

Our Environment

Sustainable Finance

In keeping with the our parent company's Climate Strategy, we provide sustainable financing services to help our customers' transition to low-carbon economy. In addition, we manage the Bank's credit risk exposure to climate-sensitive sectors in accordance with the our parent company's guidelines.

Sustainable/Green Finance Strategy

In August 2021, Hang Seng Bank and the Hong Kong Quality Assurance Agency ('HKQAA') signed a Memorandum of Understanding ('MoU') and announced a collaborative initiative to promote green finance and contribute to environmental protection and sustainable development. The collaboration will help corporates and small and medium-sized enterprises ('SMEs') to make their operations greener and begin transitioning towards a low-carbon future. This joint initiative also aims to advance Hong Kong's position as a leading international centre for sustainable finance and facilitate the development of innovative green finance and climate-change initiatives in the Greater Bay Area ('GBA').

Hang Seng has joined the Hong Kong Green Finance Association as a member, to demonstrate our values and keep up-to-date with industry trends, as well as to explore collaboration opportunities with like-minded stakeholders. We have also been nominated by the Hong Kong Association of Banks to join their Alliance for Green Commercial Banks, which is organised by the Hong Kong Monetary Authority ('HKMA') and the International Finance Corporation ('IFC').

For corporate customers, Hang Seng offered green loans and sustainability-linked loans to support their sustainability development. The former is to finance customers' green projects, such as green building, renewable energy, pollution prevention and control projects, and the latter is to incentivise customers to achieve predetermined sustainability performance targets ('SPTs') by linking the loan margins to whether the borrowers satisfy the predetermined SPTs.

Our Green Financing Promotion Scheme, targeting small and medium-sized enterprises, encourages corporate customers to acquire environmentally friendly equipment that contributes to sustainable development.

In 2021, Hang Seng approved HK\$7,291 million of green loans to finance corporate customers' green projects.

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

As a wholly owned subsidiary of Hang Seng Bank, Hang Seng Investment Management Limited ('HSVM') has engaged a renowned ESG rating agent and continually invest in integrating its approach to ESG into its investment process. In 2021, HSVM had allocated about HK\$380,000 in relevant research and development for the entity.

HSVM also continuously interacts with its investee companies, in particular those with low or no ESG rating. In 2021, HSVM interacted with more than 10% of the investee companies in its equity portfolios, while for fixed income portfolios, the percentage was 0.5%.

“Not all clients are fully aware of green finance and are willing to invest large amounts of money in green or innovative technology projects such as renewable energy. In view of this, our team must explain the benefits of green finance, the relevant processes and the dos and don'ts to clients, so that they become willing to accept the green finance concept and integrate it into their business model.”

Andrew Lau,

Syndicated Finance, Green and Sustainable Financing and Corporate Advisory Department

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Sustainable Finance Solutions

Apart from serving as a benchmark for sustainable investment, Hang Seng Corporate Sustainability Indexes Series has also become one of the sustainability performance requirements of individual listed companies' sustainability-linked loans.

Since November 2021, Hang Seng Indexes Company launched the HSI ESG Enhanced Index and HSI Low Carbon Index, expanding its family of benchmarks for investors interested in sustainable investment strategies. Mainstream focus on ESG issues, particularly climate change, has risen significantly in recent years, with international developments such as the tabling of new climate commitments at the recent COP26 accelerating awareness of the pressing need to make sustainability a central element of personal, business and national policy decision-making, including those related to investment. The HSI ESG Enhanced Index applies key ESG principles to the Hang Seng Index ('HSI'). The HSI constituents are screened based on ESG Risk Ratings, compliance with the UNGC Principles and involvement in controversial products. After these three screenings, the remaining constituents will be re-weighted based on their ESG Risk Ratings.

Given the increasing number of financial market participants committed to reach net zero emissions in investment portfolios, low-carbon strategy is also gaining significance. The HSI Low Carbon Index is also based on the HSI, with constituent weightings adjusted according to constituents' carbon emissions intensity. Constituents with lower carbon emissions intensities will enjoy an increased weighting in the Index, and vice versa. As of 31 December 2021, the weighted average carbon intensity of the HSI Low Carbon Index (measured in tonne of CO₂e per million USD of revenue) was 53.2% lower compared with the HSI.



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In December 2021, Hang Seng Indexes Company announced that its HSI/HKQAA Sustainability Ratings and Research ('HSI/HKQAA Ratings') for listed companies is available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by Hong Kong Exchanges and Clearing Limited ('HKEx'). The HSI/HKQAA Ratings, which cover over 500 Hong Kong-listed companies, is displayed in the Equities section of HKEx STAGE's Product Repository, which enhanced access and transparency on HSI/HKQAA Ratings to both institutional and retail investors.

We continually enrich our investment product shelf, in both manufacturing and distribution, to incorporate products that are in keeping with our approach to ESG.

In 2021, we onboarded new sustainable investment products, covering investment funds, bonds and equity-linked structured products, which were welcomed by our retail customers. The total sales volume of such products at retail channels reached over HK\$1.7 billion in 2021, up over 1,800% compared with 2020.

Hang Seng Investment Management Limited also expanded its self-managed sustainable investment portfolios. As of the end of 2021, the total assets under management of relevant portfolios was over HK\$5 billion, increased by more than 30% compared with the end of 2020.

The Bank's subsidiary, Hang Seng Bank (China) Limited ('Hang Seng China'), is actively engaged in a series of green development process such as carbon neutralisation and low-carbon circular development, and continuously improved its green financial service capability. By providing customers with differentiated green financial products, customers are encouraged to establish a sustainable lifestyle.

Hang Seng China launched green mortgage for selected green residential projects which have attained local or international green building certification since May 2021, located in the Yangtze River Delta and GBA as the cooperative projects of our mortgage business. Hang Seng China was the first foreign bank to provide the differentiated mortgage preferential interest rates for customers who buy green houses. Meanwhile, professional mortgage specialists were arranged to provide one-stop high quality services throughout the process to assist customers to complete the housing loan process.

Hang Seng China executed the first ESG linked Interest Rate Swap deal with the subsidiary of a world class mining company ('the client') in April 2021. If the client meets pre-set ESG target, the client will be rewarded and lead to a lower financial hedging cost, which will further encourage the client to achieve sustainable growth in the long run. This is one of green development initiatives launched by Hang Seng China to help clients transition to a low-carbon economy. Hang Seng China is committed to finding out practical insights by continuously implementing ESG strategy to thrive and make sustainable development together with clients.

