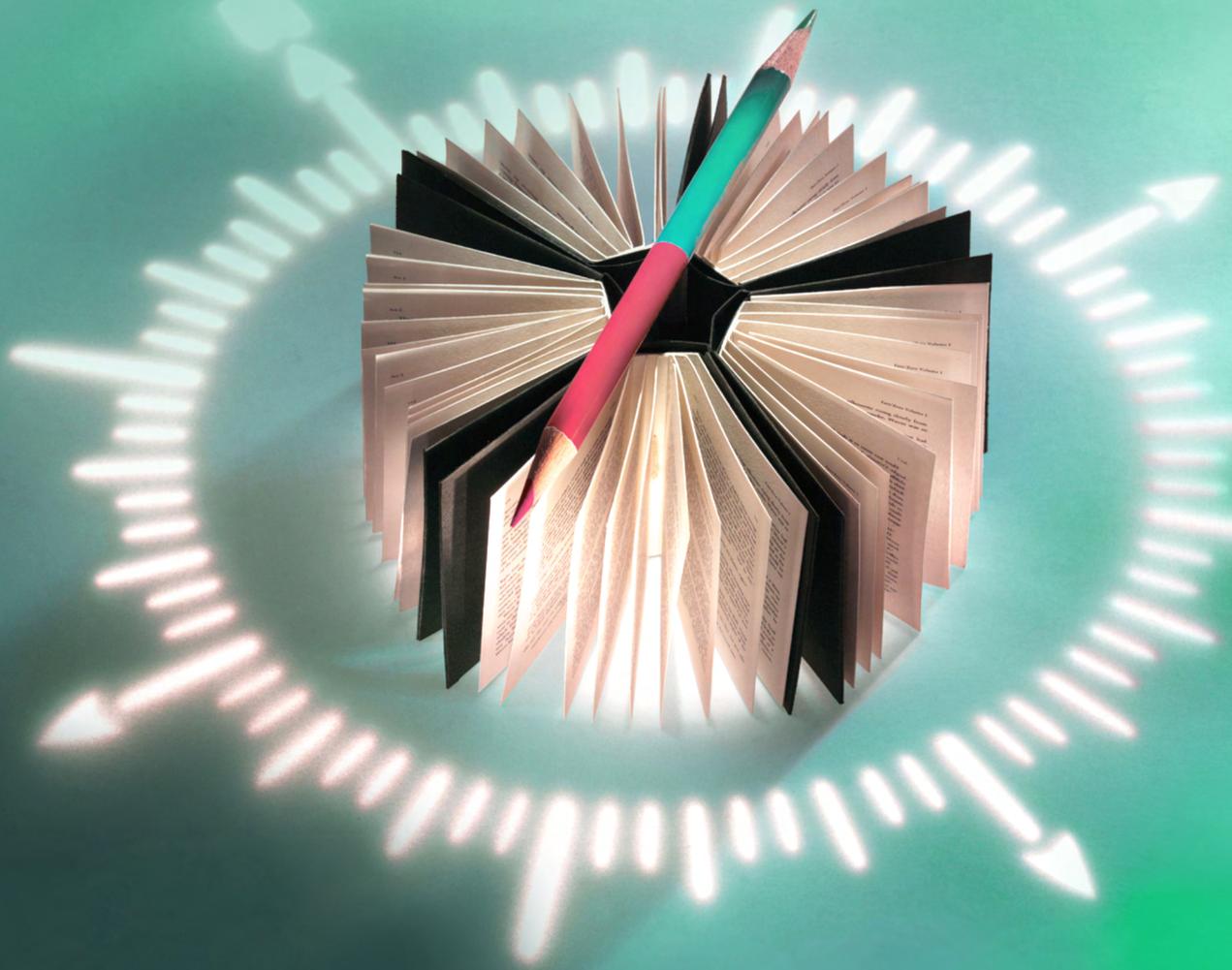


Corporate Sustainability Report 2013

Guiding Our Tomorrow



About This Report



Report Profile

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

This Report describes the Bank's efforts to support the principles of sustainable development during the calendar year of 2013. The Report focuses on the economic, environmental and social issues that have an impact on the sustainability of Hang Seng and that are of interest to stakeholders. The Report supplements the 'Corporate Responsibility' section of the Bank's 2013 Annual Report.

Report Scope

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

Data measurement techniques and the basis of calculations are explained next to the data tables. Financial data is extracted from or compiled based on the Bank's audited annual accounts for the year ended 31 December 2013.

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

Reporting Period

Financial accounts data are for the financial year 1 January 2013 to 31 December 2013. 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.

Reporting Guidelines

Financial and corporate data included in this year's Report are directly comparable with data from the Bank's 2012 Report unless otherwise stated. The Report has been compiled with reference to the internationally recognised Global Reporting Initiative (GRI G3.1) sustainability reporting guidelines.

Assurance

This Report has been independently verified and has achieved a GRI application level of A+. Click [here](#) for the assurance statement issued by the verifier.

Contact Us

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 2013.

Archived Reports are available on the Hang Seng Bank website.
(<http://bank.hangseng.com/1/2/about-us/corporate-responsibility>)

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We value your [feedback](#) on our sustainability reporting.

Chief Executive's Message



While much has changed since Hang Seng Bank's founding in 1933, our central principle of providing service excellence remains as strong today as it was more than 80 years ago.

As Hong Kong's leading domestic bank, we are a responsible corporate citizen, with our commitment to serve extending beyond day-to-day business operations. We actively participate in a number of initiatives to drive long-term sustainable development. Our objective is to help create a healthy and engaged society that will, in turn, support our own growth in the years ahead.

This annual Corporate Sustainability Report is intended to provide information on our activities and practices – and to contribute to the ongoing conversation on sustainability.

Hang Seng was, back in 2010, the first local bank in Hong Kong to employ the internationally recognised Global Reporting Initiative sustainability reporting guidelines. The following year we were also the first bank to achieve an A+ rating. For 2013, I am pleased to say that we have attained an A+ rating for a third consecutive year.

In 2013, Hang Seng was also once again recognised by Corporate Knights as one of the 'Global 100 Most Sustainable Corporations in the World'. This marked our second consecutive year as the only Hong Kong corporation included in this list.

We would not be able to contribute to the sustainability of the communities we serve without the ongoing dedication of our staff. In 2013, I am proud to report that our employees and their families volunteered nearly 27,000 hours of their own time to help others.

In the last year, as part of our emphasis on youth development activities, we supported close to 180 education programmes and workshops, reaching some 100,000 young people. The Hang Seng Bank - Leaders to Leaders Lecture Series, once again provided local students a valuable opportunity to engage in direct dialogue with prominent community leaders. To expand the impact of the Series, we also added a live webcast for the first time last year, enabling us to reach an additional 30,000 individuals. Indeed, we were very honoured when our Lecture Series was recognised recently with a Gold Award for Corporate Social Responsibility at the 11th China Golden Awards for Excellence in Public Relations, organised by the China International Public Relations Association.

During our year-long series of events celebrating Hang Seng's 80th anniversary, we also integrated the theme of sustainability into many of the activities. For example, we committed to building a further 800 biogas facilities in rural areas in mainland China.

With our deep roots in Hong Kong, we recognise that our long-term success is very much intertwined with the prosperity and well-being of the Greater China region. To do our part to help drive sustainable development in this region, we remain committed to providing service excellence, building and maintaining long-term relationships, and continuing to invest in the communities we serve.

Rose Lee
Vice-Chairman and Chief Executive
Hang Seng Bank



Our Values



Our overarching objective is to achieve the sustainable long-term growth of our business and the communities in which we operate by striving for service excellence in everything we do. Our values are the foundation of our efforts to meet this objective. They guide our approach to doing business and provide a common set of operating standards for Hang Seng employees.

Our business takes place in one of the most dynamic and fast-evolving regions in the world. Changing economic, environmental and social trends have implications for Hang Seng and for our key stakeholders. We work to ensure we are well positioned to respond swiftly and effectively to capitalise on new opportunities and manage new risks. Our reputation as a sustainability leader that makes a positive contribution to society will distinguish us from our peers, inspire our people and enhance our stakeholder value.



