

# Our ESG Journey

## Introduction

Hang Seng aspires to become a leading local bank to drive ESG matters. Since establishing our ESG governance structure in 2020 and launching our ESG strategy and implementation plan in 2021, we have built internal capacity through various means, including webinars, videos, and newsletters to enhance the awareness and understanding of ESG matters among our staff. We also provided climate risk related training to our Board members. To continually make progress towards our ESG targets, we have implemented annual ESG KPIs for different business units since 2021 and the Board receives updates on the progress of achieving the ESG KPIs regularly.

We formalised the management structure with regard to climate-related risks in 2021 as illustrated below:



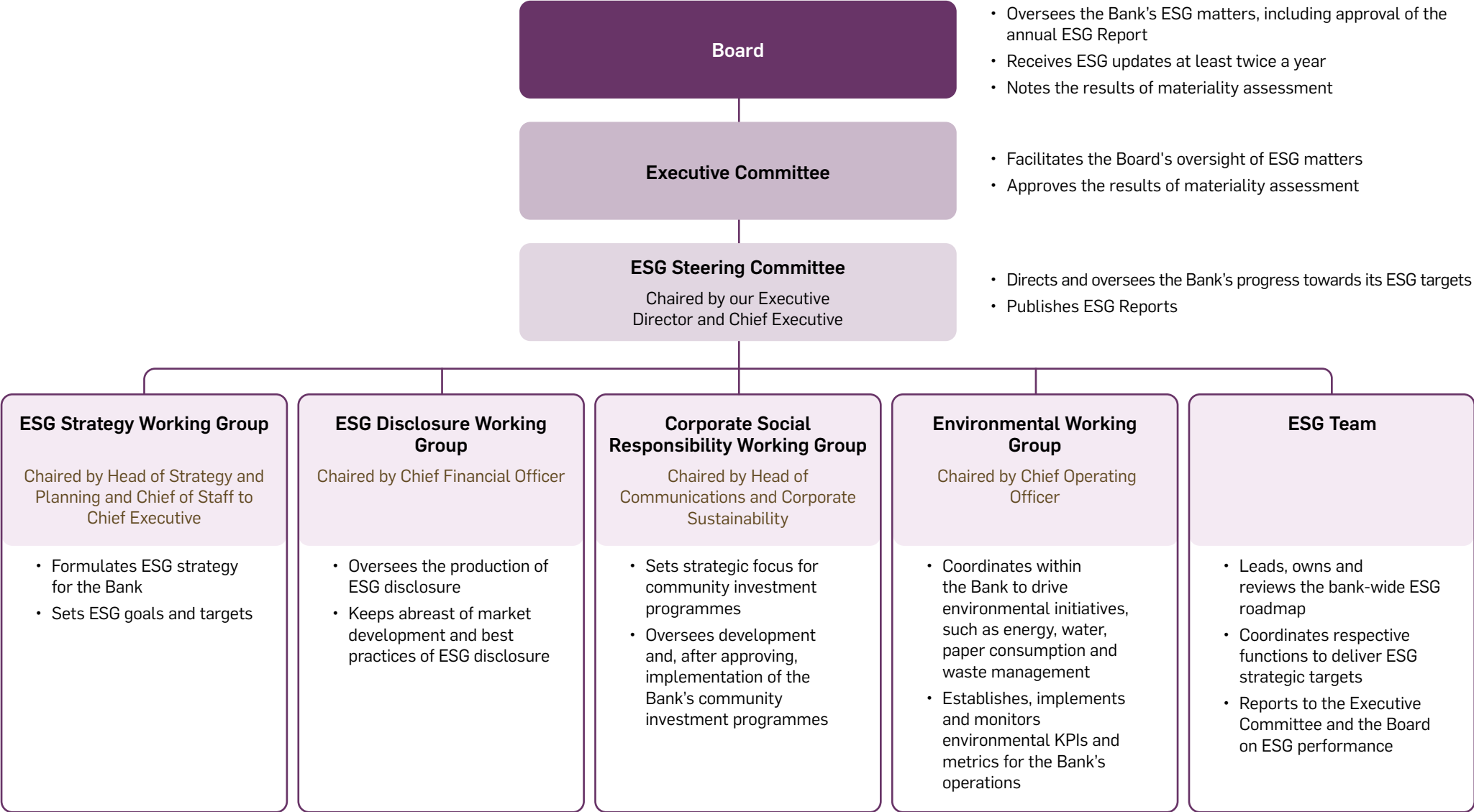
## Our ESG Governance

We are committed to high standards of corporate governance and safeguarding the interests of shareholders, customers, employees and other stakeholders.

Our high-level ESG Steering Committee, chaired by our Executive Director and Chief Executive, 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 an Executive Committee member of the Bank's Executive Committee. Our dedicated ESG Team coordinates with different business units to manage ESG matters from a bank-wide strategic perspective.

# Our ESG Journey

## ESG Governance Structure



# Our ESG Journey

Two Board meetings were held in April and November 2021 to update the Directors on ESG-related matters. At the Board meeting held in April 2021, the Environmental, Social and Governance Strategy and Implementation Plan, together with the 2020 ESG Report, were approved by the Board. At the board meeting held in November 2021, the Directors were informed on the Bank's ESG achievements in 2021 including awards and recognitions. The Board noted that all KPIs set at the beginning of 2021 were well ahead of targets in the aspects of environment, social, governance and customers. Going forward, the management, with the dedicated efforts and commitment of all the business units and functions, would embrace ESG in our business and operations as part of the Bank's corporate culture.

