

Table of Content



The Hang Seng Bank Environmental, Social and Governance Report illustrates the principles and actions of Hang Seng Bank (hereupon Hang Seng or the Bank) as a corporate citizen in the financial sector, and its relationships with major stakeholders. The report describes our sustainable development efforts during the calendar year 2020. It focuses on the environmental, social and governance (ESG) matters that impact our sustainability and that are of interest to stakeholders. It supplements information in the Bank's Annual Report 2020.

Report Scope

The content of this report is defined by matters arising from our operations in Hong Kong. It includes information that is important to stakeholders and that is required by sustainability indexes. Measurement techniques and calculations are explained next to data tables where necessary.

Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year 1 January to 31 December 2020. Other information covers the same period unless otherwise stated.

There are no significant changes from the previous reporting period in terms of scope, boundary or measurement. Reasons are provided for any restating of information published in previous reports.

For more details, please see [About This Report](#).

Board Statement & Chief Executive's Message	03	Our Customers	28	About This Report	73
Our ESG Journey	07	Our People	38	Report Verification	78
Our Stakeholders	13	Our Environment	55	Content Index	79
Being Proactive to Manage Risk	16	Our Community	62		

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](#).

Board Statement & Chief Executive's Message



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.



Board Statement & Chief Executive's Message

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:



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

Board Statement & Chief Executive's Message

Chief Executive's Message ■ ■ ■

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

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.



Our ESG Journey

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

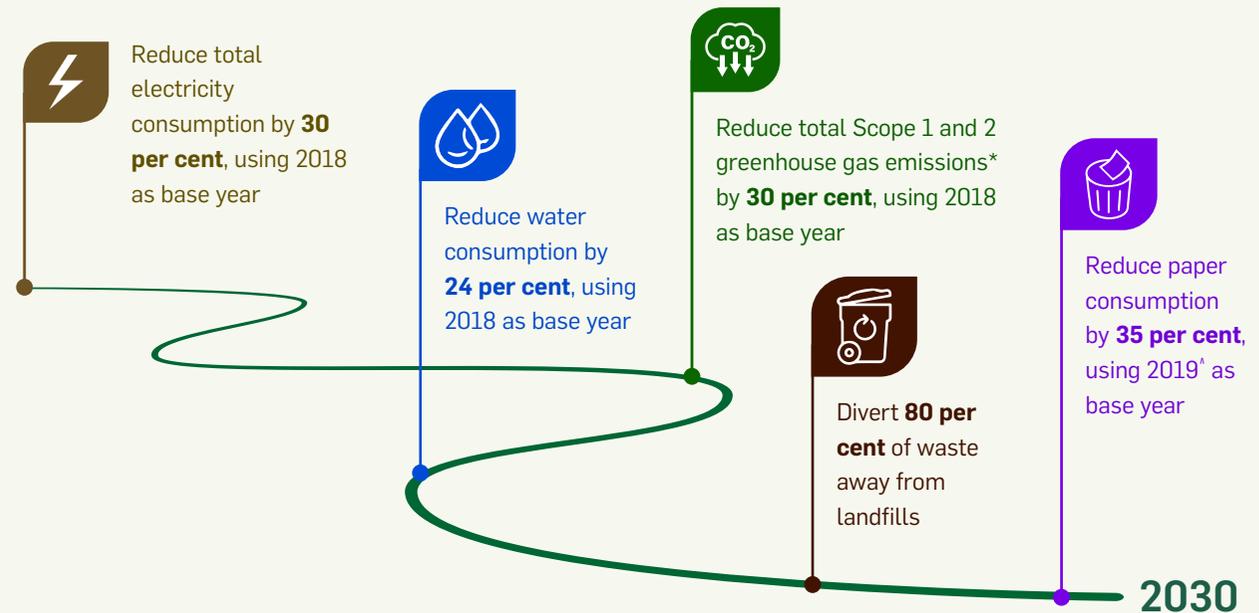
We are a supporter of the United Nations' Sustainable Development Goals (SDGs) to create a more sustainable world for our future generations. The SDGs that are relevant to our business operations include:



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.

^a 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.

Our ESG Journey

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

Our Stakeholders



As Hong Kong's leading domestic bank, our sustainable growth is built on service excellence, delivered responsibly and with care for our community and our planet. 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.

Engaging Our Stakeholder Community

We openly and actively engage with those who are highly influential to our business, and those whom our operations affect significantly. These include customers, staff, shareholders, suppliers, business partners, regulators and the wider community. Understanding their opinions, priorities and values helps us to better serve their evolving needs and to recognise their expectations and concerns regarding our governance, management and sustainability.

Engaging with stakeholders enables us to respond proactively and creatively to opportunities and challenges, and to build long-term loyalty and trust. This contributes to the positive development of our community, which in turn supports our sustainable growth.

Each year, we carry out stakeholder engagement exercises to prepare our Environmental, Social and Governance (ESG) Report. This year, we engaged internal and external stakeholders via an online survey and one-on-one interviews. To ensure open dialogue and impartiality, this exercise was undertaken 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 2020:

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 Loyalty events Satisfaction surveys Online community
Shareholders	<ul style="list-style-type: none"> Annual general meeting Corporate communications Interim and annual reports Results announcements
Employees	<ul style="list-style-type: none"> Surveys Focus groups Face-to-face interviews Training and workshops Performance and development discussions Intranet Staff mobile app Business briefings Town hall meetings hosted by the Chief Executive and business/function heads Regular exchange meetings hosted by the Chief Executive and managers Morning broadcasts Symposiums Forums hosted by businesses/functions to profile their work and expose staff to internal opportunities Employee representation on staff retirement committee Volunteer activities Community investment programmes and communications

Stakeholders	Primary methods of engagement
Business analysts and investors	<ul style="list-style-type: none"> Results announcements Shareholder announcements and circulars Annual general meeting Investor relations meetings
Business partners	<ul style="list-style-type: none"> Visits and meetings Seminars and events Reports
Regulators	<ul style="list-style-type: none"> Meetings Compliance reports On-site/Off-site inspections Ad hoc enquiries Circulars and guidelines
Media	<ul style="list-style-type: none"> Briefings Press materials Senior leaders interviews Results announcements Informal meetings
Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> Volunteer activities Community investment programmes and communications Visits and meetings
Financial sector peers	<ul style="list-style-type: none"> Hong Kong Association of Banks meetings and events
Professional bodies (including rating agencies)	<ul style="list-style-type: none"> Visits and meetings Memberships External audits Index assessments and questionnaires
Suppliers	<ul style="list-style-type: none"> Risk management processes Due diligence processes Performance reviews Visits and meetings

Our Stakeholders

From Feedback to Action ■■

Hang Seng's multifaceted engagement gives internal and external stakeholders ample opportunities to communicate their key areas of interest to us. Examples of the feedback we received during the reporting period, and our responses, are detailed below.

Q “Besides supporting SMEs, how does Hang Seng promote financial inclusion in our community?”

A

We have many initiatives designed to promote financial inclusion across the community. Our SimplyFund platform reduces the entry level for young or novice investors, with low transaction costs and a minimum investment of HK\$1. We have also lowered the minimums for various investment products, including investment funds, capital protected investment deposit, maxi-interest investment deposit and FX & precious metal trading services in late 2019, and maintained throughout 2020.

Our mobile branches provide access for the elderly and people living in remote areas. (See [Improving Access for All](#) in Our Customer to learn more about these services)

We also offer young people and their families the tools and knowledge to manage their finances and enhance their future financial security. Our pioneering [eSmart Financial Education Programme](#), a partnership with the Hong Kong Family Welfare Society, focuses on educating Hong Kong primary school students about digital transactions and money concepts. In partnership with the Hong Kong Association of Banks, our volunteers also delivered digital banking knowledge to local youths and elderly people via an online workshop and sharing session.

In addition, we prioritise approval of our [Inno Booster Loans](#) for innovation and technology start-up companies. These loans support their growth by fuelling their growing business operations and hiring their talents.



Q “How does Hang Seng drive the local sustainability agenda?”

A

As a home-grown financial institution, Hang Seng shares the drive, determination and dreams of the people of Hong Kong. We strive to build a prosperous and sustainable future for our industry and for our city.

Hang Seng will roll out a new [ESG strategy](#) in 2021. Our vision is to be a domestic leader in Hong Kong, driving sustainability. We have set out environmental targets, aiming to achieve carbon-neutral operations by 2030. Meanwhile, we are strengthening our green and sustainable solutions to assist our customers' transition to a low-carbon economy. (See [Our ESG Journey](#) to find out more about our aspirations and strategies)

Alongside our new ESG strategy plan, we will continue to adhere to our Sustainability Risk policies, where we conduct robust assessments before lending to high-risk sectors. (See [Being Proactive to Manage Risk](#))

Our Stakeholders

From Feedback to Action ■■

Q “How does the Bank contribute to sustainability?”

A

Our Green Financing Promotion Scheme encourages corporate customers to acquire environmentally friendly equipment that contributes to sustainable development. In 2020, we also launched a Greenness Assessment programme to support their green loan applications, with second opinions and green credentials provided by a qualified third-party verifier (see [Promoting Sustainable Finance](#) in Our Customers).

Meanwhile, we continually promote sustainable investment concepts and ESG products. To make it easier for customers to identify ESG products, we added an ESG Fund filter to our Fund SuperMart landing page and an ESG label to the details of those funds.

As an investment fund manufacturer, we exercise active stewardship and have established a proxy voting guideline to demonstrate our responsible investment commitment. We seek to communicate with the investee companies for better ESG management and accountability through casting votes against proposals being inconsistent with ESG principles. As a fundamental investor, we are establishing our strategy to penalise stocks with poor ESG scores by selling out the stock eventually.



Memberships of Industry Associations

We demonstrate our values, and keep up-to-date with industry trends, via membership of various associations. These include:

- Business Environment Council Limited
- Employers' Federation of Hong Kong
- Federation of Hong Kong Industries
- The Hong Kong Association of Banks
- The Hong Kong General Chamber of Commerce
- The Hong Kong Green Finance Association
- The Hong Kong Institute of Bankers
- Hong Kong Investment Funds Association
- The Hong Kong Management Association
- The Hong Kong Retirement Schemes Association
- Hong Kong Securities and Investment Institute
- The Institute of Financial Planners of Hong Kong
- International Chamber of Commerce – Hong Kong
- International Swaps and Derivatives Association, Inc.
- Treasury Markets Association

Being Proactive to Manage Risk



Bonnie Chung

Head of Portfolio, Policy and Control, Wholesale Credit and Market Risk

ESG Interviews

Mitigating Risks in Our Portfolio

We are delivering high quality services to our customers while protecting our business and our community in tandem. If we provide financial support to clients in environmentally sensitive industries, or to projects that are not sustainable, this is not only in conflict with our values but also poses a significant risk to our reputation and the trust we have established with our customers.

We have a comprehensive system for handling these kinds of risks. Robust policies and clearance processes are in place for clients that are operating in high-risk sectors. Our "[Three Lines of Defence](#)" framework clearly delineates the responsibilities of different parties, so that nothing falls through the cracks.

We formulate wholesale credit policies and guidelines, and assist to conduct due diligence to manage the sustainability of our portfolio. When ESG risks emerge, or when new ESG-related legislation or policies are implemented, we make sure all relevant parties are informed in a timely manner. This builds awareness and makes us a better, safer and stronger business.

In the coming year, our focus will be on climate-related risks. The relevant guidance and training will be provided to staff working in the frontline and risk department. We expect to have climate risk assessment incorporated into our credit assessments within the first quarter of 2021.

Our strategy is to work closely with our clients - in good times and in challenging ones - to facilitate sustainable business growth that also considers the interests and wellbeing of the broader community.

There is an example which manifests the collaboration between the 1st and 2nd Lines of Defence to achieve our strategy. We had a customer in the paper pulp industry whose operations fell below our sustainability standards and was at risk of breaching our policies. Business unit and Risk Department have actively engaged the company and provided them with information and advice on international standards in its sector. The company management recognised that we were committed to helping them succeed and they were motivated to make changes to the company's operations within a mutually agreed timeframe. We also saw changes in the company's overall corporate culture as a result of these actions. This was a real success story. The company demonstrated a firm commitment to improving its environmental performance, and went on to become one of the first paper pulp companies in China to achieve international Forest Stewardship Council Certification.

Being Proactive to Manage Risk

Managing risk is a core part of our day-to-day activities. We protect our operations against compliance risks, and have strong, transparent corporate governance. Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Please refer to our [Annual Report](#) to learn more about our bank-wide approach to risk.

Managing Different Types of Risk

Compliance

Our credibility relies on our operational integrity and the transparency of the information we provide to stakeholders. Upholding strong corporate governance, adherence to the highest ethical standards and effective risk management are essential to being an accountable, transparent and well-managed company. Compliance issues are discussed and reviewed by the Board and management committees.

Responsible for promoting our long-term sustainability and success, the Board provides forward-thinking leadership within a framework of prudent and effective controls. We are committed to quality, professionalism and integrity throughout our business. Internal controls, risk management, compliance, and legal and regulatory requirements are considered at Board meetings.

In 2020, all directors and staff undertook various training on values and conduct. This covered, among other topics, whistleblowing, anti-bribery and corruption. Such training is further provided from time to time to our directors and senior leaders.

We require all our staff members to comply with relevant codes of conduct. For details, please refer to the [Staff code of conduct and staff awareness](#) section. In any jurisdiction where local corporate governance requirements are of a lower standard than our own, our higher standards apply (where they do not conflict with the law).

Three Lines of Defence Framework

Our risk management is assigned to three lines of defence. The activity-based model applies to all individuals and all risk types, and delineates the accountability and responsibilities of each party for risk management and the control environment. Actions determine where we sit in the model.



Global functions may have responsibilities across the first and second lines of defence, and therefore segregate these responsibilities between teams. At an appropriate level of seniority – normally executive committee level or their direct reports – a single individual may have responsibilities across the first and second lines.

Being Proactive to Manage Risk

Managing Different Types of Risk

Financial and tax risks

Regular reports on financial crime compliance and regulatory compliance are submitted to senior management governance committees. The Audit Committee reviews our financial reporting, the nature and scope of audit reviews, and the effectiveness of our control and compliance systems.

We manage tax risk based on a formal management framework. We have adopted initiatives that increase transparency, such as the [US Foreign Account Tax Compliance Act](#) and the [Organisation for Economic Co-operation and Development's \(OECD\) Common Reporting Standard](#).

We do not use tax avoidance structures or strategies, such as artificially diverting profits to low tax jurisdictions. We principally operate and pay taxes in Hong Kong but are committed to complying with the spirit and the letter of the tax law in all territories and countries in which we operate and maintaining an open and transparent relationship with tax authorities. Relevant financial information is disclosed in our Annual Report.

We follow our parent company's [tax policies, principles and strategies](#).

ESG risks

In accordance with the Hong Kong Exchanges and Clearing Limited (HKEx)'s ESG Guide, the Board determines and evaluates the ESG risks that we face. It ensures that effective risk management and internal controls are in place. Reviews of these systems were conducted and attested by the Management. Management presented its confirmation on the effectiveness of these systems, together with this ESG Report to the Board, through its Executive Committee in April 2021.

To steer the Bank's ESG strategy and management, the ESG Steering Committee was newly established in 2020. It is overseen by our Executive Committee and the Board. In response to the growing attention of our stakeholders on ESG risks, we continuously strengthen our sustainability governance and relevant risk management.

Among the ESG risks, climate change is top-of-mind for us as it presents risks to our business and to our customers. This is the reason behind it being one of the six key ESG pillars in our 2021 ESG implementation plan.

To mitigate climate change risk, our Chief Risk Officer (CRO) represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management. The CRO will report climate-related issues to the Board. To further strengthen our directors' capability in climate change risk management, training on the transition to a low-carbon economy was undertaken by our directors in 2020. In 2021, we will review the need to set up a dedicated climate risk taskforce and develop a climate risk management process that ensures we and our customers remain resilient. For details of our sustainability governance structure and our plan to address climate-related risk, please see [Our ESG Journey](#).

No non-compliance with laws and regulations that resulted in significant fines or non-monetary sanctions was recorded in 2020.

Competition

Our legal function is tasked with ensuring that all of our businesses and functions understand and conduct their business in compliance with the spirit and letter of Hong Kong's Competition Ordinance. This complements our ongoing training, in which staff learn about essential elements of competition law and how they apply to our businesses.

In 2020, no judgements were entered against Hang Seng for breaching the Competition Ordinance.



Being Proactive to Manage Risk

Managing Different Types of Risk

Financial crime

To help protect the integrity of the global financial system, we invest in detecting, deterring and preventing financial crime. We review our customer portfolios and product offerings to ensure timely risk mitigation. We implement the HSBC Group's Global Standards initiative, which features effective standards to combat financial crime, across our operations in Hong Kong and overseas.

We also implement policies on money laundering and sanctions that often extend beyond the requirements of local laws and regulations. These policies are subject to regular review by our financial crime compliance personnel.

Among other steps, we have hired experienced senior personnel to lead the effort and significantly increased our financial crime compliance capabilities; we put in place a robust investigative function; we launched a Financial Crime Risk Cultural Embedment Plan to build a strong culture; we improved and expanded our financial crime compliance training initiatives; and we upgraded or replaced key compliance IT systems.

Beyond these improvements, as part of our commitment to protect the integrity of the financial system, and to do our part in fighting financial crime, we continue to enhance our systems and we are working to integrate reforms into our day-to-day risk management practice so that our programme is effective and sustainable over the long term.

The global fraud landscape is characterised by increasingly sophisticated attacks, targeting online banking and other digital services. We prioritise investment in technology-based defences and relevant training.

We intend to enhance our financial crime risk management with analytical capabilities – including artificial intelligence – that target illicit conduct with greater sophistication and precision. We cultivate a dynamic risk assessment process that enables faster and more accurate detection. And we expect to generate results that we can use and provide to law enforcement, to help keep criminals out of the financial system. This will benefit us, our customers and society at large.

We partner with local police to proactively tackle financial crime. Designated police hotlines are available for staff to report suspected fraud and forgery, protecting our customers from suffering financial loss.

Our staff ensure we consistently operate ethically, honestly and with full accountability. For employees on the frontlines, we provide learning programmes on banking regulations, codes of practice and data privacy. We ensure they are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities such as bribery and corruption, money laundering, sanctions and insider trading. All employees are required to complete a learning programme on these subjects. Staff who work in high-risk roles receive additional, specialised learning regarding the detection and deterrence of financial crime.

In 2020, staff in Hong Kong received

over 55,900 hours

of policy and procedural learning on bribery and corruption, money laundering and sanctions, conduct, values and regulations.

Financial crime compliance-related issues and progress are updated regularly and on thematic basis to relevant senior management governance committees, including the Executive Committee, the Financial Crime Risk Management Committee, the Risk Management Meeting, and Risk Committee.

In 2020, no judgements were entered against Hang Seng for failing to fight financial crime. Our legal function continues to be a part of the extensive risk mitigation across all of our businesses and functions.



Being Proactive to Manage Risk

Managing Different Types of Risk



Anti-bribery and corruption

We have adopted a dedicated three-year programme to advance its anti-bribery and corruption capabilities. This has strengthened our controls and processes, and improved our register of Associated Persons. The programme now focuses on the global gifts and entertainment register, which provides a consistent way to record, notify, approve and monitor gifts and entertainment. Dedicated personnel oversee anti-bribery and corruption compliance.

As stipulated by the HSBC Group, political contributions and recruitment cannot be used to build business relationships. In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.

For our policies on money laundering, bribery, corruption and sanctions, please refer to <https://www.hsbc.com/our-approach/risk-and-responsibility/financial-crime-risk/financial-crime-risk-policies>

Data privacy

We continually strengthen our Data Privacy policy, instruct staff to report security incidents and provide training on compliance in Hong Kong. Our cybersecurity experts investigate breaches and, if necessary, escalate matters to the major incident group. Specific processes for the handling and protection of customer data are set out in an internal procedure manual. Our Clear Desk policy reduces opportunities for unauthorised data access.