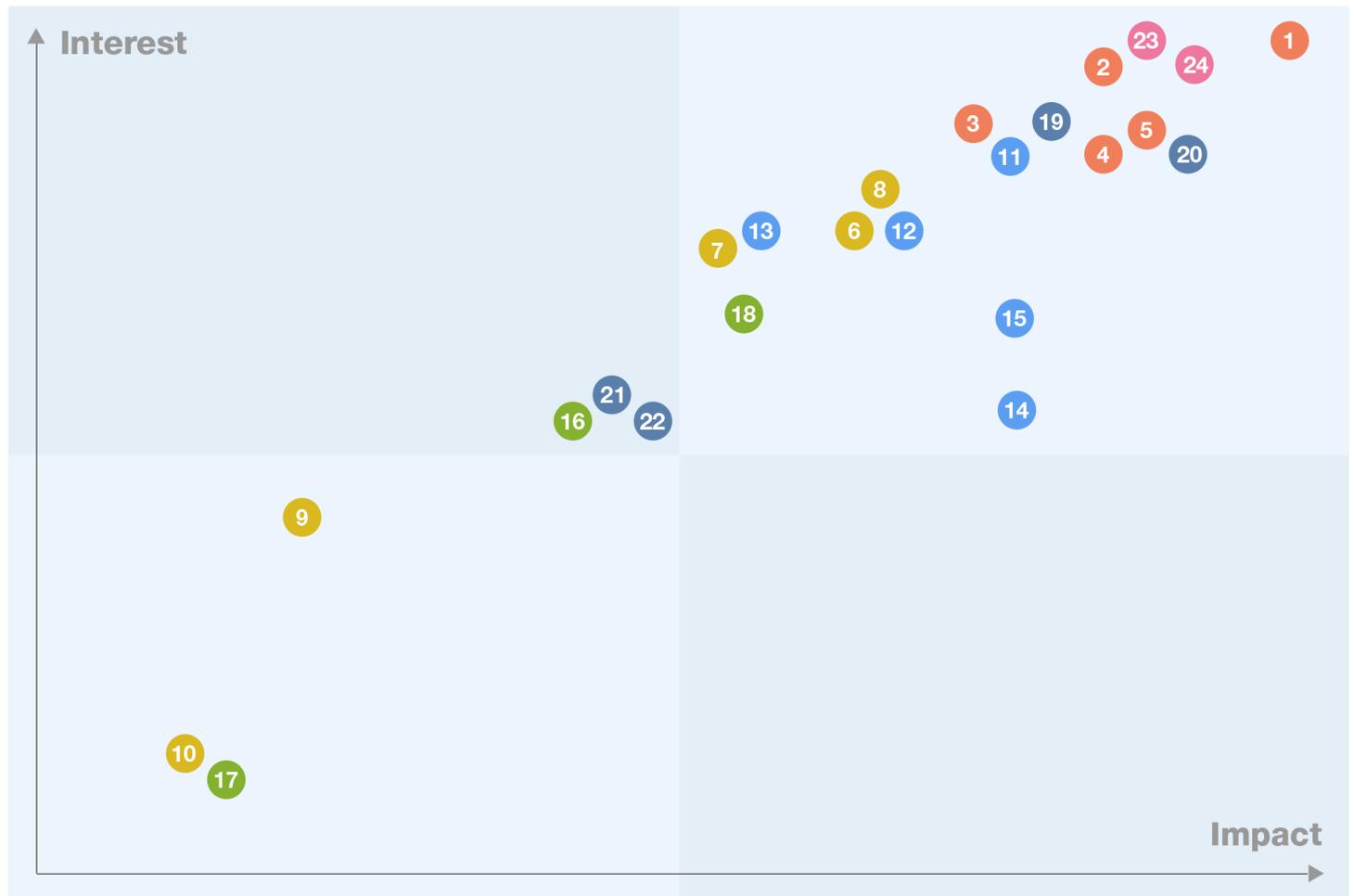
MATERIALITY ASSESSMENT

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

IDENTIFYING OUR MATERIAL ASPECTS

To identify our reportable material aspects, we aligned our stakeholder engagement process with the structure provided in the GRI sustainability reporting guidelines. We asked internal and external stakeholders to rank sustainability issues based on importance. This included asking managers from across 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 Aspects



Economic

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

Environment

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

Workplace Practices

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

Human Rights

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

Society

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

Product Responsibility

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

OUR PRINCIPLES IN PRACTICE

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

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

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

STAKEHOLDER ENGAGEMENT

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

Our efforts to maintain an open dialogue with our stakeholders not only focus on current issues, but also aim to assess the potential impact of emerging and/or longer-term trends. This allows us to be proactive rather than reactive in adapting our operational practices and sustainability activities to maintain our market leadership and strike an effective balance in addressing a diverse range of expectations, views and objectives, with the primary goal of optimising long-term outcomes for our business and our stakeholders.

Key Stakeholders	Primary Methods of Engagement
1. Customers	<ul style="list-style-type: none"> • customer satisfaction surveys • customer loyalty events • relationship manager visits • daily operations/ interactions
2. Shareholders	<ul style="list-style-type: none"> • financial reports • shareholders' notices • Annual General Meeting
3. Employees	<ul style="list-style-type: none"> • staff opinion surveys • focus groups • face-to-face interviews • performance assessments • business briefings • volunteer activities
4. Analysts	<ul style="list-style-type: none"> • Annual General Meeting • results announcements • senior management meetings • interviews with CFO, economists and analysts
5. Business partners	<ul style="list-style-type: none"> • reports • meetings • visits • gatherings • relationship-building events
6. Regulators	<ul style="list-style-type: none"> • meetings • compliance reporting

Key Stakeholders	Primary Methods of Engagement
7. Media	<ul style="list-style-type: none"> • media briefings • press materials • senior management interviews • results announcements • social gatherings
8. Non-governmental organisations	<ul style="list-style-type: none"> • volunteer activities • community investments and donations • meetings • CSR forums
9. Financial sector peers	<ul style="list-style-type: none"> • strategic collaborations • Group circulars • Group 'town hall' meetings
10. Professional bodies	<ul style="list-style-type: none"> • meetings • regular visits • memberships • working groups
11. Suppliers	<ul style="list-style-type: none"> • vendor management processes • meetings • site visits

CONTINUAL IMPROVEMENT

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

In addition to GRI requirements, the content and structure of our 2013 Report reflects a number of other factors, including:

- Issues identified through the CSR Sustainers workshop (see below)
- Issues arising from stakeholder engagement initiatives
- Issues commonly identified in the banking and finance industry, including benchmarking against other financial institutions
- Use of the materiality assessment and Hang Seng Sustainability Matrix
- Reference to ISO 14001 environmental standards
- Reference to the Environmental, Social and Governance (ESG) Reporting Guide issued by the Stock Exchange of Hong Kong

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

CSR Best Practice: Building Responsibility From Within

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

Key responsibilities of our CSR Sustainers include:

- 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

Other steps taken to strengthen internal buy-in during 2013 include holding two CSR forums for staff – one with 2012 Olympic bronze medal winner Lee Wai-sze and another with Dr Rosanna Wong, Executive Director of the Hong Kong Federation of Youth Groups. The forums promoted positive messages about the importance of dedication, drive and engaging with young people to over 500 Bank colleagues.

Sustainable Business Success: Keystone Principle and Core Values

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

Keystone Principle

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

Core Values

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

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

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

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

Hang Seng Sustainability Matrix



Our Business

WHO WE ARE

Founded in 1933, Hang Seng Bank Limited is one of Hong Kong's largest listed companies. Our market capitalisation as at 31 December 2013 was HK\$240.3bn. With nearly 10,000 employees, we serve over half the adult population of Hong Kong – more than 3 million people – through about 220 service outlets. We also maintain branches in Macau and Singapore and a representative office in Taipei.

Established in 2007 and headquartered in Shanghai, our wholly owned mainland China subsidiary Hang Seng Bank (China) Limited operates a network of 50 outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Nanjing, Dongguan, Hangzhou, Ningbo, Tianjin, Kunming, Xiamen, Chengdu, Foshan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Shantou.

Our wholly owned subsidiary Hang Seng Securities operates an investment advisory services joint venture – Guangzheng Hang Seng Research Company Limited – in partnership with Guangzhou Securities in Guangdong province.

As at 31 December 2013, Hang Seng held a 10.9% stake in Industrial Bank, a Mainland national bank, and a 15.09% interest in Yantai Bank, one of the largest city commercial banks in Shandong.

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

WHAT WE DO

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

Retail Banking and Wealth Management

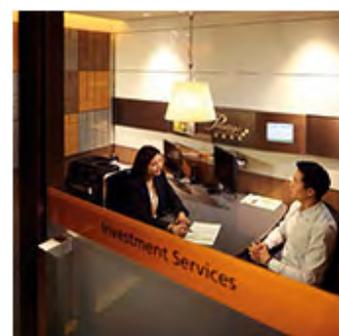
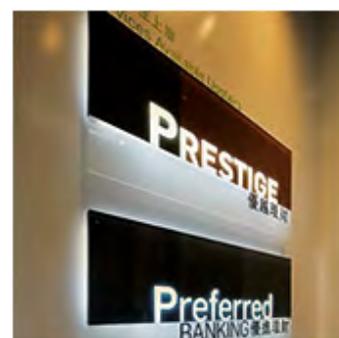
Retail Banking and Wealth Management activities offer a broad range of products and services to meet the personal banking, consumer lending and wealth management needs of individual customers. Personal banking products typically include current and savings accounts, mortgages and personal loans, credit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

Corporate and Commercial Banking

Corporate and Commercial Banking activities include the provision of financial services, payments and cash management, international trade finance, insurance, wealth management and tailored financial solutions to corporate and commercial customers.

Treasury

Treasury activities are mainly the provision of treasury operation services in credit, interest rates, foreign exchange, money markets and securities services. Treasury also manages the funding and liquidity positions of the Group and other market risk positions arising from banking activities.



Our Commitment

Performance

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

External recognition of our business success during 2013 includes Hang Seng being named the Best Domestic Bank in Hong Kong for the 14th consecutive year by The Asset, ranked as having the Strongest Bank Balance Sheet in Hong Kong and Asia Pacific by The Asian Banker, and included among the world's Top 500 Banking Brands by The Banker. We were also named the Most Attractive Employer in the Banking and Financial Services Sector in Hong Kong by Randstad.

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

For the second consecutive year, we were the only Hong Kong company included in the Global 100 Most Sustainable Corporations list compiled by Corporate Knights.



