



恒生銀行
HANG SENG BANK

(Stock Code: 11)

Investing in
a Better Future

Corporate
Sustainability Report
2017



About This Report



Report Profile

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

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2017. The Report focuses on the economic, environmental and social issues that have an impact on the sustainability of Hang Seng and that are of interest to its stakeholders. The Report supplements the 'Corporate Sustainability' section of the Bank's Annual Report 2017.

Report Scope

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

Data measurement techniques and the basis of calculations are explained next to the data tables. Financial data is extracted from or compiled based on the Bank's audited annual accounts for the financial year 1 January to 31 December 2017.

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

Reporting Period

Financial accounts data are for the financial year 1 January to 31 December 2017. Other information covers the same period unless otherwise stated.

Report Coverage

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

Reporting Guidelines

Financial and corporate data included in this Report are directly comparable with data from the Bank's Annual Report 2017 unless otherwise stated. The Report was prepared in accordance with the internationally recognised GRI Sustainability Reporting Standards (GRI Standards) and 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 (HKEx).

Assurance

This Report has been independently verified and it is confirmed that the Report has been prepared in accordance with the GRI Standards: Core option and the HKEx's ESG Guide.

Data Collection

Collection of data for this Report has been coordinated by the Bank's CSR Sustainers through consultation with relevant teams and individuals. Hang Seng has published an annual online Report since 2006. Hang Seng's last Report was published in May 2017.

Chief Executive's Message

I am pleased to present the Corporate Sustainability Report 2017 (CS Report) from Hang Seng Bank, Hong Kong's leading domestic bank.

With the continuing rise of greater social awareness and environmental concerns, strong governance, transparency and engagement are vital to building trust and laying the foundations for sustainable growth. Our annual CS Report outlines the Bank's sustainability principles and practices. It also provides an overview of how we lead by example to effect positive change – promoting social inclusion and civic pride while proactively addressing sustainability challenges.

This report was prepared in accordance with international and local environmental, social and governance guidelines to ensure that its disclosures respond to stakeholder concerns. The 2015 and 2016 CS Reports both received recognition for communications excellence from leading global organisations.

A history of corporate sustainability excellence

We are proud that 2017 marked Hang Seng's 16th consecutive year as a constituent member of the FTSE4Good Developed Index. This year Hang Seng was the only company in Hong Kong to be included in Corporate Knights' '2017 Global 100 Most Sustainable Corporations in the World'. The Bank has been a constituent member of the Hang Seng Corporate Sustainability Index Series since 2010. A recent public poll by The University of Hong Kong acknowledged the Bank's outstanding reputation for corporate social responsibility.

Working for a better bank – and a better Hong Kong

This past year included many achievements for Hang Seng, all of which were accomplished by working together with our local communities to address stakeholder needs and concerns.



We continuously strive for customer service excellence. In 2017, we launched a new ATM service with the widest range of foreign currency choices in Hong Kong. We also enhanced accessibility and customer convenience by introducing a new 'Mobile Branch' that rotates among various housing estates, and by improving our mobile banking and digital services.

Our people are the key to our success. We work hard to promote professionalism, integrity and dedication among our employees while also emphasising the need for a good work-life balance. We aim to foster a progressive, dynamic culture, and encourage two-way communication to reinforce an open, 'speak-up' culture at all levels. We also ensure that employees enjoy a congenial and comfortable workplace, and compensation and benefits that are benchmarked against industry standards.



Chief Executive's Message

■ ■ We will drive initiatives that create value for customers and shareholders and help make Hong Kong a better place. ■ ■

Sustainable, environmentally friendly operations are an important pillar of our business. In 2017, Hang Seng 113 became Hong Kong's first domestic bank office building to be awarded Platinum certification – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) scheme. Other environmental initiatives during the past year include reducing water and energy consumption, and further encouraging our staff to reduce, reuse and recycle.

Hang Seng provided over HK\$31m in financial support for community development initiatives in 2017. The Bank's CSR strategy focuses on enhancing the skills, employability and entrepreneurial spirit of Hong Kong's young people. We are proud that the Hang Seng – HKFWS Youth Mediation Scheme received the Outstanding Partnership Project Award 2016/2017 from the Hong Kong Council of Social Service. In addition, our Hang Seng Call for Young Talent in Theatre programme received the Award for Arts Sponsorship at the Hong Kong Arts Development Awards 2016. The Bank also won three awards from the China International Public Relations Association, including one for the 15th Anniversary programme of Hang Seng Table Tennis Academy.

We're in this together

Contributing to the development of Hong Kong is central to our strategy for sustainable growth. Hang Seng will continue to maintain high standards of corporate governance and reinforce its reputation as a financial services provider of choice. We will drive initiatives that create value for customers and shareholders and help make Hong Kong a better place. We will continue to engage all our stakeholders, nurturing fruitful, mutually enriching relationships in the communities where we operate.

Louisa Cheang
Vice-Chairman and Chief Executive
Hang Seng Bank



Our Values

Strategy

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

Our Principles in Practice

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

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

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



Hang Seng Corporate Sustainability Matrix

Our Values

Stakeholder Engagement

We recognise the benefits of openly and actively engaging our stakeholders, who include customers, staff, shareholders, suppliers and business partners, regulators, and the wider community (see table below).

Gaining a deeper understanding of stakeholders' opinions, priorities and values helps us better

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

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

Stakeholders	Primary Methods of Engagement	Stakeholders	Primary Methods of Engagement
Customers	<ul style="list-style-type: none"> daily operations/ interactions financial market information updates relationship manager visits/ meetings seasonal seminars/ conferences customer loyalty events customer satisfaction surveys online community 	Regulators	<ul style="list-style-type: none"> meetings compliance reporting on-site inspections ad-hoc enquiries circulars/ guidelines
Shareholders	<ul style="list-style-type: none"> Annual General Meetings and other general meetings corporate communications, including but not limited to letters/ circulars to shareholders and notices of meetings interim and annual reports results announcements 	Media	<ul style="list-style-type: none"> media briefings press materials senior management interviews results announcements social gatherings
Employees	<ul style="list-style-type: none"> employee surveys focus groups face-to-face interviews trainings and workshops performance and development discussions staff intranet business briefings 'town hall' meetings and regular department meetings 'exchange' meetings – small-group meetings between managers and their staff where the latter drive the discussion CE mailbox/ 'town hall' and 'exchange' meetings employee representation on Local Staff Retirement Benefit Scheme Defined Contribution Management Committee volunteer activities CSR programmes/ communications staff engagement in CSR projects 	Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> volunteer activities community investments and donations CSR programmes/ communications staff workshops meetings visits
Analysts/ investors	<ul style="list-style-type: none"> results announcements post-results announcement business briefings senior management meetings investor relations meetings 	Financial sector peers	<ul style="list-style-type: none"> strategic collaborations Group circulars Group 'town hall' meetings Hong Kong Association of Banks meetings and circulars
Business partners	<ul style="list-style-type: none"> reports meetings visits gatherings and seminars relationship-building events 	Professional bodies (including rating agencies)	<ul style="list-style-type: none"> meetings visits memberships committee/ working groups workshops external audits index assessments/ questionnaires joint financial education programmes
		Suppliers	<ul style="list-style-type: none"> supplier risk management processes supplier due diligence processes annual supplier performance reviews meetings site visits

Our Values

Actions to Address Key Stakeholder Concerns ●○

Hang Seng's multi-faceted approach to engagement gives stakeholders ample opportunities to communicate their key areas of interest to the Bank. During the reporting period under review, a number of internal and external groups provided us with a wide range of constructive feedback, which we have addressed as effectively and expediently as possible.

Attract and Retain Top Talent

Hang Seng has close to 10,000 full-time equivalent staff, making the Bank one of Hong Kong's largest listed companies in terms of employees. Our people are our most valued asset – they are the ambassadors of our core values and key to our sustainable growth. To ensure we attract and retain quality employees, we continue to implement initiatives that enhance levels of job satisfaction and provide good opportunities for skills enrichment and career development.

In 2017, Hang Seng staff provided their feedback on a number of key topics. Employees communicated their desire to see employee benefits further benchmarked against industry standards.



To address this, we took a variety of steps including:

- ensuring our pension fund choices consider environmental and social responsibility principles;
- improving staff awareness and understanding of their retirement fund investment choices by organising on-site booths for our employees to meet their fund management representatives and learn more about their retirement funds;
- improving the Bank's leave policy and increasing the number of annual leave days for Hong Kong permanent employees across various ranks, with effect from 1 January 2018;
- studying an 'OpenWork' scheme to foster openness and creativity and to promote new ways of working; and
- implementing Everyday Performance and Development, which encourages people managers and employees to hold frequent meetings – both formal and informal – for discussing matters related to performance and career development rather than continuing to rely solely on year-end reviews.



Our Values

Actions to Address Key Stakeholder Concerns ○ ●

Enhance Accessibility for Our Customers

As much as over half of Hong Kong's adult residents or over three million people relies on Hang Seng for the best banking services possible. In 2017, these customers said their primary concerns were convenience and accessibility.

In response, we launched a new ATM service with the widest range of foreign currency choices in Hong Kong and the 'Mobile Branch'. As at the end of 2017, eight Hang Seng service outlets in high-traffic locations were operating 24 foreign exchange ATMs, which carry as many as 12 currencies. In late December 2017, we opened a new 'Mobile Branch' that rotates in three public housing estates in remote areas where no physical branch is present nearby. It provides customers with two teller counters offering a range of general banking services.

Continue to Uphold Our Corporate Governance

Hang Seng is committed to transparency and acting in accordance with the directives of local regulatory authorities, which ensure that financial institutions treat customers fairly and operate in a trustworthy manner. During the year under review, our regulatory bodies communicated the importance of providing accessible banking services to customers.

Therefore, in addition to launching foreign exchange ATMs and the 'Mobile Branch', the Bank introduced a range of policies and procedures to codify and standardise certain aspects of customer service. For example, the Client Selection & Exit Management (CSEM) platform enables timely, auditable business acceptance and exit decisions to help effectively and efficiently manage financial crime risk. It also provides an appeals and complaint channel for customers. In 2017, we also tightened preventive measures against money laundering and the funding of terrorism, and we completed a cyber resilience assessment and enhanced our cybersecurity controls to protect stakeholders' interests.

Take Initiatives to Protect Our Environment

In Hong Kong as around the world, the environment is increasingly a subject of concern among key stakeholders including customers, staff, business partners, government and professional bodies, and the general public. Many of our stakeholders inquired about the conservation and environmental protection measures being implemented by the Bank.

In response, we took many of their suggestions on board during the year under review, strengthening our environmental policies by adopting more initiatives to reduce, reuse and recycle across all our office premises.

Our Values

Materiality Assessment ●○

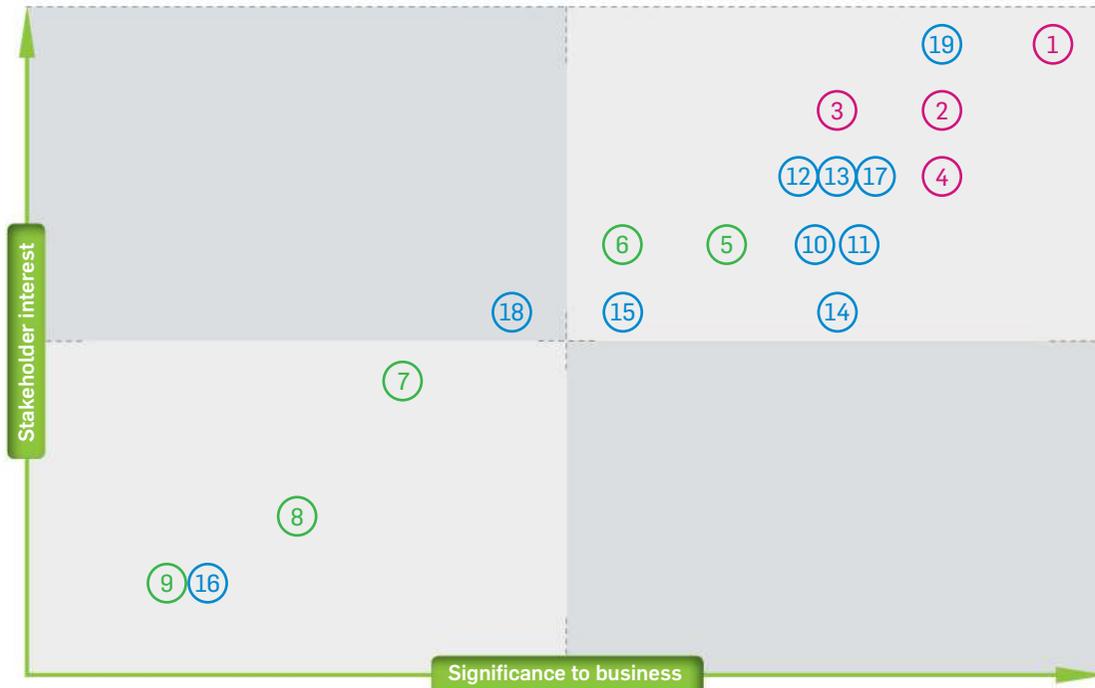
In sustainability terms, our standard for materiality is defined as an issue that could have a significant impact on the reputation or viability of our business, and/ or an impact on a stakeholder's decision as to whether or not to do business with Hang Seng.

Identifying Our Material Topics

To identify our reportable material topics, we aligned our stakeholder engagement process with the structure provided in the GRI sustainability reporting guidelines. We asked internal and external stakeholders to rank sustainability issues based on

importance; this included asking managers from different business functions and operations to rank the issues according to their significance to our business. We also considered qualitative feedback gathered through formal and informal meetings. This data was then used by our CSR Sustainers to plot and validate a materiality matrix.

Hang Seng's Material Topics



○ Economic

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

○ Environmental

- 5 Energy and emissions
- 6 Effluents and waste
- 7 Materials
- 8 Water
- 9 Biodiversity

○ Social

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

Our Values

Materiality Assessment ○●

Material Topic Boundaries

Of the 19 reportable material topics identified through our stakeholder engagement, we have mapped our most material topics based on the extent to which they impact our business and operations, either inside or outside the Bank. These 14 material topics, their boundaries and the reference sections where they can be found in this report are indicated in the table below.

