</b>			
<b>GRI 201 Economic Performance 2016</b>			
<b>103-1, 103-2, 103-3</b>		Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our Business Values: Principles in Practice</a>
<b>201-1</b>	<b>KPI B8.2</b>	Direct economic value generated and distributed	Our Business Values: Principles in Practice > What We Do > <a href="#">Our performance</a>
<b>GRI 202 Market Presence 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B1</b>	Management Approach	Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; <a href="#">Our People</a>
<b>202-2</b>		Proportion of senior management hired from the local community	<a href="#">Annual Report 2019: Appointment and Re-election of Directors (page 114)</a> ; <a href="#">Biographical Details of Directors and Senior Management (page 140-147)</a> ; <a href="#">Our People</a>
<b>GRI 204 Procurement Practices 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B5, KPI B5.2</b>	Management Approach	<a href="#">Our Business Values: Principles in Practice</a> ; Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a>
<b>204-1<sup>#</sup></b>		Proportion of spending on local suppliers	Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a>
<b>GRI 205 Anti-corruption 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD B7</b>	Management Approach	Our Risk Management > Managing Different Types of Risk > <a href="#">Financial crime risks</a> ; <a href="#">Internal risk mitigation</a> ; Responsible Value Chain > <a href="#">Supply chain risk</a>
<b>205-2<sup>#</sup></b>		Communication and training about anti-corruption policies and procedures	Our Risk Management > Managing Different Types of Risk > <a href="#">Financial crime risks</a> ; Our People > <a href="#">Building a culture of success</a>
<b>205-3</b>	<b>KPI B7.1</b>	Confirmed incidents of corruption and actions taken	Our Risk Management > Managing Different Types of Risk > <a href="#">Financial crime risks</a>

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>Environmental Standards Series</b>			
<b>GRI 301 Materials 2016</b>			
<b>103-1, 103-2, 103-3<sup>#</sup></b>	<b>GD A2, GD A3, KPI A3.1</b>	Management Approach	Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a> ; Our Environment > <a href="#">Our Environmental Management</a>
<b>301-1<sup>#</sup></b>	<b>KPI A2.5</b>	Materials used by weight or volume	Our Environment > <a href="#">Environmental Performance</a>  Packaging materials used are not material to the business so the indicator is not disclosed.
<b>GRI 302 Energy 2016</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD A2, GD A3, KPI A1.5, KPI A2.3, KPI A3.1</b>	Management Approach	Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a> ; Our Environment > <a href="#">Our Environmental Management</a>
<b>302-1<sup>#</sup></b>	<b>KPI A2.1</b>	Energy consumption within the organisation	Our Environment > <a href="#">Environmental Performance</a>
<b>302-3<sup>#</sup></b>	<b>KPI A2.1</b>	Energy intensity	Our Environment > <a href="#">Environmental Performance</a>
<b>GRI 303 Water 2018</b>			
<b>103-1, 103-2, 103-3</b>	<b>GD A2, GD A3, KPI A2.4, KPI A3.1</b>	Management Approach	Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a> ; Our Environment > <a href="#">Our Environmental Management</a>
<b>303-3<sup>#</sup></b>	<b>KPI A2.2</b>	Water withdrawal	Our Environment > <a href="#">Environmental Performance</a>  Only municipal water from Water Supplies Department is used in the operation. Hong Kong is of low water stress, and there is no issue in sourcing water.

