

Bank on Our Commitment

2008 Corporate Responsibility Report



2008



Chief Executive's Message

Sustainability is central to Hang Seng Bank's strategy. Our fourth annual online corporate responsibility report is designed to provide interested parties with a better understanding of our corporate responsibility beliefs and relationships with key stakeholders as well as our social and environmental performance in 2008.

As the largest Hong Kong-incorporated bank in terms of market capitalisation (HK\$194.4 billion as at the end of December 2008), our most important contribution to society is made through ensuring the long-term growth of our business, which enables us to positively influence and assist a broad range of sectors. Our emphasis on premium service, prudence and professionalism has helped us build a strong brand. In good economic times and bad, our customers have come to bank on our sound judgement, financial strength and passion to serve. In turn, we benefit from their loyalty and trust.

Our key corporate responsibility achievements for 2008 include:

- Extending ISO 14001 certification to 90 per cent of our office premises
- Winning a Silver Award in the Environment Category at the 2008 China Golden Awards for Excellence in Public Relations
- Giving over HK\$23 million in donations and community sponsorships – a year-on-year increase of 6.6 per cent
- Contributing over 11,000 volunteer hours – up 14.5 per cent compared with 2007
- Saving about 10 million sheets of paper through our e-Statement initiatives

We have been a constituent stock of the FTSE4Good Global Index since 2001 and the Hong Kong Council of Social Service has recognised us as a Caring Company every year since 2003.

This will be my last online corporate responsibility report as I will retire from my position as Vice-Chairman and Chief Executive of Hang Seng following the Bank's annual general meeting on 6 May 2009. It has been an honour and a pleasure to serve a company that has such strong ties to its local communities. I am certain that my successor, Mrs Margaret Leung will further enhance Hang Seng's reputation as a good corporate citizen. I wish her every success in her new role.

The global financial crisis tested us all in 2008 and this year is likely to be equally demanding. We remain committed to working with our stakeholders to promote social and environmental well-being, tackling future challenges and capitalising on opportunities for sustainable development and growth.

Raymond Or

Vice-Chairman and Chief Executive





Our Business

- **Who We Are**
- **What We Do**

Who We Are

Established in 1933, Hang Seng Bank is a world-class financial institution and the largest Hong Kong incorporated listed bank in terms of market capitalisation (HK\$194.4 billion as at the end of December 2008).

In Hong Kong, we serve over one-third of the population through more than 210 service outlets, of which 106 are branches serving both personal and business customers. We also maintain a branch in Shenzhen for foreign currency wholesale business, branches in Macau and Singapore, and representative offices in Xiamen and Taipei.

On 28 May 2007, we established wholly owned subsidiary Hang Seng Bank (China) Limited, which operates a mainland China network of 34 outlets in Beijing, Shanghai, Guangzhou, Dongguan, Shenzhen, Fuzhou, Nanjing, Hangzhou, Ningbo and Kunming.

We hold a 12.78 per cent stake in Industrial Bank, a Mainland national bank headquartered in Fuzhou, Fujian province, and a 20 per cent stake in Yantai Bank, a city commercial bank in Shandong province.

Vision and Strategy

Our goal is to create long-term benefits for our key stakeholders by enhancing our position as a leading financial institution in Greater China. We are working to achieve this by maintaining a firm financial foundation, focusing on core business drivers, making the most of new opportunities and offering service that exceeds expectations.

What We Do

Customer Groups

Our business is structured into five groups.

Personal Financial Services

Personal Financial Services provides banking and wealth management services to personal customers. Banking services include deposits, credit cards, mortgages and other retail lending. Wealth management includes investment, insurance and private banking services.

Personal Financial Services contributed HK\$8,410 million, or 52.9 per cent, to our profit before tax in 2008.

Commercial Banking

Commercial Banking manages middle market company and small and medium-sized enterprise (SME) relationships and specialises in trade-related financial services.

Commercial Banking contributed HK\$2,470 million, or 15.6 per cent, to our profit before tax in 2008.

Corporate Banking

Corporate Banking handles relationships with large corporate and institutional customers.

Corporate Banking contributed HK\$645 million, or 4.1 per cent, to our profit before tax in 2008.

Treasury

Treasury engages in balance sheet management and proprietary trading. It also manages the funding and liquidity positions of Hang Seng and other market risk positions arising from banking activities.

Treasury contributed HK\$2,279 million, or 14.4 per cent, to our profit before tax in 2008.

Other

Other includes such items as management of shareholders' funds and investments in premises, investment properties and equity shares.

Other contributed HK\$2,074 million, or 13 per cent, to our profit before tax in 2008.