MEASURE OUR PERFORMANCE

FINANCIAL	2013#	2012*	2013 vs 2012
Operating profit (HK\$m)	18,410	15,487*	+2,923
Profit attributable to shareholders (HK\$m)	26,678	19,327*	+7,351
Shareholders' funds (HK\$m)	107,778	92,323	+15,455
Total assets (HK\$m)	1,143,730	1,077,096	+66,634
Total liabilities (HK\$m)	1,035,952	984,773	+51,579
Earnings per share (HK\$)	13.95	10.11*	+3.84
Dividends per share (HK\$)	5.50	5.30	+0.2
			(percentage point)
Return on average shareholders' funds (%)	25.40	22.80*	+2.6 p.p.
Return on average total assets (%)	2.40	1.90	+0.5 p.p.
Cost efficiency ratio (%)	32.40	34.90*	-2.5 p.p.
Average liquidity ratio (%)	34.90	36.90	-2.0 p.p.

FINANCIAL	2013#	2012*	2013 vs 2012
Capital Ratio under Basel II:			
Capital adequacy ratio - as at 31 Dec (%)	N/A	14.00	N/A
Core capital ratio - as at 31 Dec (%)	N/A	12.20	N/A
Capital Ratio under Basel III:			
Common Equity Tier 1 Capital Ratio	13.80	N/A	N/A
Tier 1 Capital Ratio	13.80	N/A	N/A
Total Capital Ratio	15.80	N/A	N/A
ECONOMIC			
Tax expenses (HK\$m)	1,818	2,667	-849
Number of employees (31 Dec - FTE)	9,856	9,680	+176
Employee compensation and benefits (HK\$m)	4,432	4,256*	+176
Number of shareholders (31 Dec)	20,212	20,282	-70
COMMUNITY			
Number of outlets (31 Dec)	220	220	--
Number of customers as at 31 Dec (m)	>3	3.2	--
Number of volunteer hours contributed	<27,000	>25,000	+1,000
Charitable donations and community sponsorships (HK\$m)	27	21.5	+5.5
ENVIRONMENTAL			
Greenhouse gas emissions (kilotonnes CO ₂) ^{Note A}	24.31	24.34	-0.14%
Electricity consumption (GWh)	35.27	36.61	-3.66%
Water consumption ('000 m ³)	64.81	65.90	-1.66%
IT/electrical waste recycled (tonnes)	58.84	54.94	7.09%

Data coverage: Hang Seng Bank's Hong Kong operations

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

*Figure restated

From 1 Oct 2012 to 30 Sep 2013

^ From 1 Oct 2011 to 30 Sep 2012

Note A Includes greenhouse gas emissions arising from energy

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

In addition to our direct economic contributions, our subsidiary Hang Seng Indexes Company Limited is compiling and managing 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, one of the world's most important stock markets, the HSI indirectly provides a tool for trading the shares of blue-chip companies in Hong Kong.

Business Awards and Recognition

Best Domestic Bank in Hong Kong (for 14th consecutive year) <i>The Asset</i>
The Strongest Bank Balance Sheet in Hong Kong and Asia Pacific <i>The Asian Banker</i>
Most Attractive Employer in the Banking and Financial Services Sector (Hong Kong) <i>Randstad</i>
Hong Kong Domestic Trade Finance Bank of the Year <i>Asian Banking & Finance</i>
Best SME's Partner Award <i>The Hong Kong General Chamber of Small and Medium Business</i>
Trusted Brands Gold Award - Bank (Hong Kong) Trusted Brands Gold Award - Credit Card Issuing Bank (Hong Kong) <i>Reader's Digest</i>



CSR Recognition

Third consecutive year as constituent stock of Dow Jones Sustainability Asia Pacific Index
Twelfth consecutive year as a constituent stock of FTSE4Good Global Index
Second consecutive year on Global 100 Most Sustainable Corporations list compiled by Corporate Knights
First local Hong Kong bank to attain an A+ Global Reporting Initiative Sustainability rating for CR Report (2011)
First local Hong Kong bank to attain ISO 14001 certification for all offices and branches (2011)
Fourth consecutive year as constituent stock of Hang Seng Corporate Sustainability Index
Eleventh consecutive year as a Hong Kong Council of Social Service Caring Company



CREDIT RATINGS

MOODY'S		
Hang Seng Bank	Long-term Bank Deposit (local and foreign currency)	Aa2
	Short-term Bank Deposit (local and foreign currency)	Prime -1
	Bank Financial Strength	B
	Outlook	Stable
Hang Seng China	Long-term Bank Deposit (local and foreign currency)	A3
	Short-term Bank Deposit (local and foreign currency)	Prime -2
	Bank Financial Strength	D-
	Outlook	Stable

STANDARD & POOR'S		
Hang Seng Bank	Long-term Counterparty Credit (local and foreign currency)	AA-
	Short-term Counterparty Credit (local and foreign currency)	A-1+
	Outlook	Stable
Hang Seng China	Long-term Counterparty Credit (local and foreign currency)	AA-
	Short-term Counterparty Credit (local and foreign currency)	A-1+
	Outlook	Stable

Our Commitment

Corporate Governance

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

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

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

Our staff are on the frontlines in ensuring we always operate ethically, honestly and with full accountability, and in maintaining the strength of our corporate reputation. We provide employee training covering issues including banking regulations and codes of practice; illegal activities such as bribery and corruption, money laundering and insider trading; and on equal opportunities and data privacy.

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

We are committed to high standards of corporate governance to safeguard the interests of shareholders, customers, staff and other stakeholders. We follow the module on Corporate Governance of Locally Incorporated Authorised Institutions under the Supervisory Policy Manual (SPM) issued by the Hong Kong Monetary Authority and comply with all the code provisions and most of the recommended best practices as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). We regularly review and enhance our corporate governance framework using international and local best practices as our reference benchmarks.^{Note A}



BOARD OF DIRECTORS

Our Board consists of 17 Directors – three Executive Directors and 14 Non-executive Directors (NEDs). Of the 14 NEDs, 10 are Independent Non-executive Directors (INEDs). Four of our 17 Directors are women.

The high number of INEDs on our Board helps ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of Hang Seng's management.

Members of the Board have a diverse range of business, banking and professional expertise. Both as individual Directors and collectively, the Members of the Board possess appropriate experience, competencies and personal qualities including professionalism and integrity to fully discharge their responsibilities and to ensure the effective governance and oversight of our business activities and operations.

The Nomination Committee has responsibility for leading the process for Board appointments and for identifying and nominating, for Board approval, candidates for appointment to the Board. Before recommending a Board appointment, the Nomination Committee will evaluate the existing balance of skills, knowledge and experience on the Board. The Nomination Committee will also consider the structure, size and composition of the Board, the independence of INEDs, the term of appointment of and time required from NEDs and appointments to Board Committees.

A diverse Board of Directors is a valuable asset to our business. In May 2013, the Board adopted a Board Diversity Policy, a copy of which is available on our website (www.hangseng.com) to promote transparency and good governance. Board appointments are based on merit and candidates are considered against a range of objective criteria, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. We are committed to promoting a meritocratic Boardroom that provides a diverse and inclusive culture where Directors believe that their views are heard and their concerns are attended to, and in which bias, discrimination and harassment are not tolerated.

BOARD COMMITTEES

The Board has set up five committees: the Executive Committee, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. Each committee has specific written terms of reference that set out its authorities and responsibilities. *Note C*

Hang Seng's Board of Directors

17 Directors *Note B*

- 3 Executive Directors
- 14 Non-executive Directors (10 Independent)

6 meetings in 2013

Executive Committee

8 Members *Note B*

Responsible for the management and day-to-day running of the Bank.

- Vice-Chairman and Chief Executive
- Executive Director and Head of Global Banking and Markets
- Executive Director and Head of Retail Banking and Wealth Management
- Chief Financial Officer
- Chief Operating Officer
- Head of Commercial Banking
- Chief Risk Officer
- Head of Human Resources
- 13 meetings in 2013

Audit Committee

3 Members *Note B*

Responsible for financial reporting, the nature and scope of audit reviews, the effectiveness of systems of internal control and compliance relating to financial reporting, and making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the Bank's external auditor.

- 3 Independent Non-executive Directors
- 6 meetings in 2013

Remuneration Committee

3 Members *Note B*

Responsible for making recommendations to the Board on the remuneration policy and structure in order to attract, motivate and retain quality personnel and determining the remuneration policy, and the specific remuneration packages of all Executive Directors, senior management and key personnel.

- 3 Independent Non-executive Directors
- 2 meetings in 2013

Risk Committee

4 Members *Note B*

Responsible for high level risk related matters, risk appetite and tolerance, risks associated with proposed strategic acquisitions or disposals, risk management reports from the Management, effectiveness of the Bank's risk management framework and systems of internal control and compliance (other than internal control over financial reporting), and appointment and removal of the Bank's Chief Risk Officer.

- 4 Independent Non-executive Directors
- 4 meetings in 2013

Nomination Committee

5 Members *Note B*

Responsible for leading the process for Board appointments, and identifying and nominating for the approval of the Board, candidates for appointment to the Board.

- 3 Independent Non-executive Directors
- 1 Executive Director
- 1 Non-executive Director
- 2 meetings in 2013

HANG SENG BANK (CHINA) LIMITED – CORPORATE GOVERNANCE STRUCTURE *Note D*

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

Board of Directors

There are eight Directors on the Hang Seng China Board: the Chairman, one Executive Director (who is also Chief Executive and Vice-Chairman of Hang Seng China) and six Non-executive Directors (NEDs). Among the six NEDs, five are Independent Non-executive Directors. Note B

Board Meetings

The Board held four meetings in 2013.

Board Reporting Structure

Sole shareholder, Hang Seng Bank Limited.

