

Our ESG Journey



Hang Seng aspires to become a leading entity that drives **Environmental, Social and Governance** (ESG) matters in the banking industry.

Driving ESG in Hang Seng Bank requires positive action, monitoring, maintenance and a focus on continual improvement. This is why, in 2020, we set up more ESG governance forums to oversee the strategy and implementation of sustainability programmes within the Bank. We launched our ESG strategy and implementation plan in January 2021. The Board will oversee the plan and be presented with progress updates.

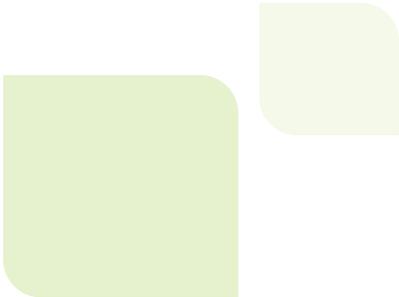
We work hard to align our efforts – and our reporting of those efforts – with local regulations and international standards. Adhering to the regulations and guidelines listed in [About This Report](#) enables us to evaluate our progress, demonstrate our commitment to sustainability, and benchmark our performance against large listed corporations in Hong Kong and financial institutions around the world.

To support our employees in understanding how we position sustainability and how the ESG Report reflects their experience at Hang Seng, we encourage all employees to read the Report and to provide feedback on its content.

Reflecting our determination to be the leading organisation for ESG in the local banking industry, Hang Seng is the first home-grown bank in Hong Kong to sign up as a supporter of the Task Force on Climate-related Financial Disclosure (TCFD) and is preparing to adopt its recommendations.

Our ESG Governance ■ ■

We have established a high-level ESG Steering Committee. This is chaired by our Vice-chairman and Chief Executive, and reports to the Executive Committee and the Board. The Steering Committee is supported by four Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), each led by a member of the Bank's Executive Committee. We have also set up a dedicated ESG Department to manage ESG matters from a bank-wide strategic perspective.



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Our ESG Governance



Our ESG Journey

Our ESG Strategy

Starting in 2021, Hang Seng's ESG strategy will enhance our focus in the following areas:

Hang Seng aspires to become a **leading entity** to drive ESG in the banking industry

Environmental

Being a domestic leader by reducing the environmental impact of our daily operations, and offering customers a wider range of green and sustainable finance solutions.

Social

Enabling younger generations to reach their full potential by offering tailored banking services, developing their future skills, and nurturing a workplace that promotes their wellbeing and professional development.

Governance

Fully complying with rules and regulations including climate-related risk management and ESG reporting disclosure.

To put our strategy into action, we have six implementation pillars:



Environmental Targets

Committing to being carbon-neutral by 2030. (See [Pursuing Environmental Excellence](#) to learn more about our environmental targets)



Sustainable Finance

Supporting our community's transition to a low-carbon economy with sustainable finance solutions



Youth

Investing in corporate social responsibility. We will continue to invest and encourage our younger generations to achieve shared goals



Climate Risk Management

Strengthening our risk management capabilities



Advocacy & Awareness

Earning recognition as an ESG leader from the community, investors and government bodies



Robust Disclosure

Putting in place the internationally recognised standards for ESG disclosure

Leading ESG-focused Bank in HK from stakeholders' perspective

Our ESG Journey

A Sustainable Future For All

We are a supporter of the United Nations' Sustainable Development Goals (SDGs) to create a more sustainable world for our future generations. The SDGs that are relevant to our business operations include:



Pursuing Environmental Excellence

We always endeavour to make our operations greener. We are beginning a 10-year journey of environmental targets to 2030. In particular, to align our efforts with the goals of the Paris Agreement, we observe the recommendations of Science-Based Targets initiative (SBTi) when formulating our electricity consumption and greenhouse gas emissions targets.

One of our new ESG ambitions is for our operations to be "carbon neutral" by 2030. In support of this goal we have established targets to reduce electricity consumption and scope 2 greenhouse gas emissions, and will source some of our electricity from renewable energy schemes organised by local providers. Other targets include:



* This target excludes the carbon emissions reduction resulting from the purchase of renewable energy certificates from local electricity providers.

^ Data collection methodology for paper consumption was enhanced in 2019. To ensure comparability with future performance, 2019 is used as base year for the target instead.

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Addressing Climate Risks

Hang Seng supports the goals of the Paris Agreement. In accordance with HSBC Group's guidelines for climate sensitive sectors, we will manage the Bank's credit exposure to such industries and support customers in the transition to a low-carbon economy.