Data privacy is overseen by individual businesses and functions as first-line risk owners, while the Chief Data Officer is the first-line control owner. Our legal function and Data Protection Officer provide second-line oversight. Officers at functional and business units promote data protection and disseminate information on guidelines and developments. (See [Customer Privacy](#) in Our Customers)

Source	Customer privacy substantiated* complaints
Outside parties	8
Regulatory bodies	1
Total	9

Source	Customer privacy substantiated* complaints
Identified leaks	4
Thefts	0
Losses of customer data	4
Others	1
Total	9

* Substantiated means the cases are considered legitimate after an internal investigation

Being Proactive to Manage Risk

Managing Different Types of Risk

Strengthening cybersecurity

Banks are high-profile targets for criminals seeking financial gain, personal information and disruption. The potential effects of cyberattacks include financial loss, reputational damage and loss of customers.

Protecting our customers and our company from such threats is a key component of our strategy to become a global, connected, digital business. All our IT infrastructure in our operations adopt the industry-standard National Institute of Standards and Technology (NIST) framework. We engage an external consultant to conduct an annual cyber resilience assessment with this framework to assure the security of our IT infrastructure and identify areas that require improvement and funding.

To strengthen our capability, we have developed a Cybersecurity Maturity Improvement Programme. Using threat scenarios witnessed in our industry, our Cyber Risk

Quantification model calculates the likelihood of an attack being successful. This determines the value of projects aimed at risk reduction.

To support the Board and senior management's oversight of cybersecurity, we regularly report on our strategic programmes and key indicators. The board-delegated Risk Committee is supported by the Resilience Risk Governance Meeting that comprises representatives from businesses, IT, risk and senior management. Business risk profiles, mitigation awareness, internal and external cybersecurity incidents, and regulatory requirements are discussed.

We offer security training to all users such as executives and their assistants, privilege users, IT end users, software developers and adopt automated cybersecurity assessment tools. Vulnerabilities across the network, operating systems, application layer, and in-house custom software are managed on a centralised platform and remediated according to priority.

Meanwhile, we continue to invest in defence against ever more sophisticated cyberattacks. We have enhanced our event detection, incident responses, secure development, vulnerability remediation, and protection against malware, application layer attacks and data leakage.

ESG Interviews

“ Cybersecurity is embedded into every initiative of the Bank. We believe that one critical way to protect the Bank is to embed the culture of cybersecurity awareness and hygiene into the DNA of every single employee to form our human firewall. Hang Seng recognises that customers deposit their money in the Bank because they trust the Bank. ”

David Chan
Chief Information Security Officer



Being Proactive to Manage Risk

Managing Different Types of Risk

Staff are required to report cybersecurity incidents to our 24/7 hotline as soon as possible once discovered. Such incidents include the loss of restricted information, leakage of customer data, and suspected or confirmed cyberattacks. These are then dealt with by our cybersecurity analyst and Security Operations Centre, and are reported to management for direction on remediation.

We also share intelligence with law enforcement and the industry. This improves our understanding of – and ability to respond to – the evolving threats faced by our industry.

Cybersecurity learning was delivered throughout 2020. It covered email security and phishing, password management, access control, incident reporting and escalation, secure use of communication devices and social media, our Clear Desk policy, information classification and labelling, system vulnerabilities and patching, ransomware and deliberate denials of service.

Training or communication regarding cybersecurity offered in 2020 included:

- Morning broadcasts and emails to all staff
- Mandatory e-learning for all staff
- Briefings to the Board and Executive Committee members
- Seminars hosted by senior leaders which also featured expert speakers
- Training delivered to selected users and the security community on a risk and skills-based basis

Equal opportunities, non-discrimination and human rights

Human rights matters are complex and the roles and responsibilities of business and other stakeholders are subject to ongoing international dialogue. We are open to engaging in this dialogue.

We are committed to an inclusive culture. Our people managers are expected to create and foster a strong speak-up culture in their teams, where our staff can be confident that their views matter, that their workplace is free from bias, discrimination and harassment, and that their careers advance based on merit. We uphold diversity and inclusion when hiring. Recruitment is merit-based and free from bias and discrimination. (See [Promoting Equal Opportunities, Diversity and Inclusion](#) in Our People)

To nurture an inclusive and speak-up culture, all staff undertook mandatory training on values and conduct. Workshops are organised for people managers to equip them with knowledge and skills to handle discrimination, harassment and bullying. Diversity learning is also embedded in the induction programme for new joiners.

We have a well-established Disciplinary Procedures for Misconduct and Gross Misconduct policy. This ensures that fair, non-discriminatory and consistent methods are used when dealing with misconduct disciplinary actions.

The Staff Code of Conduct outlines our expectation on human rights matters. With Board representatives' involvement, the People Committee reviews the Staff Code of Conduct on an annual basis. Our commitment to human rights extends to our value chain. (See [Protecting human rights](#))

No incidents of discrimination, or violation of the rights of indigenous peoples, were reported in 2020.



Being Proactive to Manage Risk

Managing Different Types of Risk

Staff code of conduct and staff awareness

All employees are required to follow HSBC Group's [Business Principles](#) and the Staff Code of Conduct, accessible via our intranet. These inform and connect our purpose, values, strategy and risk management principles, guiding us to do the right thing and treat our customers and our colleagues fairly at all times, and with dignity and respect. We do not tolerate discrimination, bullying, harassment and victimisation.

Drawing on regulatory guidelines and industry best practice, the Staff Code of Conduct sets out standards and values to which staff are required to adhere, and legal and regulatory information on topics such as corruption and bribery, conflicts of interest, money laundering, staff personal account dealing, diversity and inclusion, intellectual property, and the reporting of malpractices and misbehaviour.

The Staff Code of Conduct is uploaded to our employee self-help portal in English and Chinese. A circular is issued to all employees and contractors, advising them of the update and reminding them to read and abide by the rules and regulations.

Under our Employees Recognition and Conduct Framework, performance and conduct are factors in our annual staff assessments. Exceptional behaviour or results may merit a bonus.

In 2020, there were 8 identified material cases of non-adherence to our internal Staff Code of Conduct. Apart from reporting to relevant regulator(s) where appropriate, the Bank has been proactive in taking consequence management, depending on the severity level of the cases.

Conflicts of interest

Stringent internal structures ensure that duties are appropriately segregated. For example, our investment frontline business and investment operations are managed by different departments to avoid conflicts of interest. Staff in sensitive or high-risk areas are required to adhere to specific rules and undergo training on how to avoid conflicts of interest.

Whistle-blowing

We foster a speak-up culture. (See [Speaking up](#) in Our People) We encourage the reporting of suspected irregularities, human rights abuses and workplace misconduct, and provide grievance and whistle-blowing channels.

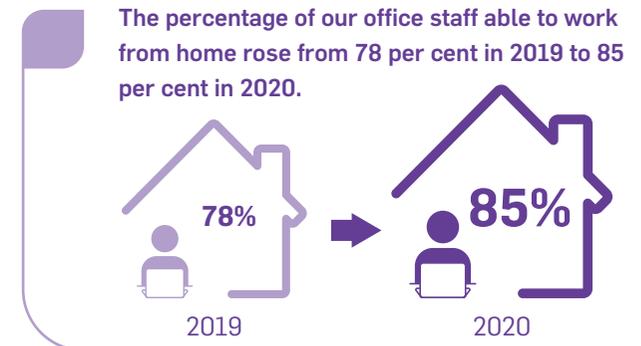
We make every effort to ensure that employees can raise concerns confidentially and without fear of repercussion. Retaliation against whistle-blowers is not tolerated. We adhere to the [HSBC Statement on Whistle-blowing Arrangements](#), and utilise HSBC Confidential: a secure and confidential platform via which staff can raise concerns when normal channels for escalation are unavailable or inappropriate. All whistle-blowing cases are investigated by subject matter experts, in accordance with HSBC Group policies and standards.

Suppliers are encouraged to immediately email hsbc.vendor.confidential@hsbc.com in the event of concerns about ethical conduct, including bribery and corruption. Upon receipt of such reports, an independent team investigates and proposes follow-up actions. We also expect suppliers to have grievance mechanisms in place. The [HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of](#)

[Goods and Services](#) provides clear guidance on grievances and disciplinary practices, and includes provisions prohibiting mental, physical and verbal abuse.

Planning for emergencies

Our documented Business Continuity Plans – including arrangements for site recovery – ensure that critical operations function in emergency situations. Utilising remote computing technology and paperless workflow, we have enhanced the work-from-home readiness of many of our staff. This enables our plans to be flexible and practical, and ultimately makes our operations more resilient.



To maintain core services amid a crisis, extreme weather or a public emergency, a major incident group leads and monitors our contingency plans, and steers appropriate decision for the situation the Bank faces.

Being Proactive to Manage Risk

Responsible Value Chain ■■■■

Our financing decisions reflect **our principles, our risk assessments, and the needs of our customers.**



Promoting responsible financing

Our Corporate Lending policy details our requirements regarding sustainability risks. We observe the [Equator Principles](#): voluntary guidelines for implementing sustainability standards in project finance. Currently, the Bank's portfolio does not have loan under the Equator Principles.

Our business units conduct sustainability risk analyses for all new and existing customers in sensitive sectors listed on next page. This ensures that the products and services we offer are in line with the HSBC Group's [Sustainability Risk Policies](#). Corporate customers are reviewed regularly to monitor compliance with our policies. As of December 2020, we were fully compliant.

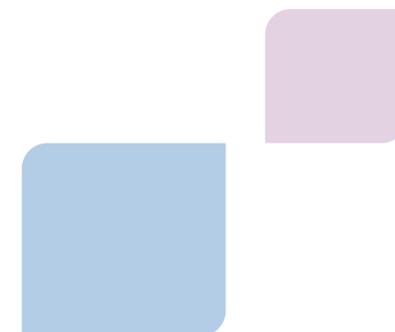
We send updates on environmental or social risk-related policies to all relevant staff on a timely basis. Up-to-date policies and guidelines can be accessed by relevant staff via the intranet. Training on our environmental and social policies is included in the New Joiners Induction Programme.

Environmental impact assessments are part of our standard credit evaluations. We talk to customers to assess their environmental policies, achievements and risk mitigation measures.

Maintaining relationships with customers who register significant negative news requires approval from our Reputational Risk Committee. Customers unable to comply with our environmental policies and requirements by a specified deadline must obtain our approval for a temporary exemption or extension. Failing this, our managers will arrange to exit the relationship.

For customers within the scope of our Sustainability Risk Policies, we assess the potential impact of their business on people and the environment, and their ability to manage that impact. A sustainability risk rating is then allocated. Specific standards apply in high-risk areas and, where applicable, approvers take sustainability into account when recommending a relationship or transaction. They also ensure that the sustainability risk ratings are correct, and suggest amendments where necessary.

We continually enrich our investment funds suite – in both manufacturing and distribution – to incorporate products that are in keeping with our approach to ESG. We monitor regulatory and industry developments and explore ways to embed ESG factors in our products. We have established a proxy voting guideline to align our votes on shareholder initiatives with our commitment to ESG. We seek to influence our investee companies to operate more sustainably.



Being Proactive to Manage Risk

Responsible Value Chain



Responsible Financing

We carefully assess environmental and social risks when deciding whether to make a loan or investment. We also adopt our parent company HSBC Group's [Sustainability Risk policies](#). Specific guidelines apply to businesses in sensitive sectors, including those outlined on the right. These guidelines are refined and updated as required and we have mechanisms to ensure our customers remain compliant with these policies.

This embeds ESG into our investment approach, product design and day-to-day operations.



Agricultural commodities

We undertake special assessments of customers involved with soy production, cattle ranching or rubberwood production. Enhanced governance aims to ensure that we maintain relationships only with customers who engage in sustainable development. They must operate in accordance with international standards and industry practice, and provide a public commitment to do so.



Energy

We do not finance projects involved in coal-fired power plants, offshore oil or gas projects in the Arctic, or greenfield oil sands projects.



World Heritage Sites and Ramsar wetlands*

We avoid supporting projects that may have unacceptable impacts on sites of special international significance.

* Remarks: The Convention on Wetlands is an inter-governmental treaty to protect wetlands of international importance, signed at Ramsar in Iran in 1971.



Forestry

We work with customers to promote sustainable forestry.



Chemicals

We adhere to national and international standards. We communicate with our customers to achieve sustainable chemical manufacturing.



Defence equipment

We do not provide financial services to customers who manufacture, sell, purchase or use anti-personnel mines, cluster bombs and other weapons.



Mining and metals

We assess potential customers linked to human rights abuses, and those with poor track records for work-related fatalities and accidents. We do not provide financing for thermal coal mines.

Being Proactive to Manage Risk

Responsible Value Chain

Maintaining supply chain integrity

We rely on vendors, agencies and third-party financial product suppliers to support our business. This enables us to offer diverse products and services, but potentially exposes us to risks, both reputational and otherwise.

Effective supply chain management is therefore vital to safeguard our brand and business, and to promote responsible practices among companies in our community. We require contractors and suppliers to adhere to our stringent environmental, social and ethical standards and to the principle of continual improvement.

As of 2020, we have **1,550 contracted suppliers**. All are required to acknowledge their compliance with the HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services.

We maintain transparency and fairness in our procurement and contracts processes. Procurement is done on a competitive basis, and strict procedures govern employee conduct when handling such processes. Employees are trained to understand our internal controls and monitoring requirements.

Our Third Party Risk policy provides clear details of the standards we expect our suppliers to uphold, and how we assess their performance. As of 2020, we have 1,550 contracted suppliers. All are required to acknowledge their compliance with the HSBC Group's [Ethical and Environmental Code of Conduct for Suppliers of Goods and Services](#). This code communicates our economic, environmental and social standards, and the requirement for a governance and management structure that ensures compliance.

We monitor suppliers following their appointment and reserve the right to review their policies on demand, procedures or documentation. We may also request an on-site audit to assess compliance with ESG and local regulations.

To ensure that suppliers clearly understand our requirements, sustainability standards are included in our purchasing policy documentation. This enables suppliers to assess their status and develop a plan that meets our standards. They must also make reasonable efforts to ensure that their own supply chains are aware of, and comply with, our standards. We

require our suppliers to establish environmental management system, as part of the due diligence process. To support our carbon-neutral ambition, we also assess the relevant commitment and performance of our suppliers, and ensure environmental considerations are incorporated in their purchasing process.

For financial products and services, we work with reputable third-party suppliers who have demonstrably high corporate standards. Rigorous assessments ensure any investment or insurance solution that we offer meets regulatory requirements and our own standards. We conduct regular reviews to ensure that service providers and their products meet the terms of our agreements.

Electronic signatures in our procurement process help reduce paper consumption and lead times, and provide us with enhanced supplier and information management controls. We encourage suppliers and contractors to use and offer environmentally friendly and recycled products wherever possible.

Using local suppliers demonstrates our support for our community, while eliminating unnecessary transportation reduces our impact on the environment. According to our payment records in 2020, around 91 per cent of our suppliers have presences in Hong Kong. The remainder are in Asia, Europe and the US.

Being Proactive to Manage Risk

Responsible Value Chain ■ ■ ■ ■

Protecting human rights

Our sustainability standards require suppliers to commit to respecting the rights of their employees and of individuals in their communities, and to complying with all relevant legislation, regulations and directives in the countries and areas in which they operate.

We avoid associating with entities with a high risk of human rights violations. The HSBC Group's Ethical and Environmental Code of Conduct for Suppliers of Goods and Services prohibits suppliers who restrict freedom of association or collective bargaining rights, or who use child or forced labour.

We require our suppliers' employment practices should observe HSBC Group's requirements, including to observe the principles of the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the Codes of Practice on Employment promulgated by the Equal Opportunities Commission in Hong Kong and local regulations.

Our expectations regarding human rights are communicated to our suppliers via their acceptance of the Ethical and Environmental Code of Conduct for Suppliers of Goods and Services. They must:

- Respect the rights of the people and communities in which they operate, and strive to improve the lives of those people and the conditions in those communities

- Not use child, underage and forced labour
- Not engage in or support human trafficking
- Provide evidence of due diligence regarding their supply chain and labour processes, to ensure they comply with laws on slavery and human trafficking

We assess clients before we commit to corporate lending. We do not provide financial services to customers in the agricultural commodities sector that are involved in, or sourcing from, suppliers involved in the exploitation of people and communities, such as child labour or forced labour. We analyse incidents – including credible allegations – of mining and metal sector customers causing severe adverse impacts on human rights. In such events, we engage the customer and consider the impacts, the potential remedies, and whether we should continue the relationship. For details, please refer to our [Sustainability Risk policies](#).

Strengthening contractor partnerships

For all operating and capital expenditure, our procurement policy strives for efficiency, transparency, segregation of duties and the most suitable buys. Our procurement team engages with as many suppliers as possible and briefs bidders on our tender requirements. We apply fair competition principles to all applications from appropriately qualified parties, and consider every proposal in an unbiased and honest way. We have zero tolerance for corruption and bribery.

We meet with existing and potential suppliers to review and strengthen business relationships, and keep abreast of market trends.

Before order release and payment, suppliers are subject to checks and ongoing screening. These ensure they do not reside in, are not incorporated in, and do not maintain their primary business operations in sanctioned countries, nor are named on global sanction lists.

Utilising online risk profiles

Our online platform "Archer" enables internal users to assess service and supplier risks relating to:

- Bribery and corruption
- Money laundering and sanctions
- Business continuity and incident management
- Accounting
- Regulatory compliance
- Security of people and physical assets
- Subcontracting
- Tax
- Insurable risks
- Information and cybersecurity risks

The platform helps us in monitoring risks and supplier management. It automatically proposes and tracks the completion of related controls. It ensures compliance with our Third-Party Risk Management policy. And it enables on-demand reporting, which greatly enhances visibility and control of the most important risks and services. This helps satisfy growing demands from regulators for supplier risk management.

Our Customers



Daniel Wong
Head of Research & Analytics, Hang Seng Indexes Company

ESG Interviews

Providing Insights for Better Investment Decisions

Sustainability indexes can play a key role in the journey to a more sustainable economy. By recognising companies that do well in ESG areas, we help encourage top performers to keep pushing forward with their initiatives and motivate others to do better. As sustainability becomes a bigger element of investment decision making, these indexes are also having a beneficial impact by making it easy for investors – who drive the market – to compare returns from sustainability-focused investment strategies with those offered by more conventional approaches. Our overarching aim is to benefit the entire community by contributing to the growth of positive economic development trends.

“ Achieving widespread change will take time. But, with more than 10 years' experience of developing and maintaining sustainability-related indexes, we understand the value of having a long-term vision. ”

One of our priorities is to boost the market's awareness of ESG matters. In 2020, we published the individual ESG performances of the constituent members of our Sustainability Indexes on our website to enhance transparency and to provide both investors and companies with a larger set of useful ESG information.

We have also launched the Hang Seng ESG 50 Index to support ESG-focused investment product issuers and are delighted that there is already an ESG 50 Index tracking fund available to investors in Hong Kong. In the coming year, we will roll out more ESG data-related offerings to further foster sustainable investment development in Hong Kong.

Our Customers

Our customer-centric service puts strong emphasis on building long-term relationships. Since 1933, our commitment to core values – professionalism, passion, and a prudent but progressive approach – has earned us the trust and loyalty of our customers.

Our services are currently used by more than half of the adult residents of Hong Kong. We combine innovation with integrity to deliver excellence. We provide clear, honest information, open communication and full accountability.

We support customers' concerns about sustainability and environmental conservation, and actively help to drive the shift towards a more sustainable economy through our Hang Seng Sustainability Index Family. We address issues such as paper waste and excessive energy consumption in our daily operations. And our efforts extend to Hang Seng's products and services; for example, we offer loans and financing schemes that incentivise green operations and the acquisition of eco-friendly equipment.

We also work to improve financial literacy in our community and our customers. We aim to empower individuals and businesses to achieve financial security and advance their wealth management goals.

We support our community's transition to a low-carbon economy with sustainable finance solutions. In 2021, we will:

- Strengthen our financing for corporate customers' green projects and sustainable development
- Explore to provide more ESG-focused investment choices

Hang Seng Sustainability Index Family

In July 2020, we introduced the Hang Seng ESG 50 Index to our sustainability index family. The new index comprises the 50 ESG leaders listed in Hong Kong.

