

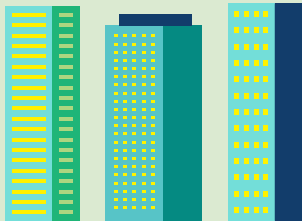
Our Environment

Climate Risk Management

Climate Strategy

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 2021, examples of our work in this area included:

In support of the government's climate action, three office buildings and some large scale branches have enrolled in the Energy Saving Charter 2021 scheme and the 4T Charter scheme.



We participated in the annual EARTH HOUR 2021 event. On Saturday, 27 March 2021, external lightings at our three office buildings including the Bank's logo and other signage/ billboards, were switched off from 8:30 pm to 9:30 pm.



To contribute to climate change mitigation, we actively explore opportunities to support local renewable energy generation. Solar panels are installed at Hang Seng 113 to generate renewable energy. We conducted a deep dive study on the use of solar power as part of our effort to reduce carbon emissions from electricity consumption. As a result, we co-operated with our power generation and transmission supplier to install 138 solar panels on the roof of the building and activated them in September 2021. For every kilowatt-hour generated by the solar energy system, Hang Seng receives a subsidy up to HK\$4 from the power company. The solar energy system is expected to save 315 tonnes of carbon emission over the next 10 years. The Bank plans to extend this concept to other buildings where possible and to continue to deliver on our commitment to reduce carbon footprint from our operations.

In 2021, we purchased Renewable Energy Certificates worth a total of 2,920,000 kWh from a local electricity supplier, which is around 10% of our total electricity consumption in the year. 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 by the Renewable Energy Contribution Award in the Smart Energy Award 2021.

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Hang Seng is the biggest purchaser of renewable energy from CLP in Hong Kong, and also the first bank in Hong Kong committing to have 100% of its electricity come from renewable sources by 2030 via its own renewable source and renewable energy certificates. We have committed to purchase around 154 GWh of renewable energy over a 10-year period from 2021, equivalent to a reduction of over 60,000 tonnes of carbon emissions from electricity use.

To promote the use of electric vehicles and reduce greenhouse gas emissions from transportation, we plan to upgrade two electric vehicle chargers from slow to medium in 2022.



Climate Risk Resilience

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 launched a two-year overall façade enhancement programme at our headquarters building in 2019, which was completed in 2021. 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. Critical departments are split into at least two locations in daily operation so that the critical tasks can be maintained even if one of the offices is down.

We conducted a climate risk stress test to examine how different climate risks will affect the Bank's business. In the assessment, we adopted representative concentration pathway (RCP) 8.5 scenario to assess how physical climate risks, including extreme weather events, increasing temperatures and rising sea levels, will affect our Hong Kong operation from 2051 to 2060. We also assessed our business' exposure to transition risks, and the associated impact, leveraging the orderly and disorderly scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS').

In addition, we have identified residential properties of individual borrowers at "higher physical risk" from climate perils, which are expected to intensify over time with climate change. "Higher physical risk" properties are those which are exposed to either typhoon led coastal flood or fluvial or pluvial flooding where the flooding impact exceeds 0.5 meters. Based on the assumptions and peril data as of December 2021, the residential properties at "higher physical risk" was minimal, which was less than 1% of total residential mortgage of individual borrowers' loan balances in Hong Kong.