Board Committees

The Board has established five committees: the Audit Committee, the Risk Committee, the Connected Transactions Control Committee, the Remuneration Committee and the Executive Committee. Each committee has specific written terms of reference that clearly regulate its authority, duties and meeting rules.



Hang Seng China's Board of Directors

8 Directors *Note B*

- Chairman
- 1 Executive Director
- 6 Non-executive Directors (5 Independent)

4 meetings in 2013

Audit Committee

3 Members *Note B*

Responsible for financial reporting, internal audit, the effectiveness of systems of financial-related internal control and compliance oversight

- 3 Independent Non-executive Directors
- 4 meetings in 2013

Risk Committee

3 Members *Note B*

Responsible for high-level risk issues and risk management oversight

- 3 Independent Non-executive Directors
- 4 meetings in 2013

Connected Transactions Control Committee

3 Members *Note B*

Responsible for the implementation of the connected transactions policy, inspection of connected transactions, and the approval of substantial connected transactions

- 3 Independent Non-executive Directors
- 2 meetings in 2013

Remuneration Committee

3 Members *Note B*

Responsible for making recommendations to the Board on the policy and structure for all remuneration and fees of Directors and senior management

- 2 Independent Non-executive Directors
- 1 Non-executive Director
- (Remuneration Committee was set up in Feb 2014)

Executive Committee

13 Members *Note B*

Responsible for the management and day-to-day running of Hang Seng China

- Chief Executive
- Shareholder-designated Director
- 5 Deputy Chief Executives
- Chief Risk Officer
- Chief Financial Officer
- Chief Operating Officer
- Head of Global Markets
- Head of Retail Banking and Wealth Management
- Head of Human Resources
- 12 meetings in 2013

Note A: More details on our actions and practices in this area can be found in the 'Corporate Governance and Other Information' section of our 2013 Annual Report.

Note B: As at 26 May 2014.

Note C: The details of Board Committees can be found on Hang Seng's website.

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

RISK MANAGEMENT

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

The internal audit function provides independent, objective assurance to the Management and the Risk and Audit Committees over the risk management and controls framework, to add value and to improve operations. It helps the Management accomplish its objectives by bringing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes. It also assesses the design and effectiveness of the primary and secondary controls and it places a degree of reliance on the effectiveness of the work completed by the internal control teams. The outcome is a holistic and timely view of how effectively the material risks within the Bank are being managed.

The Risk Management Committee (RMC), which reports directly to the Executive Committee, oversees the risk management framework for the Bank and its subsidiaries. Its main functions are to review all existing and potential risks on a systematic basis to ensure mechanisms exist for early identification of risks, adequate controls exist to mitigate risks, related returns consider risks and that capital is appropriately allocated to manage risks. The Committee is also responsible for reviewing, recommending and approving policies and methodologies for the management of risk, and overseeing the risk management of its sub-committees. More details on our management of risk can be found in the 'Corporate Governance and Other Information', 'Financial Review' and '2013 Financial Statements' sections of our 2013 Annual Report.

Establishing an appropriate risk appetite limit is a key element in our management of risk. The Group's Risk Appetite Statement for 2013, which was approved by the Board as advised by the Risk Committee, describes the types and amount of risk that we are prepared to accept in executing our business strategy and applies at Bank-wide, business group and individual risk levels. Our risk appetite framework is underpinned by the following core principles:

- We must maintain our strong balance sheet and brand
- We must maintain a healthy capital position
- We must be accountable in how we use shareholders' funds
- We must adopt conservative liquidity management policies and processes
- Our tolerance for any risk must be commensurate with and considered in light of potential returns
- We must always uphold the principle of sustainable long-term growth

The RMC undertakes regular reviews and monitors the Bank's risk profile against the limits set out in the Statement and determines appropriate management action in instances of material deviation from approved limits. Reports that detail the profile of the Statement – including material deviations from the same and, where required, suggestions for appropriate management action – are submitted to the Risk Committee and the Board by the Chief Risk Officer on a quarterly basis.

Product development and sign-off procedures are in place to ensure that the design of all new products and services are reviewed to ensure they meet market requirements and customer needs. All new products and material product variations must be approved by the Product Oversight Committee as a sub-committee of the RMC.

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

We support international responsible financing principles and sector-specific guidelines to help manage environment-related sustainability risks (see 'Responsible Banking Services' section below). We also require that our credit assessment executives conduct a sustainability risk assessment of all credit applications – both new applications and annual reviews – by our business customers.

Compliance

Our key values include a solid 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 and guidelines and codes of conduct. In any jurisdiction where local compliance requirements are set at a lower standard than those established by our Group policies, our higher standards will apply where these do not contravene or conflict with local law.

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

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

Staff Code of Conduct

To ensure the Bank operates according to the highest standards of ethical conduct and professional competence, all staff are required to strictly follow the Code of Conduct contained in our Staff Handbook. With reference to the applicable regulatory guidelines and other industry best practices, the Code sets out the ethical standards and values to which all Bank staff are required to adhere and information on various relevant legal and regulatory issues. Topics covered include the prevention of bribery, use of information, insider dealing and personal investment dealing, personal benefits, outside directorships/employment and equal opportunities policy.

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 programme that covers 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 practice. All management employees have completed this training. Line managers with members of staff on leave are responsible for reminding such staff to complete the training when they return to work.

Insider Information and Conflicts of Interest

We have procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of insider information and avoid conflicts of interest. Staff working in sensitive or high-risk areas are required to undergo additional job-specific training.

Whistle-blowing

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

Anti-money Laundering, Counter-terrorist Financing and Sanctions

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

Price-sensitive Information

We have established a robust framework for the disclosure of price-sensitive information in compliance with the Listing Rules and other regulatory requirements. The framework sets out the procedures and internal controls for the handling and dissemination of price-sensitive information in a timely manner to help shareholders, customers, staff and other stakeholders 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.

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 Financial Crime

Compliance & Regulatory Compliance and the Data Protection Officer. Data Controlling Officers have been appointed at a functional or business unit level to promote data protection and disseminate information on related new guidelines or developments. We also produce a quarterly bulletin on personal data privacy to further ensure staff awareness of the latest internal and external requirements.

Equal Opportunities, Anti-discrimination and Human Rights

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

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

RESPONSIBLE BANKING SERVICES

Lending and Investment Policies

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

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

For environmental risk-related matters, we follow the sustainability risk requirements laid down by the HSBC Group, which include specific guidelines on lending to businesses operating in sectors such as chemicals, energy, forestry, freshwater infrastructure, and mining and minerals. We have adopted the Equator Principles, a set of voluntary guidelines which define a process to implement common sustainability standards in project finance lending. We also have a defence equipment policy which clarifies our stance on lending to companies involved with weapons (see box: Responsible Financing).

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. The Bank has specific sustainability risk policies that deal with sensitive sectors such as forestry, agriculture, mining, energy, property and infrastructure development, and mechanisms to ensure our customers remain in compliance with these policies.

Forest Land and Forestry Products Sector

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

Agricultural Commodities Sector

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

Freshwater Infrastructure Sector

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

Chemical Industry Sector

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

Energy Sector

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

Mining and Metals Sector

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

Defence Equipment Sector

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

World Heritages Sites and Ramsar Wetlands

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

Training programmes for environmental and social policies are in place, including as part of our New Joiners Programme, to improve staff competency in implementing these policies and procedures as applied to our various business lines.

Our Commitment

Customers

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

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

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

A deep understanding of the financial needs and objectives of our customers underpins our reputation for service excellence. We provide channels such as suggestion forms and hotlines for customer-initiated feedback. We proactively gather customer opinions – including through an annual relationship management survey to assess business customer satisfaction – to enhance our ability to provide an outstanding service experience. We identify our strengths, areas for improvement and industry best practice through local market benchmarking exercises and operate a mystery shopping programme to monitor and ensure quality service by our frontline staff at branch outlets and MTR station offices.

In the Value Banking Study 2013, a study which canvassed people on the service performance of the eight major banks in Hong Kong, Hang Seng was the most recommended bank by customers. As recognised by the same organisation, we have had the highest rated banking services among the same eight banks for nine consecutive years.

“They are friendly, demonstrate a high level of professional expertise, and provide clear explanations and relevant advice in response to all our enquiries. If they notice any potential problem, they always inform our company immediately and follow the case up as appropriate. I find that reassuring. They provide a very responsible and very responsive service.”

International Tradebest Ltd.



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

SERVICE EXCELLENCE

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



Award Name	Category
2013 <i>Next Magazine</i> Top Service Awards	Top Service Awards 2013 - Personal Banking Service category
2013 <i>The Reader's Digest</i> Trusted Brand Survey 2013	Trusted Brands Gold Award in Banking Category and in Credit Card Issuing Bank Category
<i>Sing Tao</i> Excellence Service Brand Awards 2013	Banking Branch Services
<i>Ming Pao Weekly</i> Elite Awards 2013	星級財富管理銀行大獎
2013 <i>EastWeek</i> Hong Kong Service Awards 2013	General Banking Services Award

HANDLING CUSTOMER FEEDBACK

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

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

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

ACCESS FOR ALL

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

Serving Special-needs Populations

We are working to improve special-needs access to our banking services. Our website is designed with readability and ease of navigation as priorities. We have 149 outlets with wheelchair access, including street-level branches, MTR branches and standalone automated banking centres. In 2013, we introduced 'Social Caring Counters' at selected branches, which provide priority counter service to the elderly, disabled people and other customers in need.

