

About This Report

Report Coverage

This report documents the Bank's role in driving and advocating sustainability awareness and activities in our employees, customers, suppliers, business partners and the wider community.

Unless otherwise stated, the report covers Hang Seng's Hong Kong operations that are under our direct control. Mainland China and other operations are excluded as their contribution to the Hang Seng Bank Group's profit before tax and total assets is not significant. To qualify as significant, the average of both profit before tax and total assets should be more than five per cent for each of the past five years. Unless otherwise stated, the term "Group" in this report refers to Hang Seng and its subsidiaries in Hong Kong.

Hang Seng has published an online sustainability report annually since 2006. Our previous report was published in May 2020.



Reporting Guidelines

Financial and corporate data in this report parallel those in the Bank's [Annual Report 2020](#) unless otherwise stated.

The report was prepared in accordance with the internationally recognised Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and GRI G4 Financial Services Sector Disclosures, and the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by the Hong Kong Exchanges and Clearing Limited (HKEx). It also provides disclosures with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Board (SASB).

We have adopted the fundamental reporting principles of HKEx's ESG Guide:

<p>Materiality</p>	<p>An external consultant assessed the priorities of our materiality assessment via stakeholder engagements. The issues identified were endorsed by our ESG Disclosure Working Group and ESG Steering Committee, and approved by the Executive Committee and noted by the Board. (See Our Materiality Assessment)</p>
<p>Quantitative</p>	<p>As approved by the ESG Steering Committee, we have established targets to reduce our operational impact on the environment. (See Our Environment)</p>
<p>Balance</p>	<p>To provide an unbiased picture of the Bank's performance, we review and disclose our achievements and areas for improvement.</p>
<p>Consistency</p>	<p>To allow for meaningful comparisons of ESG data over time, the Bank uses the same methodology each year.</p>

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What We Do

Our major business activities are:

- [Wealth and Personal Banking](#)
- [Commercial Banking](#)
- [Global Banking and Markets](#)
- [Hang Seng Indexes Company Limited](#)

Our Performance

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. With our extensive network of service outlets, we serve more than half of the local adult residents from different segments of society. We contribute to the positive development of our community through our investment in the environment, people and society.

Our directors and senior leaders contribute valuable knowledge to the community. Some of them serve on the boards of other large Hong Kong companies, participate in think tanks that focus on economic and social issues, and belong to regulatory and industry advisory groups. Some hold senior positions on the boards and committees of non-governmental organisations (NGOs) and charities that tackle economic and social challenges in Hong Kong.

Our economic performance

Economic ¹	2020	2019	2018	2017
Generated (HK\$m)²	36,087	43,521	41,220	35,367
Distributed (HK\$m)	24,415	30,442	29,399	25,954
Operating Costs	4,691	4,661	4,994	4,282
Employee Compensation and Benefits	6,102	6,229	5,656	5,122
Payments to Providers of Capital	11,214	16,020	14,756	13,198
Payments to Government in Hong Kong	2,287	3,465	3,907	3,278
Payments to Government Outside Hong Kong	92	36	55	46
Charitable Donations	29	31	31	28
Retained (HK\$m)³	11,672	13,079	11,821	9,413

Our community performance

Community	2020	2019	2018	2017
Number of outlets as of 31 Dec	288	297	286	270
Number of customers as of 31 Dec (m)	>3	>3	>3	>3
Community investment (HK\$m)⁴	30	33	32	31

¹ Data coverage: Hang Seng Group includes Hang Seng and all its subsidiaries

² Direct economic value generated refers to net sales plus revenue from financial investments and sales of assets as disclosed in the Bank's Annual Report.

³ Direct economic value retained refers to the direct economic value generated less the direct economic value distributed.

⁴ Community investment includes charitable donations and community sponsorships

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Our Materiality Assessment

We take our obligation to be a responsible business seriously and work to address the issues that matter to our stakeholders. 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 ESG Report, the following steps determined relevant issues and their materiality:

1. Identifying the issues

Using the 22 topics in the previous year's report as a basis, we reviewed and refined the list based on industry trends and findings. We removed "biodiversity", which was rated the least important by stakeholders for more than five years.