Our Performance

- Our Performance At A Glance
- Recognition

Our Performance At A Glance

Financial	2008	2007	2008 vs 2007
Profit attributable to shareholders (HK\$ million)	14,099	18,242	-22.7%
Profit attributable to shareholders-excluding 2007 dilution gain (HK\$ million)	14,099	16,777	-16.0%
Earnings per share (HK\$)	7.37	9.54	-22.7%
Dividends per share (HK\$)	6.30	6.30	0%
Return on average shareholders' funds (%)	26.0	35.4	-9.4 p.p.
Return on average shareholders' funds-excluding 2007 dilution gain (%)	26.0	32.6	-6.6 p.p.
Return on average total assets (%)	1.9	2.6	-0.7 p.p.
Return on average total assets-excluding 2007 dilution gain (%)	1.9	2.4	-0.5 p.p.
Cost efficiency ratio (%)	29.2	26.6	+2.6 p.p.
Average liquidity ratio (%)	46.4	52.9	-6.5 p.p.
Capital adequacy ratio - as at 31 Dec (%)	12.5	11.2	Note A
Core capital ratio - as at 31 Dec (%)	9.5	8.4	Note A
Economic			
Tax expenses (HK\$ million)	1,779	2,865	-37.9%
Employee compensation and benefits (HK\$ million)	3,452	3,585	-3.7%
Social			
Number of outlets (31 Dec - Hong Kong & mainland China)	252	177	Note B
Number of employees (31 Dec - full-time equivalent)	9,764	9,160	+6.6%
Training per staff member (average number of days)	6	6.5	-7.7%
Charitable donations and community sponsorships (HK\$ million)	23.5	22	+6.8%
Number of volunteer hours contributed	11,000	9,600	+14.6%
Environmental			
Greenhouse gas emissions per person (tons CO ₂ /FTE) Note C	3.28	3.30	-0.6%
Greenhouse gas emissions per m ² (tons CO ₂ /m ²) Note C	0.20	0.20	0%
Greenhouse gas emissions (kilotons CO ₂) Note C	27.4	26.7	+8.3%
Electricity consumption (GWh)	38.1	35.9	+11.7%
Gas consumption (GWh)	0.42	0.70	+48.8%
Water consumption ('000 m ³)	50.8	54.1	-27.8%



Data coverage: Hang Seng Bank's Hong Kong operations

Note A: Capital adequacy and core capital ratios as at 31 December 2007 and as at 31 December 2008 are not directly comparable. The 2007 ratios were calculated in accordance with the standardised approach under Basel II, while the 2008 ratios were calculated in accordance with the foundation internal ratings-based approach under Basel II.

Note B: Figures from 2007 and 2008 are not directly comparable.

Note C: Hang Seng's Hong Kong operations have been carbon neutral since 2007

FTE : full-time equivalent	m ² : square metres
CO ₂ : carbon dioxide	GWh: giga-watt hours
m ³ : cubic metres	

Recognition

Recognition in 2008

Asia's Best Banker Award and Asia's Best Brand Award, *21st Century Business Herald*

Best Domestic Bank - Hong Kong, *Asiamoney*

Best Domestic Bank in Hong Kong, *The Asset*

Hong Kong House of the Year, *Asia Risk*

Excellence in Wealth Management Award, *The Asian Banker*

No. 1 for Financial Reputation and for Corporate Reputation (Hong Kong Category), *Asia's 200 Most-Admired Companies*, *Wall Street Journal Asia*

Silver Award (Environment Category), *China International Public Relations Association*

Best Annual Report, Best Financial Statements and Best Sustainability Statement (Asia), *Asia Bank Corporate Reporting Awards*, *Lafferty Group*

Constituent of the FTSE4Good Global Index

Caring Company, *Hong Kong Council of Social Service*





Responsible Business

- **Corporate Governance**
- **Risk Management**
- **Compliance**
- **Responsible Financing**

Corporate Governance

Hang Seng is committed to high standards of corporate governance. We follow the corporate governance requirements of various codes and modules issued by regulatory bodies such as the Hong Kong Monetary Authority (HKMA) and The Stock Exchange of Hong Kong Limited. More details can be found in the 'Corporate Governance and Other Information' section of our 2008 Annual Report.

Board of Directors

As at 1 April 2009, our Board had 17 members: three executive Directors and 14 non-executive Directors. Of the 14 non-executive Directors, nine are independent non-executive Directors. The Board held seven meetings in 2008.

All Directors have full and timely access to all relevant information about Hang Seng so that they can discharge their duties and responsibilities as Directors. Each Director also has individual access to our senior management. In addition, there are established procedures for Directors to seek independent professional advice on matters relating to Hang Seng, with all costs borne by Hang Seng.

The roles of Chairman of the Board (who is an independent non-executive Director) and Chief Executive of the Bank are segregated, with a clear division of responsibilities. While the Board of Directors is led by the Chairman, the Chief Executive exercises all the powers, authorities and discretions of the Executive Committee as may be delegated to him in respect of Hang Seng and its subsidiaries.

The Board has set up three committees – the Executive Committee, the Audit Committee and the Remuneration Committee – each of these committees has specific written terms of reference which deal clearly with their authority and duties.



To further enhance our risk management framework and in line with best practice, in July 2008 we set up a Risk Management Committee to centralise the oversight of risk management. Reporting directly to the Executive Committee, the Risk Management Committee's main functions are to recognise, analyse, review and manage the various risks of the Bank. The Committee is also responsible for approving all risk management-related policies.

