

ABOUT THIS REPORT

Report Coverage

The Bank's Environmental, Social and Governance Report 2022 describes our sustainability performance and the challenges we encountered in 2022. It focuses on the ESG topics that are material to our business and our stakeholders.

The report also describes how the Bank is driving the ESG progress in its operations and along its value chain. The information and the performance data in this report cover our operations in Hong Kong only, unless it is otherwise specified. This ESG Report 2022 covers the Bank's operation with 93.7% of total operating income.

Mainland China and other operations are excluded from the report, as their contribution to the Hang Seng Bank Group's profit before tax and total assets is not significant. To qualify as significant, the 5-year average of both the profit before tax and the total assets should be more than 5% for each of the past five years. Unless it is otherwise stated, the term "Group" in this report refers to Hang Seng and its subsidiaries in Hong Kong. Hang Seng China has voluntarily published its ESG Report 2022 covering the operations of the Bank in mainland China. For more details, please refer to their ESG Report 2022.

The financial data is extracted or compiled from the Bank's audited annual accounts for the financial year from 1 January to 31 December 2022. Other information covers the same period, unless it is otherwise stated.

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

Our previous report, Environmental, Social & Governance Report 2021, was published on 25 May 2022.

Reporting Guidelines

This report has also been prepared with reference to the Global Reporting Initiative ('GRI') Standards, and with reference to the standards for Commercial Banks set by the Sustainability Accounting Standards Boards ('SASB') and the recommendations from the Task Force on Climate-Related Financial Disclosures ('TCFD'). The report has been independently verified by the Hong Kong Quality Assurance Agency ('HKQAA'). (See [Verification Statement](#))

We have also considered our "comply-or-explain" approach under the Hong Kong Monetary Authority's Supervisory

Policy Manual GS-1 on Climate Risk Management, and we can confirm that we have disclosed the information consistently in adherence to the TCFD's recommended disclosures in this report.

As per Hong Kong Monetary Authority ('HKMA') CG-5 requirement, our [Annual Report](#) has already included the relevant section on remuneration of senior management and key personnel. The aggregated amount of remuneration, split into fixed and variable remuneration are reported. Deferred share awards are in the form of HSBC shares (with HSBC being the ultimate holding company of the Bank).

We have adopted the fundamental reporting principles of HKEX's ESG Guide.



Materiality

We also commissioned an external consultant to assess the priorities of our material issues through stakeholder engagement. The issues identified were endorsed by our ESG Disclosure Working Group and ESG Steering Committee, and were 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. (See [Our Environment](#))



