

Governance

About This Report

Report Coverage

The Hang Seng Bank's Environmental, Social and Governance Report 2021 documents our sustainability achievements and challenges encountered in 2021. It focuses on ESG issues that affect our business and are of concerns to our stakeholders. It also describes how the Bank drives ESG progress in its operations and along its value chain. The information and performance data of this report cover our operations in Hong Kong only, unless otherwise specified. This report covers the Bank's operation with 93.4% of total operating income.

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 5% 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 China has voluntarily published ESG Report 2021 covering the operations of the Bank in mainland China. For more details, please refer to their [ESG Report 2021](#).

Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year from 1 January to 31 December 2021. 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.

Our previous report, Environmental, Social & Governance Report 2020, was published on 31 May 2021.

Reporting Guidelines and Assurance

Financial and corporate data in this report parallel those in the Bank's [Annual Report 2021](#) unless otherwise stated.

We have adopted the fundamental reporting principles from the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited ('HKEx'). This report has also been prepared in accordance with the Global Reporting Initiative ('GRI') Standards: Core option (May 2020 version), and with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Boards ('SASB') and the recommendations by the Task Force on Climate-Related Financial Disclosures ('TCFD'). The report has been independently verified by the Hong Kong Quality Assurance Agency ('HKQAA') (refer to [Verification Statement](#)).

According to Hong Kong Monetary Authority ('HKMA')'s SPM CG-5 requirement "Guideline on a Sound Remuneration System", we have fully complied with the HKMA's disclosure requirements to disclose information related to remuneration of our Senior Management and Key Personnel in aggregate amount, split into fixed and variable remuneration.

Our major business activities include:

- Wealth and Personal Banking
- Commercial Banking
- Global Banking and Markets
- Hang Seng Indexes Company

For more information, please refer to the Bank's [Annual Report 2021](#).

Materiality:

We commissioned an external consultant to assess the priorities of our materiality assessment through stakeholder engagement. The issues identified were endorsed by our ESG Disclosure Working Group and ESG Steering Committee, approved by the Executive Committee and noted by the Board.

Quantitative:

As approved by the ESG Steering Committee, we have established targets to reduce our operational impact on the environment (refer to [Our Environment](#)).

Balance:

To provide an unbiased picture of the Bank's performance, we review and disclose our achievements as well as areas for improvement.

Consistency:

To allow for meaningful comparisons of ESG data over time, the Bank uses the same methodology each year.

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Our Performance

We support Hong Kong's economic development through providing financial services to individual and corporate customers paying tax and employing local staff. With our vast network of service outlets, we serve over 3.5 million of customers in Hong Kong.

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.

We principally operate and pay taxes in Hong Kong where the statutory profits tax rate is 16.5%. Our average Effective Tax Rate ('ETR') is 14.5%, which is lower than the statutory profits tax rate due to non-taxable income and non-deductible expenses:

- non-taxable income and non-deductible expenses – mainly represents income from tax-exempt debt instruments (e.g. government bonds) (ETR-1.8%)
- others – mainly represents tax deduction on additional Tier 1 capital instruments (ETR-0.6%)
- share of losses / (profits) of associates – represents exclusion of the tax effect of HASE's share of net losses / (profits) from its associates (ETR – 0.01%, effect of which is immaterial)

- partly offset by different tax rates in other countries/areas – mainly represents the differential in statutory tax rates between higher tax jurisdictions where HASE also operates (e.g. mainland China of which the statutory tax rate equals to 25%) and Hong Kong (ETR+0.4%)

Materiality Assessment

We strive to address issues that matter to our stakeholders. We deem an issue material if it could significantly affect our reputation or viability, and/or influence stakeholders to do business with Hang Seng.

To prepare this ESG report, we commissioned an external consultant to determine the material issues.

1. Issues identification

Based on the topics identified in the previous ESG report, we reviewed and refined the list according to industry trends. We identified eight new material topics—climate change mitigation and adaptation, energy and GHG emission, effluents and waste, transparency, materials, customer health and wellness, understanding customers' business, and board structure. Meanwhile, we removed market presence from the list of material topics.