For all members of our sustainability index family, the selection of constituents is based on a sustainability assessment by the Hong Kong Quality Assurance Agency. Eligible companies are evaluated against general and industry-specific criteria in seven core areas:

7
core
areas

Corporate
governance

Human rights

Labour
practices

Environmental
impact

Fair operating
practices

Consumer
issues

Community
involvement
and
development

The objective selection process takes the investability of the securities into account. Consequently, our indexes provide benchmarks for index funds with a corporate sustainability focus.

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

Leveraging our insights on companies' ESG credentials, an [ESG Service web page](#) was launched in September 2020 to support sustainability work in the investment and corporate community. It provides a wide range of resources and information, including a searchable database of the 200+ companies that constitute our sustainability index family.

Our Customers

Understanding Our Customers



We proactively gather opinions – via focus groups, surveys, suggestion forms and hotlines – to enhance our products and services. In 2020, we newly launched the Net Promoter System in our branches to collect customer feedback more quickly and efficiently, enabling us to respond and improve without delay. We also identify our strengths and best practices via local market benchmarking and a mystery shopper programme that monitors service by frontline staff.

We monitor markets to identify emerging trends and opportunities, and to ensure we offer products and services that meet customers' needs. Our digital platforms allow customers to perform a wide range of transactions online, and provide information to assist their decision-making.

In a fast-changing market, we offer timely information and appropriate investment solutions. Our product specialists, traders and analysts provide integrated financial solutions and 24-hour global markets coverage. Our IT infrastructure enables us to deliver quick access to key markets and up-to-date information to customers. And amid the uncertain foreign exchanges and interest rates of 2020, we developed tailor-made treasury products to help customers better manage risks.

In 2020, we continued to perform well in the annual Banking Industry Monitoring Study by independent research firm, The Nielsen Company (Hong Kong) Limited. This assesses customer satisfaction for the eight major banks in Hong Kong.

We aim to achieve at least 95 per cent customer satisfaction. For the past four years, customer satisfaction has been rated at more than 98 per cent. We earned the Best Bank, Domestic (Hong Kong) award for the 21st consecutive year from The Asset; the Best Domestic Bank, Hong Kong award from Asiamoney; and the Safest Bank in Hong Kong award from Global Finance.

Year	Customer satisfaction (%)
2020	98
2019	98
2018	99
2017	98



Customers' most recommended bank



Highest rated banking services for 16 consecutive years

Our complaint-handling procedure ensures customer feedback is addressed in a consistent, independent and efficient manner. Our business units' independent customer relations teams aim to acknowledge receipt of comments or complaints within seven calendar days, and to resolve issues as soon as possible. Should a matter require further investigation, the teams strive to provide a response within 30 days. Any issue that warrants remedial action is referred to the Bank.

Senior management regularly review customer suggestions, compliments and complaints. Lessons learned are communicated to staff, to improve service and encourage best practice. In 2020, we received a total of 5,888 complaints, of which 100 per cent have been resolved as of February 2021.

Our Customers

Providing Transparency, Accountability and Choice ■■■

We offer diverse personal banking and wealth management products and services based on customers' needs and their understanding of – and appetite for – risk. We uphold our principles of providing the right product and service, at the right time, for the right customer, in the right way. We believe an ethical and fair approach supports a sustainable business.

We launched our [Financial Health Check solution](#) in 2020 to help customers better understand their financial needs. With the help of our relationship managers, customers can identify their goals and evaluate their financial health and strengths.

It is mandatory for all our employees to complete e-learning that covers how to treat customers fairly, with dignity and respect. Learning on banking products, sales conduct, and the detecting and deterring of financial crime is also offered to our client-facing staff.

We observe external regulations and guidelines, and internal Customer Fairness Principles.

Our Customer Fairness Principles

	Treat customers fairly: we build honest relationships with customers and deliver products and services at a fair price.		Suitable advice: advice to customers must be based on a full understanding of their needs and must best reflect their circumstances.
	Tailored solutions: we listen to customers and strive to understand their needs, to provide the most suitable products and services.		Meet commitments: when we make commitments to customers as to how a product or service will perform, we endeavour to deliver on those commitments.
	Keep customers informed: we provide clear, transparent, relevant and timely communications that give customers the information they need to make informed choices.		Flexibility: we provide customers with the ability to switch products or services as their requirements change, without enforcing unreasonable barriers. If a customer wishes to complain or make a claim, the process is easy to understand.

We are governed by Hong Kong's Code of Banking Practice, and the HSBC Group's Global Principles and Functional Instruction Manual. Our external communications and advertising materials provide clear, transparent and balanced information. They comply with all relevant requirements of the Hong Kong Monetary Authority, the Securities and Futures Commission and the Hong Kong Association of Banks.

Our Brand Centre is an internal resource site that helps staff learn about our branding guidelines and the application of our brand identity. Our marketing department provides advice and ensures that we do not violate or infringe the intellectual property rights, patents and related rights of third parties.

No cases of non-compliance with regulations and voluntary codes concerning marketing communications were reported in 2020.

Our Customers

Providing Transparency, Accountability and Choice ■■■

Customer safety

We aim to maintain a comfortable, clean and safe environment in our branches and service outlets. Ease of navigation and compliance with health and safety regulations are top priorities.

Managing indoor air quality (IAQ) and ventilation is an important element of our health and safety responsibilities. To ensure the IAQ at our branches and offices meets the Good class – as defined by the Hong Kong Government's Environmental Protection Department in its guidance notes – we regularly clean air filters and conduct measurements to monitor and improve our performance.

The standard temperature in our offices and outlets is 24.5°C during the hot season. This reduces our energy consumption while providing a pleasant environment for customers and staff.

To minimise the impact of outlet or office renovations on customers, contractors must adhere to our Sustainability policy and submit environmental management plans for our appraisal. We strive to reduce safety risks for staff and customers via measures such as anti-slip floor treatments and clear signage for temporary hazards.

Keeping safe on site during COVID-19

Throughout the pandemic, we maintained communications with our customers, to respond effectively to the evolving situation. We informed customers about closed branches or those with reduced opening hours via our website, and created a new webpage detailing special arrangements for banking services. Media releases were also issued to inform both customers and the public at large. Meanwhile, we endeavoured to maintain service excellence on other channels. Via SMS messages and online banners, we encouraged customers to use our e-Banking services.

At branches that remained open, customers and staff were required to wear surgical face masks at all times. To safeguard the health of our clients, we provided:

- Disinfectant mats and temperature readings at entrances
- Disinfectant gel in bank halls
- More frequent cleaning
- Protective screens on open counters



Customer privacy

Ensuring the privacy of our customers' personal information and other data is critical. It maintains our reputation for good governance and bolsters the trust that underpins lasting business relationships. We comply with the Personal Data (Privacy) Ordinance, have established Privacy Principles and, at our branches, offer privacy to customers who need to discuss sensitive or confidential matters.

Our customers are notified about our collection and use of personal data, the classes of transferees, classes of marketing subjects, their data access and their right to correct personal data. Customers can easily access Hang Seng's Privacy Policy, Notice to Customers and Other Individuals relating to the [Personal Data \(Privacy\) Ordinance, and Cookies Policy](#) on our website.



Our Customers

Providing Transparency, Accountability and Choice

In 2020, we hosted an online seminar to enhance our staff's understanding of legal and regulatory issues relating to direct marketing. A speaker from the Office of the Privacy Commissioner for Personal Data discussed the importance of data privacy.

Following steps in our Material Incidents Escalation Manual, staff are required to identify and report data leaks to our hotline promptly. Our experts investigate and, where appropriate, escalate the matter to the core team. To support our ongoing improvement, the experts also provide guidance on how to contain and respond to cases, and identify remedies and lessons learned.

Promoting Sustainable Finance

The transition to a greener business model requires investment. We recognise the commercial opportunities while supporting customers' pursuit of environmental betterment. Our Green Financing Promotion Scheme offers cash rebates to corporate customers who invest in environmentally friendly equipment that enhances efficiency or reduces pollution. The scheme applies to equipment in categories such as renewable energy, energy and water efficiency, wastewater and waste management, and the control of air pollution and noise pollution.

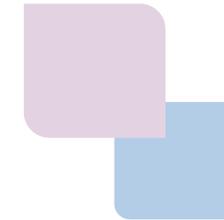
We launched our Greenness Assessment programme in 2020. Corporate customers who obtain loans for financing green projects can apply the second opinions and green credentials provided by a qualified third-party verifier. If the corporate's loan framework is assessed to be in accordance with the Green Loan Principles, the loans can be qualified as a green loan facility.

With lower costs and shorter processing times, this programme makes green loans more accessible to our corporate customers.

We have provided green loans to corporate customers since 2018. By the end of 2020, six such customers had obtained financing from us. Two applications were approved in 2020 for mid-market enterprises, totalling HK\$495 million. The first supports a leading Chinese fine chemical group's energy efficiency enhancement and pollution prevention and control projects. The second finances a global solar glass manufacturer for general working capital and fixed assets acquisition.



For retail and private banking customers, we offer green and ESG investment funds and bonds via branches and/or e-Banking. We continually explore opportunities to offer new investment products that match our ESG ambitions.



ESG Interviews

 Green is not just our corporate colour, but also the colour of our DNA. Hang Seng believes our future lies in sustainable finance, and to that end we strive to promote more green loan opportunities to a larger customer base, especially the budding small to medium-sized enterprises, as well as the loyal customers who have been with us for decades. 

Frank Heung

Head of Structured Finance, Corporate Real Estate and Corporate Advisory

Our Customers

Giving Power to the People

We provide comprehensive banking and investment services anytime, anywhere, via e-Banking, hangseng.com and mobile apps. We are also launching fintech initiatives to provide even more digital solutions that integrate into customers' increasingly mobile lifestyles.

Enhancing branch service

To minimise waiting time at branches, eAppointment for Account Opening and eTicketing for Counter Services have been introduced. These services improve customer experience, and complement our efforts to combat COVID-19 by reducing queues and supporting social distancing.

Improving the online banking experience

Under our Mobile Account Opening initiative, new customers can now open an account via their mobile device – anytime and anywhere. There are also easy ways to receive important account updates via mobiles. Push notifications from our mobile banking app now cover:

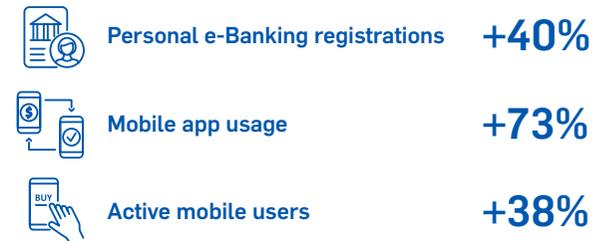
- Faster Payments Service (FPS) inward payment notifications
- Credit Card Payment Due reminders
- Risk Profiling Questionnaire expiry reminders

To enhance the online card application experience, we launched our Credit Card Origination project. Thanks to an intuitive, mobile-responsive design and streamlined online form, existing and new customers can complete applications in just minutes. By directly connecting the data with our back-end system, application processing time can be reduced by two days.

In 2020, we introduced DigiLife, a seamless digital experience for the Bank's life insurance and general insurance policy holders. Available online and via our app, it features at-a-glance policy summary and details.

Our AI-powered personal e-Banking chatbot HARO service was extended to WhatsApp in 2020. With help from HARO, customers can garner information related to our products and services, subscribe to our investment articles, obtain FX quotes and locate our branches and ATMs. We have also extended our business e-Banking chatbot BERI's functions to allow customers to check balances, view account balance trends, perform FX-related transactions, and live-chat with contact centre agents.

In 2020, the ongoing development of our digital capability and experience attracted and engaged more digital customer users. As of December 2020, we had more than 2.2 million personal e-Banking customers.



Through Open Banking Application Programming Interface (API) and our customised API solutions, we continue to explore collaboration opportunities with third-party service providers to deliver innovative, integrated services to improve the customer experience.

ESG Interviews

Our customers' digital banking experience is what really matters. It all begins with empathy – understanding their needs and meeting these needs with design thinking. The result is always essentially human – we innovate so customers can enjoy a digital banking experience that is simple and easy to access anytime, anywhere. We make sure customers feel supported in every interaction, through which they can make informed financial decisions via online and offline banking channels of their choice.

Kelvin Leung
Senior User Experience Manager

Our Customers

Giving Power to the People

Offering accessible financial solutions

We have revamped our public website and e-Banking platform to be more user-friendly and efficient for day-to-day business. To support a smooth online banking experience, our [Smart@Digital Banking platform](#) includes onboarding guides and usage tips for our major digital services.

Investment services for all

2020 brought the launch of SimplyFund: a low-cost and easy-to-use investment fund service, specifically for young or novice investors. It features a wealth of useful knowledge about the basics of investment funds, and customers can invest in the global and local markets simply and swiftly for as low as HK\$1.



Minimum investment of

HK\$1



Monthly fee as low as

ZERO

Responding to customer requests, we began to offer IPO and IPO financing on our stock trading app Invest Express in three easy steps in 2020. Based on download and usage rates, this enhancement is greatly welcomed by our customers.

Affordable insurance

Our online sales channel offers multiple new insurance products for a wider section of our community. In particular, our five-year eEndowment Life Insurance Plan provides options with affordable premiums to help young people, students and those on a low income access to protection. In 2020, we achieved remarkable results with the direct channel market share: we ranked the 2nd in terms of new premium amongst Top 10 Market Players.

The tax-deductible eIncomePro Deferred Annuity Plan was also launched online in 2020. This product offers a guaranteed 10 years of monthly income and is eligible for tax deduction. With a low minimum issuance age of 35, it is now easier for customers to prepare early for retirement.

Other fintech initiatives

Other upgrades, specifically for corporate customers, include:

- An online lending portal that allows SMEs to apply for loans and upload supporting documents quickly and easily
- FPS that enables merchant payments with the use of phone numbers, email addresses or FPS IDs
- LinkScreen for Commercial Card, a screen-sharing technology that offers online assistance for card applications
- Xero Bank Feed, which allows business e-Banking customers to manage third-party connections. The online accounting portal enables account transaction data to be synchronised
- One-click time deposit, which allows customers to take advantage of our special time deposit rates quickly and easily



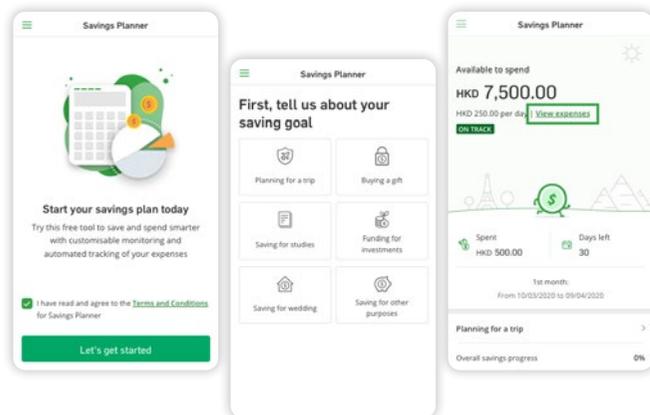
Our Customers

Giving Power to the People

Building financial literacy

We strive to nurture young people's saving habits and help them to plan their finances for the future. The newly launched Savings Planner service in our mobile app allows users to keep track of their expenses effortlessly, with no data exposure to third parties.

Leveraging our core strengths and expertise, we collaborate with non-governmental organisations and provide services to improve the financial literacy of people from various backgrounds. Our staff took part in volunteering activities organised by the Hong Kong Association of Banks to deliver digital banking knowledge to local young and elderly people. (See [Our Community](#))



Overcoming the challenges of COVID-19

We are committed to working with customers facing challenging financial situations amid the COVID-19 pandemic. In particular, we offer:

- Interest-only mortgage payments for up to six months and waived loan fees for selected customers
- Debt restructuring to customers facing long-term financial hardship
- Reduced credit card interest and late payment fee waiver
- HK\$50,000 top-up protection for coronavirus for all new insurance policies
- Unsecured relief personal loans of up to HK\$30,000 with repayment spread out over up to 24 months

Commercial loans

From February 2020, we proactively provided relief measures – such as principal repayment deferrals and trade loan tenor extensions – for our corporate customers. Subsequently, we also joined the Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, which provided payment holidays on non-trade and trade loans for eligible corporate customers affected by COVID-19.

Hang Seng understands the needs of local businesses during this challenging economic time. We therefore fully supported the Special 100% Loan Guarantee – part of the SME Financing Guarantee Scheme (SFGS) – introduced by Hong Kong Mortgage Corporation Insurance Limited in April 2020. This aims to ease the cash flow problems of enterprises adversely affected by the pandemic.

To accelerate the process and eliminate the need for customers to visit our Business Banking Centres, we launched online applications for SFGS on the same day that the application period opened. We also supported the government's interest subsidy programme for the 80% and 90% Guarantee Products under the SFGS, disbursing monthly subsidies to eligible borrowers and alleviating their burden in difficult economic conditions.

■ ■ We fully supported the Special 100% Loan Guarantee – part of the SME Financing Guarantee Scheme (SFGS), and launched online applications for SFGS on the same day. ■ ■

Insurance products

From February to June 2020, we held a Coronavirus Coverage Campaign for new and existing life insurance policies. Free additional benefits were offered to customers diagnosed with – or treated as in-patients for – COVID-19. A similar scheme was offered in April to corporate insurance customers if any of their employees were diagnosed with the virus in Hong Kong during the coverage period.

Community

At the community level, we continue to partner with local non-governmental organisations – including the Caritas Family Crisis Support Centre and the Tung Wah Group of Hospitals' Healthy Budgeting Family Debt Counselling Centre – to offer debt-restructuring to individuals in difficulty.

Our Customers

Improving Access for All

We continue to improve access to our services and facilities, and strive to achieve standards that comply with, or exceed, government regulations.

As of the end of 2020, we operate 60 street-level branches, 30 manned service centres, two mobile branches and 196 self-service outlets. 590 Hang Seng ATMs provided 24-hour service across Hong Kong. This year we have also expanded our foreign exchange ATM service with 111 FX ATMs located at 49 sites, offering the widest choice of currencies in Hong Kong.

We are committed to providing inclusive financial services to our community. Public housing estates are served by two branches, two mobile branches and 33 ATMs. There are also five branches and 18 ATMs at local universities.

We adopt a barrier-free approach for all new branches and self-service outlets. Social Caring Counters at 22 of our branches provide priority service to the elderly, the disabled and other customers in need. Visually impaired customers



can bring guide dogs into the banking halls of our branches. As part of our partnership with Hong Kong Seeing Eye Dog Services (HKSEDS), some of our branches are HKSEDS training sites.

Meanwhile, we increased the number of voice-navigable ATMs for visually impaired customers to 273 in 2020. Via headphones, customers can use voice navigation to withdraw cash, make balance enquiries, transfer funds and change passwords. We also provide audible security tokens for visually impaired customers' e-Banking.

Our mobile branches feature two teller counters that offer a range of general banking services, such as cash withdrawals and deposits. They also feature accessibility facilities such as a wheelchair access platform, a magnifying glass, and a portable induction loop system for customers with hearing aids. These mobile branches aim to serve people in remote areas, including the elderly, and save them having to travel to branches.



15th year of Best SMEs Partner award

from the Hong Kong General Chamber of Small and Medium Business

Championing Local Business

Building lasting partnerships with SMEs is one of our key focuses. By working with these businesses, we support the local economy and help create employment opportunities and wealth. We are committed to offering timely solutions for their economic and business needs. While offline relationship management remains strong, our new online services were launched to support SMEs' daily banking requirements.

In 2020, our commitment to serving SMEs earned us a 15th consecutive Best SMEs Partner award from the Hong Kong General Chamber of Small and Medium Business, and the SME Engagement Excellence Award from the Bloomberg Businessweek Financial Institution Awards 2020.

Digitalising our workflow and having staff members working in split-sites have helped us to stay resilient, particularly during the pandemic. This resilience enabled us to offer fast and hassle-free support to clients facing hardships, especially SMEs.

Our People



Our staff are the **engine of our success and the primary bridge between our business and the local community**. We reward them with competitive compensation and benefits packages, and engage them with supportive and flexible working conditions.

