

Our Strategy

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



Corporate governance and business

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

Actions

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



People

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

Actions

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



Environment

- ❖ We are committed to greening our business operations.

Actions

- ❖ We are making good progress towards our 2020 CO₂ emission, waste and paper use reduction targets. We have met our target to use 100% sustainably sourced paper.



Community investment

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

Actions

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

Hang Seng Corporate Sustainability Matrix



Sustainable Business Success

Our Values: D.O.C.

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

Dependable and do the right thing

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

Open to different ideas and cultures

- ✦ communicate openly, honestly and transparently, value challenge, learn from mistakes;
- ✦ listen, treat people fairly, be inclusive, value different perspectives.

Connected to customers, communities, regulators and each other

- ✦ build connections, be aware of external issues, collaborate across boundaries;
- ✦ care about individuals and their progress, show respect, be supportive and responsive.

"RIGHT" TOGETHER



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

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

Our Values: Our Stakeholders

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

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

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

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

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



Stakeholders were also engaged via the following channels in 2019:

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

From Feedback to Action

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

Financial inclusion

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

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

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

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

Cybersecurity

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

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

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

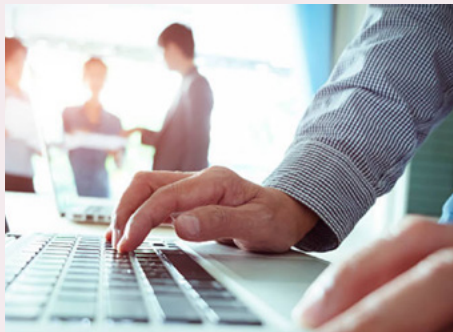
For staff, cybersecurity training is mandatory. We promote a cybersecure culture with regular emails, phishing tests, an incident response team, promotional campaigns and the awarding of cybersecurity stars.



From Feedback to Action

Employee engagement

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



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

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

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

Sustainable finance

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

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

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

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

Our Materiality Assessment

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

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

1. Identifying sustainability issues

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

2. Ranking sustainability issues

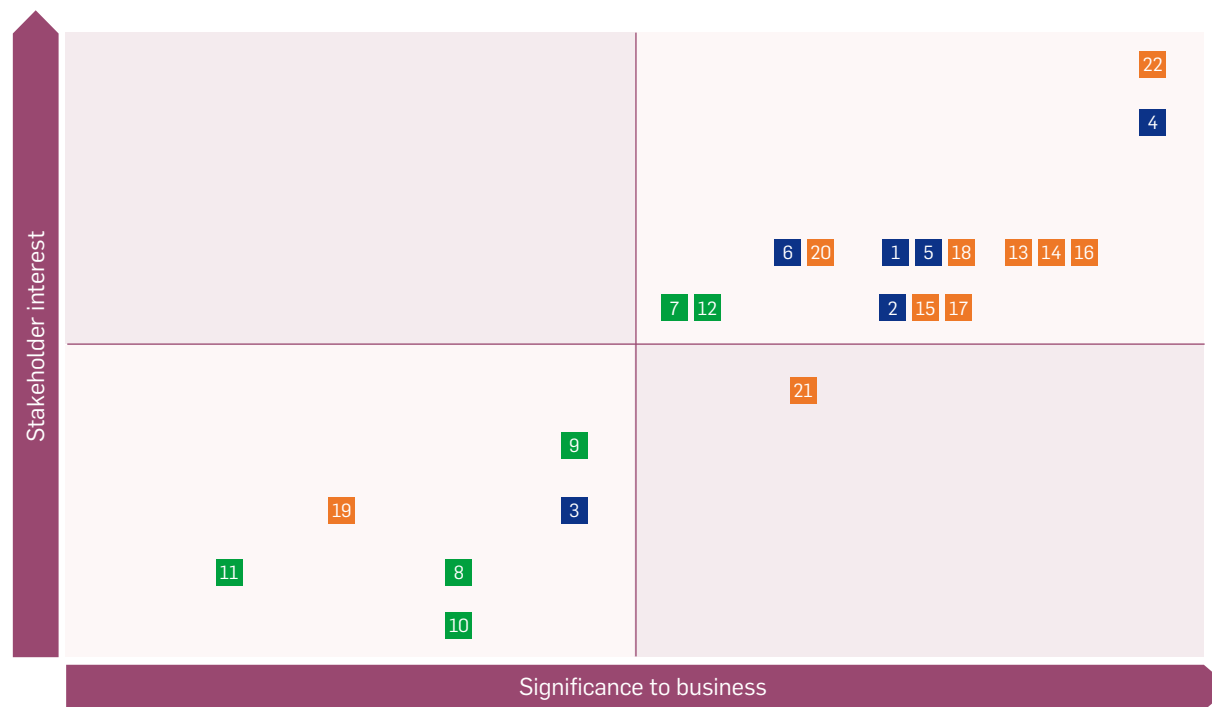
A total of 260 stakeholders participated in an online survey to rank the importance of the identified issues. They were also asked if last year's topics should be retained and whether additional topics should be considered. These results were used to plot the sustainability issues matrix (diagram on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

3. Validating the results

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

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

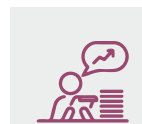
HANG SENG'S SUSTAINABILITY ISSUES



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

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

The remaining 15 issues are detailed on the next page.



Our Materiality Assessment

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

Our Materiality Assessment

Continual improvement

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

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

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



BEST PRACTICE: BUILDING BETTER CORPORATE SUSTAINABILITY FROM WITHIN

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





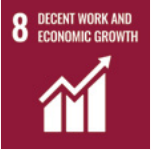

Annual workshops help us identify relevant issues and ways to enhance engagement with stakeholders.

The key responsibilities of our CSR Sustainers include:

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

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

Hang Seng and the UN Sustainable Development Goals

UNSDG	Hang Seng's key targets / actions	Reference
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> Provision of training according to role, to enhance staff's technical knowledge and transferable skills Investment in the community to provide future skills for youth regardless of their social or economic status 	Our People Our Community
   <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> Commitment to responsible banking services Promotion of green initiatives through the Bank's services and operations, and community investment programmes Support for and participation in green loans 	Our Risk Management Our Customers Our Environment Our Community
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> Upholding high standards of governance Adoption of the Board Diversity Policy, in the spirit of transparency and governance Regular reviewing of policies, benchmarking of employee benefits against the market, and enhancement of workplaces to ensure they are fit for purpose and support employee well-being 	Our Risk Management Our People
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> Commitment to responsible operations and effective supply-chain management 	Our Risk Management Our Environment

What We Do

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



[Retail Banking and Wealth Management](#)



[Commercial Banking](#)



[Global Banking and Markets](#)



[Hang Seng Indexes](#)

HANG SENG SUSTAINABILITY INDEX FAMILY

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

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

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



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

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

What We Do



Our performance

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

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

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

Data coverage: Hang Seng Group

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

² Direct economic value retained refers to the direct economic value generated less the direct economic value distributed.

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

What We Do

Corporate sustainability recognition

Constituent stock of Dow Jones Sustainability Asia Pacific Index 2019

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

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

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

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

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

Junzi Corporation *(Since 2011)*

MEMBERSHIPS OF INDUSTRY ASSOCIATIONS

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

