



恒生銀行
HANG SENG BANK

Stock Codes:
11 (HKD counter) and 80011 (RMB counter)



*Environmental, Social and
Governance Report*
2023



Table of Contents

Overview

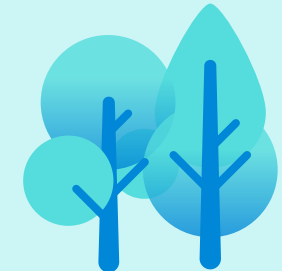
- 03 Snapshot
- 05 Board Statement
- 06 Chief Executive's Message
- 07 Our ESG Journey

Appendices

- 73 About this Report
- 77 Key Metrics – Performance Data Summary
- 85 Content Index
- 108 Verification Statement

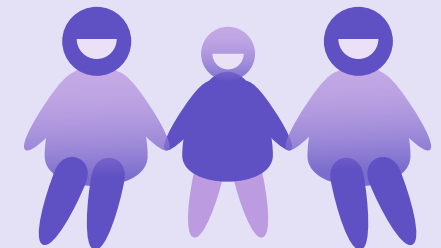
Environmental

- 13 Our Approach to the Transition
- 16 Supporting Our Customers
- 20 Embedding Net Zero into the Way We Operate



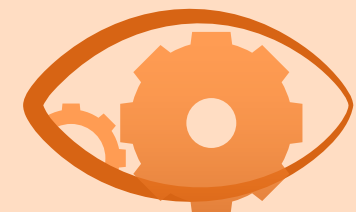
Social

- 30 Promoting Diversity and Fostering Inclusion
- 34 Building a Healthy Workplace
- 39 Developing Skills, Careers and Opportunities
- 44 Building Customer Inclusion and Resilience
- 49 Engaging with Our Communities

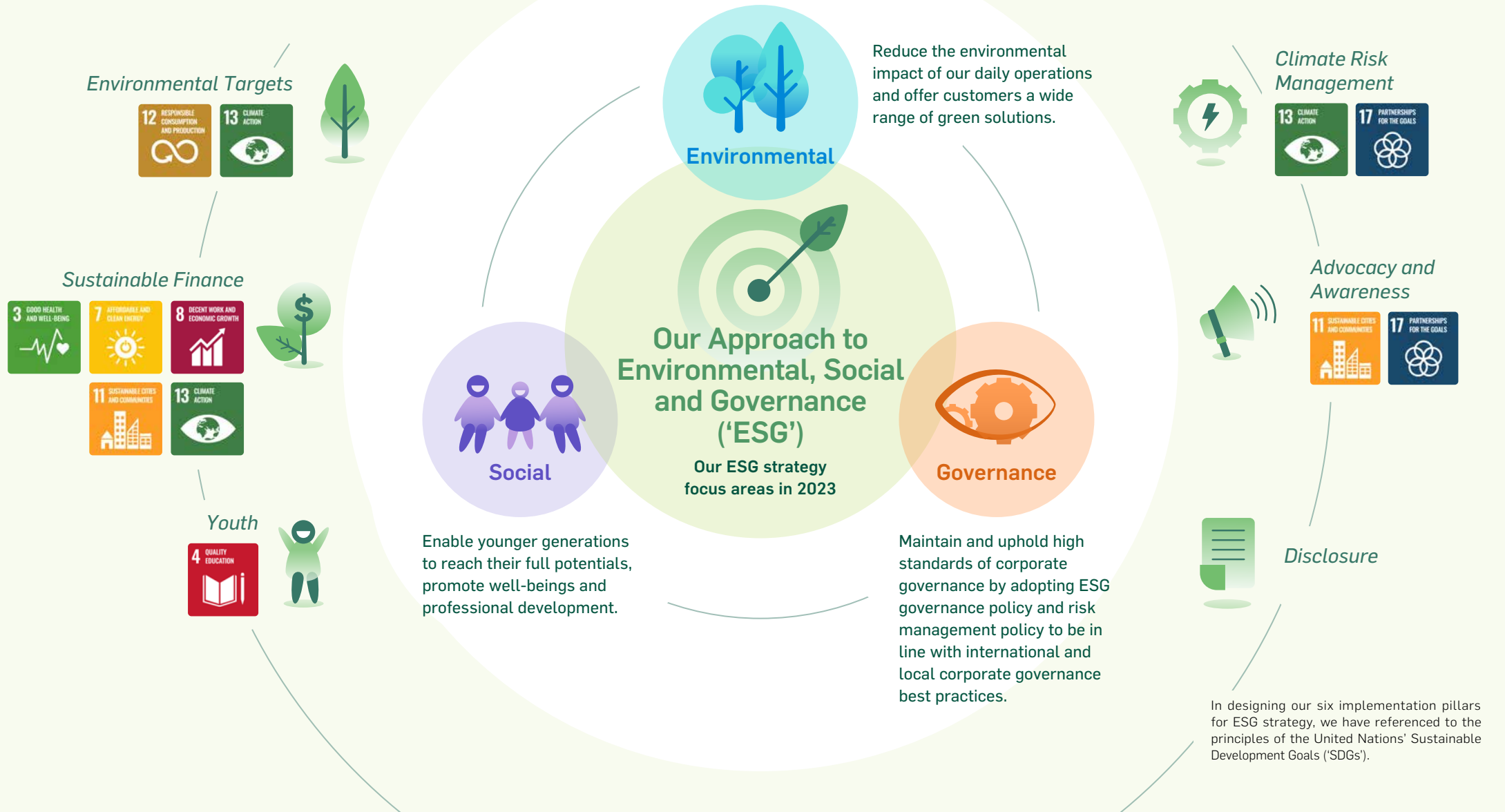


Governance

- 57 Setting High Standards of Governance
- 59 Customer Experience
- 61 Integrity, Conduct and Fairness
- 69 Safeguarding Data



Snapshot



Snapshot



MSCI ESG Ratings:

maintained an

AA
rating



Hang Seng Corporate Sustainability Index Series Member

Hang Seng Corporate Sustainability Index: maintained an

AA+
rating



Equileap: ranked

1st

in Hong Kong for gender equality

Our ESG Achievements

2023 Key Recognitions



Hong Kong Business Sustainability Index:

ranked
9th



a Morningstar company

Sustainalytics: maintained a

low-risk
rating

Board Statement

Climate change has become one of the most pressing issues to our communities. We are dedicated to building a future-proofed business, helping our customers and the markets transition to a net zero economy and driving ESG evolution in local financial industry. We aim to reduce carbon emissions from our own operations to net zero by 2030. We are also contributing to the HSBC Group's ambition of becoming net zero in its supply chain by 2030 and aligning the financed emissions in its portfolio of customers to net zero by 2050.

Our customers are vital to the transition towards more sustainable operations, and we are dedicated to supporting them throughout this journey. To facilitate their shift to low-carbon operations, we provide tailored sustainable finance and investment. In line with the growing emphasis on ESG factors within the investment landscape, Hang Seng Indexes Company Limited has launched new sustainability-themed indexes. These indexes focus on hydrogen energy, China A-share companies with low carbon emission intensity, and Central State-owned Enterprises that demonstrate strong ESG performance.

To extend our ethos to the broader community, we have arranged our first social loan, aimed at funding several construction projects in Hong Kong that will improve educational access for children and those with special needs, as well as improving housing affordability.



We are dedicated to building a future-proofed business, helping our customers and the markets transition to a net zero economy and driving ESG evolution in local financial industry.



Chief Executive's Message



Hang Seng Bank is prepared to maintain a responsible approach to ESG within the banking industry, mindful of the challenges and opportunities this year may bring.

Entering 2024, Hang Seng Bank takes a moment to look at the tangible progress we have made in sustainability.

We have focused on what matters – delivering results that positively impact our business and the broader community.

Recognitions and Achievements in Sustainability

Last year, our headquarters was recognised with the Green Building Award and became the first bank in Hong Kong to obtain the WELL Gold certification, reflecting our responsible approach to environmental management and employee well-being. The International WELL Building Institute's certification, based on criteria like Air and Light, affirms our use of AI-powered data analytics to improve Heating, Ventilation, and Air Conditioning efficiency, alongside energy-saving systems.

Incorporating ESG principles into our operations, our offices are equipped with chilled ceiling technology and high-efficiency air conditioners to minimise energy use and achieve carbon reduction. We engage in global initiatives like Earth Hour and implement waste reduction programmes, emphasising our practical approach to sustainability.

In July 2023, we opened a new branch at Festival Walk, introducing our 'Future Banking' service concept that emphasises sustainability. This branch features eco-friendly design elements, notably a 'CO₂ Reduction System' that utilises an aquatic microalgae reactor to reduce carbon dioxide levels.

Advancing Sustainable Banking Practices

Our activities last year included the expansion of our sustainable finance and investment options, the enhancement of our programmes for supporting youth and managing climate risk, and an increase in our efforts to provide transparent reporting on sustainability issues. These initiatives correspond with specific SDGs, particularly those related to responsible consumption and production, climate action, and building partnerships.

The ratings and rankings we received last year, such as our AA from MSCI ESG and AA+ on the Hang Seng Corporate Sustainability Index, along with our high placement for gender equality by Equileap, reflect on our ongoing work in these areas.

In this, our 91st year of operations, we continue to focus on the evolving needs of our customers, ensuring that our services and products are relevant and responsive. Our approach is to anticipate and respond to changes in the market and in our customers' expectations, aiming to positively affect our communities while respecting environmental boundaries.

Looking to the future, Hang Seng Bank is prepared to maintain a responsible approach to ESG within the banking industry, mindful of the challenges and opportunities this year may bring.

Diana Cesar

Executive Director and Chief Executive
Hang Seng Bank

Our ESG Journey

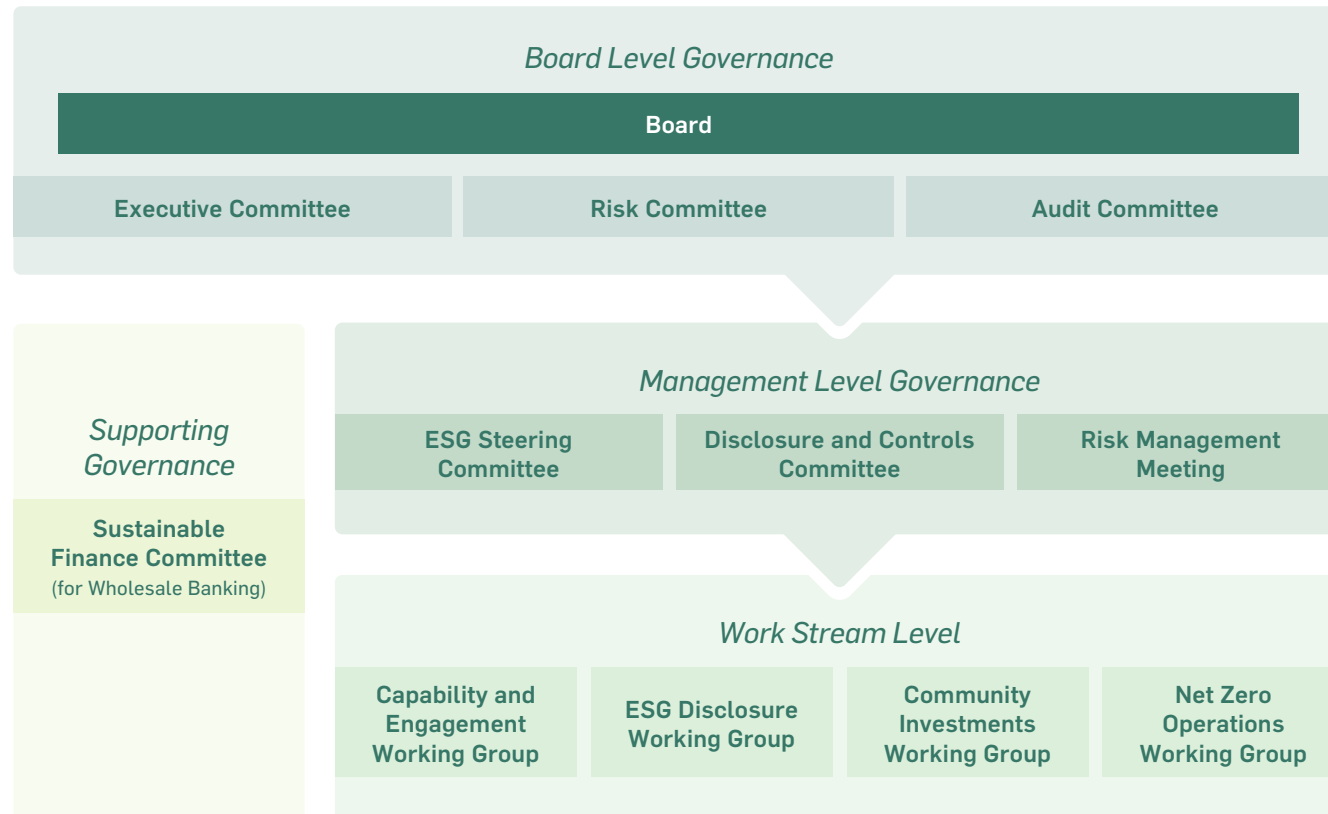
Our ESG Governance

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



Environmental

*Becoming a Net Zero Bank in
Our Own Operations*

Supporting Our Customers

Supporting Our Community



Environmental

We are dedicated to building a future-proofed business, helping our customers and the market transition to a net zero economy and driving the ESG evolution in Hong Kong's financial industry. Our climate strategy has been developed in alignment with, and to support the HSBC Group's climate strategy, with initiatives and plans to deliver the transition for our business and clients.

The following is a summary of our climate strategy:

Becoming a net zero bank in our own operations



Being net zero in our own operations by 2030



Contribute to the HSBC Group's ambition of becoming net zero in its supply chain by 2030 and aligning the financed emissions in its portfolio of customers to net zero by 2050



Make regular and transparent disclosures to communicate progress and encourage customers to do the same

Supporting our customers



Support customers transit to low carbon economy with dedicated solutions



Increase our portfolio of sustainable finance and investment solutions to help especially high emitting sectors to decarbonise



Apply a climate lens to our financing decisions and contribute to the HSBC Group's sustainable finance and investment targets

Supporting our community



Partner with other local stakeholders to support our community for a green environment

Training and Capability Building to our colleagues in businesses and functions



Our Approach to the Transition

We aim to reduce carbon emissions from our own operations to **net zero** by 2030



We aim to reduce carbon emissions from our own operations to net zero by 2030. We are also contributing to the HSBC Group's ambition of (i) becoming net zero in its supply chain by 2030 and (ii) aligning the financed emissions in its portfolio of customers to net zero by 2050.

As a leading local bank, we have a critical role to play in facilitating the transition to net zero in the local financial markets. One of the contributions we can make is mobilising finance to support our customer's efforts in enabling decarbonisation in the economy.

Climate Strategy

Path to Net Zero Operations by 2030

- **Energy Emission** – We aim to reduce our energy consumption in operation through portfolio optimisation, asset replacement, energy consumption measure, and capital projects.
- **Renewable Energy Transition** – Solid electricity saving plans with interim targets have been established with green measures at our buildings already showcasing the best practices and leading green technologies. In addition, we aim to reach 100% renewable electricity sourced by 2030, purchasing renewable electricity certificates while exploring different ways to purchase renewables.

- **Travel Emission** – Reduce carbon emissions from travel through initiatives to enhance travel policy and issue best practice.
- **Supply Chain** – We have identified high emitting procurement categories and their suppliers, to enable supplier engagement with prioritised focus in the sourcing strategy. In collaboration with the HSBC Group, category-specific criteria are aimed to be formulated as part of sourcing decision and on-going supplier performance review.

Our Approach to the Transition

Contributing to the HSBC Group's Net Zero Transition Plan

In line with the HSBC Group's climate ambition, we continue to support our customers in their transition to net zero.

We contribute to this transition by:

- Implementing the HSBC Group's thermal coal phase-out policy in the region to phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in Organisation for Economic Co-operation and Development ('OECD') markets and by 2040 in other markets;
- Reducing the on-balance sheet financed emissions from the Oil and Gas sector;
- Reducing the on-balance sheet financed emissions intensity for the Power and Utilities sector;
- Working with clients to develop their transition plans and support them in their transition journey; and
- Delivering on local regulatory requirements to provide sustainable finance and investment in local markets.

Case Study

Investment Management Process



Hang Seng Investment Management Limited ('HSVM'), a fund management subsidiary of Hang Seng Bank, recognises the potential impact of climate change on our client portfolios and the investments managed by us.

HSVM has established and implemented a Climate Change Policy to manage climate-related risks and comply with the requirements stipulated by the Securities and Futures Commission ('SFC') on climate-related risk management and disclosures related to the low-carbon transition.

HSVM has also established and implemented a Stewardship and Engagement Policy, which serves as a guide to communicate with investee companies on material issues that are linked to our clients' investment goals.

HSVM identifies and assesses the climate-related risks associated with its actively managed equity and fixed income funds at both the issuer level and the portfolio level. The results are reviewed at HSVM's ESG governance meetings. In addition, investee companies with low ESG scores are also regularly reviewed at ESG governance meetings.

HSVM recognises the potential impact of climate change on the investments under our management. As such, we integrate climate-related risks into our overall risk management framework. Major climate-related risks associated with investee companies and their overall impact on the relevant investment portfolios are being monitored. The carbon intensity scores of low-carbon themed ESG funds are also monitored via sustainability risk metrics and are reviewed at HSVM's ESG governance meetings and risk management meetings. After review, those identified investee companies or investments will be included in the restricted list.

HSVM has also engaged third party ESG data providers to manage its ESG and climate-related risks, and the exposures in HSVM's actively managed investments.

Our Approach to the Transition



Withdrawal of SBTi

We will withdraw our commitment to Science Based Targets initiative ('SBTi') which we had made in 2022 because we determined that it would not be feasible for us to meet SBTi's requirement at the time to submit a complete set of sector targets for validation.

Understand Our Climate Reporting

The availability of high quality climate-related data and transparent, consistent reporting standards will play a vital role in supporting the climate ambition. We understand that our existing data and reporting processes require significant enhancements to drive effective change, but we recognise the necessity to balance this with providing early transparency on climate disclosures.

We need to be transparent on the opportunities, challenges, related risks and progress we make. Our reporting will need to evolve to keep pace with market developments and we aim to work through challenges where possible and seek to improve consistency. The role of standard setters and regulators will be important in achieving standardisation. We have highlighted some of the limitations and challenges that the organisation, and the wider industry, currently face with regard to climate reporting.

We continually enhance our capabilities including governance, processes, systems and controls. We also need new sources of data, some of which may be difficult to assure using traditional verification techniques. In addition, we have internal data collection challenges as a result of diverse data sources and structures, which further complicates data collection, consolidation and vendor selection.

In 2024, we will continue to review our approach to disclosures, and enhance as appropriate.

Supporting Our Customers

Awareness of Our Shared Responsibility

ESG-related product promotions are being launched to raise the awareness of ESG among our customers. Our Wan Chai Business Banking Centre was launched with a stationed ESG trained personnel, and we developed a dedicated webpage for the purpose of customer communication.

Financed Emissions

In assessing financed emissions, we focus on Oil and Gas sector, Power and Utilities sector that are most material in terms of greenhouse gas emissions. We continue to engage with our customers on their transition and are focusing our efforts on customers with the greatest potential to effect change.

We do not currently disclose financed emissions data, due to data and system limitations. Future disclosure on financed emissions, and related risks is reliant on our customers publicly disclosing their carbon emissions and related risks. We aim to further enhance the disclosure in the short to medium term as more data becomes available.

Sustainable Finance and Investment

We continue to contribute to the HSBC Group's ambition in helping its customers' transition to net zero and a sustainable future through providing and facilitating a share of the global ambition of between US\$750 billion and US\$1 trillion of sustainable finance and investment for its customers by

2030, and continuously review and strengthen product definitions to take into account evolving standards, taxonomies and practices.

The sustainable finance and investment are recorded in accordance with our sustainable finance product paper, which is in line with HSBC Group's Sustainable Finance and Investment Data Dictionary (see HSBC Group's ESG reporting centre at www.hsbc.com/esg). They are reported in the year when the categorisation and labelling are approved by our product governance processes. The approval of categorisation and labelling of lending can be on or after the loan facilities are provided to customers.

As part of the annual review process, facilities that are identified to no longer fulfil eligibility criteria are declassified from the cumulative total reporting, including their contribution reflected in prior year values.

The Sustainable Financing Committee (for Wholesale Banking) is responsible for reviewing the categorisation and labelling of lending in accordance with the sustainable finance categories.

Sustainable finance metrics, taxonomies and best practices lack global consistency. Metrics, taxonomies and practices for sustainable finance are continuing to emerge and evolve. This could lead to differences in year-on-year reporting and restatements. We aim to align to enhanced industry standards as they are further developed, and increase transparency across the different types of green and sustainable finance and investment categories going forward.

Below are the definitions for our key sustainable finance and investment.

Green Loans

Loans aligned to the Green Loan Principles ('GLP') of the Loan Market Association ('LMA'), including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible green projects. The major eligible green project categories are set out below.

- Green buildings meeting specific certification levels under the internationally or locally recognised green building certification programmes such as Leadership in Energy and Environmental Design (LEED), Building Environmental Assessment Method Plus (BEAM Plus) and etc
- Renewable energy (including production, transmission, appliances and products)
- Clean transportation such as freight and passenger rail, public transportation vehicles, waterway transportation and electric / hybrid vehicles that meet pre-defined emission levels and/or are powered by specific fuel sources (e.g. biofuel, hydrogen or electricity)

Social Loans

Loans aligned to the Social Loan Principles ('SLP') of the LMA, including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible social projects. The major eligible social project categories are set out below.

- Affordable housing as defined by local authorities
- Access to essential services (e.g. education)

Supporting Our Customers

Sustainability Linked Loans

Loans aligned with Sustainability Linked Loan Principles ('SLLP') of the LMA, including any type of loan, mortgage, trade or supply chain instrument for which the financial and/or structural characteristics of the instrument may vary depending on whether the borrower achieves predefined sustainability performance targets ('SPTs'). SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark.

With respect to selection of the sustainability metrics and setting of the SPTs, the obligation to determine that the chosen metric is meaningful – meaning core to the borrower's business – and the related SPT(s) is ambitious – meaning a target that represents a true reach for the borrower – will require significant borrower input since it will have the best understanding of its own business activities.

The SPTs should be ambitious, and take into consideration the following factors:

- represent a material improvement in the respective KPIs and be beyond both a "business as usual" trajectory and regulatory required targets
- where possible be compared to a benchmark or an external reference
- be consistent with the borrower's overall sustainability strategy
- be determined on a predefined timeline, set before or concurrently with origination of the loan

Green Trade Finance

Global Trade and Receivables Finance ('GTRF') facilities aligned to the GLP of the LMA and made available exclusively to finance eligible green trade activities as evidenced by underlying transaction documents. The green trade activities must meet HSBC Group's eligible green activity criteria, including but not limited to procurement and sales of eco-efficient materials and products certified under Forest Stewardship Council or other equivalent standard setting bodies. Relevant GTRF products include: (i) trade loans; (ii) receivables finance; and (iii) import / export finance.

The sustainable finance and investment progress is set out below^{1,2,3}.

	2023 ⁴ HK\$m	2022 HK\$m	Cumulative progress since 2021 HK\$m
Sustainable finance summary			
Balance sheet-related transaction provided	33,289	2,392	35,887
Total contribution	33,289	2,392	35,887
Sustainable finance classification by theme			
Green use of proceeds ⁵	15,021	2,000	17,226
Social use of proceeds ⁵	100	–	100
Sustainability-linked ⁶	18,168	392	18,561
Total contribution	33,289	2,392	35,887

1. The data in the table represented the sustainable finance and investment progress recorded by Hang Seng Bank Limited.

2. This table has been prepared in accordance with our sustainable finance product paper, which is in line with HSBC Group's Sustainable Finance and Investment Data Dictionary. The amounts provided include the limits agreed for balance sheet-related transactions provided.

3. The HK\$35,887m cumulative progress since 2021 is subject to PwC's limited assurance in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 Revised 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

4. The sustainable finance and investment are reported in the year when the categorisation and labelling are approved by our product governance processes. There were lending facilities provided in prior years for which the categorisation and labelling were validated after the setup of Sustainable Financing Committee (for Wholesale Banking) in 2023. Therefore, the current year number included HK\$6,049m, HK\$15,305m, HK\$11,935m for the lending facilities provided in 2021, 2022, 2023 respectively.

5. For green and social use of proceeds, our lending labelled products are aligned to the LMA's Green Loan Principles and the LMA's Social Loan Principles.

6. Our sustainability-linked-labelled products are aligned to LMA Sustainability-Linked Loan Principles. The interest rate is linked to sustainability key performance indicators and the funds can be used for general purposes.

Supporting Our Customers

Case Study

Green and Sustainable Finance



Outstanding Award for Green and Sustainable Loan Facilitator

To enhance the Bank's publicity and professional image in the field of sustainable finance, our Structured Finance, Commercial Real Estate and Corporate Advisory ('STL') participated as a speaker at four external events organised by recognised external reviewers of the Hong Kong Monetary Authority ('HKMA')'s Green and Sustainable Finance Grant Scheme and other industry associations in 2023.