2. Issues ranking

A total of 1,759 employees, which was over eight times of the participants in 2020, took part in an online survey in 2021 to rank the importance of the identified topics. They were also asked if any topics should be added or removed. These results were used for plotting the materiality matrix.

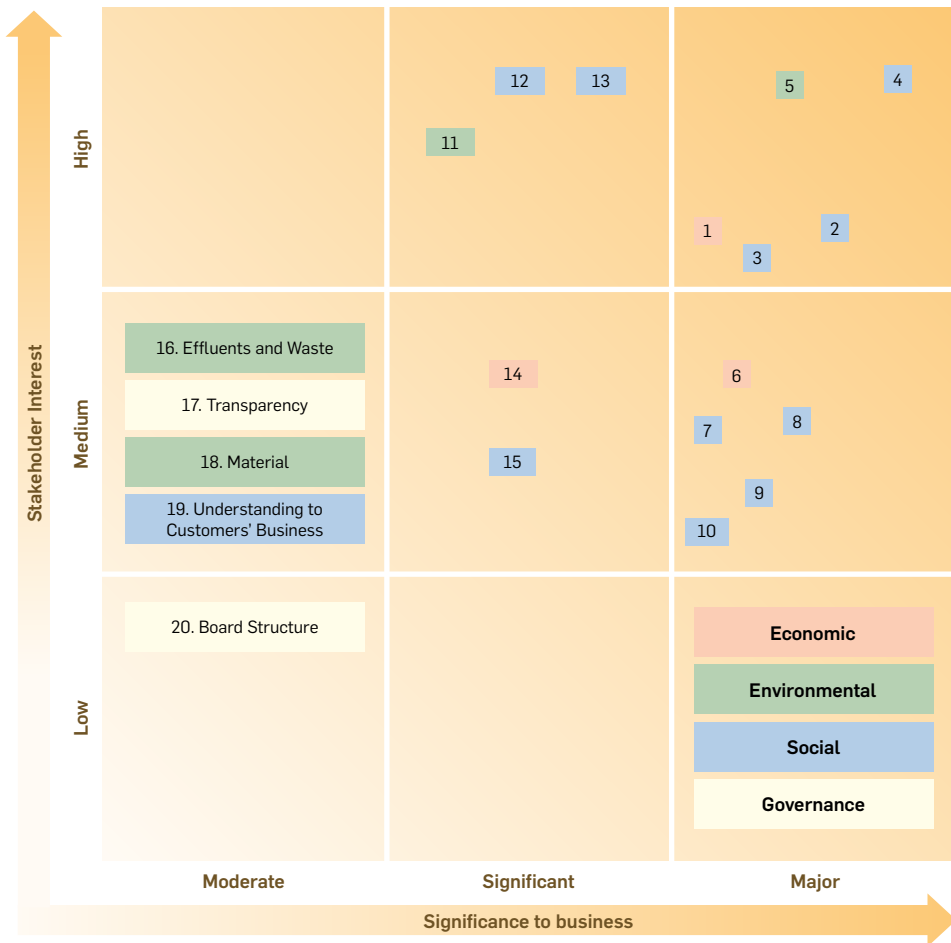
3. Review and validation

We validate the assessment results with the 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.

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Hang Seng's Material Issues



Among the 20 topics, 15 of them have significant impact on business success or above and medium importance to stakeholders or above are considered the most relevant to our business. These 15 topics and the areas of impact are listed below.