Hang Seng Bank (China) Limited – Corporate Governance Structure

Hang Seng Bank (China) Limited was established on 28 May 2007 and complies with all rules and regulations governing the set up and operation of Mainland subsidiaries of foreign banks.

Board of Directors:

One executive Director, who is also Chief Executive of Hang Seng Bank (China)

Two independent non-executive Directors

Four non-executive Directors, of whom one is Chairman of the Board and one is deputy chairman.

Board Meetings:

The Board met four times in 2008

Board Reports to:

Sole shareholder, Hang Seng Bank Limited

Board Committees:

The Board has established three committees: the Executive Committee, the Audit Committee and the Connected Transactions Control Committee, each with specific written terms of reference that clearly regulate their authority, duties and meeting rules.

**Supervisor:**

- One supervisor, who is nominated by reports to the shareholder
- Attends all Board meetings

Risk Management

The effectiveness of our risk management policies and strategies is a central factor in our success. As part of the financial services industry, we are exposed to several types of risk, including credit, liquidity, market, insurance underwriting, operational and reputational risk.

In July 2008, we established a Risk Management Committee that reports to the Executive Committee (for more details, please see 'Corporate Governance' section). We have systems to identify and analyse risks and to set appropriate risk limits to control these risks. Risk management policies and major control limits are approved by the Board of Directors. (More details on our management of risk can be found in the 'Corporate Governance and Other Information', 'Financial Review' and 'Financial Statements' sections of our 2008 Annual Report.)

We have an Investment Products Oversight Committee to oversee the sale and distribution of investment products to our retail customers, approve new products and handle customer complaints with the aim of mitigating potential investment-related reputational risks.

Environmental risk covers the risks of causing pollution or destruction to the natural environment through accidental or deliberate actions. Depending on the nature and physical location of our business customers' operations, our lending decisions may have an indirect impact on the natural environment. We therefore require that our credit assessment executives conduct a 'Sustainability Risk Assessment' of all credit applications – both new applications and annual reviews – by our business customers.

Compliance

Our key business values include a solid commitment to truthful and fair business dealings, to acting with due skill, care and diligence in the conduct of our business, and to ensuring that our staff comply with both the letter and the spirit of all relevant rules, regulations, guidelines and codes of conduct.



Staff Awareness

The most effective way of ensuring legal and regulatory compliance, as well as guarding against illegal activities such as fraud and money laundering, is to maintain a high level of staff awareness through training. To this end, various compliance training programmes are provided to staff, including those dealing with equal opportunities, data privacy, office health and safety, and anti-money laundering. In addition to instructor-led training, regular updates on compliance messages are communicated with bank staff through newsletter, videos, and in-branch briefings.

Insider Information

We have comprehensive systems and procedures in place to keep information confidential and manage potential or actual conflicts of interest. Stringent internal structures operate to prevent the misuse of insider information. Staff working in sensitive or high-risk areas are required to undergo additional job-specific training.

Whistle-blowing

We require all staff to report suspected business irregularities or fraud and we provide clear channels specifically for this purpose.

Anti-money Laundering

We comply with high standards of anti-money laundering practice and corruption and bribery prevention in all markets and jurisdictions in which we operate. We have stringent internal guidelines and procedure manuals as well as staff training to ensure proper internal controls are maintained and suspicious transactions are recognised and reported.

Responsible Financing

Lending and Investment Policies

Our financing decisions reflect our business principles, risk assessment processes and the needs of our customers.

Our objective is to promote sustainable development through our investment and lending policies. In addition to economic considerations, social and environmental issues play an important role in lending policies and environmental risks are included in credit assessments.

We support the Equator Principles, a voluntary code of conduct which is used to review and manage environmental and social risks in project financing. We also have sector-specific guidelines for lending to businesses operating in environmentally sensitive sectors (see box: 'Responsible Financing').

There are some types of business that we will not engage in, including working with companies that manufacture and/or sell weapons, dealing with countries that are subject to international sanctions, or transactions that could be used to foster racism, launder criminal earnings or evade tax.

Supporting Positive Change

As part of our commitment to encouraging customers to improve their environmental performance, we operate a Green Financing Scheme for Hong Kong-owned factories operating in the Pearl River Delta region. The scheme offers financing to acquire plant equipment that will enhance a factory's energy efficiency and/or help reduce pollution.



Responsible Financing

Our belief in promoting sustainable business practices means that we carefully assess potential social and environmental risks when deciding to make a loan or investment. Guidelines in this regard include:

Forest Land and Forestry Products Sector:

Outlines how we will work with our customers to promote sustainable forestry practices.

Freshwater Infrastructure Sector:

Aims to ensure the consistency of our involvement in freshwater infrastructure projects, particularly from the standpoint of sustainable development.

Chemical Industry Sector:

Highlights the international, regional and national standards we conform to in lending to the chemical industry and outlines how we will work with our customers towards sustainable chemical manufacture.

Energy Sector:

Establishes sustainability standards for our involvement in this sector and for providing financial services to energy sector projects.