In partnership with Hong Kong Seeing Eye Dog Services (HKSEDS), we launched a new initiative in 2012 under

which visually impaired customers can bring their HKSEDS assistance dogs into our main branch's banking halls. To identify those branches that now serve as HKSEDS 'training' sites, the organisation provides specially designed signage which is appropriately displayed at branch entrances.

Customer Convenience

Building on our strong market presence along the MTR network, we established two 'iPoint' sales and service centres in Central and Causeway Bay MTR stations in 2013. These outlets provide a range of services using a multimedia concept with particular appeal for busy professionals and younger customer segments. Other investments in technology and digitally based services for customers in 2013 include the launch of the 'iPower' online retail investment fund management platform.

We also launched a first-of-its-kind near-field communication contactless payment channel that enables Hang Seng MasterCard holders to use their smartphones to make fast, secure payments at selected retail outlets.

At the end of 2013, we had 1.43 million Personal e-Banking customers – up 8.2% compared with a year earlier.

Transparency, Accountability, Choice

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

Where relevant, we present several product options so that customers can select the solution that best suits their requirements. It is our policy to sell products and services based on customers' specific needs, in line with our core values of providing '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'.

In addition to established due diligence requirements, new products and services are reviewed and approved for launch by a Product Oversight Committee that reports to the Risk Management Committee and includes senior executives from risk, legal, compliance, finance and operations/IT functions. Every new service and product is also subject to an operational risk self-assessment process, which requires the identification, evaluation and mitigation of potential associated risks.

Customer Privacy

Ensuring the privacy of our customers' personal 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 customer information. For more information on our data privacy policies, 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 personal privacy.

Our Service Pledge

In addition to complying with external regulations and guidelines, we apply a rigorous set of internal 'Customer Fairness Principles' in offering our products and services.

Treat Me Fairly

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

Tailored Solutions

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

Keep Me informed

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

Suitable Advice

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

Meet Commitments

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

Flexibility

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

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

We provide a diverse range of personal banking and wealth management products to enable customers to select the solution that best suits their needs. We offer investment products with different risk levels to suit the varying risk appetite of customers.

Our strong product manufacturing and distribution capabilities allow us to offer timely investment solutions to support the financial management objectives of customers in different market situations and business conditions.

CHAMPIONING LOCAL BUSINESS

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

We offer a wide range of products tailored specifically for SME customers and continue to enhance service delivery through better use of technology and improved relationship management. Our recently established Trade Advisory Team provides support to SME customers in handling their trading business.

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 up to 100% financing on equipment financing loans, as well as other banking privileges and discounts on insurance, depending on the improvement in energy efficiency and/or pollution reduction likely to be achieved through the acquisition and use of the new equipment.

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

We regularly run seminars for SME customers in collaboration with external parties or associations on topics related to financing solutions, taxation, investment market, to help improve financial literacy and increase awareness of relevant financial management tools.

Our commitment to supporting SME business earned us our eighth consecutive 'Best SME's Partner Award' from The Hong Kong General Chamber of Small and Medium Business in 2013.

HELPING CUSTOMERS FACE FINANCIAL CHALLENGES

We understand that life is full of uncertainties and unforeseeable change. That is why we are committed to working with customers facing challenging financial situations.

For business customers, we provide assessment and advisory services to help them get back on track. We work with customers to make a realistic assessment of their current position, from which we will determine the best course of action. This may involve rescheduling a debt based on new cash flow projections, the continuation of revolving facilities to keep businesses afloat during a tough period or providing a grace period to give the customer time to work out and execute a longer term recovery strategy.

Similarly, our primary objective when working with personal customers in financial distress is to find a win-win solution. Our internal guidelines are based on the Hong Kong Approach to Consumer Debt Difficulties issued by the Hong Kong Monetary Association. We have a dedicated unit for handling debt relief plans that will review the circumstances surrounding each case with the individual(s) involved. Where a genuine difficulty exists, we aim to find solutions that may range from extending a repayment schedule to offering partial relief.

COMMUNITY OUTREACH

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

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

We also participated in the Hong Kong Institute of Banks' pilot Junior Banker Induction Programme in 2013. The Programme provides young people with a better understanding of the activities and role of banks in contributing to the economic prosperity and social betterment of Hong Kong and its community. Activities under the Programme included an induction workshop and a 'behind-the-scenes' tour of the Bank for a group of secondary school students.

SERVICE ENVIRONMENT

In line with the principles established by Hang Seng's founders, we view every customer who visits our outlets as an honoured guest. 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 health and safety as top priorities. We also have floor staff operating at our branches who are available to assist customers with enquiries.

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

Our 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 our determination to reduce our energy consumption and our desire to provide a pleasant environment for customers and staff.

We have a Major Incident Group and a multi-disciplinary pandemic contingency planning team comprising representatives from various divisions of the Bank to implement comprehensive damage control measures to enable us to continue to provide services to the public in the event of an outbreak of influenza or other contagious disease.

We have implemented a wide range of measures and procedures to minimise potential safety hazards for both staff and customers in our Bank premises, including non-slip treatments on floor surfaces and use of clear and conspicuous signage for temporary safety hazards such as wet floors.

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

We provide safety training and conduct periodic emergency evacuation drills to ensure that our employees can efficiently and effectively identify, eliminate and/or mitigate any potential safety risk to customers and staff arising from fire or similar emergency situations. We have appointed Fire Marshalls in all our premises. We also have arrangements in place 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 Commitment

Suppliers

We rely on a range of vendors, agencies and third-party financial product suppliers to support the effective operation of our business. The actions of these external parties potentially expose us to reputational and other risks. Sustainable supply chain management is therefore a key part of our partnering processes, under which we seek to obtain a commitment from all our suppliers to adhere to sustainable business practices and the principle of continuous improvement in performance.

We have stringent standards for assessing suppliers, including requirements relating to environmental, social and ethical practices. In return, we provide transparency and fairness in our procurement process and contractual arrangements with suppliers.

Our management of supplier relationships is designed to not only safeguard our brand and our business, but also to promote responsible practices among other companies in our community.



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

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

We do not operate in environments or circumstances that entail a high risk of human rights violations and assessment of our operations has not revealed any risk relating to the exercising of freedom of association or collective bargaining rights. Nonetheless, we are committed to protecting human rights in the workplace, as guided by internationally accepted principles such as those in the Universal Declaration of Human Rights and in the Codes of Practice on Employment as promulgated by the Equal Opportunities Commission in Hong Kong. Our Equal Opportunities Policy is stipulated in our Human Resources Manual.

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

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

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

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

Our procurement is done on a competitive basis and we have strict procedures governing staff conduct when handling procurement issues. Our procurement policy also governs internal control of operating and capital expenditures, covering all purchases and expenditure by the Bank. The policy aims to support operational efficiency, segregation of duties and the requirement to make the 'best buy' as well as ensure transparency throughout the procurement process.

We use e-procurement systems to reduce paper consumption and lead times as well as enhance supplier control and information management. We encourage our suppliers and contractors to use or offer environmentally friendlier or recycled products whenever possible.

For third-party suppliers of financial products and services, we choose to only work with highly reputable organisations that have a demonstrable track record of high corporate standards and we have rigorous assessment procedures in place to ensure any investment or insurance solution not only meets regulatory requirements but also our internal standards for any product or service we intend to offer to customers.

Our Commitment

Staff

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

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

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 lead by example in demonstrating personal and professional respect for our people, providing a safe, inclusive and dynamic work environment that encourages and inspires and ensures equal opportunities for all.

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

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

We are one of Hong Kong's largest listed companies, with a full-time equivalent staff of 9,856 as at 31 December 2013.

PROMOTING HIGH PERFORMANCE

We have a well-established system for appraising and improving employee performance at all levels.

On an annual basis, each employee will take shared responsibility along with his or her manager to set challenging but achievable work objectives and a career development plan. An open dialogue is maintained between manager and employee throughout the year on the employee's performance and progress. Employees also participate in at least two individual performance reviews a year, during which managers will provide a formal appraisal and performance assessment in accordance with the Bank's rating scale.



TRAINING AND SKILLS DEVELOPMENT

In addition to ensuring our employees meet any regulatory requirements associated with their roles, our staff training and development programmes reflect an emphasis on upholding our strong reputation for service excellence. Our people enjoy individualised training designed to facilitate them in the execution of their duties and enhance their career development prospects. Depending on their position, training may cover financial knowledge, banking products and operations, compliance, risk management, leadership & management skills, and sales & relationship management. Refresher courses are provided as appropriate. We also offer various opportunities for staff to gain professional qualifications and undertake external training that will assist them in their work.

To support new recruits and help establish a common mission for the entire Hang Seng team, we run a comprehensive New Joiners induction programme for all new employees that provides an understanding of Hang Seng's history, vision, culture, values and corporate governance.

Our Introduction to the Environmental System Management course provides staff with the skills and knowledge to implement our environmental and social policies and procedures as applicable to their various business lines. More general sustainability content is also incorporated in our New Joiners programme.

Our average number of training days per full-time member of staff in 2013 was six – the same as in 2012.

Training	2013
<i>No. of days per year per employee</i>	6
No. of hours training per year per employee (by gender)	
<i>Male</i>	59
<i>Female</i>	44
No. of training hours per year per employee (by employee category)	
Executive	31
Officer	53
General staff	56



Nurturing Talent and Succession Planning

With the aims of retaining talent and ensuring a quality internal pipeline, we identify and develop individuals displaying high potential to fill future leadership roles and other critical positions. We have established a Leadership and Management Development framework with a strategic training focus that enhances leadership qualities, people management capabilities and business and personal effectiveness skills (see box: Building Better Leaders).