A list of external events where STL participated as a speaker:

1. Hong Kong Institute of Bankers – Annual Banking Conference 2023
2. The Chamber of Hong Kong Listed Companies – ESG and Green Finance Opportunities Forum 2023
3. Construction Industry Council – Global Construction Sustainability Forum and Exhibition 2023
4. School of Continuing and Professional Studies at The Chinese University of Hong Kong – Exploring Opportunities in Global Sustainable Finance and Future Outlook – 2024 and Beyond

In addition, the HKQAA has provided us with three awards related to sustainable finance:

1. Outstanding Award for Green and Sustainable Loan Structuring Advisor (Greater Bay Area Corporate) – Visionary Sustainability-linked Loan Performance Metrics
2. Outstanding Award for Green and Sustainable Loan Facilitator (Manufacturing Industry) – Visionary Sustainability-linked Loan Performance Metrics
3. Outstanding Award for Green and Sustainable Loan Facilitator (TMT Industry) – Visionary Sustainability-linked Loan Performance Metrics

Supporting Our Customers

ESG and Sustainability Indexes

Hang Seng Indexes Company Limited ('HSIL') has been a signatory of the United Nations-supported Principles for Responsible Investment since 2022.

HSIL is constantly innovating and adding new products to its sustainability index product suite to accommodate the growing demand for sustainable investment benchmarks. In 2023, HSIL launched three new ESG and sustainability indexes, including the Hang Seng Stock Connect China A Low Carbon Select Index, the Hang Seng Stock Connect Hydrogen Energy Index and the Hang Seng SCHK China Central SOEs ESG Leaders Index. The Hang Seng Stock Connect China A

Low Carbon Select Index is tracked by an ETF listed in Hong Kong. In addition, two major Mandatory Provident Fund scheme providers in Hong Kong have launched new funds which track the HSI ESG Enhanced Index, offering scheme members sustainable investment options.

HSIL's continuous efforts in promoting ESG have been recognised in the industry. It garnered three prestigious accolades on ESG in 2023, namely: Best ESG Index Provider – Hong Kong and Best ESG China Index Provider at Asia Asset Management's Best of the Best Awards 2023, as well as the Editors' Triple Star award for its Hang Seng Stock Connect China A Low Carbon Select Index at The Asset Triple A Private Capital Awards 2023.

These recognitions have reaffirmed HSIL's contributions in offering a variety of ESG indexes for investors with sustainability and decarbonisation goals.

HSIL is dedicated to facilitating the development of sustainable investments by offering market participants ESG and sustainability indexes. The Hang Seng Corporate Sustainability Index Series was first launched in 2010. Since then, the Hang Seng Indexes have continued to expand and diversify their ESG index product suite, with an aim to address the surging sustainable investing needs of the market and support the acceleration of the transition to a sustainable future. As of 2023, HSIL offered 21 ESG-related indexes with diverse sustainable investing strategies, including but not limited to ESG Integration, Decarbonisation-Focused, Best-in-Class and Green Economy Thematic, covering the Hong Kong and mainland China markets.

In 2023, HSIL launched three new ESG and sustainability indexes, including:

- ***the Hang Seng Stock Connect China A Low Carbon Select Index***
- ***the Hang Seng Stock Connect Hydrogen Energy Index***
- ***the Hang Seng SCHK China Central SOEs ESG Leaders Index***

As of 2023, HSIL offered
21 ESG-related indexes
with diverse sustainable investing strategies



As part of HSIL's efforts to support sustainable development in the region, HSIL has appointed the Hong Kong Quality Assurance Agency ('HKQAA'), an independent and professional assessment body to carry out an annual evaluation of the sustainability performance of listed companies since 2014. The HSI/HKQAA Ratings of listed companies is available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by HKEX, which has enhanced the access and transparency of HSI/HKQAA Ratings for both institutional and retail investors. In 2023, the HSI/HKQAA Ratings covered 517 Hong Kong-listed companies and over 1,300 A-shares companies.

Embedding Net Zero into the Way We Operate

Our Approach to Our Own Operations

Environmental Management

Environmental Management Policy and Mechanism

As Hong Kong's first domestic bank to attain ISO 14001 certification for all its offices and branches, we aim to play a role in the development of a low-carbon economy. With an environmental policy in place, we closely monitor our environmental management system and ensure its ongoing compliance with the ISO 14001 standards.

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

Our operations comply with the Hong Kong regulations and guidelines, including the Waste Disposal Ordinance (Cap. 354) that governs the storage and disposal of electronic waste.

Greening Our Buildings

The Bank received recognition from the Hong Kong Green Building Council and the Professional Green Building Council at the esteemed Green Building Award 2023. Our accolades were as follow:



- Grand Award for Existing Buildings Category: Completed Projects – Commercial: Hang Seng Bank Headquarters Workplace Transformation
- Finalist for Green Building Leadership Category: Government, Institutions & NGOs: Hang Seng Bank Limited

The Hang Seng Headquarters also received the Certificate of Finalist Award in the Hong Kong Building (Renovation/ Revitalisation) category at the Quality Building Award 2022.

These achievements not only reflect our dedicated efforts towards integrating ESG principles into our operations, but also highlight our leading role in converting workplaces into sustainable environments. We are inspired to continue our journey towards a greener future.

We have implemented various energy saving measures to help reduce energy usage, which include a quarterly review of the operation schedules of existing equipment and the installation of timer controls in the Headquarters Building's cargo lift fan coil units, which help in reducing unnecessary operations during unoccupied periods.

Embedding Net Zero into the Way We Operate

We have installed a Data Analytics System at the Hang Seng Headquarters to reduce the heating, ventilation and air conditioning system's energy usage. The Data Analytics System is an innovative software platform powered by artificial intelligence ('AI') and big data, which allows us to continuously monitor, control and improve the operations of our chiller plant and the primary air handling units efficiency.

In support of the government's climate action, our three office buildings and some of our large-sized branches have enrolled in the Energy Saving Charter 2023 scheme and the 4T Charter scheme.

We participate in the Quality Water Supply Scheme for Buildings, a scheme that is administered by Hong Kong's Water Supplies Department. Under the scheme, our Headquarters Building currently holds a Gold Certificate in the Fresh Water category, while our Mong Kok Office Building holds a Gold Certificate in the Fresh Water category and a Gold Certificate in the Flushing Water category. Bleed-off water from the

cooling towers of our air conditioning system is reused for toilet flushing at our Headquarters Building and Mong Kok Office Building.

Local Renewable Energy

To contribute to climate change mitigation, we actively explore opportunities to support local renewable energy generation. Solar panels are installed at our Mong Kok Office Building to generate renewable energy. Around 65,000 kWh of renewable energy has been generated in the past 12 months, which is equivalent to 26 tonnes of carbon emissions in 2023 alone.

In 2023, we purchased 11,317,100 kWh of renewable energy from a local electricity supplier, which is around 40% of our annual electricity consumption in the year. Each unit in a certificate represents electricity produced by local renewable sources, such as solar, wind and landfill gas. This helps to reduce around 4,414 tonnes of carbon dioxide ('CO₂') emissions. Our efforts to support local renewable energy were recognised with the Renewable Energy Contribution Award in the Smart Energy Award 2023. This was the fifth consecutive year for the Bank to receive this recognition.

We aim to source 100% of our electricity from renewable sources by 2030 via our own renewable sources as well as renewable energy certificates. We are dedicated to purchasing around 154 GWh of renewable energy over a 10-year period from 2021 onward, which is equivalent to a reduction of over 60,000 tonnes of carbon emissions from electricity use.

Waste Management

Our cleaning service providers are responsible for providing log sheets detailing the amount of waste handled every month. In addition, we use grey water from water cooling towers for flushing at the Headquarters Building and Mong Kok Office Building.

In 2023, we arranged for the recycling of all electronic waste with an authorised vendor of HSBC Group, according to our environmental-friendly recycling process. Our target and our on-going process are to recycle all electronic waste (if any) via this authorised vendor.

Construction waste generated from demolition and renovations is handled by government-approved contractors. We have taken steps to ensure that the contractors' waste management and handling methods meet our standards. In addition, we have initiated an Integrated Furniture Waste Reduction Programme, with detailed steps on how to dispose of furniture after an office renovation.

Food container recycling spots and food waste collection points have been set up in the cafeteria area of our Mong Kok Office Building to recycle plastic and paper food containers and collect food waste. A food decomposer is available in the building to process food waste, which is converted into compost for further use.



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Embedding Net Zero into the Way We Operate

We have also adopted a new design for the waste bins at our Mong Kok Office Building and Headquarters Building, with the aim of enhancing waste management education for our staff. In addition, we have initiated a series of programmes across our branches and offices to enhance awareness of energy reduction and recycling, such as an internal branch energy saving competition, a mooncake box recycling programme, and a Christmas tree and peach blossom tree recycling programme.

Paper Consumption Reduction

We launched a paper consumption reduction campaign in March 2022, which is coordinated by the Net Zero Operations

Working Group ('NZOWG'), a working group tasked with monitoring five environmental metrics (reduction of energy use, greenhouse gas ('GHG') emissions, paper consumption, water consumption and waste) at an enterprise-wide level on an ongoing basis. Different departments are required to track their monthly paper consumption and the NZOWG holds quarterly meetings to check their performance against the respective KPIs. To build on our success in reducing paper consumption, we are working on three new paper-reducing initiatives, which include minimising the use of paper in Chinese New Year souvenirs, reducing paper consumption in our process revamps, as well as encouraging the adoption of electronic trade advice.

Target Setting and Continuous Monitoring











We aim to achieve net zero in our own operations by 2030. To guide and monitor our net zero operations efforts, we have set a series of 2030 net zero operation targets, which pose reduction endeavours on our overall energy consumption, water consumption, paper consumption, greenhouse gas emissions, waste reduction and recycling.



Embedding Net Zero into the Way We Operate

Our approach to reach net zero operations has aligned with HSBC's strategy – reduce, replace and remove. We are dedicated to reducing our carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives. We also plan to remove the remaining emissions that cannot be reduced or replaced by procuring high-quality offsets at a later stage.

As of September 2023, we recorded progresses across all aspects, thanks to the resource conservation initiatives implemented over the last three years in coalition with various business units. Below highlights our progress towards net zero operation as of September 2023¹:

Aspects	Unit	Base year	Our progress as of the end of September 2023 (against base year)	2030 Targets (against base year)
 Electricity consumption	MWh	2018	 Decreased by 21.1%	 Decrease of 30%
 GHG emissions – total Scope 1 and 2 ²	tonnes of CO ₂ e	2018	 Decreased by 33.8%	 Decrease of 30%
 Water consumption	m ³	2018	 Decreased by 31.6%	 Decrease of 24%
 Paper consumption	tonnes	2019	 Decreased by 36.3%	These targets may develop over time in line with market practice or regulation; therefore, we have not included targets in this year's disclosure.
 Waste diversion	tonnes	N/A	 Diverted 52.7% of waste away from landfill	
 Waste reduction	tonnes	2018	 Reduced 52.3% of the total waste	

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hours

1. The environmental data in 2023 was compiled from the Bank's operational data from 1 October 2022 to 30 September 2023.
 2. GHG emissions include emissions generated from the consumptions of gas, gasoline, diesel, and electricity but exclude the adjustment due to the use of renewable certificates.



Pursuing Environmental Excellence

In 2023, we implemented below major initiatives that made key contributions to our environmental targets:

- Set up food waste collection points at our Mong Kok Office Building
- Converted flushing water at our Mong Kok Office Building from fresh water to sea water
- Replaced 80gsm paper with 75gsm paper for in-building printer services in all operating premises
- Installed a Data Analytics System for our chiller plant optimisation, which helped increase operational efficiency and save electricity

Embedding Net Zero into the Way We Operate

Environmental Performance

	Unit	2023 ⁺
Total GHG emissions¹		14,557.26
Scope 1		137.87
Stationary combustion		86.76
Mobile combustion		51.11
Scope 2		13,565.13
Purchased electricity	tonnes of CO ₂ e	13,546.55
Towngas		18.58
Scope 3 ²		854.26
Business travel (land and air)		578.23
Transmission and distribution loss		260.02
Upstream transportation and distribution (mobile branch)		16.02
Total GHG emissions per FTE		2.10
From Scope 1	tonnes of CO ₂ e / FTE	0.02
From Scope 2		1.96
From Scope 3		0.12
GHG emissions per sq. ft.	tonnes of CO ₂ e / sq. ft.	0.01
Total energy consumption³		25,972.09
Indirect: electricity	MWh	25,524.09
Direct: gas and diesel		448.00
Energy consumption per FTE	MWh / FTE	3.75
Energy consumption per sq. ft.	MWh / sq. ft.	0.03
Total water consumption	m ³	54,152.00
Water consumption per FTE	m ³ / FTE	7.81

	Unit	2023 ⁺
Total paper consumption	tonnes	1,224.00
Waste disposed to landfill⁴	tonnes	199.40
Waste disposed per FTE ⁵	tonnes / FTE	0.03
Waste collected for recycling		222.13
Paper		199.92
Plastic		0.46
Aluminium cans		0.18
Glass	tonnes	0.08
Furniture		0
IT and electrical		10.99
Food waste		6.89
Ink jet bottles and toner cartridge		3.61

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

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hours
 FTE: Full-time equivalent employee sq. ft.: Square feet +1 Oct 2022-30 Sep 2023

- 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 were calculated based on the electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factor for CLP was 0.39 kg CO₂e/kWh as of 2023. The emission factors for Hong Kong Electric were 0.71 kg CO₂e/kWh in from October to December 2022 and 0.68 kg CO₂e/kWh from January to September 2023.
 Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Scope 3 represents indirect emissions attributed to upstream and downstream activities taking place to provide services to customers. Our upstream activities include business travel and emissions from its supply chain including transport, distribution and waste. Our downstream activities include financed emissions, which is not currently disclosed due to data and system limitations.
- 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.
- Hazardous waste is not counted owing to the insignificant amount.
- Renovations of our headquarters and other core buildings generated construction waste, resulting in a higher volume of waste disposal.

Embedding Net Zero into the Way We Operate

Environmental Programmes

To protect our planet for present and future generations, we endeavour to optimise the use of resources. We conduct business in an environmentally conscious manner and advocate good practices in our value chain.

To minimise the negative environmental impact of our business, we implement environmental programmes to:

- Promote energy efficiency
- Improve the consumption of materials, minimise waste generation and ensure the disposal of waste in an environmentally acceptable manner
- Promote recycling and the use of recycled or environmentally friendly materials
- Minimise the use of chlorofluorocarbons
- Give preference to suppliers and contractors who adopt environmentally friendly practices
- Meet all relevant environmental, health and safety laws and regulations
- Support environmental initiatives, partly through the Bank's community programmes

To reduce paper usage, we launched the initiatives described below in 2023.

Subscriptions to e-Statement and e-Advice Services



There has been a year-on-year increase in the number of retail customers registered for our e-Statement and e-Advice services. We have also extended the scope of our e-Advice service to cover Capital Protected Investment Deposit and MaxInterest Investment Deposit from September 2023 onward. Customers who have opted-in to e-Statement and e-Advice services will receive their advice in a digital format, which can be viewed and downloaded via the mobile app and personal e-Banking, instead of receiving a hard copy by mail.

Adoption of Digital Coupons



Instead of distributing physical coupons, we have begun to issue digital coupons to customers participating in our promotion campaigns via HARO WhatsApp and Short Message Service ('SMS').

Provision of Information in a Non-Paper-Based Format



Since June 2023, under Section 18 of the revised Code of Banking Practice, we have been providing information (including our terms and conditions) in a non-paper-based format. This allows customers, at the time of the provision, to directly download and store the information for future reference. We also provide customers with information in a paper-based format under special circumstances.

Embedding Net Zero into the Way We Operate



Climate Risk Management

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. Climate risk can materialise through:

- **Physical Risk**, which arises from the increased frequency and severity of weather events, such as typhoons and floods, or chronic shifts in weather patterns; and
- **Transition Risk**, which arises from the process of moving to a low-carbon economy, including changes in government or public policy, technology and market-demand.

We are affected by climate risks either directly or indirectly through our relationships with our customers.

We may face direct exposure to the physical impacts of climate change, which could affect our day-to-day operations.

Any detrimental impact to our customers from physical and transitional climate risk could negatively impact us either through credit losses on our loan book or losses on trading assets. We may also be impacted by reputational concerns related to the climate action or inaction of our customers.

The uncertain impacts of climate change and data and methodology limitations may impact our model risk, creating inappropriate and inaccurate model outputs.

In addition to the above, we also consider net zero alignment risk and risk of greenwashing as thematic risk issues, which could result in reputational damage, regulatory and litigation issues which may impact our revenue generating ability.

Our climate risk approach is aligned to our risk management framework and three lines of defence model, which sets out how we identify, assesses, and manage our risks. This approach provides the Board and senior management with visibility and oversight of key climate risks.

For further details of the Bank's climate risk management, please refer to the 'Climate Risk' section under 'Risk' in our Annual Report.

Insights from Climate Scenario Analysis

Scenario analysis supports the Bank's strategy by assessing our potential exposures to risks and vulnerabilities under a range of climate scenarios. It helps to build the Bank's awareness of climate change, plan for the future and meet growing regulatory requirements.

In climate scenario analysis, the Bank considers, jointly, both physical risks and transition risks. The Bank analyses how these climate risks impact how other risks are managed within the organisation, including credit, traded market risks, and non-financial risks.

Embedding Net Zero into the Way We Operate

Our Climate Scenarios

In 2023, the HSBC Group enhanced its internal climate scenario analysis exercise by focusing efforts on generating more granular insights for key sectors and regions to support core decision making processes and to respond to regulatory requirements.

HSBC Group created its internal scenarios using external publicly available climate scenarios as a reference, including those produced by the Network for Greening the Financial System, the Intergovernmental Panel on Climate Change and the International Energy Agency. Using these external scenarios as a template, the HSBC Group adapted them by incorporating its unique climate risks and vulnerabilities to which the organisation and customers across different business sectors and regions are exposed.

HSBC Group's scenarios were:

- **the Net Zero scenario**, which is consistent with the Paris Agreement. This assumes that there will be orderly but considerable climate action, limiting global warming to no more than 1.5°C by 2100, when compared with pre-industrial levels;
- **the Current Commitments scenario**, which assumes that climate action is limited to current governmental committed policies, including already implemented actions, leading to global temperature rises of 2.4°C by 2100. This slow transition acts as a baseline to determine the actions we need to take to reach its net zero ambition while operating in a world that is not net zero;

- **the Delayed Transition Risk scenario**, which assumes that climate action is delayed until 2030 with a late disorderly transition to net zero but stringent and rapid enough to limit global warming to under 2°C by 2100. This scenario allows us to stress test severe but plausible transition risk impacts;
- **the Downside Physical Risk scenario**, which assumes climate action is limited to currently implemented governmental policies, leading to extreme global warming with global temperatures increasing by greater than 4°C by 2100. This scenario allows us to assess physical risks associated with climate change; and
- **the Near Term scenario**, which assumes both a sharp increase in policies that drive a disorderly transition towards net zero and a sharp increase in extreme climate events over a five-year period until 2027. This scenario focused on HSBC Group's business in Asia.

The Near Term Scenario

Designed to meet the HKMA regulatory requirements, the Near Term scenario allowed the Bank to explore the combined impacts of a disorderly transition towards net zero and extreme acute events occurring simultaneously. The exercise allowed the Bank to understand the extent to which a stressed scenario exhibiting both high physical and transition risks in the near term could immediately impact the Bank's customers across all its sectors.

Our Methodology

The models incorporate a range of climate-specific metrics that will have an impact on our customers, including expected production volumes, revenue, costs and capital expenditure.

These results feed into the calculation of the Bank's risk-weighted assets and expected credit loss projections. For the Bank's real estate portfolio models, these focus on physical risk factors, including property locations, perils and insurance coverage when assessing the overall credit risk impact to the portfolio. The results were reviewed by the Bank's sector specialists who, subject to its governance procedures, make bespoke adjustments to the results based on their expert judgement when relevant.

There are industry-wide limitations, particularly on data availability, however, our models are designed to produce outputs that can support the Bank's assessment of the level of its climate resilience.

How Climate Change is Impacting Our Portfolios

Within the Bank's wholesale lending portfolio, customers in higher emitting sectors continue to be most exposed to larger climate-related losses. Notably, continuing from the 2022 disclosure, the Bank's commercial real estate and retail mortgage portfolios remain resilient to climate risk. Even though Hong Kong contains material physical risk exposures due to the impacts from tropical cyclone winds and to a lesser extent coastal inundation, the impact on prospective credit losses remains low as the properties remain largely protected against these events due to high building standards and coastal defences.



Social

Building Inclusion and Resilience



Social

Building Inclusion and Resilience



The Bank aims to provide an inclusive environment, in order to foster diversity and create the best workplace for talented individuals. We have achieved a gender balance at the senior management and workforce levels, with a representation (>70%) of women on the Board and executive team.



The digitalisation of business activities is one of our key strategies to enhance the service dynamics of the Bank. We have continued to further enhance our product and service offerings, whilst at the same time remaining focused on developing more leading digitalisation solutions for our customers.



Promoting Diversity and Fostering Inclusion

Equal Opportunities

Hiring Process

To build a diverse and inclusive workforce, all our hiring managers are required to complete a learning programme on hiring and selection. The programme prepares hiring managers with interviewer skills and raises their awareness of unconscious bias in the selection of candidates.

For example, in order to move forward from experience-based hiring to skill-based hiring in Wealth and Personal Banking, we have introduced an Accelerating Wealth Programme ('AWP') with the aim of bringing diversity into our recruitment process. The AWP prioritises transferrable skills over experience and qualifications, enabling different people to kick-start an exciting career in our fast-growing Wealth business, regardless of their professional background.

Internal Mobility

We promote internal mobility for all levels of employees with equal opportunities, with the aim to nurture their career development and enrich their experience, while helping us retain talent. Open roles are advertised on internal job posting portals and monthly emails are sent to all staff members to promote the hot jobs of the month.



'Career in Your Hands' was an internal career fair aimed at promoting skill-based hiring and career advancement opportunities to all levels of employees within the Bank. During the event, career booths were set up to answer our colleagues' enquiries, and we invited representatives from various departments to introduce their departments and respective career opportunities, as well as the transferrable skillsets required for these jobs. Our Human Resources ('HR') team also shared information with the participants on how to build a strong internal profile, while selected colleagues were also invited to share their successful experience in cross-department transfers.

In 2023, we provided the necessary support to enhance our employees' internal mobility and career advancement, achieving positive outcome.

In 2023, a total of 811 job positions were filled by internal employees, representing 37.6% of our open positions. This demonstrates the Bank's strong support for the career development of our staff.



In 2023, a total of

811 job positions

were filled by internal employees

Promoting Diversity and Fostering Inclusion

We endeavour to provide redeployment opportunities for our employees who are impacted by restructuring due to business transformations. Our recruiters actively map the impacted employees' transferrable skills and knowledge with the requirements of relevant new positions, and provide one-on-one curriculum vitae consultations and internal application advisory sessions to those who are looking for internal redeployment opportunities.

Gender Representation and Pay

Our HR policies strictly comply with the Hong Kong legislation, ordinances and regulations. As an equal opportunity employer, our pay strategy is designed to attract and motivate the very best people. We determine the remuneration of our employees by their performance and behaviour, as well as internal and external relativity and market benchmarks, regardless of their gender, ethnicity, age, disability or any other factors unrelated to their performance or experience. We comply with the Hong Kong Equal Opportunities Commission guidelines on equal pay for men and women under the Sex Discrimination Ordinance.

Gender Pay Gaps

Our approach to pay is fair and meritocratic. Remuneration decisions are based on a combination of business results, performance against objectives, desired leadership behaviour, adherence to our company's values, business principles and

the HSBC Group's risk-related policies (See the 'Performance Management and Constructive Feedback' section). We make appropriate adjustments if we identify any pay differences between men and women in similar roles, which cannot be explained by reasons such as their performance, behaviour rating or experience. To engage, develop and retain our employees, we regularly review the equity and competitiveness of our internal remuneration and benchmark them with the external market, in order to maintain appropriate market pay positions and ensure diverse career progression opportunities are available to all levels of employees.

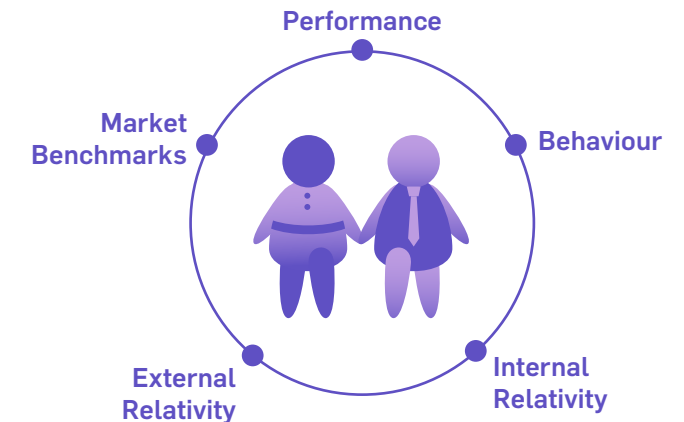
- **A gender fixed pay gap** (mean or median) is the difference between the full time equivalent (annualised) fixed pay of male and female employees as of 31 December 2023. The figure is expressed as a percentage of the full time equivalent (annualised) male fixed pay.
- **A gender total compensation gap** (mean or median) is the difference between the total compensation paid to male employees and that paid to female employees. This is expressed as a percentage of the total compensation paid to male employees. Total compensation is the sum of the full time equivalent (annualised) fixed pay and variable pay. This is for the performance year ending on 31 December 2023.

Hang Seng Group* Gender Remuneration Gap

Fixed Pay Gap		Total Compensation Gap
15.7%	Mean	16.2%
20.9%	Median	20.2%

* Hang Seng Group here refers to Hang Seng and all its subsidiaries

We determine the remuneration of our employees based on the below factors*:



* Regardless of gender, ethnicity, age, disability, or any other factor unrelated to performance or experience

Promoting Diversity and Fostering Inclusion

- The **mean** is calculated by adding up the pay of all relevant employees and dividing the figure by the number of employees. For example, the mean gender pay gap is calculated based on the difference between the mean male pay and the mean female pay.
- The **median** is the figure that falls in the middle of a range when the pay of all relevant employees is lined up from smallest to largest. For example, the median gender pay gap is calculated based on the difference between the employee in the middle of the range of male pay and the middle employee in the range of female pay.