Balance

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



Consistency

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

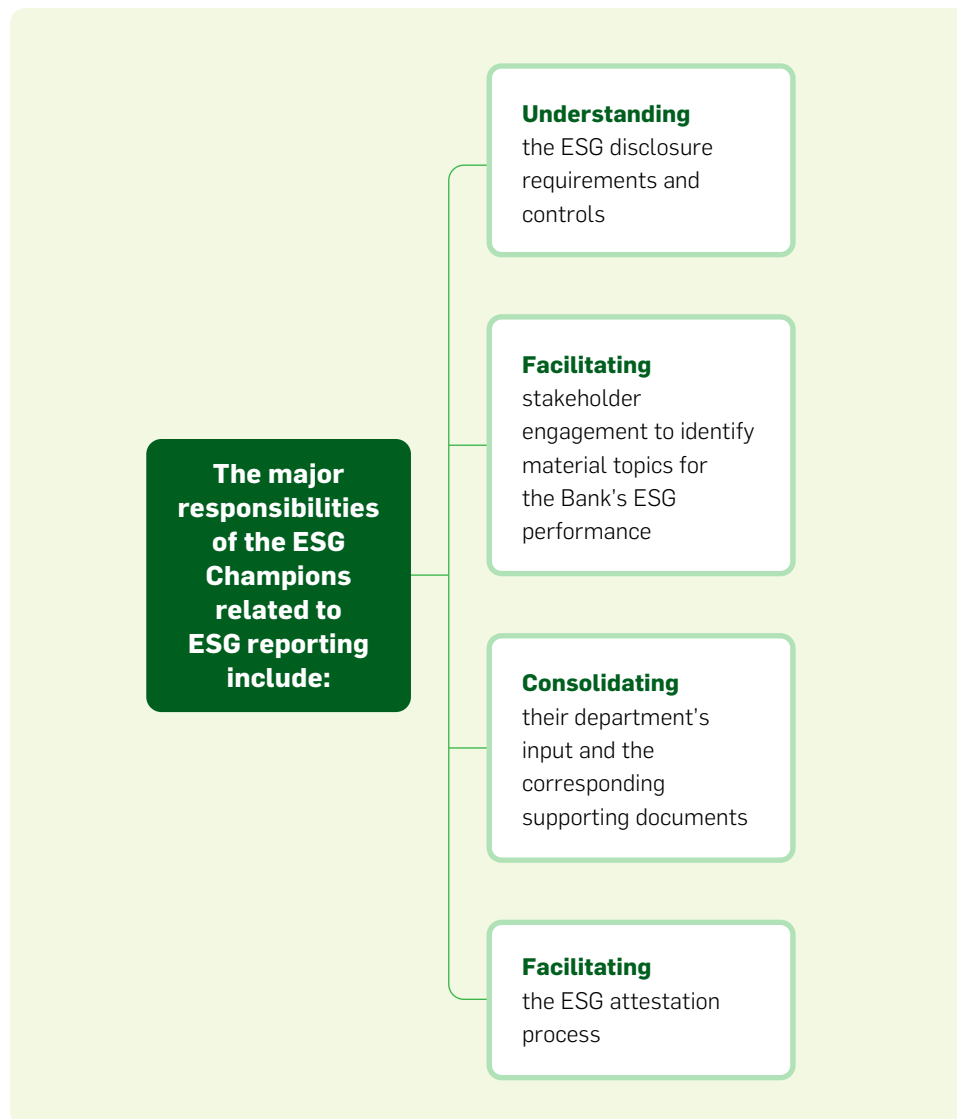
■ Data Collection

The Bank's ESG Champions are responsible for coordinating our data collection. To ensure the quality, accuracy and transparency of our ESG disclosure, we have continued 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 our ESG disclosure and its enhancement requires a concerted effort from our departments and business units. Our ESG Champions and the first line of defence, which are appointed by their department heads, help ensure the transparency, accuracy and reliability of our ESG disclosures. The nomination process also ensures that the ESG Champions and first line of defence have the related work experience and / or have received training relevant to the material ESG aspects of their departments, in order to coordinate the preparation of the disclosures.

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

At our ESG Report 2022 kick-off meeting workshop, we briefed the ESG Champions and the first line of defence on the latest ESG reporting trends, as well as how the Bank is performing against our peers in terms of ESG disclosures and the best practices.



Cautionary Statement Regarding ESG and Climate-related Data, Metrics and Forward-Looking Statements

The ESG Report 2022 contains a number of forward-looking statements (as defined above) with respect to Hang Seng's ESG targets, commitments, ambitions, climate-related scenarios or pathways and the methodologies we use to assess our progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in the ESG Report 2022, Hang Seng has made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. We have used ESG and climate data, models and methodologies that we consider, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions - and operational and supply chain emissions, to set ESG-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are new, are rapidly evolving and are not of the same standard as those available in the context of other

financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and we expect industry guidance, market practice, and regulations in this field to continue to change. In light of the highly uncertain nature of the evolution of climate change and its impact, Hang Seng may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG and climate analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develops rapidly. The ESG-related forward-looking statements and metrics discussed in the ESG Report 2022 therefore carry an additional degree of inherent risk and uncertainty.

No assurance can be given by or on behalf of the Bank as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to Hang Seng, could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied

and / or reflected in any ESG-related forward-looking statements or metrics due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- ▶ **Climate change projection risk:** this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ▶ **Changes in the ESG regulatory landscape:** this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- ▶ **Variation in reporting standards:** ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- ▶ **Data availability, accuracy, verifiability and data gaps:** our disclosures are limited by the availability of high quality data needed to calculate financed emissions. Where data is not available for all sectors or consistently year on year, there may be an impact to our data quality scores. Whilst we expect our data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within

sectors year on year, and / or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;

- ▶ **Developing methodologies:** the methodologies Hang Seng uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and / or developments in science, where applicable. Any such developments in methodologies could result in revisions to reported data going forward, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year. In addition, climate scenarios and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology driven outcomes; and
- ▶ **Risk management capabilities:** governments', customers', and Hang Seng's actions may not be effective in supporting the transition to carbon neutrality and in managing and mitigating ESG risks, including in particular climate risk, nature-related risks and human rights risks, each of which can impact Hang Seng both directly and indirectly through our customers, and which may result in potential financial and non-financial impacts to the Bank. In particular:

1. we may not be able to achieve our ESG targets, commitments and ambitions (including with respect to the commitments set forth in HSBC Group's thermal coal phase-out policy, energy policy and targets to reduce on-balance sheet financed emissions in its portfolio of selected high-emitting sectors) which may result in our failure to achieve any of the expected benefits of our strategic priorities; and
2. we may not be able to develop sustainable finance and climate-related products consistent with the evolving expectations of our regulators, and our capacity to measure the climate impact from our financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect our ability to contribute to HSBC Group's climate ambition, targets to reduce on-balance sheet financed emissions in its portfolio of selected high-emitting sectors and the commitments set forth in HSBC Group's thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Hang Seng makes no commitment to revise or update any ESG forward-looking statements to reflect events or circumstances occurring or existing after the date of any ESG forward-looking statements. Written and / or oral ESG-related forward-looking statements may also be made in our periodic reports to summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by Hang Seng's Directors, officers or employees to third parties, including financial analysts.