Mining and Metals Sector:

Sets out the principles and standards that govern our involvement in all areas of this sector, including exploration, extraction, mine closure and reclamation, and primary processing.



Our Relationships with Customers and Suppliers

- > **Serving Our Customers**
- > **Understanding Customer Needs**
- > **Access**
- > **Supporting Local Business**
- > **Helping Customers with Financial Challenges**
- > **Service Environment**
- > **Managing Our Suppliers**

Serving Our Customers

Our customers provide both inspiration and incentive for everything we do. As an award-winning financial institution in Greater China, establishing long-term partnerships by providing premium service is one of our key competitive strengths and central to our business success.

Understanding Customer Needs

The best way to serve customers is to learn more about their needs. We provide a variety of channels – including phone hotlines, customer suggestion forms and our website – through which customers can voice their opinions or offer suggestions.

We use a number of proactive methods to gather information on customer satisfaction, including focus groups and surveys. We monitor service performance of critical processes and customer interactions, and analyse relevant data to identify any positive or negative trends in customer opinion, compliments or complaints. Regular benchmarking exercises help ensure that service standards continue to meet customer needs and expectations.

Service Pledge

Our internal procedure manual contains clearly established service pledges and procedures to ensure that all customer comments are handled in a timely and fair manner.

Handling Customer Feedback

Business units, frontline staff and our quality assurance (QA) department all take responsibility for receiving customer feedback.

Our QA department, which is an independent unit, handles customer comments and assists business units in resolving complaints.

All customer complaints are handled according to the guidelines and service pledge contained in our internal procedure manual, helping to ensure that any customer dissatisfaction is dealt with efficiently and effectively. For example, upon receiving a complaint, the QA department will respond before the close of business on the following working day. Should the matter require further investigation, we endeavour to provide a full reply to the customer within 30 days. Our complaint handling policy complies with guidelines issued by relevant regulatory bodies.

All complaints are logged and investigated. Trend analysis is used to identify any systemic issues that may require remedial action. Line management and QA staff will take all necessary steps to address all issues raised.

Senior management regularly review reports on customer suggestions, compliments and complaints. Lessons learnt from customer feedback are communicated to all staff with a view to improving customer service and encouraging best practice.

Access

Technology plays an important role in our efforts to offer customers a fast, safe and convenient service. We continue to develop phone and online banking channels that offer customers greater flexibility over how and when they manage their wealth.

In December 2008, online and automated machine channels accounted for 76.7 per cent of all customer transactions, up 1.5 percentage points compared with a year earlier.



At the end of 2008, we had over 870,000 Personal e-Banking customers, an increase of 14 per cent. Business e-Banking customers were up 26.5 per cent at nearly 65,000.

We improved the efficiency of our Personal e-Banking online securities trading service and streamlined processing for online securities and unit trust subscriptions under monthly investment plans. With increased interest in foreign exchange and gold markets, we expanded related trading services to our mobile phone platform.

We continued to extend our network of automated channels, implementing offsite deployment of more cash and cheque deposit machines at MTR stations and prime commercial locations.

Specifically designed for tertiary students, our Green Banking account offers convenient and secure online banking and electronic payment services.

As part of our commitment to sustainability, we extended our e-InvestAdvice service – under which customers can save paper resources by opting to receive electronic versions of certain bank documents – to cover foreign exchange and gold margin trading advice.

Technological enhancements helped us better support business customers through improved customer relationship management and shorter processing times for remittances and applications. We offered advice to prospective owners of small and medium-sized enterprises (SMEs) under a new 'Business Start-up Corner' section on our website.

In August 2008, we strengthened our corporate wealth management proposition with the introduction of online securities trading services. Year on year, the number of business banking transactions completed via the internet increased by 27.8 per cent.

Banking for Everyone

We believe that age and/or income should not be a barrier to enjoying quality banking services. We offer various reduced or no fee banking services to young people under 18, students, persons aged over 65 and recipients of government disability allowances.

We are working to improve special-needs access to banking services. Our website is designed with readability and ease of navigation as primary concerns. We have over 121 outlets with wheelchair access, including street-level branches, MTR branches and standalone automated banking centres.

Transparency and Accountability

We are committed to providing clear, transparent and balanced information to our customers. Product features, terms and conditions, and any associated risks are clearly communicated to ensure customers can make an informed decision.

Where relevant, we present several product options so that customers can select the solution that best suits their requirements. It is our policy to sell products and services based on customers' specific needs.

Supporting Local Business

Building strong partnerships with SMEs is one of our key areas of focus. By working with these businesses, we support the local economy and can help create new employment opportunities and wealth.

We offer a wide range of products tailored specifically for SME customers and continue to enhance service delivery through better use of technology and improved relationship management.

We are part of the SME Loan Guarantee Scheme and the Special Loan Guarantee Scheme sponsored by the Hong Kong government, which help SMEs acquire machinery and equipment as well as meet their working capital needs.

We regularly run seminars for SME customers in collaboration with external parties or associations on topics related to financial management and taxation, to help improve financial literacy and increase awareness of relevant financial management tools.