Diversity Policy

The Board has adopted a Board Diversity Policy and reviews the policy annually. The last review of the policy was approved by the Board in November 2023 based on the endorsement of the Bank's Nomination Committee. The policy has been published on the Bank's website for better transparency and governance. Board appointments are based on merit and candidates are selected against a set of objective criteria, having due regard for the benefits of diversity on the Board including, but not limited to, characteristics such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service, and any other factors that the Board may consider relevant and applicable. The Board considers that its diversity, including gender diversity, is a vital asset to the business, and the selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience.

As of 31 December 2023, the female representation of the Board was around 73%, which is well above the Board's aspirational target of a minimum of 40% female representation, according to the Bank's Board Diversity Policy.

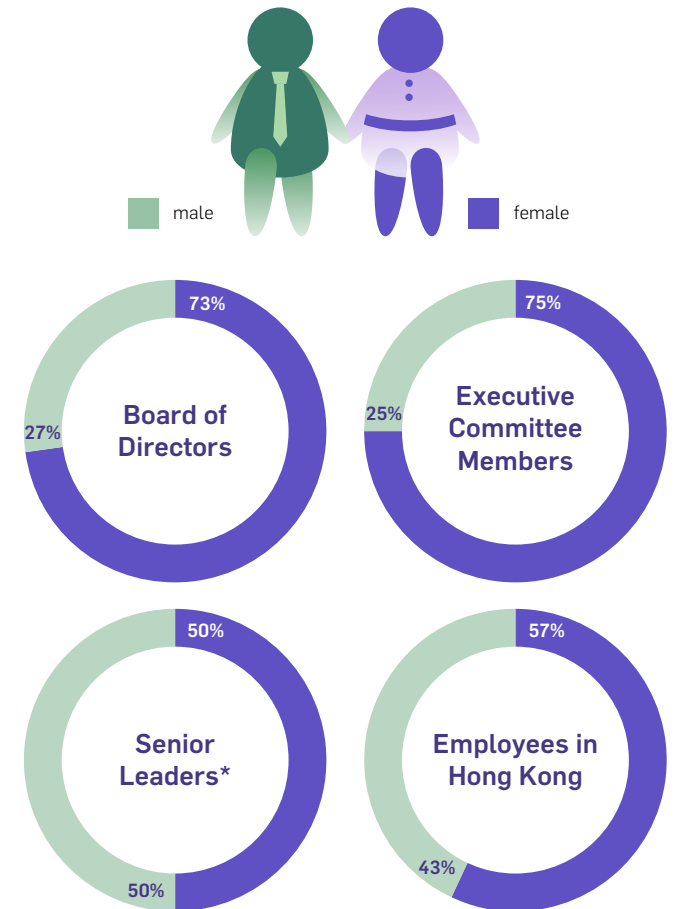
The Board has also adopted a Nomination Policy, which has been made available on the Bank's website, that emphasises the Bank's dedication to transparent nomination processes during the selection of candidates for Board appointment.

The Bank continues to offer an inclusive environment to foster diversity and become the best workplace for talented individuals. The Bank was ranked first in Hong Kong and 149th (compared with 162nd in 2022) globally from 3,787 companies in Equileap's 2023 Gender Equality Global Report & Ranking. The Bank was also recognised for having representation (>70%) of women on the Board and executive team.

50% of our senior leaders* are female, which means we are well-positioned against the target of 41% in 2023. The female representation of senior leaders in the Group included the operations in Hong Kong, mainland China and overseas representative offices.

We continue to sustain our inclusive culture in the Bank, where everyone has the opportunity to grow and achieve their career objectives, and will thereby improve and sustain our female representation at the senior level.

Hang Seng Achieved Gender Balance



* Senior leaders refer to employees at global career band 3 or above.

Promoting Diversity and Fostering Inclusion

Our female representation is driven by the following three factors: Hiring, Promotion and Attrition (as of the end of 2023).

- 50% of our senior leaders that are hired externally are female
- 62% of our senior leaders that are promoted to their position internally are female
- 27% of our senior leaders that resigned on their own are female

* Figures relating to senior management and senior leaders include employees seconded from the HSBC Group.

During the processes of external hiring and internal promotion, the Bank endeavours to achieve fair gender representation in candidate shortlisting and the setting up of the interview panel.

We regularly review and enhance our diversity and inclusion policies, so as to ensure that they are in line with the regulatory requirements, market trends and best practices of the industry.

The Bank is dedicated to upholding inclusion by becoming a signatory of the Racial Diversity and Inclusion Charter for Employers of the Equal Opportunities Commission in Hong Kong. This significant step underscores our dedication to fostering a workplace that champions diversity, equality and inclusion. Through this charter, we affirm our commitment to eradicating racial discrimination, promoting equal opportunities, and creating an environment where every individual feels valued and empowered. Our journey towards becoming a more inclusive institution has aligned seamlessly

with our broader ESG goals, as we recognise that diversity and inclusion are essential pillars in building a sustainable and equitable future for both our workforce and the communities we serve.

To increase staff awareness of anti-harassment, bullying and discrimination, all our employees are required to undertake mandatory training on these topics.

10 cases relating to discrimination and harassment were reviewed and closed in 2023.

Overall, more than half of our employees in Hong Kong are female, with a high proportion of female representation at the staff level (global career band 6 or below). We continue to sustain our inclusive culture in the Bank, where everyone has the opportunity to grow and achieve their career objectives.



Building a Healthy Workplace

Living Our Purpose and Value

Our actions are guided by our purpose and our values.

Our Purpose

We share the dreams of Hong Kong people and serve our communities with pride. We provide best-in-class, trusted and friendly financial services to drive their success – today and for generations to come.

Our Values

*We Value Difference,
We Succeed Together,
We Take Responsibility, and
We Get It Done.*

Our values and organisational culture help us make the right choices in a variety of day-to-day business situations and work environments, to uphold our conduct and behaviour in relation to how we treat our customers, employees and other stakeholders, to judge when and how to intervene and speak up, to foster an inclusive work environment that supports the well-being of our staff, and to stretch and unleash our potential to shape a bank fit for the future.

We are dedicated to cultivating an agile and dynamic culture and workplace that supports the development of our people, with the aim of helping the Bank achieve its broader ambitions of providing excellent experiences for customers and creating a better future for the community.

We are delighted to have been recognised with the following:

1. Universum – Top 10 Employer of Choice
2. CTgoodjobs – Best HR Innovative Initiative Award
3. CTgoodjobs – Employer of the Year
4. CTgoodjobs – Best Graduate and Management Trainee Programme
5. JobsDB – HR Innovator Award
6. Hong Kong Management Association – Award for Excellence in Training and Development 2023
 - Excellence in Cultural Change
 - Excellence in Future Skills Development
 - Excellence in Programme Design
7. The Hong Kong Institute of Bankers – Talent Development Excellence Award 2021 – Star Award – Social Innovation



Building a Healthy Workplace

Advocacy and Awareness

Our corporate principles underpin the Bank's policies and procedures, informing and connecting our purpose, values, strategy and risk management. They help us make better decisions in the face of difficult choices. We encourage our employees to act with courageous integrity, to speak up and to use sound judgement in challenging situations.

On the basis of our organisational culture, our strength in delivering the Bank's strategic priorities, purpose and values is reflected in three aspects – Sentiments, Behaviours and Business Outcomes. Our expectations for the desired behaviours of our employees is supported by our four values:

- 'We Value Difference'
- 'We Succeed Together'
- 'We Take Responsibility'
- 'We Get It Done'

Good employee conduct results in positive outcome for customers, together with taking responsibility for managing risks with good judgement, drive a positive outcome for customers. Recognition of the right behaviours also helps us achieve the right business outcomes. With sound conduct and a strong culture, we can fulfil our purpose to support our customers and communities, protect the Bank and its investors, and uphold both the standards expected by regulators and the integrity of the financial systems in which we operate.

*The impact of our initiatives is demonstrated by the scores we achieved in the **speak up and trust** metrics in our 2023 Snapshot survey, which remain at a robust level of*

75% and 79%
respectively.



Highlights of the Key Conduct/Culture Initiatives in 2023

1. **The 2023 Risk and Compliance Culture Plan** outlines the planned propositions to enhance the risk and compliance culture and promote the right behaviours. The plan provides the basis and standards of sound culture and conduct, with a focus on bank-wide culture and conduct initiatives in 2023:
 - Risk and Compliance Culture Framework
 - Purpose-Led Conduct Approach Embedment Programme
 - Risk and Compliance Culture and Conduct Forum
 - Risk and Compliance Culture Awareness Programme

2. **A refreshed tagline – 'Ever Growing Ever Innovating'** – was introduced at the beginning of 2023. In addition, various bank-wide activities were launched to support the delivery of people and culture priorities in light of the refreshed employee value propositions, value-aligned behaviours and strategies:

- 'Tone from the Top' – LeaderConnect is a series of sessions that focuses on staff engagement and communication, with the aim of fostering a 'speak up and listen up' culture among senior management and employees
- 'Power Up: People Managers' Capability' is a series of workshops that enables people managers and their team members to perform to their best capabilities in a hybrid working environment

3. **A refreshed Code of Conduct** was issued in 2023 to remind our staff of their responsibilities in risk management and collectively safeguarding good conduct outcomes. The Management Accountability Framework also outlines the expectations for managers, and holds them accountable for their role in ensuring their teams remain fit and proper to undertake our business activities and protecting the Bank from conduct and regulatory breaches.

Building a Healthy Workplace

We Listen – from Feedback to Actions

We take every opportunity to seek our employees' feedback, listen to their suggestions via diverse channels, and respond with sustainable actions and investments in human resources. Together with our people, we can shape our common purposes, implement our business strategies and deliver growth, while building the right culture and employee experience to attract and retain talented individuals, which is essential for creating a long-term competitive advantage.

We value our employees' feedback from the Snapshot survey, and we have implemented initiatives accordingly to enhance employee experiences and foster their performance.

Engagement

Employee surveys are conducted annually to gauge our staff sentiments and the level of engagement, staff confidence in the Bank's strategy, trust in leadership, as well as their opinions on the Bank's speak-up and inclusive culture, career development and change leadership.

We aim to maintain or improve our employee engagement score, in comparison to that of the last employee survey.

The 2023 Snapshot survey reflects an increasing willingness from our employees to engage with us and voice their opinions, with a record high response rate of 91%, a notable increment of 7% from 2022. The survey results demonstrate that progress has been made in all aspects compared to 2022, as is evident by an improvement of the scores across all eight indices, and the downward trend of the scores since 2021 has been reversed. Six out of the eight indices have retained high scores of 70 or above. However, the Employee Engagement Index and Employee Focus Index both scored below 70, and they will be our key areas of focus in 2024.



Snapshot Core Indices*	Hang Seng HK 2023 Score	Hang Seng HK 2022 Score
Employee Engagement Index	69	68
Employee Focus Index	65	63
Strategy Index	76	74
Change Leadership Index	79	78
Speak-up Index	75	75
Trust Index	79	78
Career Index	72	71
Inclusion Index	76	75

* Each index is comprised of a group of questions, with the average score of the answers to those questions forming the index score.

	Number of Responses Received	Employee Engagement Index
Breakdown by Age Group		
20-29 years old	1,259	73%
30-39 years old	2,442	66%
40-49 years old	1,499	67%
50-59 years old	1,109	72%
≥ 60 years old	68	83%
Breakdown by Gender		
Male	2,725	70%
Female	3,652	68%
Breakdown by Management Level		
Executive	2,777	67%
Officer	2,655	70%
Clerical / Blue-Collar	945	70%



Building a Healthy Workplace

Supporting Mind, Body and Purpose

Staff Benefits

A variety of staff benefits are provided to employees to suit their personal needs in different stages of life, including different leave types to their fulfil work-life balance, parental and family responsibilities, various benefits and offers to achieve their personal goals, physical, mental and financial wellness.

We regularly review our benefit offerings to ensure that they meet the needs of our staff. Benefit enhancements during the year include:

- Psychological counselling under our Wellness Programme
- Enhanced maternity benefits for multiple births
- An enhanced medical network

Occupational Health and Safety

The Bank is committed to upholding a high standard of Occupational Health and Safety ('OH&S'). We have adopted the international OH&S Management System as a backbone to ensure all the stakeholders in business activities and our surrounding community are not exposed to health and safety risks associated with our business. We are confident and are dedicated to achieving the prescribe standards via the clear goals and objectives set out in our OH&S Policy, with the engagement and support from our employees at all levels.

To support this engagement, the Bank holds an annual Safety Management Committee Meeting with reputable representatives.

The Bank was accredited with an Occupational Health Safety Assessment System ('OHSAS 18001:2007') certification, which was subsequently migrated to an Occupational Health and Safety Management System ('ISO 45001:2018'), as certified by an independent external certification body.

We are dedicated to maintaining a low accident rate and complying with OH&S-related legal requirements, while we aim to continue planning and implementing bank-wide campaigns for the enhancement of our OH&S.

A Safety Management Committee, comprised of delegates from our senior management, monitors and advises on our OH&S programmes. The concerns and views of staff are represented by a working team of middle management representatives. They are supported by job hazards analysis ('JHA') team members in each department.

Risk assessments are undertaken by the JHA team, at least annually. If there are any changes or proposed changes – including the use of equipment and materials, special or temporary activities or renovations, or actions undertaken after incidents – the existing analysis and assessment are reviewed as soon as possible. When a workplace hazard is identified, control measures are established according to the relevant risk rating, so as to maintain the residual risk at an acceptable level.

Employees are encouraged to alert their department's JHA representatives about any potential hazards in the workplace. These may include improper handling, 'slip, trip and fall' risks and loose-lying cables. Actions are taken to mitigate these risks.

The Bank is dedicated to complying with the OH&S-related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance (Cap. 509).

We implement various OH&S systems, policies and controls at a bank-wide and functional level, including the following:

- Occupational Health and Safety Management System ('ISO 45001:2018')
- Occupational Health and Safety Management Policy
- Occupational Health and Safety Organisation
- Occupational Health and Safety Training
- Occupational Health and Safety Inspection
- Safety Management Committee
- Accident Investigation
- Job Hazard Analysis

Building a Healthy Workplace

Health and Wellness

We continued to organise leisure and recreational activities, with the aim of encouraging employees to be physically active, pursue their hobbies and interests, and strengthen connections with their colleagues, friends and family members. Some highlights of our activities in 2023 were:

- **Staff Engagement**

Family fun day – Our staff and their families enjoyed magical moments and mini games with prizes to celebrate the Bank's 90th anniversary.

- **Wellbeing 360**

We organised a series of workshops and classes to improve the mental and physical health of our staff, including yoga, fitness, stress and diet management, wine tasting, etc.

- **Internal and External Staff Competition**

The aim of our annual Hang Seng Cup competition was to promote a team spirit and cross-departmental interactions through basketball, football and bowling. We also supported our staff to take part in external competitions such as the international dragon boat event, touch rugby tournament and the Corporate Games organised by the Leisure and Cultural Services Department of the HKSAR. Through sports, our running, dragon boat and rugby teams engaged with the younger generation and achieved encouraging results.

- **Family-Related Initiatives**

We increased the number of our vacation quarters this year. Close to half of our staff families took advantage of this exclusive benefit.



Our 'Future of Work' Initiative

We have established a formal policy to provide flexibility for employees to work from home or the office, depending on the nature of their job, the requirements of the business, and their own circumstances.

To support this initiative, we launched new digital collaboration tools and virtual desktops. Staff members can now work anywhere in a secure way using a laptop, personal computer or mobile device, and we are digitising our paper-dependent operations to remove physical constraints. We also implemented Integrated Document Management to centralise all physical and electronic document handling. The e-workflows for our operations have made working from home more viable.

Our offices have been renovated and converted to an activity-based working model. By providing more spacious breakout

areas to facilitate interactions among colleagues, we are seeking to cater to diverse working styles, encourage creativity, agility and collaboration, and support health and well-being.

To make our workplaces fun and energised, our building premises are equipped with amenities including game corners with videogame consoles, billiards and a table soccer, table tennis room, library and a recharge room equipped with massage chairs. There are also communal floors in our office buildings that feature a cafeteria, kiosk selling healthy fruit and snacks, shower rooms and a wellness corner with fitness equipment such as aerobic steps, treadmills, bikes and yoga mats.

In line with our Future of Work Programme, we continue to modernise our daily work processes and settings, in order to reduce our carbon footprint for a sustainable future.

Developing Skills, Careers and Opportunities

Development for A 'Future Proof'

We are creating new positions and building a FinTech-savvy workforce to meet the future demands of our business requirements. The digitalisation of our banking products, services and operations has become a primary initiative to cope with the new requirements from our stakeholders.

As a responsible employer, we are planning ahead and going through the transformation process together with our employees.

Day to Day Self-Directed Development Journey

Our employees are encouraged to develop future skills during the course of their learning journey. Through technology enablement in the use of mobile apps and access to the Bank's portal system, internal and external learning resources are made available on the Degreed learning platform. Employees are able to self-assess their learning needs, curate their personal learning plans to work at their own pace, build networks for peer learning and initiate real-time knowledge transfers and experience sharing.

Case Study

Data Literacy Empowerment Programme



The Data Literacy Empowerment Programme ('DLEP') is a bank-wide transformation programme to equip our staff with critical future skills in data and analytics, as well as embedding cultural change and developing a data-driven mindset in our organisation, thereby enabling our vision of innovating with data and becoming a digital-ready bank.

The programme is designed to engage, energise and empower our staff to learn and apply data analytics for business activities and operations. Through the application and testing of new data insights and ideas in a wide range of business challenges, the programme will create the necessary momentum for our staff to shift their focus from conventional problem solving to unlocking new values for our business. The programme also focuses on data analytics in risk and control, and recognises the importance of data quality, security and privacy, in order to protect our customers and ensure sustainable business growth. As the programme enters its second year, we will continue to seek different opportunities for upskilling among our staff, which include enhancing the content of our training course, more 'show and tell' sessions on successful usage cases and a data hackathon.

Developing Skills, Careers and Opportunities

New Ways of Learning

1. **Leaders as Teachers:** We encourage our senior leaders and middle managers to serve as change champions to drive staff engagement and to facilitate knowledge transfers.
2. **Learning from Our Peers:** We encourage our staff to collaborate with colleagues from other departments through different platforms, thereby facilitating peer learning on bank-wide projects and change initiatives.
3. **Learn from Market Experts:** We collaborate with market experts to educate our staff on the market trends and market intelligence, so that our staff will be prepared for the future of banking.
4. **Action Learning:** We enable our staff to apply and test various new technologies. A 'Start-up Ecosystem' has been introduced for our staff to pitch their new ideas with different stakeholders whilst developing new business models.

Case Study

Projects and Networking Opportunities



As part of our future skills learning initiative, Talent Marketplace ('TMP') enables our employees to learn by participating in part-time projects, which is encouraging employees to work outside their work areas, and networking with diverse colleagues across the organisation. The platform makes use of AI to capture our staff's aspirations, skills, roles and experience, and to match their preferences to projects and groups of interests.

"I applied for the TMP as a Hang Seng Learning Champion and was quickly connected to projects that were in the pipeline. In one of these projects, I was involved in the development of a new risk and compliance training programme, while in other projects, my responsibilities included planning and liaising with vendors in the development of programmes for the Talent Cohort, as well as providing support in a HR event.

I have broadened my network and gained experience in planning events and training sessions, which was outside my ordinary role, and these new insights and connections are beneficial to my career. The mode of work was flexible, which allowed me to maintain my focus on my existing job with proper time management. It is a great programme!"

Testimonial from one of the TMP applicants
Inez Lam
 Head of Unsecured Lending Risk

Developing Skills, Careers and Opportunities

HR Digitalisation

New Learning and Development Journey for the Future of Work

We engage our staff to embrace the new learning journey by promoting self-paced learning on the Degreed platform. Innovative digital solutions, such as virtual reality technology and mobile gamified learning on apps, are applied in the Degreed learning programmes. We have also adopted an action learning approach for our young talent development programmes.

Enhancement of Our HR Platform

1. Analytics Digital Assistant and People Insights 3.0

Our digital assistant is designed to cater to our people-related data needs. It acts as a one-stop-shop for all quick questions, and provides people managers and relevant parties with the necessary data in the form of aggregated statistics, charts, downloadable files, etc. It allows us to enhance the reporting and analysis of people data, from which we can draw insights, spot trends and identify any emerging people risks, so that we can plan and deploy our human resources accordingly to address the issues.

2. ESME Chatbot and Live Agent to Handle HR Queries

To improve the employee experience, employees can access the Live Agent, an online live chat tool, to contact representatives for HR guidance; while ESME is an automated messaging tool that is designed to address employees' queries and provide HR information promptly. Any queries unresolved by ESME will be re-directed to a real-time live agent for further assistance.

3. Recognition

The At Our Best Recognition mobile app has been launched for employees to compliment their fellow colleagues, anytime and anywhere, thereby enhancing the overall employee experience.

4. Benefits+

This medical mobile app replaces a physical health card with an eHealth card. The digital claims transformation also allows us to reduce paper and plastic waste.

5. MyBenefits Portal

A one-stop benefits mobile platform for our employees to access benefits information and enroll in employee benefits programmes, thereby enhancing the user experience. By replacing traditional paperwork with mobile operations, we can effectively reduce our paper consumption.

Digitalised Employee Experience

Digitalisation enhances customer engagement and experience, while investments in new technologies also transform the workplace and employee experience. Digitalisation can be integrated into the daily work of employees in every aspect, from their arrival in the office using QSeat to locate available hot desks, accessing Microsoft Office functionalities such as Teams, calendars and emails, using staff apps to reserve sessions with the IT Express Centre and pre-order meals and beverages, to booking meeting rooms in any building online. On top of well-resourced and modernised equipment, we provide our staff with the necessary accessories such as an All-in-one USB-C cable, with which they can join Zoom sessions using their home devices, thereby enhancing their work efficiency.

Training and Skills Development

Our learning and development programmes enable our employees to advance their careers and refine their management and interpersonal skills. We are dedicated to equipping our staff with sufficient skills, knowledge, professional qualifications and experience for the responsible discharge of their duties. Employees with high potential are also nominated for our talent development programmes, which are designed to further cultivate their abilities and prepare them for future career opportunities.

Learning and Development Programmes

In 2023, we provided comprehensive training for our employees in Hong Kong, with a total of 204,560 learning hours recorded.

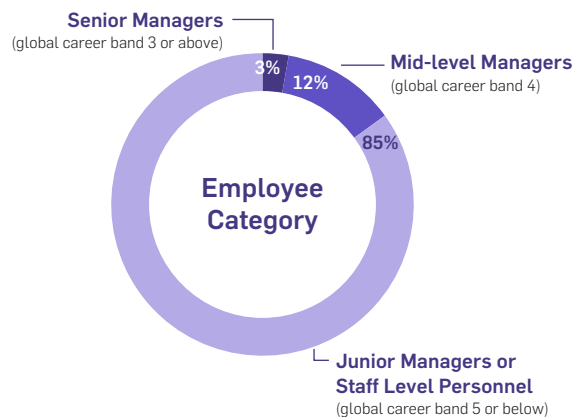
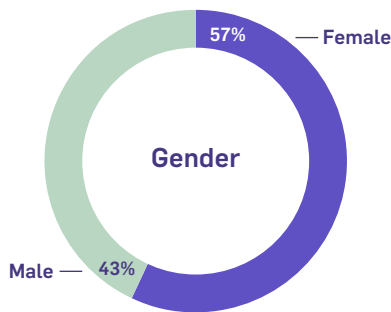
All of our employees were required to participate in training programmes related to their work areas in 2023. Among them, 43% were male and 57% were female; while 3% were senior managers (global career band 3 or above), 12% were mid-level managers (global career band 4), and 85% were junior managers or staff level personnel (global career band 5 or below). Our efforts in promoting learning and development were well-recognised by our staff based on the results of our employee engagement survey, where the score for the Career Index has seen an improvement in 2023. In particular, 78% of our employees were of the opinion that their line managers actively supported their career development.

Developing Skills, Careers and Opportunities



204,560
learning hours
for employees in Hong Kong

Percentage of Employees Receiving Training



Learning and Development Programmes in 2023

	2023
Average learning and development days	
Per employee in Hong Kong	3.6
Average hours by gender	
Male	33.1
Female	26.9

Notes:

1. All headcounts are in full-time employee equivalent ('FTE').
2. We delivered training courses equally to all employees depending on their roles and needs.
3. The above learning hours exclude the learning and development activities arranged by individual departments.

Learning Solutions for People Managers

We aim to retain and develop high-potential employees for sustaining our growth through a number of leadership and management development programmes. People management is the key skill required to unlock the talent and energy of the people working with us, and it is integral to our business transformation and growth. People management is not just about being socially skilled, it is also about understanding how to create the conditions for a strong performance. In an era of rapidly evolving technology, people remain the source of empathy, collaboration, innovation and judgement.

Through the 'Power Up: People Managers' Capability' ('PMC') programme, we have made significant strides in developing our leaders and enhancing their ability to drive performance,

support employee well-being, and promote a positive and value-aligned work environment. Moving forward, the PMC initiative will continue to evolve based on changing needs, but its early success already shows that our commitment to nurturing strong leadership at all levels is bearing fruit. By empowering our people managers, we are cultivating a strong foundation for success, both within our organisation and in the communities we serve.

Performance Management and Constructive Feedback

We have a well-established system for appraising our employee performance and encouraging lifelong learning and continual improvement.

