

# Moving Ahead

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2009 Corporate Responsibility Report





## Chief Executive's Message

Hang Seng Bank has a strong tradition of contributing to the development of society. Our fifth annual online report is designed to provide interested parties with a better understanding of our corporate responsibility principles and performance.

As the largest Hong Kong-incorporated bank in terms of market capitalisation (HK\$198.4 billion as at 31 May 2010), our top priorities are to provide excellent financial services for customers, career advancement for staff and value for shareholders. We also aim to positively influence and assist other sectors of our local communities through our economic, environmental and social actions.

We have built a strong brand that is backed by solid financial fundamentals, professionalism and a proactive approach to providing wealth management solutions. With 2009 characterised by economic uncertainty, we focused on our long-term business objectives and worked professionally to assist personal and commercial customers to meet their financial needs. We are proud to have had our financial and non-financial performances recognised by a number of awards.

Our key corporate responsibility achievements for 2009 include:

- Winning the Gold Award of the Hong Kong Awards for Environmental Excellence
- Reducing our greenhouse gas emissions per full-time equivalent employee by 4.6 per cent compared with 2008
- Cutting our annual electricity expenses by nearly HK\$6 million compared with 2008
- Giving over HK\$29 million in donations and community sponsorships
- Contributing over 17,000 volunteer hours - over 50 per cent compared with 2008
- Being recognised as a "leader" in Oxfam Hong Kong's 'Corporate Social Responsibility Survey of Hang Seng Index Constituent Companies 2009'
- Being named joint first for corporate citizenship among banks in Hong Kong by Oracle Added-Value

The global financial crisis created challenges for everyone in 2009, but we remain committed to our long-term goals. We are looking ahead - to identify new opportunities and increase our positive impact on society. We will continue to place emphasis on both economic growth and sustainable development to the benefit of our business and its stakeholders.

### Margaret Leung

Vice-Chairman and Chief Executive



## Our Business



- **Who We Are**
- **What We Do**
- **Business Milestones in 2009**

## Who We Are

Established in 1933 and headquartered in Hong Kong, Hang Seng Bank is a world-class financial institution and the largest locally incorporated listed bank in Hong Kong in terms of market capitalisation (HK\$198.4 billion as at 31 May 2010).

In Hong Kong, we serve over one-third of the population through about 220 service outlets, of which 104 are branches offering services for 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 38 outlets in Beijing, Shanghai, Guangzhou, Dongguan, Shenzhen, Fuzhou, Nanjing, Hangzhou, Ningbo, Tianjin, Kunming, Foshan and Zhongshan.

We hold a 12.78 per cent stake in Industrial Bank, a Mainland national bank, 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

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\$7,258 million, or 46.9 per cent, to our profit before tax in 2009.

#### 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\$2,637 million, or 17 per cent, to our profit before tax in 2009.

#### Corporate Banking

Handles relationships with large corporate and institutional customers.

Corporate Banking contributed HK\$915 million, or 5.9 per cent, to our profit before tax in 2009.

#### 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\$3,393 million, or 21.9 per cent, to our profit before tax in 2009.

#### Other

Manages of shareholders' funds and investments in premises, investment properties and equity shares.

Other contributed HK\$1,274 million, or 8.3 per cent, to our profit before tax in 2009.

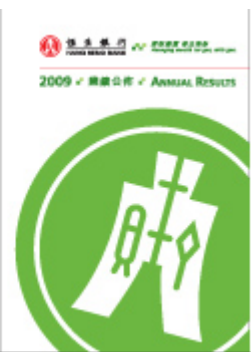


# Business Milestones in 2009

January - March	<ul style="list-style-type: none"><li>• Hang Seng China launches renminbi debit cards</li><li>• Gongti North Road sub-branch in Beijing opens</li></ul>
April - June	<ul style="list-style-type: none"><li>• Hang Seng opens Securities Select Customer Trading Centre</li><li>• Hang Seng holds Board of Directors meeting in Yantai</li></ul>
July - September	<ul style="list-style-type: none"><li>• Two Hang Seng exchange-traded funds (ETFs) become first Hong Kong ETFs to be dual listed in Taiwan</li><li>• Hang Seng launches cross-border renminbi trade settlement and clearing services</li><li>• Nanshan Overseas Chinese Town sub-branch in Shenzhen opens</li><li>• Hang Seng China enters into export credit insurance agreements with China Export and Credit Insurance Corporation</li></ul>
October - December	<ul style="list-style-type: none"><li>• Zhong Shan San Road sub-branch in Guangzhou opens</li><li>• Hang Seng China receives permission to open its first cross-city sub-branch in Foshan under CEPA VI</li></ul>