Our commitment to supporting SME business earned us our third consecutive win at the 2008 'SME's Best Partner Awards' organised by the Hong Kong Chamber of Small and Medium Business.

Helping Customers with Financial Challenges

We understand that there may be times when a business customer needs help to deal with a difficult financial situation. We work closely with customers in difficulties focusing on assessment and advisory services that aim to help them get back on track.

We help business customers to make a realistic assessment of their current position, from which we will determine the best course of action. This may involve rescheduling a debt based on new cash flow projections, the continuation of revolving facilities to keep businesses afloat during a tough period or providing a grace period to give the customer time to work out and execute a longer term recovery strategy.



Similarly, our primary objective when working with personal customers in financial distress is to find a win-win solution. Our internal guidelines are based on the 'Hong Kong Approach to Consumer Debt Difficulties' issued by the Hong Kong Monetary Authority. We have a dedicated unit for handling debt relief plans which will review the circumstances surrounding each case with the individual(s) involved. Where a genuine difficulty exists, we aim to find possible solutions that may range from extending a repayment schedule to offering partial relief.

Service Environment

We strive to ensure that all our customers and staff enjoy a safe and healthy environment at our outlets and offices. A major component of this, particularly in Hong Kong's humid climate, is managing indoor air quality (IAQ) and ventilation systems.

To ensure that the IAQ at our branches and offices meets the 'Excellent/Good Level' established in the 'Guidance Notes on the Management of IAQ for Offices and Public Place' issued by the Environmental Protection Department, we regularly conduct IAQ measurements and, if necessary, take steps to adjust the indoor environment.

Operation and maintenance of our mechanical ventilation and air-conditioning systems are carried out by trained personnel to ensure that they are operating efficiently and safely.

Our standard temperature set point in our offices and outlets is 24.5 °C, striking a good balance between our desire to reduce our consumption of energy and provide a pleasant environment for customers and staff.

Our focus on providing a healthy banking environment also includes branch construction and renovation projects. Our selection of building and furnishing materials is not just driven by cost and aesthetics but also by ergonomics and composition and durability.

We provide safety training and conduct periodic emergency evacuation drills to ensure that our staff can efficiently and effectively identify, eliminate and/or mitigate any potential risk to customers and staff posed fire or similar emergency situations. We have appointed Fire Marshalls in all our premises and also arranged for certain staff to acquire Qualified First Aider status for the benefit of their colleagues and customers in the event of a medical emergency or accident.

Managing Our Suppliers

All our procurement is done on a competitive basis and we deal with suppliers in a transparent and fair way. We have strict procedures governing staff conduct when handling procurement matters.

Our procurement policy governs internal control of operating and capital expenditures, covering all purchases and expenditure by the Bank. The policy aims to support operational efficiency, segregation of duties and the requirement to make the 'best buy' as well as ensure transparency throughout the entire procurement process.

We make use of e-auction and e-procurement systems to reduce paper consumption and lead times as well as enhance supplier control and information management.

We have clear policies and guidelines for selecting contractors to ensure they can provide services in full compliance with our requirements. Our tender and agreement documents ask suppliers to complete a questionnaire covering environmental issues such as whether they have an established environmental management system and/or ISO accreditation, which is assessed as part of the tender process.

All potential new suppliers must undergo an evaluation which includes consideration of environmental performance, health and safety, and equal opportunities. If necessary, we will arrange a site visit.

We encourage our suppliers and contractors to use or offer environmentally friendlier or recycled products whenever possible.



Developing Our People

- **Staff Development and Training**
- **Pay and Compensation**
- **Employee Engagement and Communication**
- **Diversity**
- **Code Of Conduct**
- **Work-Life Balance**

Business success relies on the teamwork and talents of our staff. We therefore strive to offer a working environment that attracts people of the highest calibre by providing compensation, training and career development opportunities that motivate staff to aim for greater heights of service excellence.

As at 31 December 2008, our number of full-time equivalent staff was 9,764, a year-on-year increase of 6.2 per cent.

Staff Development and Training

Staff reviews are conducted annually and include collaborative development of individualised development plans by members of staff and their managers. These plans provide the framework for giving staff opportunities to enhance their knowledge and skills through in-house training and other methods of learning as well as practical on-the-job exposure.

We keep staff well informed of the learning and development solutions available to them via our intranet. We provide instructor-led programmes at our training centres and desktop-based instruction through our e-learning platform. We offer a wide range of courses, ranging from financial and product knowledge training to leadership and management skills and language and professional development programmes. To support our rapid business development on the Mainland, we have developed a number of programmes that focus specifically on the development of key skills and knowledge for the Mainland market.

Staff are also encouraged to pursue professional or academic qualifications through the Bank's Education and Professional Qualification Award Scheme.

Our average number of training days per member of staff in 2008 was six. About 56,000 trainees received in-house training in 2008 through instructor-led courses and e-learning programmes.

