



Our ESG Journey

Our ESG Governance

Hang Seng (the 'Bank') is dedicated to maintaining high standards of ESG governance by referencing market trends and responding to the guidelines, requirements and increasing expectations from our regulators, shareholders, customers, employees and other stakeholders. The Board takes overall responsibility for our ESG strategy, overseeing the executive management in developing the approach and execution of the strategy, as well as the associated reporting. In driving the ESG-related goals and targets, the Board is supported by the ESG Steering Committee, Disclosure and Controls Committee, Risk Management Meeting and four Working Groups to govern and ensure accountability for our ESG performance throughout the Bank's operating levels and across its markets.

According to the Environmental, Social and Governance Reporting Guide ('ESG Guide') of Hong Kong Exchanges and Clearing Limited ('HKEX') i.e. Appendix C2 of the Main Board Listing Rules, the Board was updated regularly about the progress of ESG-related matters at its meetings held in 2023. In these meetings, the Board noted the progress and updates of the ESG-related matters of the Bank and exercised oversight.

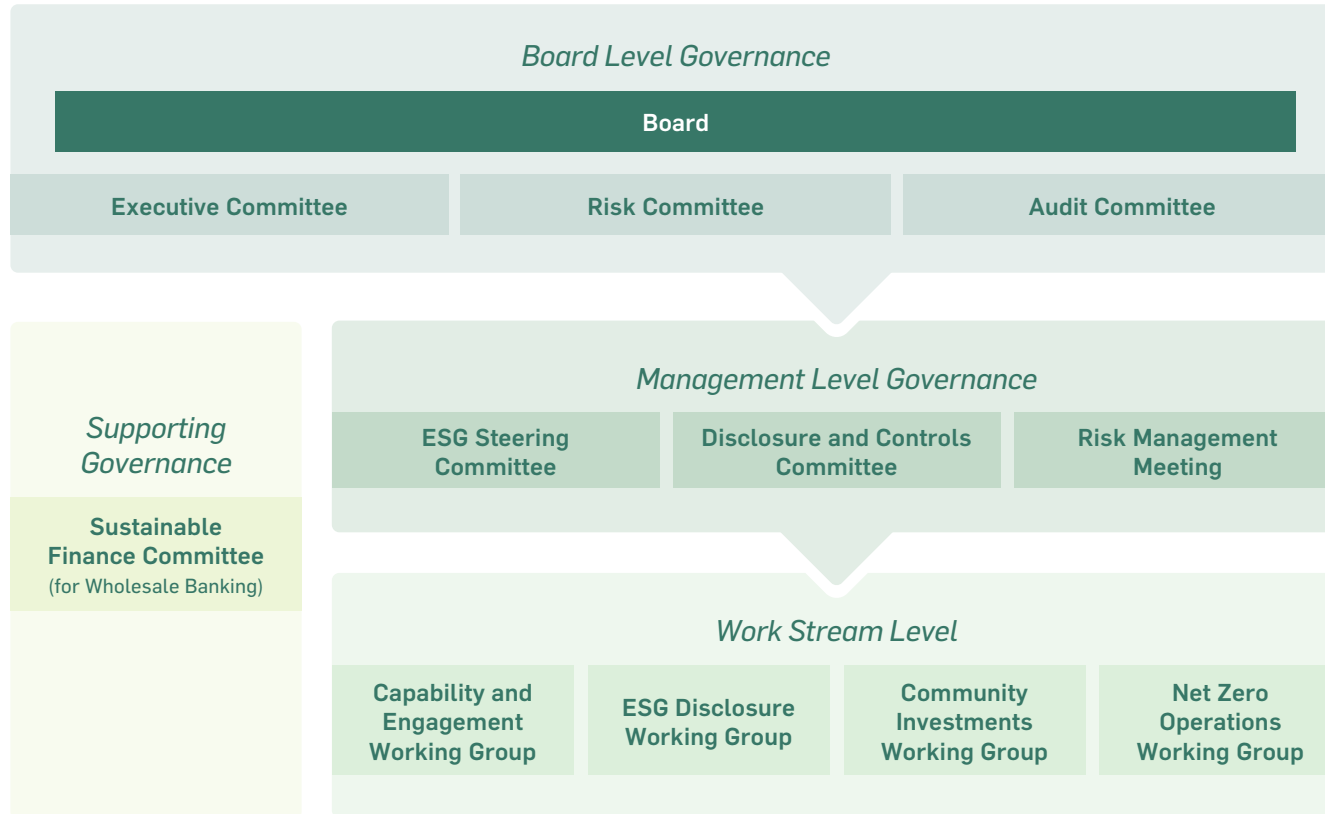
The Board also confirmed the effectiveness and adequacy of the Bank's disclosure framework, including the risk management and internal control systems relating to ESG.