Our Continuous Performance and Feedback principles encourage frequent, holistic and meaningful conversations between managers and employees. These conversations often provide opportunities for both sides to discuss their progress, give feedback and recognition, identify support that may be needed, and address issues that could affect an individual's well-being.

A formal review is conducted for all employees at the end of every year, during which they discuss their progress towards the established objectives. They also receive performance and behaviour appraisals and ratings, as per our employee assessment framework. A fairness review is conducted by our management team to ensure the year-end assessments are fair, accurate and free-from-bias.



Developing Skills, Careers and Opportunities

The behaviour rating is based on how employees manage issues such as risk and compliance, and how they protect the interests of their colleagues and customers, as well as the environment, markets and the Bank. The results influence the pay recommendations during the annual review.

Our Chief Executive and all Executive Committee members have incorporated ESG initiatives, such as carbon reductions and/or sustainable finance, with relevant KPIs or targets in their 2023 performance objectives. Variable pay awards made to the Chief Executive and other Executive Committee members have reflected the assessment of their performance against the scorecard objectives on both financial and non-financial objectives, including the ESG commitment in place.

To equip our people managers with the essential knowledge to conduct fair and accurate performance assessments for their team members, two drop-in sessions were held for our people managers in 2023. Guidance and the key principles of performance reviews were also shared with the people managers.

Talent Attraction and Retention

Talent Acquisition

We are dedicated to promoting local employment, and all our external job postings are open to local candidates.

In recent years, intense market competition for frontline personnel with relevant skills has continued in both the banking and non-banking industries, and higher staff attrition was

observed in our frontline branch network. To address this issue, the Bank has an internal talent pipeline in place, through which employees are upskilled, reskilled and internally redeployed, in addition to our efforts in retaining our employees.

Development Opportunities for Our Talents

We are dedicated to providing development opportunities for our talent and enhancing their engagement with our senior leaders. We identify and nurture high performing talents who display leadership potential to take on key positions. In 2023, the talent development journey has been enhanced with various tools and opportunities, including a leadership potential assessment, career conversations and networking events, as well as participation in strategic projects and development programmes. According to the results of our employee engagement survey in 2023, our efforts are well-recognised by our talent, as we achieved satisfactory scores in both the Career Index and the Employee Engagement Index. In particular, most of our talents were of the opinion that they were proud to work for the Bank, and their line managers actively supported their career development.

Creating Opportunities for Youth

We are dedicated in youth development, and we offer impactful internship and graduate opportunities, with the aim of nurturing future banking professionals and supporting the development and upward mobility of Hong Kong's youth. By joining the Bank, fresh graduates can not only unleash their potential, but also get the chance to serve the local community. Over the years, many of our graduates have been appointed to key roles,

contributing to the growth of the Bank, and we believe that the graduates of our programmes can build a strong foundation to grow both personally and professionally.

Every year, we invite top performing graduates, who are seeking to build a career in the banking industry and develop their potential as next generation leaders, to take part in our Management Trainee ('MT') Programme. Our MT Programme offers an opportunity for holistic development at both the enterprise level and the professional level. At the enterprise level, our MTs will be introduced to our purpose and values, and learn the Bank's strategies in FinTech, the Greater Bay Area and ESG. At the professional level, the MTs will build their core knowledge in banking, future skills and other specialist skills in our inclusive, expansive and agile learning environment, which is specially designed to foster their development and growth. The MTs embark on their development journey with in-house and external workshops, which make use of various learning tools and modes of learning, including experiential learning, gamified learning, instructor-led training and online learning, while participating in events and engagement activities offered by our external best-in-class partners. Our MT Programme was awarded with the Best Graduate and Management Trainee Programme – Grand Award by CTgoodjobs in 2023.

Besides our signature MT Programme, we offer four other internships and graduate programmes to the youth:

- Youth Placement Programme
- Student Internship Programme
- Summer Seed Programme
- GBA Youth Employment Scheme Programme

Building Customer Inclusion and Resilience

Digitalisation of Business

1. Enhanced Digital Capabilities to Better Serve Different Customers' Needs

The Bank has continuously developed numerous innovations in mobile or online distribution channels. To make our e-Banking services more accessible, various initiatives for serving customers with diverse needs or backgrounds were launched in 2023, including:

Simple Mode of the Hang Seng Mobile App

A Simple Mode of the Hang Seng Mobile App was launched, which features a clear and easier-to-use interface for conducting essential and basic banking services. The purpose of the Simple Mode is to enable non-digital savvy customers with simple banking needs to make use of our digital platform. The service and features of the Simple Mode reflect the Bank's commitment to serving a wider group of customers with different needs, while enhancing customer protection, and actively supporting regulators and law enforcement agencies in combatting fraud.

Expansion of Mobile Account Opening Services

We have further expanded our mobile account opening services, so that more customers such as Hang Seng credit card holders are now eligible to open or upgrade an account via the mobile app. In particular, mainland residents can visit our branches in Hong Kong and open a new account through the app, where the account opening journey is streamlined with a shortened processing time which enables an even better customer experience.

2. Enriched Digital Functionalities and Enhanced Services

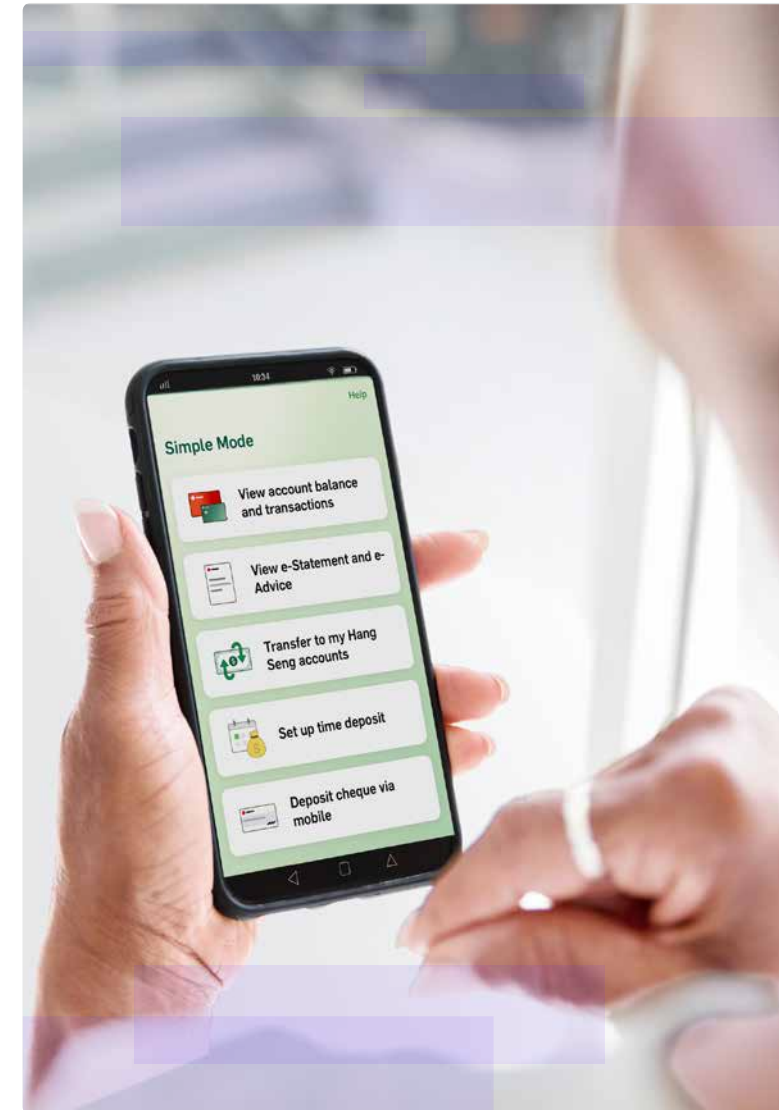
In addition, the Bank launched a number of initiatives in 2023, allowing customers to manage their banking needs, process everyday payments and access wealth services with more options and flexibility – anytime, anywhere.

Extended Servicing Hours for FX and Capital Protected Investments

From September 2023 onward, our foreign exchange ('FX') services have been extended to 24/7 via digital channels, which enables customers to exchange and trade foreign currencies in real-time during weekends and public holidays. Also, the trading hours of capital protected investments ('CPIs') have been extended by half an hour, and customers can now subscribe for a CPI deposit via digital means from 10 a.m. to 5 p.m. on business days.

Mobile IPO Bonds Subscription Service

With the launch of our mobile IPO bonds subscription service in June 2023, there has been a noticeable increase of bond applications via digital channels; in particular, a significant surge in the number of IPO subscriptions for the 2023 Government Silver Bonds and Green Bonds via our mobile platform. This newly enabled feature not only addresses customer needs, but also further accelerates the digital transformation of our banking services and reduces paper usage. Also, the Bank offers diverse ESG labelled products across our investment spectrums, including the investment funds and bonds on our online shelf, to foster ESG investments.



Building Customer Inclusion and Resilience

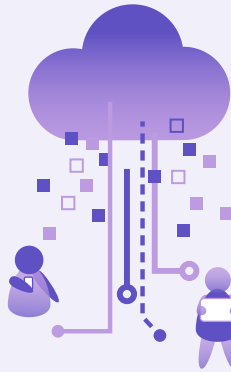
3. Strengthened Security Measures to Protect Customers

Fraud Protection

We introduced additional security measures to restrict our customers' access to the mobile app when we detect screen sharing, screen casting and screen mirroring on both Android Operating System ('AOS') and iPhone Operating System ('iOS') devices, in an effort to fight against malware-related fraud. The screen capture feature is also blocked on AOS devices, and customers have the alternative to save the transaction reference as an image with masked account information for proof of a transaction.

Enhancement of e-Banking Security as per HKMA Guidelines

The Bank is in the process of enhancing the Hang Seng Mobile App. The enhanced app will be able to provide a summary of a customer's logon details, logon locations and other high-risk transactions conducted on the digital platform in response to customer enquiries. When a change of a customer's logon location or another fraud risk indicator is identified, the customer will be required to verify his/her identity by SMS one-time password before any high-risk transactions can be conducted. The measures aim to ensure customers conduct digital transactions in a safe environment.



*On digitalisation of business, we aim to improve the **digital penetration** in terms of expanding the population of digital users and deepening the inclusive level of digital services through ongoing performance monitoring on the launched initiatives and various new initiatives or projects to enhance the customer experience and digital capabilities.*

FinTech Initiatives

We actively participate in various FinTech initiatives. By cooperating with different partners, we have strengthened our commitment to improving the online banking experience for our customers. The initiatives include:

Participating in the e-HKD Pilot Programme

We are dedicated to supporting the HKMA to shape the development of e-HKD and explore the opportunities, as well as the benefits it can generate. We are the only bank which made use of the programme with three usage cases, including the merchant payments and rewards programme, grant payments and peer-to-peer transfers. In September 2023, we successfully completed real-life simulations for the programmable payment usage cases.



Building Customer Inclusion and Resilience

Supporting the Development of e-CNY

The Bank is dedicated to helping and driving the development and cross-boundary applications of the Central Bank Digital Currency. We have been actively participating in the mainland's e-CNY cross-boundary pilot programme. During the Asian Games 2023, we extended the pilot services to Hong Kong athletes by enabling them to top up their e-CNY wallets using the Faster Payment System.

Web 3.0 Development

The Bank has been consistently exploring innovative ways to engage with future generations and explore the evolving Web 3.0 economy. As part of this endeavour, the Bank has launched its inaugural NFT wallet, HS3, allowing designated customers to receive exclusive memorabilia in the form of the Bank's God of Wealth NFTs during the Chinese New Year in early 2023.

The Bank has also introduced a Metaverse platforms – MetaGreen – jointly with Regal Hotels Group and Finland, in order to engage our customers and provide interactive training content for our internal staff. All these various initiatives help us to test and learn via continuing experiments within the evolving Web 3.0 economy.

Digital ID&V and e-Sign

In 2023, we launched Hong Kong's first digital identification and verification ('ID&V') and e-Sign functions for corporate customers who are mainland China ID cardholders, with the aim of providing them with greater convenience when applying for the SME Business Loans.

Promotion of Financial Literacy

An online trading platform for bond products was launched, allowing our customers to learn and explore ESG-related bonds through digital banking.

We aim to enhance the financial literacy of our customers and the wider community, in order to empower the people around us to achieve their financial security and wealth management goals. In 2023, we organised different investment seminars and webinars for our customers and a public audience. For three years, from 2021 to 2023, we have been the title sponsor of the ESG and Green Finance Opportunities Forum in Hong Kong, which was organised to foster the exchange of innovative ideas and promote best practices in ESG and sustainability.

We aim to nurture financial planning habits among young people and assist them via a series of digital tools on our mobile app.

Money Master (previously known as 'Savings Planner')

We aim to help our customers achieve their financial goals, based on their needs and circumstances. Money Master was launched on our mobile app in August 2023. It allows users to set their savings goals, as well as to keep track and manage their savings and spending effortlessly with personalised tips and progress updates.

SimplyStock

Launched in October 2023, SimplyStock offers a new pricing structure for customers under 30 years old, in an effort to support more young people who are ready to start their wealth management journey.



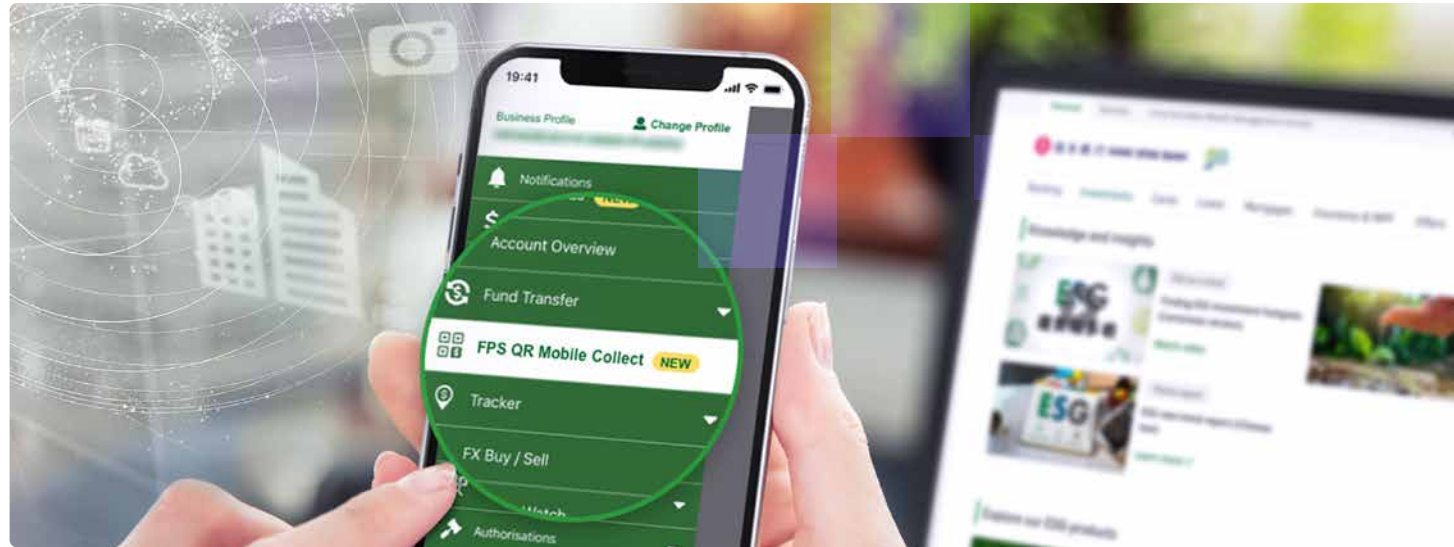
Building Customer Inclusion and Resilience

Measures and Initiatives to Support Our Customers

We uphold our commitment to driving ESG and provides strong support to ESG start-ups via collaborations with our business partners.

We continued to offer priority approval of Inno Booster Loans to support the business operations of IT startups and provide innovation and technology companies with the help they need.

To support SMEs in upgrading their businesses through the digital transformation of their operations, the Bank has launched diverse digital solutions, including FPS QR Mobile Collect and a variety of digital trade solutions. We have also introduced a new Hang Seng Business e-Banking Ever Earn Platform, which allows them to proceed with their day-to-day banking and redeem rewards at any time via our Business Mobile App. With our digital capabilities, we engaged with our customers through various online and offline channels, including our hotline, live chat, BERI WhatsApp, enhanced business banking centres and our network of branches.



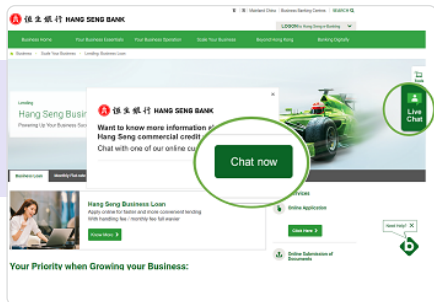
To provide consistent support for our SME customers who were on the road to economic recovery, we participated in the Pre-approved Principal Payment Holiday Scheme proposed by the HKMA and provided payment holidays on non-trade and trade loans for eligible corporate customers affected by COVID-19. In addition, we continued supporting the Special 100% Loan Guarantee – a part of the SME Financing Guarantee Scheme ('SFGS') – introduced by The Hong Kong Mortgage Corporation Insurance Limited since 2020.

During 2023, we orderly exited from the Pre-approved Principal Payment Holiday Scheme. By providing the deferral of principal repayments between August and October 2023, and enhancing the current partial principal repayment arrangement, we supported SME customers in resuming their normal repayments after the pandemic has passed.

Access for All

We continue to improve access to our services and facilities, and aim to achieve standards that comply with the regulations. We are dedicated to providing various inclusive financial services to our community, such as street-level branches, mobile branches and self-service banking outlets.

We also adopt a barrier-free approach for all new branches and self-service outlets. Social caring counters at our branches provide priority services to the elderly, the disabled and other customers in need. Visually impaired customers can bring guide dogs into the banking halls of our branches. As part of our partnership with Hong Kong Seeing Eye Dog Services ('HKSEDS'), we also make some of our branches available for HKSEDS training sites.



Building Customer Inclusion and Resilience

Furthermore, we maintained a number of voice-navigable ATMs for visually impaired customers. Via headphones, customers can use voice navigation to conduct basic banking tasks such as withdrawing cash, making balance enquiries, transferring funds and changing passwords. We also provide audible security tokens to facilitate visually impaired customers to use our e-Banking services.

Our mobile branches feature two teller counters that offer a range of general banking services, such as cash withdrawals and deposits. They also feature accessibility facilities such as a wheelchair access platform, a magnifying glass and a portable induction loop system for customers with hearing aids. The aim of these mobile branches is to serve people in remote areas, including the elderly, so that they do not need to spend time visiting our fixed branches.

In 2023, we introduced Hong Kong's first pet-friendly branch, so as to provide a customer-centric and high-quality service that meets our customers' diverse needs. This branch has a designated pet-friendly waiting area in both the banking hall and the Prestige Banking lobby, featuring pet-related amenities such as pet waste bins, air purifiers and wet wipes to help keep our customers' pets comfortable.

In terms of our digital capability in providing greater access, the Bank has followed the Web Content Accessibility Guidelines ('WCAG') in our digital development, enabling customers with different needs to use our mobile banking with ease. We also engaged with the Hong Kong Blind Union to help us conduct an accessibility assessment, with the resulting report allowing us to confirm that we are meeting the required accessibility standards across different parts of our digital journey.

Accessible Insurance

Hang Seng Insurance Company Limited ('HSIC') cares about our customers' health and wellness. By partnering with healthcare service providers in Hong Kong, various kinds of health and wellness support is offered to our customers via Hang Seng Olive – our bespoke health engagement platform. These range from useful health information and complimentary virtual consultations, as well as exclusive health services and privileges in the Olive eShop, which are all designed to cater for our customers' evolving health needs.

HSIC also places great importance on our employees' well-being, which is pivotal to our sustainable growth. Further to a series of mental wellbeing activities organised in 2022, we arranged a 'Mental Health First Aider' course to support our staff to advance their learning about mental wellness in 2023.

We have continued to support environmental protection and community sustainability by enriching our digital insurance product suite. Customers will now receive an SMS acknowledgment on claims submissions and result updates, as well as push notification reminders to encourage them to update their insurance policy contact information through the Hang Seng Mobile App.



Engaging with Our Communities

Our Community Investment

We are dedicated to making a positive impact in the communities where we conduct business, with the aim of fostering a brighter and more sustainable future.

We firmly believe that young people hold the key to a brighter future, and we are dedicated to empowering local youth to unlock their full potential. In 2023, we expanded the scope of our financial education programmes to cater to young individuals from diverse age groups and backgrounds, ranging from kindergarten and primary students to university students and young parents.

During 2023, we pledged over HK\$30 million in community investment initiatives covering the four pillars.

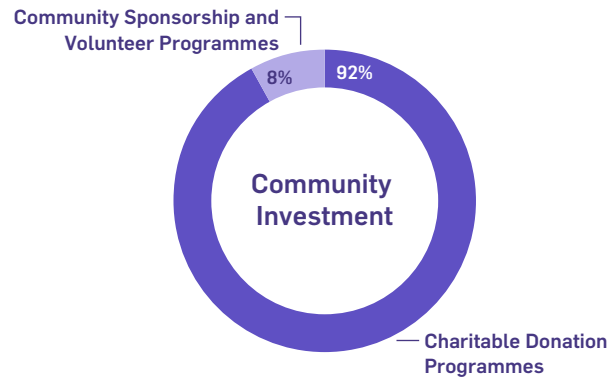
Our senior management members have also devoted their time to civic and volunteer activities. For example, the Bank's Executive Director and Chief Executive Diana Cesar, is Chairman of the Board of Governors at The Hang Seng University of Hong Kong, as well as a Director, Campaign Committee Co-Chairman and Executive Committee Member of The Community Chest of Hong Kong.

For more details about our community investment programmes, please refer to <https://www.hangseng.com/en-hk/about/esg/social/>.

The Community Investments Working Group, led by the Bank's Head of Corporate Communications and Community Investments, oversees the formulation and execution of our community investment strategy. This dedicated group updates the ESG Steering Committee on the progress of the Bank's diverse community investment initiatives every quarter.



Breakdown of Our Financial Support to the Community



Engaging with Our Communities

Addressing Climate Change



For the third year in a row, we continued to be the title sponsor of the '2023 ESG and Green Finance Opportunities Forum', which was organised by the Chamber of Hong Kong Listed Companies. The forum served as a platform to gather business leaders and ESG experts to carry out discussions on green solutions, social impact investments and decarbonisation technologies to combat climate-risks and achieve a sustainable future.

The Bank supported The Conservancy Association by taking part in the Country Parks Plantation Enrichment Programme, which was launched by the Agriculture, Fisheries and Conservation Department. In 2023, our volunteers returned to the park to contribute to essential tree care activities, such as weeding, tree monitoring and assessing the progress of the native tree seedlings that were planted the previous year. The objective of the programme is to enhance the biodiversity and ecological value of the plantation site, thereby promoting

its long-term sustainability and boosting its capacity for carbon sequestration.

In addition to our ongoing support for the World Wide Fund for Nature Hong Kong and Business Environment Council, we participated in the Green Power Hike and the Green Earth Night Walk. These partnerships reflect our commitment to environmental conservation and sustainability.

The Bank has also shown its support to the EcoTrail Programme of the Hang Seng University of Hong Kong for the promotion of biodiversity, which included a tree-planting initiative in 2023.

Future Skills

We believe that young people are instrumental in driving changes, and they hold potential for shaping the development of society. As a result, we invest resources to foster opportunities for the younger generation to acquire essential future skills that will enable them to flourish in a dynamic and evolving world.

This year, the Bank supported the 'FutureGEN Girls Leadership Summit 2023' organised by the JYC Girls Impact Foundation, providing an opportunity for secondary school students to develop their leadership skills and learn about STEM.



Engaging with Our Communities

In addition, we supported The Community Chest's 'Cinema Quintet: Film with the 5 Directors' project, which empowered local tertiary students to understand issues that the local community is facing and how they can be tackled. With the support of five local movie directors, the youth participating in the project turned their ideas into micro films.

We also recognise the importance of ensuring equal access to future skills education for all segments of society, especially disadvantaged groups. We have supported the 'Hang Seng Youth Career Planning Scheme' organised by SidebySide since 2014. By creating a safe and supportive platform, the scheme offers career planning services for young ex-offenders, inmates, supervisees and individuals with a history of mental illness.



Promoting Sustainable Finance and Financial Literacy

We have developed a comprehensive range of financial education programmes tailored for individuals of various age groups.

We launched the Elder-Youth-Transgenerational ('EYT') Financial Education Programme, which provides financial education to both the elderly and to tertiary students in Hong Kong through a series of workshops. The young adults, after having received training on cross-generational communications skills and various finance topics, conduct financial literacy workshops for the elderly at elderly centres, covering topics such as personal finance management and investment. Through this initiative, young people and the elderly have the opportunity to interact and learn together about crucial topics, such as online financial security and financial cybercrime.

In 2023, we partnered with the Hong Kong Family Welfare Society to launch the Hang Seng Financial Literacy Academy, an education programme that offers a school-based and structured learning platform for both primary and secondary school students, their parents, teachers and social workers.

We also continued our efforts in delivering the Money-wise Kids Financial Education Programme, presented with Tung Wah Group of Hospitals, which is aimed at providing kindergarten students with knowledge of essential financial management. Parents were also provided with the necessary knowledge and skills to implement sound financial management practices.

In addition, we partnered with 'Walk in Hong Kong' to curate educational tours of Hong Kong's financial and banking history.

Care for the Community

For the past three decades, we have collaborated closely with the Hong Kong, China Table Tennis Association ('Table Tennis Association') to popularise and advance elite table tennis in Hong Kong and help the youth set their personal goals, develop perseverance and enrich their life experiences through table tennis training.