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 305 Emissions 2016</b>			
<b>103-1, 103-2, 103-3<sup>#</sup></b>	<b>GD A1, GD A3, KPI A1.1, KPI A1.5, KPI A3.1</b>	Management Approach	<a href="#">Chief Executive's Message</a> ; Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a> ; Our Environment > <a href="#">Our Environmental Management</a>  Air emissions are not material to the business and therefore not disclosed.
<b>305-1<sup>#</sup></b>	<b>KPI A1.2</b>	Direct (Scope 1) GHG emission	Our Environment > <a href="#">Environmental Performance</a>
<b>305-2<sup>#</sup></b>	<b>KPI A1.2</b>	Energy indirect (Scope 2) GHG emissions	Our Environment > <a href="#">Environmental Performance</a>
<b>305-3<sup>#</sup></b>	<b>KPI A1.2</b>	Other indirect (Scope 3) GHG emissions	Our Environment > <a href="#">Environmental Performance</a>
<b>305-4<sup>#</sup></b>	<b>KPI A1.2</b>	GHG emissions intensity	Our Environment > <a href="#">Environmental Performance</a>
<b>GRI 306 Effluents and Waste 2016</b>			
<b>103-1, 103-2, 103-3<sup>#</sup></b>	<b>GD A1, GD A3, KPI A1.6, KPI A3.1</b>	Management Approach	Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; Our Risk Management > Responsible Value Chain > <a href="#">Supply chain risk</a> ; Our Environment > <a href="#">Our Environmental Management</a>
<b>306-2<sup>#</sup></b>	<b>KPI A1.3, KPI A1.4, KPI A1.6</b>	Waste by type and disposal method	Our Environment > <a href="#">Environmental Performance</a>  Given the nature of our business, hazardous waste is not a material issue for our direct operations.  The disclosed figures under Environmental Performance do not include waste arising from one-off renovations.
<b>GRI 307 Environmental Compliance 2016</b>			
<b>307-1</b>	<b>GD A1</b>	Noncompliance with environmental laws and regulations	Our Environment > <a href="#">Our Environmental Management</a>  No judgments were entered against the Bank in litigation regarding environmental laws or regulations in 2019.

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>Social Standards Series</b>			
<b>GRI 401 Employment 2016</b>			
103-1, 103-2, 103-3	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; <a href="#">Our People</a>
401-1 <sup>#</sup>	KPI B1.2	New employee hires and employee turnover	Our People > <a href="#">Our People: In Numbers</a>
<b>GRI 402 Labour/ Management Relations 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>		Management Approach	<a href="#">Chief Executive's Message</a> ; Our Business Values: Principles in Practice > <a href="#">From Feedback to Action</a> ; Our People > <a href="#">Employee Engagement and Communication</a>
402-1		Minimum notice periods regarding operational changes	Our People > <a href="#">Employee Engagement and Communication</a>
<b>GRI 403 Occupational Health and Safety 2018</b>			
103-1, 103-2, 103-3	GD B2, KPI B2.3	Management Approach	<a href="#">Chief Executive's Message</a> ; Our People > <a href="#">Occupational Health and Safety</a>
403-1		Occupational health and safety management system	Our People > <a href="#">Occupational Health and Safety</a>
403-4		Worker participation, consultation, and communication on occupational health and safety	Our People > <a href="#">Occupational Health and Safety</a>
403-5		Worker training on occupational health and safety	Our People > <a href="#">Occupational Health and Safety</a>
403-9 <sup>#</sup>	KPI B2.1, KPI B2.2	Work-related injuries	Our People > <a href="#">Occupational Health and Safety</a>
<b>GRI 404 Training and Education 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B3	Management Approach	Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; Our People > <a href="#">Training and Skills Development</a>



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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 404 Training and Education 2016</b>			
404-1 <sup>#</sup>	KPI B3.1, KPI B3.2	Average hours of training per year per employee	Our People > <a href="#">Training and Skills Development</a>
404-3		Percentage of employees receiving regular performance and career development reviews	Our People > <a href="#">Promoting High Performance</a>
<b>GRI 405 Diversity and Equal Opportunity 2016</b>			
103-1, 103-2, 103-3	GD B1	Management Approach	<a href="#">Chief Executive's Message</a> ; <a href="#">Our People</a>
405-1 <sup>#</sup>	KPI B1.1	Diversity of governance bodies and employees	<a href="#">Annual Report 2019: Board Composition (page 111); Biographical Details of Directors and Senior Management (page 140-147);</a> Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a> ; <a href="#">Our People: In Numbers</a>
<b>GRI 406 Nondiscrimination 2016</b>			
103-1, 103-2, 103-3	GD B1	Management Approach	Our People > Promoting High Performance > <a href="#">Fair rewards for equal works</a> ; <a href="#">Equal Opportunities, Diversity and Inclusion</a>
406-1		Incidents of discrimination and corrective actions taken	Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a>
<b>GRI 412 Human Rights Assessment 2016</b>			
103-1, 103-2, 103-3	GD B4, KPI B4.1, KPI B4.2	Management Approach	Our Risk Management > Responsible Value Chain > <a href="#">Addressing environmental and social risks as standard</a> ; <a href="#">Supply chain risk</a> ; Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a>  Child and forced labour are not material to the business so the two indicators are not disclosed.
412-2 <sup>#</sup>		Employee training on human rights policies or procedures	Our People > <a href="#">Equal Opportunities, Diversity and Inclusion</a>