Our learning and development programmes cultivate professionals who contribute to our success and who understand sustainability in practice.

Our human resources policies are designed to hire and retain people with the right values and behaviours, motivate them to excel, and uphold our brand equity and core values. We comply with relevant government legislations, ordinances and regulations such as the Employment Ordinance, Minimum Wage Ordinance, Mandatory Provident Fund Schemes Ordinance and Occupational Retirement Schemes Ordinance.

As a home-grown bank, we are committed to offering opportunities to local talents. Ninety-three per cent of our Executive Committee members¹ are hired locally². Of more than 7,800³ full-time equivalent staff, 99 per cent are permanent and one per cent are contractors.

Hang Seng was proud to earn the Employees Retraining Board Manpower Developer Award in 2020. This recognised our achievements in learning, people development and corporate social responsibility.



93%

Executive Committee members¹ are hired locally²



99%

permanent staff

- 1 Including those seconded from our parent company.
- 2 "Locally" refers to our significant locations of operation.
- 3 Unless otherwise stated, figures in this chapter cover all employees of our Hong Kong operations, excluding those seconded from our parent company.

Our People

Founded on Strong Principles

Our Global Principles underpin all policies and procedures, informing and connecting our purpose, values, strategy and risk management. They help us make better decisions when faced with difficult choices. We encourage our employees to act with courageous integrity, to speak up, and to use sound judgement in challenging situations.

Our mission is to “serve customers right and serve the right customers”. We embed this mission via our “RIGHT” Together initiative.

Starting with the RIGHT approach

The bank-wide cultural change initiative “RIGHT” Together aims to enhance our long-term sustainability, maintain the trust of our customers and support a working environment in which employees feel empowered, valued and inspired.

Its five principles promote positive behaviours that form part of our thriving corporate DNA:



- **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

Mentoring sessions and workshops deepen our speak-up culture. Learning and internal campaigns promote “RIGHT” stories and share lessons learned. Communications and workshops drive and reinforce the accountability of people managers. A “Behaviour first” mind-set was promoted company-wide. And we co-hosted symposiums with regulators and a virtual carnival to foster collaboration and cross-challenge between our first and second lines of defence.

Through annual pay reviews and the At Our Best programme, we recognise colleagues whose actions exemplify our values – dependable, open, connected – and who have the courageous integrity to make changes that contribute positively to the Bank and our customers.

Speaking up

Creating channels and opportunities for staff to speak with senior leaders is one of the effective ways we foster a strong speak-up culture. To enhance the approachability of leaders, we continue to hold Exchange meetings. Through post-event feedback, staff said they enjoyed the informality of such exchanges and regarded the discussions as “fruitful” and “useful”. Staff comments include “Inspiring – great to hear colleagues’ perspectives and sharing from different departments and years of working in Hang Seng”; “Smooth interaction as everyone got a chance to share their views” and “Fruitful content and messages well delivered”.

With the aim of coaching people managers to build confidence and skills to nurture the speak-up culture across the Bank, more than 800 people managers have been trained and mentored by 28 senior leaders through 112 sessions since 2019. They shared good practices and challenges that may be encountered in implementing speak-up. Participants found



the sessions useful as they were provided with a platform to promptly share success stories or lessons learnt from across the Lines of Business.

The impact is demonstrated by an upward trend in the speak-up metrics in our 2020 pulse survey. The speak-up index rose from 74 per cent in first half of 2019 to 80 per cent in second half of 2020. Staff indicated that they are more comfortable in speaking up.

To further embed the speak-up culture, we have upskilled more than 300 control owners and staff from our second line of defence. Representatives from key business and functions spoke at a workshop that aimed at strengthening staff’s confidence and skills in speak-up behaviours. Participants subsequently felt more confident about speaking up to their line managers and counterparts, and applying the skills more effectively.

Promoting High Performance and Engagement ■■

Hang Seng has a well-established system for appraising employee performance and encouraging lifelong learning and continual improvement.

We encourage frequent, holistic and meaningful conversations between managers and staff. These provide opportunities to discuss progress, give feedback and recognition, identify support that may be needed, and address issues that could affect an individual's wellbeing.

Our HR system enables employees to give, request and receive feedback, and to track their progress in their assigned duties and activities. In 2020, we launched a new Mobile HR app to make such services more accessible. Through this new platform, we aim to empower and inspire our employees in managing day-to-day HR related and self-learning matters.

All staff have a formal review at the end of every year, during which they discuss their progress towards established objectives. They also receive performance and behaviour ratings, as per our employee assessment framework. The behaviour rating looks at how they manage issues such as risk and compliance, and how they protect the interests of colleagues, customers, the environment, markets and the Bank. The results influence pay recommendations during the annual review.

Fair rewards for equal work

We offer competitive pay and benefits to attract talented staff. Performance-based remuneration motivates employees and

rewards their contributions to growing our business. Variable pay is discretionary and is based on group and business performance, and an individual's behaviour, conduct and contribution. To retain staff and maintain our competitiveness, we regularly review our rewards and career opportunities.

Salaries vary according to seniority, role, individual performance, behaviour and the market. Our pay and benefits are well above the minimums stipulated by local laws and statutory regulations. For part-time employees, legislation and market practice provide a framework for contractually agreed pay.

Our human resources policies strictly comply with Hong Kong legislation, ordinances and regulations. As an equal opportunity employer, our pay strategy is designed to attract and motivate the very best people. We determine remuneration by performance, behaviour, internal and external relativity and market benchmarks, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. We comply with the Hong Kong Equal Opportunities Commission guidelines on equal pay between men and women under the Sex Discrimination Ordinance. We are confident in our approach to pay. We make appropriate adjustments if we identify any pay differences between men and women in similar roles, which cannot be explained by reasons such as performance, behaviour rating or experience.

Retaining staff

Our voluntary turnover rate in Hong Kong in 2020 was over 12 per cent. We closely monitor turnover and gather insights through exit surveys. These enable us to address concerns and implement retention measures.

Employee engagement and communication

We aim to create a work environment that promotes employee engagement, champions diversity and an inclusive culture, and empowers staff to perform at their best.

We organise staff engagement initiatives to foster an open, progressive and dynamic culture. During the pandemic, our Chief Executive hosted online Exchange meetings with all levels of staff, to listen to their views and understand their concerns during this difficult time. The effectiveness of the event was demonstrated by the high attendance rate with a total of more than 3,500 attendees at two online Exchange sessions held.

To enhance communication, collaboration and collegiality, we make frequent use of our intranet, staff app, audio Morning Broadcasts and town hall meetings. Staff can browse the intranet to receive news, strategic messages and updates, and to register for events. Throughout the year, our Morning Broadcasts keep them abreast of the Bank's news and developments.

Staff can also freely share comments and cast votes on different topics on our staff mobile app H@SE. This direct and transparent communication is key to our open and dynamic culture.

Information about the Bank is also conveyed to staff through business briefings, town hall meetings, circulars and emails. We welcome suggestions, comments and feedback through surveys, Exchange sessions, focus groups and the staff app. Their sentiments inform our training, communications and engagement plans, which in turn encourage staff to embrace our culture.

Our People

Promoting High Performance and Engagement

Twice a year, we conduct surveys that focus on staff engagement, and confidence and trust in the Bank's strategy, culture and leadership. The response rate has risen from 66 per cent in the second half of 2019 to 77 per cent in the second half of 2020.

The most recent survey showed the encouraging results of our engagement efforts. Our performance of all seven indexes were above financial services industry benchmarks by one to 14 per cent. In particular, indexes of Employee Engagement, Employee Focus, Strategy, Change Leadership and Speak-up remained steady throughout 2020. And Trust – a key element of Speak-up – rose one percentage point to 82 per cent.

Promoting Equal Opportunities, Diversity and Inclusion

Hang Seng strives for a fair, meritocratic company culture. We do not discriminate on the grounds of gender, gender identity, sexual orientation, ethnicity, race, disability, age, religious belief, family status, marital status, pregnancy, socioeconomic background, or any other aspect of personal difference that is unrelated to job requirements or role.

In championing a diverse, inclusive workplace, we expect all members of our teams to appreciate, respect and care for each other, regardless of personal differences. We strive to lead by example. We comply with the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance.

Our internal Diversity and Inclusion policy and Equal Opportunities policy provide guidance on upholding equality in the workplace, and ensure that all employees are aware of, and adhere to, our expectations. Managers are particularly reminded of their important role in providing a working environment free of unlawful discrimination, harassment, victimisation and vilification.

Board appointments are based on merit, and candidates are considered against objective criteria with due regard for diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Transparency in the director nomination process is ensured by a policy that is available on our website: https://www.hangseng.com/content/dam/hase/en_hk/aboutus/pdf/Nomination_Policy_en.pdf



We embrace gender diversity. The Bank has been ranked 49th out of the 3,702 global companies researched in Equileap's 2021 Gender Equality Global Report & Ranking. We are also one of the 10 companies and the only bank achieving gender balance (40 per cent-60 per cent women) at all four levels – board, executive, senior management and workforce.

Female employees by company level (in %)



* Figures including those seconded from our parent company.

Of our senior leaders, 41 per cent are female. This is well above the HSBC Group's diversity target of 30 per cent of senior roles being filled by women in 2020.

We regularly review and, when appropriate, revise our diversity and inclusion policies. This ensures they are in line with regulatory requirements, market trends and industry best practice.

All staff receive learning on diversity, inclusion, equal opportunities and human rights matters that are relevant to our operations. This is also part of our New Joiners Induction Programme. In 2020, we provided our employees in Hong Kong with approximately 7,000 hours of such learning.

Our People

Training and Skills Development

We invest in learning and development to build and sustain a professional, ethical team that contributes to the success of the Bank. We commit to deploying staff with sufficient skills, knowledge, professional qualifications, experience and soundness of judgement for the responsible discharge of their duties.

To ensure seamless integration with our culture, and to develop competence and potential, we provide new joiners, third-party service providers and agency contractors with a comprehensive induction programme. This enhances understanding of our culture, values, risk management, corporate governance and sustainability objectives.

We offer role-specific learning and development programmes to equip staff with the skills and knowledge to meet challenges and professional requirements. These cover sales and relationship management, products, operations, compliance, credit and risk.

To leverage our industry knowledge, insights and market practices, we partner with market experts from educational institutions to design and deliver courses. In 2020, we partnered with the Hong Kong Institute of Bankers for learning on insurance market trends.

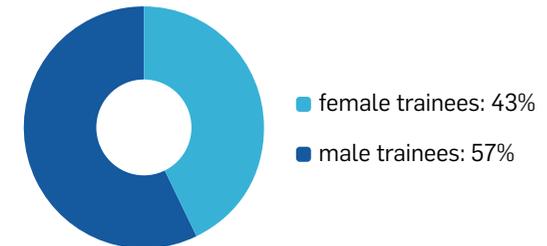
In 2020, we provided our employees in Hong Kong with over 55,900 hours of policy and procedural learning on bribery and corruption, money laundering and sanctions, conduct, values and regulations. Further programmes raised awareness of inclusion and treating others with respect.

We hosted a total of 242,206 hours of learning and development programmes for employees in Hong Kong in 2020. All of our employees took part in training programmes in 2020.

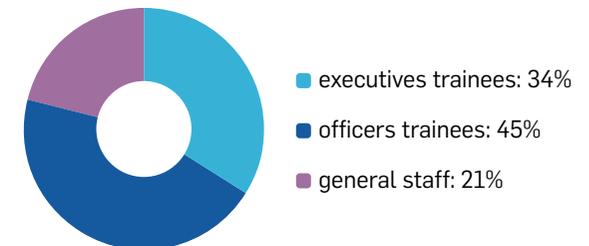
A total of
242,206 hours
 of learning and development programmes
 for employees



Breakdown of trainee by gender in 2020:



Breakdown of trainee by employee category in 2020:



ESG Interviews

People are the most valuable asset at Hang Seng Bank. We groom the next generation and staff force by building their future skills, developing them to become leaders and creating a learning culture that fortifies the Bank's leading position in its 88 years of serving the community and beyond.

Ivy Cheng
 Head of Learning & Talent Development

Our People

Training and Skills Development ■ ■ ■ ■

Learning and Development Programmes	2020*	2019	2018	2017
Average training days				
Per employee in Hong Kong	3.8	5.5	5	5
Average hours by gender[#]				
Male	34	52	46	43
Female	28	40	38	36
Average training hours by employee category				
Executive	25	29	29	32
Officer	33	44	49	41
General staff	37	64	40	41

Note: All headcounts are in full-time employee equivalent (FTE).

* The number of new hires – particularly for branch staff – fell 74 per cent in 2020, owing to the pandemic. A consequent drop in new joiners programmes affected the year's learning and development totals.

[#] We delivered training courses equally to all staff members depending on their roles and needs. The difference in average training hours between male and female members of staff is mainly due to more male colleagues received role-based training with longer training hours, as well as relatively less male colleagues in total headcount.

Shaping an agile culture

Bank-wide learning improves our staff's Agile maturity in IT projects, and helps them to adopt Agile methodologies in non-IT areas. The results include new and enhanced products and services, improved productivity, and better addressing of customer needs.

More than 1,900 employees have received Agile learning and system incidents fell by 17 per cent since the training launched in 2018.

Engraining sustainability

To be an ESG leader in the banking industry, we equip our teams with the necessary knowledge and skills. In 2020, we launched a speaker series, in which speakers from both Hang Seng and industry subject matter experts shared their insights and experience of integrating ESG into daily operations, including sustainable finance and sales. More than 240 colleagues attended the sharing.

In 2021, we will develop a new e-learning series that introduces ESG and explains the values that we ascribe

to it, as well as how our work and values can benefit the environment and community. We will also strengthen engagement activities that help staff and their families understand that everyone can play a key role in ESG and create a better future.

Nurturing talent and succession planning

Our learning and development programmes enable employees to advance their careers, and to refine their management and interpersonal skills. We have an education subsidy scheme to support staff who wish to further their education (e.g. postgraduate degrees) and/or attain professional qualifications. We also offer an online portal with access to learning resources on a wide range of banking, technical and management subjects.



E-learning and instructor-led programmes are available to support staff learning and development.

Besides, to strengthen our people-management capabilities and cultivate our corporate culture, we provide learning and development programmes for our people managers. Workshops are held to combat workplace discrimination, to embrace diversity, and to give staff the confidence to discuss mental health issues with their colleagues.

We promote internal mobility for employees to nurture talent, broaden experience and retain expertise. In 2020, a total of 894 roles were filled by internal employees, demonstrating Hang Seng's support for the career development of our staff.

Our People

Training and Skills Development

Providing youth opportunities

We are committed to providing opportunities for youth. We identify and develop individuals who display potential for leadership and other key positions.

Management Trainee Programme

Every year, we hire graduates to cultivate young talent. We offer a three-year management trainee programme for recent graduates seeking long-term banking careers. This intensive programme prepares participants to assume executive-level positions in our business functions. Please refer to the [management trainee programme](#) webpage for further details.



Supporting industry initiatives

We develop young talents into banking professionals by offering internships across our businesses and functions. In 2020, 64 university students joined programmes for six-month placements for non-final-year university students. These help them to gain the practical experience, skills and knowledge needed for a successful career in banking.

We participated in new initiatives organised by the Hong Kong Monetary Authority in 2020. New graduates were offered six-month placements as part of the Banking Talent programme. In 2021, we will extend the current placement by six months and offer similar opportunities to more graduates. As part of the Financial Industry Recruitment Scheme for Tomorrow programme, we will also offer 12-month placements to more experienced talents.

Proud to be part of the team

Developing a career at Hang Seng is very rewarding because of the encouraging and appreciative working atmosphere. During the COVID-19 pandemic, the Bank reacted swiftly and provided plenty of support to its employees and the community with education, health and wellbeing programmes, as well as volunteering. That makes me very proud to be part of this company.

I am glad to have had rotation opportunities across the front and back offices, and to have witnessed how different teams work together to achieve excellent customer service. Mentoring stimulates our personal growth and equips us to become future leaders.



Christy Li
Management trainee (2019 intake),
Wealth and Personal Banking



Edmond Fok
Management trainee (2019 intake),
Strategic Planning and Corporate
Development

Our People

Training and Skills Development ■ ■ ■ ■ ■

Building better leaders

Retaining and developing high-potential employees support our sustainable growth. Examples of the specialised learning provided by our Leadership and Management Development programmes include:



Talent development

We accelerate the growth of talented individuals with development conversations, bank-wide projects and planned job moves.

Staff with high potential are nominated for development programmes and invited to participate in enterprise leadership assessments.

Young talents are offered a structured three-year learning and development programme to equip them with banking knowledge and soft skills.

Leadership development

Leadership underpins our sustainable growth. We offer a structured development curriculum, from leading self and building personal impact, and leading teams and coaching to leading the business, and driving growth and change.

The Leading Myself curriculum focuses on the development needs of individual participants, enabling them to work more effectively with others.

The Leading Others curriculum is for newly appointed people managers. We identify gaps in their skills and customise their learning pathways. Workshops help these managers cope with the challenges they face in their new roles.

The Leading a Business or Function and Leading the Organisation programmes equip senior leaders with the skills to deliver growth. They hone leadership styles that support the efficiency of our business.

A theme-based people management workshop teaches experienced managers to address on-the-job challenges.

Skills for the Future

To empower our staff to develop future skills, build their capabilities for changing demands and grow their careers with the Bank, we launched the CareerWise programme in 2020. Its features include:



Rock Your Profile: workshops facilitate personal branding through LinkedIn® professional networking service profiles to highlight staff's expertise and achievements in their respective professional sectors. This also helps to strengthen the Bank's branding in the market and ability to attract talent.



Career KOL: external and internal key opinion leaders share career stories, reflections on their own journeys and reality checks.



Talks-series Video: via video, different departments showcase their teams and personalities, and share interesting glimpses of a wide range of roles to help staff navigate development opportunities within the Bank.



Future Skills: representatives of different businesses and functions act as influencers, encouraging staff to explore their potential.

Performance management

Performance management enables staff to deliver sustainable and long-term results. It involves setting clear objectives, providing regular feedback and recognition, assessing performance and behaviour, and coaching and supporting employees to perform to the best of their ability. Supplementary resources such as performance and talent management guides are available.

We also offered a People Management Clinic Workshop – Managing Behaviour First and Evidence-based Performance Assessment. Facilitated by business leaders and embedded with practical examples, this enhanced the capability of our frontline people managers.

Our People

Promoting Employee Wellbeing

Employees who enjoy a good work-life balance are better equipped to perform well. They may wish to take time away from work to pursue personal interests, with the security of knowing their job will be waiting for them on their return.

We support our people with initiatives such as adoption leave. And to encourage them to contribute to the community and experience the personal rewards of civic participation, they can take two days of volunteer leave per year.

Staff face different work-life challenges at different stages of their lives. Therefore, we offer the flexibility to work from home, to work part-time and to take sabbatical leave, so they can fulfil their responsibilities as parents or caregivers. Employees are also encouraged to discuss options with their managers, such as flexible working hours and alternative locations, to better balance their work and personal commitments. These initiatives enhance engagement, increase retention and attract talent.

Our three core buildings feature rooms cater for the needs of nursing mothers



To support our employees' families, we provide 16 weeks of paid maternity leave and 10 days of paid paternity leave. During 2020, 150 female employees and 125 male employees applied for maternity and paternity leave. Return-to-work and retention rates following parental leave were close to 100 per cent in 2020.

We regularly review employee benefits against the market to ensure they are fit for purpose and support staff wellbeing.

Supporting flexible working

We have established a formal policy to provide flexibility for employees to work from home or other Hang Seng offices, depending on the nature of their job, the requirements of the business, and their own circumstances.



Staff can work anywhere securely using a **laptop, personal computer or mobile device**

To support this, we launched new digital collaboration tools and virtual desktops. And we are digitising paper-dependent operations to remove physical constraints. In September 2020, we implemented Integrated Document Management to centralise all physical and electronic document handling. E-workflows for our operations have made working from home more viable.

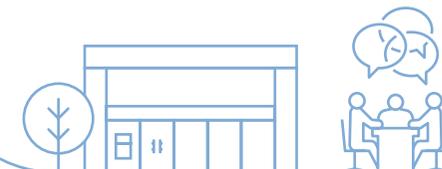
Promoting health and wellness

We are committed to creating a work environment that enables our employees to be at their physical and mental best.