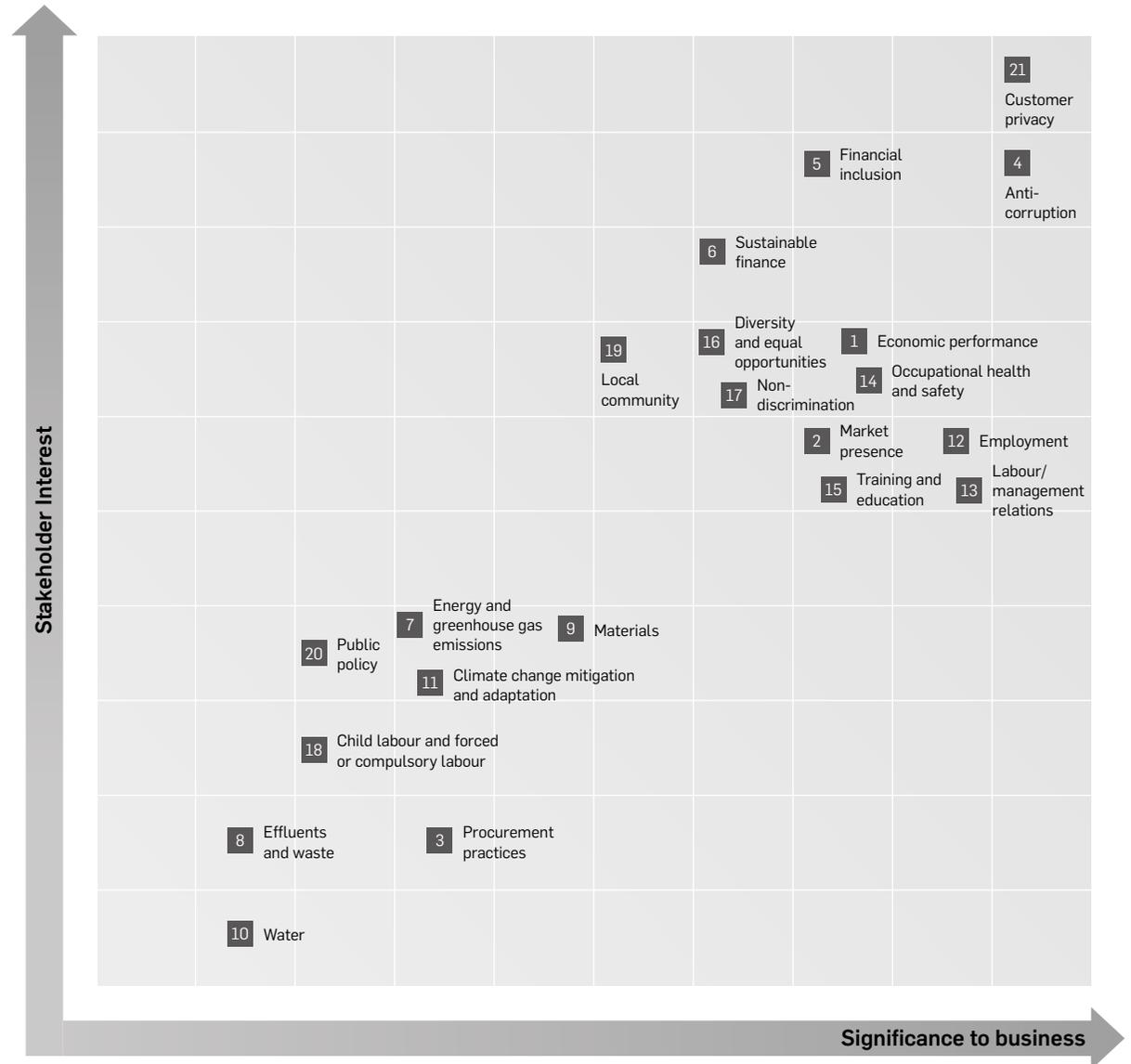
2. Ranking the issues

A total of 358 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.

3. Validating the results

The results of the materiality assessment were validated by qualitative feedback from stakeholder engagement and peer benchmarking. The recommended issues were discussed by the ESG Disclosure Working Group and ESG Steering Committee, then approved by the Executive Committee and noted by the Board.

Hang Seng's Material Issues



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Our Materiality Assessment ■ ■

Of the 21 issues, 13 were identified as the most relevant to our business and operations. These 13 issues, their areas of impact, and the sections in which they appear in this report are indicated below.