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

GRI Standards Disclosure	HKEx ESG Reporting Guide	Disclosure Description	Reference
<b>GRI 413 Local Communities 2016</b>			
103-1, 103-2, 103-3	GD B8, KPI B8.1	Management Approach	<a href="#">Chief Executive's Message</a> ; Our Business Values: Principles in Practice > <a href="#">Our Strategy</a> ; <a href="#">From Feedback to Action</a> ; Our Customers > <a href="#">Power to the People</a> ; <a href="#">Improving Access for All</a> ; <a href="#">Our Community</a>
413-1 <sup>#</sup>		Operations with local community engagement, impact assessments, and development programmes	Our Customers > <a href="#">Power to the People</a> ; <a href="#">Improving Access for All</a> ; <a href="#">Our Community</a>
<b>GRI 416 Customer Health and Safety 2016</b>			
103-1, 103-2, 103-3	GD B6	Management Approach	Our Customers > Transparency, Accountability, Choice > <a href="#">Customer safety</a>
416-1	KPI B6.1, KPI B6.4	Assessment of the health and safety impacts of product and service categories	Our Customers > Transparency, Accountability, Choice > <a href="#">Customer safety</a> Financial services provided by the Bank are not subject to recalls for health and safety reasons.
<b>GRI 418 Customer Privacy 2016</b>			
103-1, 103-2, 103-3 <sup>#</sup>	GD B6, KPI B6.2, KPI B6.5	Management Approach	Our Business Values: Principles in Practice > <a href="#">From Feedback to Action</a> ; Our Risk Management > Managing Different Types of Risk > <a href="#">Information risk</a> ; Our Customers > Transparency, Accountability, Choice > <a href="#">Customer privacy</a>
418-1	GD B6, KPI B6.2	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Small number of complaints were recorded by the Bank in 2019. Data would be disclosed in future corporate sustainability report when ready.
<b>GRI 419 Socioeconomic Compliance 2016</b>			
419-1	GD B1, GD B2, GD B4, GD B6, GD B7	Noncompliance with laws and regulations in the social and economic area	No judgments were entered against the Bank in litigation concerning employment practice, occupational health and safety, child or forced labour, product responsibility and corruption in 2019.

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

GRI Sector Disclosure	Financial Services Sector Disclosures Description	Reference
<b>Product and Service Labeling</b>		
<b>G4-DMA</b>	Management Approach	Our Customers > <a href="#">Transparency, Accountability, Choice; Power to the People; Improving Access for All</a>
<b>Product Portfolio</b>		
<b>G4-DMA</b>	Management Approach	Our Risk Management > Responsible Value Chain > <a href="#">Addressing environmental and social risks as standard; Supply chain risk; Our People &gt; Training and Skills Development</a>
<b>G4-FS6</b>	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	<a href="#">Annual Report 2019: Segmental Analysis (page 193-196)</a>
<b>G4-FS7</b>	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.
<b>G4-FS8</b>	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose.
<b>Audit</b>		
<b>G4-DMA</b>	Management Approach	<a href="#">Our Risk Management</a>
<b>Active Ownership</b>		
<b>G4-DMA</b>	Management Approach	We do not report publicly on the voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting. All subsidiaries are covered by the HSBC Group's sustainability policies.

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GRI Sector Disclosure	Financial Services Sector Disclosures Description	Reference
<b>Active Ownership</b>		
<b>G4-FS10</b>	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Our Risk Management > Responsible Value Chain > <a href="#">Addressing environmental and social risks as standard</a>
<b>G4-FS11</b>	Percentage of assets subject to positive and negative environmental or social screening	We do not report publicly on this indicator. All subsidiaries are covered by the HSBC Group's sustainability policies.
<b>Local Communities</b>		
<b>G4-FS13</b>	Access points in low-populated or economically disadvantaged areas by type	Our Customers > <a href="#">Improving Access for All</a>
<b>G4-FS14</b>	Initiatives to improve access to financial services for disadvantaged people	Our Customers > <a href="#">Improving Access for All</a>