Our Employee Assistance Programme provides access to professional counsellors. This service – available 24 hours a day, seven days a week – is free and confidential.

To support the health and wellness of our employees and their family, we provide hospitalisation and surgical benefits, outpatient treatments, dental services and wellness support. A range of preventive and flexible wellbeing services includes routine medical checks, eyesight checks and vaccinations. We provided on-site seasonal influenza vaccinations for employees in 2020.

The pandemic presented physical and mental health challenges. Our Back to Healthy Lifestyle programme offered online wellbeing workshops. For example, as many of our employees are parents, we hosted workshops to share tips on managing children's emotional health. With fewer opportunities to exercise during the pandemic, we also arranged workshops on weight management and healthy diets.



Our People

Promoting Employee Wellbeing

Meanwhile, we continue to organise leisure and recreational activities to support employees to maintain work-life balance. For instance, we prepared seasonal herbal tea for all staff at our core buildings. Via online channels, we hosted events such as an eSports tournament, a mindfulness workshop, a decluttering talk, drawing and photography classes and cooking classes by our executive chef with guest appearances from senior leaders. In September 2020, we launched the Workout Month to provide comprehensive exercise schedule and live video guidance to help staff keep active day and night. Having received much positive feedback, we have since turned the event into regular online exercise classes.



Games and activities were organised virtually to celebrate traditional festivals and to strengthen connections with colleagues, friends and family members. These included an Easter Egg drawing competition, and mooncake and lantern workshops.

Overall, more than 9,500 participants joined over 170 staff programmes and activities in 2020.

To better understand the impact of COVID-19 on our employees' physical, mental and financial wellbeing, a pulse survey was undertaken in May 2020. The responses supported our belief that our staff are resilient and flexible in the most challenging of operating environments. Our responses to the pandemic have been positively received, and most employees feel positive about our strategy and future.

We will continue to facilitate and promote new ways of working, innovations and enhanced technology, to become a more efficient and agile organisation.

Family Classes

We organised leisure and recreational activities for our employees to enjoy time with their families:

Camping



tips on camping in Hong Kong from an experienced hiking instructor



live demonstrations of fun and safe at-home yoga for adults and children



Balloon-twisting

lessons on making fun balloon animals and flowers.



Revitalised Workplaces

We continued to renovate our headquarters and other core buildings using an activity-based model. By providing more spacious breakout areas to facilitate colleagues' interactions, we seek to cater to diverse working styles, encourage creativity, agility and collaboration, and support health and wellness.

To make our workplace fun and energised, our building premises are also equipped with amenities including game corners with videogame consoles, billiards and a table soccer, a table tennis room, a library, and a recharge room with massage chairs. Two communal floors in our headquarters – opened in 2021 – feature a cafeteria, a kiosk selling healthy fruit and snacks, shower rooms and a wellness corner with fitness equipment such as an aerobic step, a treadmill, a bike and a yoga mat.

Our People

To provide **more flexibility**, maximum loan tenor for new property purchase applications has been extended to 65 years of age.



Promoting Employee Wellbeing ■■■

Maintaining financial wellbeing

To assist financial wellbeing of our staff, we provide special offers for credit cards, insurance and other products and services. We offer special terms for staff's savings and housing loans, enabling employees to obtain a first home, and we assist with subsequent property purchases as family circumstances change.

To provide more flexibility, maximum loan tenor for new property purchase applications has been extended to 65 years of age. Employees can shorten the repayment period, depending on their financial circumstances.

To encourage staff to plan for retirement, we offer a wide choice of fund options in the Defined Contribution Scheme. We also provide regular fund factsheets, to help employees identify and understand their appetite for investment risk and volatility.

To prepare employees for the negative impacts of COVID-19 on their personal or family finances, we presented two webinars as part of a Financial Wellbeing Week in June 2020: "Post-pandemic Investment Outlook and Strategy" and "Post-Covid-19 Impacts on Investment Choices for Retirement Benefits". A financial e-learning resource was also made available on our internal Wellbeing Hub.

Promoting Occupational Health and Safety ■■■

We uphold high standards of occupational health and safety (OH&S). We develop our [OH&S policy](#) and management framework by engaging employees at all levels via committees, forums and working groups.

All staff undergo OH&S training. This ranges from classroom-based training to e-learning, and is included in our induction programme.

In 2020, we successfully upgraded our OHSAS 18001-certified OH&S management system to the latest ISO 45001 standards. This is designed to reduce the exposure of staff, contractors and customers – and those in our subsidiaries in Hong Kong – to health and safety risks associated with our business.

At all premises, we have staff fire marshals and qualified first aiders who can offer prompt assistance to colleagues and customers in the event of an emergency or accident. Some are also trained to operate the external defibrillators installed in various bank premises.



Our People

Promoting Occupational Health and Safety

A Safety Management Committee, comprising senior management representatives, monitors and advises on our OH&S programmes. The concerns and views of staff are represented by a working team of middle management representatives. They are supported by approximately 300 job hazards analysis (JHA) team members. (See Occupational health and safety: everyone's business)

Risk assessments are undertaken by the JHA team at least once every six months. If there are any changes or proposed changes – including the use of equipment and materials, special or temporary activities or renovations, or actions undertaken after incidents – the existing analysis and assessment are reviewed as soon as possible. When a workplace hazard is identified, safety instructions are made available.

Staff are encouraged to alert their department's JHA representatives to hazards or potential hazards. These may include improper handling, "slip, trip and fall" risks and loose-lying cables. Action is taken to mitigate the risks.

Our Contingency Plan for Communicable Diseases sets out key issues and required actions in the event of a serious outbreak. Our intranet features information on the importance of personal hygiene and good health practices, and on contingency measures that will enable us to continue serving the community during emergencies.

Hang Seng is dedicated to complying with OH&S-related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong).



Occupational health and safety: everyone's business

We manage occupational health and safety issues at bank-wide and functional level:

Bank-wide

- Arrangements and systems for resolving OH&S-related issues
- Performance targets and levels of practice

Functional-level

- Personal protective equipment
- Safety Management Committee
- Staff representation in health and safety inspections, safety audits and accident investigations
- Training and education
- Complaint and reporting mechanisms

Our People

Promoting Occupational Health and Safety

Meeting the challenges of COVID-19

COVID-19 created a raft of challenges for our people and business. Despite these, we upheld our commitment to supporting our staff, our customers and our community.

We responded immediately to suspected and actual infection cases by closing and disinfecting workplaces or branches, and requiring our staff to conduct virus testing, to trace close contacts and to implement precautionary self-quarantine. 611 employees took an average of 16 days' special leave for self-quarantine or self-care during 2020.

To further lessen the risk of infection, we established guidelines on working from home, split site operations, social distancing and restrictions on moving from one office to another, depending on the severity level of the pandemic.



Different businesses and functions worked together to ensure a safe, secure and efficient transition to remote working to reduce the number of staff working on-site.

Meanwhile, our frontline staff at branches and back-end operational staff continued to work on-site to ensure uninterrupted services for our customers. To protect them, we arranged frequent workplace cleaning and offered protective gear such as masks and screens on counters. As a token of appreciation, we provided additional compassionate allowances and annual leave. (See [Keeping safe on site during COVID-19](#) in Our Customers for more on how we protected our customers and frontline staff)

COVID-19 enquiries raised by employees were handled by a dedicated HR team to ensure they were answered in a timely and consistent manner. We keep employees up-to-date with work arrangements via an emergency notification system. Regular updates on COVID-19-related topics, including medical and mental health advices, are also available on our intranet and mobile staff app.

To ensure learning and development were maintained throughout this period, a flexible learning approach was adopted, where our staff could continue to attend e-learning and virtual facilitated classrooms through our online portal.

To safeguard our staff during COVID-19, we took the following measures, some of which were put in place after having consulted medical experts:



Barred visitors to our core buildings and stopped staff moving between offices



Temporarily suspended weekly fruit provision and happy hour gatherings in offices



Encouraged working remotely from home and flexible working hours



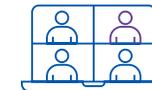
Provided surgical masks for all staff



Provided gloves and goggles for staff at branches



Limited the number of people in meeting rooms



Encouraged video conferencing instead of face-to-face meetings



Provided disinfectant mats at building entrances



Measured body temperatures at building entrances



Provided disinfectant gel in communal areas



Increased the frequency of routine cleaning



Installed protective screens on desks and counters

Our People

Our People In Numbers

Occupational health and safety statistics

	2020	2019	2018	2017
Lost day rate[^]				
Male	0	0.23	0.73	0.04
Female	5.95	2.41	0.26	2.22
Overall	5.95	2.64	0.99	2.26
Total lost days	495	232.5	92.5	187.5
Occupational injury rate[#]				
Male	0	0.02	0.03	0.01
Female	0.10	0.06	0.03	0.10
Overall	0.10	0.08	0.06	0.11
Absenteeism rate[*]				
Male	1.06%	1.56%	1.50%	1.25%
Female	1.60%	2.28%	2.15%	1.95%
Overall	1.37%	1.98%	1.87%	1.66%
Occupational fatalities	0	0	0	0

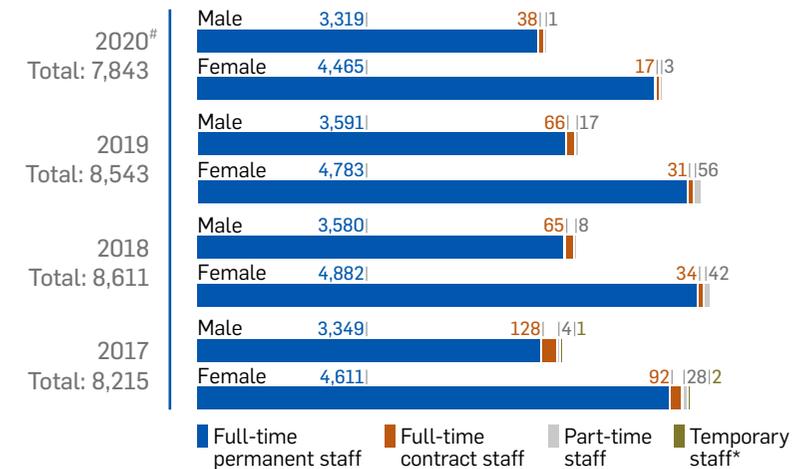
Note:

[^] The lost day rate is based on the number of days lost per 200,000 hours worked (100 employees working 40 hours per week for 50 weeks). The full-time employee equivalent in 2020, 2019, 2018 and 2017 was 7,843, 8,315, 8,814 and 7,828 respectively.

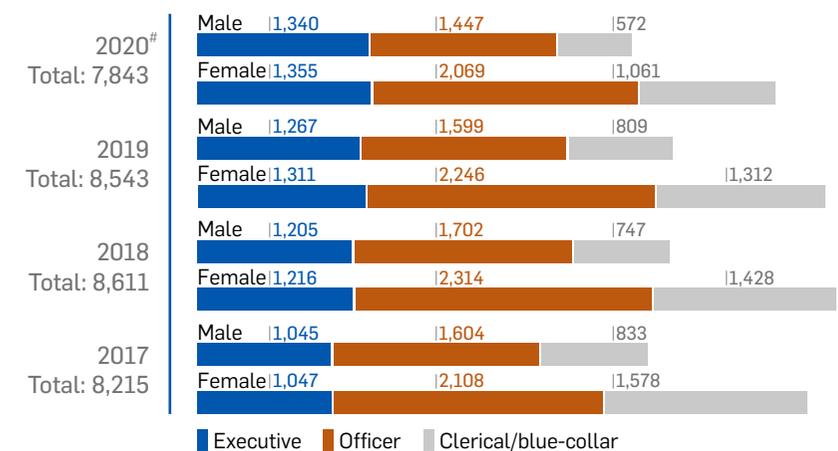
[#] The injury rate is based on the number of injuries per 200,000 hours worked. The full-time employee equivalent is as above.

^{*} The absentee rate indicates the number of absentee days (as a result of occupational injury and illness) as a percentage of the total work days scheduled for the workforce, i.e. average headcount of the year. The average headcount in 2020, 2019, 2018 and 2017 was 8,391, 8,677, 8,421 and 7,863 respectively.

Headcount by employment type and gender



Headcount by employee category and gender



Note:

^{*} The "temporary staff" category was retired in 2018. The headcount was incorporated in the other three categories.

[#] Talents are the most important asset of the Bank. In 2020 we prioritised the promotion of internal mobility and development opportunities for staff. Despite the drop in workforce size, we invested in technology and process efficiency improvement to increase our staff's productivity.

Our People

Our People In Numbers

Headcount by age group

	2020 ⁺	2019	2018	2017
Below 30	1,999	2,536	2,585	2,535
30 to 39	2,712	2,704	2,650	2,354
40 to 49	1,824	1,957	2,034	2,025
50 to 59	1,262	1,271	1,291	1,261
60 or above	46	75	50	40
Grand total	7,843	8,543	8,611	8,215

Average age

	2020	2019	2018	2017
Executive	40	40	40	40
Officer	37	37	36	37
Clerical/blue-collar	37	36	38	37
Overall	38	38	38	38

Average years of service

	2020	2019	2018	2017
Executive	9	9	8	9
Officer	11	10	10	11
Clerical/blue-collar	11	9	11	11
Overall	10	9	10	11

New Hire and Internal Hire

	2020 [*]		2019		2018		2017	
	Male	Female	Male	Female	Male	Female	Male	Female
New Hires								
Below 30	135	98	525	490	563	616	553	566
30 to 39	117	50	227	180	346	295	258	246
40 to 49	15	28	50	85	67	121	61	68
50 to 59	7	3	19	27	32	31	27	16
60 or above	1	1	12	13	3	4	13	4
Total	275	180	833	794	1,011	1,067	912	900
Grand total	455		1,628		2,078		1,812	
New hire rate [^]	5.8%		19.1%		24.1%		22.1%	
Internal Hire								
Internal hire rate [#]	57.3%		42.1%		26.3%		24.7%	

Note:

- All headcounts are in full-time employee equivalent (FTE).
- Due to rounding, numbers may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
- Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.

⁺ Talents are the most important asset of the Bank. In 2020, we prioritised internal mobility and development opportunities for existing staff. Despite the drop in workforce size, we invested in technology and process efficiency improvement to increase our staff's productivity.

^{*} In 2020, due to impact of COVID-19 and the slowdown in economic activity, the Bank maintained a relatively low attrition rate, which reduced the need for external recruitment. The Bank was also prudent in cost control and headcount expansion.

[^] Percentage of total new hires compared to total employees at the end of year.

[#] Percentage of internal hires refers to the total number of open positions filled by employees divided by the total number of vacancies in the year.

Our People

Our People In Numbers

Voluntary turnover by age and gender

	2020				2019				2018				2017			
	Male		Female		Male		Female		Male		Female		Male		Female	
	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a	Headcount	Turnover ^a
Below 30	225	2.9%	191	2.8%	320	3.8%	343	4.1%	363	4.4%	382	4.7%	358	4.6%	409	5.3%
30 to 39	172	2.1%	131	1.6%	256	3.0%	227	2.7%	233	2.8%	207	2.5%	174	2.2%	192	2.5%
40 to 49	36	0.4%	79	1.0%	72	0.8%	113	1.3%	70	0.8%	113	1.4%	46	0.6%	75	1.0%
50 to 59	30	0.4%	41	0.5%	81	0.9%	83	1.0%	49	0.6%	43	0.6%	22	0.3%	30	0.4%
60 or above	40	0.5%	46	0.6%	3	0.1%	4	0.1%	35	0.4%	36	0.5%	52	0.7%	30	0.4%
Total	504	6.3%	488	6.4%	733	8.6%	770	9.2%	751	9.1%	780	9.7%	652	8.4%	737	9.6%
Grand total	992 (12.7%)				1,502 (17.8%)				1,531 (17.9%)				1,389 (18.0%)			

Voluntary turnover by employee category

	2020	
	Headcount	Turnover rate ^a
Executive	254	3.0%
Officer	494	5.9%
Clerical/blue-collar	244	3.8%
Total	992	12.7%

Notes:

- No significant seasonal variations in headcount were reported.
- All headcounts are in full-time employee equivalent (FTE).
- Due to rounding, numbers may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
- Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.

^a The turnover rate is based on the actual number of employees.

Our People

Our People In Numbers ■ ■ ■ ■ ■

Total turnover by age and gender

	2020				2019				2018				2017			
	Male		Female		Male		Female		Male		Female		Male		Female	
	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]	Headcount	Turnover [^]
Below 30	235	3.3%	211	3.7%	327	3.9%	347	4.2%	382	4.7%	392	4.9%	385	5.0%	417	5.4%
30 to 39	183	2.2%	138	1.8%	262	3.0%	232	2.7%	244	2.9%	224	2.7%	194	2.5%	207	2.7%
40 to 49	53	0.6%	99	1.4%	83	1.0%	125	1.5%	77	0.9%	116	1.4%	60	0.8%	108	1.4%
50 to 59	46	0.6%	58	1.0%	91	1.1%	95	1.1%	68	0.8%	48	0.6%	43	0.6%	68	0.9%
60 or above	70	0.9%	63	0.9%	7	0.1%	7	0.1%	43	0.5%	37	0.5%	53	0.7%	30	0.4%
Total	587	7.6%	569	8.8%	771	9.0%	806	9.6%	815	9.9%	816	10.2%	735	9.5%	831	10.8%
Grand total	1,156 (16.5%)				1,576 (18.7%)				1,631 (19.9%)				1,566 (20.4%)			

Notes:

- No significant seasonal variations in headcount were reported.
- All headcounts are in full-time employee equivalent (FTE).
- Due to rounding, numbers may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
- Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.
- Headcount, number of new hires and total turnover may not be calculated precisely from the data, due mainly to inter-company transfers with subsidiaries and change of employment status of individual employees (e.g. from full-time to part-time, or vice versa).

[^] The turnover rate is based on the actual number of employees.

Our Environment



We have established targets to **reduce our electricity consumption** and **Scope 2 greenhouse gas emissions** and to source electricity from renewable energy schemes hosted by local providers.



Reflecting the need to protect the planet for present and future generations, we endeavour to use fewer natural resources and to promote environmental responsibility. We conduct business in an environmentally conscious manner and advocate for good practices in our relationships with stakeholders.

Our ambition is to achieve carbon-neutrality for our operations by 2030. Accordingly, we have established targets to reduce our electricity consumption and scope 2 greenhouse gas emissions and to source electricity from renewable energy schemes hosted by local providers.

To minimise the negative environmental effects of our business, we implement environmental programmes to:

 <p>promote energy efficiency, water saving, and reduction of our greenhouse gas emissions</p>	 <p>reduce consumption of materials to minimise waste</p>	 <p>dispose of waste in an environmentally responsible way</p>	 <p>promote recycling and the use of recycled or environmentally friendly materials</p>
 <p>minimise our use of chlorofluorocarbons (CFCs)</p>	 <p>give preference to suppliers and contractors with environmentally friendly practices</p>	 <p>adhere to all relevant environment, health and safety laws and regulations</p>	 <p>support environmental initiatives, partly through our community programmes</p>

Our Environment

Our Shared Responsibility

To tackle the global challenge of climate change, we embrace the [HSBC Group's aim](#) of supporting customers as they transition to a low-carbon economy. We are strengthening our financing for corporate customers' green projects and sustainable development, and increasing the total holding of green bond investments in our portfolio. (See [Promoting Sustainable Finance](#) in Our Customers)

To guide and monitor our environmental efforts, we set short, medium and long-term targets for energy consumption, water consumption, paper consumption, greenhouse gas emissions, and waste reduction and recycling. We made progress on these targets in 2020, but we are well aware that it is a combined result of the environmental reduction initiatives implemented by various business units and the COVID-19 impact of more employees working remotely from home and conducting virtual meetings.

