

OUR ESG JOURNEY

■ Introduction

Hang Seng ('the Bank' hereinafter) is committed to actively play our role in the local banking industry that drives the awareness of ESG matters. In 2022, we continued to execute our ESG strategy and implementation plan. We strengthened our internal capacity through various means, including webinars, videos and newsletters to enhance the awareness and understanding of ESG matters among our staff.

To continually make progress towards meeting our ESG targets, we have implemented annual ESG key performance indicators ('KPIs') for different business units since 2021, and the Board of Directors ('the Board' hereinafter) receives regular progress updates.

■ Our ESG Governance

The Bank is committed to maintaining and upholding a high standard of governance over our ESG journey, with a view to safeguarding the interests of our shareholders, customers, employees and other stakeholders.

Our ESG Steering Committee is chaired by our Executive Director and Chief Executive, who also chairs Executive Committee which reports to the Board. The Steering Committee is supported by four Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), each of which is led by a 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.

In accordance with the ESG Reporting Guide of Hong Kong Exchanges and Clearing Limited ('HKEX') i.e. Appendix 27 of the Main Board Listing Rules, the Board was updated regularly about the progress on ESG-related matters at certain meetings that were held in 2022 and early 2023. At these meetings, the Board noted the progress update against the ESG-related goals and targets being set at the beginning of 2022, provided related comments or suggestions to the Management and also exercised oversight over the ESG matters. The Board also confirmed the effectiveness and adequacy of the Bank's disclosure framework, including the risk management and internal control systems relating to ESG.



Our ESG Governance



* Chaired by our Executive Director and Chief Executive; Alternative Chairperson: Chief Financial Officer

[^] Chaired by the Chief Financial Officer

Pursuing Environmental Excellence

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.

In 2022, the following three major initiatives were implemented so as to contribute on environmental targets:

Set up food waste collection point

in Hang Seng Headquarter

Converted the flushing water

in Hang Seng 113 office building from fresh water to sea water

Purchased renewable energy

from local electricity supplier, that is equivalent to 30% of the Bank's annual electricity consumption

Sustainability in Action: Highlights



Environmental

- ▶ Set up **food waste collection point and decomposer** at our headquarters to convert food waste to sewage and divert to the drainage system
- ▶ Transitioned the use of PVC to **rPVC** for newly issued credit cards and ATM cards to reduce carbon emissions in procurement and operations
- ▶ Reduce our office area by **>100,000 sq. ft.** to minimise our carbon footprint
- ▶ Funded a **one-year carbon sequestration research project** of The Hong Kong Polytechnic University to evaluate the potential effectiveness of oyster farming as a nature-based solution
- ▶ Purchased renewable energy equivalent to **30%** of the Bank's annual electricity consumption in 2022
- ▶ Launched various **green products**, such as, mobile cheque deposit, green deposit, green mortgage and green electric vehicle loan
- ▶ **92.6%** of our shareholders adopted our e-communication services



Social

- ▶ Pledged nearly **HK\$32 million** on community investments, supporting local organisations to organise **16** programmes for over **77,000** direct beneficiaries
- ▶ Invested non-financial resources and contributed close to **10,728 hours** of volunteer time, professional expertise and practical support to further enhance our social and environmental impact
- ▶ Donated second-hand laptops to the local community with total in-kind donations amounted to around **HK\$1.6 million**
- ▶ Disclosed **gender pay gap** (fixed pay gap and total compensation gap)
- ▶ **QR code** was added for our customers to access our online card activation journeys by the revamp of our card sticker
- ▶ Held **380** staff programmes and activities with **16,000** overall participations
- ▶ Provided **249** university students with internship opportunities



Governance

- ▶ **84,249 hours** of learning on the topics of preventing bribery and corruption, money laundering and sanctions, conduct, values and regulations received by our staff
- ▶ Hang Seng Indexes has compiled **18** ESG-related Indexes by the end of 2022
- ▶ **>99%** employees who completed the mandatory cybersecurity training
- ▶ **>90%** IT developers who hold at least one of our internal secure developer certifications
- ▶ **50%** of our **top 40 suppliers**, i.e. half of our total spend responded that they had carbon reduction plans in a questionnaire sent by Hang Seng
- ▶ **95%** of our active suppliers are from local community while the rest are from Asia, Europe and the United States

Materiality Assessment

We strive to address issues that matter to our stakeholders. We deem an issue material if it could significantly affect our reputation or viability, and / or could influence a stakeholder’s decision on whether or not to conduct business with Hang Seng.