Areas of Impact			
	Material Topics	Inside Hang Seng	Outside Hang Seng
1	Sustainable finance	✓	✓
2	Customer privacy	✓	✓
3	Diversity and equal opportunity	✓	✓
4	Financial inclusion	✓	✓
5	Climate change mitigation and adaptation	✓	✓
6	Anti-corruption	✓	✓
7	Occupational health and safety	✓	✓
8	Non-discrimination	✓	✓
9	Labour / Management relations	✓	
10	Employment	✓	✓
11	Energy and GHG emission	✓	✓
12	Local communities	✓	✓
13	Customer health and wellness	✓	✓
14	Economic performance	✓	✓
15	Training and education	✓	

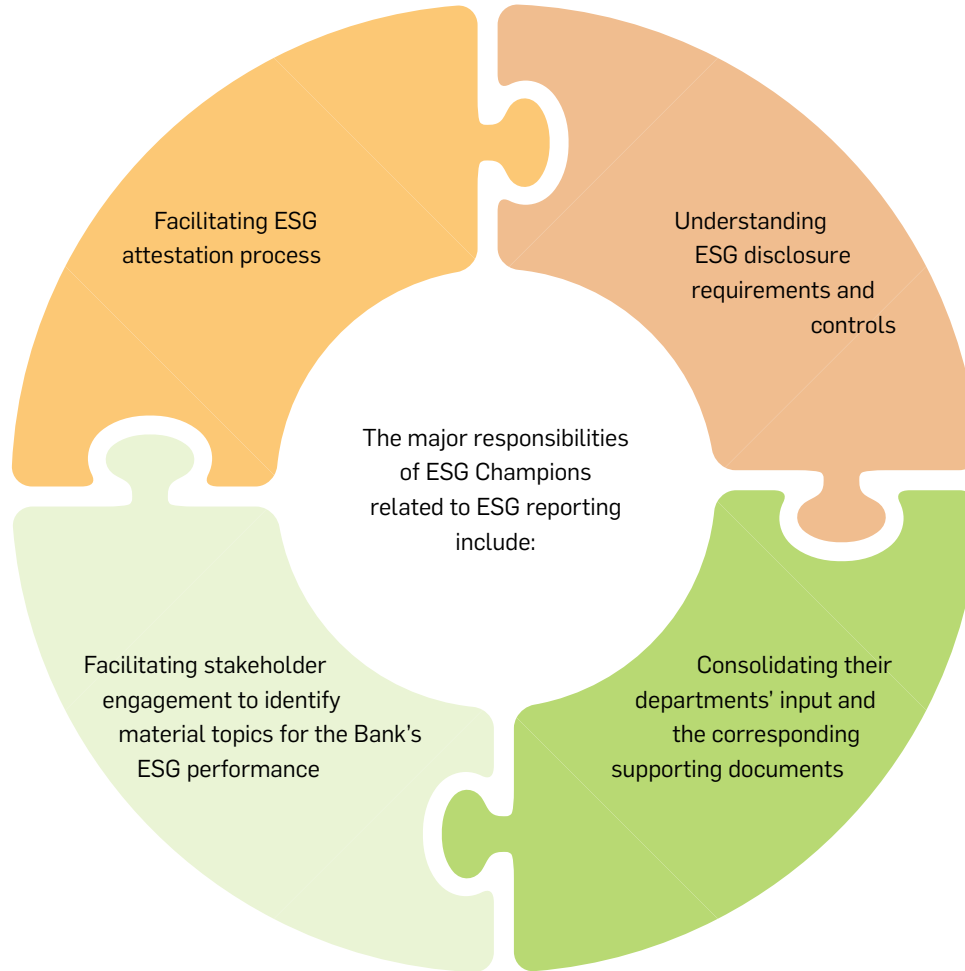
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Data Collection

The Bank's ESG Champions are responsible for coordinating the data collection. To ensure the quality, accuracy and transparency of our ESG disclosure, we continue to use the Bank's Three Lines of Defence framework to collect and validate our ESG data, which is overseen by our ESG Disclosure Working Group.

Driving ESG disclosure and enhancement requires concerted efforts across departments and business units. Our ESG Champions and first line of defence, which are appointed by their department heads, help ensure the transparency, accuracy and reliability of our ESG disclosure.



After ESG Champions have provided relevant information and supporting documents, the first line of defence reviews the said information against the appropriate, verifiable evidence. If necessary, the second and the third lines of defence would independently review the information and supporting files provided by ESG Champions.

At our annual ESG Champion workshop in 2021, we discussed ESG reporting trends, how the Bank's perform against our peers in the sustainability arena and the best practice of our peers.