Aspects	Base year	Our Progress	Short-term goals (by 2022)	Medium-term goals (by 2025)	Long-term goals (by 2030)
Electricity consumption	2018	▼ 8%	▼ 7.5%	▼ 15%	▼ 30%
Greenhouse gas emissions – total Scope 1 and 2*	2018	▼ 8%	▼ 7.5%	▼ 15%	▼ 30%
Water consumption	2018	▼ 9%	▼ 8%	▼ 14%	▼ 24%
Waste diversion	N/A	Divert 66% of waste from landfill	Divert 70% of waste from landfill	Divert 74% of waste from landfill	Divert 80% of waste from landfill
Paper consumption [^]	2019	▼ 10%	▼ 15%	▼ 22.5%	▼ 35%

* This target excludes the carbon emissions reduction 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.

Our Environmental Management ■■■

As Hong Kong's first domestic bank to attain ISO 14001 certification for all offices and branches, we strive to lead by example in supporting the transition to a low-carbon economy. We have established an [Environmental policy](#). We monitor our environmental management system (EMS) and ensure its ongoing compliance with ISO 14001 standards.



Our Environment

Our Environmental Management

Hang Seng has been undertaking a bank-wide office enhancement programme. This includes initiatives to make our workplaces more energy efficient and sustainable, with reference to internationally recognised standards. And to adopt green practices and achieve a greener workplace, we have guidelines regarding matters such as procurement and waste management.

A number of staff members are trained as Green Ambassadors to support the implementation of our EMS. They also raise awareness of environmental matters among their associates, families and friends, providing regular updates on relevant policies and measures.

Our operations comply with Hong Kong regulations and guidelines, such as the Waste Disposal Ordinance (Cap. 354) that governs the storage and disposal of electronic waste. In 2020, no judgements were entered against the Bank for breaching environmental laws or regulations.



Greening our buildings

We aim for energy-efficient, sustainable buildings that meet the highest international standards. Hang Seng 113 was Hong Kong's first domestic bank office building to be certified Platinum – the highest attainable level – under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) scheme. Our Hang Seng Tower building also attained LEED Gold certification for its fitting-out.



In our premises, we use environmentally friendly building materials and energy-efficient appliances. These include low volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade-1-rated electrical appliances.

We have adopted measures to help reduce energy usage. For example, all lighting and air conditioning in our core buildings are programmed to switch off at a set time, typically 19:30. We limit the number of operating lifts after office hours and at weekends. In support of the government's climate action, three office buildings have been enrolled in the Energy Saving Charter 2020 scheme and the 4T Charter scheme.

Our workplace enhancement programme uses technology and digital solutions to achieve paperless working and to reduce storage space. This allows us to build meeting rooms and spacious breakout areas to support mobile and collaborative work. Fourteen floors at our headquarters were renovated in 2020.

Construction waste generated from demolition and renovation is handled by contractors and taken only to government-approved facilities. We ensure that contractors' waste management and handling meet our standards. When renovating offices, we try to reuse furniture that is in good condition.

To contribute to climate change mitigation, we actively explore opportunities to support local renewable energy generation. Solar panels will be installed at Hang Seng 113 to generate renewable energy. In 2020, we purchased Renewable Energy Certificates worth a total of 330 MWh from local electricity suppliers. Each unit in a certificate represents electricity produced by local renewable sources, such as solar, wind and landfill gas. Our efforts to support local renewable energy were recognised with a win at CLP Smart Energy Award 2020.

ESG Interviews

We have in place comprehensive targets on how to reduce our environmental footprint over the next 10 years. This is because Hang Seng values an eco-friendly environment in all its operations by always exploring sustainable solutions and adopting new technologies to meet its own environmental ambitions.

Eddie Chan
Head of Corporate Services

Our Environment

Our Environmental Management

Extreme weather and climate change present risks to our staff, buildings and business. To prepare for and minimise damage during the typhoon season, and to adapt to other extreme conditions, we have launched a 2-year overall façade enhancement programme in our headquarters since 2019. Uninterruptible Power Supply (UPS) is installed in all our three core buildings to support the operations of critical departments and ensure service continuity in times of power suspension.

We currently hold the Gold Class Fresh Water Award for our headquarters and the Quality Fresh Water and Quality Flushing Water awards for Hang Seng 113. These are the



Leadership in Energy and Environmental Design



Quality Flushing Water awards for Hang Seng 113



Planned installation of solar panels at Hang Seng 113



Reuse of cooling water for flushing



results of our voluntary participation in the Quality Water Supply Scheme for Buildings, administered by Hong Kong's Water Supplies Department. We reuse cooling water for flushing in Hang Seng 113.

Greening our customer communications

To reduce our paper usage, 66 per cent of our retail customer statements and advice slips were sent via electronic channels as of December 2020. This represented a year-on-year increase of over 10 percentage points in e-Advices and e-Statements. Meanwhile, 94 per cent of shareholders adopted our e-communication services in 2020. This saved over 16 million sheets of paper.

For Commercial Banking, 82 per cent of customer transactions were processed via digital channels in 2020. Those channels include our internet banking services, ATMs and automated electronics machine services. The transactions included payment transfers, autopay, deposits, payroll and ATM services. The year's charitable donations via digital channels totalled more than 410,000 in transaction count and HK\$47 million in amount.

Advocating for the environment

As one of Hong Kong's largest listed companies, we are well positioned to champion environmental stewardship. We strive to set a good example by continually improving our performance. In 2020, our work in this area included:

Partnership with The Conservancy Association:

We have been nurturing a low-carbon village model in Yunnan province since 2016, following the successful completion of a biogas initiative in the preceding 10 years.

Hang Seng – CA Eco-Rangers:

We continued to support this signature orienteering competition. Owing to COVID-19, physical activities were replaced by online engagement activities to raise public awareness of environmental protection.

WWF HK and the Business Environment Council's corporate membership programme, WWF HK's Earth Hour and Environmental Bureau's Charter on External Lighting:

Our participation demonstrates our commitment to protecting our community and planet.

Quarterly internal newsletters:

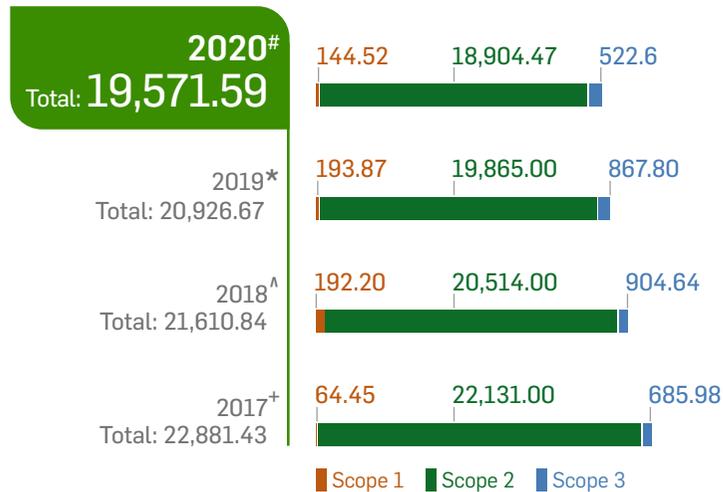
Distributed via email, these newsletters feature green facts to raise employees' awareness of environmental protection in our daily operations.

Our Environment

Our Environmental Performance



Total GHG emissions (tonnes of CO₂e)



	Unit	2020 [#]	2019 [*]	2018 [^]	2017 ⁺
Total GHG emissions¹	tonnes of CO ₂ e	19,571.59	20,926.67	21,610.84	22,881.43
Scope 1	tonnes of CO ₂ e	144.52	193.87	192.20	64.45
Stationary combustion	tonnes of CO ₂ e	57.98	78.30	79.32	64.45
Mobile combustion	tonnes of CO ₂ e	86.54	115.57	112.88	N/A
Scope 2	tonnes of CO ₂ e	18,904.47	19,865.00	20,514.00	22,131.00
Purchased electricity	tonnes of CO ₂ e	18,892.81	19,848.00	20,496.00	22,116.00
Towngas	tonnes of CO ₂ e	11.66	17.00	18.00	15.00
Scope 3	tonnes of CO ₂ e	522.6	867.80	904.64	685.98
Business travel (land and air)	tonnes of CO ₂ e	201.85	551.96	563.43	342.98
Transmission and distribution loss	tonnes of CO ₂ e	309.99	309.00	337.00	343.00
Upstream transportation and distribution (mobile branch)	tonnes of CO ₂ e	10.76	6.84	4.21	N/A
Total GHG emissions per FTE	tonnes of CO ₂ e / FTE	2.41	2.47	2.56	2.95
From Scope 1	tonnes of CO ₂ e / FTE	0.02	0.02	0.02	0.01
From Scope 2	tonnes of CO ₂ e / FTE	2.33	2.35	2.43	2.85
From Scope 3	tonnes of CO ₂ e / FTE	0.06	0.10	0.11	0.09
GHG emissions per sq. ft.	tonnes of CO ₂ e / FTE	0.014	0.015	0.016	0.016

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

Most of our environmental footprint dropped in 2020 owing to altered working conditions during COVID-19.

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hour FTE: Full-time equivalent employee² sq. ft.: Square foot³

[#]1 Oct 2019 – 30 Sep 2020 ^{*}1 Oct 2018 – 30 Sep 2019 [^]1 Oct 2017 – 30 Sep 2018 ⁺1 Oct 2016 – 30 Sep 2017

¹ Scopes 1 and 2 greenhouse gas emissions were estimated according to the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition). Scope 2 greenhouse gas emissions are calculated based on electricity and town gas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.50kg CO₂e/kWh and 0.83kg CO₂e/kWh respectively, as of 2020. Scope 3 greenhouse gas emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

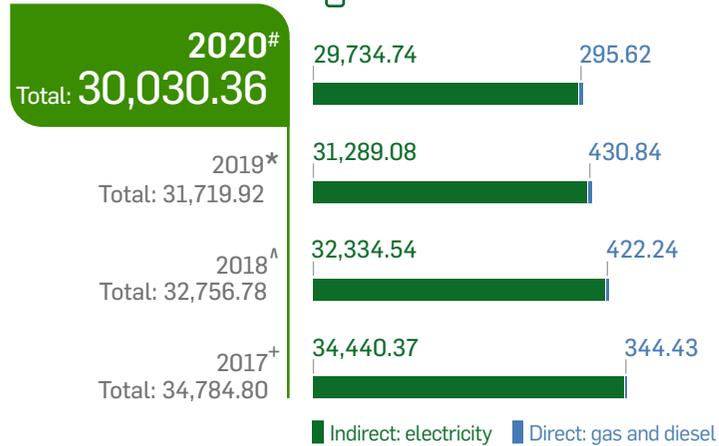
² Full-time equivalent employees as of 30 Sep 2020, 30 Sep 2019, 30 Sep 2018 and 30 Sep 2017 were 8,103, 8,468, 8,452 and 7,769, respectively.

³ Floor area as of 30 Sep 2020, 30 Sep 2019, 30 Sep 2018 and 30 Sep 2017 was 1,375,455, 1,387,344, 1,357,948 and 1,427,358 sq. ft., respectively.

Our Environment

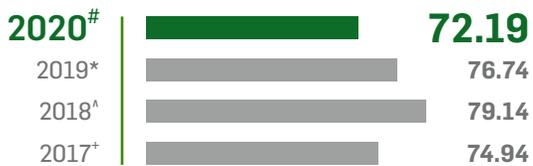
Our Environmental Performance

Total energy consumption (MWh)

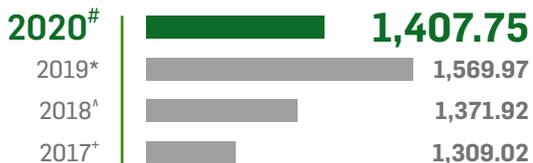


	Unit	2020 [#]	2019 [*]	2018 [^]	2017 ⁺
Total energy consumption	MWh	30,030.36	31,719.92	32,756.78	34,784.80
Indirect: electricity	MWh	29,734.74	31,289.08	32,334.54	34,440.37
Direct: gas and diesel	MWh	295.62	430.84	422.24	344.43
Energy consumption per FTE	MWh / FTE	3.71	3.75	3.88	4.48
Energy consumption per sq. ft.	MWh / sq. ft.	0.02	0.02	0.02	0.02
Total water consumption¹	000 m ³	72.19	76.74	79.14	74.94
Water consumption per FTE	m ³ / FTE	8.91	9.06	9.36	9.65
Total paper consumption	tonnes	1,407.75	1,569.97 ²	1,371.92	1,309.02

Total water consumption¹(000 m³)



Total paper consumption (tonnes)



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

Most of our environmental footprint dropped in 2020 owing to altered working conditions during COVID-19.

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hour FTE: Full-time equivalent employee³ sq. ft.: Square foot⁴

[#]1 Oct 2019 – 30 Sep 2020 ^{*}1 Oct 2018 – 30 Sep 2019 [^]1 Oct 2017 – 30 Sep 2018 ⁺1 Oct 2016 – 30 Sep 2017

¹ Freshwater is used for toilet flushing in Hang Seng 113 as it is not covered by the Water Supplies Department's seawater supply.

² The surge in paper consumption in office was resulted from a change in the data collection method since the second quarter of 2019, which reflects upon user base.

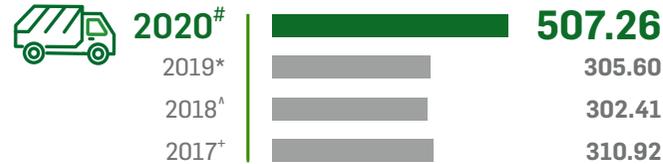
³ Full-time equivalent employees as of 30 Sep 2020, 30 Sep 2019, 30 Sep 2018 and 30 Sep 2017 were 8,103, 8,468, 8,452 and 7,769, respectively.

⁴ Floor area as of 30 Sep 2020, 30 Sep 2019, 30 Sep 2018 and 30 Sep 2017 was 1,375,455, 1,387,344, 1,357,948 and 1,427,358 sq. ft., respectively.

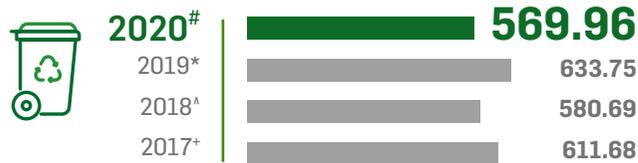
Our Environment

Our Environmental Performance

Waste disposed to landfill¹ (tonnes)



Waste collected for recycling (tonnes)



	Unit	2020 [#]	2019 [*]	2018 [^]	2017 ⁺
Waste disposed to landfill¹	tonnes	507.26²	305.60	302.41	310.92
Waste disposed per FTE	tonnes/FTE	0.06	0.04	0.04	0.04
Waste collected for recycling	tonnes	569.96	633.75	580.69	611.68
Paper	tonnes	442.51	598.20	530.07	550.77
Plastic	tonnes	0.79	1.40	0.59	0.44
Aluminium cans	tonnes	0.58	0.66	0.20	0.18
Glass ³	tonnes	0.28	0.29	0.10	N/A
Furniture	tonnes	5.55	0.79	7.14	19.11
IT and electrical ⁴	tonnes	106.82	4.79	17.61	20.73
Food waste	tonnes	13.43	27.62	24.98	20.45

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

Most of our environmental footprint dropped in 2020 owing to altered working conditions during COVID-19.

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hour FTE: Full-time equivalent employee⁵

#1 Oct 2019 – 30 Sep 2020 *1 Oct 2018 – 30 Sep 2019 ^1 Oct 2017 – 30 Sep 2018 +1 Oct 2016 – 30 Sep 2017

¹ Hazardous waste is not counted owing to the insignificant amount.

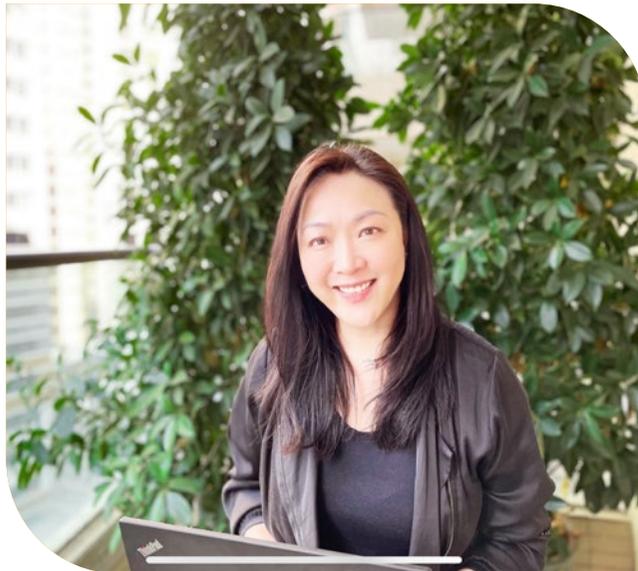
² Renovation of our headquarters and other core buildings generated construction waste, hence a higher volume of waste disposal.

³ Relevant data have been collected for reporting since 2018.

⁴ IT and electrical waste consisting of flat panel displays and printed circuit boards is classified as hazardous. All IT wastes was donated to charity, or recycled by authorised vendors. 300 laptops were donated to charity in 2020.

⁵ Full-time equivalent employees as of 30 Sep 2020, 30 Sep 2019, 30 Sep 2018 and 30 Sep 2017 were 8,103, 8,468, 8,452 and 7,769, respectively.

Our Community



“ Our connections to the community are a vital element of our business strategy and brand strength. ”

Kathy Tesvich
Head of Corporate Responsibility

ESG Interviews

Investing for the Community and the Bank

Our connections to the community are a vital element of our business strategy and brand strength. But these relationships do not create themselves and we do not take them for granted: they require careful and consistent work.

This is where the Corporate Sustainability department comes in. We coordinate with our colleagues across the Bank and with our partners in the community. Hang Seng and its people represent a broad range of resources and expertise. Our different business units work together in a variety of ways to help the community solve real-life challenges.

We don't make assumptions about our community. We talk to our stakeholders in order to understand more about both their short-term needs and long-term aspirations. Then we meet with the Bank's management team to discuss how we can leverage Hang Seng's strengths and resources to provide supportive and effective assistance. We invite proposals from community partners and decide where we can have the greatest positive impact.

Participating in volunteer programmes helps to build team spirit and enhance a sense of belonging to the Bank and the community among our staff. We engage our colleagues through a variety of initiatives and encourage them to share their ideas and views on how Hang Seng is doing in making a contribution to the development and wellbeing of Hong Kong.

Through word-of-mouth and proactive external communications about our actions, we aim to raise awareness of community issues to inspire others to join the Bank in working for positive changes.

In 2021, we are concentrating on financial education for groups such as young parents and students. We are also planning to work with NGOs in Hong Kong to step up our actions on climate change. We are looking forward to sharing good news and results this time next year.

Our Community

Hang Seng strives to contribute to a prosperous and sustainable future for the communities in which we operate.

In 2020, we continued to put emphasis on providing future skills learning opportunities for Hong Kong's young people to help strengthen their ability to adapt and thrive in a fast-changing environment. This approach aligns with our business strategy of placing focus on supporting younger generations, who are integral to driving greater sustainability.

To ensure the financial sustainability of our community, we provided dedicated financial education programmes, and included relevant elements in other community investment initiatives, leveraging on the Bank's resources and expertise to do so.

