

■ Environmental Management

Environmental Management

Environmental management policy and mechanism

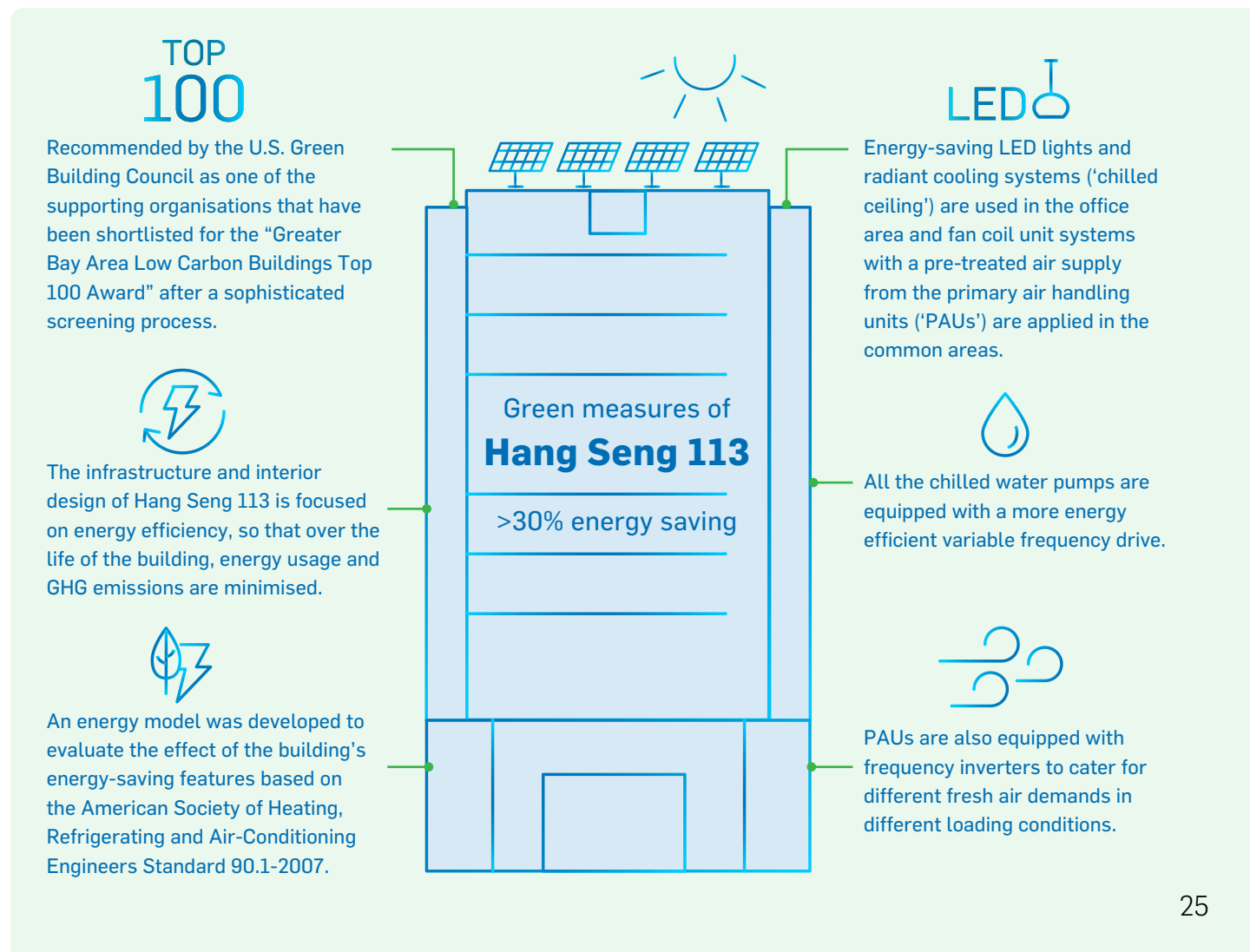
As Hong Kong's first domestic bank to attain ISO 14001 certification for all our offices and branches, we strive to lead by example in supporting the transition to a low carbon economy. With an environmental policy in place, we monitor our EMS and ensure its ongoing compliance with the ISO 14001 standards.