## Our Performance

- Our Performance at A Glance
- Recognition

### Our Performance at A Glance

FINANCIAL	2009	2008	2009 vs 2008
Profit attributable to shareholders (HK\$ million)	13,221	14,099	-6.2%
Earnings per share (HK\$)	6.92	7.37	-6.1%
Dividends per share (HK\$)	5.20	6.30	-17.5%
Retained profits (HK\$ million)	41,352	38,254	+8.1%
Operating expenses (HK\$ million)	6,676	6,795	-1.8%
Return on average shareholders' funds (%)	24.6	26.0	-1.4 p.p.
Return on average total assets (%)	1.7	1.9	-0.2 p.p.
Cost efficiency ratio (%)	32.1	29.2	+2.9 p.p.
Average liquidity ratio (%)	48.1	46.4	+1.7 p.p.
Capital adequacy ratio - as at 31 Dec (%)	15.8	12.5	Note A
Core capital ratio - as at 31 Dec (%)	12.8	9.5	Note A
ECONOMIC			
Tax expenses (HK\$ million)	2,256	1,779	+26.8%
Employee compensation and benefits (HK\$ million)	3,378	3,452	-2.1%
SOCIAL			
Number of outlets (31 Dec - Hong Kong & mainland China)	257	243	+5.8
Number of employees (31 Dec - full-time equivalent)	9,342	9,764	-4.3%
Training per staff member (average number of days)	6	6	0%
Charitable donations and community sponsorships (HK\$ million) <sup>#</sup>	29	23.5	+23.4%
Number of volunteer hours contributed <sup>#</sup>	17,000	11,000	+54.5%
ENVIRONMENTAL <sup>#</sup>			
Greenhouse gas emissions per person (tons CO <sub>2</sub> /FTE) <sup>Note B</sup>	3.13	3.28	-4.57%
Greenhouse gas emissions per m <sup>2</sup> (tons CO <sub>2</sub> /m <sup>2</sup> ) <sup>Note B</sup>	0.17	0.20	-15.00%
Greenhouse gas emissions (kilotons CO <sub>2</sub> ) <sup>Note B</sup>	24.52	27.40	-10.51%
Electricity consumption (GWh)	36.50	38.10	-4.20%
Gas consumption (GWh)	0.40	0.42	-4.76%
Water consumption ('000 m <sup>3</sup> )	55.85	50.80	+9.94%

<sup>#</sup> Data coverage: Hang Seng Bank's Hong Kong operations

**Note A:** Capital adequacy and core capital ratios as at 31 December 2008 and as at 31 December 2009 are not directly comparable. The 2008 ratios were calculated in accordance with the foundation internal ratings-based approach under Basel II, while the 2009 ratios were calculated in accordance with the advanced internal ratings-based approach under Basel II.

**Note B:** Hang Seng's Hong Kong operations have been carbon neutral since 2007.

FTE: full-time equivalent employee      m<sup>2</sup>: square metres  
CO<sub>2</sub>: carbon dioxide      GWh: giga-watt hours  
m<sup>3</sup>: cubic metres