We promote a high-performance management culture. Managers are provided with training on how to bring out the best in their staff and provide effective career development support that serves the interests and ambitions of both the employee and the Bank.

Building Better Leaders

The retention and development of top talent supports the sustainable growth of our business. Examples of the specialised training provided under our Leadership and Management Development programmes include:

Performance Management Workshops

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

Strategic Change Programmes

A series of programmes - Leading Change, Enabling Change, Embracing Change to empower leaders and staff to lead, drive and support change that will contribute to the Bank's sustainable growth and success.

Core Leadership Programmes

Workshop-style programmes - Leadership Transition Programme and Leader in You to help young leaders to build and strengthen their leadership capabilities.

New Joiners Programmes

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

Management Trainee Programmes

Our Management Trainee programmes give graduates in Hong Kong and on the Mainland intensive training and exposure to different business segments with the objective of grooming participants to take up future management roles.

“The chance to experience various cross-function positions has brightened every stage of my career journey.”

Danny Tse
2002 Management Trainee
Head of Business Banking Centre

PAY AND COMPENSATION

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

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

Fair Rewards for Equal Work

We strictly adhere to the principle of equal remuneration for work of equal value. Remuneration is determined with reference to market benchmarks and individual skills, performance and responsibilities.

Compensation and benefits for temporary or part-time employees are determined in accordance with legislative requirements and with reference to market practice and are clearly established in the contractual terms and conditions of engagement.

Turnover Rate

Our voluntary turnover rate in Hong Kong for 2013 was 14%.

EMPLOYEE ENGAGEMENT AND COMMUNICATION

Effective communication is crucial in building a motivated, engaged workforce. Since 2007, we have conducted staff survey to measure the engagement level of our staff and gain their views on how they see our culture and how we are delivering against our strategies. The survey results provide the Bank's Management with a greater understanding of the motivators and barriers to employee engagement and performance. Our most recent survey indicates that our employee engagement level is well above the external best-in-class benchmark, our strategies are well communicated and implemented, and our values are well embedded in our corporate culture.

In 2013, we implemented Communication and Engagement Framework to assess and enhance our employees' understanding and acceptance of our vision, strategies and values through a mix of communication cascades, leadership programmes and action learning projects.

Information relating to employment matters, our business direction and strategies, and factors affecting the Bank's performance are conveyed to staff via different channels, including business briefings and circulars, as well as through our intranet and morning broadcast service.

Employees can also engage in two-way communication with senior management or provide feedback through such initiatives as Exchange with the Top Team, Chief Executive's mailbox and post-results business briefings.

EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION

Our employment practices do not discriminate on the grounds of sex, marital status or pregnancy, family status, race, religion, national or ethnic origin, or disability. 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 position, background, gender or age.



To help combat discrimination, harassment or victimisation in the workplace, we have an official Equal Opportunities Policy in place and have issued additional more detailed policy statements on issues requiring special consideration. 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.

All staff receive training on issues such as diversity and inclusion, equal opportunities and data privacy, including as part of our New Joiners programme. In 2013, we provided over 27,500 hours of training on policies, procedures, and building greater awareness of human rights issues that are relevant to our working environment and operations.

OCCUPATIONAL HEALTH AND SAFETY

Our concern for high standards of occupational health and safety (OH&S) in the workplace includes having engaged employees at all levels through committees, forums and working groups in the development of an OH&S policy and management framework.

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

We provide a range of training to enhance the OH&S knowledge of our staff. 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 qualified first aiders have been trained to operate the automated external defibrillators that are installed in various Bank premises.

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

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 include:

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

Issues discussed at a Bank-wide level include:

- 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 2013

Lost day rate

Male	0.41%
Female	3.04%

Occupational injury rate

Male	0.04
Female	0.10

Absenteeism rate	1.69%*
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* includes sick leave & compensation sick leave days in 2013

BUSINESS PRINCIPLES AND VALUES

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

Acting with Courageous Integrity

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

Dependable – do the right thing

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

Open – to different ideas and cultures

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

Connected – to customers, communities, regulators and each other

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

WORK-LIFE BALANCE

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

Apart from offering maternity leave to female employees, in 2008 we implemented a paternity leave scheme that gives fathers the chance to offer greater support to their wives in the days following the arrival of a new baby. A total of 12 weeks' paid maternity leave will be granted to female employees. A total of five days' paid paternity leave will be granted to male employees. We offer adoption leave of the same respective lengths to female and male employees on their legal adoption of a child.

In 2013, 133 female employees and 83 male employees exercised their maternity, paternity or adoption leave rights. The return-to-work rate and retention rate following parental leave close to 100% and 90% respectively.

To encourage healthy lifestyles, a passionate spirit and broad-ranging interests among our employees, our Staff Recreation Centre offers a variety of sports facilities and leisure programmes. We also organise a variety of recreational, sporting and social events, which in 2013 brought over 23,600 staff members, family and friends together in a spirit of cooperation and fun – including through six sporting competitions held under the Hang Seng Cup.

As part of our 80th anniversary celebrations in 2013, we organised a sports-themed employee family fun day that was attended by more than 1,400 people.



A STATISTICAL SNAPSHOT OF OUR PEOPLE

Headcount by Employment Type (full-time employees equivalent (FTEs))

	Hang Seng Bank & Others#		Hang Seng China		Total	
	Headcount	(%)	Headcount	(%)	Headcount	(%)
Full-time Permanent Staff	7,894	(98.7%)	1,714	(92.4%)	9,608	(97.5%)
Full-time Contract Staff	61	(0.8%)	141	(7.6%)	202	(2.0%)
Part-time Staff	25.64	(0.3%)	-	-	25.64	(0.3%)
Temporary Staff	20.25	(0.3%)	-	-	20.25	(0.2%)
Total	8,000.89	(100.0%)	1,855.00	(100.0%)	9,855.89	(100.0%)

Headcount by Gender*

	Male	Female	Total	(%)
Full-time Permanent Staff	3,288	4,606	7,894	(98.7%)
Full-time Contract Staff	46	15	61	(0.8%)
Part-time Staff	4.63	21.01	25.64	(0.3%)
Temporary Staff	10.37	9.88	20.25	(0.3%)
Total	3,349.00	4,651.89	8,000.89	(100.0%)

	Executive	Officer	Clerical / Non-clerical staff	Total	(%)
Hang Seng Bank & Others#					
Male	682	1,713	939	3,334	(41.9%)
Female	638	2,048	1,935	4,621	(58.1%)
Hang Seng Bank & Others# Total:	1,320	3,761	2,874	7,955	(100.0%)
Hang Seng China					
Male	145	222	218	585	(31.5%)
Female	189	513	568	1,270	(68.5%)
Hang Seng China Total:	334	735	786	1,855	(100.0%)
Overall					
Male	827	1,935	1,157	3,919	(39.9%)
Female	827	2,561	2,503	5,891	(60.1%)
Overall Total:	1,654	4,496	3,660	9,810	(100.0%)

Average Age*

	Executive	Officer	Clerical / Non-clerical staff	Overall
Hang Seng Bank & Others#	43	37	40	39
Hang Seng China	39	33	29	32
Overall	42	36	38	38

Average Years of Service*

	Executive	Officer	Clerical / Non-clerical staff	Overall
Hang Seng Bank & Others#	12	12	15	13
Hang Seng China	6	4	4	4
Overall	11	11	13	12

New Hires by Age Group and Gender*

	Male	Female	Total	(%)
Below 30	631	579	1210	(74.6%)
30 to 39	159	153	312	(19.2%)
40 to 49	36	46	82	(5.1%)
50 to 59	13	3	16	(1.0%)
60 or Above	2	-	2	-
Total	841	781	1,622	(100.0%)

New Hires who left the Bank by Age and Gender Group*

	Voluntary		Involuntary		Total	(%)
	Male	Female	Male	Female		
Below 30	95	68	65	47	275	(80.6%)
30 to 39	17	15	14	12	58	(17.0%)
40 to 49	3	3	1	1	8	(2.3%)
50 to 59	-	-	-	-	-	(0.0%)
60 or Above	-	-	-	-	-	-
Total	115	86	80	60	341	(100.0%)
Grand Total	201		140			

New Hires who left the Bank by Age and Gender Group*

	Voluntary				Involuntary				Total	(%)
	Male		Female		Male		Female			
	Headcount	Turnover Rate	Headcount	Turnover Rate	Headcount	Turnover Rate	Headcount	Turnover Rate		
Below 30	314	4.0%	328	4.1%	91	1.2%	67	0.9%	800	(55.7%)
30 to 39	135	1.7%	174	2.2%	35	0.4%	22	0.3%	366	(25.5%)
40 to 49	35	0.4%	76	1.0%	11	0.1%	10	0.1%	132	(9.2%)
50 to 59	30	0.4%	17	0.2%	20	0.3%	10	0.1%	77	(5.4%)
60 to Above	-	-	-	-	40	0.5%	22	0.3%	62	(4.3%)
Total	514	6.5%	595	7.5%	197	2.5%	131	1.7%	1,437	(100.0%)
Grand Total	1,109		14.0%		328		4.2%			

* excluding part-time and temporary staff

'Others' includes Macau/overseas and other Mainland operations (~0.9% of total headcount of Hang Seng Group)

Our Commitment

Environment

The collective global response to challenges such as climate change and conserving biodiversity will influence the long-term health of the natural systems upon which we all depend. As one of Hong Kong's largest listed companies, we have a prominent platform from which to champion the cause of improved environmental stewardship.