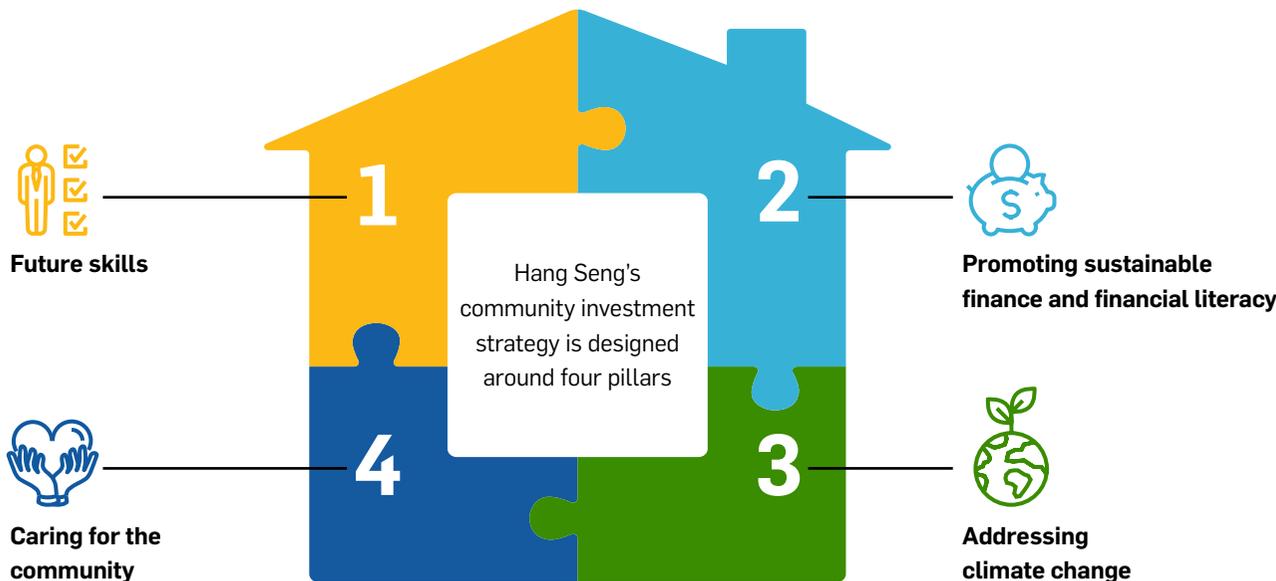
An "Addressing climate change" pillar has been added as a key focus to better respond to this pressing global issue, a reflection

of the major element in the environmental management approach of our operations.

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.

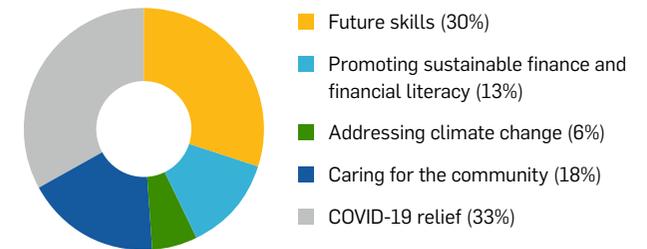
We invested non-financial resources such as volunteer time, professional expertise and practical support to ensure these programmes foster lasting social and environmental impact. Between volunteer time and professional expertise, we contributed close to 11,000 hours in 2020.



Breakdown of Hang Seng's community investment:



Breakdown of community investment areas in 2020:



In response to COVID-19, we mobilised appropriate financial and non-financial resources in a timely manner and offered assistance to strengthen community resilience.

Our Corporate Social Responsibility Working Group (CSRWG), chaired by the Head of Communications and Corporate Sustainability, is responsible for developing strategies and overseeing the implementation of our community investment programmes. Senior leaders from selected business units and functions serve as members of the CSRWG.

Our Community

Rising to the Challenge of COVID-19 ■■■

Although the COVID-19 pandemic and related school closures inevitably interrupted some of our planned community investment programmes and activities, we responded swiftly to the new realities created by the new operating environment. We worked closely with NGOs to understand the needs of our beneficiaries, refined our programmes and implemented new assistance initiatives to deliver help via both online and offline channels.



employed close to

700 youth tutors

provided more than

66,000 hours of tutoring

Hang Seng Academic Assistance Programme

To respond to the pressing needs of students who have had to adapt to learning from home, we donated HK\$10 million to launch the Hang Seng Academic Assistance Programme (HSAAP) in June 2020 to support underprivileged primary and lower secondary school students.

The Programme partners with St. James' Settlement, seven other charities and 13 primary schools. In 2020, we provided after-school tutoring and counselling, as well as family day-care support, for over 4,600 students. We also set up an online homework portal through which tutors as well as Hang Seng volunteers offered academic assistance. The Programme employed close to 700 youth tutors who provided more than 66,000 hours of tutoring. We also donated laptops, school bags and food subsidies to Programme beneficiaries.

The Programme was delivered through a mixture of online and offline channels to ensure students had easy and safe access to adequate support.



- As a young person pursuing a bachelor's degree in social work, I have always wanted a career in education or social service. Working as a tutor under HSAAP has been a great experience in preparing me for the various types of situations I might encounter in the future. I have worked with students facing a variety of challenges and learned valuable new skills as regards providing the most effective help and support to children with different personalities and abilities. This employment opportunity also provided an important source of income for me and my family during the pandemic and economic downturn. ■■

Mr Ho

Programme tutor



Our Community

Rising to the Challenge of COVID-19

A Parent's Story

Single father Mr Wong lost his job due to the economic impact of COVID-19. It was hard for him to look for new employment because he had to take care of his eight-year-old daughter who was studying from home due to school closures. His daughter was finding online learning difficult and was not as motivated as before due to the lack of opportunities to interact with her peers. Mr Wong found it challenging to help his daughter with her school work and his circumstances meant he could not afford a private tutor.

Relief came in the form of HSAAP, which allowed Mr Wong to send his daughter to tutoring classes and to benefit from the Programme's day-care service. As the Programme capped the number of students at four per tutor, Mr Wong's daughter was able to receive the individual attention and academic support she needed to keep up with her studies. She became more engaged and began taking part in games and other group activities with the opportunity to interact more directly with tutors and other students.

The child-care support from the Programme gave Mr Wong more time to look for work and subsequently, he was successfully employed as a building contractor, which helped to reduce his financial concerns.



Virtual volunteering

Amid social distancing, many Hang Seng staff members – who are all entitled to two days of volunteer leave – participated in “virtual volunteering” in our community. They assisted students via an online homework portal and phoned elderly residents to offer emotional support and provide advice on staying safe and well. In partnership with the Hong Kong Association of Banks, our volunteers also delivered digital banking knowledge to local youths and elderly people via an online workshop and sharing session.



In-kind donation

We donated second-hand laptops to support students who had to adapt to the challenges and opportunities of online learning during the pandemic. We wanted to help ensure this new form of education is inclusive and accessible by more young people.

Total in-kind donation in 2020 amounted to HK\$760,000.

- Students faced unprecedented challenges when their regular schooling was interrupted by the COVID-19 pandemic. Many found it difficult to keep up with their school work and missed interacting with their peers. I am delighted to have had the opportunity to lend a helping hand by providing direct homework assistance via the mobile app that was developed for the Programme. I appreciate how technology can connect people from different backgrounds and generations at any time and from any location. ■■

Patricia Chan
Hang Seng Volunteer
Risk

Our Community

Rising to the Challenge of COVID-19

A Student's Story

Primary five student Cheuk Yan lives with his parents and younger brother in a cubicle apartment. With limited space at home, he studies in the corridor. He is also dealing with the challenges of ADHD, which makes it difficult for him to concentrate in class and he struggled at school, particularly with listening-based activities such as dictation.

HSAAP's tutor Miss Wai noticed Cheuk Yan's difficulties and patiently worked with him to identify words that appeared frequently in his school work. Reading out loud with him, she taught him the meaning of the words and how to pronounce them. She also taught him how to deduce the spelling of a word, instead of just trying to memorise the letters.

Under Miss Wai's more personal tutoring through the Programme, Cheuk Yan's English has gradually improved and he managed to score 70 per cent in dictation, as compared with 0 per cent previously. In addition to earning the admiration of his parents and teachers for his hard work, Cheuk Yan's progress has given him more confidence and improved his resilience when facing challenges.

During my volunteer work, I spoke to a mother who has very little emotional support. She was really feeling the pressure of the school closures, as she was having to take care of her children in very challenging economic circumstances. I am glad that I could offer her some time and a listening ear to help relieve some of her stress.



Helena Chung
Hang Seng Volunteer
Commercial Banking

I spoke to elderly members of the community on the phone and provided them with useful information on how to safeguard their health amid the COVID-19 outbreak. Many elderly people can feel isolated and don't know where to find reliable information about the pandemic. In these uncertain times, it is more important than ever for us to reach out, show support and offer help.



Helen Ching
Hang Seng Volunteer
Digital Business Services

Our Community

Future Skills

Young people will play a central role in the future development of society, and investing in their potential is a key component of SDG 4: Quality Education. With this in mind, Hang Seng has long been supporting community investment programmes that help equip and support young people.

“I am...” Youth Portal

To make the most of their studies, young people need to make informed personal development and career planning choices. Accessible and reliable information, recruitment updates and useful guidance are essential.

Developed in partnership with St. James' Settlement, our one-stop, multifunctional “I am...” Youth Portal helps young people to explore their interests and passions to identify suitable future academic and/or career paths. The Portal utilises chatbot and aggregated data analysis technology to provide personalised information to young people aged 15 to 29 via digital channels. The young people may also be paired with registered mentors possessing the relevant background and work experience in their areas of interest to receive real-time, interactive advice online.

Users of the portal can also take personality tests, access up-to-date career and academic news, and enjoy an online TV channel featuring career and academic related content. Our partner St. James' Settlement also provides offline counselling services to support young people in their career journey.



Support In Turbulent Times

The COVID-19 pandemic forced many people to adjust to new routines, and to learn how to cope with loneliness, job loss and grief. Needless to say, this poses tough mental and physical challenges.



As a mentor on the “I am...” Youth Portal, Daniel Ng, 25, fielded plenty of questions related to the effects of the pandemic. Students struggled with online lectures and wondered what they would do when their degree courses ended. In the uncertain “new normal”, many felt there were even fewer opportunities to find a stable job or have a fulfilling career.

Daniel understood that the mentees faced unprecedented circumstances. He shared his own experiences and advised students to be flexible and responsive to the changing environment, to try to view the changes as opportunities rather than obstacles and to embrace an attitude of continuous learning.

Serving as a mentor was a learning experience for Daniel too: he had to ensure he provided clear and practical advice. Consequently, Daniel believes he has become fluent in explaining concepts to people who have no knowledge of his industry. He says he tries to always be there to cheer up mentees and, when they feel lost, to set them on the right path.

Our Community



Future Skills



Hang Seng Youth Career Planning Scheme

In partnership with The Society of Rehabilitation and Crime Prevention (SRACP), the Hang Seng Youth Career Planning Scheme helps youths in need, including young people from ethnic minorities, ex-offenders, at-risk youths and those under statutory supervision, as well as young people without a university education. Via workshops, job-shadowing and workplace visits, the Scheme shares the knowledge and skills necessary for improving employment prospects and encouraging entrepreneurship.

For example, elementary entrepreneurship training courses and personalised 1-on-1 coaching sessions are arranged to support participants. An online learning portal was developed in 2020 so that participants could attend workshops and trainings online.

Members of Hang Seng's senior leaders shared their professional insights and experiences with participants who applied for start-up funding from the Scheme.

From 2014 to 2020, about 80 start-up proposals were approved by the Scheme, among which 68 per cent are still in operation under the regular monitoring and guidance by SRACP. The funding recipients discovered new personal strengths, identified career goals, expanded their networks, and planned and launched businesses.



Reaching Out To Young People



Outside of community investment, the Bank introduced the Go!GingerOnion initiative in 2018 to reach out to more young people via social media. A dedicated Instagram page (@gogingeronion) and YouTube channel feature engaging content and a wide variety of videos on trending topics among teenagers, and aim to connect with young people and empower them to build confidence to explore opportunities in life. In a year of disrupted classes and cancelled mock exams, Go!GingerOnion created "instamock exam" – the first of its kind on Instagram – to help 2020 DSE candidates to prepare for the important public exams. A media organisation subsequently recognised the initiative with a gold award in mobile communication.



Our Community

Promoting Sustainable Finance and Financial Literacy



income



saving



consumption



donation



As Hong Kong's leading domestic bank, promoting sustainable finance and financial literacy aligns with our core banking focus. We look to support programmes that give young people and their families the tools and knowledge to manage their finances and enhance their future financial security.

e\$mart Financial Education Programme

Our pioneering e\$mart Financial Education Programme, a partnership with the Hong Kong Family Welfare Society, focuses on educating Hong Kong primary school students

about digital transactions and money concepts. With the spread of e-payments, it is important to encourage responsible spending habits among young people and teach them the value of money from an early age.

A cashless society simulation game cultivates students' financial management skills. Seminars for young parents help enhance financial management awareness and knowledge, and provide parents with skills that will make it easier for them to provide their children with proper money management concepts and values.



Helping Children To Be Financially Savvy

Single parent Mr Chan* found it difficult to balance work and child care, and lacked confidence in his own financial acumen. He did not know how to communicate effectively with his son on financial matters. After taking part in the e\$mart Financial Education Programme, he learnt how to educate and empower his son by allowing him to manage his own pocket money, such as setting a budget for necessities like stationery. Mr Chan now understands the importance of educating children about financial management from an early age, and feels better able to teach his own son about money management in a clear and age-appropriate way.

*Alias



Our Community



Addressing Climate Change

We introduced "Addressing climate change" to our community investment pillars in 2020. However, for many years, we have been an advocate of environmental sustainability. Our commitment to SDG 13: Climate Action is demonstrated through our long-term commitment to the Hang Seng Yunnan Low-carbon Village programme.

Hang Seng Yunnan Low-carbon Village

In 2016, Hang Seng began partnering with The Conservancy Association to implement a low-carbon village model in China's Yunnan province. This followed the successful completion of a decade-long biogas initiative.

In 2020, the Programme was carried out at a third site, Hexinchang Village in Dehong, Yunnan, where ecotourism and sustainable farming were introduced. Villagers were educated to plant higher-yielding crops. This helped improve their quality of life and relieve pressure on resources in this eco-sensitive area.

Low-carbon facilities, such as high-efficiency stoves, solar water heaters and solar-powered streetlamps were installed to help reduce firewood consumption, thereby also reducing carbon emissions.

Three villages involved in the Programme over the years continue to enjoy the benefits of the low-carbon model. From 2016 to 2020, it is estimated that a reduction of about 4,500 tonnes of firewood consumption and about 8,000 tonnes of CO₂ emissions were achieved. It is also estimated that, with the regular run rate of the low-carbon facilities operating in the three villages, about 2,000 tonnes of firewood consumption and about 4,000 tonnes of CO₂ emissions will be reduced each year from 2021 onwards.



Sustainable Living In Practice

Yao Yuwen lives with his wife and two sons in Hexinchang Village in Dehong. Without sufficient agricultural land to make a living, Yao had to leave his family and seek temporary jobs in the city. With no stable income source, Yao found it challenging to support a family of four.



With the help of the Hang Seng Yunnan Low-carbon Village programme, Yao was able to return to his wife and sons. His family was given the opportunity to plant and sell *huang jing* and *cao guo*, two higher-yielding crops that are well-suited to the area. This new opportunity helped him generate an additional income that is sufficient to support his whole family.

Yao has also been taught how to adopt environmentally friendly farming and produce-management techniques. These skills will enhance the productivity of his agricultural activity and support a sustainable agricultural supply chain.

In addition, the family no longer relies on nearby forests for resources and low-carbon facilities have been installed in their home. "In the past, we had to walk in the dark to use open-pit latrines," he said. "Our living standard has improved substantially with the installation of solar-powered street lights, biogas toilets and high-efficiency stoves. I am truly grateful for everything in this programme."

Our Community



Caring for the Community

As part of our commitment to care for our community, we rapidly adjusted our focus in 2020 to help those who were significantly affected by the COVID-19 pandemic. At the same time, we remain proud of our long-term contributions to the community, such as those made through our 30-year partnership with the Hong Kong Table Tennis Association.

Hang Seng Table Tennis Academy

Co-organised with the Hong Kong Table Tennis Association, the Hang Seng Table Tennis Academy (HSTTA) identifies and nurtures home-grown table tennis talent through high-quality and structured trainings.

Our support of HSTTA also reflects our commitment to promoting healthy lifestyles by encouraging people of all ages and backgrounds to participate in sports.

Since 2001, HSTTA has reached close to 400,000 beneficiaries, including students, athletes and coaches. In 2020, 61 per cent of the table tennis athletes in the Hong Kong Team had been nurtured and trained through HSTTA.

In 2020, while only a few in-person table tennis trainings could be held when the situation allowed, HSTTA focused on raising public awareness about the importance of maintaining physical fitness and mental wellbeing through sports activities. It provided easy access to health information and interesting facts about table tennis to keep the community engaged. It also promoted doing physical exercise at home to maintain a healthy lifestyle during the pandemic.

From Tennis Player To Lecturer

PHD graduate, former member of the Hong Kong table tennis team, and now a university lecturer and table tennis coach, Clara Wong believed that COVID-19 presented opportunities rather than stumbling blocks. When regular practice was cancelled, she explored e-platforms to teach and communicate with her students, and used e-tools to make lessons more fun. In true sporting spirit, challenges and tough times did not limit Clara. Rather, she used them to develop her willpower and determination. Clara's table tennis journey began when she became a member of the first HSTTA cohort in 2001.



Provided Much-needed Training Motivation

With sports centres closed due to COVID-19, HSTTA student Lo Ka-kit was not able to practice his table tennis skills. Instead of being down about it, he took the opportunity to focus on his overall physical training, which would help him be better prepared for future competitions. He said he was grateful for the support he had received from his coaches and HSTTA. He looked forward to broadening his sporting horizons in the future by participating in local and international contests.



Our Community

Looking Ahead

ESG Interviews

Leveraging Hang Seng's expertise and resources, we strive to support our community in ways that promote sustainable and healthy growth. As a part of the community, we feel incumbent to share the burden to solve pressing social needs because we believe if our society grows in a good way, we do too.

Sonia Tsang

Corporate Sustainability Manager



In 2021, we will continue to step up efforts in addressing climate change and promoting sustainable finance and financial literacy while maintaining focus on empowering young people by equipping them with future skills.

We will plan our resources based on an allocation of around 35 per cent, 20 per cent, 20 per cent and 25 per cent respectively to our four community investment pillars: "Future skills", "Promoting sustainable finance and financial literacy", "Addressing climate change", and "Caring for the community". This allocation may change if resources are needed to respond to any unexpected social needs. We will also place more emphasis on measuring the longer-term impact of our programmes.

We will continue to proactively explore and respond to pressing social needs that may arise and work closely with our community partners to deliver our community investment strategy, with the goal of contributing to the sustainable development of Hang Seng and the society at large.



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:

Materiality	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)
Quantitative	As approved by the ESG Steering Committee, we have established targets to reduce our operational impact on the environment. (See Our Environment)
Balance	To provide an unbiased picture of the Bank's performance, we review and disclose our achievements and areas for improvement.
Consistency	To allow for meaningful comparisons of ESG data over time, the Bank uses the same methodology each year.

About This Report

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

About This Report

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.