To prepare this ESG report, we commissioned an external consultant to determine the Bank’s material topics.

Topics Identification

Based on the topics identified in the previous ESG report, we reviewed and refined the list of material topics according to the industry trends. We have identified 15 material topics while 3 of them are new, including effluents and waste, board structure and materials.

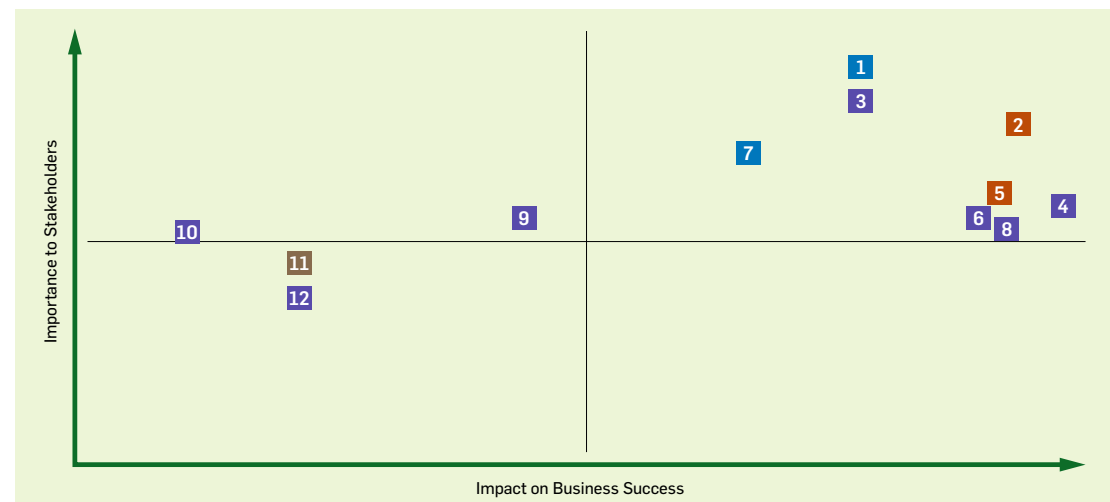
Stakeholder Engagement

We organised interviews with different stakeholder groups (such as non-governmental organisation ('NGOs'), rating agency, supplier etc.) during 2022 to collect qualitative insights of identified material topics from stakeholders. The importance of material topics was ranked, with a materiality matrix presented.

Review and Validation

We validated the assessment results with the qualitative feedback collected from our stakeholder engagement and peer benchmarking activities. The recommended issues were discussed by the ESG Disclosure Working Group and ESG Steering Committee, and were then approved by the Executive Committee and noted by the Board.

Hang Seng's Material Topics



Material topics	Respective locations
Environment	
1 Climate change mitigation and adaptation	→ Climate Strategy
7 Energy and GHG emissions	→ Environmental Management
Economic	
2 Sustainable finance	→ Sustainable Finance Solutions
5 Economic performance	→ Managing different types of risk
Governance	
11 Transparency	→ Transparency, Accountability and Choice

Material topics	Respective locations
Social	
3 Local communities	→ Community investment
4 Customer privacy	→ Customer privacy
6 Financial inclusion	→ Sustainable / Green Finance Strategy
8 Employment	→ Our People
9 Customer health and wellness	→ Service Dynamics
10 Understanding to customers' business	→ Understanding Our Customers
12 Training and education	→ Development of "Future Proof"

■ From Feedback To Action



Case study

Climate change mitigation and adaptation

As a wholly-owned subsidiary of Hang Seng, Hang Seng Investment Management Limited ('HSVM') is committed to making its contribution in transitioning to a pathway of low carbon emissions, with implementation of a number of initiatives to meet the requirements on climate-related risk management and disclosure as set by the Securities and Futures Commission ('SFC'). HSVM established its climate change policy to demonstrate its implementation of climate-related risk management based on the perspectives of governance, investment management, risk management and disclosure. Moreover, HSVM established the stewardship and engagement policy to govern the entity's engagement practices, to support the investee companies in stepping up their management quality and ESG practices.