Hang Seng has continued with undertaking a bank-wide office enhancement programme. This includes initiatives to make our workplaces more energy-efficient and sustainable, with reference to internationally recognised standards. We have also developed guidelines on green procurement and waste management measures.

Our operations comply with the Hong Kong regulations and guidelines, such as the Waste Disposal Ordinance (Cap. 354) that governs the storage and disposal of electronic waste. In 2022, no judgments were entered against the Bank for breaching the environmental laws or regulations.

Greening our buildings

As recognition for our efforts to maintain the highest standard for sustainability and wellness in our office, Hang Seng was awarded as the winner of the Hong Kong RICS Award for the Facilities Management Team of the Year.



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“Go Dark” initiative was launched to help reduce our energy usage during the height of the COVID-19 outbreak in February 2022 where the lighting in the core buildings was turned off fully / partially, depending on the nature of activities on that floor. On vacant floors, air conditioning was also turned off, with a 1-hour on time for daily ventilation. This allowed us to reduce unnecessary energy usage while utilising the office during the work from home period.

Energy-saving features were embedded at the Bank’s branches in order to reduce energy consumption and carbon emissions. For example, the use of natural daylight at our new Wan Chai Business Banking Centre helps reduce the electricity consumption required for lighting. Supporting the government’s efforts on energy consumption, seven of the Bank’s buildings enrolled in the Energy Saving Charter 2022 and the 4T Charter schemes.

Environmentally-friendly building materials and energy-efficient appliances were used in some of our premises. These include low-volatile organic compound paints, LED lights, high-efficiency air conditioners and Grade 1 rated electrical appliances.

Workplace enhancement programme is undertaken at some of our workplaces. We apply technologies and digital solutions to achieve paperless working and to reduce the needed storage space, which allows us to redesign our meeting rooms and spacious breakout areas to support mobile and collaborative work. Eight office floors were renovated in 2022 to absorb the staff from different office buildings, so that our total office area could be reduced by more than 100,000 sq. ft-net. Seven more office floors are scheduled to be renovated in 2023.

The construction waste generated from demolitions and renovations is handled by government-approved contractors and is taken only to government-approved facilities. We ensure that our contractors’ waste management and handling practices meet our standards.

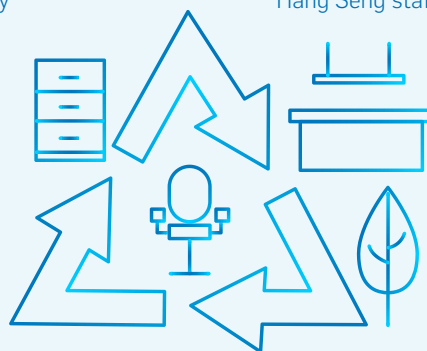
We have also initiated an “Integrated Furniture Waste Reduction Programme” to handle furniture which will no longer be used after our office renovation, which operates according to the sequence below:

Step 1.

Reuse furniture within Hang Seng as the first priority

Step 2.

Offer the remaining furniture to Hang Seng staff



Step 4.

Engage recycling service providers to collect the remaining furniture

Step 3.

Collaborate with partners to donate the remaining furniture after step 1&2

Reusable utensils, containers and cups are provided in our kitchen areas to encourage colleagues to abstain from using disposable ones.

Non-recyclable waste is reduced by removing all plastic bottle products from the vending machines in our office buildings.

Food waste collection point has been set up in the cafeteria area of our headquarters to separate food waste from packaging, which is then sent to our own food decomposer in the building. The food waste that has been digested and converted to sewage is diverted to the drainage system.

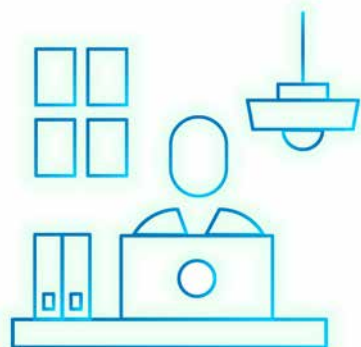
Internal waste reduction competition was held within our office buildings to enhance staff awareness of waste reduction.