Our ESG Journey

ESG Governance Structure



Board Level Governance

Board

- Establish and approve the Bank's strategy and objectives, including technology and ESG strategies
- Approve and monitor plans for achieving strategic objective
- Review the Bank's overall corporate governance arrangements, including ESG and climate governance

Executive Committee

- Facilitate the Board's oversight of ESG matters by endorsing and recommending key ESG matters for Board's approval
- Support the development and delivery of the Bank's ESG and climate strategy, key policies and material commitments by providing oversight, coordination and management of ESG commitments and initiatives

Risk Committee

- Maintain oversight of delivery plans to ensure that the Bank develops robust climate risk management capabilities
- Oversee and review ESG-related initiatives to assess the risk profile

Audit Committee

- Review and challenge ESG and climate-related reporting, processes, systems and controls and consider these matters in detail
- Provide close oversight of the disclosure risks in relation to ESG and climate reporting, amid rising stakeholder expectations



Our ESG Journey

Management Level Governance

ESG Steering Committee

- Define and set ESG strategy to support the Bank's overall business strategy for value creation, connecting issues from climate change to diversity and inclusion to the Bank's businesses and operations, establishing best practices
- Oversee and monitor progress against the Bank's ESG strategy, policies, plans, targets, commitments, and execution processes
- Integrate climate-related issues into the strategy, set climate-related corporate targets, manage public policy engagement that may impact the climate, and assess climate-related risks and opportunities

Disclosure and Controls Committee

- Review all material disclosures to ensure our disclosure obligations are satisfied
- Review major controls, accounting judgements and conclusions, regulatory and financial reporting and external disclosures including relevant papers, reports and documents for publication

Risk Management Meeting

- Support the Chief Risk and Compliance Officer in exercising Board delegated risk management authority
- Monitor ESG and climate-related risks and oversee mitigating actions

Work Stream Level

Capability and Engagement Working Group

- Support our climate strategy through onboarding training, development programmes, staff communication and engagement

ESG Disclosure Working Group

- Oversee the governance framework and production of the ESG Report
- Drive the ESG disclosure process and its reporting accuracy in compliance with various disclosure requirements
- Keep abreast of the market developments and best practices in relation to ESG disclosures

Community Investments Working Group

- Oversee the development and implementation of the Bank's community investment programmes
- Plan strategically to support and contribute to the communities we serve

Net Zero Operations Working Group

- Coordinate within the Bank to drive environmental initiatives
- Establish, implement and monitor environmental key performance indicators ('KPIs') and metrics related to the Bank's operations
- Drive the Bank to achieve net zero in operations by 2030 through the development of roadmaps, strategies, policies and best practices
- Foster collaboration and communication among key stakeholders across the Bank to ensure all parties are working towards the net zero goal
- Monitor, evaluate and report progress towards achieving the net zero goal

Supporting Governance

Sustainable Financing Committee (for Wholesale Banking)