Career Advancement

We have developed a Staff Development and Career Planning Model to support our strategy of nurturing and retaining talent. Ongoing job rotation, secondment and cross-posting programmes offer good opportunities for learning and growth that can help build and consolidate the skills and experience required for career advancement. We support internal recruitment where suitable candidates are available.

Talent Development

Comprised of senior Bank executives, our Talent Management Committee identifies strong performers who are invited to participate in our Talent Development Programme, under which they will enjoy enhanced career development opportunities and mentoring by senior management.

For long-term succession planning, we have created a succession framework to enable a pipeline of future leaders for key post succession across major businesses and functions.

Management Trainee Scheme

Our Management Trainee Scheme gives graduates both in Hong Kong and on the Mainland intensive training and exposure to different business segments with the objective of grooming individuals with good potential to take up management roles in the future.

Pay and Compensation

Offering fair and competitive pay and benefits packages helps us attract and retain talented employees. We use a performance-based remuneration system to motivate staff and reward them in line with their contributions to growing our business. Outstanding staff are further incentivised through the use of a variable pay scheme that is based on the performance of the Bank.

As part of our staff retention programme, we also regularly review packages and career advancement opportunities – particularly for key positions – to ensure continuing market competitiveness.



These initiatives helped us record a 2008 turnover rate of 8.7 per cent in Hong Kong – 5.7 percentage points lower than the market average.

Employee Engagement and Communication

Good communication with our staff is crucial. Information relating to employment matters and the Bank's business direction, strategies and policies are communicated to staff members via the intranet, morning broadcasts and staff newsletters. Part of our intranet, our HR Net communicates the Bank's HR policies and gives timely updates on new or changing information as well as providing other relevant information and forms.

Equally important, we recognise the invaluable role that our staff play in helping to form and enhance our direction and policies. We encourage an open dialogue across all levels through our 'listening and speaking up' culture.

Beginning in 2007, we now conduct an annual Staff Opinion Survey to help us understand the concerns and attitudes of our employees. Staff can also engage in two-way communication with senior management through such initiatives as Chief Executive's Mailbox, Meet The Staff Scheme, Management Effectiveness Questionnaires and Staff Hotline.

The 2008 Survey revealed a very positive result with 78% of staff expressing engagement towards the Bank, ahead of both the Hong Kong and Best in Class norm comparisons.

Employees are also encouraged to contribute their ideas during work improvement programmes, cross-team projects and suggestion schemes.

Diversity

We are committed to providing equal opportunities for all employees. Our employment practices do not discriminate on the grounds of sex, marital or family status, disability or pregnancy.

All employees are briefed on our anti-discrimination and anti-harassment policies. Disciplinary actions may be lodged against any employee who breaches these policies.

Job Distribution by Gender					
	Executive	Officer	Clerical	Non-clerical	Total
Male	617	1,709	1,186	406	3,918
Female	466	2,102	3,006	179	5,753
Total	1,083	3,811	4,192	585	9,671
*excludes part-time and temporary staff					
Average Age					
	Executive	Officer	Clerical	Non-clerical	Overall
Average Age	42	35	34	46	36
Average Years of Service					
	Executive	Officer	Clerical	Non-clerical	Overall
Average Years of Service	11	10	10	12	10

Code Of Conduct

All staff are required to strictly adhere to the Code of Conduct contained in our Staff Handbook. Following regulatory guidelines and industry best practice, the Code sets out the ethical standards and values that our staff must adopt. Topics include the prevention of bribery, dealing in securities, personal benefits, outside employment and anti-discrimination policies. The Bank uses various communication channels to periodically remind staff of the requirement to adhere to the rules and standards established by the Code and staff are required to sign a declaration on an annual basis to certify their strict compliance.

Work-Life Balance

Employees who enjoy a good work-life balance are better equipped to give their best performance.

Our Staff Recreation Centre is set up to enhance physical and psychological health of staff members and their families through participation in a wide range of sporting and recreational activities. We also arrange regular talks, interest classes and workshops on topics such as health, stress management and family harmony.

In 2008, over 13,600 employees and their family members participated in 470 sports and recreation events organised by the Bank, and around 30,700 people were served at the Staff Recreation Centre.





A Green Bank

- **Caring For the Environment**
- **Green Knowledge and Learning**
- **Green Community Programmes**
- **Biodiversity**

Caring For the Environment

Protection of the natural environment should be of concern to everyone. We are working to reduce the negative environmental impacts of our business, increase our participation in activities that have beneficial effects, and be a positive influence on the environmental practices of our stakeholders. We also contribute to broader initiatives by supporting green groups such as The Conservancy Association, Friends of the Earth (HK) and WWF Hong Kong.



Established in 2003, our Environmental Management Committee implements and monitors our environmental management system, particularly compliance with ISO 14001 requirements. In 2005, we became the first local financial institution in Hong Kong to attain ISO 14001 accreditation, which now covers 90 per cent of our office premises.

Our 'Go Green' environmental programme received a Silver Award at the 2008 China Golden Awards for Excellence in Public Relations. We have been

carbon neutral since 2007.

