



Board Statement & Chief Executive's Message



Board Statement

■ The Board takes overall responsibility for ESG matters and their integration into the Bank's strategies. It guides the management and monitoring of ESG matters that have been identified as relevant to the Bank. ■

The Bank places great importance on Environmental, Social and Governance (ESG) matters and this importance continues to grow. The Board takes overall responsibility for ESG matters and their integration into the Bank's strategies. It guides the management and monitoring of ESG matters that have been identified as relevant to the Bank by the Executive Committee on the recommendation of the newly-formed ESG Steering Committee.

The Board expects the Management to provide ESG updates to the Board at least twice a year. In 2021, the Board will review and deliberate on the Bank's ESG strategies and key performance indicators as well as ESG Report for 2020.

The Board set up the ESG Steering Committee in 2020. Reporting to the Executive Committee and to the Board, the ESG Steering Committee drives the Bank's ESG strategy and

relevant matters. It is supported by four working groups: ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure Working Groups.

ESG matters that the Bank's stakeholders rate as priorities are tracked through the annual stakeholder engagement exercise. The outcomes of the exercise are incorporated into the Bank's ESG strategies and programmes. The last exercise was undertaken in the third quarter of 2020 and the Board noted that the Executive Committee reviewed and endorsed the results in November 2020.

For details of the stakeholder engagement exercise, materiality assessment and its results, please visit [Our Materiality Assessment](#).

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We are committed to becoming a leading driver of Environmental, Social and Governance (ESG) performance in the local banking industry and the **leading ESG-focused bank** in Hong Kong in the eyes of our many stakeholders.

Chief Executive's Message ■ ■ ■

Hang Seng is on a journey. The road ahead is long and challenging, but we are making good progress.

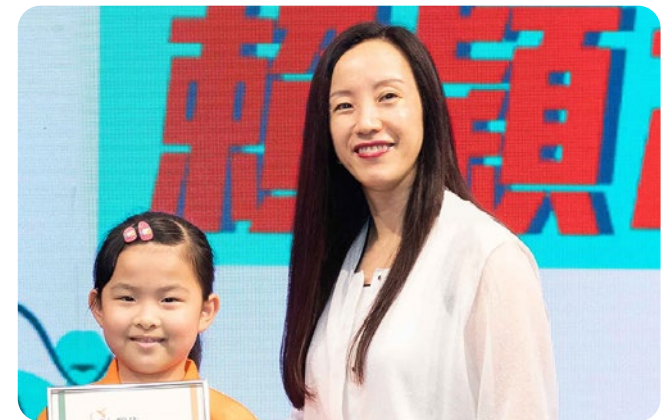
We are committed to becoming a leading driver of Environmental, Social and Governance (ESG) performance in the local banking industry and the leading ESG-focused bank in Hong Kong in the eyes of our many stakeholders. To achieve this, we are stepping up the consideration and inclusion of ESG issues with respect to our products, services, operations and disclosures. By sharing our vision and actions via channels such as this report, we aim to provide our internal and external stakeholders with a transparent, balanced and comprehensive view of where we are now, where we are going and how we intend to get there.

Our challenges in the coming years include:

- The deeper integration of sustainability into our long-term strategies
- Maintaining our business in the post-pandemic operating landscape
- Fulfilling the evolving requirements and expectations of customers, shareholders, employees, regulators, investors, analysts and other stakeholders

We are building on a strong foundation of existing sustainability achievements. These include being a constituent member of the world's leading sustainability indexes. Hang Seng is the only bank in Hong Kong that is a constituent of the Dow Jones Sustainability Asia Pacific Index 2020, and we are among the top 10 index weighted constituents of the MSCI Pacific ex Japan SRI Index since 2015. We have been a member of the FTSE4Good Developed Index since 2001 and the Hang Seng Corporate Sustainability Index Series since 2010. These memberships reflect our previous efforts and motivate us to continue improving our ESG performance.

However, we are aware that we need to continue to broaden the variety of our products and services, and increase our contribution to tackling issues that require a global response. In particular, we must focus on sustainable finance that may help the major and urgent challenge of climate change.



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Chief Executive's Message

Leading the way

Hang Seng serves more than half of Hong Kong's adult residents. With this wide reach and our deep relationships across the Hong Kong community, we are strongly positioned to be a primary driver of continuous advancement of ESG thinking in the banking industry. Our actions will include implementing green and sustainable finance solutions to support our community's transition to a low-carbon economy.