Hang Seng Table Tennis Academy

In partnership with the Table Tennis Association, the Hang Seng Table Tennis Academy ('HSTTA') provides comprehensive and specialised training to nurture young talents in table tennis. Since its inception in 2001, the Academy has nurtured over 65,000 students, of which nearly 150 have joined the Hong Kong Table Tennis Team or Hong Kong Table Tennis Youth Team.

Engaging with Our Communities

The Hong Kong Team delivered an impressive performance at the 2023 Asian Games in Hangzhou. In acknowledgement of their achievements, including the Men's Singles bronze medal that was clinched by Wong Chun-ting, we provided a special cash incentive totalling HK\$450,000 to demonstrate our support and recognition of their outstanding accomplishment.

Long-Term Social Impact:

7 / 10 players

representing the Hong Kong Table Tennis Team at the Asian Games are graduates of the HSTTA.

In 2023, the HSTTA organised

>250 activities, with >12,600 participants



Supporting the Charitable and Fundraising Events Hosted by the Community Chest of Hong Kong

We have maintained our longstanding support for the Community Chest of Hong Kong ('the Chest'). We were the Chest's sixth top donor in the year 2022/23. We have also been supporting the Chest's Dress Casual Day for 26 consecutive years. In addition, different forms of support were given to other worthwhile programmes, including Walks for Millions, Sports for Millions, Christmas Greetings for the Chest, the Corporate and Employee Contribution Programme, as well as the Community Chest Corporate Challenge.



Volunteering

As a responsible corporate citizen, the Bank continues to empower our staff to make a difference in their local communities. We provide each employee with the opportunity to take two days of volunteer leave annually, enabling them to engage in meaningful volunteer activities. This commitment reflects our dedication to fostering a culture of social responsibility and positively impacting the communities we serve.

Our employees have made outstanding contributions to the betterment of their communities this year. Our services benefitted a wide range of needy groups, including the elderly, children and youth, and people with disabilities. We have also committed ourselves in engaging with various environmental protection campaigns. Over 100 staff volunteering activities were held in 2023, with the participation of over 1,400 staff volunteers.



Engaging with Our Communities

Engaging with Our Stakeholder Community

We proactively engage with stakeholders who are highly influential to our business, as well as those who could be significantly affected by our operations. Our stakeholder groups include customers, staff, shareholders, suppliers, business partners, regulators and the wider community. Understanding their concerns helps us better meet or even exceed their expectations regarding our governance, management and sustainability.

To prepare our ESG Report, we conduct a stakeholder engagement exercise on an annual basis. To ensure open dialogue and impartiality, this exercise was undertaken by an independent third party consultant with reference to the AA1000 Stakeholder Engagement Standard.

Stakeholder Overview

Our Directors and senior leaders are keen to contribute their valuable knowledge to the community. Some of them serve on the boards of other large Hong Kong companies, while others participate in think tanks that focus on economic and social issues, and act as members in regulatory and industry advisory groups. Some also hold senior positions on the boards and committees of statutory bodies, tertiary institutions and charities that focus on tackling the economic and social challenges in Hong Kong.

Communication of ESG Issues

We actively work with business partners who provide strategic value to us. We engage with our business partners through various channels on a regular or need basis, such as partnerships with our ESG start-up companies, and participation in ESG seminars invited by or co-hosted with our business partners.

We demonstrate our values, and keep up-to-date with the industry trends, via memberships in various associations. These include:

- Business Environment Council Limited
- Employers' Federation of Hong Kong
- Federation of Hong Kong Industries
- The Hong Kong Association of Banks
- The Hong Kong Green Finance Association
- The Hong Kong Institute of Bankers
- The Hong Kong Investment Funds Association
- The Hong Kong Management Association
- The Hong Kong Retirement Schemes Association
- Hong Kong Securities and Investment Institute
- The Institute of Financial Planners of Hong Kong
- International Chamber of Commerce – Hong Kong
- International Swaps and Derivatives Association, Inc.
- Treasury Markets Association
- The Hong Kong Advertisers Association

Advocacy of Climate and Sustainability Awareness

External Engagement

- Hong Kong Science and Technology Parks Corporation – ReThink HK 2023 – 'Green Tech for Low Carbon City Transition' thematic session
- Practising Governance – Annual Conference 2023
- The American Institute of Certified Public Accountants and The Chartered Institute of Management Accountants – CIMA Annual Conference 2023
- Institute of ESG & Benchmark and Institute of Financial Technologists of Asia – IESGB x IFTA Annual Conference
- Business Environment Council – EnviroSeries Conference
- Deloitte – Seminar on International Sustainability Standards Board regulations with HKEX and other sustainability practitioners

Internal Communications

We published internal communications in 2023 to enhance our staff's awareness and knowledge of ESG matters. These communications covered various ESG-related topics, including disclosures, carbon emissions, the calculation and mitigation of financed emissions, as well as how to differentiate between different loan types and establish criteria for the approval of ESG loans.

A number of our staff received training in the role of Green Ambassadors to support the implementation of our environmental management system. They are also tasked with raising awareness of environmental matters among their colleagues, families and friends, while providing regular updates on relevant policies and measures.

Engaging with Our Communities

Primary Engagement Channels

Stakeholders**Primary Methods of Engagement****Customers**

- Daily operations and interactions
- Financial market updates
- Relationship manager visits and meetings
- Seminars and conferences
- Loyalty events
- Satisfaction surveys
- Online community
- Net Promoter System

**Shareholders**

- Annual General Meeting
- Announcements and circulars to shareholders
- Interim and annual reports
- Results announcements

**Employees**

- Surveys
- Focus groups
- Face-to-face interviews
- Training and workshops
- Performance and development discussions
- Business briefings

Stakeholders**Primary Methods of Engagement****Employees**

- Town hall meetings hosted by the Chief Executive and business/function heads
- Regular exchange meetings hosted by the Chief Executive and managers
- Symposiums
- Forums hosted by businesses/functions to profile their work and expose staff to internal opportunities
- Employee representation on the staff retirement committee
- Intranet
- Staff mobile app
- Morning broadcasts
- Volunteer activities
- Community investment programmes and communications
- Email blasts to all employees

**Business analysts and investors**

- Results publications
- Announcements and circulars to shareholders
- Annual General Meeting
- Investor relations meetings

Stakeholders**Primary Methods of Engagement****Business partners**

- Calls
- Visits and meetings
- Seminars and events
- Reports

**Regulators**

- Meetings
- Compliance reports
- On-site / off-site inspections
- Ad hoc enquiries
- Circulars and guidelines

**Media**

- Briefings
- Press materials
- Senior leader interviews
- Result announcements

**Non-governmental organisations**

- Volunteer activities
- Community investment programmes and communications
- Visits and meetings

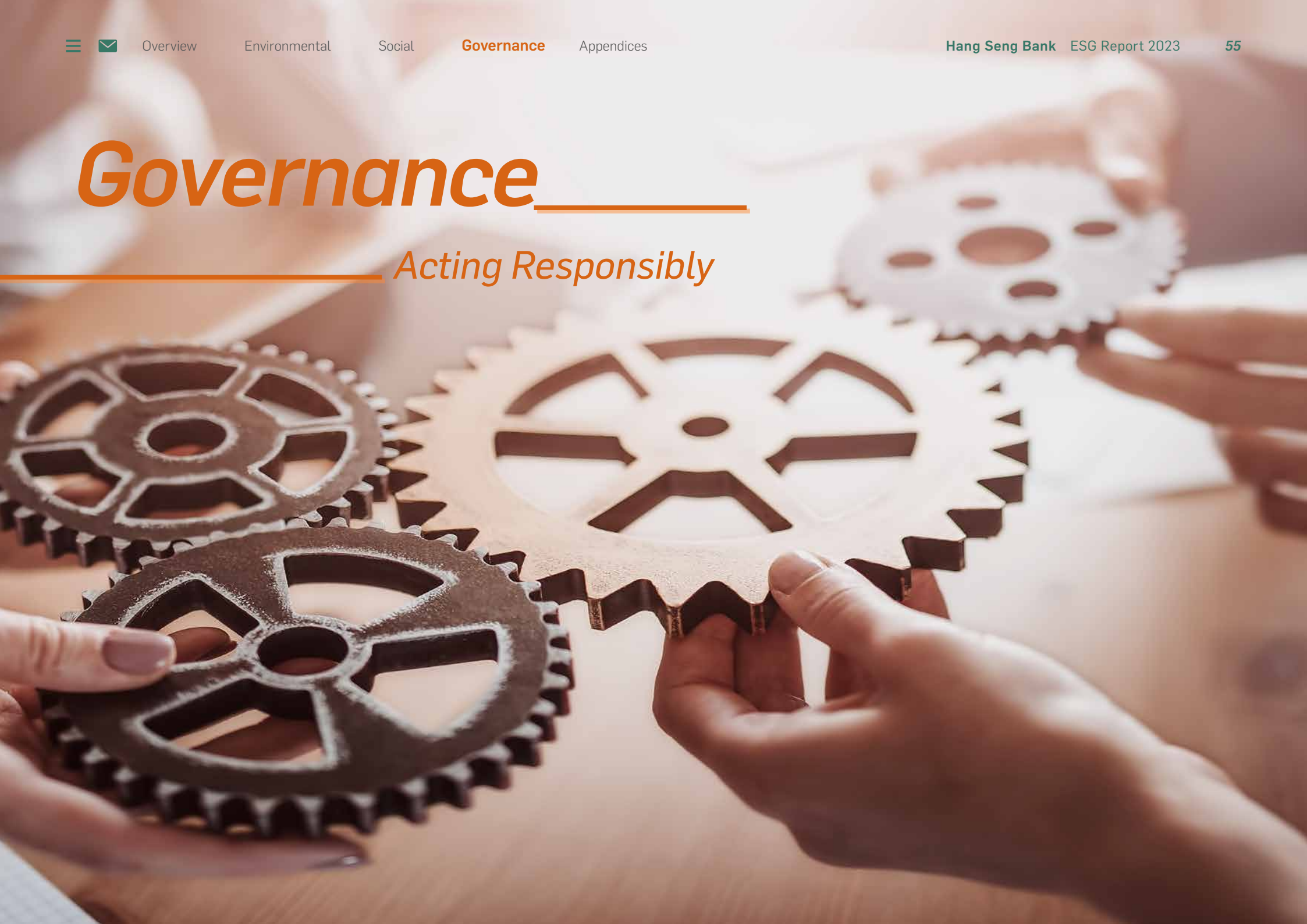
**Financial sector peers**

- Hong Kong Association of Banks meetings and events



*Governance*_____

Acting Responsibly





Governance

Acting Responsibly



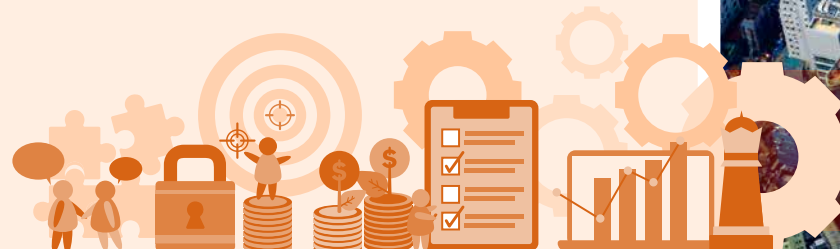
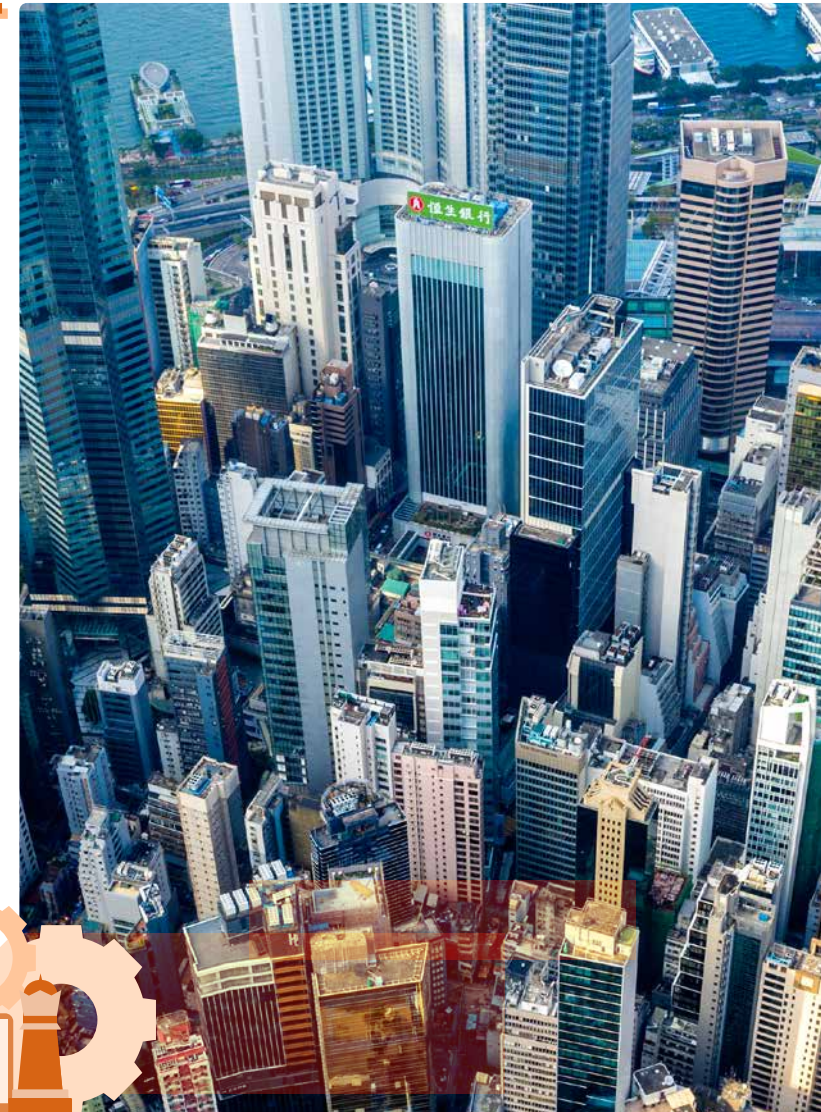
The Bank continues to maintain and uphold high standards of corporate governance, and consistently reviews and enhances its corporate governance framework through a structured, multi-level approach. Our structured hierarchy, which consists of the board level, the management level and the work stream level, strengthens our governance to manage opportunities, risks and disclosures.



On ESG related matters, similar structured hierarchy exists. Our newly established Sustainable Financing Committee (for Wholesale Banking) is ready to support the robust development of our Sustainable Finance business and ensure the proper governance for the labelling of transactions. In addition, to ensure climate risks can be managed in a consistent manner, the oversight of climate risks is to be embedded into our risk management framework and governance.



Data privacy and cybersecurity are identified as material risks for the Bank. We are dedicated to implementing initiatives to oversee and manage data privacy and cybersecurity risks, with a focus on equipping professionals with the relevant training.



Setting High Standards of Governance



Corporate Governance Framework

As of 31 December 2023, the Board was comprised of 11 Directors, of whom two are Executive Directors ('EDs') and nine are Non-Executive Directors ('NEDs'). Among the nine NEDs, seven are Independent Non-Executive Directors ('INEDs'). There is a strong independent element on the Board, which ensures the independence and objectivity of the Board's decision-making process, as well as the thoroughness and impartiality of the Board's oversight of the Management.

The governance structure, oversight of compliance, and the frequency of meetings of the Board, Audit Committee, Risk Committee, Nomination Committee and Remuneration

Committee are set out in the Corporate Governance Report of the Annual Report 2023. The Board and Nomination Committee is comprised of EDs and NEDs, while all the members of the Audit, Risk and Remuneration Committees are INEDs.

A minimum time commitment of 75 hours per year for a NED is set out in the letter of appointment, which the NED must sign and acknowledge. Furthermore, pursuant to the HKMA Guidelines (Supervisory Policy Manual on Corporate Governance of Locally Incorporated Authorised Institutions ('CG-1')), the Bank's Directors are expected to attend all meetings of the Board and any Committees in which they act as Chairmen or members, especially in cases where major issues are to be discussed. In addition, pursuant to the

conflicts of interest policy adopted by the Board, NEDs should consult with the Bank's Chairman or the Company Secretary when they are considering whether to accept any additional or changed commitments. In deciding whether to allow the NED to take up the additional or changed commitment, factors including the time commitment are taken into account.

The attendance records of the Board and Board Committee meetings will be set out in the Corporate Governance Report of the Annual Report 2023.

Board:

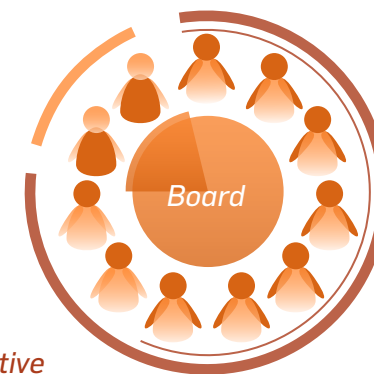
11 Directors

as of 31 December 2023

2 Executive Directors

9 Non-Executive Directors

of which 7 are Independent Non-Executive Directors



Setting High Standards of Governance

Risk Management Framework

Managing risk is a core part of our day-to-day activities. We protect our operations against compliance risks, and have a strong, transparent corporate governance. Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Please refer to our Annual Report 2023 to learn more about our bank-wide approach to risk.

Three Lines of Defence Model

We use three lines of defence to define the roles and responsibilities within the Bank. The activity-based model delineates the accountabilities and responsibilities for risk

management and the control environment within each line of defence. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes.

A clear segregation between risk ownership (the first line of defence), risk oversight and stewardship (the second line of defence) and independent assurance (the third line of defence) is essential to help support the effective identification, assessment, management and reporting of risks. It is our activities, not our job titles, which determine where we sit in the three lines of defence model.

Global Functions may have responsibilities across both the first and second lines of defence, and therefore these responsibilities must be segregated across teams. At an

appropriate level of seniority (normally at the executive committee member level or their direct reports), a single individual may have responsibilities across the first and second lines of defence. However, any such dual accountability cannot create unmanageable conflicts for the responsible person, particularly if they have regulatory accountability.

Risk appetite is defined as the level and types of risks that we are willing to take in order to achieve our strategic objectives. The risk appetite is articulated through the Risk Appetite Statement ('RAS'), which consists of qualitative statements and quantitative metrics covering the financial and non-financial risks with the defined risk appetite and tolerance thresholds. Our RAS is approved by the Board and is subject to a biannual review and regular monitoring.

Risk reporting enables the Bank's senior management and stakeholders to make informed decisions by providing insightful analyse from accurate and timely data together with subject matter expert perspectives from across the three lines of defence. Risk reporting helps the senior management understand what the top risks are and if they are being managed within our risk appetite. It also provides visibility of common themes and systemic issues across the organisation, which enables us to manage our risks more proactively and effectively.

Internal Audit is the third line of defence. It provides an independent and objective assurance as to whether the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as designed and represented by the management, is adequate.



Risk Ownership (the first line of defence)

- owns the risks
- is responsible for identifying, recording, reporting and managing the risks in line with risk appetite
- ensures that the right controls and assessments are in place to mitigate the risks



Risk Oversight and Stewardship (the second line of defence)

- sets the policy and guidelines for managing specific risk areas
- provides advice and guidance in relation to the risk
- challenges the first line of defence on effective risk management



Independent Assurance (the third line of defence)

- provides independent assurance that our risk management, governance and internal control processes are designed and operating effectively

Customer Experience



Since our establishment in 1933, customer-centricity has been at the core of our service delivery approach.

Since our establishment in 1933, customer-centricity has been at the core of our service delivery approach. Providing excellent customer service and demonstrating our values through our actions have helped us gain the trust and loyalty of our customers. These values are: We Value Difference, We Succeed Together, We Take Responsibility, and We Get it Done.

Our customer base is mainly located in Hong Kong. With the aim to provide excellent service to our customers, we blend innovation with integrity in our business operations.

Customer Satisfaction and Testimonials

We proactively gather opinions – via focus groups, surveys, Net Promoter System, suggestion forms and hotlines – to enhance our products and services. We also identify our strengths and best practices via local market benchmarking and a mystery shopper programme that monitors the level of service provided by our frontline staff.

We monitor markets closely to identify the emerging trends and opportunities, and to make sure that we offer products and services that meet our customers' needs. Our digital platforms allow customers to perform a wide range of transactions online, and provide information to assist in their decision-making.

For the past five years, we have continued to perform well in the annual Banking Industry Monitoring Study. The study assesses customer satisfaction among the eight major banks in Hong Kong.

We have also received the following awards and recognition:

- Best ESG Index Provider – Hong Kong, Best of the Best Awards 2023 – Asia Asset Management
- Most Innovative Index – Hong Kong, Best of the Best Awards 2023 – Asia Asset Management
- Best Payments Bank in Hong Kong – The Asian Banker
- Best API Initiative, Frictionless Transaction Awards 2023 – The Asian Banker
- Best Mobile Banking Service in Hong Kong – The Asian Banker
- Excellence in Branding – HKMA
- Safest Bank in Hong Kong – Global Finance
- Best SME's Partner Award – The Hong Kong General Chamber of Small and Medium Business
- Fund House of the Year – Hong Kong – AsianInvestor

Customer Feedback Collection Mechanism and Complaint Handling Procedures

Our complaint-handling procedures ensure customer feedback is addressed in a consistent, independent and efficient manner. Our complaint handling teams aim to acknowledge the receipt of comments or complaints within seven calendar days, and to resolve issues as soon as possible.



Customer Experience

Should a matter require further investigation, the teams aim to provide a response within 30 calendar days. Any issue that warrants remedial actions is referred to the Bank. All complaints from customers must be treated fairly, consistently and promptly, in an effort to drive improvements in our services.

The senior management regularly reviews customer suggestions, compliments and complaints. Their comments are communicated to our staff, with a view to improve our customer service and encourage best practices. In 2023, we received a total of 11,304 complaints, of which 98% had been resolved as of 31 December 2023.

To continue providing a better service experience to customers, we aim to streamline the investigation lead time and shorten our reply turnaround time in handling customer complaints.



Customer Fairness Principles

We offer diverse personal banking and wealth management products and services based on customers' needs, their understanding of our products and services, and the appetite for risk. We uphold our principles of providing the right product and service, at the right time, for the right customer, in the right way. We believe that an ethical and fair approach supports a sustainable business.

We offer our Financial Health Check solution to help customers better understand their financial needs. With the help of our relationship managers, customers can identify their goals and evaluate their financial profile.

In line with our values in relation to how we do business, we treat our colleagues and customers equally and fairly. All our employees undertook mandatory training on values and conduct in 2023.

Our learning programme – Developing Customer Relationships – is designed to equip our customer-facing staff with the right skills set and mindset for a client-centric approach throughout the client journey. This programme has also incorporated the sales model of 'Engage, Discover, Recommend or Review, Act and Service' to ensure that we treat customers fairly.

The Bank is dedicated to doing the right thing for our customers. This can be evidenced by the culture and behavioural standards we set out for our employees in the Culture Statement, which is reviewed and approved by the Board and Risk Committee on an annual basis. In particular, our Code of Conduct ensures that we deliver fair outcomes for our customers, without disturbing

the orderly and transparent operation of the financial markets. It encompasses a set of key pillars and required outcomes to ensure we deliver on our commitment.

We are governed by Hong Kong's Code of Banking Practice, and by the HSBC Group's Global Principles and Functional Instruction Manual. Our external communications and advertising materials provide clear, transparent and balanced information. They comply with all relevant requirements of the HKMA, SFC and the Hong Kong Association of Banks.

Our Brand Centre is an internal resource site that helps staff learn about our branding guidelines and the application of our brand identity. Our marketing department provides advice and ensures that we do not violate or infringe on the intellectual property rights, patents and related rights of any third parties.

No cases of non-compliance with regulations and voluntary codes concerning marketing communications were reported in 2023.

Customer Safety

Managing indoor air quality ('IAQ') and ventilation is an important element of our health and safety responsibilities. To ensure the IAQ of our offices and branches meets the Good Class – as defined by the Hong Kong Government's Environmental Protection Department in its guidance notes we regularly clean our air filters and conduct measurements to monitor and improve our performance.

Integrity, Conduct and Fairness



Managing Different Types of Risk

Compliance

Our credibility relies on our operational integrity and the transparency of the information we provide to our stakeholders. Upholding strong corporate governance, adherence to the highest ethical standards and effective risk management are essential to being an accountable, transparent and well-managed company. Compliance issues are discussed and reviewed by the Board and management committees. To promote our long-term sustainability and success, the Board provides forward-thinking leadership within a framework of prudent and effective controls. We are dedicated to quality, professionalism and integrity throughout our businesses. Internal controls, risk management, compliance, and legal and regulatory requirements are considered at our Board meetings.

In 2023, our Directors and employees undertook various types of training on values and conduct. These covered, among other topics, health, safety and well-being, risk management, cybersecurity and sustainability, anti-bribery and corruption, anti-money laundering, terrorist financing, sanctions, fraud and tax transparency. Such Group-wide trainings are provided from time to time to our Directors, senior leaders and employees, where appropriate. We also require all of our employees to comply with the relevant codes of conduct. For details, please refer to the 'Staff Code of Conduct and Staff Awareness' section.

Our Non-Executive Directors ('NEDs') attended annual NED Summits in May 2023. The topics of the summits covered, among others, sustainability, digital experience, opportunities

and risks with generative artificial intelligence, diversity and inclusion, macro-economic focus, technology, risk framework and risk culture, and financial results and strategy updates.

Our Directors also received Board trainings on: (a) AI and ChatGPT and geographic insights relating to the economy of Hong Kong and mainland China in July 2023; (b) financed emissions and decarbonisation solutions, as well as the future banking service concept in September 2023; and (c) climate-related global and regional developments in November 2023.