Participating in the Quality Water Supply Scheme for Buildings, administered by Hong Kong’s Water Supplies Department. Bleed-off water from the cooling towers of air conditioning system is reused for toilet flushing in Hang Seng 113 office building. We currently hold the Gold Class Fresh Water Award for our headquarters as well as the Silver Class Fresh Water and the Gold Class Flushing Water awards for Hang Seng 113.







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Target-setting and continuous monitoring

To guide and monitor our environmental efforts, we set short-, medium- and long-term environmental targets in different areas, including energy consumption, water consumption, paper consumption, GHG emissions, and waste reduction and recycling. In 2022, we made progress in reaching our targets, this was a combined result of the resource conservation initiatives implemented by various business units, and the COVID-19 impact that resulted in more employees working remotely from home and conducting virtual meetings.



Overall, we are on good track towards our environmental targets, with key achievement as of the end of September 2022¹ highlighted below:

Aspects	Base year	2022 Targets (against base year)	Our progress as of the end of September 2022	2023 Targets (against base year)
 Electricity consumption	2018	↓ Decreased by 7.5%	↓ Decreased by 13.3%	↓ Decrease of 10%
 GHG emissions – total Scope 1 and 2	2018	↓ Decreased by 7.5%	↓ Decreased by 27.1%	↓ Decrease of 10%
 Water consumption	2018	↓ Decreased by 8%	↓ Decreased by 12.9%	↓ Decrease of 10%
 Paper consumption[^]	2019	↓ Decreased by 15%	↓ Decreased by 24.6%	↓ Decrease of 17.5%
 Waste diversion*	N/A	◀▶ Diverted 70% of waste away from landfill	◀▶ Diverted 59.5% of waste away from landfill	◀▶ Divert 63% of waste away from landfill
 Waste reduction*	2018	N/A	↓ Reduced 39.8% of total waste	↓ Reduce 11% of total waste

1. Environmental data in 2022 is compiled from the Bank's operation data from 1 October 2021 to 30 September 2022.

* Hang Seng conducted waste audit exercise in 2022 to benchmark our waste management against market practices. As a result, the project workgroup introduced waste reduction targets to align with the waste management targets outlined within the Hong Kong 2035 Government Waste Blueprint that published in 2021. The refreshed waste diversion targets were refreshed after factored in the implications of waste reduction initiatives in the subsequent years.

[^] The paper consumption is adjusted due to the new paper conversion formula adjusted by the third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of no. of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.

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Environmental Performance

	Unit	2022 ⁺
Total GHG emissions¹		15,479.79
Scope 1		100.58
Stationary combustion		61.17
Mobile combustion		39.41
Scope 2		14,992.74
Purchased electricity	tonnes of CO ₂ e	14,979.85
Towngas		12.90
Scope 3		386.32
Business travel (land and air)		78.10
Transmission and distribution loss		297.64
Upstream transportation and distribution (mobile branch)		10.58
Total GHG emissions per FTE		2.08
From Scope 1	tonnes of CO ₂ e / FTE	0.01
From Scope 2		2.02
From Scope 3		0.05
GHG emissions per sq. ft.	tonnes of CO ₂ e / sq. ft.	0.013
Total Gas emissions besides CO₂²		5.99
CH ₄	tonnes of CO ₂ e	0.11
N ₂ O		5.88
Total energy consumption³		28,349.81
Indirect: electricity	MWh	28,037.15
Direct: gas and diesel		312.66
Energy consumption per FTE	MWh / FTE	3.82
Energy consumption per sq. ft.	MWh / sq. ft.	0.02
Total water consumption	000 m ³	68.92
Water consumption per FTE	m ³ / FTE	9.30
Total paper consumption⁴	tonnes	1,447.00
Waste disposed to landfill⁵	tonnes	214.49
Waste disposed per FTE ⁶	tonnes / FTE	0.03

	Unit	2022 ⁺
Waste collected for recycling		317.16
Paper	tonnes	255.75
Plastic		0.53
Aluminium cans		0.44
Glass ⁷		0
Furniture		33.77
IT and electrical ⁸		13.14
Food waste		9.71
Ink jet bottles and toner cartridge		3.81

• Data coverage: Hang Seng Bank's Hong Kong operations. Data is rounded up to 2 decimal places.