Climate change policy

to demonstrate its implementation of climate related risk management based on different perspectives

Stewardship and engagement policy

to govern the entity's engagement practices, to support the investee companies in stepping up their management quality and ESG practices



All the electrical equipment in our core buildings is configured to switch off after office hours

4T

Three of our office buildings and some of our larger branches have enrolled in the 4T Charter scheme



Three of our office buildings and some of our larger branches have enrolled in the Energy Saving Charter 2022 scheme

22:00

The lighting in most of the bulkhead signs at our branches is turned off at 22:00

Energy and GHG emissions

Various energy-saving measures have been implemented to ensure energy efficient operations. For example, all the electrical equipment in our core buildings is configured to switch off after office hours, and the lighting in most of the bulkhead signs at our branches is turned off at 22:00. In support of the government's climate action, three of our office buildings and some of our larger branches have enrolled in the Energy Saving Charter 2022 scheme and the 4T Charter scheme.

Effluents and waste

Our staff were asked to join an initiative concerning the reduction of paper consumption in March 2022, implemented by the Environmental Working group ('EWG'), with an aim to reduce consumption across the Bank. Each team conducted monthly tracking of the consumption figures and the EWG would schedule quarterly meetings to discuss the performance and check results against the KPIs and RY2022 targets (RY2022 means October 2021 to September 2022; while each new RY starts from October). As of September 2022 (the end of RY 2022), against a set reduction goal of 15% (or reducing paper consumption to 58.4 tonnes from the 2019 baseline of 68.7 tonnes), we exceeded the target by limiting our paper consumption to 48.3 tonnes, thereby achieving a reduction of 29.7%. To further promote reduction of paper consumption and to achieve our target for RY 2023, three initiatives are proposed: to redesign the process, to encourage the use of e-Advice for transactions, and to launch new tablet solutions for our investment and insurance staff.

■ From Feedback To Action ■

Sustainable finance

Since 2018, Hang Seng has been offering sustainable financing to our corporate customers, including green loans to finance customers who are eligible for green projects and sustainability linked loans. This year, we introduced social loan programmes to provide financing to support our corporate customers' social projects, e.g. an affordable basic infrastructure and access to essential services.

Our green and sustainability-linked trade finance facilities were introduced in December 2021. Meanwhile, the sustainability-linked trade finance facilities provide an incentive for our clients to improve their sustainability profiles. The green and sustainability-linked trade finance facilities are only available when the Green Loan Principle ('GLP') and / or Sustainability-Linked Loan Principles ('SLLP')¹ are met. In addition, borrowers are required to provide pre-issuance third-party verification and annual post-issuance third-party verification reports.

Green deposit are offered to all customers who are interested in investing their surplus cash balances into environmentally beneficial projects and initiatives.

We will continue to promote sustainable investment concepts and ESG products. In this regard, we are actively expanding the ESG investment page of our [corporate website](#) with educational material, ESG knowledge and insights.

To support SMEs to level up their business through digitalising the operation, the Bank has launched diverse digital solutions, including mobile cheque deposit, Hang Seng Commercial World Mastercard Virtual Card, and fully online SME loan application. With digital capabilities, we also maintained offline relationship management with customers through hotline, live chat, enhanced business banking centres, and branches networks.

In 2022, our commitment to serving SMEs earned us the SME Engagement Outstanding Award from the Bloomberg Businessweek Financial Institution Awards 2022 and Best SME Partner Award for the Hong Kong General Chamber of Small and Medium Business.

1 The Green Loan Principles and Sustainability Linked Loan Principles refer to the guidance papers jointly published by Loan Syndication and Trading Association ('LSTA'), Loan Market Association ('LMA') and Asia Pacific Loan Market Association ('APLMA').

Social loans

We introduced social loan programmes to provide financing to support our corporate customers' social projects



Green deposit

Green deposit are offered to all customers who are interested in investing into environmentally beneficial projects and initiatives

Sustainability profiles

Sustainability-linked trade finance facilities provide an incentive for our clients to improve their sustainability profiles

Third-party verification

Borrowers are required to provide pre-issuance third-party verification and annual post-issuance third-party verification reports

Corporate website

We are actively expanding the ESG investment page of our [corporate website](#) with educational material, ESG knowledge and insights