In addition, our Directors received training through reading materials covering legal and regulatory compliance, corporate governance and financial reports, as well as economic and industry news and updates in 2023.

Supported by our Compliance function, we perform horizon scanning for the regulatory developments issued by Hong Kong's financial regulators, including the HKMA, SFC, Insurance Authority and the Mandatory Provident Fund Schemes Authority, and other authorities. These include laws and regulations, circulars, codes, guidelines, consultations and consultation conclusions.

Regular reports on financial crime and regulatory compliance risk management are submitted to the senior management governance committees.

The Audit Committee reviews our financial reporting, nature and scope of audit reviews, effectiveness of the internal control systems and compliance relating to financial reporting, and the operation and effectiveness of our whistleblowing policies and procedures.

Integrity, Conduct and Fairness

The results of the audit work, together with an assessment of the overall risk management and control framework, are reported to the Audit Committee and the Risk Committee, as appropriate. The Internal Audit function reviews management action plans in relation to the audit findings, and verifies the adequacy and effectiveness of the remediated controls, before formally closing the issue.

Financial Crime

We are dedicated to protecting the financial system on which millions of people depend. As a result, we are dedicated to doing business only with customers who meet our strict standards, and we have ended customer relationships where we assessed to be outside of our risk appetite. At the same time, we continue to invest in expertise, partnerships and systems.

As threats to the global financial system grow, we will continue to adapt our approach to stay one step ahead. Over the coming years, we aim to make a step change in our effectiveness in fighting financial crime through intelligence-led financial crime risk management.

We have built a dedicated team of financial crime specialists, and we encourage our employees to speak up when something does not look right. Our team of specialists has been significantly strengthened over the recent years. Our dedicated Risk and Compliance function, led by senior experienced personnel, brings together all areas of financial crime risk management within the Bank.



Working in partnership is vital to understand and tackle the problems associated with financial crime. Based on this understanding, we are building relationships with law enforcement agencies and other banks.

Over recent years, we have substantially improved our IT infrastructure and invested in new and upgraded systems, in order to strengthen our capability in identifying and assessing financial crime risk.

We are strengthening our defence against fraud. The global fraud landscape is characterised by increasingly sophisticated attacks targeting online banking and other digital services.

Under our multi-year Fraud Transformation Programme, we are investing in training our people, as well as enhancing our technology-based defences.

We are constantly aiming to improve the ways in which we detect and prevent financial crime, and we are actively exploring technologies that can help us build on our existing capabilities. Fighting financial crime is a key area that can benefit from innovation, and we are working with and investing in a number of FinTech companies that can help us achieve our desired results.

Integrity, Conduct and Fairness

We partner with local regulator and police to proactively tackle financial crime. Designated police hotlines are available for our staff to report instances of suspected fraud and forgery, in order to protect our customers from suffering financial losses. A designated email list is also provided for the police to share the latest fraud intelligence with selected branches.

Financial crime risk-related issues and progress are updated regularly and on a thematic basis to the relevant senior management governance committees, including the Executive Committee, Risk Management Meeting and the Risk Committee.

In 2023, no judgements were entered against the Bank for failing to fight financial crime.

Training for All Employees

The standards we uphold stipulate that the Bank must operate its businesses ethically, honestly and with full accountability, in a consistent manner. We also ensure that our staff are well-informed and vigilant in the detection and prevention of illicit and illegal activities, such as bribery and corruption, money laundering, sanctions and insider trading. All our employees are required to complete a learning programme on these subjects.

In 2023, training on topics of bribery and corruption, money laundering and sanctions, conduct, values and regulations to our employees in Hong Kong



Training for High-Risk Roles in AML and Sanctions

Staff who work in high-risk roles also receive additional, specialised learning regarding the detection and deterrence of financial crime.

Anti-Bribery and Corruption

We operate a zero tolerance approach to bribery and corruption, and consider such activities to be unethical and contrary to good corporate governance. Our staff and associated persons are prohibited from engaging in bribery and corruption.

Our Anti-Bribery and Corruption Policy sets out the key principles and minimum control requirements that enable our bank to mitigate bribery and corruption risks and comply

with all laws and regulations, including the UK Bribery Act, US Foreign Corrupt Practices Act, Hong Kong Prevention of Bribery Ordinance and France's Loi Sapin II, as well as other similar laws and regulations in the countries where we operate.

In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.

We are dedicated to maintaining high ethical standards. Our policies on anti-money laundering, sanctions, and anti-bribery and corruption are aimed at ensuring that the risks identified by the Bank are appropriately mitigated.

For our policies on money laundering, bribery, corruption and sanctions, please refer to <https://www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime/financial-crime-risk-policies>.

Our suppliers are required to agree to comply with the Supplier Code of Conduct when they are invited to take part in a proposal or tendering, and when signing an agreement. This reminds the suppliers of the importance of our commitment to anti-bribery and anti-corruption.

In 2023, there were no confirmed incidents where contracts with our business partners were terminated or not renewed due to violations related to corruption.

Integrity, Conduct and Fairness



Anti-corruption training is mandatory for all employees in Hong Kong.

Anti-corruption training hours provided in 2023

>900 hours

Anti-corruption training hours delivered to current Directors in 2023

11 hours

Percentage of current Directors that received anti-corruption training in 2023

100%

Finance and Tax Risks

We principally operate and pay taxes in Hong Kong where the statutory profits tax rate is 16.5%. Our average Effective Tax Rate ('ETR') is 11.5%.

Factors	Detail description	Effects on the ETR
Non-taxable income	Mainly income from tax-exempt debt instruments (e.g. government bonds)	-4.4%
Non-deductible expenses	Various non-deductible small items	+0.1%
Others	Mainly tax deduction on Additional Tier 1 capital instruments	-0.7%
Share of losses/(profits) of associates	Exclusion of the tax effect of our share of net losses/(profits) from its associates	-0.1%
Different tax rates in other countries/areas	Differential in the statutory tax rates between higher tax jurisdictions where we also operate and Hong Kong (e.g. Mainland China where the statutory tax rate equals to 25%)	+0.1%

Note: The data in above table covers the Hang Seng Group, including Hang Seng and all its subsidiaries.

We manage our tax risks based on a formal management framework. We have adopted initiatives that increase our transparency, such as the US Foreign Account Tax Compliance Act and the OECD Common Reporting Standard.

We do not use tax avoidance structures or strategies, such as artificially diverting profits to low tax jurisdictions. We principally operate and pay taxes in Hong Kong, and we are dedicated to complying with the spirit and the letter of the tax law in all territories and countries in which we operate, and to maintaining an open and transparent relationship with the tax authorities. Relevant financial information is disclosed in our Annual Report 2023. As a member of the HSBC Group, we also follow the HSBC Group's tax policies and principles.

Competition

Our Legal function is tasked with providing policies, guidance and training modules to help our businesses and functions understand and conduct their business, in compliance with the spirit and letter of Hong Kong's Competition Ordinance. This complements our ongoing training, in which staff learn about the essential elements of the competition law and how they apply to our businesses.

In 2023, no judgements were entered against the Bank for breaching the Competition Ordinance.

Integrity, Conduct and Fairness

Staff Code of Conduct and Staff Awareness

The Bank's Staff Code of Conduct ('the Code') sets out the values, standards and general requirements that the Bank expects from all employees and contractors. It provides information, guidance, rules and regulations according to local and regulatory requirements.

All new joiners are required to read the Code and complete an online curriculum to ensure their understanding of the rules and regulations set out in the Code.

We provide learning programmes on the different behaviour standards outlined in the Code. Employees are required to complete the learning programmes based on their roles.

The Bank's Staff Code of Conduct is available on our employee self-service portal in English and Chinese.

The Code is reviewed on an annual basis, and as and when required, to reflect the latest regulatory requirements and the Bank's internal policies. Any changes to the Code are submitted to the Executive Committee for review and approval.

Bank-wide circulars are issued from time to time to remind all employees and contractors to read and abide by the latest changes to the Code, as well as its rules and regulations.

All employees and contractors are required to complete an online curriculum to ensure their understanding of the rules and regulations set out in the Code.

In 2023, there were no identified material cases of non-adherence to our internal Staff Code of Conduct that involved regulatory compliance. Apart from reporting to the relevant regulator(s) where appropriate, the Bank has been proactive in undertaking consequence management, depending on the severity level of the cases.

Equal Opportunities and Non-Discrimination

We are dedicated to providing an inclusive culture. Our people managers are expected to create and foster a strong speak-up culture in their teams, where our staff can be confident that their views matter, that their workplace is free from bias, discrimination and harassment, and that their careers advance based on merit. We uphold diversity and inclusion during our hiring process. Our recruitment process is merit-based and free from bias and discrimination.

To strengthen our people management capabilities and cultivate our inclusive culture, we provide training to our people managers. We have designed regular workshops with case studies in an effort to combat workplace bullying and discrimination, while promoting the concept of diversity. To support our people managers in leading high-performing teams with the best practices and managing ambiguities and challenging situations while working virtually, we offer a theme-based people management workshop for our experienced managers to learn how to address on-the-job challenges.





Integrity, Conduct and Fairness

We believe that a diverse and inclusive workforce is critical to running a sustainable and successful business, and we aim to harness the benefits of having diverse teams to drive greater innovation, enhance collaboration and improve workforce agility.

Our culture values, respects and supports individuals, where the richness of their ideas, backgrounds, styles and perspectives are actively sought out with an informed empathy to create business value.

With our internal Diversity and Inclusion Policy (which is set out in the Code) and Equal Opportunities Policy, we expect all members of our teams to treat each other with dignity and respect by creating an inclusive environment free from discrimination, harassment, victimisation, vilification or bullying on the grounds of age, colour, disability, ethnic or national origin, gender, gender identity/expression, marital status, pregnancy, race, religion or belief, and sexual orientation, etc. We comply with the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and the Family Status Discrimination Ordinance.

Conflicts of Interest

Personal conflicts of interest are managed by our well-established mechanism, which includes pre-approvals, control measures and segregation of duties. Relevant requirements are specified in the HSBC Group's Non-Financial Risk policies and Staff Code of Conduct. Regular reviews are also conducted to manage emerging conflicts of interest.

Employees working in sensitive or high-risk areas are required to adhere to specific rules and undergo training on how to avoid conflicts of interest.

Whistleblowing

We foster a 'speak up' culture. Employees are encouraged to report wrongdoings, misconduct and unethical behaviours, while we support employees to raise concerns without fear of reprisal or retaliation by providing a number of 'speak up' channels, including reporting to a manager, escalation to HR, and Financial Crime Unusual Activity Report platform, etc.

We recognise that, at times, individuals may not feel comfortable speaking up through the usual channels. HSBC Confidential, a whistleblowing channel, is open to all colleagues to raise concerns about wrongdoing or unethical behaviour. The Bank's policy is that staff and others should be able to raise matters of concern confidentially and anonymously. We take appropriate steps to maintain the confidentiality of whistleblowers and adhere to the HSBC

Group's Whistleblowing Policy. The HSBC Confidential channel is a platform designed to promote consistency across controls, investigation, reporting, oversight and governance of all whistleblowing activities. The platform is accessible through our 24/7 hotline and online portal, in multiple languages managed by an independent third party. Employees can raise concerns confidentially by making an anonymous report, if they are not comfortable with disclosing their identities. All cases reported are treated confidentially, as far as possible. All whistleblowing cases are investigated by subject matter experts, in accordance with the HSBC Group policies and standards.

We make every effort to ensure that employees can raise concerns confidentially, without fear of repercussion. Retaliation against whistleblowers is not tolerated.

A set of well-established employee grievance procedures is in place, as we endeavour to ensure that investigations are carried out objectively on the basis of the information provided and that necessary actions can be taken based on the results of the investigations.

Our whistleblowing channels are stated in the HSBC Group's Global Procurement Handbook. Suppliers can express their concerns via this email [hsbc.vendor.concerns@hsbc.com].

There were 53 new whistleblowing cases reported in 2023, of which 29 cases were closed within the same year.

Integrity, Conduct and Fairness

Business Continuity Planning

Business Continuity and Incident Management procedures are formulated with reference to the HSBC Group's guidelines and the Bank's own circumstances. Our Business Continuity Planning Procedure, Pandemic Guidelines and Major Incident Management Plan are reviewed and updated on a regular basis, or when lessons are learned from actual incidents, to provide clear guidance to our business units and functions on how to manage the contingent risks. The Bank's Business Resilience Steering Group consists of senior management representatives and is chaired by the Chief Operating Officer to provide guidance and to ensure governance of the Bank's Business Continuity Management, with meetings held four times per year.

The Bank's businesses and functions have documented Business Continuity Plans to ensure the continuity of critical operations and functions in emergency situations, and relevant drill exercises are conducted at least yearly. These plans have addressed interruptive situations caused by increasing environmental and climate changes, and ultimately make our operations more resilient.

Responsible Value Chain

We have included sustainability risk assessments in our standard credit evaluations. In these assessments, we engage with our customers and evaluate their climate-related risks and opportunities in a low-carbon economy.

Responsible Financing

We implement sustainability risk policies as part of our broader reputational risk framework. We focus on sensitive sectors that may have a high adverse impact on people or the environment. A key area of focus is high-carbon sectors, which include oil and gas, power generation, metals and mining, agricultural commodities and forestry.

These policies define our appetite for business in these sectors and our aim to encourage customers to meet good international standards of practice. In case where our customers cannot fully align with our policies, we will only provide finance to

them if we can confirm that they are managing the relevant risks responsibly. Such customers are subject to greater due diligence and generally require additional approval from sustainability risk specialists.

Our business units conduct regular sustainability risk assessments for all new and existing customers in sensitive sectors. We communicate with our customers and assess their level of preparedness to the changes in their business environment, which are driven by the transition to a low-carbon economy and the impact of climate change.

Case Study

Major Incident Group

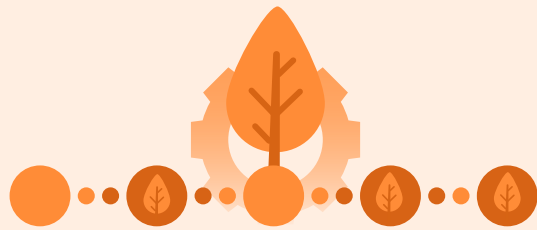


The Major Incident Group ('MIG') continues to lead and monitor our contingency plans, and steers appropriate decisions for any crisis and emergency situations that the Bank faces. Training and simulation exercises have been conducted with the MIG members to keep them abreast of the activation mechanism and of emerging threats such as cyberattacks.

Integrity, Conduct and Fairness

Supply Chain Integrity

We dedicate ourselves to contributing to the HSBC Group's ambition of achieving net zero by 2050, while we aim to reduce the carbon emissions from our own operations by 2030. We aim to meet our goals by taking the following ESG actions:



1. Implementing a sustainable procurement policy.
2. Encouraging, supporting and enabling our suppliers in their carbon emission disclosures, targets and achievements.
3. Setting a baseline to measure the diversity of our supply chain, in terms of the spending amount and volume, against specified targets through a supplier diversity programme.
4. Establishing due diligence processes to identify and monitor the broad ESG risk, while improving the Code of Conduct compliance and reporting.

Our sustainable procurement policy was implemented on 30 March 2023, with a focus on the ESG requirements for our contracted suppliers. We also hosted one roadshow to introduce the new policy to all our suppliers in March 2023.

It is mandatory for our suppliers to comply with our Code of Conduct before signing any agreements or submitting any proposals. The Supplier Code of Conduct sets out the standards for a supplier's commitment to carbon emission reductions, being a responsible consumer, respecting and upholding human rights, diversity and inclusion, good business conduct and operating an effective governance system for compliance purposes.

For financial products and services, we work with reputable third party suppliers who have demonstrably high corporate standards. Rigorous assessments ensure any investment or insurance solutions that we offer meet the regulatory requirements and our own standards. We conduct regular reviews to ensure that service providers and their products meet the terms of our agreements. For instance, our investment manager and indexes company (HSVM and HSIL) are both registered as UNPRI signatories.

96.9% of our active suppliers are local suppliers, while the rest are from other parts of Asia, Europe and the United States (active suppliers are defined as those with purchase orders in the last 15 months).

Diversity and inclusion are integral elements of our culture, and they have been incorporated in our Procurement Policy and Supplier Code of Conduct.

Contractor Partnerships

Our sustainable procurement policy, which stipulates our requirements and standards in relation to sustainability, was updated in 2023. The policy describes how our vendors are selected in a sustainable procurement process and highlights the importance of compliance to our Code of Conduct for our contracted vendors.

In addition, our third party risk management policy provides us with guidelines on the use of Archer, a global system for the managing, assessing and monitoring of third party (supplier) risks, which allows us to ensure overall third party compliance.

Inherent risks and residual risks are assessed, with the related actions identified, by our third party risk management team.

We work with the HSBC Group to measure our suppliers' carbon-related performance in the Carbon Disclosure Project Programme.

We also keep track of our suppliers' reputation risks and ESG scores on a monthly basis, which allows us to monitor our suppliers' reputation and be aware of any resulting potential risks to us.

Safeguarding Data

Data Privacy

Policy and Principle

We are dedicated to protecting and respecting the data we hold and process, in accordance with the laws and regulations of the markets in which we operate. Our approach rests on having the right talent, technology, systems, controls, policies and processes to help ensure the appropriate management of privacy risk. Our Group-wide privacy policy and principles aim to provide a consistent global approach to managing data privacy risks, and must be applied in all of our global businesses and global functions.

We have procedures in place to articulate the actions required in data privacy considerations. These include notifying regulators, customers or other data subjects, as required under applicable privacy laws and regulations, in the event of a reportable incident occurring.

Our policy covers a number of principles, including the Group's Data Privacy Principles, that set out the ways we manage data privacy risks at a high level. The implementation of these principles and the risk management methodology is kept on track with our control mechanisms.

We regularly perform risk and control assessments on data privacy risks and capture the details in our non-financial risk record system. Formal governance forums have been established on data risks, including data privacy risks, which allow our senior leaders to make active risk management decisions.

Data Privacy Principles are set out to manage our data privacy risks. These principles are intended to:

- Set out good data privacy practices
- Show our accountability and compliance with the data privacy laws and regulations
- Outline the Bank's commitment to how it processes identifiable data

The following controls have been implemented in order to manage our data privacy risks.

Records of Processing	To understand the identifiable data processed by the Bank, record the details of how the Bank processes such identifiable data, and keep evidence of the process, in order to make sure the Bank can demonstrate that it complies with the relevant data privacy laws.
Privacy Impact Assessments	To make sure that there is timely identification of data privacy risks arising from a new form of use, or a change in the processing of the identifiable data, and to make sure that the risks identified are properly managed before any new form of use, or changes in the processing of the identifiable data.
Internal and External Data Transfers	To make sure that any transfers of identifiable data are approved, and such transfers are compliant with the data privacy laws and the Bank's policies with respect to data privacy. This includes both internal transfers (transfers between the Group entities in any jurisdiction) and external transfers.
Data Disclosures	To make sure that external disclosures of identifiable data are processed in a timely, consistent, compliant and accurate manner, and in compliance with the relevant data privacy laws. These disclosures are usually made in response to external requests.
Rights of Individuals	To make sure the Bank can respond in a timely and compliant way to an exercise of rights by, or on behalf of, an individual relating to the data we hold about them, and to comply with the relevant data privacy laws.
Privacy Notice	To make sure we provide individuals with a clear, transparent statement about the fair and lawful processing of identifiable data in line with the relevant data privacy laws.
Consent and Choice	To make sure any 'consent' required for the processing of identifiable data is obtained, tracked and managed on an ongoing basis in line with the relevant data privacy laws.

Safeguarding Data



Customer Privacy

Our customers are notified about our collection and use of personal data, as well as the classes of transferees, classes of marketing subjects, their data access and their right to correct personal data. Customers can easily access our Privacy Policy, Notice to Customers and Other Individuals relating to the Personal Data (Privacy) Ordinance, and the Cookies Policy on our website.

We understand that our people play an important role in protecting our stakeholders from data security and data privacy risks. Our mission is to equip every one of our colleagues with the appropriate tools and behavioural guidelines they need to keep our organisation and customers safe. We provide cybersecurity and data privacy training to all of our staff, ranging from our top executives to front-line relationship managers, in order to increase their awareness of data security and privacy.

We also organise annual training programmes for our staff, covering specific topics on data security and data privacy risks and controls.

Our website includes a dedicated section on security controls, which is aimed at reminding our customers to stay vigilant of any fraudulent activities, in which fraudsters could use deceptive tactics to gain access to their personal information. The website section also covers tips on how to avoid falling victim to bogus calls and SMS.

Following the procedures in our Material Incidents Escalation Manual, our staff members are required to report the case details immediately after becoming aware of material incidents to the Business Risk and Control Management or Chief Control Office team. Our experts will investigate and, where appropriate, escalate the matter to the core team. To support our ongoing improvements, these experts also provide guidance on how to contain and respond to cases, and identify remedies and lessons learned.

Customer privacy upheld* complaints identified

Incoming Channel	
Outside parties	0
By the Bank	8
Regulatory bodies	0
Total	8

Type	
Leaks	6
Thefts	0
Losses of customer data	2
Others	0
Total	8

* Upheld means the cases were considered legitimate after an internal investigation.

Safeguarding Data

Cybersecurity

The cyber threat landscape continues to evolve at a fast pace, while controls designed to effectively mitigate cybersecurity risks become outdated over time. Our stakeholders expect us to take the necessary steps in order to protect the markets, as well as their data and business interests to the best standards. Over the years, we have invested in attaining good practice standards for cybersecurity and we are dedicated to maintaining this position in the future.

It is necessary to conduct ongoing reviews of our cyber risk appetite and maintain the ongoing effectiveness of our controls in mitigating these risks, in order to maintain good practice standards under the current dynamic environment, in which cyber threats evolve over time. While in most cases, it is extremely difficult to reduce the potential impact of a cyberattack, it is however possible, through an investment in ongoing controls, to reduce the overall likelihood of a cyber risk being realised. A continued re-evaluation of the effectiveness and an investment in the maintenance and enhancement of these controls can enable the Bank to keep the residual risk at an acceptable level.

We make an ongoing investment in our defence against ever more sophisticated cyberattacks. Specifically, we have enhanced our event detection, incident responses, secure development, vulnerability remediation and protection against malware, application layer attacks and data leakages. We have also strengthened our third party management by



including cybersecurity due diligence, through which a stricter governance system and measures including enforced third party security testing prior to the approval of a contract are implemented.

The entire IT infrastructure of our operations has adopted the National Institute of Standards and Technology ('NIST') framework, which is an industry standard. Banks are high-profile targets for criminals seeking financial gain, personal information and disruption, which may potentially lead to financial loss, reputational damage and customers loss. Protecting our customers and the Bank from such threats is a key component in our strategy to become a connected business.

Risk governance forums, such as the Board-delegated Risk Committee and Risk Management Meeting, are regular meetings held to ensure our governance and control framework is properly discharged, managed, sustained and communicated. To protect our operations against compliance risks, we have strong and transparent corporate governance measures in place.

Regular reporting on our strategic programme and key indicators supports the Board and senior management in exercising their oversight of cybersecurity. Our cybersecurity strategy is reviewed and the business risk profiles, mitigation awareness, internal and external cybersecurity incidents, as well as the regulatory requirements are discussed.

Safeguarding Data

Cybersecurity drills are also conducted with the Board and senior management, to rehearse the types of decisions that may need to be taken, and to reconfirm the individual roles and responsibilities during a major cyber incident. These drills are conducted periodically to enhance the level of understanding in terms of the roles, protocols, internal communication paths and escalation procedures across the business landscape in the event of a cyberattack. Phishing tests are also conducted on a regular basis to raise the level of security awareness throughout the organisation.

A 24/7 hotline is available for our staff to report a cybersecurity incident immediately upon its occurrence. These incidents are handled by our cybersecurity analyst and Security Operations Centre, then they are reported to our management personnel to seek direction on the remediation. Cybersecurity incident response procedures have also been established and are tested regularly.

In terms of cybersecurity training, automated cybersecurity assessment tools are available to all users, such as executives and their assistants, IT end users, software developers, third party service providers, etc. Vulnerabilities across the network, operating systems, application layers and in-house custom software are managed through a centralised platform, and are remedied according to their priority.

Throughout 2023, cybersecurity awareness and training regarding data security was delivered to all staff, including the security community, on a regular or as needed basis. It covered topics such as data security, email security and phishing, access control, incident reporting and escalation, secure use of communication devices and social media, information classification and labelling, etc.

Cybersecurity training or communication in 2023 included:

- Mandatory e-learning for all employees
- Briefings to the Board and Executive Committee members
- Role-specific training for staff who play an integral part in the Global Businesses and Global Functions and are responsible in the effective management of information security risks
- Training for executive assistants and IT staff
- Seminars hosted by senior leaders which also featured expert speakers



>99%

Employees who completed the mandatory cybersecurity training in the correct timeframe

>90%

IT developers who hold at least one of our internal secure developer certifications

About This Report

Report Coverage

The Bank's Environmental, Social and Governance Report 2023 describes our sustainability performance and the challenges we encountered in 2023. 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 otherwise specified.

The ESG Report 2023 covers the Bank's operations, from which 93.7% of the total operating income is generated.

Unless otherwise stated, the term 'Group' in this report refers to Hang Seng and all its subsidiaries in Hong Kong. Mainland China and other operations are excluded, as their contribution to the 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 total assets should be more than 5% for each of the past five years.

Financial data is extracted or compiled from the Bank's audited annual accounts for the financial year from 1 January to 31 December 2023. Other information covers the same period, unless otherwise stated.

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

Our previous report, Environmental, Social and Governance Report 2022, was published on 10 March 2023.