Key: m³: cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hour
FTE: Full-time equivalent employee⁹ sq. ft.: Square foot¹⁰ *1 Oct 2021-30 Sep 2022

Notes:

- Scopes 1 and 2 GHG emissions were estimated according to the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition). Scope 2 GHG emissions are calculated based on electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.39 kg CO₂e / kWh and 0.7336 kg CO₂e / kWh respectively, as of 2022. Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, our current reporting also incorporates methane and nitrous oxide for completeness.
- The total energy consumption figures cover the energy consumption of the Bank's building operations only and exclude the energy consumption of the Bank's company vehicles.
- The paper consumption is adjusted due to a new paper conversion formula adjusted by a third party. A new paper conversion formula was adopted in FY2022 to reflect the actual paper consumption. Prior year's paper consumption related to one of the vendors was based on assumption of number of pallets stocked-in on different types of paper products while the new formula was based on the actual consumption volume of paper products measured by the unit weight.
- Hazardous waste is not counted owing to the insignificant amount.
- Renovation of our headquarters and other core buildings generated construction waste, hence a higher volume of waste disposal.
- Relevant data have been collected for reporting since 2018.
- All IT electronic wastes are recycled by authorised vendor of HSBC Group according to environmentally friendly recycling process. In 2022, we have arranged recycling of all IT electronic wastes.
- Full-time equivalent employees as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 were 7,454, 7,820, 8,103 and 8,468 respectively.
- Floor area as of 30 Sep 2022, 30 Sep 2021, 30 Sep 2020 and 30 Sep 2019 was 1,235,291, 1,332,183, 1,375,455 and 1,387,344 sq. ft., respectively.

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Insights from scenario analysis

Scenario analysis supports our strategic commitments by assessing the Bank's position under a range of climate scenarios. It helps to build our awareness of climate change, to identify and size climate-related risks and opportunities, to inform key activities across the Bank and to meet our growing regulatory requirements.

In climate scenario analysis, we consider:

- ▶ **Transition Risk:** arising from the process of moving to a low carbon economy, including changes in policy, technology, and consumer behaviour and stakeholder perception, which will each impact borrowers' operating income, financing requirements and asset values; and
- ▶ **Physical Risk:** arising from the increased frequency and severity of weather events, such as hurricanes and floods, or chronic shifts in weather patterns, which will each impact property values, repair costs and lead to business interruptions.