We continue with efforts to reduce the consumption of resources by raising awareness, replacing less efficient systems with more efficient ones, reusing items whenever it is possible and making efforts to recycle when it is not.

In 2008, we replaced the air-cooled chillers in our headquarters building's air-conditioning system with water-cooled ones. This will cut our electricity consumption by about 1.9 million kWh per year, resulting in an annual saving of HK\$2.4 million in energy costs and reducing carbon dioxide emissions by more than 1,700 tons.

We have achieved recycling rates of 90 per cent for toner and printer ink cartridges and 98 per cent for obsolete computer equipment.

Over 216,000 e-Banking customers have chosen to receive electronic rather than paper statements under our e-Statement service, and more than 43,000 have opted to receive electronic investment advice under e-InvestAdvice. These electronic document initiatives are saving over 10 million sheets of paper a year.

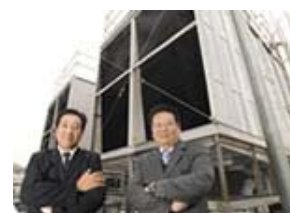
Green Knowledge and Learning

We promote green messages through internal communication channels and conservation-focused activities for staff and their families.

In 2008, we organised two seminars for staff and contractors on climate change and low-carbon living, arranged a two-day green camp for employees and their families, and supported WWF Hong Kong's 'Walk for Nature @ Mai Po'.

The Bank is also a member of the Carbon Disclosure Project, which provides a forum for the world's largest institutional investors to collectively consider the business implications of climate change. We signed the Carbon Reduction Charter initiated by the Environmental Protection Department to become the Green Partner of their Carbon Audit campaign.

We are a gold member of the Climate Change Business Forum, established by the Business Environment Council, and have signed the Clean Air Charter initiated by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment.



Green Community Programmes



For the second consecutive year, we helped protect the environment while improving lives on the Mainland by sponsoring The Conservancy Association's biogas energy project. In December, Bank volunteers travelled to a village in Yunnan province to help build 300 biogas toilets that will provide about 1,200 villagers with renewable energy. In addition to reducing annual firewood needs and carbon dioxide emissions by 750 tons and 3,750 tons respectively, the project will also help slow the pace of soil erosion resulting from deforestation and produce a residue that can be used as a natural fertiliser. Our involvement

in this project has been recognised as a Clinton Global Initiative (CGI) corporate citizenship commitment at the 2008 CGI Asia meeting held in Hong Kong.

We also partnered with The Conservancy Association to hold a 'Tree Lovers Day' at Kowloon Park in November. Attended by over 2,000 people, the event was designed to explain the importance of tree conservation to the public.

Organised with the Federation of Hong Kong Industries, the Hang Seng Pearl River Delta Environmental Awards recognise manufacturing companies in southern China that are taking steps to enhance their environmental performance. Last year, the Awards attracted 113 entries covering 339 projects. The implementation of energy conservation projects by various companies has helped reduce carbon dioxide emissions by over 25,000 tons, while the execution of water management projects has helped save over 1.5 million cubic metres of water - enough to fill 617 standard 50m swimming pools.

We supported the Eco-Explorer programme, organised by Friends of the Earth (HK), which offers school-age children the opportunity to investigate the environment through on-site observation. We are also helping raise environmental awareness through a series of initiatives at nine Hong Kong tertiary education institutions under our HK\$14 million 'Hang Seng – Green Bank' programme. Activities under the programme include eco-leaders training, environmental conservation workshops and the introduction of recycling bins at various on-campus locations.

We also supported Friends of the Earth's 'Lights Out' Campaign in June.

Biodiversity

We engage with environmental organisations and our suppliers to help conserve biodiversity through sustainable sourcing. We stopped serving shark's fin at Hang Seng functions in 2003 and have since extended this ban to include endangered reef species and black moss. We comply with the guidelines set out in WWF Hong Kong's Seafood Guide



Environmental Performance	2008	2007	2006	2005	2004	2008 vs 2007	2008 vs 2006
Greenhouse gas emissions per person (tons CO ₂ /FTE)	3.28	3.30	3.30	3.61	3.62	-0.6%	-0.6%
Greenhouse gas emissions per m ² (tons CO ₂ /m ²)	0.20	0.20	0.20	0.21	0.21	0%	0%
Greenhouse gas emissions (kilotons CO ₂)	27.4	26.7	25.3	26.4	26.2	2.6%	8.3%
Electricity consumption (GWh)	38.1	35.9	34.1	33.3	32.9	6.1%	11.7%
Gas consumption (GWh)	0.42	0.70	0.82	0.86	0.86	-40%	-48.8%
Water consumption (000 m ³)	50.8	54.1	70.4	91.1	100.6	-6.1%	-27.8%
IT/electrical waste recycled (tons)	64.9	59.0	41.7	38.8	37.0	10.1%	55.6%

Data coverage: Hang Seng Bank's Hong Kong operations

Key:	FTE : full-time equivalent	m ² : square metres
	CO ₂ : carbon dioxide	GWh: giga-watt hours
	m ³ : cubic metres	



Building a Better Tomorrow

- Investing In Future Leaders
- Playing To Win
- Arts For All
- Community Service

Investing In Future Leaders

Our strategy for long-term development includes investing in tomorrow's decision-makers and helping them build sound values for the future. Since 1995, we have allocated about HK\$54 million to various scholarship schemes, benefitting over 1,400 students from Hong Kong and the Mainland.