We strive to reduce our waste production and consumption of energy and natural resources and, whenever possible, to use environmentally friendly products and certified materials in our operations.

We empower our staff to act as ambassadors for the environment by raising their awareness of green issues and use our services and policies to encourage greener practices among our customers and suppliers.

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.

As a leading corporate citizen in Hong Kong, we are proud to be a local pioneer in promoting greater environmental responsibility. Beginning with our headquarters building in 2005, we have led the way in gaining ISO 14001 certification among domestic banks in Hong Kong. In 2011, we became the first local bank to achieve this internationally recognised environmental accreditation for all Hong Kong offices and branches.

In 2013, we committed to sponsoring the construction of a further 800 biogas facilities in mainland China – our largest undertaking since establishing the Hang Seng Yunnan Biogas Project in cooperation with The Conservancy Association in 2007. To date, we have helped build 3,000 biogas facilities in Yunnan province to provide a free and stable source of energy for more than 12,000 rural residents and reduce annual carbon dioxide emissions by over 35,000 tonnes.

Key Initiative

HANG SENG YUNNAN BIOGAS PROJECT

The Hang Seng Yunnan Biogas Project has been driving positive social and environmental development in mainland China's Yunnan province since 2007. The biogas facilities help conserve natural resources and protect the environment, while also bringing positive change to the lives of villagers by reducing energy costs by up to 50% when compared to using firewood. The Project is currently saving more than 2,400 acres of forest every year – equivalent to an area that is 75 times the size of Kowloon Park in Hong Kong.



“We believe that biogas facilities will bring more positive changes to our environment in the future. We hope we can continue to work with Hang Seng to expand this project to bring biogas facilities to more rural communities in Yunnan.”

Mr Rico Wong
Deputy Chief Executive of The Conservancy Association



“The entire teaching process, including the planning, was a very valuable and enjoyable experience for me. I hope the children will share their new knowledge about biogas facilities with their families and friends.”

Tako Choi
Financial Control Division
and Bank volunteer



New steps in our work with the southern China business community on environmental issues include expanding the coverage of our environmental awards to cover the pan Pearl River Delta region. Organised jointly with the Federation of Hong Kong Industries, the Hang Seng Pan Pearl River Delta Environmental Awards (Awards) aim to serve as a catalyst for positive environmental change among manufacturing companies in this economically vibrant region by recognising and rewarding environmentally responsible behaviour.

With a 20% increase in the number of applications compared with the previous Awards year, over 720 projects were submitted to the 2012/13 Awards by 225 participants. Collective achievements included cutting consumption of electricity by over 126 million kilowatt hours and water usage by more than 4.2 million tonnes.



“All the winners have successfully implemented comprehensive and creative environmental projects, setting good examples for other companies. Under the 12th Five-year Plan on the Development of National Environmental Protection Standards, Hong Kong enterprises should adjust their strategies and comply with national requirements. By doing so, they can not only enhance their competitiveness but also sharpen their edge in the domestic market.”

Mr Stanley Lau
Chairman of the Federation of Hong Kong Industries



Our e-Statement and e-InvestAdvice services offer e-Banking customers the option to receive account statements and other notices in electronic rather than paper format. At the end of 2013, the number of e-Statement subscribers was more than 1.26 million and over 92,000 customers were using e-InvestAdvice – collectively saving more than 42 million sheets of paper a year. In addition, more than 25% of our personal credit card customers now receive e-Statements in preference to paper copies. Other resource-saving initiatives include providing online channels for personal loan and credit card applications.

Our Green Banking Integrated Account is designed to promote greater environmental awareness among full-time students at local universities and tertiary institutions and encourage them to support improved environmental protection by using fewer resources.

We also reach out to the wider community through actions such as our sponsorship of the Friends of the Earth (HK) 'Power Smart' Energy Saving Contest and holding the Hang Seng Green Carnival in partnership with The Conservancy Association.

To support the conservation of biodiversity, we stopped serving shark's fin at Bank functions in 2003 and have since removed endangered reef fish from our menus. We also provide a WWF (Hong Kong) endorsed sustainable seafood menu at our banquet hall.

Since 1999, we have planted around 93,000 trees - including 23,000 in 2013 - in Hong Kong and on the Mainland.

We are making steady progress in cutting our emissions (see table: Environmental Performance) and continue to take steps to stay abreast of environment-related regulatory developments that could directly or indirectly impact our business.

Environmental Performance	Unit	2013 [^]	2012 [#]
Carbon Dioxide Emissions*			
Total CO2 emissions	tonnes	24,634.95	24,616.59
- Energy	tonnes	24,307.27	24,342.27
- Business Travel	tonnes	327.68	274.32
Total CO2 emissions per FTE	tonnes/FTE	3.11	3.23
- CO2 emissions per FTE from energy	tonnes/FTE	3.07	3.19
- CO2 emissions per FTE from business travel	tonnes/FTE	0.04	0.04
CO2 emissions per sq ft	tonnes/sq ft	0.02	0.02
Resources Consumption			
Total energy consumption	Gj	128,498.30	133,009.19
- Electricity	Gj	126,986.40	131,804.29
- Other fuel sources (gas and diesel)	Gj	1,511.90	1,204.89
Energy consumption per FTE	Gj/FTE	16.24	17.43
Energy consumption per sq ft	Gj/sq ft	0.09	0.09
Total water consumption	000m3	64.81	65.90
Water consumption per FTE	m3/ FTE	8.19	8.64
Total paper consumption+	tonnes	2,018.85	1,926.89
- Compliant	%	92.68	90.71
- Near-compliant	%	1.24	0.98
- Non-compliant	%	6.08	8.31

Environmental Performance	Unit	2013 [^]	2012 [#]
Waste Disposed to Landfill			
Total Waste Disposed to landfill	tonnes	287.36	279.11
- General Office Waste	tonnes	287.36	279.04
- IT and electrical	tonnes	0.00	0.07
Waste disposed per FTE	tonnes/ FTE	0.04	0.04
Waste Collected for Recycling			
Total waste collected for recycling	tonnes	820.76	777.23
- General office	tonnes	761.92	722.28
- IT and electrical	tonnes	58.84	54.94

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

Key:

m³: Cubic metres CO₂: Carbon dioxide GJ: Gigajoules

FTE: Full-time equivalent employee sq ft: Square foot

From 1 Oct 2011 - 30 Sep 2012

[^] From 1 Oct 2012 - 30 Sep 2013

* Data is calculated and verified through HSBC Group.

+ Paper

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

- **Near-compliant Paper:** Paper that contains virgin pulp whose source country is known and not on the high risk country list; and/or completely recycled paper, but not certified by an HSBC approved scheme.

- **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.

Our Commitment

Community

As the leading domestic bank in Hong Kong and a good corporate citizen, our commitment to serve our community extends beyond the provision of quality banking and financial services. We seek to have a positive impact on our communities and participate in a wide range of programmes and activities to promote social development, personal empowerment and long-term economic growth.

In particular, our strong emphasis on youth development programmes is helping future leaders develop the skills and vision necessary to ensure our communities continue to flourish.

We believe in facilitating wider access to educational and social enrichment opportunities and in promoting the benefits of a healthy lifestyle. We also seek to inspire and empower underprivileged groups and break down barriers to social integration.

We establish long-term partnerships with leading local non-governmental organisations and other institutions that are working to improve well-being and build a bright tomorrow.



Since 2004, we have provided about HK\$240m in financial support – including HK\$27m in 2013 – for community development initiatives. In line with our belief that building strong human connections underpins lasting positive change, our staff also give their time to serve worthy causes.

Bank volunteers and their families contributed nearly 27,000 hours during 2013. We facilitated this giving back to society by organising over 150 volunteer activities, with a particular focus on underprivileged children, elderly people living alone and environmental education.

Our partnership with The Community Chest of Hong Kong – which stretches back more than 25 years – has raised over HK\$65m for 157 local charities. We have participated in The Chest's Dress Casual Day since 1997, matching staff donations on a dollar-for-dollar basis – resulting in more than HK\$18m in support.

Our e-Donation service makes it easier for customers to offer assistance to those in need. In 2013, the service facilitated the giving of about HK\$2.4m – collectively benefiting over 60 charitable organisations in Hong Kong. Since 2001, more than HK\$25m has been donated via this convenient and secure online channel.

“Taking up a role to coordinate the work of Bank volunteers on various programmes has improved my leadership skills.”

Raymond U Kwok Wah
Customer Unit
and Bank volunteer



“The Bank is involved in a wide variety of volunteer activities. Members from several generations of my family – from young to old – sometimes join me in the volunteer work. We have seen places and met people that we would otherwise never have been exposed to and have learnt through our experience.”

Carrie Kwan Ka Lai
Retail Credit Risk Management
and Bank volunteer



We continue to work with the Regeneration Society to promote positive life values through the Hang Seng Bank – Regeneration Society Top Ten Regeneration Warriors Programme (Programme), under which 10 ‘Regeneration Warriors’ share their experiences in overcoming chronic illness or severe physical disabilities to live rich and fulfilling lives.



Key Initiative

HANG SENG BANK - REGENERATION SOCIETY TOP TEN REGENERATION WARRIORS PROGRAMME

Since 2008, the Hang Seng Bank – Regeneration Society Top Ten Regeneration Warriors Programme has promoted the power of positive thinking and self-belief in overcoming life’s challenges. Including a large-scale ceremony held at the Hong Kong Exhibition and Convention Centre, the programme facilitated around 50 experience-sharing sessions in 2013, at which over 20,000 participants were inspired by the real-life experiences of individuals who have demonstrated courage and determination in dealing with serious illness or physical disability.