It is important to note that Hang Seng expects all of its partners (including business and investment strategy partners) and suppliers to share its vision and approach toward these material topics. Ensuring compliance begins with the selection process for our financial product and service partners and suppliers. We agree to work only with reputable organisations that have demonstrable track records of upholding high corporate standards. We also carry out a series of

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

Most material topics	Material boundaries where impacts occur						Reference
	Inside Hang Seng	Outside Hang Seng (major stakeholders)					
	Employees	Customers	Business partners	Regulators	Suppliers	Non-governmental organisations	
Economic							
1. Economic performance	✓	✓	✓	✓	✓	✓	Our Performance
2. Market presence	✓	✓	✓	✓	✓		Our Business
3. Procurement practices			✓		✓		Our Suppliers
4. Anti-corruption	✓	✓	✓	✓	✓	✓	Our Corporate Governance; Our People; Our Suppliers
Environmental							
5. Energy and emissions	✓	✓	✓	✓	✓	✓	Our Environment
6. Effluents and waste	✓	✓	✓	✓	✓	✓	Our Environment
Social							
10. Employment	✓	✓	✓	✓	✓	✓	Our Suppliers; Our People; Our Community
11. Labour/ management relations	✓						Our People
12. Occupational health and safety	✓	✓	✓	✓			Our People
13. Training and education	✓						Our Corporate Governance; Our People
14. Diversity and equal opportunity	✓	✓	✓	✓		✓	Our Corporate Governance; Our People
15. Non-discrimination	✓	✓	✓	✓	✓	✓	Our Corporate Governance; Our People
17. Local communities	✓	✓	✓	✓		✓	Our Community
19. Customer privacy	✓	✓	✓	✓			Our Corporate Governance; Our Customers

Our Values

Continual Improvement ●○

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

The content and structure of our 2017 Report also reflects a number of other factors, including:

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

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

Best Practice: Building Better Corporate Sustainability from Within

Our CSR Sustainers, appointed by respective department heads, play a significant role in ensuring transparency of our reporting and analysing the latest sustainability trend in their areas of expertise covering various material topics. Their appointments are reviewed every year in order to cope with our business development.

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

Key responsibilities of our CSR Sustainers include:

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

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



Our Values

Continual Improvement ○●

Sustainable Business Success: Keystone Principle and Core Values

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



Keystone Principle

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

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

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

Core Values



• Courageous Integrity

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



• Financial Strength

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



• Leadership and Innovation

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



• Transparency and Clear Communication

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

Our Business

Who We Are



Founded in 1933, Hang Seng is one of Hong Kong's largest listed companies. Our market capitalisation on 31 December 2017 was HK\$370.9billion.

We serve over half the adult residents of Hong Kong – more than 3 million people – through about 270 service outlets. We also maintain branches in Macau and Singapore and a representative office in Taipei.



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

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

Our Business

What We Do

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

Retail Banking and Wealth Management

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



Commercial Banking

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

Global Banking and Markets

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

Hang Seng Indexes

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

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

Our Performance

Our Approach



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

In addition to providing quality banking and financial services, our investment in and support for a broad range of youth development, social welfare, sports development and environmental

stewardship initiatives is helping to create a well-educated, inclusive and healthy society.

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

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

Our senior management team contributes valuable knowledge and expertise not only by serving as Directors on the boards of other large Hong Kong companies, but also by being a part of various think-tanks that focus on economic and social issues, serving as members of Government advisory groups and industry organisations, and taking up senior positions on the boards and committees of NGOs and charitable organisations that are working to solve economic and social challenges in Hong Kong.

Our Performance

Performance by the Numbers ●○

FINANCIAL	2017	2016	2015
Operating profit (HK\$m)	23,547	19,034	19,439
Profit attributable to shareholders (HK\$m) ¹	20,018	16,212	27,494
Shareholders' funds (HK\$m)	152,030	140,626	141,981
Total assets (HK\$m)	1,478,418	1,377,242	1,334,429
Total liabilities (HK\$m)	1,326,339	1,236,556	1,192,448
Earnings per share (HK\$) ¹	10.30	8.30	14.22
Dividends per share (HK\$)	6.70	6.10	8.70
Return on average ordinary shareholders' funds (%) ¹	14.20	12.10	20.70
Return on average total assets (%)	1.40	1.20	2.10
Cost efficiency ratio (%)	30.50	33.50	33.80
Average liquidity coverage ratio (quarter ended 31 Dec) (%)	209.50	253.60	195.00
Average liquidity coverage ratio (quarter ended 30 Sep) (%)	242.30	284.00	237.20
Average liquidity coverage ratio (quarter ended 30 Jun) (%)	256.70	257.10	221.60
Average liquidity coverage ratio (quarter ended 31 Mar) (%)	267.70	257.10	167.40
Capital Ratio under Basel III:			
Common Equity Tier 1 ('CET1') Capital Ratio (%)	16.50	16.60	17.70
Tier 1 Capital Ratio (%)	17.70	17.90	19.10
Total Capital Ratio (%)	20.10	20.80	22.10

Data coverage: Hang Seng Group

¹ Partial disposal of shareholding in Industrial Bank Co., Ltd. (Industrial Bank) in 2015
Reported results for 2015 include a HK\$10,636m gain on the partial disposal of the ordinary shares of Industrial Bank. Figures quoted as "excluding the gain on the partial disposal of Industrial Bank" have been adjusted for the above item. Key financial results and performance metrics that exclude the gain on the partial disposal of Industrial Bank are set out below for comparison purposes:

	2016	2015
Profit before tax (HK\$m)	19,090	19,852
Profit attributable to shareholders (HK\$m)	16,212	16,858
Return on average ordinary shareholders' equity (%)	12.1	12.6
Earnings per share (HK\$)	8.30	8.66

Our Performance

Performance by the Numbers ○●

ECONOMIC	2017	2016	2015
Tax expenses (HK\$m)	3,671	2,886	2,994
Number of employees (31 Dec – FTE (full time equivalent employee))	9,980*	9,708*	10,141
Employee compensation and benefits (HK\$m)	5,122	4,807	4,893
Number of shareholders (31 Dec)	18,406	18,937	19,026

Data coverage: Hang Seng Group

* Included the FTE (full time equivalent employee) of Hang Seng Qianhai Fund Management Company Limited on the Mainland

COMMUNITY	2017	2016	2015
Number of outlets as at 31 Dec	270	270	250
Number of customers as at 31 Dec (m)	>3	>3	>3
Community investment (HK\$m)	31	26	26

ENVIRONMENTAL	2017*	2016[^]	2015[#]
Greenhouse gas emissions from energy use (kilotonnes CO ₂) ^{Note A}	22.47	24.27	25.91
Electricity consumption (GWh)	34.44	36.65	36.43
Water consumption (000 m ³) ^{Note B}	74.94	69.80	66.91
IT/electrical waste recycled (tonnes)	20.73	47.22	41.06

Data coverage: Hang Seng Bank's Hong Kong operations

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

^{Note A} The greenhouse gas emissions generated from energy use was calculated based on electricity and fuel consumed as well as their relevant gas emission conversion factors as provided by the relevant electricity companies.

^{Note B} Hang Seng 113 office building was fully operational in 2017. Fresh water is used for toilet flushing in this building as it is not covered by the Water Supplies Department's seawater supply system.

* From 1 Oct 2016 to 30 Sep 2017 [^] From 1 Oct 2015 to 30 Sep 2016 [#] From 1 Oct 2014 to 30 Sep 2015

Our Performance

Recognition

Business Awards and Recognition

Best Bank – Domestic (Hong Kong)
(18th consecutive year)

The Asset

Best Domestic Bank (Hong Kong)

Asiamoney

Best Bank for SMEs (Hong Kong)

Asiamoney

Best Bank in Hong Kong

Corporate Treasurer

Safest Bank in Hong Kong

Global Finance

Hong Kong Domestic Trade Finance Bank of the Year

Asian Banking & Finance

Superbrands Award

Superbrands

Corporate Sustainability Recognition

2017 Global 100 Most Sustainable Corporations in the World

(only Hong Kong corporation included)

Constituent stock of FTSE4Good Developed Index
(formerly the FTSE4Good Global Index, 16th consecutive year)

Constituent stock of Hang Seng Corporate Sustainability Index Series
(8th consecutive year)

Constituent stock of Hong Kong Business Sustainability Index
(3rd consecutive year)

Hong Kong Council of Social Service Caring Company
(15th consecutive year)

Best Corporate Social Responsibility Reputation among Local Banks and Financial Service Companies in the University of Hong Kong's Public Opinion Programme (10th consecutive year)

Junzi Corporation (7th consecutive year)

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

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



Our Performance

Credit Ratings

HANG SENG BANK

Moody's

Long-term Bank Deposit (local and foreign currency)	Aa3
Short-term Bank Deposit (local and foreign currency)	Prime -1
Outlook	Stable

Standard & Poor's

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

HANG SENG CHINA

Moody's

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

Standard & Poor's

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

Memberships of Industry Associations

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



Our Corporate Governance



Our Corporate Governance

Our Approach

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

Compliance issues are discussed and reviewed by the Board of Directors and various Management Committees. The Board has collective

responsibility for promoting the long-term sustainability and success of the Bank by providing forward-thinking leadership within a framework of prudent and effective controls.

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

In line with HKEx's Environmental, Social and Governance (ESG) Reporting Guide, the Board is responsible for evaluating and determining the ESG risks faced by the Bank and ensuring that appropriate, effective ESG risk management and internal control systems are in place. A review of the effectiveness of the Bank's ESG risk and internal control systems was conducted and a confirmation was reported to the Board.

Our staff are on the frontlines in maintaining the strength of our corporate reputation and ensuring we always operate ethically, honestly and with full accountability. We provide employee training covering issues ranging from banking regulations and codes of practice to equal opportunities and data privacy. As part of our zero-tolerance stance on financial crime, we place strong emphasis on training programmes that ensure our staff are well informed and remain vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering and insider trading. Members of staff who work in high-risk roles are required to complete additional specialised training that will assist them in detecting, deterring and protecting against financial crime.

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



Our Corporate Governance

Corporate Governance Structure ● ○ ○ ○ ○

Hang Seng is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank follows the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' (CG-1) under the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority (HKMA). HKMA issued a revised SPM CG-1 in October 2017 for implementation by 1 January 2018. The Bank has reviewed its governance practices and revised its governance policies so as to bring the Bank in full compliance with the requirements under the revised SPM CG-1. The Bank also fully complies with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). Further, the Bank constantly reviews and enhances its corporate governance framework by making reference to market trends as well as guidelines and requirements issued by regulatory authorities to ensure that it is in line with international and local corporate governance best practices. ^{Note}

Board of Directors

As at 20 February 2018, the Board consists of 16 Directors, of whom two are Executive Directors

and 14 are Non-executive Directors (NEDs). Among the 14 NEDs, nine are Independent Non-executive Directors (INEDs). Five of the 16 Directors are female.

There is a strong independent element on the Board to ensure the independence and objectivity of the Board's decision-making process as well as its thoroughness and impartiality of the Board's oversight of the Management.

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

The Bank remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to, and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board has adopted a Board Diversity Policy that has been made available on the Bank's



website (www.hangseng.com) in the spirit of transparency and governance. Board appointments are based on merit, and candidates are considered against objective criteria with due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

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

Our Corporate Governance

Corporate Governance Structure ○●○○○



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

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

Board Committees

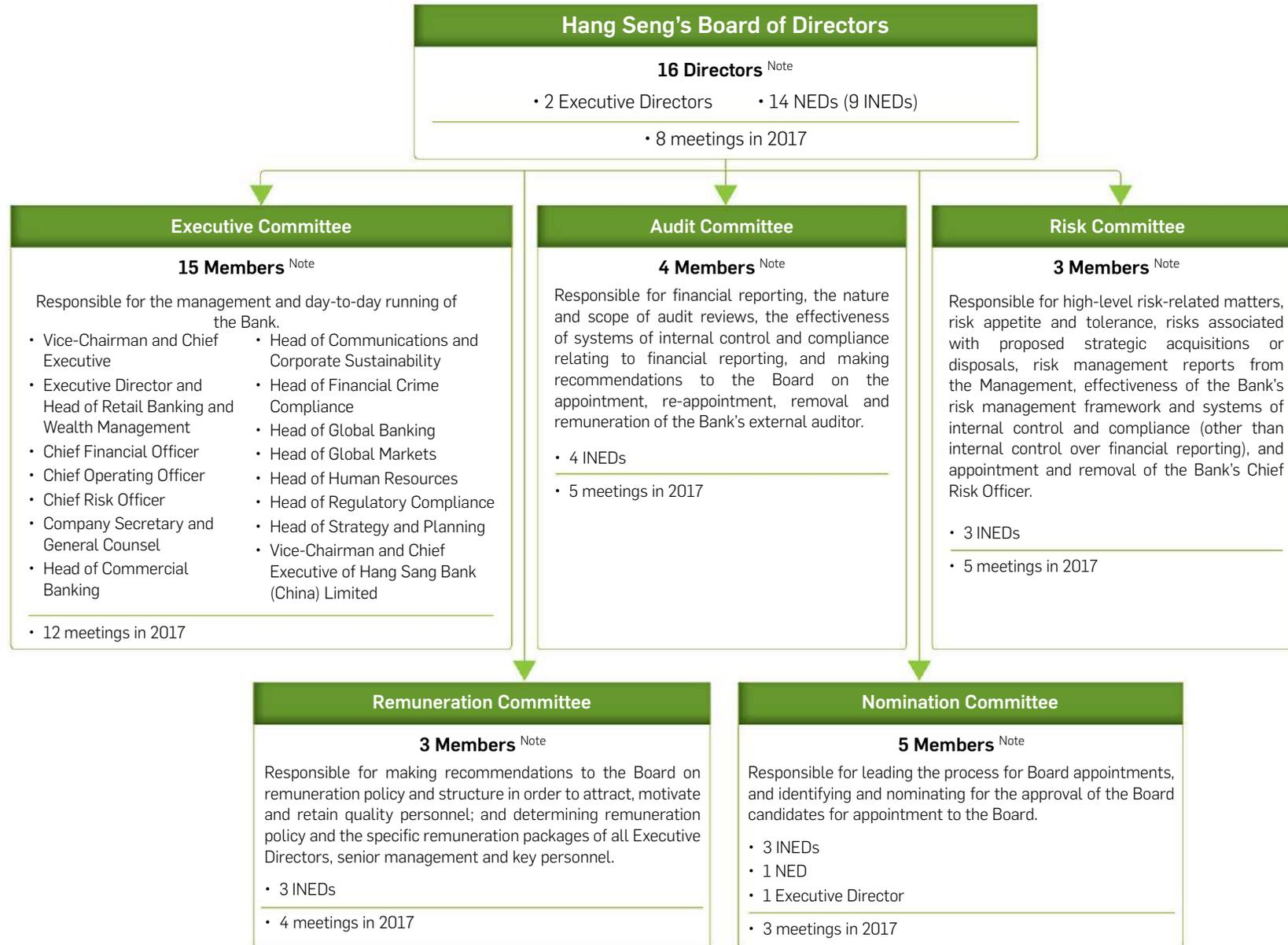
The Board has set up five Committees – the Executive Committee, Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee – to assist it in carrying out its responsibilities. Each of these Committees has specific written terms of reference that set out in detail its respective authorities and responsibilities. Each Committee reviews its terms of reference and effectiveness annually.