We are establishing a Climate Risk Management framework with respective policies on identifying and mitigating related risks. The framework will ensure all identified climate-related risks are considered at the most senior levels of our business.

From the first quarter of 2021, to identify the transition risks that customers are facing and provide the control and oversight of related credit risk impact, we will incorporate a transition risk questionnaire into the annual credit review for customers that engage in climate sensitive sectors and with whom we have large credit exposure. Data from the questionnaires will be collated to identify industry sectors that are at higher risk from moving to a low-carbon economy to help determine Hang Seng's credit risk appetite and opportunities for sustainable business growth.

In addition, our ESG and risk management teams regularly meet, and engage other parties when needed, to review our climate risk management roadmap. Looking ahead, we will set up a dedicated task force to better coordinate our work on climate risk management. We are consolidating the relevant plans and will seek the ESG Steering Committee's approval when appropriate.



Our ESG Achievements



Hang Seng's ESG performance has earned external recognition. Our Corporate Sustainability Report 2019 received a gold award at the 2020 International ARC Awards and a bronze award at the 2020 Galaxy Awards.

Our focus on ESG has made us constituents of the following:

- **the Dow Jones Sustainability Asia Pacific Index** (2011-2016, 2019, 2020)
- **the FTSE4Good Developed Index** (since 2001)
- **the MSCI Pacific ex Japan SRI Index** (since 2015)
- **the Hang Seng Corporate Sustainability Index Series** (since 2010)
- **the Hong Kong Business Sustainability Index** (since 2015)
- **the Hong Kong Council of Social Service's Caring Company Scheme** (since 2003)

On our ESG journey, we will constantly strive for improvements to live up to the expectations of our stakeholders and international best practices, and to lead by example for the local banking industry.

Our ESG Journey

Sustainability in Action



Our Stakeholders

Goals

- Upholding high standards of corporate governance
- Safeguarding the interests of shareholders, customers, employees and other stakeholders
- Delivering high quality, accessible services
- Building lasting partnerships with SMEs
- Ensuring effective and ethical supply-chain management



Actions

- We carefully assess environmental and social risks when approving loans and investments
- We train new joiners in our environmental and social policies in the New Joiners Induction Programme
- Our Corporate Sustainability Indexes, launched by the Hang Seng Indexes Company Limited, encourage sustainability by recognising companies with good ESG ratings
- For the past four years, our customer satisfaction rating has been 98-99 per cent



Our Community

Goals

- Providing future skills
- Promoting sustainable finance and financial literacy
- Addressing climate change
- Caring for the community



Actions

- During 2020, we invested more than HK\$30 million in our community investment programmes, bringing the total amount in the past 10 years to HK\$282 million
- We collaborated with local NGOs to design and deliver a total of 12 community investment programmes to support about 40,000 direct beneficiaries. We also made contributions to The Community Chest of Hong Kong which helped reach another 2.5 million people
- We invested non-financial resources such as volunteer time, professional expertise and practical support to ensure these programmes foster lasting social and environmental impact
- Between volunteer time and professional expertise, we contributed close to 11,000 hours in 2020



Our People

Goals

- Recruiting and retaining the best talent
- Supporting our local community
- Investing in learning and developing our staff



Actions

- We make a commitment to our people: over 99 per cent of our staff are full-time equivalent
- We appointed 93 per cent of our Executive Committee members from our local community
- Staff in Hong Kong undertook over 3 days of learning and development programmes on average in 2020 to enhance their technical knowledge and soft skills
- We provide training and workshops for our ESG Champions
- We transform our workplace into best-in-class with innovative design and technology, improving operational efficiency and staff satisfaction
- We are certified as compliant with ISO 45001 Occupational Health and Safety Management System
- To support the wellbeing of our staff, we regularly review policies, benchmark employee benefits against the market, and enhance workplaces to ensure they are fit for purpose



Our Environment

Goals

- Minimising the environmental impacts of our business
- Promoting green initiatives via our products and services and addressing climate change in our community investment programmes



Actions

- We explore opportunities and develop management practices to operate in an environmentally responsible manner and to promote sustainable development. Examples include the installation of solar panels at one of our main premises, Hang Seng 113, and the promotion of e-communications services
- We support and participate in green loans. In 2020, we approved two applications, totalling HK\$495 million
- For the environmental performance of our operations, we have set long-term targets for 2030