In 2020, we rolled out initiatives to further these aims. My chairmanship of the ESG Steering Committee, which we established in 2020 along with four supporting Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), reflects how we are further sharpening our sustainability focus with higher-level management oversight of our ESG strategy, as well as our determination to integrate ESG considerations into our business and operations.

In a reflection of our sustainability ambitions, we have become the first Hong Kong bank to sign up to the international Task Force on Climate-related Financial Disclosure (TCFD).

Internally, we launched the ESG Speaker Series to enhance our colleagues' understanding of, and engagement with, ESG issues that relate to the Bank. Industry subject matter experts and Hang Seng representatives shared their insights and experience of integrating ESG into daily operations, including the products and services we offer to our customers. More than 240 colleagues – including senior leaders from our business units – attended these in-depth educational sessions.

We also leveraged the resources and international reputation of the Hang Seng Index, which is compiled and managed by our wholly owned subsidiary, Hang Seng Indexes Company Limited, to raise ESG awareness and roll out new initiatives in 2020. We launched the [Hang Seng ESG 50 Index](#) in July 2020 to capture the performance of the Top 50 ESG leaders with relatively high market-capitalisation listed in Hong Kong. This new set of indexes complements the existing Hang Seng Corporate Sustainability Index series, which, since its launch in 2010, has been providing benchmarks for financial products providers and investors interested in sustainability matters.

To add value for investors, Hang Seng Indexes Company Limited published a research report on the sustainability performance of more than 1,000 Hong Kong-listed and A-share listed companies providing benchmarking reference and recommendation for the market. It further created an "ESG Service" section on its website. This provides a rich range of resources and information, including a searchable database of over 200 companies that are constituents of the Hang Seng ESG index series.

Beginning in 2021, the Bank's new ESG strategy will focus on six key ESG pillars:

 Environmental Targets	 Sustainable Finance	 Youth
 Climate Risk Management	 Advocacy & Awareness	 Robust Disclosure

More details of our ESG strategy and implementation plan appear in the chapter [Our ESG Journey](#).

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Maintaining our business during COVID-19

Faced with far-reaching social and economic effects of the COVID-19 pandemic, Hang Seng responded to the crisis in an agile manner. Our effective response was only possible due to the commitment and professionalism of our talented staff, whose wellbeing we protect. In May 2020, we conducted a survey among staff on our handling of the challenges posed by the COVID-19 pandemic. Over 80 per cent of our colleagues responded feeling confident about the support we had provided. In addition to the many precautions we took to safeguard the health of employees, we also organised online activities and talks to support the longer term mental and physical wellbeing of our people.

As a result of the business continuity management infrastructure and policies that were already in place, Hang Seng was amongst the fastest companies to respond to the health threat, at the same time, minimising the impact to our customers and daily operations. With most in office locations already equipped with the necessary equipment, Hang Seng colleagues adapted quickly to lengthy periods of working from home and other forms of flexible working designed to protect their health and that of the wider community. Our colleagues continued to communicate with customers and to provide services both efficiently and professionally and provided uninterrupted banking services to customers. In the future, we will continue to build on these agile ways of working in other aspects of our operations.

“ We introduced the Hang Seng Academic Assistance Programme with a HK\$10 million donation to provide tutoring, counselling, laptop donation and other academic support to more than 4,600 disadvantaged primary and lower secondary school students. The Programme also provided job opportunities for close to 700 youth tutors. ”



Caring for our community

We helped our community deal with the unprecedented challenges brought by the pandemic. For example, we supported small and medium-sized enterprises (SMEs) with pre-registration for the government's 100% SME Financing Guarantee Scheme. We were the first bank to offer online applications for the Scheme, having developed a dedicated online platform. These actions facilitated a faster and more convenient application process, making it easier for SMEs to get the support they needed at a critical time.

Responding to the arising need amongst students having to adapt to learning from home due to extended school closures, we introduced the Hang Seng Academic Assistance Programme with a HK\$10 million donation to provide tutoring, counselling, laptop donation and other academic support to more than 4,600 disadvantaged primary and lower secondary school students. The Programme also provided job opportunities for close to 700 youth tutors.

Embracing change

In the face of many unprecedented events and challenging market conditions in 2020, Hang Seng has responded with agility and resilience, particularly in moving quickly and effectively to support our people, our customers and the community at large. Moving forward, we will build on these strengths to pursue and achieve our ESG goals, including our aspiration to become an ESG leader in the Hong Kong banking industry.

Louisa Cheang
Vice-Chairman and Chief Executive
Hang Seng Bank