The terms of reference of all the Non-executive Board Committees have been made available on the Bank's website (www.hangseng.com).^{Note}

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

Our Corporate Governance

Corporate Governance Structure ○●●○○



Note: As at 20 February 2018.

Our Corporate Governance

Corporate Governance Structure ○○○●○

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

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

Board of Directors

As at 31 December 2017, there were eight Directors on the Hang Seng China Board, including the Chairman, one Executive Director (who is also Vice-Chairman and Chief Executive of Hang Seng China) and six NEDs. Among the six NEDs, five are INEDs.

Board Meetings

The Hang Seng China Board held four meetings in 2017.

Board Reports to

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

Board Committees

As at 31 December 2017, the Hang Seng China Board had set up five committees: the Executive Committee, the Audit Committee, the Risk Committee, the Connected Transactions Control Committee and the Remuneration Committee. Hang Seng China set up Nomination Committee with effect from 1 January 2018. Each committee has specific written terms of reference that set out its authorities, responsibilities and meeting rules.



Our Corporate Governance

Corporate Governance Structure ○○○○●



Supervisor Hang Seng China has one supervisor, appointed by and reporting to the sole shareholder, who may sit in on Board meetings. Hang Seng China's supervisor sat in on all Board meetings in 2017.

Note: As at 20 February 2018.

Our Corporate Governance

Risk Management ● ○ ○ ○ ○

All our activities involve the analysis, measurement, evaluation, acceptance and management of degree of risk or combination of risks. The principal types of risk faced by the Bank are credit risk, liquidity risk, market risk, insurance risk, operational risk and reputational risk.

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

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

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

The on-going monitoring, assessment and management of the risk environment and the effectiveness of risk management policies resides with the Risk Management Meeting (RMM). On top

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

Our risk appetite statement is a key component of our risk management framework. The Risk Appetite Statement for 2017, which was approved by the Board as advised by the RC, describes the types and amount of risk that the Bank is prepared to accept in achieving its medium- and long-term strategic goals.

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

In addition to the existing due diligence process, a Product Oversight Committee reporting to the RMM and comprising senior executives from risk, legal, compliance, finance and operations/ IT functions is responsible for reviewing and approving the launch of any new product or service. Each new service and product launch is also subject to an operational risk self-assessment process, which

includes identification, evaluation and mitigation of risks arising from the new initiative. Internal Audit is consulted on the internal control aspect of new products and services in development prior to implementation.

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



Our Corporate Governance

Risk Management ○ ● ○ ○ ○

We conduct quarterly reviews to monitor our compliance with our sustainability risk policies with respect to our corporate customers. As at December 2017, we were in full compliance.

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

Internal Controls

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

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

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee and the Risk Committee as appropriate. INA also reviews the action plans developed by senior management in response to the audit findings and verifies the adequacy and effectiveness of suggested actions before formally closing the issue.

Compliance

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

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

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

In 2017, no non-compliance with laws and/ or regulations resulting in significant fines or non-monetary sanctions was recorded.

Inside Information

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



Our Corporate Governance

Risk Management ○ ○ ● ○ ○ ○

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

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

- application of our 'Three Lines of Defence' framework (please refer to the side box) to delineate management accountabilities and responsibilities for risk management and the control environment within each of the lines of defence, thereby creating a robust control environment to manage risks, including financial crime risks; and
- adoption of enhanced financial crime risk management approaches (as determined and stipulated by the HSBC Group) to ensure all relevant risks are within the risk appetite of the Bank.

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

'Three Lines of Defence' framework:



First Line of Defence – owns our risks. The First Line is responsible for identifying, recording, reporting and managing risks, and ensuring that the right controls and assessments are in place to mitigate these risks.



Second Line of Defence – sets policy and guidelines for managing risk, and provides advice, guidance and challenges on effective risk management.



Third Line of Defence – Internal Audit which independently assures that the Bank is managing risk effectively.

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

- reviewing gifts, entertainment and other advantages received or offered by staff and the Bank;
- monitoring relationships and performance of third parties that perform services for or on behalf of the Bank and interact with external parties on behalf of the Bank;
- ensuring charitable giving is not used for illicit activities or as an indirect way to commit an act of bribery;

- ensuring all recruitment is meritocratic, fair and ethical. Hiring of individuals, irrespective of whether it is on a temporary or permanent basis and/ or in a paid or unpaid role, must not be used to improperly influence business development or relationships;
- drafting and overseeing compliance with related policies; and
- providing relevant recommendations to the Bank's Chief Executive and Board.

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

Our Corporate Governance

Risk Management ○○○●○

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

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

We have developed comprehensive training programmes for all staff that include tailored financial crime risk training to strengthen employees' relevant competences. We also have a set of anti-bribery and corruption e-learning programmes as well as specific training on sanctions that all employees are required to complete.

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

Staff Code of Conduct

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

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

Staff Awareness

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

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

Conflicts of Interest

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



Our Corporate Governance

Risk Management ○○○○●

Whistle-blowing

We encourage the reporting of suspected internal business irregularities and provide clear channels specifically for this purpose. The Bank makes every effort to ensure that employees can raise concerns confidentially without fear of personal repercussions. Should staff members believe that the normal reporting channels are unavailable or inappropriate, they may raise issues through a confidential channel in which their concerns will be independently and thoroughly investigated.

Competition Ordinance

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

Data Privacy

Ensuring the privacy of customer information and other data is among our most important responsibilities in maintaining our reputation for good governance and in establishing the trust that underpins lasting business relationships. We comply with all data privacy regulations and have formulated a set of Privacy Principles to guide staff in protecting the data and privacy of customers. Specific processes for the handling

and protection of customer data are set out in the relevant internal procedure manual. Data privacy matters are overseen by the Head of Regulatory Compliance and the Data Protection Officer. Data Controlling Officers have been appointed at the functional and business unit levels to promote data protection and disseminate information on related new guidelines or developments.

In 2017, minimal cases concerning breach of customer privacy were identified. These cases were investigated and resolved with appropriate remedial and preventive measures.

Cyber Security

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

Subsequent to an independent assessment of the effectiveness of the Bank's cyber security risk management carried out in 2016, we completed a cyber resilience assessment of the Bank's inherent risks and the maturity levels of its cyber security measures in 2017 to protect its information assets and systems against cyber attacks, in accordance with HKMA's Cyber Resilience Assessment Framework.

We continue to strengthen and significantly invest in our ability to prevent, detect and respond to the ever-increasing and sophisticated threat of cyber attacks. Specifically, we continue to enhance

our capabilities to protect against increasingly sophisticated malware, denial of service attacks and data leakage, as well as enhance security event detection and incident response processes.

We participate in intelligence sharing with both law enforcement and industry schemes to help improve our understanding of – and ability to respond to – the evolving threats faced by us and our peers within our industry.

Equal Opportunities, Non-discrimination and Human Rights

We comply with all relevant Hong Kong labour laws. We also take steps to assess potential new client and supplier relationships with the aim of minimising the risk of indirectly facilitating the violation of any individual's labour or human rights. No incident of discrimination or violation involving the rights of indigenous peoples was reported in 2017.

In 2017, we provided all new joiners with a total of 3,100 hours of training on the equal opportunities, diversity and human rights-related issues that are relevant to our operations, and to creating a positive working environment. All security personnel received formal training in human rights policies and specific procedures and their applications to security.

We follow the Board Diversity Policy, which was adopted by the Board in May 2013. More details on our equal opportunities policies and training can be found in the '[Our People](#)' section of this Report.

Our Corporate Governance

Responsible Banking Services ● ○

Lending and Investment Policies

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

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

For environmental risk-related matters, we follow the sustainability risk requirements laid down in the Bank's Corporate Lending Guidelines and FAQs on sustainability risk policies. We have adopted the Equator Principles, a set of voluntary guidelines that define a process for implementing common sustainability standards in project finance. We have specific guidelines on lending to businesses operating in environmentally sensitive sectors such as chemicals, energy, forestry, freshwater, mining and metals, agricultural commodities, and World Heritage Sites and Ramsar wetlands. These guidelines are refined and updated as required. We also have a Defence Equipment Policy that clarifies the Bank's approach to companies connected to the weapons industry.

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

Environment-related impact assessments are a continuous process and have been incorporated into parts of our standard credit evaluation process,

e.g. sustainability risk ratings for credit approvals. Regular tracking reports are compiled by the Risk and Compliance with input from business units. Customers that are not able to comply with our environmental policies and requirements by our specified deadlines must obtain our formal approval for a temporary exemption or time extension. Failing this, our relationship managers will begin arrangements to exit the relationship.



Our Corporate Governance

Responsible Banking Services ○ ●



Forest Land and Forestry Products Sector

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



Agricultural Commodities Sector

Requires us to undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production in certain high-risk countries. Recently, enhanced policy governance towards this sector has aimed to ensure that we only maintain relationships with customers responsible for the sustainable development of the environment and society by engaging them to operate in accordance with international standards and best industry practice and to provide public commitment.



Freshwater Infrastructure Sector

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

Energy Sector



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



Defence Equipment Sector

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



Chemical Industry Sector

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



World Heritage Sites and Ramsar Wetlands

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

Mining and Metals Sector



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



Responsible Financing

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

Our Customers



Our Customers

Our Approach

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

We deliver product and service excellence by combining innovation with integrity. This includes clear, honest information that is tailored to the specific needs of different customers; open communication and full accountability in all our business dealings; and high respect for client privacy. We are strengthening our connectivity with customers by investing in technology and data analytics, mobile and online channels, network enhancement, and product development.

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



Understanding the Needs of Our Customers

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

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

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

The annual Banking Study conducted by independent research firm TNS assesses customer satisfaction with respect to the eight major banks in Hong Kong. In the 2017 survey, we were the most recommended bank by customers in Hong

Kong. We also had the highest-rated banking services among the eight banks – a status we have maintained for 13 consecutive years.

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

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

Our Customers

Service Excellence ●○

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

Organiser / Award	Category
Asiamoney Awards 2017	<ul style="list-style-type: none"> • The Best Domestic Bank (Hong Kong) • The Best Bank for SMEs (Hong Kong)
The Asian Banker Transaction Banking Awards 2017	<ul style="list-style-type: none"> • The Best Cash Management Bank in Hong Kong • The Best Payment Bank in Hong Kong • The Best Transaction Bank in Hong Kong
Asian Banking & Finance	<ul style="list-style-type: none"> • Hong Kong Domestic Trade Finance Bank of the Year 2017
The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2017	<ul style="list-style-type: none"> • Best in Treasury and Working Capital – SMEs Hong Kong
Bloomberg Listed Enterprises of the Year 2017	<ul style="list-style-type: none"> • Blue Chip
CAPITAL The 8th Merits of Achievement in Banking & Finance 2017	<ul style="list-style-type: none"> • Wealth Management Banking Category
CAPITAL Best of the Best Choice for Executives Awards 2017	<ul style="list-style-type: none"> • Capital Outstanding Insurance Service Brand
CAPITAL Weekly PRO Choice Awards 2017	<ul style="list-style-type: none"> • PRO Choice Award – Commercial Banking
The Corporate Treasurer Awards 2016	<ul style="list-style-type: none"> • Best Bank in Hong Kong
EastWeek Hong Kong Service Awards 2017	<ul style="list-style-type: none"> • General Banking Services Award
Economic Digest The Outstanding Brand Awards 2017	<ul style="list-style-type: none"> • Personal Banking
FinanceAsia Asia's Best Managed Companies 2017	<ul style="list-style-type: none"> • Best Financial Company
Global Finance Magazine The Best Private Bank Award 2017	<ul style="list-style-type: none"> • The Best Private Bank in Hong Kong
HKET e-zone e-brand Awards 2017	<ul style="list-style-type: none"> • The Best of Consumer e-banking Service Provider • The Best of SME e-Banking Service Provider
Hong Kong Economic Journal Listed Company Award of Excellence 2017	<ul style="list-style-type: none"> • Blue Chip
The Hong Kong Chinese Importers' & Exporters' Association	<ul style="list-style-type: none"> • Outstanding Import & Export Industry Partner Award 2017
The Hong Kong General Chamber of Small and Medium Business	<ul style="list-style-type: none"> • Best SME's Partner Award 2017
Institute of Financial Planners of Hong Kong (IFPHK) Accredited Professional Financial Planning Firm 2017	<ul style="list-style-type: none"> • Banking Sector

Our Customers

Service Excellence ○●

Organiser / Award	Category
Jessica OL Favorite Brand Award 2017	• Credit Card Category
Marketing Magazine Marketing Excellence Awards 2017	• Bronze Award for 'Excellence in Financial Advertising' • Bronze Award for 'Excellence in Search Marketing'
Metro Daily Metro Creative Awards 2017	• The Best Creative Ad
Metro Finance Hong Kong Leaders' Choice Award 2017	• Excellent Brand of SME Finance Services
Metro Radio Hong Kong Digital Brand Awards 2017	• Outstanding Online Personal Banking Services
Metro Radio RMB Business Outstanding Awards 2017	• Outstanding Integrated Banking Business – Customer Services • Outstanding Retail Banking Business – Investment Product • Outstanding Retail Banking Business – Securities • Outstanding Corporate/ Commercial Banking – Cross Border Commercial Banking
Ming Pao Weekly Elite Awards 2016	• Wealth Management Award
Morningstar Fund Awards 2017	• Best Hong Kong Equity Fund: Hang Seng Index ET
Next Magazine Top Service Awards 2017	• Personal Banking Services
QuamIR Awards 2016	• Index Constituents
Reader's Digest Trusted Brands Awards 2017	• Trusted Brands Gold Award in Bank Category (Hong Kong) • Trusted Brands Gold Award in Credit Card Issuing Bank Category (Hong Kong)
Sing Tao Service Awards 2016	• Internet Banking Services • SME Banking Services
SkyPost Banking & Finance Awards 2017	• Excellence Award for Wealth Management Banking Service • Outstanding SME Banking Partner Award • Excellence Award for Local Spending in Credit Card Services
SMBWorld Awards 2017	• Best SMB Partner (e-Banking)
Superbrands Hong Kong	• Superbrands Award 2017
Thomson Reuters Lipper Fund Awards 2017	• Best Fund over 3 years – Bond Hong Kong Dollar
TVB Weekly Super Brand Award 2017	• Super Brand Trusted Bank • Super Brand Credit Card
Yahoo Big Idea Chair Awards 2017	• Best Search Campaign 2017 (Outstanding)

Our Customers

Handling Customer Feedback

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

The Customer Relations teams under our various business units handle customer comments and resolve complaints independently. They aim to

acknowledge receipt of feedback or complaints within two working days, and to resolve most issues within seven days. Should a matter require further investigation, the team will undertake the task and provide a follow-up reply within 30 days. If such investigations identify any issues that require remedial action, line management will take the necessary steps.