Our Progress in 2022

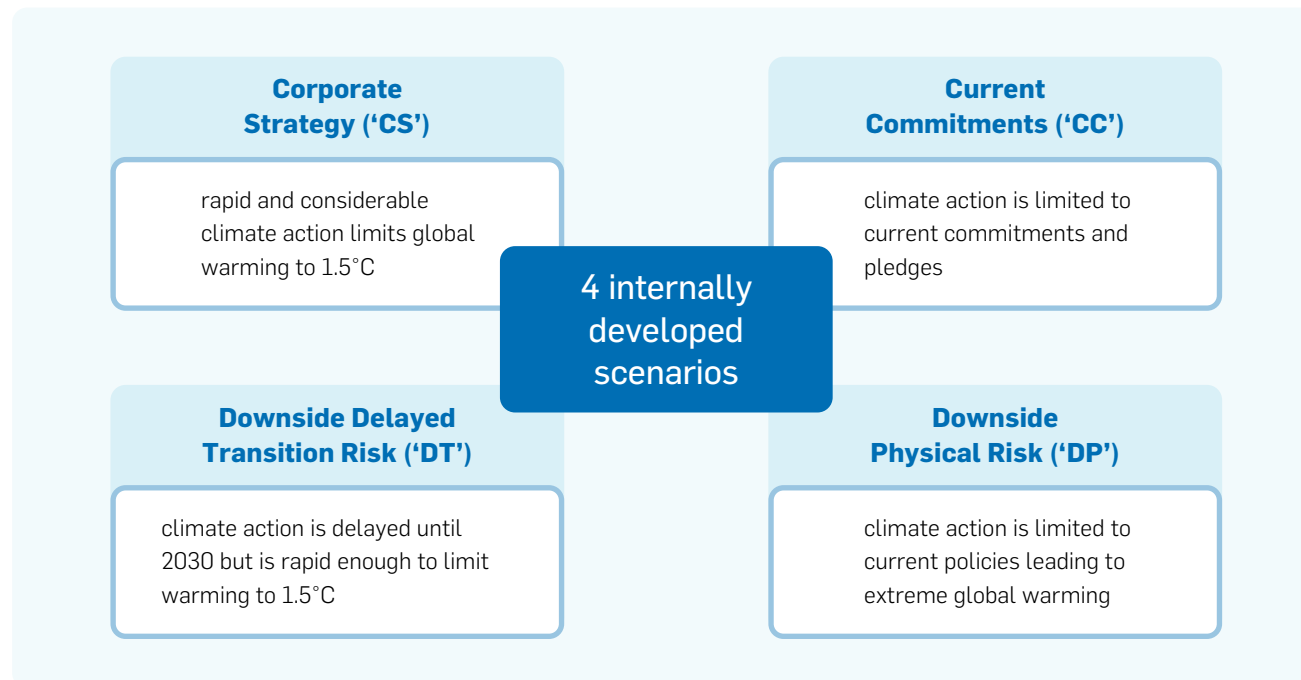
Given the growing regulatory expectations, our focus is on building capabilities to support scenario analysis activities. Following the HKMA Pilot Climate Risk Stress Test and the Bank of England's Climate Biennial Exploratory Scenario ('CBES') exercise in 2021, the Bank continues to enhance our ability to produce more comprehensive internal climate scenario analysis ('ICSA') exercises, to deepen our understanding of climate headwinds, risks and opportunities.

Our Internal Climate Scenario Analysis Exercise ('ICSA')

Making reference to external publicly available climate scenarios, such as the ones produced by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS'), Intergovernmental Panel on Climate Change ('IPCC'), and the International Energy Agency ('IEA'), our ICSA exercise assessed four internally developed scenarios, incorporating our own climate risks and vulnerabilities (e.g. our corporate strategy for the oil & gas sector):

We have quantified the impact of climate change across portfolios, geographies, perils, and risk types. Transition risks are expected to affect all sectors of society and will start to materialise in the near-term. Physical risks are expected to materialise over a longer-term and have more acute implications on exposed assets.

We expect the high emitting sectors from our wholesale corporate lending portfolio, such as construction & building materials, oil & gas, and metals & mining to be most impacted by the possibility of higher carbon prices, under the CS scenario.



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In terms of our real estate books, our retail mortgages and commercial real estate portfolio could be vulnerable to severe tropical cyclones and flooding events under the DP scenario as physical risk evolves. Even though the risk of tropical cyclones was deemed material in Hong Kong, assumptive losses remain low due to buildings being designed to withstand high wind speeds in Hong Kong.

Scenario analysis can help us reach our climate ambitions by assessing different decisions of Hang Seng under a range of climate scenarios.

Our actions are aimed at:

- ▶ **Balancing** trade-offs between greener investments vs. traditional financial performance
- ▶ **Identifying** investment and divestment options for the business
- ▶ **Maintaining** market competitiveness and avoiding expensive catch-up actions

Next Steps

We are continuing to enhance our capabilities to pivot from exploration to action, using outputs of scenario analysis in core decision-making processes, particularly in respect of risk appetite, client engagement, and strategy.

Decarbonisation strategy

To reduce our paper usage, 75.6% of our retail customer statements and advice slips have been sent via electronic channels as of December 2022. This represents a year-on-year increase of 5.4 percentage points with regard to e-statement and e-advice slips.

95% of personal banking customer transactions were being processed via digital channels as of December 2022. Those channels include our internet banking services, voice response system ('VRS'), Automated teller machines ('ATMs') and automated electronics machine services. The transactions include product transactions, as well as everyday banking services including payments & transfers and deposits & withdrawals.