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'). We continue to publish climate-related disclosures in this report with reference to the recommendations provided by the Task Force on Climate-related Financial Disclosures ('TCFD'), in order to increase the transparency of our work in mitigating and adapting to climate change. The report has been independently verified by the Hong Kong Quality Assurance Agency ('HKQAA').

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

- **Materiality:** We 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 the 'Environmental' section).
- **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.

We have also considered our 'comply or explain' approach under the HKMA's Supervisory Policy Manual GS-1 on Climate Risk Management, and we confirm that we have disclosed the information consistently, in adherence to the TCFD's recommended disclosures in this report.

As per HKMA's CG-5 requirement, our Annual Report already included the relevant section on the remuneration of Senior Management and Key Personnel. The aggregate amount of remuneration, split into fixed and variable remuneration, is reported. Deferred share awards are in the form of HSBC Holding plc shares (with HSBC Holding plc being the ultimate holding company of the Bank).

About This Report

ESG Data Collection

The Bank's first line of defence content owners are responsible for the accuracy of information and 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 first line of defence content owners, 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 first line of defence content owners 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 first line of defence content preparers have provided the relevant information and supporting documents, the first line of defence reviewers proceed to review the aforesaid information against appropriate, verifiable evidence. The first line of defence section owners, i.e. heads of business units and functions, are required to provide an attestation on their team's relevant data inputs and certify the effectiveness of their respective internal control systems over ESG matters.

The second line of defence will also independently review the information and supporting files provided by the first line of defence content preparers.

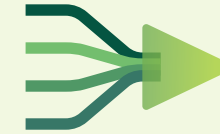
The major responsibilities of the first line of defence content preparers related to ESG reporting include:



*Understanding
the ESG disclosure
requirements and
controls*



*Facilitating
stakeholder
engagement to identify
material topics for the
Bank's ESG performance*



*Consolidating
their department's input
and the corresponding
supporting documents*



*Facilitating
the ESG
attestation process*

Assurance Relating to ESG Data

The report has been independently verified by the HKQAA. The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board, and reference to ISO 14064-3: Specification with guidance for the validation and verification of greenhouse gas assertions (see the Verification Statement).

In addition, in relation to the sustainable finance and investment, the cumulative progress since 2021 is subject to PwC's limited assurance in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 Revised – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (see Independent Limited Assurance Report in the Bank's ESG Report 2023 website https://cms.hangseng.com/cms/fin4/esg_report_2023/en/index.html).

About This Report

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

The ESG Report 2023 contains a number of forward-looking statements with respect to our ESG targets, commitments, ambitions, climate-related pathways, processes and plans, and the methodologies and scenarios we use, or intend to 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 2023, we have relied on a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. We have used ESG (including 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 often 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. We also face challenges in relation to our ability to access data on a timely basis, lack of consistency and comparability between data that is available and our ability to collect and process relevant data. Consequently, the ESG-related forward-looking statements and ESG metrics disclosed in the ESG Report 2023 carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, we may have to re-evaluate our progress towards our ESG ambitions, commitments and targets in the future, update the methodologies we use or alter our approach to ESG (including climate) analysis and may be required to amend, update and recalculate our ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

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 our Bank, 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 statement or metric 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;
- **ESG projection risk:** ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, 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;
- **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;



About This Report

- Data availability, accuracy, verifiability and data gaps:** our disclosures are limited by the availability of high-quality data in some areas and our own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to our data quality scores. While 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, or our ability to collect and process such data, 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 and scenarios:** the methodologies and scenarios we use 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. Such developments could result in revisions to reported data, including the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year; and
- Risk management capabilities:** global actions, including our own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights

risks, each of which can impact the Bank both directly and indirectly through our customers, and which may result in potential financial and non-financial impacts to the Bank. In particular:

- we may not be able to achieve our ESG targets, commitments and ambitions (including with respect to the positions set forth in HSBC Group's thermal coal phase-out policy and energy policy, and targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in our failure to achieve some or all of the expected benefits of our strategic priorities; and
- we may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, and our capacity to measure the environmental and social impacts 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 achieve our ESG targets, commitments and ambitions, including our contribution to HSBC Group's net zero ambition, targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in HSBC Group's thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of the Bank speak only as of the date they are made. We expressly disclaim any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

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 our Directors, officers or employees to third parties, including financial analysts.

Key Metrics – Performance Data Summary

Economic Performance

	Unit	2023	2022	2021	2020
Direct economic value generated		40,829	33,987	33,230	36,087
Direct economic value distributed		27,638	22,677	24,592	24,415
Operating costs		5,952	5,628	5,256	4,691
Employee compensation and benefits		5,795	6,445	6,311	6,102
Providers of capital	HK\$ million	13,135	8,548	10,453	11,214
Government in Hong Kong		2,539	1,822	2,466	2,287
Governments outside Hong Kong		189	205	77	92
Charitable donations		28	29	29	29
Direct economic value retained		13,191	11,310	8,638	11,672

Notes:

The data in the Economic Performance table covers Hang Seng Group, including Hang Seng and all its subsidiaries.

Key Metrics – Performance Data Summary

Environmental Performance

	Unit	2023 ⁺	2022 ^{''}	2021 [#]	2020 [*]
Total GHG emissions¹		14,557.26	15,479.79	16,411.02	19,571.59
Scope 1		137.87	100.58	70.16	144.52
Stationary combustion		86.76	61.17	27.19	57.98
Mobile combustion		51.11	39.41	42.97	86.54
Scope 2		13,565.13	14,992.89	15,973.04	18,904.47
Purchased electricity	tonnes of CO ₂ e	13,546.55	14,979.99	15,967.65	18,892.81
Towngas		18.58	12.90	5.39	11.66
Scope 3 ²		854.26	386.32	367.81	522.60
Business travel (land and air)		578.23	78.10	70.57	201.85
Transmission and distribution loss		260.02	297.64	283.17	309.99
Upstream transportation and distribution (mobile branch)		16.02	10.58	14.07	10.76
Total GHG emissions per FTE		2.10	2.08	2.10	2.41
From Scope 1	tonnes of CO ₂ e / FTE	0.02	0.01	0.01	0.02
From Scope 2		1.96	2.02	2.04	2.33
From Scope 3		0.12	0.05	0.05	0.06
GHG emissions per sq. ft.	tonnes of CO ₂ e / sq. ft.	0.01	0.01	0.01	0.01
Total energy consumption³		25,972.09	28,349.81	29,292.18	30,030.36
Indirect: electricity	MWh	25,524.09	28,037.15	29,154.51	29,734.74
Direct: gas and diesel		448.00	312.66	137.67	295.62
Energy consumption per FTE	MWh / FTE	3.75	3.82	3.75	3.71
Energy consumption per sq. ft.	MWh / sq. ft.	0.03	0.02	0.02	0.02

Key Metrics – Performance Data Summary

Environmental Performance

	Unit	2023 ⁺	2022 ^{''}	2021 [#]	2020 [*]
Total water consumption	m ³	54,152.00	68,924.00	73,214.00	72,193.00
Water consumption per FTE	m ³ / FTE	7.81	9.30	9.36	8.91
Total paper consumption	tonnes	1,224.00	1,447.00	1,401.00	1,747.00
Waste disposed to landfill⁴	tonnes	199.40	214.49	264.42	507.26
Waste disposed per FTE ⁵	tonnes / FTE	0.03	0.03	0.03	0.06
Waste collected for recycling		222.13	317.16	354.42	569.96
Paper		199.92	255.75	324.44	442.51
Plastic		0.46	0.53	0.72	0.79
Aluminium cans		0.18	0.44	1.36	0.58
Glass	tonnes	0.08	0	0.06	0.28
Furniture		0	33.77	14.81	5.55
IT and electrical		10.99	13.14	1.90	106.82
Food waste		6.89	9.71	6.31	13.43
Ink jet bottles and toner cartridge		3.61	3.81	4.82	N/A

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

Key: m³: Cubic metres CO₂e: Carbon dioxide equivalent MWh: Megawatt hours FTE: Full-time equivalent employee sq. ft.: Square feet

⁺1 Oct 2022-30 Sep 2023 ^{''}1 Oct 2021-30 Sep 2022 [#]1 Oct 2020-30 Sep 2021 ^{*}1 Oct 2019-30 Sep 2020

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 were calculated based on the electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factor for CLP was 0.39 kg CO₂e/kWh as of 2023. The emission factors for Hong Kong Electric were 0.71 kg CO₂e/kWh in from October to December 2022 and 0.68 kg CO₂e/kWh from January to September 2023.
Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Scope 3 represents indirect emissions attributed to upstream and downstream activities taking place to provide services to customers. Our upstream activities include business travel and emissions from its supply chain including transport, distribution and waste. Our downstream activities include financed emissions, which is not currently disclosed due to data and system limitations.
- 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.
- Hazardous waste is not counted owing to the insignificant amount.
- Renovations of our headquarters and other core buildings generated construction waste, resulting in a higher volume of waste disposal.

Key Metrics – Performance Data Summary

Social Performance – Our People in Numbers

Headcount by Age Group, Employment Type, Gender and Nationalities^{1,7,8}

	2023	2022	2021	2020
Total number of employees	6,920	7,020	7,629	7,843
Breakdown by age group				
Below 30	1,339	1,437	1,850	1,999
30 to 39	2,664	2,626	2,769	2,712
40 to 49	1,624	1,679	1,750	1,824
50 to 59	1,218	1,208	1,197	1,262
60 or above	75	70	63	46
Percentage breakdown of all employees in Hong Kong by nationality (Top 4 nationalities)				
Chinese	98.4%	98.2%	98.0%	N/A
British	0.6%	0.7%	0.7%	N/A
Canadian	0.3%	0.3%	0.4%	N/A
Australian	0.2%	0.2%	0.2%	N/A
Percentage breakdown of executive in Hong Kong by nationality (Top 4 nationalities)				
Chinese	97.4%	97.1%	93.4%	N/A
British	0.9%	1.1%	2.4%	N/A
Canadian	0.6%	0.6%	1.2%	N/A
Australian	0.4%	0.4%	0.6%	N/A

	2023		2022		2021		2020	
	Male	Female	Male	Female	Male	Female	Male	Female
Breakdown by gender	2,955	3,965	2,967	4,053	3,242	4,387	3,358	4,485
Breakdown by employment type and gender								
Full-time permanent staff	2,915	3,924	2,927	4,013	3,200	4,352	3,319	4,465
Full-time contract staff	40	39	39	35	41	31	38	17
Part-time staff	0	2	1	5	1	4	1	3
Breakdown by employee category and gender								
Executive	1,552	1,545	1,498	1,505	1,439	1,441	1,340	1,355
Officer	1,012	1,785	1,116	1,857	1,278	1,970	1,446	2,069
Clerical/ blue-collar	391	635	353	691	525	976	572	1,061

Key Metrics – Performance Data Summary

Social Performance – Our People in Numbers

Headcount by Global Career Band^{1, 7, 8}

	2023					
	Male		Female		Grand Total	
	Headcount	Percentage	Headcount	Percentage	Headcount	Percentage
Managing Director ²	19	0.3%	17	0.3%	36	0.5%
3	80	1.2%	76	1.1%	156	2.3%
4	420	6.1%	418	6.0%	838	12.1%
5	1,033	14.9%	1,034	14.9%	2,067	29.9%
6	1,012	14.6%	1,785	25.8%	2,797	40.4%
7	354	5.1%	615	8.9%	969	14.0%
8	37	0.5%	20	0.3%	57	0.8%
Grand total	2,955	42.7%	3,965	57.3%	6,920	100.0%

Share of Women in Management Positions in Revenue-generating Functions^{1, 7, 8}

	2023	
	Female	Total
Managing Director ²	7	0.5%
3	30	2.0%
4	164	10.7%
5	505	32.9%
Total	706	46.1%

Employee Profile by Age Group and Years of Service^{1, 7, 8}

	2023	2022	2021	2020
Average age of employees				
Overall	39	39	38	38
Executive	40	40	40	40
Officer	38	38	37	37
Clerical/blue-collar	38	39	37	37
Average years of service				
Overall	10	10	10	10
Executive	9	9	9	9
Officer	11	11	11	11
Clerical/blue-collar	10	12	10	11

Key Metrics – Performance Data Summary

Social Performance – Our People in Numbers

New Hires and Internal Hires^{1, 7, 8, 9}

	2023		2022		2021		2020	
	Male	Female	Male	Female	Male	Female	Male	Female
Below 30	329	316	232	259	370	418	135	98
30 to 39	231	219	242	199	295	249	117	50
40 to 49	90	89	88	78	77	93	15	28
50 to 59	17	40	13	31	23	13	7	3
60 or above	4	3	3	6	5	8	1	1
Breakdown by employee category								
Executive	212	196	224	187	N/A	N/A	N/A	N/A
Officer	239	249	274	290	N/A	N/A	N/A	N/A
Clerical/blue-collar	220	222	80	96	N/A	N/A	N/A	N/A
Total	671	667	578	573	770	781	275	180
Grand total	1,338		1,151		1,551		455	
New hire rate³	19.0%		16.4%		20.3%		5.8%	
External hire rate⁴	62.4%		53.2%		59.2%		37.4%	
Internal hire rate⁴	37.6%		46.8%		40.8%		62.6%	

Total Turnover by Age and Gender in 2023^{1, 7, 8, 9}

	Male		Female	
	Headcount	Turnover rate	Headcount	Turnover rate
Below 30	227	3.2%	212	3.0%
30 to 39	235	3.3%	271	3.9%
40 to 49	112	1.6%	130	1.8%
50 to 59	70	1.0%	112	1.6%
60 or above	41	0.6%	40	0.6%
Total	685	9.7%	765	10.9%
Grand total	1,450 (20.6%)			

Voluntary Turnover by Employee Category^{1, 5, 7, 8, 9}

	2023		2022	
	Headcount	Turnover rate	Headcount	Turnover rate
Executive	459	6.5%	587	8.0%
Officer	592	8.4%	776	10.5%
Clerical/blue-collar	240	3.4%	340	4.6%

Key Metrics – Performance Data Summary

Social Performance – Our People in Numbers

Voluntary Turnover by Age and Gender^{1, 5, 7, 8, 9}

	2023				2022				2021				2020			
	Male		Female		Male		Female		Male		Female		Male		Female	
	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶	Headcount	Turnover ⁶
Below 30	222	3.2%	209	3.0%	269	3.7%	286	3.9%	276	3.5%	286	3.6%	225	2.9%	191	2.8%
30 to 39	227	3.2%	265	3.8%	356	4.8%	336	4.6%	296	3.8%	267	3.4%	172	2.1%	131	1.6%
40 to 49	102	1.4%	121	1.7%	124	1.7%	141	1.9%	84	1.6%	122	1.6%	36	0.4%	79	1.0%
50 to 59	52	0.7%	89	1.2%	41	0.6%	72	1.0%	46	0.6%	62	0.8%	30	0.4%	41	0.5%
60 or above	4	0.1%	0	0.0%	42	0.6%	36	0.5%	53	0.7%	47	0.6%	40	0.5%	46	0.6%
Total	607	8.6%	684	9.7%	832	11.3%	871	11.9%	755	10.2%	784	10.0%	504	6.3%	488	6.5%
Grand total	1,291 (18.3%)				1,703 (23.2%)				1,540 (20.2%)				992 (12.8%)			

Notes:

- All headcounts are in full-time employee equivalent ('FTE').
- Due to leadership band changes, all GCB 1 and 2 were mapped to Managing Director since 1 Mar 2022.
- Percentage of total new hires compared to total employees at the end of year.
- Percentage of external and internal hires refers to the total number of open positions filled by external candidates and employees divided by the total number of vacancies in the year.
- The turnover rate is based on the actual number of employees.
- No significant seasonal variations in headcount were reported.
- Hong Kong is the only location of operations covered in this report so workforce data and employee turnover rate by geographical region are not applicable.
- Headcount, number of new hires and total turnover may not be calculated precisely from the data, due mainly to inter-company transfers with subsidiaries and change of employment status of individual employees (e.g. from full-time to part-time, or vice versa).
- Inter-company transferees are calculated in new hires and turnover.

Key Metrics – Performance Data Summary

Social Performance – Our People in Numbers

Training and Skills Development^{1,3}

	2023	2022	2021	2020
Average learning and development days				
Per employee in Hong Kong	3.6	3.3	4.1	3.8
Average hours by gender²				
Male	33.1	27.9	35.0	34.0
Female	26.9	25.4	29.0	28.0

Notes:

- 1 All headcounts are in full-time employee equivalent ('FTE').
- 2 We delivered training courses equally to all employees depending on their roles and needs.
- 3 The learning hours exclude the learning and development activities arranged by individual department.

Occupational Health and Safety

	2023	2022	2021	2020
Absenteeism rate				
Male	0.7%	1.2%	1.3%	1.1%
Female	1.3%	1.9%	2.1%	1.6%
Overall	1.1%	1.6%	1.8%	1.4%
Lost days due to work injuries	439	44	32	625
Work-related fatalities	0	0	0	0



Content Index

Content Index for GRI Standards and HKEX ESG Guide

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 1: Foundation 2021			
GRI 1	Reporting Principles: para 11; Overall Approach: para 7, para 8, para 11	Foundation	About This Report (73-76)
General Disclosure			
GRI 2: General Disclosures 2021			
The Organisation and its Reporting Practices			
Disclosure 2-1		Organisational details	About This Report (73-76)
Disclosure 2-2	Reporting Boundary: para 15	Entities included in the organisation's sustainability reporting	About This Report (73-76)
Disclosure 2-3		Reporting period, frequency and contact point	About This Report (73-76)
Disclosure 2-4		Restatements of information	About This Report (73-76)
Disclosure 2-5	Overall Approach: para 9	External assurance	Verification Statement (108)
Activities and Workers			
Disclosure 2-6	Reporting Boundary: para 15; KPI B5.1	Activities, value chain and other business relationships	About This Report (73-76)
Disclosure 2-7	KPI B1.1	Employees	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers (80-84)
Governance			
Disclosure 2-9		Governance structure and composition	Our ESG Journey (7-10)
Disclosure 2-10		Nomination and selection of the highest governance body	Governance > Setting High Standards of Governance > Corporate Governance Framework (57)
Disclosure 2-11		Chair of the highest governance body	Our ESG Journey (7-10)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
Disclosure 2-12	Overall Approach: para 10, Governance Structure: para 13	Role of the highest governance body in overseeing the management of impacts	Board Statement and Chief Executive's Message (5-6), Governance > Setting High Standards of Governance (57-58)
Disclosure 2-13		Delegation of responsibility for managing impacts	Governance > Setting High Standards of Governance (57-58)
Disclosure 2-14	Overall Approach: para 10	Role of the highest governance body in sustainability reporting	Our ESG Journey (7-10)
Disclosure 2-15		Conflicts of interest	Governance > Setting High Standards of Governance > Corporate Governance Framework (57), Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Conflicts of Interest (66)
Disclosure 2-16		Communication of critical concerns	Social > Engaging with Our Communities > Engaging with Our Stakeholder Community (53-54)
Disclosure 2-17		Collective knowledge of the highest governance body	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Compliance (61-62)
Disclosure 2-18		Evaluation of the performance of the highest governance body	Our ESG Journey (7-10)
Disclosure 2-19		Remuneration policies	Social > Developing Skills, Careers and Opportunities > Performance Management and Constructive Feedback (42-43), Social > Promoting Diversity and Fostering Inclusion > Gender Representation and Pay (31-32)
Disclosure 2-20		Process to determine remuneration	Social > Developing Skills, Careers and Opportunities > Performance Management and Constructive Feedback (42-43), Social > Promoting Diversity and Fostering Inclusion > Gender Representation and Pay (31-32)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
Strategy, Policies and Practices			
Disclosure 2-22	Governance Structure: para 13	Statement on sustainable development strategy	Board Statement & Chief Executive's Message (5-6), Snapshot > Our Approach to ESG (3)
Disclosure 2-23		Policy commitments	Our ESG Journey > Our ESG Governance (7-9), Environmental (11-27), Social (28-54), Governance (55-72)
Disclosure 2-24		Embedding policy commitments	Our ESG Journey > Our ESG Governance (7-9), Environmental (11-27), Social (28-54), Governance (55-72)
Disclosure 2-25		Processes to remediate negative impacts	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk (61-67)
Disclosure 2-26	KPI B7.2	Mechanisms for seeking advice and raising concerns	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Whistleblowing (66)
Disclosure 2-27		Compliance with laws and regulations	Environmental (11-27), Social (28-54), Governance (55-72) In 2023, no judgments were entered against the Bank in litigation concerning employment practice, occupational health and safety, child or forced labour, product responsibility and corruption.
Disclosure 2-28		Membership associations	Social > Engaging with Our Communities > Engaging with Our Stakeholder Community > Communication of ESG Issues (53)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
Stakeholder Engagement			
Disclosure 2-29	Overall Approach: para 7	Approach to stakeholder engagement	Social > Engaging with Our Communities > Engaging with Our Stakeholder Community > Stakeholder Overview (53), Our ESG Journey > Materiality Assessment (10)
Material Topics			
GRI 3: Material Topics 2021			
Disclosure 3-1	Reporting Principles: para 11	Process to determine material topics	Our ESG Journey > Materiality Assessment (10)
Disclosure 3-2		List of material topics	Our ESG Journey > Materiality Assessment (10)
Disclosure 3-3		Management of material topics	Our ESG Journey > Materiality Assessment (10)
Economic Performance			
GRI 201: Economic Performance 2016			
Disclosure 3-3	GD A4, KPI A4.1	Management of material topics	Key Metrics – Performance Data Summary > Economic Performance (77)
201-1	KPI B8.2	Direct economic value generated and distributed	Key Metrics – Performance Data Summary > Economic Performance (77)
201-2	KPI A4.1	Financial implication and other risks and opportunities due to climate change	Our Approach to Climate Risk is aligned to our risk management framework. For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.
201-3		Defined benefit plan obligations and other retirement plans	To encourage staff to plan for retirement, we offer a wide choice of fund options in the Defined Contribution Scheme. We also provide regular fund factsheets to help employees identify and understand their appetite for investment risk and volatility.

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 202: Market Presence 2016			
Disclosure 3-3	GD B1, KPI B1.1	Management of material topics	Social (28-54)
GRI 203: Indirect Economic Impacts 2016			
Disclosure 3-3		Management of material topics	Social > Engaging with Our Communities (49-54)
203-1	GD B8, KPI B8.1	Infrastructure investments and services supported	Social > Engaging with Our Communities (49-54)
203-2		Significant indirect economic impacts	Social > Engaging with Our Communities (49-54)
GRI 204: Procurement Practices 2016			
Disclosure 3-3		Management of material topics	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
204-1	KPI B5.1	Proportion of spending on local suppliers	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
GRI 205: Anti-corruption 2016			
Disclosure 3-3	GD B7	Management of material topics	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63)
205-1	KPI B7.2	Operations assessed for risks related to corruption	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63)
205-2	KPI B7.3	Communication and training about anti-corruption policies and procedures	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63)
205-3	KPI B7.1	Confirmed incidents of corruption and action taken	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63) In 2023, there were no fines, penalties or settlements in relation to corruption. There were also no reported cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery.

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
N/A	KPI B7.3	Description of anti-corruption training provided to directors and staff	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63)
N/A	KPI B7.2	Whistleblowing procedures	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Whistleblowing (66)
GRI 206: Anti-competitive Behaviour 2016			
Disclosure 3-3		Management of material topics	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Competition (64)
206-1	KPI B7.3	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Competition (64)
GRI 207: Tax 2019			
Disclosure 3-3		Management of material topics	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Finance and Tax Risks (64)
207-1		Approach to tax	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Finance and Tax Risks (64)
207-2		Tax governance, control, and risk management	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Finance and Tax Risks (64)
207-3		Stakeholder engagement and management of concerns related to tax	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Finance and Tax Risks (64)
207-4		Country-by-country reporting	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Finance and Tax Risks (64)
Environmental Standards Series			
GRI 301: Materials 2016			
Disclosure 3-3	GD A1, GD A2, GD A3	Management of material topics	Environmental (11-27)
301-1		Materials used by weight or volume	Key Metrics – Performance Data Summary > Environmental Performance (78-79)
GRI 302: Energy 2016			
Disclosure 3-3	GD A1, GD A2, GD A3	Management of material topics	Environmental (11-27)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
302-1	KPI A2.1	Energy consumption within the organisation	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
302-3	KPI A2.1	Energy intensity	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79) Direct energy consumption per employee: 0.06 MWh Indirect energy consumption per employee: 3.32 MWh
302-4	KPI A2.3, KPI A1.5	Reduction of energy consumption	Environmental (11-27)
302-5	KPI A2.3, KPI A1.5	Reduction in energy requirements of products and services	Environmental (11-27)
N/A	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Management (20-23)
GRI 303: Water and Effluents 2018			
Disclosure 3-3	KPI A2.2, KPI A2.4	Management of material topics	Environmental (11-27)
303-1	KPI A2.4	Interaction with water as a shared resource	Environmental (11-27)
303-2		Management of water discharge-related impacts	Environmental (11-27)
303-3		Water withdrawal	Only municipal water from Water Supplies Department is used in the operation. Hong Kong is of low water stress, and there is no issue in sourcing water.