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



Our Customers

Access for All ●○

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

Serving Special-needs Populations

We are working to improve special-needs access to our banking services. Our website is designed with readability and ease of navigation as priorities. As at the end of 2017, we had 241 outlets with wheelchair access, including street-level branches, MTR branches, Mobile Branch and standalone automated banking centres. At the end of 2013 we began introducing 'Social Caring Counters' at selected branches. These designated counters provide priority service to the elderly, disabled and other customers in need. As at the end of 2017, we had Social Caring Counters in 21 branches.

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

To enhance the accessibility of our service, in 2017 we doubled our number of voice-navigable automated teller machines (ATMs) for visually impaired customers to 10 compared to last year. By plugging a set of headphones into the ATM,

customers can activate voice navigation mode to withdraw cash, make balance enquiries, transfer funds and change password services. These voice-navigable ATMs are currently available at Chai Wan, Wong Tai Sin, Kwun Tong, Sham Shui Po, Shek Kip Mei, Tuen Mun and Yuen Long MTR stations, as well as our branches in Telford Plaza II, Shek Kip Mei Estate and To Kwa Wan.

Customer Convenience

Our new Mobile Branch, launched in late 2017, reflects our commitment to improving financial inclusion by providing access to banking services at three public housing estates in Hong Kong. It is expected to increase to five public housing estates and activities promoting financial literacy among young people will be organised in 2018.

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

As at the end of 2017, there were 578 Hang Seng ATMs providing 24-hour ATM services across Hong Kong. We recently launched a new foreign exchange ATM service, which offers the widest range of foreign currency choices in Hong Kong.

In 2016, Hang Seng launched Apple Pay and Android Pay™ services, which provide customers on the go with a convenient, fast and secure way to make payments at a wide range of retail outlets.



In 2017, we extended Apple Pay coverage to China Union Pay credit cards (on top of existing coverage of Visa and MasterCard, both launched in 2016), and we introduced Samsung Pay to provide mobile payment for Samsung mobile users.

We continue to enhance our mobile banking and digital payment gateways. In mid-2017, we launched a staff pilot programme for our credit card chatbot to test the response and collect opinions for the chatbot's enhancement and improvement. Called DORI (Dining, Offers, Rewards, Interactive), this chatbot, officially launched in January 2018, provides an alternative channel for searching Hang Seng credit card promotions on dining and shopping, as well as for making restaurant reservations.

Customer Privacy

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



As at 31 December 2017, we had **1.9** million Personal e-Banking customers, up **7%** compared with a year earlier.

Our Customers

Access for All

Transparency, Accountability, Choice

We are committed to providing clear, transparent and balanced information to our customers for all external communications. In order to comply with relevant codes, regulations and requirements, all products and marketing materials are approved by relevant parties, including the Products, Marketing, Communications, Legal, and Regulatory Compliance teams. In addition, products and marketing communications, such as product features, terms and conditions, fees and charges, and any associated risks, are clearly communicated so that clients can make informed decisions.

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



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

Our Customers

Championing Local Business ●○○

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

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

Our continuing commitment to supporting SME businesses in 2017 earned us our 12th consecutive 'Best SME's Partner Award' from the Hong Kong General Chamber of Small and Medium Business, and our sixth consecutive 'Hong Kong Domestic Trade Finance Bank of the Year' award from Asian Banking & Finance.

Business at Customers' Fingertips

Our Global Liquidity & Cash Management Department (GLCM) clients range from MNCs and large corporates to local SMEs. Solutions provided range from total cash management solution offerings to package product offerings. It also covers cross-border solutions between the Mainland and Hong Kong.

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

We continue to upgrade our digital banking services to deliver a more efficient and user-friendly experience. We revamped our Business

Internet Banking platform to expand our ability to provide a wide range of time-to-market products. We also launched fingerprint authentication on the Hang Seng HSBCnet mobile app to offer customers a simpler, faster and more secure way to view their account balances. Moreover, we launched a new online platform to enable our customers to make online shipment declarations and obtain instant insurance certification. Through our Business Banking mobile app, customers can now upload documentation for loan and card applications. We have also extended auto-enrolled SMS notification services on inward/ outward remittance telegraphic transfers to Mainland and overseas customers.

Starting from September 2017, application for the Business Travelsure Protection Plan is also available on our mobile app. With a one-off application, customers' insured employee(s) can enjoy year-round protection during business travel for an unlimited number of trips. In addition to hangseng.com, Business Banking customers can now make insurance application via mobile to get instant protection for their employees so that they can have total peace of mind when travelling abroad for work.

In order to cope with rising demand for actionable insight via data analysis, we have plans to deploy an intelligence data analytics solution, Hyper Anna. Its user-friendly interface enables us to enjoy easy and fast access to data analysis reports providing us insights to design better solutions for our Business Banking customers.



Our Customers

Championing Local Business ○ ● ○

Key Initiatives in 2017

New Products/ Services Launched	Highlights
Commercialisation of X-border Connectivity	<p>GLE, or Global Liquidity Engine, comprises cash concentration and interest enhancement facility, allowing our customers to enjoy the benefits of the following services:</p> <p>Cash concentration</p> <ul style="list-style-type: none"> • Empowers financial return on capital at the group level • Reduces the need for external debts and lower borrowing costs • Simplifies day-to-day cash management • Provides real-time access to the financial position of customer business <p>Interest enhancement facility</p> <ul style="list-style-type: none"> • Balance across all markets enjoys preferential interest rates • No actual currency exchange involved, avoiding potential exchange loss • Optimises customers' overall interest earnings, including 'trapped cash' • No undesirable cross-border tax implication
Hang Seng HSBCnet Receivables Management System (RMS) Service for NBFIs	To guard against the money laundering/ terrorist financing risk associated with third-party fund transfers and better protect investors' assets, regulatory bodies such as the SFC require brokerage firms/ non-bank financial institutions (NBFIs) to take reasonable steps to identify funds from third-party sources. In response, we offered RMS Service in additional to Bill Payment Collection Service as the comprehensive receivables solution for NBFIs.
FX 24x5	Customers can now perform FX transactions on our e-platforms on a 24x5 basis.
SWIFT for Corporate Customers	An increasing number of our corporate customers have become SWIFT members. This project enhances our existing SWIFT capabilities to support them.

Our Customers

Championing Local Business ○○○

A Total Solution for SMEs

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

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

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

In addition, in March 2017 we launched a time-sensitive SMS service for commercial customers with the aim of disseminating timely market news, helping customers stay abreast of the latest market information and increasing cross-selling opportunities.

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

Subject to a maximum donation amount of HK\$5,000 per customer.



Our Customers

Providing Tailor-made Global Banking Solutions

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

In 2017, we launched the Cross Border Interest Enhancement Facility to optimise customer's interest-earning potential. We offer preferential interest rates for our customers' Hong Kong dollar, renminbi and US dollar corporate operating accounts, across different countries and subsidiary entities within the same group, without any need for actual currency exchange or physical fund movement.

In addition to the tailor-made treasury solutions for our customers, in 2017 we organised a number of business seminars to increase customer awareness of the latest in interest rate trends and the financial market environment. These seminars included up-to-date information such as developments in renminbi onshore/ offshore policy, economic outlooks, and the latest treasury product features to help customers capture market opportunities and fulfill hedging needs.



Our Customers

Helping Customers Overcome Financial Challenges

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

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

Our internal guidelines for working with personal customers are based on the *Hong Kong Approach*

to *Consumer Debt Difficulties* issued by the HKMA. We have a dedicated unit for handling debt relief plans that will work with the individual(s) involved to review their specific circumstances. Where a genuine difficulty exists, solutions may include extending a repayment schedule or offering partial relief.

Providing timely market information and appropriate treasury products are among the ways in which we assist customers in fast-changing market conditions. Our dedicated, professional team of product specialists, traders

and economic analysts provides fully integrated financial solutions and 24-hour global markets coverage. Our well-developed IT infrastructure enables us to deliver quick access to key markets and provide updated financial market information to customers. Based on the uncertain foreign exchange market and gradual interest rate hikes of 2017, we developed tailor-made treasury products to help customers better manage foreign exchange and interest rate risks.

Community Outreach

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

We continue to leverage the expertise of our staff to provide financial know-how through the Financial Education programme organised by the Hong Kong Association of Banks and the Hong Kong Council of Social Service. This programme provides advice on financial management to individuals from low-income groups.

During the year, we supported 'Money Month 2017', Hong Kong's first territory-wide financial education campaign, initiated by the Hong Kong Strategy for Financial Literacy.

We also offer specialised financial literacy programmes and seminars for customers. In 2017, we organised quarterly Prestige Banking investment seminars to provide customers with the latest market views from in-house financial experts and external market analysts. Our Prestige Banking customers receive an exclusive quarterly newsletter with an array of market insights and wealth management offers. Copies of the newsletter are available in all our branches, and e-versions can be downloaded from our website.



Our Customers

Service Environment

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

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

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

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

During outlet or office renovations, we endeavour to minimise service disruption and customer inconvenience. Actions may include setting up

durable hoardings to separate site works from functioning business areas, and displaying posters and/ or signage to inform customers that renovation works are in progress. Whenever possible, we arrange for off-site pre-fabrication of carpentry and/ or metallic works to shorten on-site construction and assembly times. We also ask our contractors to carry out noisy work and final touch-up painting outside of our weekday operating hours or on weekends and public holidays.

Whenever possible, we choose environmentally friendly building materials and energy-efficient appliances and fittings for outlet and office renovations. Contractors and suppliers are required to follow our guidelines on material recycling and the appropriate handling of construction waste. Good building management and property maintenance services are vital in providing our staff and customers with a safe, comfortable environment. We implement a wide range of measures to minimise potential safety hazards for both staff and customers, including the use of non-

slip treatments on floor surfaces and clear and conspicuous signage for temporary safety hazards such as wet floors.

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

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





Our
Suppliers



Our Suppliers

Our Approach

We rely on various vendors, agencies and third-party financial product suppliers to support the operation of our business. This enables us to offer a diverse range of products and services to customers, but it also potentially exposes us to increased reputational and other types of risk. Effective supply chain management is, therefore, an important part of maintaining the integrity of our operations. We have stringent standards for assessing suppliers, including requirements relating to environmental, social and ethical practices.

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



Our Suppliers

Establishing the Right Business Partnerships

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

Close to 100% of the procurement budget used for our operations in Hong Kong is spent on local suppliers based in Hong Kong.

We do not operate in environments that entail a high risk of human rights violations. An assessment of our operations has not revealed any risk relating to the exercising of freedom of association or collective bargaining rights. Under the current system of assessment, none of our major suppliers and contractors has been identified as having significant risk for incidents of child or forced labour. The Bank is committed to making a positive contribution to human rights in the workplace.

We are guided by the International Bill of Human Rights, the UN Universal Declaration of Human Rights, the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.

All suppliers, before being engaged for tender over the purchase threshold, must declare to have fully complied with our [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#) as set out under the HSBC Group policy. The Code outlines our economic, environmental and social standards, as well as the requirement for a reasonable governance and management structure to ensure compliance.

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

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

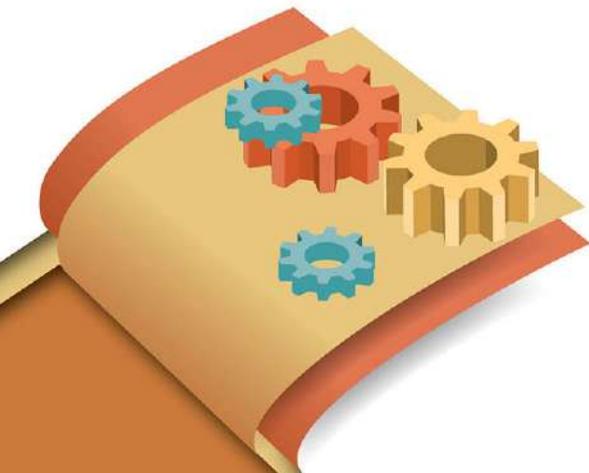
A sustainability assessment is included in our purchasing policy documentation to ensure that

new suppliers clearly understand our sustainability requirements. This also serves as a useful tool for suppliers to assess their current status in reference to working out a development plan to fulfil the standards required under the policy.

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

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

We apply 'fair competition' principles to all tender applications from appropriately qualified parties, and we consider every vendor's proposal in an unbiased, honest and equal way that includes strict adherence to our zero-tolerance corruption and bribery policy. Before order release and payment settlement, all suppliers are also subject to checks and on-going screening to ensure they do not reside in, are not incorporated in or do not maintain their primary business operations in any sanctioned countries, nor are they named on any of the global sanction lists.