Most material topics	Areas of impact						Reference
	Inside Hang Seng			Outside Hang Seng (major stakeholders)			
	Employees	Customers	Business partners	Regulators	Suppliers	Non-governmental organisations	
Economic							
1. Economic performance	✓	✓	✓	✓	✓	✓	About This Report
2. Market presence	✓	✓	✓	✓	✓		About This Report
4. Anti-corruption	✓	✓	✓	✓	✓	✓	Being Proactive to Manage Risk ; Our People
5. Financial inclusion	✓	✓				✓	Our Customers ; Our Community
6. Sustainable finance	✓	✓		✓			Our Stakeholders ; Our Customers
Social							
12. Employment	✓	✓	✓	✓	✓	✓	Being Proactive to Manage Risk ; Our People ; Our Community
13. Labour / management relations	✓						Our People
14. Occupational health and safety	✓	✓	✓	✓			Our People
15. Training and education	✓						Being Proactive to Manage Risk ; Our People
16. Diversity and equal opportunity	✓	✓	✓	✓		✓	Being Proactive to Manage Risk ; Our People
17. Non-discrimination	✓	✓	✓	✓	✓	✓	Being Proactive to Manage Risk ; Our People
19. Local communities	✓	✓	✓	✓		✓	Our Community
21. Customer privacy	✓	✓	✓	✓			Being Proactive to Manage Risk ; Our Customers

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Data Collection

Collection of data is coordinated by the Bank's ESG Champions representing each business and function, in consultation with relevant teams and individuals. To ensure the quality, accuracy and transparency of our ESG disclosure, we adopt the Bank's Three Lines of Defence framework to collect and validate our ESG data. (See the right box) The process is overseen by our ESG Disclosure Working Group.

Assurance

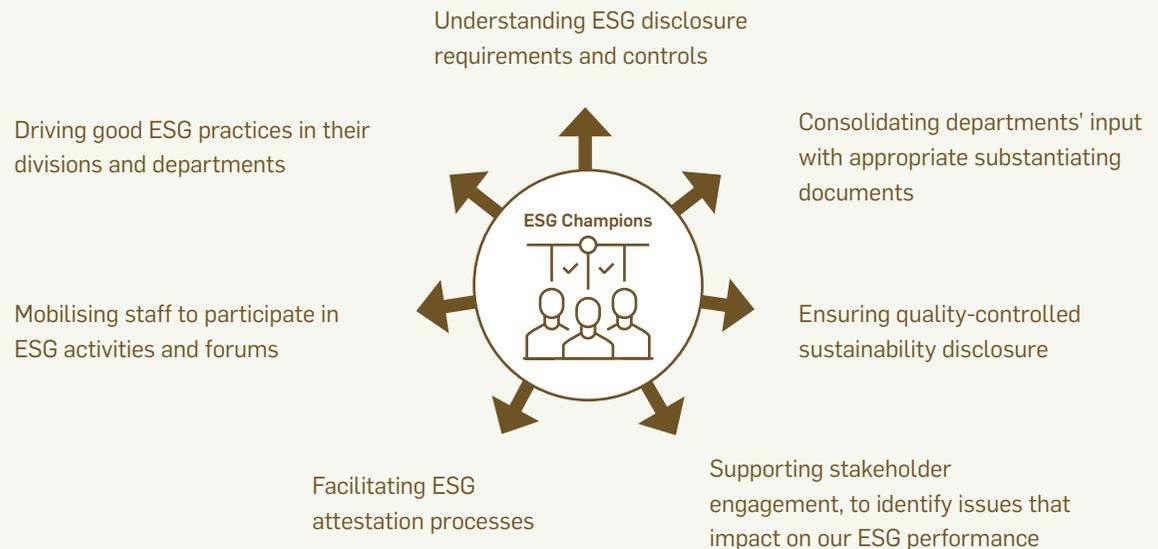
This report has been independently verified by the Hong Kong Quality Assurance Agency. It is confirmed as having been prepared in accordance with the GRI Standards (Core option) and the HKEx's ESG Guide, as well as is aligned with the standards for Commercial Banks set by SASB. (See [Report Verification](#))



Building Sustainability From Within

Our ESG Champions and the first line of defence from various departments and business units are appointed by their respective department heads. They help to ensure the transparency of our reporting, and analyse ESG trends in their areas of expertise. Their appointments are reviewed every year. At our annual ESG Champions Workshop, we discuss ESG trends and the best practice of our peers, including how they manage climate risk in daily operations. Annual workshops and regular check-ins help us to identify relevant ESG matters for the Bank and enhance engagement with stakeholders.

The key responsibilities of the ESG Champions include:



Our first line of defence is responsible for reviewing qualitative and quantitative information provided by ESG Champions against appropriate verifiable evidence. The second and third lines of defence then act as independent parties to review the inputs from ESG Champions if necessary.