- Review and provide endorsement of categorisation and labelling of lending, in accordance with our sustainable finance categories, which are in line with HSBC Group's Sustainable Finance and Investment Data Dictionary and the relevant Loan Market Association Principles such as Green Loan Principles ('GLPs'), Sustainability Linked Loan Principles ('SLLPs') and Social Loan Principles ('SLPs'), and the declassification of facilities, when requested
- Agree on best practices and provide steer in latest market developments on sustainable finance
- Provide sales enablement support to frontline on marketing approach in related to individual transactions raised by business

Our ESG Journey

Materiality Assessment

Key Objectives

- Identify and evaluate the material ESG issues that are critical to our business continuity and important to the industry and society
- Understand the internal and external stakeholders' concerns and views towards our ESG performance
- Collect valuable insights and determine the associated ESG-related risks and opportunities

Issue and Stakeholder Identification

- To identify material topics through benchmarking our existing material topics against the ESG priority issues and material topics of industry peers and rating agencies, as well as by referencing to relevant reporting guides
- To identify and select stakeholder groups to participate in the survey, in order to understand their concerns and views of our Bank's ESG performance

Business Impact Assessment

- To assess the business impact of the identified topics, internal stakeholders were asked to give a materiality score for each identified topic, and the scores were counted towards the 'Impact on Business Success'

Stakeholder Interest Assessment

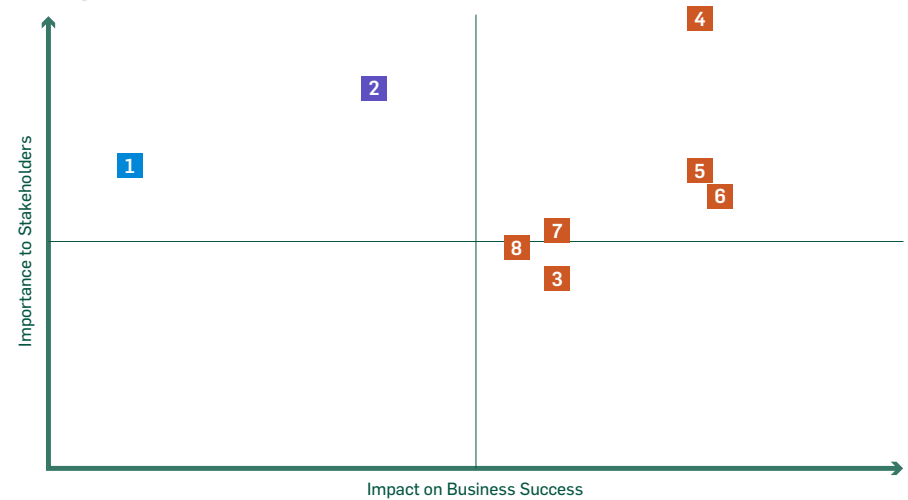
- To assess the importance of the identified topics to our stakeholders, external stakeholders were asked to give a materiality score for each identified topic, and the scores were counted towards the 'Importance to Stakeholders'

Review and Validation

- The quantitative assessment results were validated by qualitative feedback from deep-dives interviews
- The identified issues, along with the stakeholders' perception of sustainability, trends and opportunities were then reviewed and approved

The respondents rated the topics based on their perception of the importance to our Bank during the stakeholder engagement. The information collected allowed us to develop an up-to-date materiality matrix for the ESG Report 2023.

Material Topics by 'Impact on Business Success' and 'Importance to Stakeholders'



Based on the materiality assessment, eight material topics have been identified.

Material topics	Respective locations
Environmental	
1 Environmental Impacts of Products and Services	Supporting Our Customers
Social	
2 Financial Inclusion and Accessibility	Building Customer Inclusion and Resilience
Governance	
3 Customer Satisfaction	Customer Experience
4 Privacy, Cyber and Data Security	Managing Different Types of Risk
5 Business Ethics	Managing Different Types of Risk
6 Regulatory Compliance	Managing Different Types of Risk
7 Corporate Governance	Corporate Governance Framework
8 Business Performance	Key Metrics – Economic Performance