Our Suppliers

Monitoring Our Supply Chain

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

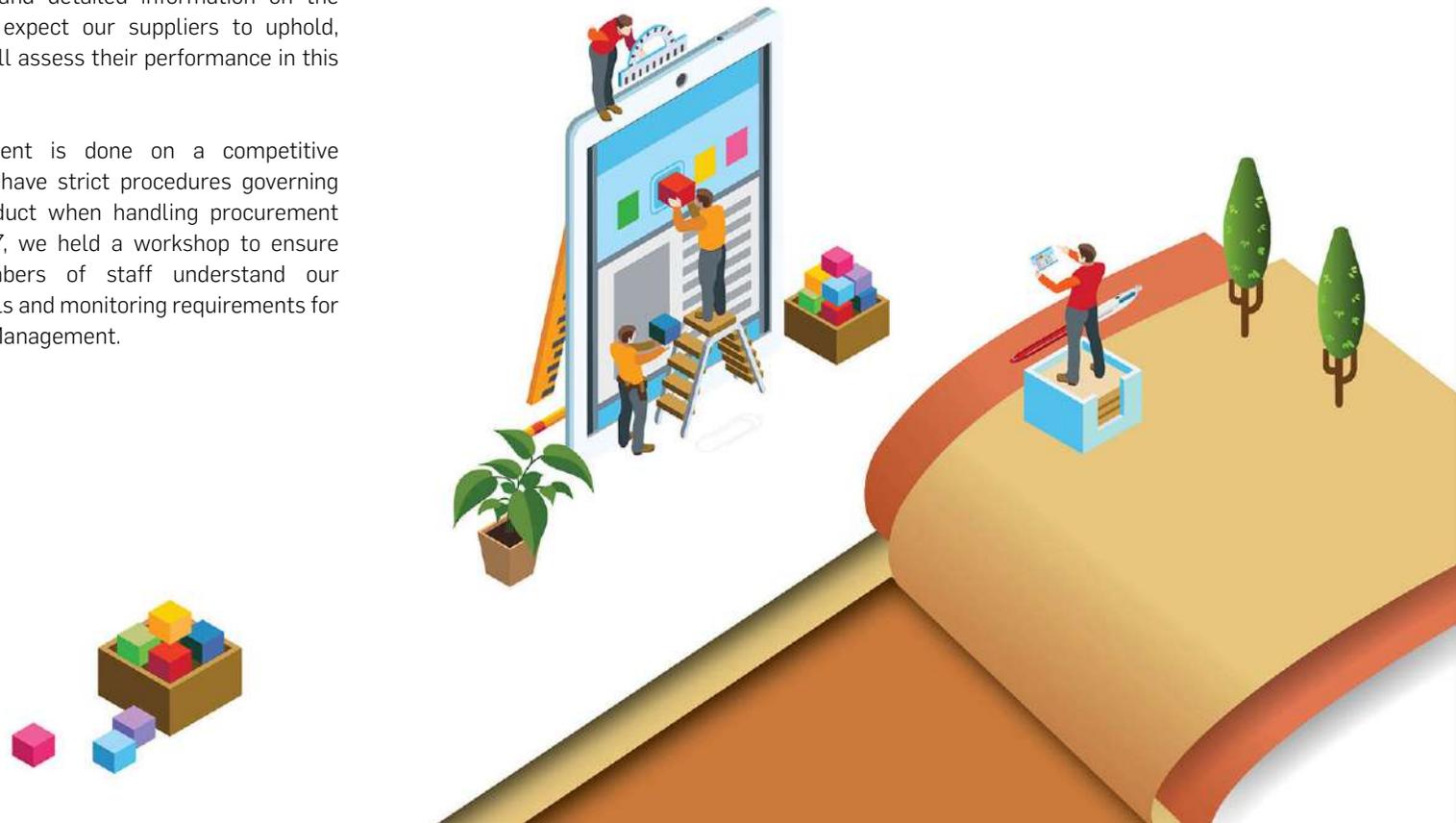
Policies are also in place for guiding the ongoing monitoring and continuous improvement of supplier performance. Our Annual Supplier Review and Supplier Risk Management policies provide clear and detailed information on the standards we expect our suppliers to uphold, and how we will assess their performance in this regard.

Our procurement is done on a competitive basis, and we have strict procedures governing employee conduct when handling procurement issues. In 2017, we held a workshop to ensure relevant members of staff understand our internal controls and monitoring requirements for Supplier Risk Management.

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

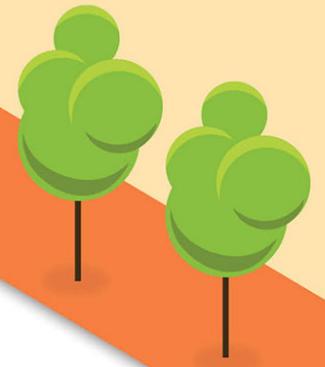
For third-party suppliers of financial products and services, we work only with reputable organisations

that have demonstrable track records of upholding high corporate standards. We have rigorous assessment procedures in place to ensure any investment or insurance solution we intend to offer to customers meets not only regulatory requirements, but also our internal standards. We conduct regular reviews to help ensure that the services delivered by service providers meet the agreed terms of our service agreements.





Our People



Our People

Our Approach

Our staff are our internal stakeholders, the public face of Hang Seng and members of the community we serve. In addition to driving our business success, they play a central role in demonstrating and disseminating our core values and sustainability principles. We recognise and reward talent by offering competitive remuneration and by promoting employees' well-being.

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

We provide a wide range of staff training and development programmes with the aim of

cultivating a team of professionals that will contribute to our success.

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

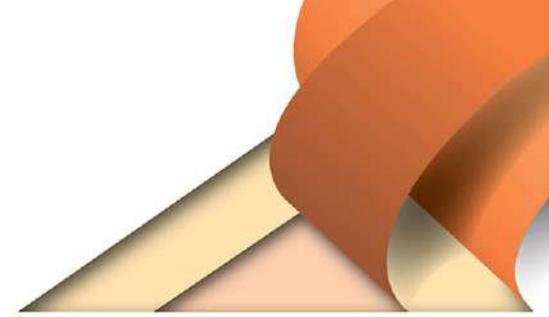
We continue to strengthen employee engagement through various means and activities. We maintain open channels of dialogue between senior management and staff at all levels, and encourage employees to take full ownership of their role in our business success.

Promoting High Performance

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

All employees participate in a one-on-one annual review with their managers, during which they will discuss and establish challenging but achievable work objectives, measurable performance standards and a personal development plan. To support employees to perform at their best,

managers and employees are encouraged to maintain open and honest dialogue throughout the year with respect to role expectations, performance feedback and career development. All employees have a formal performance review at the end of every year, at which they will discuss their performance and progress in line with previously established goals and objectives. They will also receive a performance rating and a behaviour rating under the Bank's employee assessment framework. The behaviour assessment looks



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

We are one of Hong Kong's largest listed companies in terms of employees, with close to 10,000 full-time equivalent staff. Our Bank's significant location of operations is Hong Kong and members of the Senior Management¹ team are hired from the local community².

at how individuals manage issues such as risk and compliance, as reflected in how they act to protect the interests of colleagues, customers, the environment, markets and the Bank. Assessment ratings are used in determining differentiated pay recommendations during the annual pay review.



We are one of Hong Kong's largest listed companies in terms of employees, with close to **10,000** full-time equivalent staff.

¹ 'Senior Management' refers to those executives who are: (a) Executive Directors of the Bank; (b) Alternate Chief Executives of the Bank; (c) members of the Executive Committee of the Bank; or (d) head(s) of the Bank's principal subsidiary/ subsidiaries with offshore operations and with total assets representing more than 5% of the Bank's total assets.

² 'Local community' is equivalent to our significant locations of operations.

Our People

Training and Skills Development ●○○

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

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

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

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

Other internal training is designed to develop employees' capabilities, advance their careers, and enhance their management and interpersonal skills. We offer an Education and Professional Qualification Award Scheme to support members of staff who desire to further their higher education (e.g. undergraduate and postgraduate degrees) and/ or attain professional qualifications.

Our New Joiners Induction Programme is designed to ensure all new employees have a good understanding of Hang Seng's history, vision, culture, values, corporate governance, risk management culture and sustainability objectives. In 2017, we provided approximately 35,000 hours of training on related policies and procedures as well as building greater awareness of human rights issues that are relevant to our working environment and operations.

Training per Employee

• Training days

	2017	2016	2015
No. of days	5	5	6



• Training hours (by gender)

	2017	2016	2015
Male	43	47	42
Female	36	41	45



• Training hours (by employee category)

	2017	2016	2015
Executive	32	37	31
Officer	41	50	46
General staff	41	38	50



Our People

Training and Skills Development ○ ● ○

Nurturing Talent and Succession Planning

To build and retain a quality internal talent pipeline, we identify and develop individuals who display high potential for leadership roles and other key positions. We have a Leadership and Management Development framework in place to nurture good people management skills and leadership competencies.

Building Better Leaders

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

Talent Development

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

Performance Management

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

Our Charter

In 2016, we established our Charter to bring together the Bank's purpose and values in the context of its history and future, providing a resource to help us make better decisions when faced with difficult choices. Our Charter encourages employees to act with courageous integrity, to speak up and to use sound judgment when navigating challenging situations. Employees can access real-life workplace examples and relevant reference materials through our staff intranet.

Culture Change

Our corporate values (Dependable, Open and Connected) are embedded in the daily work practices of our employees. Our recognition programme rewards positive behaviours that are aligned with our corporate values and support the Bank's long-term growth strategy. In 2017 we launched a 'Service Excellence Programme' to instil our values in employees and facilitate positive behavioural change.

Leadership Development

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

Co-op Programme

We operate a six- to 11-month work placement programme for non-final-year university students to help them gain practical work experience, and to build the skills and knowledge needed to embark on a successful career in the banking industry.

Summer Internship

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

Summer Seed Programme

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

Fintech Career Accelerator Scheme

We participated in Hong Kong's first Fintech Career Accelerator Scheme, an internship programme co-launched by the Hong Kong Monetary Authority and the Hong Kong Applied Science and Technology Research Institute, sponsoring six to 12-month internships for local university students to support their fintech career development in Hong Kong.

Our People

Training and Skills Development ○ ○ ●

Management Trainee Programme

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



What I really like about the Bank's MT Programme is that it offers three years of training that includes a comprehensive rotation arrangement between the back, middle and front offices. This gives us the chance to form a holistic view of banking operations and explore how we would like to develop our career within the Bank.

Don Ng

2015 Management Trainee,
Global Banking

What differentiates the Hang Seng MT Programme from those of other companies is the mentorship programme. One of the key things about the mentorship programme is that you are paired with senior executives throughout the year. You can exchange your ideas and ask your mentor about his or her experience and they pass along the wisdom that they have accumulated throughout the years.

Jonathan Bliss

2015 Management Trainee,
Operations, Services and Technology

Our People

Pay and Compensation

We offer competitive pay and employee benefits to attract talented staff, and we use a performance-based remuneration system that motivates employees and rewards them in line with their contributions to growing our business. Additional incentivisation is generated through the use of a variable-pay scheme that is based on individual contributions and the performance of the Bank. As part of our staff retention programme, we regularly review reward propositions and career advancement opportunities, particularly for key positions, to ensure market competitiveness.

Fair Rewards for Equal Work

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

As an equal opportunities employer, the Bank determines employee remuneration with reference to performance and market benchmarks. Wage levels are not differentiated by gender.

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

Turnover Rate

Our voluntary turnover rate in Hong Kong for 2017 was 18%. We closely monitor staff turnover and gather insights and information through employee exit surveys so that we can address employee concerns as well as implement the right retention measures.



Our People

Employee Engagement and Communication

The Bank aims to create a work environment that promotes employee engagement, champions diversity and an inclusive culture, and empowers members of staff to perform at their best by providing training, performance coaching and career development opportunities.

Employees are encouraged to engage in two-way communication with senior management and colleagues at all levels. In 2017, we launched a multi-pronged staff engagement programme, 'You Matter', to foster an open, progressive and dynamic culture at the Bank. The programme promotes key elements of our brand equity such as customer service excellence, inclusion and

creativity. It also includes a series of town hall and exchange sessions with senior management, informal networking events, and lunch-and-learn sessions.

Information on the Bank's direction and strategies, culture and values, policy updates and employment matters is conveyed to employees through business briefings, town hall meetings, the Bank's intranet, morning broadcasts, circulars and e-mails. We encourage staff to provide suggestions, comments and feedback through employee surveys, exchange sessions, thematic focus groups and other channels. We also gauge the sentiments and behaviours of our staff to inform training, communication and employee engagement plans with the aim of promoting the adoption and practice of our corporate culture among our staff.

We conducted our annual Bank-wide employee survey in May 2017, and subsequent surveys have been carried out on a regular basis to gather staff insights in a timely manner. The results of the 2017 annual survey indicate that employee confidence regarding the Bank's strategy as well as the level of trust between employees and senior leadership are both high. Staff are positive about the Bank's 'speak-up' culture, and perceptions of the Bank as a great place to work have risen compared with 2016, with a high percentage of employees saying they are proud to work at Hang Seng.

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



Our People

Equal Opportunities, Diversity and Inclusion

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

To combat discrimination, harassment and victimisation in the workplace, we have an Equal Opportunities Policy in place. Our human resources

policies comply with relevant government legislation, ordinances and regulations. The principles established in our Equal Opportunities Policy are incorporated into our Staff Code of Conduct, with which all staff must comply.

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

We joined the Gender Focal Point Network in 2016, a Hong Kong government-led initiative to promote the realisation of equal status, rights and opportunities for women in all aspects of life. This network enables us to exchange and share best practices with other industry players and stay up to date with the latest regulatory requirements.

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

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

Diversity and inclusion are well supported in our culture. Gender diversity is important for human capital development. Through tracking and reporting our findings to senior management, we work to ensure a balanced representation of gender is achieved in our employee base at all levels.



Our People

Employee Well-being ●●

Work-life Balance

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



We regularly review employee benefits against the market to ensure they are fit for purpose and support staff well-being. To provide

greater support to families, we enhanced our paid maternity and paternity leave arrangements in 2016, which are now up to 14 weeks and 10 days respectively. We also provide up to 14 weeks of paid leave for employees who have adopted a child. Following a review in 2017, we announced enhancements to our annual leave policy, effective 1 January 2018, including an increase in annual leave days and to grant leave to contract staff up front in their joining year.



In 2017, 177 female employees and 302 male employees applied for maternity and paternity leave. The return-to-work rate and retention rate following parental leave were close to 100%.

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



In 2017, the number of colleagues and their family members and friends participating in Bank-organised recreational and leisure activities increased significantly to 43,500. More than 4,800 individuals attended our biennial Hang Seng Fun Day, where they enjoyed a variety of attractions and performances at a theme park. We also



organised bowling, badminton, football, basketball, table tennis and golf competitions under the Hang Seng Cup to encourage good team spirit and more active lifestyles.



Over 400 colleagues joined a series of new lunchtime workshops at our three core office buildings, participating in activities ranging from making festive gifts to fitness classes.

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



Our People

Employee Well-being ○●

Health and Wellness



There are times when striking a good balance between work and personal demands can be challenging. Our Employee Assistance Programme provides our staff with access to the

services and support of professional counsellors. This service – which is available 24 hours a day, seven days a week – is free and confidential.

As part of our commitment to supporting the health and wellness of our employees and their family members, we provide a wide range of benefits such as hospital and surgical benefits, outpatient treatment, dental services and medical wellness check-ups. We also provide a Seasonal Influenza Vaccination Programme for employees and their eligible dependents.



Lifestyle and Leisure



We recognise that some employees may wish to take time away from the workplace to pursue personal interests or activities, with the security of knowing their job will be waiting for them upon their return. In

2017, we reviewed and offered a bundle of flexible working options such as part-time work, sabbatical leave and personal time, which give employees the opportunity to work flexibly to achieve a better balance between work and personal commitments. These initiatives seek to enhance engagement, increase retention rates and attract talented employees.

Wealth and Finances

As part of our efforts to ensure the financial well-being of our employees, we provide special banking offers for credit cards, insurance and other products and services. We offer favourable terms for staff housing loans to enable employees to buy a property to live in and provide assistance with future property purchases to help employees adjust to changing family circumstances.



To encourage staff to plan for their retirement at an early stage, we expanded the choice of fund options in the Defined Contribution Scheme (DCS) in 2017. We rolled out a series of educational films and videos as well as financial tools to guide employees in making their investment decisions and help them identify and understand their tolerance for investment risk and volatility. We also arranged for fund managers to meet with employees at specially arranged on-site booths to promote staff awareness and education about their retirement needs and the performance of DCS funds.