To encourage good citizenship among young people, we launched the Community Service Scholarship Scheme in 2008, under which a total of HK\$400,000 will be awarded to 20 outstanding undergraduate students who each contributed a minimum of 100 hours of recognised voluntary service in the previous 12 months.



In partnership with the Independent Commission Against Corruption, we enabled over 500 youngsters to explore the importance of positive values such as integrity and fairness as part of the 'Wealth and Life' Video Competition.

A record 130,000 individuals took part in the 'Hang Seng Bank – Help the Police Fight Youth Crime Competition', which we sponsored for the eighth consecutive time.



Our sponsorship of the Ming Pao Student Reporter Programme helps students improve their critical and analytical thinking through a series of media training activities, including seminars and news reporting. Over 500 students from 200 schools participated in the programme in 2008. Since 1985, we have supported the Inter Post-Secondary College Debate Competition, which increases students' interest in current affairs and enables them to learn about the power of strong communication skills in facilitating the exchange of ideas.

To celebrate the diversity of talent that creates a strong society, in September we gave children with specific learning disabilities or attention deficit disorder the chance to showcase their creative and artistic skills at the second annual 'Inspiration Day' organised with The Pathways Foundation. We also sponsored the Pathways After-School Support Programme to assist families of those in need.

Playing To Win

Participation in sports provides valuable lessons in setting personal goals, working to exceed expectations, and the benefits of teamwork, perseverance and determination.

Since 1991, we have provided over HK\$25 million to support the development of table tennis in Hong Kong. The Hang Seng Table Tennis Academy we established in 2001 has nurtured a large pool of young talent and provided more than 130,000 people with the chance to improve their sporting skills through around 2,650 courses, workshops and events.

We held two Table Tennis Fun Days in 2008, inviting about 300 children from low-income families to participate in a range of table tennis-related activities and games at the Bank's Penthouse.

In 2008, we shared in the pride of China's achievement in hosting a spectacular Olympic Games. Through the Hang Seng Athlete Incentive Awards Scheme, organised by the Hong Kong Sports Institute, we awarded over HK\$1.4 million to Hong Kong Olympic and Paralympic athletes who displayed courage and commitment to attain sporting excellence. To express our appreciation for the efforts of Hong Kong athletes at these special Games, we extended our allocation of awards to include all athletes who placed in the top 16 or broke Hong Kong records at the Olympic Games, and all athletes who placed in the top eight or broke Hong Kong records at the Paralympic Games.

In the past eight years, the Scheme has given about HK\$8.6 million to more than 111 local sports heroes who set positive examples and inspire young people with outstanding performances at major national and international games.



Arts For All

We maintain a long-standing association with the Hong Kong Arts Festival. In 2008, we donated HK\$100,000 to support the Festival's Student Ticket Scheme, which enabled about 7,000 full-time students to attend Festival performances at half price.

Community Service

In 2008, our Staff Volunteer Team spent over 11,000 hours participating in social welfare and environmental activities – including hosting Christmas parties and table tennis fun days for underprivileged children; arranging home visits, outing activities, and a festive dinner for the elderly; and working with local green groups to promote nature conservation. The team also contributed over 380 man-hours to paint a mural at Queen Mary Hospital under the Mural Painting Programme organised by Art in Hospital.

To recognise staff's contribution of social service to the community, the Bank has introduced Volunteer Leave which allows qualified employees to enjoy one day-off each year.

Our e-Donations service helped customers give over HK\$6 million to charitable causes in 2008.

We continued our long-standing support of The Community Chest of Hong Kong, donating HK\$3.3 million to aid its 144 beneficiary organisations. This included HK\$1 million raised as part of our 75th Anniversary celebrations in which we asked attendees to a celebratory cocktail reception to make a donation to the Chest in lieu of sending flowers, and record-breaking staff donations of nearly HK\$474,000 for Dress Special Day. The Bank matched staff contributions and topped up the amount to HK\$948,000. We continued our support of the Corporate & Employee Contribution Programme, contributing a lump-sum of HK\$828,000 to become a Platinum Award donor. Over the past 20 years, we have given more than HK\$43 million to the Chest. We also provide expertise, with several members of senior management serving on Chest committees.

The global response to the snowstorms that hit mainland China's central and southern regions and the earthquake that devastated parts of Sichuan province highlights what can be achieved with a can-do spirit and a common goal. We donated a total of HK\$3 million to the relief and rehabilitation efforts through our support of the Hong Kong Red Cross and our sponsorship of the Catastrophe Management Initiative, initiated by The University of Hong Kong and Beijing Normal University, which provided a forum for national and international experts to discuss solutions to post-quake challenges.