Our eWelcome Pack for insurance was launched in May 2022 and we are supporting the environment by allowing customers to view the QuickReward and EasyRefund policy

packs digitally, instead of printing and mailing physical copies to customers. Since its launch, 97.9% of the customers who purchased the above insurance products have enjoyed the new eWelcome pack feature.

e-statement for our insurance services were launched in November 2022. Hardcopy annual statement was replaced by an e-statement. As of December 2022, 85.4% of our insurance customers opted-in for e-statement.

38% of our customers with investment activities performed transactions via digital channels as of December 2022. The Digital Bonds Service was also launched in August 2022 to enable the online journey for customers. In December 2022, 11.1% of the total transactions were recorded as being processed via digital channels. To help get rid of paper documents generated from offline investment sales, My Documents Service was launched in December 2022 for customers to view and retrieve those documents directly via their personal e-banking.



Go paperless

75.6%

retail customer statements and advice slips sent via electronic channels

95%

personal banking customer transactions processed via digital channels

38%

customers with investment activities performed transactions via digital channels

90%

Commercial Banking customer transactions processed via digital channels

92.6%

shareholders adopted our e-communication services

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For Commercial Banking, 90% of our customer transactions were processed via digital channels in 2022. Those channels included our internet banking services, ATMs and automated electronic machine services. The transactions included payment transfers, auto-payments, deposits, and payroll and ATM services. In 2022, charitable donations via our digital channels totalled 663,795 in terms of the number of transactions, which amounted to a total of HK\$113.6 million.

Meanwhile, 92.6% of our shareholders adopted our e-communication services in 2022. This saved over 15.9 million sheets of paper.

In our survey of top 50 suppliers by spend, 51% of suppliers responded with a Carbon Emissions Reduction Commitment.

Financed emissions

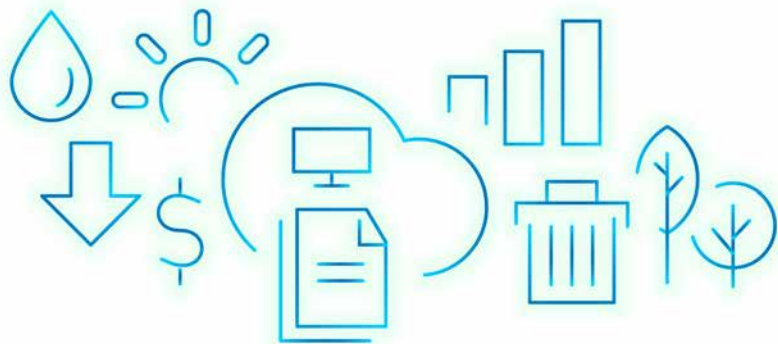
We kick-started our financed emissions journey in 2022. It is followed by data collection from different teams for the further financed emissions calculation. We encountered challenges with data availability during the data collection process, which confirms our expectation that a proxy technique should be applied as a solution.

Waste management

Our cleaning vendor provides us with a log sheet of how many items of waste are handled every month.

The grey water from our water-cooling tower is reused for flushing at our headquarters and Hang Seng 113 office building.

All IT electronic waste is recycled by the authorised vendor of HSBC, according to an environmental-friendly recycling process. In 2022, we arranged for the recycling of all IT electronic waste with an authorised vendor. Our target and on-going process is to recycle all our IT electronic waste (if any) via the authorised vendor.



Performance evaluation: Environmental

Green building efficiency

Apart from promoting sustainable finance as long term value to the environment, operating our business in an environmentally friendly way is also material to creating long term value to the environment. Hang Seng has recently addressed this topic by executing large scale renovation of its office buildings. We have observed the great progress and improvements made in applying environmental technologies, and we plan to expand the renovation and retrofit works to our other office buildings.

Waste management

Waste management requires comprehensive and long-term planning and execution, involving the application of technologies and involving people. With the continuity of our “Integrated Furniture Waste Reduction Programme” established in 2021, food waste is our focus in 2022. New food waste decomposers have been installed to collect food waste. Furthermore, a waste reduction competition was organised to further enhance the involvement of our employees. We acknowledge that additional waste types could be covered in our waste management implementation. We continue to study feasibilities by introducing new plans gradually and enhancing our existing initiatives based on the results of waste audit exercise.