Other Well-being Activities

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



In October 2017, we organised a series of workshops and activities to promote Mental Health Month with the aim of reducing the risks of mental health issues and related disorders. We also organised well-being talks and seminars to give information and support to working parents and help them fulfil the sometimes demanding dual role of active family member and effective employee. These activities and programmes have been well received by our staff.

Our People

Occupational Health and Safety ● ○

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

In 2009, Hang Seng set up its [Health and Safety Policy](#). In the same year it became the first bank in the world to implement a certified BS OHSAS 18001:2007-compliant Occupational Health Safety Management System (OHSMS).



Designed to reduce the exposure of staff, contractors and customers to health and safety risks associated with our business activities, the OHSMS is overseen by a Safety Management Committee (SMC) comprising senior management representatives that has responsibility for monitoring and advising on OH&S programmes. The concerns and views of staff are represented by the SMC's Working Team, a lower-tier committee comprising middle management representatives who are supported by about 300 Job Hazards Analysis (JHA) Team members (for details, please see [OH&S: Everyone's Business](#)).

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

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

We have a Contingency Plan for Communicable Diseases in place, which sets out the key issues to be addressed and the actions to be taken by various units in response to the occurrence of a serious communicable disease outbreak. Our intranet provides staff with information on the importance of personal hygiene and good health

practices, and on the contingency measures that will be adopted to enable the Bank to continue to serve the community during emergency situations.

The Bank places strong emphasis on all aspects of health and safety, and keeping our workplace safe and comfortable for staff and customers. In the second half of 2017, we organised a Health and Safety Week with activities such as seminars, training, promotional information booths and site visits. Topics covered by the activities included occupational health and safety, fire safety and communicable diseases, improving health and safety awareness, and minimising work-related illnesses and injuries.

To ensure our employees enjoy a congenial and comfortable workplace, we commenced work to upgrade various facilities in our core office buildings, including the modernisation of lifts and the renovation of washrooms and pantry areas. We also piloted the use of a flexible workspace scheme, OpenWork, in one of our offices. Featuring facilities such as adjustable desks, cubicles with better privacy and open meeting areas, OpenWork aims to create a more flexible and spacious working environment for all employees and encourage inter-team collaboration. We plan to expand flexible workspaces to all our core office buildings within the next two years.

We also provide Mother-care Rooms at our three core office buildings to meet the needs of members of staff who are nursing mothers. The rooms are designed to provide a restful and private environment.

Our People

Occupational Health and Safety ○ ●

OH&S: Everyone's Business

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

Issues discussed at a functional level

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

Issues discussed at a Bank-wide level

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

Occupational Health and Safety Statistics

• Lost-day rate^A

	2017	2016	2015
Male	0.04	0.06	2.13
Female	2.22	2.62	3.13

• Occupational injury rate[#]

	2017	2016	2015
Male	0.01	0.01	0.07
Female	0.10	0.12	0.14

• Absenteeism rate^{*}

	2017	2016	2015
Male	1.25%	1.49%	1.40%
Female	1.95%	2.24%	2.08%

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

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

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

Our People

Business Principles and Values

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



Acting with Courageous Integrity

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

Dependable – do the right thing

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

Open – to different ideas and cultures

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

Connected – to customers, communities, regulators and each other

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



Our People

A Statistical Snapshot of Our People ●○○○

Headcount by Employment Type by Gender

	Hang Seng Bank and Others [#]						Hang Seng China					
	2017		2016		2015		2017		2016		2015	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Full-time Permanent Staff	3,349	4,611	3,242	4,600	3,448	4,724	460	1,144	482	1,129	538	1,223
Full-time Contract Staff	128	92	60	41	55	25	49	61	35	50	40	34
Part-time Staff	4	28	4	25	5	31	-	-	-	-	-	-
Temporary Staff	1	2	2	3	10	8	-	-	-	-	-	-
Total	3,482	4,733	3,308	4,669	3,518	4,788	509	1,205	517	1,179	578	1,257
Grand Total	8,215		7,977		8,306		1,714		1,696		1,835	

Headcount by Employee Category by Gender

	Hang Seng Bank and Others [#]						Hang Seng China					
	2017		2016		2015		2017		2016		2015	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Executive	1,045	1,047	847	907	843	856	153	311	144	277	155	250
Officer	1,604	2,108	1,597	2,056	1,720	2,108	195	499	191	484	214	526
Clerical / Non-clerical	833	1,578	864	1,706	956	1,823	161	395	182	418	209	481
Sub Total	3,482	4,733	3,308	4,669	3,518	4,788	509	1,205	517	1,179	578	1,257
Grand Total	8,215		7,977		8,306		1,714		1,696		1,835	

Notes:
 There are no significant seasonal variances in headcounts reported. Headcount numbers are generally quite stable throughout the year.
 All headcounts are in full-time employee equivalent (FTE).
[#] 'Others' includes Macau/ overseas and other Mainland operations (around 0.9% of total headcount of Hang Seng Group).

Our People

A Statistical Snapshot of Our People ○●○○

Headcount by Age Group

	Hang Seng Bank and Others [#]			Hang Seng China		
	2017	2016	2015	2017	2016	2015
Below 30	2,535	2,530	2,738	580	598	689
30 to 39	2,354	2,108	2,136	917	913	962
40 to 49	2,025	2,061	2,100	184	157	154
50 to 59	1,261	1,240	1,290	31	27	28
60 or above	40	38	42	2	1	2
Grand Total	8,215	7,977	8,306	1,714	1,696	1,835

Average Age

	Hang Seng Bank and Others [#]			Hang Seng China		
	2017	2016	2015	2017	2016	2015
Executive	40	41	41	38	38	38
Officer	37	36	36	33	33	33
Clerical/ Non-clerical	37	37	37	29	29	28
Overall	38	38	37	33	33	32

Notes:
 There are no significant seasonal variances in headcounts reported. Headcount numbers are generally quite stable throughout the year.
 All headcounts are in full-time employee equivalent (FTE).

[#] 'Others' includes Macau/ overseas and other Mainland operations (around 0.9% of total headcount of Hang Seng Group).

Our People

A Statistical Snapshot of Our People ○ ○ ● ○

Average Years of Service

	Hang Seng Bank and Others#			Hang Seng China		
	2017	2016	2015	2017	2016	2015
Executive	9	10	10	6	6	6
Officer	11	11	10	5	5	4
Clerical/ Non-clerical	11	12	12	3	3	3
Overall	11	11	11	5	4	4

New Hires by Age Group by Gender

	Hang Seng Bank and Others#						Hang Seng China					
	2017		2016		2015		2017		2016		2015	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Below 30	553	566	406	428	624	679	94	162	75	151	106	214
30 to 39	258	246	103	130	168	192	35	75	32	57	28	64
40 to 49	61	68	23	26	48	42	4	4	1	2	4	3
50 to 59	27	16	15	13	35	18	0	0	0	1	1	0
60 or above	13	4	7	6	24	5	0	0	0	0	0	0
Total	912	900	554	603	898	935	133	241	108	211	139	281
Grand Total	1,812		1,157		1,834		374		319		420	

Notes:
 There are no significant seasonal variances in headcounts reported. Headcount numbers are generally quite stable throughout the year.
 All headcounts are in full-time employee equivalent (FTE).
 # 'Others' includes Macau/ overseas and other Mainland operations (around 0.9% of total headcount of Hang Seng Group).

Our People

A Statistical Snapshot of Our People ○○○●

Employee Voluntary Turnover by Age Group by Gender

	2017				2016				2015			
	Male		Female		Male		Female		Male		Female	
	Headcount	Turnover rate [^]	Headcount	Turnover rate [^]	Headcount	Turnover rate [^]	Headcount	Turnover rate [^]	Headcount	Turnover rate [^]	Headcount	Turnover rate [^]
Hang Seng Bank and Others[#]												
Below 30	361	4.6%	411	5.3%	363	4.5%	357	4.5%	452	5.7%	455	5.7%
30 to 39	175	2.2%	196	2.5%	142	1.8%	155	1.9%	148	1.8%	183	2.3%
40 to 49	47	0.6%	77	1.0%	40	0.5%	83	1.1%	51	0.6%	107	1.3%
50 to 59	23	0.3%	30	0.4%	31	0.4%	38	0.5%	35	0.5%	45	0.6%
60 or above	53	0.7%	30	0.4%	57	0.7%	34	0.4%	50	0.6%	34	0.5%
Total	659	8.4%	745	9.6%	633	7.9%	667	8.5%	735	9.2%	823	10.4%
Grand Total	1,404 (18.0%)				1,300 (16.4%)				1,559 (19.6%)			
Hang Seng China												
Below 30	53	3.1%	91	5.4%	55	3.2%	131	7.5%	67	3.6%	155	8.3%
30 to 39	41	2.4%	82	4.9%	56	3.2%	108	6.2%	45	2.4%	100	5.4%
40 to 49	6	0.4%	8	0.5%	8	0.5%	9	0.5%	5	0.3%	8	0.4%
50 to 59	1	0.1%	1	0.1%	0	0.0%	1	0.1%	0	0.0%	2	0.1%
60 or above	0	0.0%	0	0.0%	2	0.1%	0	0.0%	0	0.0%	0	0.0%
Total	101	6.0%	182	10.9%	121	7.0%	249	14.3%	117	6.3%	265	14.2%
Grand Total	283 (16.9%)				370 (21.3%)				382 (20.5%)			

Notes:
 There are no significant seasonal variances in headcounts reported. Headcount numbers are generally quite stable throughout the year.
 All headcounts are in full-time employee equivalent (FTE).
[#] 'Others' includes Macau/ overseas and other Mainland operations (around 0.9% of total headcount of Hang Seng Group).
[^] The turnover rate is calculated based on the actual number of employees.

Our Environment



Our Environment

Our Approach

Safeguarding the environmental health of our planet is a collective duty that has significant consequences for present and future generations. As one of Hong Kong's largest listed companies, we conduct our business in an environmentally responsible manner and use our public platform to promote good environmental stewardship.

We are working to reduce our consumption of energy and natural resources, reduce waste, and use environmentally friendly products and services whenever possible. We use internal channels and engage in volunteer service to raise environmental awareness and communicate green values to our staff. We also encourage our suppliers, business partners and customers to improve their environmental performance through our policies, services and community engagement activities.

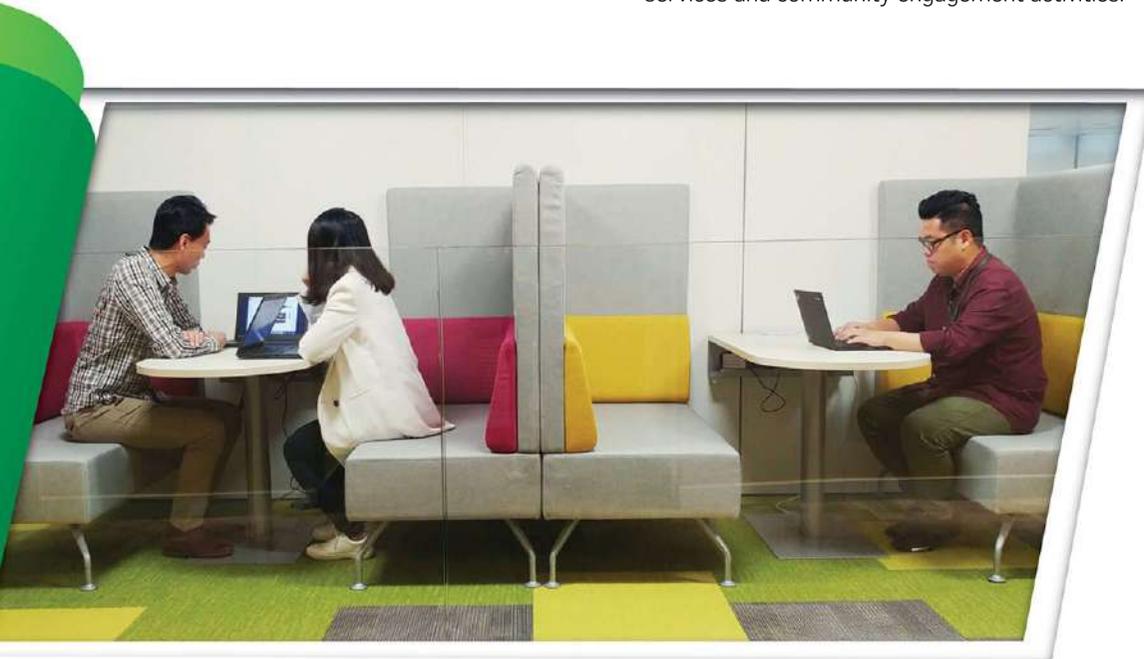
We have set annual targets that aim to minimise the negative environmental impacts of our business, and we engage in activities that have positive impacts. As laid down by HSBC Group's strategy to be delivered by 2020, we have an overall goal of reducing our annual CO₂ emissions per employee from 3.5 tonnes to 2.0 tonnes, reducing waste by 75%, reducing paper use by 66% and buying 100% sustainably sourced paper.

We empower our staff to act as ambassadors for the environment by raising their awareness of green issues through various channels, including training and volunteer activities.

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

We have adopted the HSBC Group's approach to tackling the global challenge of climate change. This policy is detailed in the [HSBC Group's Statement on Climate Change](#).

In 2017, we did not identify any non-compliance with environmental laws or regulations.



Our Environment

Greening Our Operations ●○

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

Established under the [Environmental Policy](#) we implemented in 2003, our Environmental Management Committee, which is chaired by an Executive Committee member, closely monitors our environmental management system (EMS) to ensure it continues to meet ISO 14001 standards. The Committee is also responsible for ensuring

our EMS and business strategies complement each other in support of the continuous improvement of our environmental performance. Moreover, the Committee has set out a wide array of environmental instructions, such as green procurement, waste management and more, to guide our employees to adopt various green practices and achieve a greener workplace.

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



We work towards designing and running energy-efficient, sustainable office buildings to the highest international standards. At our newly renovated Hang Seng 113 office building, we have installed chilled ceiling and fresh air systems that use about 25% less energy per year compared to conventional air conditioning systems. The building also uses low-energy LED office lighting, the lighting power density of which is only about 55% of the maximum allowable density according to the latest energy code requirements prescribed under government regulations. In 2017, Hang Seng 113 became Hong Kong's first domestic bank office building to be awarded Platinum certification – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) scheme. In mid-2016, our Hang Seng Tower office building attained the LEED Gold certification for its fitting-out works.



Our Environment

Greening Our Operations

We also ensure quality water provision. We received the Gold Class Fresh Water Award for our headquarters building as well as the Quality Fresh Water and Quality Flushing Water awards for Hang Seng 113 based on our voluntary participation in the "Quality Water Supply Scheme for Buildings" administrated by the Water Supplies Department.