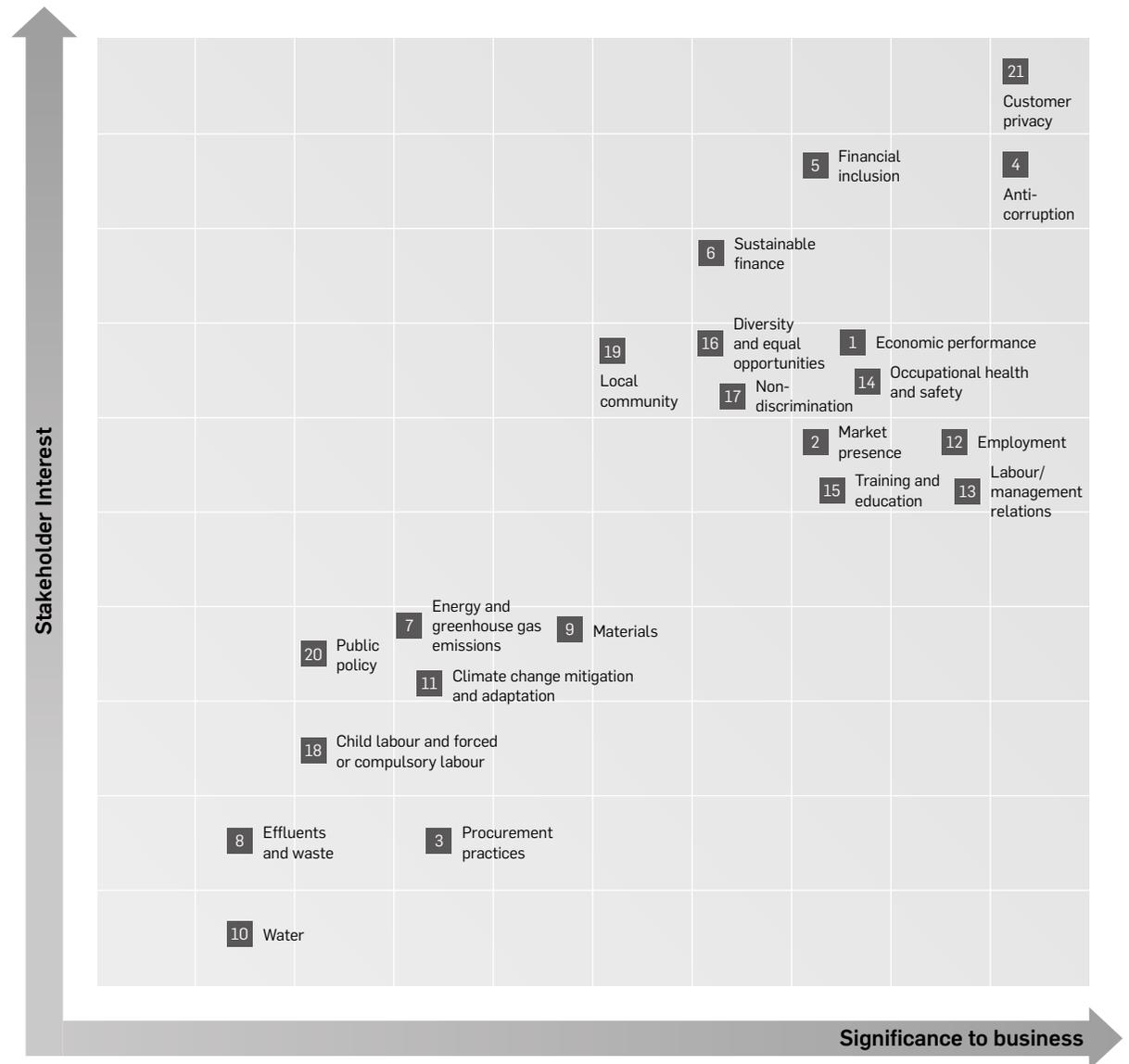
2. Ranking the issues

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



About This Report

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

About This Report

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.

Report Verification



Verification Statement

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) has conducted an independent verification for the Environmental, Social and Governance Report 2020 (“The Report”) of Hang Seng Bank Limited (“Hang Seng”). The Report illustrates Hang Seng’s efforts in driving and advocating sustainability during the calendar year of 2020.

The aim of this verification is to provide a reasonable assurance on the reliability of the reporting contents. The report was prepared in accordance with the Core option of the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”), 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 standards”).

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the

International Auditing and Assurance Standards Board, and ISO 14064-3 : Specification with guidance for the validation and verification of greenhouse gas assertions. The verification process has been designed to obtain a reasonable level of assurance in accordance with the standard for the purpose of devising the verification conclusion. The extent of verification covered the GRI Standards, the GRI G4 Financial Services Sector Disclosures, ESG Guide and SASB standards.

Our verification procedures included discussion of the materiality analysis process, reviewing mechanisms for collecting, collating and reporting of the performance data, verifying relevant documentation, interviewing responsible personnel with accountability for preparing the Report. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification.

Independence

Hang Seng was responsible for the collection and presentation of the information. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents. Our verification activities were entirely independent from Hang Seng. There was no relationship between HKQAA and Hang Seng that would affect the independence of HKQAA for providing the verification service.

Conclusion

The verification results revealed that:

- The Report has been prepared in accordance with the GRI Standards: Core option and GRI G4 Financial Services Sector Disclosures;

- The Report fulfills the mandatory disclosure of the ESG Guide;
- The Report disclosure is aligned with the SASB standards;
- The Report illustrates Hang Seng’s sustainability performance, covering all material and relevant aspects and topics, in a balanced, comparable, clear and timely manner; and
- The data and information stated in the Report are reliable and complete.

In conclusion, HKQAA has obtained reasonable assurance and is in the opinion that Hang Seng has disclosed its sustainability performance transparently, in all material respects. The information included in the report are objective, responsive and free from material misstatement.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
April 2021

Jorine Tam
Director, Corporate Business

Content Index

Content Index for GRI Standards, HKEx ESG Guide and SASB Standards

Items with # were selected and rigorously verified by HKQAA as part of the report verification process to devise opinions and conclusions on this report. (See [Report Verification](#).)

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
General Disclosures				
GRI 102: General Disclosure 2016				
Organisation Profile				
102-1			Name of the organisation	Cover ; Table of Content
102-2			Activities, brands, products, and services	About This Report
102-3			Location of headquarters	Hong Kong.
102-4			Location of operations	Hong Kong, mainland China and others.
102-5			Ownership and legal form	Listed on The Stock Exchange of Hong Kong Limited.
102-6			Markets served	Report Scope ; About This Report
102-7			Scale of the organisation	Our People ; About This Report
102-8 [#]	KPI B1.1		Information on employees and other workers	Our People > Our People In Numbers
102-9	KPI B5.1		Supply chain	Being Proactive to Manage Risk > Responsible Value Chain > Maintaining supply chain integrity
102-10			Significant changes to the organisation and its supply chain	There was no significant change to the organisation and its supply chain in 2020.
102-11			Precautionary principle or approach	Annual Report 2020: Corporate Governance Report (page 120-147) Being Proactive to Manage Risk

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
102-12			External initiatives	Our ESG Journey > Pursuing Environmental Excellence ; Our People > Training and Skills Development > Providing youth opportunities > Supporting industry initiatives ; Our Environment > Our Environmental Management > Advocating for the environment
102-13			Membership of associations	Our Stakeholder > Memberships of Industry Associations ; Our Environment > Our Environmental Management > Advocating for the environment
Strategy				
102-14			Statement from senior decision-maker	Board Statement & Chief Executive's Message
Ethics and Integrity				
102-16			Values, principles, standards, and norms of behaviour	Chief Executive's Message ; Being Proactive to Manage Risk ; Our Customers ; Our People ; Our Environment ; Our Community
102-17	KPI B7.2	FN-CB-510a.2	Mechanisms for advice and concerns about ethics	Being Proactive to Manage Risk > Managing Different Types of Risk > Whistle-blowing
Governance				
102-18			Governance structure	Board Statement & Chief Executive's Message ; Our ESG Journey > Our ESG Governance ; Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance ; Strengthening cybersecurity ; Equal opportunities, non-discrimination and human rights Annual Report 2020: Corporate Governance Report (page 120-147)
Stakeholder Engagement				
102-40 [#]			List of stakeholder groups	Our Stakeholders > Engaging Our Stakeholder Community
102-41			Collective bargaining agreements	None in 2020.

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
102-42 [#]			Identifying and selecting stakeholders	Our Stakeholders > Engaging Our Stakeholder Community
102-43 [#]	KPI B6.2		Approach to stakeholder engagement	Our ESG Journey > Sustainability in Action ; Our Stakeholders > Engaging Our Stakeholder Community
102-44 [#]	KPI B6.2		Key topics and concerns raised	Our Stakeholders > From Feedback to Action
Reporting Practice				
102-45			Entities included in the consolidated financial statements	Annual Report 2020
102-46			Defining report content and topic boundaries	About This Report
102-47			List of material topics	About This Report > Our Materiality Assessment
102-48			Restatements of information	No restatements of information in previous report.
102-49			Changes in reporting	No significant change.
102-50			Reporting period	Report Scope
102-51			Date of most recent report	Our most recent report, Corporate Sustainability Report 2019, was published in May 2020.
102-52			Reporting cycle	Our ESG report is published annually.
102-53			Contact point for questions regarding the report	esg.report@hangseng.com
102-54			Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55			GRI content index	Content Index
102-56			External assurance	About This Report > Assurance ; Report Verification

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
Economic Standards Series				
GRI 201 Economic Performance 2016				
103-1, 103-2, 103-3			Management Approach	Chief Executive's Message
201-1	KPI B8.2		Direct economic value generated and distributed	About This Report > Our Performance
GRI 202 Market Presence 2016				
103-1, 103-2, 103-3	GD B1		Management Approach	Our People
202-2			Proportion of senior management hired from the local community	Annual Report 2020: Appointment and Re-election of Directors (page 124); Biographical Details of Directors and Senior Management (page 148-161) Our People
GRI 204 Procurement Practices 2016				
103-1, 103-2, 103-3	GD B5, KPI B5.2		Management Approach	Being Proactive to Manage Risk > Managing different types of risk > Whistle-blowing ; Responsible Value Chain > Maintaining supply chain integrity ; Protecting human rights ; Strengthening contractor partnerships ; Utilising online risk profiles
204-1 [#]			Proportion of spending on local suppliers	Being Proactive to Manage Risk > Responsible Value Chain > Maintaining supply chain integrity
GRI 205 Anti-corruption 2016				
103-1, 103-2, 103-3	GD B7		Management Approach	Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance ; Financial crime ; Anti-bribery and corruption ; Staff code of conduct and staff awareness ; Conflicts of interest ; Whistle-blowing ; Responsible Value Chain > Maintaining supply chain integrity ; Strengthening contractor partnerships ; Utilising online risk profiles
205-2 [#]			Communication and training about anti-corruption policies and procedures	Being Proactive to Manage Risk > Managing Different Types of Risk > Compliance ; Financial crime ; Anti-bribery and corruption ; Staff code of conduct and staff awareness ; Whistle-blowing ; Responsible Value Chain > Utilising online risk profiles ; Our People > Training and Skills Development

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
205-3	KPI B7.1		Confirmed incidents of corruption and actions taken	Being Proactive to Manage Risk > Managing Different Types of Risk > Financial crime; Anti-bribery and corruption
Environmental Standards Series				
GRI 301 Materials 2016				
103-1, 103-2, 103-3	GD A2, GD A3, KPI A3.1		Management Approach	Our ESG Journey > Pursuing Environmental Excellence ; Being Proactive to Manage Risk > Responsible Value Chain > Maintaining supply chain integrity ; Our Environment > Our Environmental Management
301-1	KPI A2.5		Materials used by weight or volume	Our Environment > Our Environmental Performance Packaging materials used are not material to the business and therefore not disclosed.
GRI 302 Energy 2016				
103-1, 103-2, 103-3	GD A2, GD A3, KPI A1.5, KPI A2.3, KPI A3.1		Management Approach	Our ESG Journey > Our ESG Strategy ; Pursuing Environmental Excellence ; Being Proactive to Manage Risk > Responsible Value Chain > Maintaining supply chain integrity ; Our Environment > Our Environmental Management
302-1*	KPI A2.1		Energy consumption within the organisation	Our Environment > Our Environmental Performance
302-3*	KPI A2.1		Energy intensity	Our Environment > Our Environmental Performance
GRI 303 Water 2018				
103-1, 103-2, 103-3	GD A2, GD A3, KPI A2.4, KPI A3.1		Management Approach	Our ESG Journey > Pursuing Environmental Excellence ; Our Environment > Our Environmental Management
303-3	KPI A2.2		Water withdrawal	Our Environment > Our Environmental Performance Only municipal water from Water Supplies Department is used in the operation. Hong Kong is of low water stress, and there is no issue in sourcing water.

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
GRI 305 Emissions 2016				
103-1, 103-2, 103-3	GD A1, GD A3, KPI A1.1, KPI A1.5, KPI A3.1		Management Approach	Chief Executive's Message ; Our ESG Journey > Our ESG Strategy ; Pursuing Environmental Excellence ; Being Proactive to Manage Risk > Responsible Value Chain > Maintaining supply chain integrity ; Our Environment > Our Shared Responsibility ; Our Environmental Management Air emissions are not material to the business and therefore not disclosed.
305-1 [#]	KPI A1.2		Direct (Scope 1) GHG emission	Our Environment > Our Environmental Performance
305-2 [#]	KPI A1.2		Energy indirect (Scope 2) GHG emissions	Our Environment > Our Environmental Performance
305-3 [#]	KPI A1.2		Other indirect (Scope 3) GHG emissions	Our Environment > Our Environmental Performance
305-4 [#]	KPI A1.2		GHG emissions intensity	Our Environment > Our Environmental Performance
GRI 306 Effluents and Waste 2016				
103-1, 103-2, 103-3	GD A1, GD A3, KPI A1.6, KPI A3.1		Management Approach	Our ESG Journey > Pursuing Environmental Excellence ; Our Environment > Our Shared Responsibility ; Our Environmental Management
306-2 [#]	KPI A1.3, KPI A1.4, KPI A1.6		Waste by type and disposal method	Our Environment > Our Environmental Performance Hazardous waste is not material to the business and therefore not disclosed.
GRI 307 Environmental Compliance 2016				
307-1	GD A1		Noncompliance with environmental laws and regulations	Our Environment > Our Environmental Management No judgments were entered against the Bank in litigation regarding environmental laws or regulations in 2020.

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
Social Standards Series				
GRI 401 Employment 2016				
103-1, 103-2, 103-3	GD B1		Management Approach	Chief Executive's Message ; Our ESG Journey > Our ESG Strategy ; Sustainability in Action ; Our People
401-1	KPI B1.2		New employee hires and employee turnover	Our People > Our People In Numbers
GRI 402 Labour/ Management Relations 2016				
103-1, 103-2, 103-3			Management Approach	Chief Executive's Message ; Our People > Promoting High Performance and Engagement > Employee engagement and communication
402-1			Minimum notice periods regarding operational changes	Our People > Promoting High Performance and Engagement > Employee engagement and communication
GRI 403 Occupational Health and Safety 2018				
103-1, 103-2, 103-3	GD B2, KPI B2.3		Management Approach	Chief Executive's Message ; Our ESG Journey > Our ESG Strategy ; Sustainability in Action ; Our People > Promoting Occupational Health and Safety
403-1			Occupational health and safety management system	Our People > Promoting Occupational Health and Safety
403-4			Worker participation, consultation, and communication on occupational health and safety	Our People > Promoting Occupational Health and Safety
403-5			Worker training on occupational health and safety	Our People > Promoting Occupational Health and Safety
403-9 [#]	KPI B2.1, KPI B2.2		Work-related injuries	Our People > Our People in Numbers
GRI 404 Training and Education 2016				
103-1, 103-2, 103-3	GD B3		Management Approach	Chief Executive's Message ; Our ESG Journey > Our ESG Strategy ; Sustainability in Action ; Our People > Training and Skills Development

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
404-1 [#]	KPI B3.1, KPI B3.2		Average hours of training per year per employee	Our People > Training and Skills Development
404-3			Percentage of employees receiving regular performance and career development reviews	Our People > Promoting High Performance and Engagement
GRI 405 Diversity and Equal Opportunity 2016				
103-1, 103-2, 103-3	GD B1		Management Approach	Being Proactive to Manage Risk > Managing different types of risk > Equal opportunities, non-discrimination and human rights ; Staff code of conduct and staff awareness ; Our People
405-1	KPI B1.1		Diversity of governance bodies and employees	Annual Report 2020: Board Composition (page 121-122) ; Biographical Details of Directors and Senior Management (page 148-161) Our People > Promoting Equal Opportunities, Diversity and Inclusion ; Our People In Numbers
GRI 406 Non-discrimination 2016				
103-1, 103-2, 103-3	GD B1		Management Approach	Being Proactive to Manage Risk > Managing different types of risk > Equal opportunities, non-discrimination and human rights ; Staff code of conduct and staff awareness ; Our People > Promoting High Performance and Engagement > Fair rewards for equal works ; Promoting Equal Opportunities, Diversity and Inclusion
406-1			Incidents of discrimination and corrective actions taken	Being Proactive to Manage Risk > Managing different types of risk > Equal opportunities, non-discrimination and human rights ; Our People > Promoting Equal Opportunities, Diversity and Inclusion

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
GRI 412 Human Rights Assessment 2016				
103-1, 103-2, 103-3	GD B4, KPI B4.1, KPI B4.2		Management Approach	Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights ; Whistle-blowing ; Responsible Value Chain > Promoting responsible financing ; Protecting human rights ; Our People > Promoting Equal Opportunities, Diversity and Inclusion Child and forced labour are not material to the business and therefore not disclosed.
412-2			Employee training on human rights policies or procedures	Being Proactive to Manage Risk > Managing Different Types of Risk > Equal opportunities, non-discrimination and human rights ; Our People > Promoting Equal Opportunities, Diversity and Inclusion
GRI 413 Local Communities 2016				
103-1, 103-2, 103-3	GD B8, KPI B8.1		Management Approach	Chief Executive's Message ; Our ESG Journey > Our ESG Strategy ; Sustainability in Action ; Our Customers > Giving Power to the People ; Improving Access for All ; Our Community
413-1 [#]			Operations with local community engagement, impact assessments, and development programmes	Our Customers > Giving Power to the People ; Improving Access for All ; Our Community
GRI 416 Customer Health and Safety 2016				
103-1, 103-2, 103-3	GD B6		Management Approach	Chief Executive's Message ; Our Customers > Providing Transparency, Accountability and Choice > Customer safety
416-1	KPI B6.1, KPI B6.4		Assessment of the health and safety impacts of product and service categories	Our Customers > Providing Transparency, Accountability and Choice > Customer safety Financial services provided by the Bank are not subject to recalls for health and safety reasons.

Content Index

GRI Standards Disclosure	HKEx ESG Guide	SASB Standards	Disclosure Description	Reference
GRI 418 Customer Privacy 2016				
103-1, 103-2, 103-3	GD B6, KPI B6.2, KPI B6.5	FN-CB-230a.2	Management Approach	Being Proactive to Manage Risk > Financial crime ; Data privacy ; Strengthening cybersecurity ; Our Customers > Providing Transparency, Accountability and Choice > Customer privacy
418-1	GD B6, KPI B6.2	FN-CB-230a.1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Being Proactive to Manage Risk > Managing Different Types of Risk > Data privacy In 2020, there were 9 data breach cases and 10 account holders affected.
GRI 419 Socioeconomic Compliance 2016				
419-1	GD B1, GD B2, GD B4, GD B6, GD B7	FN-CB-510a.1	Noncompliance with laws and regulations in the social and economic area	No judgments were entered against the Bank in litigation concerning employment practice, occupational health and safety, child or forced labour, product responsibility and corruption in 2020.
419-1	KPI B6.3		Description of practices relating to observing and protecting intellectual property rights	Our Customers > Providing Transparency, Accountability and Choice

Content Index

Content Index for GRI Sector Disclosure and SASB Standards

GRI Sector Disclosure	SASB Standards	Financial Services Sector Disclosures Description	Reference
Product and Service Labeling			
G4-DMA		Management Approach	Our Customers > Providing Transparency, Accountability and Choice ; Giving Power to the People ; Improving Access for All
Product Portfolio			
G4-DMA		Management Approach	Being Proactive to Manage Risk > Responsible Value Chain > Promoting responsible financing ; Maintaining supply chain integrity ; Our People > Training and Skills Development
G4-FS6	FN-CB-410a.1	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Annual Report 2020: Segmental Analysis (page 199-202)
G4-FS7		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.
G4-FS8		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	We do not report publicly on the monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose.
	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Annual report 2020: Management Discussion and Analysis > Risk > Risk management tools > Stress testing and recovery planning (page 51)
Audit			
G4-DMA		Management Approach	Being Proactive to Manage Risk

Content Index

GRI Sector Disclosure	SASB Standards	Financial Services Sector Disclosures Description	Reference
Active Ownership			
G4-DMA		Management Approach	We do not report publicly on the voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting. All subsidiaries are covered by the HSBC Group's sustainability policies.
G4-FS10	FN-CB-410a.2	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Being Proactive to Manage Risk > Responsible Value Chain > Promoting responsible financing
G4-FS11		Percentage of assets subject to positive and negative environmental or social screening	We do not report publicly on percentage of assets subject to positive and negative environmental or social screening. All subsidiaries are covered by the HSBC Group's sustainability policies.
Local Communities			
G4-FS13	FN-CB-240a.4	Access points in low-populated or economically disadvantaged areas by type	Our Customer > Improving Access for All
G4-FS14	FN-CB-240a.4	Initiatives to improve access to financial services for disadvantaged people	Our Community > Promoting sustainable finance and financial literacy > e\$mart Financial Education Programme ; Our Customer > Improving Access for All