“The Regeneration Warriors programme is a very meaning cause. I hope society will continue to support the programme and be inspired by the Regeneration Warriors.”

Dr Ko Wing Man
Secretary for Food and Health and
the Honorable President of Regeneration Society

“The Regeneration Warriors are powerful role models for learning how to successfully overcome the difficulties and frustrations we encounter in the course of our lives. The Regeneration Warriors have turned their experiences into a positive energy that they are using for the benefit of the wider society.”

Chan Wai Lam

Organising team member of the Regeneration Warriors programme and medical student
The Chinese University of Hong Kong

YOUTH DEVELOPMENT

In investing today for a brighter tomorrow, our corporate responsibility activities place a strong emphasis on education and youth development. We reached out to young people through 180 Bank-supported education programmes and workshops in 2013.

Our participation in youth development initiatives such as the Hang Seng Bank Leaders to Leaders Lecture Series – organised by the Hong Kong Federation of Youth Groups and The University of Hong Kong – is an important part of our work to groom well-rounded leaders of tomorrow for a better future for all .



Key Initiative

HANG SENG BANK LEADERS TO LEADERS LECTURE SERIES

The 2013 Hang Seng Bank Leaders to Leaders Lecture Series gave youngsters a valuable opportunity to engage in direct dialogue with prominent community leaders on important social issues. To open up access to a wider audience, the Series was broadcast live via webcast for the first time, reaching over 30,000 participants. Our involvement with this youth development project led to a Gold Award for Corporate Social Responsibility at the 11th China Golden Awards for Excellence in Public Relations organised by the China International Public Relations Association.

“In this programme, the social leaders passionately share the experiences of their personal and professional journeys, especially how they have coped with the challenging situations that they have encountered. They have inspired me to confront adversity with optimism, and taught me that there are always more solutions than problems, and that we should use our creativity to figure out different ways to tackle life’s difficulties.”

Ngai Wing Lam

Student Union Vice-Chairman, St. Clare’s Girls’ School



“Last year was the second time I have participated in the Leaders to Leaders programme. I have benefited tremendously from both experiences. Had the programme not been free of charge and had there not been a free shuttle bus service for participants who live far away from the venue, a lot of students like myself would not have been able to participate in this meaningful event and seize a valuable opportunity to experience the rich cultural heritage and atmosphere of The University of Hong Kong – one of our city’s most distinguished universities.”

Lau Kin Yu
HKU SPACE Community College

Since 1995, we have allocated more than HK\$62m to our scholarship schemes, assisting over 2,000 students from Hong Kong and mainland China. Our Community Scholarships programme rewards outstanding undergraduate students in Hong Kong who have contributed to community development with a minimum of 100 hours of volunteer service in the previous 12 months. On the Mainland, we awarded 120 scholarships to students for undergraduate and postgraduate studies at 21 leading Mainland universities in 2013.

We joined hands with The Hong Kong Council of Social Service (HKCSS) to organise the Hang Seng – HKCSS Youth Career Exploration Programme. Designed to nurture a positive mindset towards career development among young people and encourage upward social mobility, participating students are exposed to the operations of companies working in three diverse sectors that collectively represent both newly developing and well-established industries in Hong Kong. This experience provides a unique insight into the characteristics and potential of various industries, equipping young people to make better decisions in choosing a career path that aligns with their personal strengths and interests.

The Hang Seng – Hong Kong Family Welfare Society Youth Mediation Scheme helps build stronger relationships by promoting a positive attitude among students in resolving conflicts with their peers or family members. Over 300 students from 15 primary schools were trained as Peer Mediators in 2013. Hang Seng staff volunteers were also trained as Hang Seng Mediation Ambassadors to assist at the student-family workshops.

“Bringing ‘mediation education’ to primary schools, families and the business sector in Hong Kong, the Programme has been well received and produced encouraging results. The Peer Mediators and other participants agree that the activities have helped them to acquire mediation knowledge and skills which in turn can help them to prevent and better handle conflicts at school, at home and in the workplace, and to be more positive and work create a more compassionate society.”

Mrs Cecilia Kwan
Executive Director
Hong Kong Family Welfare Society



The Tung Wah – Hang Seng Code Kidz Programme Supports Children with Specific Learning Disabilities (SLDs) promotes greater public understanding of the social challenges for children living with SLDs, while also providing opportunities for young people to explore their potential through alternative ways of learning. Over 1,000 youngsters and their family members benefited from more than 500 activities in the 2012/13 programme year.

More than 420 students from 170 schools took part in the Ming Pao Student Reporter Programme in 2013. Our sponsorship of the Programme – which includes a series of media workshops, newsroom visits and reporting activities – has now helped over 7,000 students build greater social awareness and news sense while developing their critical analysis and language skills.

ARTS AND CULTURE FOR ALL

Building for a positive future requires creative and inquiring minds. By facilitating broader exposure to culture and the arts, we hope to spark the imagination and talent that will help our community blossom and grow.

A series of more than 80 Hang Seng Arts Empowerment Workshops, organised in partnership with the Jockey Club Creative Arts Centre, provided 1,600 students from low-income families with the opportunity to explore their abilities, build greater self-confidence and express their emotions through a range of artistic activities. The Programme included a post-Workshop exhibition to showcase a variety of student creations.

To encourage closer family ties and compassionate understanding across the generations, we are working with the Hong Kong Repertory Theatre to organise three exclusive screenings for students from underprivileged families and family members of patients suffering from dementia under the Hang Seng Bank Student and Community Matinees Programme.

Since 2007, our sponsorship of Student Ticket Schemes for Hong Kong Arts Festival events and performances by the Hong Kong Philharmonic Orchestra has benefitted over 82,000 students.

SPORTING INSPIRATION

Our support for sports development aims to improve community health, harness the power of physical achievement to build confidence and esteem, and support greater social cohesion by encouraging cooperation and fair play.

Since 1991, we have provided over HK\$38.5m to promote table tennis in Hong Kong. Established in partnership with the Hong Kong Table Tennis Association in 2001, the Hang Seng Table Tennis Academy nurtures rising young table tennis stars and provides the wider community with the chance to test their sporting skills. Over the past 13 years, the Academy has organised over 4,400 activities for more than 230,000 participants. Our continuing support for the Academy includes HK\$7.5m in sponsorship for 2013-15.

Hong Kong's top athletes not only unite the community through a sense of collective pride, but also serve as positive role models for the rewards of commitment, determination and teamwork.

Under the Hang Seng Athlete Incentive Awards Scheme, a joint initiative with the Hong Kong Sports Institute (HKSI), we awarded over HK\$2.5m in 2013 to Hong Kong athletes who gave their best to win medals at the National Games and East Asian Games. Since 1996, the Scheme has given out HK\$33m to reward athletic achievement and encourage sporting excellence by local athletes at major national and international games.



“I would like to thank the HKSI and Hang Seng Bank for their generous support. The Scheme helps raise awareness of elite sports in Hong Kong and is a great example of how the corporate sector can help athletes.”

Lee Wai Sze
Medal-winning cyclist

“On top of winning medals at the National Games and East Asian Games, the cash incentive has given me enormous encouragement. I will continue to strive for sporting excellence and hope to bring home more honours from future Games.”

Nicholes Choi
Medal-winning fencer

Report Verification



Statement GRI Application Level Check

GRI hereby states that **Hang Seng Bank Limited** has presented its report "2013 Corporate Sustainability Report - Guiding Our Tomorrow" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 June 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The "+" has been added to this Application Level because Hang Seng Bank Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 30 May 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

[GRI Content Index](#)



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has been commissioned by Hang Seng Bank Limited ("Hang Seng") to conduct an independent verification of its Corporate Sustainability Report 2013 ("the Report"). The Report describes Hang Seng's efforts to support the principles of sustainable development during the calendar year of 2013. The Report focuses on the economic, environmental and social issues that contribute to the sustainability of Hang Seng and are of interest to stakeholders.

The aim of this verification was to provide a reasonable assurance on the reliability of the reporting contents. The Report covers the standard disclosures defined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.1 (G3.1) with A+ application level and the Key Performance Indicators that defined in the Environmental, Social and Governance (ESG) Reporting Guide of the Hong Kong Exchanges and Clearing Limited ("HKEx").

Methodology

The process applied in this verification was based on the current best practices including:

- ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information;
- AA1000 Assurance Standard 2008;
- G3.1 of GRI and the Financial Services Sector Supplement; and
- ESG Reporting Guide of HKEx.

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

Independence

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

Conclusion

Based on the results of our verification, the verification team concluded that the contents stated within the Report fulfill the A+ application level of the GRI - G3.1 and cover the Key Performance Indicators of the ESG Reporting Guide. The Report provides a reliable, accurate and consistent reflection of Hang Seng's sustainability achievement in the past year. It is a fair and honest presentation of all material aspects of the Bank and there are no significant omissions.

Over the years, Hang Seng has been actively participating in driving sustainable development and creating positive changes of the social values in the community especially the strong emphasis on upholding integrity and youth development. It was evident that sustainability has been embedded into the day-to-day business activities of the Bank. In 2013, Hang Seng continued its efforts to engage with stakeholders and fine-tuning the assessment process for identifying the material aspects, the report's inclusivity, materiality, and responsiveness is ascertained.

Signed on behalf of Hong Kong Quality Assurance Agency

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