## Pursuing Environmental Excellence

Overall, we were on good track towards our environmental targets, with key achievement as of the end of September 2021 highlighted below:

Aspects	Total consumption/ Emissions*/ Diversion	2022 Short-term Targets	Progress as of 2021 (vs. 2022 targets)
Electricity consumption	Reduced by 9.8%	To reduce by 7.5%	Exceeded 2.3%
Greenhouse gas ('GHG') (Scope 1 & 2) emissions	Reduced by 22.5%	To reduce by 7.5%	Exceeded 15%
Water consumption	Reduced by 7.5%	To reduce by 8%	0.5% less than the target
Paper consumption	Reduced by 30.8%	To reduce by 15%	Exceeded 15.8%
Waste diversion	Diverted 57.3%	To divert 70% waste away from landfills	An additional 12.7% has to be identified

In 2021, nine initiatives were implemented, the following are the initiatives that have made the key contributions on environmental targets:

- Installed intelligent building monitoring system at the headquarters, Hang Seng Tower and Hang Seng 113, to save electricity
- Reduce electricity consumption by rescheduling the provision of building facilities at office buildings and air-conditioning facilities at Automatic Banking Centres
- Reduced water consumption by installing faucet aerators and sensor taps at three core buildings

# Our ESG Journey

## Sustainability in Action



### Our Stakeholders

#### Goals

- Hang Seng's commitment to drive ESG and provide strong support to ESG start-ups have been reaffirmed by its business partners
- Ensuring effective and ethical supply chain management

#### Actions

- We carefully assess environmental and social risks when approving loans and investments
- We train new joiners and continue to update our existing employees in our environmental and social policies
- Our Hang Seng Corporate Sustainability Indexes Series, launched by Hang Seng Indexes Company Limited ('Hang Seng Indexes Company') encourage sustainability by recognising companies with good ESG ratings
- In 2021, our Markets Treasury team invested HK\$2.59 billion in green bonds, most of them are issued by financial institutions and government bodies



### Our People

#### Goals

- Recruiting and retaining the best talent
- Supporting our local community
- Investing in future skills learning and career development of our staff

#### Actions

- We make a commitment to our people: over 99% of our staff are full-time employees
- We appoint 93% of our Executive Committee members from our local community
- Staff in Hong Kong undertook over 4 days of learning and development programmes on average in 2021 to build their technical knowledge and soft skills. New learners' journey with technology enablement as the Degreed learning platform provides staff with access to future skills learning on-demand and facilitates peer learning in networks. Individual learning of future skills goes beyond measures of traditional learning hours
- To support the wellbeing of our staff, we promote flexible working fit for purpose and offer hybrid working policies by role segmentation with up to 4 days per week to work from home and empower our staff in managing their work life balance. We regularly review policies, benchmark and enhance our employee benefits against the market
- We provide guidance and training to 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



### Our Environment

#### Goals

- Minimising the environmental impacts of our business
- Promoting environmental conservation through our products, services and our community investment programmes

#### Actions

- We explore opportunities and develop management practices to conduct our operations in an environmentally responsible manner and to promote sustainable development. For example, we launched "Integrated Furniture Waste Reduction Programme" and purchased renewable energy certificates from a local electricity company in 2021
- As of the end of 2021, the outstanding balance of the Bank's green loans was HK\$6.7 billion and the outstanding balance of sustainability-linked loans was HK\$1.3 billion



### Our Community

#### Goals

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

#### Actions

- In 2021, the Bank spent over HK\$31 million in community investment, supporting local organisations to design and deliver 18 programmes for about 40,000 direct beneficiaries. We also made contributions to The Community Chest of Hong Kong to benefit another 2.5 million people
- In addition, we invested non-financial resources and contributed close to 10,300 hours (equivalent to about HK\$3.9 million) of volunteer time, professional expertise and practical support to further enhance our social and environmental impact
- Over the past 10 years, we have invested about HK\$289 million in community initiatives

# Our ESG Journey

## Addressing Climate Risks

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

To identify the transition risks that customers are facing and provide the control and oversight of related credit risk impact, a transition risk questionnaire has been incorporated into the annual credit review since March 2021 for customers that engage in climate sensitive sectors and with whom we have large credit exposure. Data from the questionnaires are collated to identify 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.

Furthermore, to identify the physical risk, we have completed a "trial run" assessment in assessing the impacts of climate risks on properties under our mortgage portfolio in 2021, which is concluded as immaterial in most cases and requires no action plan.

## Actions we take



In 2021, we engaged an external consultant to conduct a gap analysis against regulatory requirement and market best practices. In addition, our ESG and risk management teams regularly meet, and engage other parties when needed, to review our climate risk management roadmap.



A qualitative risk appetite statement for climate risk was formulated in 2021, which is subject to review on semi-annual basis.



To guide and monitor our environmental efforts, we set short, medium and long-term environmental targets in different aspects, including energy consumption, water consumption, paper consumption, greenhouse gas emissions and waste reduction and recycling. In 2021, we made progress on these targets, yet we are well aware that it is a combined result of the resources conservation initiatives implemented by various business units and the COVID-19 impact of more employees working remotely from home and conducting virtual meetings.



As the first local bank in Hong Kong to sign up as a supporter of the Task Force on Climate-related Financial Disclosure (TCFD), we made the first attempt to publish climate-related disclosure information in this Report with reference to the recommendations of the TCFD to increase transparency of our efforts in mitigating and adapting to climate change. For further details, please refer to [Task Force on Climate-related Financial Disclosures \(TCFD\) Content Index](#) in this Report.