Our efforts to be a responsible consumer of energy earned us the Joint Energy Saving Award at the 2017 CLP GREEN PLUS Recognition Award.

In 2017, nearly 28 million e-Statement and e-Advice notices were generated, and over 80% of shareholders have adopted our e-communications services, collectively saving 76.3 million sheets of paper. Since 2001, we have facilitated the charitable giving of more than HK\$37m by our customers through our e-Donation channel. By the end of 2017, 42% of our credit card customers were receiving electronic card statements rather than physical copies, and e-channels accounted for 49% and 97% of applications for credit cards and personal loans, respectively.

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

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

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

Environmental Initiatives in 2017

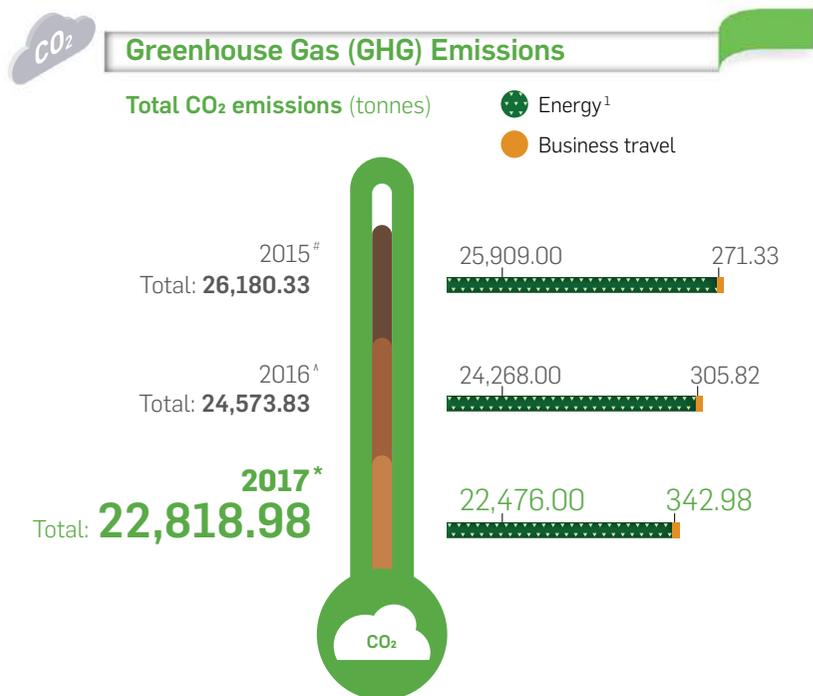
- Reduce electricity/ energy consumption by adopting chilled ceilings and LED lighting
- Reduce water consumption by 90% through the installation of smart hand washing systems at headquarters and Hang Seng 113
- Reduce general waste by introducing a Centralised Waste Collection Point at Hang Seng 113
- Reduce the usage of plastic bags by setting up umbrella dryers in core office buildings during rainy days
- Implement a glass bottle recycle program



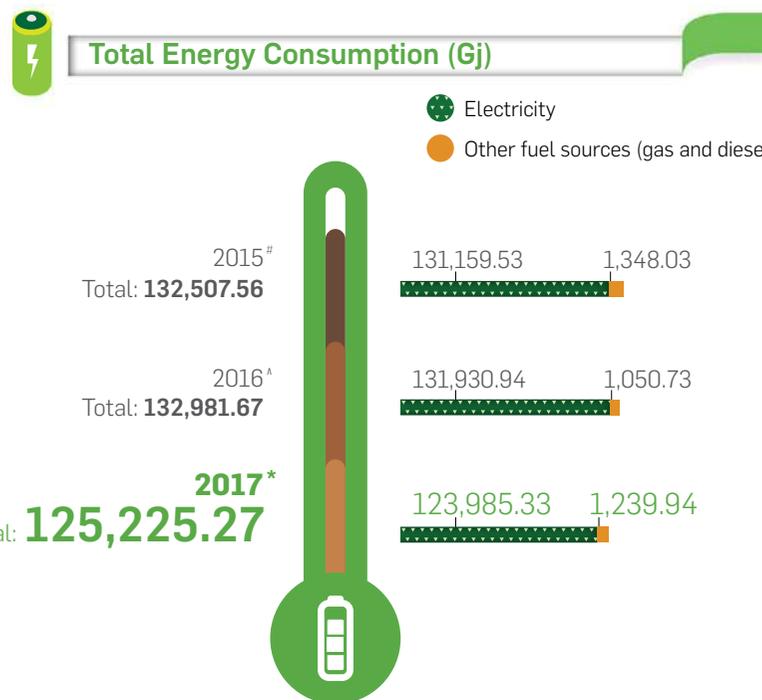
In 2017, **76.3 million** sheets of paper were saved through our e-Statements and e-Advice notices, and the e-communications services adopted by our shareholders.

Our Environment

Environmental Performance



	Unit	2017 [*]	2016 [^]	2015 [#]
Total CO₂ emissions per FTE	tonnes/ FTE	2.94	3.08	3.20
- CO ₂ emissions per FTE from energy	tonnes/ FTE	2.89	3.04	3.17
- CO ₂ emissions per FTE from business travel	tonnes/ FTE	0.04	0.04	0.03
CO₂ emissions per sq ft	tonnes/ sq ft	0.016	0.0148	0.02



	Unit	2017 [*]	2016 [^]	2015 [#]
Energy consumption per FTE	Gj/ FTE	16.12	17.08	16.20
Energy consumption per sq ft	Gj/ sq ft	0.09	0.09	0.09

Data is round up to 2 decimal places.

Key: m³: Cubic metres CO₂: Carbon dioxide Gj: Gigajoules FTE: Full-time equivalent employee² sq ft: Square foot³

* From 1 Oct 2016 – 30 Sep 2017 ^ From 1 Oct 2015 – 30 Sep 2016 # From 1 Oct 2014 – 30 Sep 2015

¹ The greenhouse gas emissions generated from energy use were calculated based on electricity and fuels consumed as well as their relevant gas emission conversion factors as provided by the relevant electricity companies.

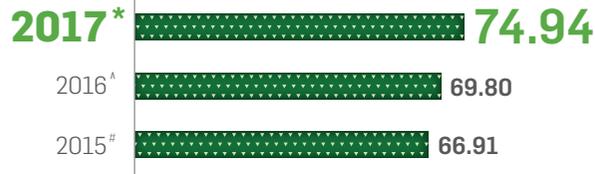
² The number of full-time equivalent employee as of 30 Sep 2017, 30 Sep 2016 and 30 Sep 2015 are 7,769, 7,786 and 8,182 respectively.

³ The floor area as of 30 Sep 2017, 30 Sep 2016, and 30 Sep 2015 are 1,427,358, 1,635,975, and 1,536,882 sq ft respectively.

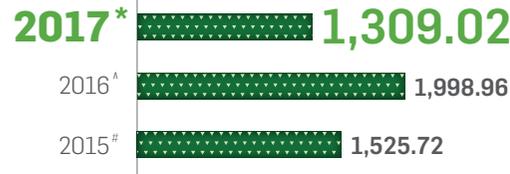
CO₂ emissions from energy use
↓ 7.39% in 2017 when compared with 2016.

Our Environment

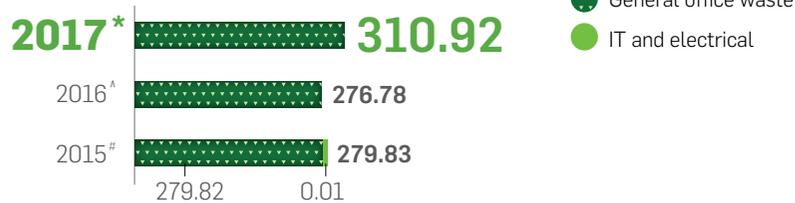
Environmental Performance



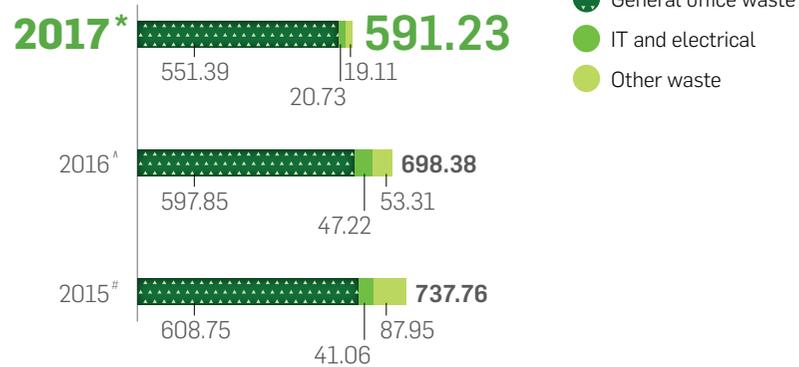
	Unit	2017*	2016 [^]	2015 [#]
Water consumption per FTE	m ³ / FTE	9.65	8.96	8.18



 Compliant



	Unit	2017*	2016 [^]	2015 [#]
Waste disposed per FTE	tonnes/ FTE	0.04	0.04	0.03



Data is round up to 2 decimal places.

Key: m³: Cubic metres CO₂: Carbon dioxide GJ: Gigajoules FTE: Full-time equivalent employee³ sq ft: Square foot

* From 1 Oct 2016 – 30 Sep 2017 ^ From 1 Oct 2015 – 30 Sep 2016 # From 1 Oct 2014 – 30 Sep 2015

¹ Hang Seng 113 office building was fully operational in 2017. Fresh water is used for toilet flushing in this building as it is not covered by the Water Supplies Department's seawater supply system.

² Paper

- Compliant Paper: Paper certified by an HSBC-approved certification scheme. Currently includes FSC, Canadian Standards Association, etc.
- Compliant Due to Exemption: Paper which received a dispensation authorised by the Chief Procurement Officer and was entered in the HSBC Group Manuals System prior to the purchase.
- Non-compliant Paper: Source country of the virgin portion is unknown or on the high-risk country list and is not certified by any HSBC-approved scheme.

³ The number of full-time equivalent employee as of 30 Sep 2017, 30 Sep 2016 and 30 Sep 2015 are 7,769, 7,786 and 8,182 respectively.



The paper consumed are **100%** compliant paper. Nil for Compliant due to Exemption & Non-compliant Paper

Our Environment

An Environmental Advocate

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

Our Hang Seng Yunnan Low-Carbon Village project, carried out in partnership with The Conservancy Association, builds on 10 successful years of renewable energy initiatives in rural parts of Yunnan Province. The project aims to reduce

dependency on natural resources by installing appliances such as solar heating and biogas facilities, and implementing programmes that help enhance the entrepreneurial skills and economic status of local villagers.

We support local NGOs and green groups as a corporate member and through various campaigns and initiatives, such as the 'Power Smart' Energy Saving Contest organised by Friends of the Earth (HK), which enables schools to borrow monitoring equipment for use in energy-saving classroom projects, the Earth Hour campaign organised by WWF (Hong Kong), as well as Environment Bureau's 'Charter on External Lighting'. Our employees also participate in environment-focused fundraising events such as the Green Power Hike and WWF (Hong Kong)'s Walk for Nature.

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



Our Community



Our Community

Our Approach

Through effective engagement with our stakeholders, we are committed to making our community a better place to live. Improving well-being and contributing to the development of an inclusive, upwardly mobile and environmentally conscious society will support our sustainable growth in the years ahead.

As a bank and a good corporate citizen, we act with integrity and a strong sense of accountability in the provision of services to customers, in the treatment of our staff and in our responsibilities to shareholders, business partners and the wider community.

We team up with trusted local organisations to create corporate sustainability programmes that promote social mobility, entrepreneurship, positive life values and civic pride, particularly among young people.

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

Committee members. Community investment projects that are approved by the Committee are reported at Executive Committee meetings and Board meetings.

Since 2008, we have invested nearly HK\$274m in community development programmes in Hong Kong, including HK\$31m in 2017. We also make non-financial contributions through volunteer service and by providing expertise and practical support to a wide range of social and environmental initiatives.



Our Community

An Award-winning Approach to Community Engagement

At Hang Seng, we believe deeply that businesses should strive to make a difference in the communities where they operate. The Bank leads by example through initiatives that positively impact society across multiple touchpoints – from caring for the environment to helping those in need – and they are often recognised for their valuable contributions.

One of these initiatives is the Hang Seng – HKFWS Youth Mediation Scheme, which received several awards in 2017. These included the Outstanding Partnership Project Award 2016/17 from the Hong Kong Council of Social Service, and a Silver Award in the corporate social responsibility category at the 3rd Hong Kong Public Relations Awards 2016 organised by the Hong Kong Public Relations Professionals' Association. Run in partnership with the Hong Kong Family Welfare Society (HKFWS), the Scheme was recognised for helping young people learn how to constructively resolve conflicts, a skill beneficial to both life and career.



I use mediation skills at home to resolve conflicts between my two younger brothers. These skills also help me stay calm and see from my mother's perspective that she has good intentions when urging me to do supplementary exercises.

Keith Yeung Cho-chung

Primary 6 student at Yau Ma Tei Catholic Primary School and a trained Peer Mediator

Our Community



An Award-winning Approach to Community Engagement

Another valuable initiative is the Hang Seng Call for Young Talent in Theatre programme, which won the Award for Arts Sponsorship at the Hong Kong Arts Development Awards 2016. Organised in partnership with the Hong Kong Repertory Theatre, the programme supports the development of local performing arts by encouraging participation and nurturing young talent, and it also strives to give back to society through volunteer efforts. In 2017, participants connected with the community by distributing meal boxes at the charity Food Angel and holding performances for the underprivileged elderly.

I am grateful to have watched this musical, which brings back good memories. The lyrics remind us not to lose faith during hard times, and to be resilient in order to build the society that we long for. I would like to pay tribute to the 63 young actors in this musical. I can see hope and future in you. Keep going, and never forget why you started.

Paul Chan

Financial Secretary, Government of the Hong Kong Special Administrative Region

The 'Hang Seng Call for Young Talent in Theatre' is a platform for nurturing young people and developing their team spirit. This is where students learn the true meaning of unity in adversity, a belief that is crucial to personal development. I hope they can help spread this important message in the community.