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
303-5	KPI A2.2	Water consumption	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
N/A	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Management (20-23)
GRI 305: Emissions 2016			
Disclosure 3-3	GD A1, GD A2, GD A3	Management of material topics	Environmental (11-27)
305-1	KPI A1.2	Direct (Scope 1) GHG emissions	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
305-2	KPI A1.2	Energy indirect (Scope 2) GHG emissions	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
305-3		Other indirect (Scope 3) GHG emissions	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
305-4	KPI A1.2	GHG emissions intensity	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
305-5	KPI A1.5, KPI A2.3	Reduction of GHG emissions	Environmental (11-27)
305-7	KPI A1.1	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	The topic of Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions is not material to the business and therefore not disclosed.
N/A	KPI A1.5	Description of emission target and steps to achieve them	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Management (20-23)
GRI 306: Waste 2020			
Disclosure 3-3	KPI A1, KPI A1.3, KPI A1.4, KPI A1.6	Management of material topics	Environmental (11-27)
306-1	KPI A1.6	Waste generation and significant waste-related impacts	Environmental (11-27)
306-2	KPI A1.6	Management of significant waste-related impacts	Environmental (11-27)
306-3	KPI A1.3, KPI A1.4	Waste generated	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
306-4	KPI A1.3	Waste diverted from disposal	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
306-5	KPI A1.3	Waste directed to disposal	Environmental > Embedding Net Zero into the Way We Operate > Our Approach to Our Own Operations > Environmental Performance (24), Key Metrics – Performance Data Summary > Environmental Performance (78-79)
N/A	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental (11-27)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 308: Supplier Environmental Assessment 2016			
Disclosure 3-3	GD B5, KPI B5.2, KPI B5.4	Management of material topics	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
308-1	KPI B5.2	New suppliers that were screened using environmental criteria	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
Social Standard Series			
GRI 401: Employment 2016			
Disclosure 3-3	GD B1, KPI B1.1	Management of material topics	Social (28-54)
401-1	KPI B1.2	New employee hires and employee turnover	Key Metrics – Performance Data Summary > Social Performance – Our People in Numbers (80-84)
401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose > Staff Benefits (37)
401-3		Parental leave	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose > Staff Benefits (37)
GRI 402: Labour Management Relations 2016			
Disclosure 3-3		Management of material topics	Social (28-54)
GRI 403: Occupational Health and Safety 2018			
Disclosure 3-3	GD B2, KPI B2.3	Management of material topics	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-1		Occupational health and safety management system	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-2		Hazard identification, risk assessment, and incident investigation	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-3		Occupational health services	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-4		Worker participation, consultation, and communication on occupational health and safety	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
403-5		Worker training on occupational health and safety	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-6		Promotion of worker health	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-8		Workers covered by an occupational health and safety management system	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
403-9	KPI B2.1	Work-related injuries	Key Metrics – Performance Data Summary > Social Performance (84)
N/A	GD B2, KPI B2.3	Specify health and safety-related laws and regulations (e.g. Occupational Safety and Health Ordinance)	Social > Building a Healthy Workplace > Supporting Mind, Body and Purpose (37-38)
N/A	KPI B2.1, KPI B2.2	Lost days due to work injury; Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Key Metrics – Performance Data Summary > Social Performance (84)
GRI 404: Training and Education 2016			
Disclosure 3-3	GD B3	Management of material topics	Social > Developing Skills, Careers and Opportunities (39-43)
404-1	KPI B3.2	Averaging hours of training per year per employee	Social > Developing Skills, Careers and Opportunities > Training and Skills Development (41-42), Key Metrics – Performance Data Summary > Social Performance (84)
404-2	GD B3	Programmes for upgrading employee skills and transition assistance programmes	Social > Developing Skills, Careers and Opportunities (39-43)
404-3		Percentage of employees receiving regular performance and career development reviews	Social > Developing Skills, Careers and Opportunities > Performance Management and Constructive Feedback (42-43)
N/A	GD B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social > Developing Skills, Careers and Opportunities (39-43)
N/A	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social > Developing Skills, Careers and Opportunities > Training and Skills Development (41-42)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 405: Diversity and Equal Opportunity 2016			
Disclosure 3-3	GD B1	Management of material topics	Social > Promoting Diversity and Fostering Inclusion (30-33), Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
405-1		Diversity of governance bodies and employees	Social > Promoting Diversity and Fostering Inclusion > Diversity Policy (32-33)
GRI 406: Non-discrimination 2016			
Disclosure 3-3	GD B1	Management of material topics	Social > Promoting Diversity and Fostering Inclusion (30-33), Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
406-1		Incidents of discrimination and corrective actions taken	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Equal Opportunities and Non-Discrimination (65-66) In 2023, 5 cases of discrimination were reported.
GRI 408: Child Labour 2016			
Disclosure 3-3	GD B4, GD B5	Management of material topics	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
408-1	KPI B5.2, KPI B5.3	Operations and suppliers at significant risk for incidents of child labour	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
GRI 409: Forced or Compulsory Labour 2016			
Disclosure 3-3	GD B4, GD B5	Management of material topics	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
409-1	KPI B5.2, KPI B5.3	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 410: Security Practices 2016			
Disclosure 3-3		Management of material topics	Social > Promoting Diversity and Fostering Inclusion (30-33)
410-1		Security personnel trained in human rights policies or procedures	Social > Promoting Diversity and Fostering Inclusion (30-33)
GRI 411: Rights of Indigenous Peoples 2016			
Disclosure 3-3		Management of material topics	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Equal Opportunities and Non-Discrimination (65-66)
411-1		Incidents of violations involving rights of indigenous peoples	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Equal Opportunities and Non-Discrimination (65-66) There were no reported cases of violation of the rights of indigenous peoples in 2023.
GRI 413: Local Communities 2016			
Disclosure 3-3	GD B8, KPI B8.1, KPI B8.2	Management of material topics	Social > Engaging with Our Communities (49-54)
413-1		Operations with local community engagement, impact assessments, and development programmes	Social > Engaging with Our Communities (49-54)
413-2		Negative social impacts in the supply chain and actions taken	Social > Engaging with Our Communities (49-54)
N/A	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport); Resources contributed (e.g. money or time) to the focus area	Social > Engaging with Our Communities (49-54)
N/A	KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Social > Engaging with Our Communities (49-54)
GRI 414: Supplier Social Assessment 2016			
Disclosure 3-3	GD B5	Management of material topics	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68)
414-1	KPI B5.2, KPI B5.3	New suppliers that were screened using social criteria	Governance > Integrity, Conduct and Fairness > Responsible Value Chain > Supply Chain Integrity (68) In 2023, there were no confirmed incidents where contracts with business partners were terminated or not renewed due to violations related to corruption.

**Content Index**

GRI Standards Disclosure	HKEX ESG Guide	Disclosure Description	Reference / Remarks (page number)
GRI 415: Public Policy 2016			
Disclosure 3-3		Management of material topics	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63)
415-1		Political contribution	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Financial Crime (62-63) In the past five years, we made no contributions in any form to lobbyists, trade unions, or political organisations and campaigns.
GRI 416 Customer Health and Safety 2016			
Disclosure 3-3	GD B6	Management of material topics	Governance > Customer Experience (59-60)
416-1		Assessment of the health and safety impacts of product and service categories	Governance > Customer Experience (59-60)
416-2	KPI B6.1	Incidents of non-compliance concerning the health and safety impacts of products and services	Governance > Customer Experience (59-60) In 2023, there were no incidents of non-compliance concerning the health and safety impacts of products and services.
N/A	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Governance > Customer Experience (59-60)
GRI 417: Marketing and Labeling 2016			
Disclosure 3-3	GD B6	Management of material topics	Governance > Customer Experience (59-60)
417-1	GD B6	Requirements for product and service information and labeling	Governance > Customer Experience (59-60)
417-2	GD B6	Incidents of non-compliance concerning product and service information and labeling	Governance > Customer Experience (59-60)
417-3	GD B6	Incidents of non-compliance concerning marketing communications	Governance > Customer Experience (59-60)
N/A	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Governance > Customer Experience (59-60)
GRI 418: Customer Privacy 2016			
Disclosure 3-3	GD B6, KPI B6.5	Management of material topics	Governance > Safeguarding Data (69-72)
418-1	KPI B6.5	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Governance > Safeguarding Data (69-72)



Content Index

Content Index for SASB Standards

Topic	Code	Disclosure Description	Section / Remarks (page number)
Activity Metric	FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Total value of deposit (personal banking): HK\$868 billion
	FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Total value of loans (personal banking): HK\$400 billion
Data Security	FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Governance > Safeguarding Data (69-72)
	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	Governance > Safeguarding Data (69-72)
Financial Inclusion & Capacity Building	FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programmes designed to promote small business and community development	As we are still in the process of defining our internal framework for calculating the internal metrics, we do not disclose this information for Financial Year 2023.
	FN-CB-240a.2	(1) Number and (2) amount of past due and nonaccrual loans qualified to programmes designed to promote small business and community development	
	FN-CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Nil
	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Social > Building Customer Inclusion and Resilience (44-48), Social > Engaging with Our Communities (49-54)

**Content Index**

Topic	Code	Disclosure Description	Section / Remarks (page number)
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.1	Commercial and industrial credit exposure, by industry	Annual Report 2023: Segmental Analysis Banking Disclosure Statement for the year ended 31 December 2023: Table 18: CR2 – Changes in defaulted loan and debt securities Table 19: CRB1 – Exposures by geographical location Table 20: CRB2 – Exposures by industry Table 26: Gross loans and advances to customers by geographical location Table 27: Gross loans and advances to customers by industry sector Table 28: Overdue loans and advances to customers
	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Environmental (11-27), Governance > Integrity, Conduct and Fairness > Responsible Value Chain (67-68)
Business Ethics	FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anticompetitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk (61-67)
	FN-CB-510a.2	Description of whistle-blower policies and procedures	Governance > Integrity, Conduct and Fairness > Managing Different Types of Risk > Whistleblowing (66)
Systematic Risk Management	FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	As the Bank is not classified as G-SIB, we disclose information on being a Domestically Systematically Important Bank ('D-SIB').
	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Environmental (11-27) Annual Report 2023 Management Discussion and Analysis > Risk > Risk management tools > Stress testing and recovery planning

**Content Index****Content Index for TCFD**

The table sets out the 11 TCFD recommendations and summarises where additional information can be found.

We continue to develop and refine its reporting and disclosures on ESG matters in line with feedback received from our stakeholders, and in view of our obligations under the HKMA SPM GS-1.

With respect to our obligations under HKMA SPM GS-1 as part of considering what to measure and publicly report, we perform an assessment to ascertain the appropriate level of detail to be included in the TCFD that are set out in our ESG Report. Our assessment takes into account factors such as the level of our exposure to climate-related risks and opportunities, the scope and objectives of our climate-related strategy, transitional challenges, and the nature, size and complexity of our business.

Recommendation	Response	Disclosure Location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities		
Process, frequency and training	<p>The Board takes overall responsibility for our ESG strategy, overseeing executive management in the development of the approach, execution and associated reporting.</p> <p>Our NEDs attended annual NED Summits in May 2023. Topics of the summits covered sustainability, risk framework and risk culture, and strategy update. Directors also received climate-related trainings in September 2023 and November 2023.</p>	Page 7-8, 61
Sub-committee accountability, processes and frequency	<p>Given the wide-ranging remit of climate matters, the governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. These include the Board level committees – Executive Committee, Risk Committee.</p> <p>The Executive Committee facilitates the Board's oversight of ESG matters by endorsing and recommending key ESG matters for Board's approval. It also supports 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.</p> <p>The Risk Committee maintains oversight of delivery plans to ensure that the Bank develops robust climate risk management capabilities. It also oversees and reviews ESG-related initiatives to assess the risk profile.</p>	Page 8
Examples of the Board and relevant Board committees taking climate into account	<p>The Board establishes and approves the Bank's strategy and objectives, approves and monitors plans for achieving strategic objective, reviews the Bank's overall corporate governance arrangements, including ESG and climate governance.</p>	Page 8
b) Describe management's role in assessing and managing climate-related risks and opportunities		
Who manages climate-related risks and opportunities	<p>The Chief Risk and Compliance Officer is responsible for the management of climate-related risks. The Chief Risk and Compliance Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management.</p>	Page 9
How management reports to the Board	<p>Management has engaged with the Board throughout 2023 on key climate issues, such as the climate strategy, client transition engagement and climate risk management.</p>	Page 8-9

**Content Index**

Recommendation	Response	Disclosure Location
Processes used to inform management	Our risk governance forums hold regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. In addition, our Chief Risk and Compliance Officer represents the risk team on the ESG Steering Committee and leads the incorporation of climate risk into our risk management. Please refer to our Annual Report 2023 to learn more about our bank-wide approach to risk. ESG updates are provided to the Board at least twice a year, and the relevant key performance indicators are measured, monitored and reported to the Executive Committee regularly. Meanwhile, ESG performance of the Bank and the relevant key performance indicators are measured, monitored and reported on a regular basis.	Page 7-8, 58
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		
Processes used to determine material risks and opportunities	<p>For our wholesale customers in the six high climate transition risk sectors, we rolled out the transition and physical risk questionnaire to assess and improve our understanding of the impact of climate changes on certain customers' business models. Relationship managers worked with customers to record the questionnaire responses, which also help identify potential business opportunities to support our customers' transitions.</p> <p>We completed a detailed asset-level analysis of the retail mortgage business in Hong Kong.</p> <p>For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.</p> <p>In 2023, the HSBC Group enhanced its internal climate scenario analysis exercise by focusing efforts on generating more granular insights for key sectors and regions to support core decision making processes and to respond to regulatory requirements.</p>	Page 26-27
Relevant short, medium, and long term time horizons	<p>We continue to contribute to the HSBC Group's ambition to provide and facilitate US\$750 billion to US\$1 trillion of sustainable finance and investment by 2030 to support our customers in their transition to net zero and a sustainable future. In 2023, we continued to expand the horizons of sustainable finance through our products, services and partnerships to help enable emissions reduction in the economy.</p> <p>We align with HSBC Group's definition of short, medium, and long term time horizon: short term period up to 2025; medium term period between 2026 to 2035; and long term period between 2036 to 2050.</p>	Page 16-17
Transition or physical climate-related issues identified	<p>For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors.</p> <p>Within our mortgage portfolios, properties or areas with potentially heightened physical risk are identified and assessed locally, and the potential exposure is managed through quarterly climate metrics.</p>	Page 26-27

**Content Index**

Recommendation	Response	Disclosure Location
Risks and opportunities by sector and / or geography	<p>Scenario analysis supports the Group's risks and opportunities under a range of climate scenarios. It helps to build the Group's awareness of the impact of climate change and future planning.</p> <p>We do not currently fully disclose the impacts of transition and physical risk quantitatively by sector / geography. We are aiming to develop the appropriate systems, data and processes to provide these disclosures in future years.</p>	Page 26-27
Concentrations of credit exposure to carbon-related assets (supplemental guidance for banks)	For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors. These are automotive, chemicals, construction and building materials, metals and mining, oil and gas, and power and utilities. We internally report our exposure to the six high transition risk sectors in the wholesale portfolio, and will further enhance our disclosure as more data becomes available.	Page 26-27
Climate-related risks in lending and other financial intermediary business activities (supplemental guidance for banks)	Within the Bank's wholesale lending portfolio, customers in higher emitting sectors continue to be most exposed to larger climate-related losses.	Page 27
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning		
Impact on strategy, business, and financial planning	We are aligned with the HSBC Group and contributed to its ambition in achieving net zero in their supply chain by 2030, and aligning the financed emissions of their portfolio of customers to be net zero by 2050. We considered the impact of climate-related issues on our businesses, strategy, and financial planning. Our access to capital may be impacted by reputational concerns because of climate action or inaction. In addition, if we are perceived to mislead stakeholders on our business activities or if we fail to achieve our stated net zero ambitions, we could face reputational damage, impacting our revenue generating ability and potentially our access to capital markets. We expect to further enhance the disclosure in the medium term as more data becomes available.	Page 5, 12-13
Impact on products and services	<p>We continue to contribute to the HSBC Group's ambition in helping its customers' transition to net zero and a sustainable future through providing and facilitating a share of the global ambition of between US\$750 billion and US\$1 trillion of sustainable finance and investment for its customers by 2030, and continuously review and strengthen product definitions to take into account evolving standards, taxonomies and practices.</p> <p>In 2023, we enhanced the governance process for reviewing the categorisation and labelling of sustainable finance products, which enabled us to disclose quantitative sustainable finance-related data with accuracy and completeness. We have newly disclosed our sustainable finance data on our cumulative progress for green loans, social loans, green trade finance and sustainability-linked products.</p>	Page 16-17

**Content Index**

Recommendation	Response	Disclosure Location
Impact on supply chain and / or value chain	<p>Our sustainable procurement policy, which stipulates our requirements and standards in relation to sustainability, was updated in 2023. The policy describes how our vendors are selected in a sustainable procurement process and highlights the importance of compliance to our Code of Conduct for our contracted vendors.</p> <p>In addition, our third party risk management policy provides us with guidelines on the use of Archer, a global system for the managing, assessing and monitoring of third party (supplier) risks, which allows us to ensure overall third party compliance.</p> <p>Inherent risks and residual risks are assessed with the related actions identified by our third party risk management team.</p>	Page 68
Impact on adaptation and mitigation activities	We focus on mitigation measures to address climate change, including to support local renewable energy generation and purchase renewable energy. Our offices have been renovated to enhance space efficiency in our workplace.	Page 13, 21
Impact on operations	Our approach to reach net zero operations has aligned with HSBC's strategy – reduce, replace and remove. We are dedicated to reducing our carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives. We also plan to remove the remaining emissions that cannot be reduced or replaced by procuring high-quality offsets at a later stage.	Page 23
Impact on investment in research and development	Hang Seng Investment Management Limited ('HSVM') has engaged third party ESG data providers to manage its ESG and climate-related risks, and the exposures in HSVM's actively managed investments.	Page 14
Transition plan to a low-carbon economy	<p>We do not currently disclose our transition plan.</p> <p>HSBC Group's first net zero transition plan, published in January 2024, brings together in one place its climate strategy, science-based targets, and how it plans to embed this into its processes, policies, governance and capabilities. We will be guided by this transition plan.</p>	Page 13-15
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Embedding climate into scenario analysis	In 2023, the HSBC Group enhanced its internal climate scenario analysis exercise by focusing efforts on generating more granular insights for key sectors and regions to support core decision making processes and to respond to regulatory requirements.	Page 26-27
Key drivers of performance and how these have been taken into account	In climate scenario analysis, we consider, jointly, both physical risk and transition risk. We also analyse how these climate risks impact how other risks are managed within the organisation, including credit, traded market risks, and non-financial risks.	Page 26-27
Scenarios used and how they factored in government policies	HSBC Group created its internal scenarios using external publicly available climate scenarios as a reference, including those produced by the Network for Greening the Financial System, the Intergovernmental Panel on Climate Change and the International Energy Agency. Using these external scenarios as a template, the HSBC Group adapted them by incorporating its unique climate risks and vulnerabilities to which the organisation and customers across different business sectors and regions are exposed.	Page 26-27

Content Index

Recommendation	Response	Disclosure Location
How our strategies may change and adapt	We continue to leverage HSBC Group's climate scenario analysis to inform and assess the resilience of its strategy and support how it captures potential opportunities while minimising risks and enabling it to navigate through the climate transition.	Page 26-27
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Process	We continue to integrate climate risk into our existing risk taxonomy and has incorporated it within the risk management framework through policies, procedures and controls for existing risks where appropriate. For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.	Page 26
Integration into policies and procedures	We are integrating climate risk into the policies, processes and controls, and will continue to enhance these as our climate risk management capabilities mature. For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.	Page 26
Consider climate-related risks in traditional banking industry risk categories (supplementary guidance for banks)	We continue to integrate climate risk into our existing risk taxonomy and has incorporated it within the risk management framework through policies, procedures and controls for existing risks where appropriate. For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.	Page 26
b) Describe the organisation's processes for managing climate-related risks		
Process and how we make decisions	Risk governance forums such as the Board-delegated Risk Committee and Risk Management Meeting are regular meetings to ensure our governance and control framework is properly discharged, managed, sustained and communicated. Our climate risk appetite supports the oversight and management of the financial and non-financial risks from climate change, meets the regulatory expectations and supports the business to deliver our climate ambition in a safe and sustainable way. Our initial risk appetite has focused on the oversight and management of climate risks, including metrics relating to the high transition risk sectors in our wholesale portfolio and the physical risk exposures in our retail portfolio. We continue to review our risk appetite regularly to ensure that it captures the most material climate risks and develop appropriate metrics to measure and monitor these risks. For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.	Page 8-9, 58

**Content Index**

Recommendation	Response	Disclosure Location
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management framework		
How we have aligned and integrated our approach	<p>Climate risk has been integrated into our existing risk taxonomy and is being incorporated within the risk management framework through the policies and controls for the existing risks where appropriate.</p> <p>Our approach to climate risk management is aligned to our risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.</p> <p>For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.</p>	Page 26, 58
How we take into account interconnections between entities, functions	Our climate risk approach is aligned to our risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks.	Page 26
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process		
Metrics used to assess the impact of climate-related risks on our loan portfolio	<p>For transition risk, we have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to six high transition risk sectors.</p> <p>For further details of the Bank's climate risk management, please refer to the 'Risk' section under 'Management Discussion and Analysis' in our Annual Report.</p> <p>We do not fully disclose metrics used to assess the impact of climate-related physical (acute, chronic) and transitions (policy and legal, technology, market) risks on retail lending, parts of wholesale lending and other financial intermediary business activities (specifically credit exposure, equity and debt holdings, or trading positions, each broken down by industry, geography, credit quality, average tenor).</p>	Page 26-27
Metrics used to assess progress against opportunities	<p>We disclosed our contribution in 2023 to the HSBC Group's sustainable finance ambition of providing and facilitating a share of the global ambition of between US\$750 billion to US\$1 trillion of sustainable finance and investment for its customers in their transition to net zero.</p> <p>We do not currently fully disclose the proportion of revenue or proportion of assets, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services, forward-looking metrics consistent with our business or strategic planning time horizons. In relation to sustainable finance, we are disclosing certain elements. We expect climate related metrics to be further integrated into financial planning and forecasting as data and system limitations are addressed.</p>	Page 16-17
Board or senior management incentives	Our Chief Executive and all Executive Committee members have incorporated ESG initiatives, such as carbon reductions and/or sustainable finance, with the relevant KPIs or target, into their 2023 performance objectives. The variable pay awards made to the Chief Executive and other Executive Committee members have reflected the assessment of their performance against the scorecard objectives in relation to both financial and non-financial objectives, including the ESG commitment that is in place.	Page 43

**Content Index**

Recommendation	Response	Disclosure Location
Metrics used to assess the impact of climate risk on lending and financial intermediary business (supplemental guidance for banks)	We do not fully disclose metrics used to assess the impact of climate-related physical (acute, chronic) and transitions (policy and legal, technology, market) risks on retail lending, parts of wholesale lending and other financial intermediary business activities (specifically credit exposure, equity and debt holdings, or trading positions, each broken down by industry, geography, credit quality, average tenor).	Page 26-27
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks		
Our own operations	We reported our scope 1, 2 and part of scope 3 greenhouse gas emissions resulting from the energy used in our buildings and employees' business travel.	Page 24, 78-79
GHG emissions for lending and financial intermediary business (supplemental guidance for Banks)	We do not currently disclose financed emissions data, due to data and system limitations. Future disclosure on financed emissions, and related risks is reliant on our customers publicly disclosing their carbon emissions and related risks. We aim to further enhance the disclosure in the short to medium term as more data becomes available.	Page 16
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Details of targets set and whether they are absolute or intensity based	<p>Taking into account the nature of our business, we set environmental targets on electricity consumption and GHG emissions on an absolute basis. We have not included paper consumption, waste diversion and waste reduction targets in our disclosure, as these targets may develop over time in line with the market practice or regulations.</p> <p>This report also covered Environmental Performance data in the intensity base, including the Total GHG emissions per FTE, GHG emissions per sq. ft., etc.</p> <p>We do not currently disclose our targets used to measure and manage physical and transition risk, or capital deployment, or climate-related opportunities due to transitional challenges and data limitations which we expect to further enhance the disclosure in the medium term as more data becomes available.</p>	Page 23

Verification Statement



Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has conducted an independent verification for the Environmental, Social and Governance Report 2023 ("The Report") of Hang Seng Bank Limited ("Hang Seng"). The Report illustrates Hang Seng's efforts and performance in environmental, social and governance ("ESG") aspects for the period of 1st January 2023 to 31st December 2023. The Report focuses on the ESG issues that affect Hang Seng's business and are of concerns to its stakeholders.

The aim of this verification is to provide a reasonable assurance on the reliability of the reporting contents. The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by the Hong Kong Exchanges and Clearing Limited and with reference to the Global Reporting Initiative ("GRI") Standards, 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").

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board, and reference to ISO 14064-3: Specification with guidance for the validation and verification of greenhouse gas assertions. The verification process has been designed to obtain a reasonable level of assurance in accordance with the standard for the purpose of devising the verification conclusion. The extent of verification covered the GRI Standards, ESG Guide and SASB Standards, etc.

Our verification procedures included discussion of the materiality analysis process, reviewing the mechanisms for collecting, collating and reporting of the performance data, verifying relevant documentation, interviewing responsible personnel with accountability for preparing the Report. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification.

Independence

Hang Seng is responsible for the preparation and presentation of the Report. HKQAA's verification activities are independent from Hang Seng. There is no relationship between HKQAA and Hang Seng that would affect the impartiality of the verification service.

Conclusion

The verification results indicated that:

- The Report satisfies all the mandatory disclosure requirements and "comply or explain" provisions specified in the ESG Guide;
- The disclosure in the Report aligns with the TCFD's recommendations;
- The Report is referenced to the GRI Standards and SASB Standards;
- The Report illustrates Hang Seng's ESG performance, covering the material and relevant aspects, in a balanced, comparable, clear and timely manner; and
- The data and information stated in the Report are reliable and complete.

In conclusion, HKQAA has obtained reasonable assurance and is in the opinion that Hang Seng has disclosed its ESG performance in a transparent manner. The information included in the Report are objective, responsive and free from material misstatement.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
February 2024

Jorine Tam
Director, Corporate Business