Louisa Cheang

Vice-Chairman and Chief Executive, Hang Seng Bank



Our Community

Corporate Social Responsibility Awards



Award/ Organiser	Programme
<p>Outstanding Partnership Project Award 2016/17 <i>The Hong Kong Council of Social Service</i></p>	<p>Hang Seng – HKFWS Youth Mediation Scheme</p>
<p>Hong Kong Arts Development Awards 2016 • Award for Arts Sponsorship <i>Hong Kong Arts Development Council</i></p>	<p>Hang Seng Call for Young Talent in Theatre</p>
<p>The 3rd Hong Kong Public Relations Awards 2016 • Silver Award (Corporate Social Responsibility category) <i>Hong Kong Public Relations Professionals' Association</i></p>	<p>Hang Seng – HKFWS Youth Mediation Scheme</p>
<p>13th China Golden Awards for Excellence in Public Relations 2017 • Silver Award (Corporate Social Responsibility) • Silver Award (Public Communication) • Honourable Mention (Community Service) <i>China International Public Relations Association</i></p>	<p>Hang Seng Table Tennis Academy – 15th Anniversary Hang Seng – Jao Tsung-I Academy Historical and Cultural Programme Hang Seng China Youth Financial Literacy Education Programme</p>
<p>iNOVA Awards 2017 • Silver Award (Online Annual Reports – Corporate Social Responsibility Report)</p>	<p>Hang Seng Corporate Sustainability Report 2016</p>
<p>Mercury Awards 2016/17 • Silver Award (Annual Reports – Overall Presentation: Sustainability Report) • Silver Award (Campaigns – Corporate/ Commercial: Corporate Social Responsibility Practices) • Bronze Award (Campaigns – Corporate/ Commercial: Corporate Social Responsibility Practices)</p>	<p>Hang Seng Corporate Sustainability Report 2015 Hang Seng – HKFWS Youth Mediation Scheme Hang Seng Call for Young Talent in Theatre</p>

Our Community

Investing in Hong Kong's Future ● ○ ○ ○ ○ ○ ○ ○

The aspirations, attitudes and abilities of youngsters in Hong Kong will shape the future direction of our city. Our youth development programmes enhance employability, encourage entrepreneurship and help young people build future skills. Our aim is to empower and inspire younger generations to contribute to creating a compassionate, creative and economically successful society by giving them the tools and confidence to explore their potential and set high goals.

Towards a more compassionate society

Run in partnership with the Hong Kong Family Welfare Society (HKFWS) since 2013, the award-winning Hang Seng – HKFWS Youth Mediation Scheme trains students to use mediation to resolve conflicts, strengthen relationships and enhance communication. More than 1,400 senior primary students from 50 schools have been trained as Peer Mediators over the past five years. To help promote the scheme's key themes to a wider audience, an illustrated storybook was published and distributed to all Hong Kong primary schools in 2016/17. We have continued to build on this initiative in 2017/18 with the introduction of storytelling sessions supported by Bank volunteers.



Working with St James' Settlement, we launched the Hang Seng Character Master Programme, which encourages well-rounded personal development among children from an early age. Emphasising the four core values of 'Respect, Caring, Integrity and Responsibility', the programme includes social simulation games for young participants as well as sharing sessions and forums on communication and education for teachers and parents.



More than **1,400** senior primary students have been trained as Peer Mediators.

Our Community

Investing in Hong Kong's Future ● ○ ○ ○ ○ ○ ○ ○

Creating access and opportunities

The Hang Seng Youth Career Planning Scheme gives young ex-offenders and at-risk youths the opportunity to channel their energies into building a positive future. Leveraging the Hang Seng Youth Entrepreneurship Scheme we launched with The Society of Rehabilitation and Crime Prevention, Hong Kong in 2014, this extended programme gives participants hands-on business experience and the chance to discover new interests and strengths through entrepreneurial training, career guidance and job-shadowing opportunities. Bank executives provide support by serving as guest speakers and providing feedback on business proposals.

Our close to 20-year sponsorship of the Ming Pao Student Reporter Programme has helped over 9,000 students – including 400 from 135 schools in 2017 – to develop greater social awareness, think more critically and enhance their communication skills. We also continue to support the Police in promoting anti-crime messages through our long-term sponsorship of the biennial Hang Seng Bank – Help the Police Fight Youth Crime Competition.

Since 1995, we have allocated more than HK\$65m to various scholarship schemes in Hong Kong and mainland China, benefitting over 2,400 students.



Our Community

Investing in Hong Kong's Future ○ ○ ● ○ ○ ○ ○ ○

Providing the Tools to Build a Bright Future

From 2014-2016, Hang Seng and The Society for Rehabilitation and Crime Prevention, Hong Kong (SRACP) partnered for the Hang Seng Youth Entrepreneurship Scheme, giving young people from challenging backgrounds the opportunity to gain business skills and rise above their circumstances through the power of entrepreneurship. More than 400 participants benefitted from the Scheme since its launch in 2014. Among individuals who have had their business proposals approved, over 65% have successfully run their businesses for more than six months using start-up funds and professional guidance provided through the scheme.

In September 2017, Hang Seng and the SRACP held a three-day expo at a shopping mall, where approximately 20 participants displayed and sold their products. During the year, bank executives also volunteered their time as guest speakers, sharing their professional insights and giving advice on business proposals. Executives and programme administrators believe the Scheme is a positive influence on participants' lives, inspiring younger generations to turn their business dreams into reality.

The success of the Scheme led Hang Seng and the SRACP to further expand it into the Hang Seng Youth Career Planning Scheme, which provides at-risk youngsters, young ex-offenders and underprivileged youths seeking employment with career advice and job shadowing opportunities in addition to entrepreneurship training.

One of the participants in the Hang Seng Youth Entrepreneurship Scheme is **Liu Sui-ki**, who is from a single-parent family and has struggled in both academics and career. Even after completing his Associate Degree, the only job he could find required long hours for low pay. Lacking security and prospects, Sui-ki felt miserable in his work and pessimistic about his career. However, with the help of an employment officer from the Scheme and a grant from its Startup Fund, he was able to identify his interests and strengths and create a business that capitalised on them. Today, Sui-ki runs a traditional Chinese snack company, pursuing his dreams and overcoming many of the challenges he has faced in life.



Our Community

Investing in Hong Kong's Future ○○○●○○○

Creative ways to encourage greater understanding

Exposure to the arts and opportunities for creative expression provide young people with space to explore social issues, communicate their aspirations and beliefs, and broaden their cultural horizons.

Launched in 2015 with Hong Kong Repertory Theatre, the Hang Seng Call for Young Talent in Theatre programme uses artistic performance as a tool for students to build self-confidence and develop a collaborative spirit. Following an open call that attracted a record 670 applications, 63 primary and secondary school students were selected to take part in the intensive acting, singing

and dancing training programme, which concluded with four public performances of the original musical 'Our Time, Our Hong Kong' in August. A number of school performance workshops were also held in 2017 to give students at 10 schools the chance to showcase their talents to their teachers and peers.

Our sponsorship of various student ticket and subsidy schemes helped over 10,000 students and underprivileged children attend performances by the Hong Kong Philharmonic Society and a variety of Hong Kong Arts Festival events in 2017.




It attracted a **record 670** applications during an open call for Hang Seng Call for Young Talent in Theatre.

Our Community

Investing in Hong Kong's Future ○○○○●○○○

Artistic Achievement Builds Self-confidence

One of the most important focuses of our community outreach programmes is promoting social inclusion. Hang Seng is always seeking ways to engage members of society who otherwise may feel marginalised or disadvantaged, which is why in 2017 the Bank introduced a creative new initiative that would help unleash the potential of students with special education needs (SEN). The Hang Seng – YMCA Balloon Twisting Programme offered participants the chance to hone their concentration, coordination and communication skills through the fun-filled art of balloon twisting, in tailored, small-classroom sessions hosted by YM Balloon, a balloon arts social enterprise affiliated with the Chinese YMCA of Hong Kong. Bank volunteers assisted during the workshops, helping SEN students boost their self-confidence as they learned how to make intricate pieces of balloon art.

The programme concluded with a graduation ceremony and display at a shopping mall, where members of the public could salute participants' achievements and enjoy their artistic creations. The event also featured game booths to raise awareness of the needs of SEN students.

Name: Lau King-lam
School: S.K.H. All Saints'
Middle School



Lau King-lam,

a Secondary 3 student from S.K.H. All Saints' Middle School, participated in the Hang Seng-YMCA Balloon Twisting Programme. At the beginning, King-lam could not tie a balloon knot. By the end of the programme's eight classes, he could twist his own figures, demonstrating higher self-esteem and a strong sense of achievement. He also experienced many firsts throughout his journey, for example working with others to create balloon decorations, displaying his work to the public, and making artwork that was even taller than him!



Our Community

Investing in Hong Kong's Future ○○○○●○○○

Sport for all, fit for success

Participation in sports promotes good health and provides valuable lessons about the benefits and importance of setting goals, perseverance and fair play.



Since 1991, we have worked closely with the Hong Kong Table Tennis Association, donating more than HK\$59m to promote table tennis as a healthy and fun activity among people of all ages and backgrounds.

In 2001, we pioneered the establishment of Hang Seng Table Tennis Academy (HSTTA), the first comprehensive programme for a single sport in Hong Kong, which now plays a key role in identifying and training top table tennis talent as well as encouraging participation in sport among the wider community. Close to 350,000 individuals have



taken part in more than 6,300 activities organised by HSTTA over the years. Our celebratory programme to mark the Academy's 15th anniversary was recognised with a Silver Award in the corporate social responsibility category at the 13th China Golden Awards for Excellence in Public Relations (China Golden Awards), organised by the China International Public Relations Association (CIPRA).

Other support for table tennis includes sponsoring the 2017 Hang Seng Hong Kong Junior & Cadet Open tournament. Hong Kong athletes Wong Chun-ting, Doo Hoi-kem, Lee Ho-ching and Soo Wai-yam are among the many well-known previous participants in this international event for rising stars. This year's tournament featured more than 150 world-class local and overseas players who demonstrated outstanding sporting skills and a positive competitive spirit. The Hong Kong team put in an excellent performance to win two gold, three silver and nine bronze medals. The success of local athletes at an international level builds civic pride and demonstrates the rewards to be gained from determination, perseverance and good teamwork.



Around **350,000** individuals have taken part in more than **6,300** activities organised by HSTTA since 2001.

Our Community

Investing in Hong Kong's Future ○○○○○●○

Nurturing Civic-minded Future Sporting Stars

The Hang Seng Table Tennis Academy (HSTTA), run in partnership with the Hong Kong Table Tennis Association for more than 15 years, does more than help accomplished young players maximise their talent. The HSTTA also strives to foster a sense of civic engagement in its players, based on the strong belief that volunteering, helping those in need and promoting social responsibility are all vital to an athlete's all-round development. In 2017, members of the Hang Seng Elite Cadet Squad paid visits to youth centres and elderly homes, demonstrating their table tennis skills and playing fun games to entertain spectators and cultivate interest in the sport. They also spent time with senior citizens during the festive season, delivering treats to residents and bringing smiles to their faces.

In addition, the HSTTA organised overseas camps for members of its Hang Seng Regional Squad and Hang Seng Elite Cadet Squad, setting up training programmes and friendly matches with local junior players at the China Table Tennis College in Shanghai. Such activities are extremely valuable because they not only help sharpen players' skills, but also facilitate cultural exchange.



During our training at the China Table Tennis College in Shanghai, I saw that while the training content is similar to Hong Kong, sessions are longer and more intensive. The local junior players in Shanghai possess not only excellent technical skills, but also positive attitude and mental strength. They showcased their determination, tried their best and embraced failure. The most important thing is to learn from mistakes and seek advice from coaches. There is always room for improvement.

Vivian Au Chun-tang

member of the Hang Seng Regional Squad

Our Community

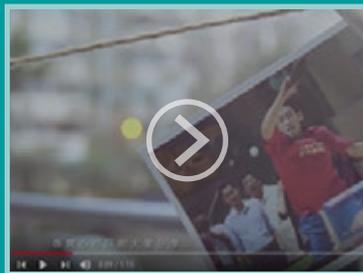
Investing in Hong Kong's Future ○○○○○○●

We Grow. Together.

Hang Seng strongly believes in the power of sports to build a strong, healthy and happy community. Table tennis has positively influenced the lives of many, whom have been featured in a series of short videos.

 **Watch the video** (Chinese only)

Former HSTTA member and current world No.7 **Wong Chun-ting** (ranking as of April 2018) says the time he spent training with the Academy as a youth has created fond memories to last a lifetime.



 **Watch the video** (Chinese only)

Angie Kong Hoi-ching, who is currently an Elite Cadet Squad member, says she has made a lot of good friends who support each other in their quest to become top players.



 **Watch the video** (Chinese only)



According to **Soo Wai-yam**, a former HSTTA member and current Hong Kong women's team player, table tennis even became a bonding element for her and her family. Parents believe the Academy helps their children grow as players and people, too.

 **Watch the video** (Chinese only)



Fan Kin-kwok, a father of two HSTTA trainees and a passionate table tennis fan, encourages kids to enrol in HSTTA courses so they can learn how to persevere in the face of challenges.



Our Community

Deeply Rooted in Our Community

Inclusive, compassionate and progressive communities embrace a culture of service and take steps to support and lift up their vulnerable and underprivileged populations.

As part of our efforts to encourage greater civic participation, our employees are able to take two days of volunteer leave per year to support worthy causes. Bank volunteers took part in a wide variety of community-focused activities in 2017, including outings with underprivileged children, delivering hot meals to the elderly and assisting with environmental clean-up initiatives. Since 2013, our staff and their family members and friends have contributed nearly 90,000 hours in volunteer service.

Various Bank departments also use public service to help reinforce good team spirit and strengthen relationships with the local community. Departmental volunteer activities in 2017 included eco-tours with young people from ethnic minority populations, mural painting in hospitals and museum visits with senior citizens.

Our new Mobile Branch reflects our commitment to improving financial inclusion by providing access to banking services at several large housing estates in Hong Kong. We continue to leverage the expertise of our staff to provide financial know-how through the Financial Education programme organised by the Hong Kong Association of Banks and the Hong Kong Council of Social Service, which provides advice on financial management to individuals from low-income groups. We also supported 'Money Month 2017', Hong Kong's first territory-wide financial education campaign, and Junior Achievement China's China Youth Financial Literacy Education Programme in the Pearl River Delta region, which earned us an Honorable Mention in the public service category at CIPRA's 13th China Golden Awards.

Our deep community roots are reflected in the long-term partnerships we have built with local organisations that drive positive change and enhance well-being. Over the past 30 years, we have raised over HK\$76m for The Community Chest of Hong Kong, including around HK\$24m for The Chest's annual Dress Casual Campaign since its launch in 1994.

Since 2001, we have facilitated the charitable giving of more than HK\$37m by our customers through our e-Donation channel.



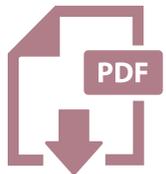
Report Verification

Content Index for GRI-Standards and HKEx ESG Reporting Guide



(138KB)

Verification Statement



(139KB)

Contact Us

Thank you for reading our Corporate Sustainability Report 2017. Your comments and suggestions play an important part in our efforts to continually improve our performance. We would greatly appreciate it if you could take a few minutes to complete our feedback form.



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