# Recognition

Recognition
Asia's Best Personal Financial Services Bank Award, 21st Century Business Herald (2009)
Best Domestic Bank - Hong Kong, Asiamoney (2009)
Best Domestic Bank in Hong Kong, The Asset (2009)
Best Retail Bank in Hong Kong and Excellence in Wealth Management Awards, The Asian Banker (2009)
No. 1 for Financial Reputation and for Corporate Reputation (Hong Kong Category), Asia's 200 Most-Admired Companies, Wall Street Journal Asia (2009)
SME's Best Partner Awards, Hong Kong Chamber of Small and Medium Business (2009)
Best Local Provider of Indexes in Asia (Hang Seng Indexes Company Limited), AsianInvestor (2009)
Most Popular Foreign Bank and Best Wealth Management Awards (Hang Seng China), 5th Beijing International Finance Expo (2009)
Excellence in Customer Experience Initiative in China Award (Hang Seng China), The Asian Banker (2009)
Most Reliable Brand for Wealth Management (Hang Seng China), sohu.com (2009)
Gold Award, Hong Kong Awards for Environmental Excellence, Environmental Campaign Committee (2009)
Corporate Social Responsibility Leader, Oxfam Hong Kong (2009)
Silver Brand Conscience Award (Environmental Care and Sustainable Development Category), Hong Kong Institute of Marketing (2009)
U Green Awards, U Magazine (2009)
Joint No.1 for Corporate Citizenship (Hong Kong Banks), Oracle Added-Value (2009)
Constituent of the FTSE4Good Global Index (since 2001)
Caring Company, Hong Kong Council of Social Service (since 2003)



## Responsible Business



- **Corporate Governance**
- **Risk Management**
- **Compliance**
- **Responsible Banking Services**

### 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 and The Stock Exchange of Hong Kong Limited. More details can be found in the 'Corporate Governance and Other Information' section of our 2009 Annual Report.



#### Board of Directors

As at 1 March 2010, our Board had 13 Directors: two Executive Directors and 11 Non-executive Directors. Of the 11 Non-executive Directors, six are Independent Non-executive Directors. The Board held seven meetings in 2009.

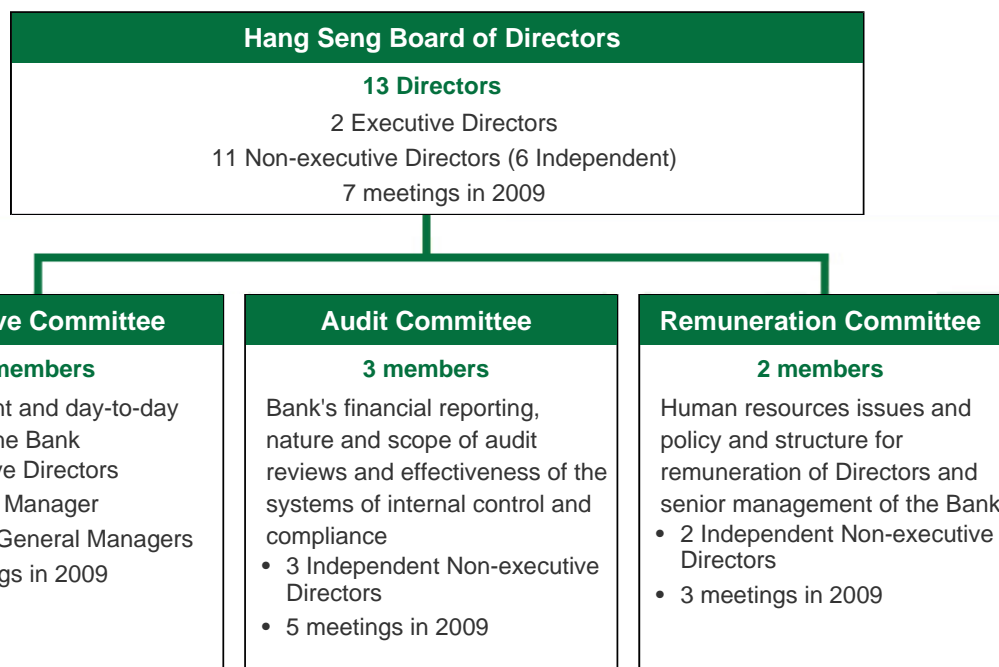
The roles of Chairman of the Board and Chief Executive of the Bank are segregated, with a clear division of responsibilities. The Chairman is an Independent Non-executive Director who is responsible for the leadership and effective running of the Board. The Chief Executive is an Executive Director who exercises all the powers, authorities and discretions of the Executive Committee as may be delegated to her in respect of Hang Seng and its subsidiaries.

There is a strong independent element to the Board to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of Hang Seng's management.

All Directors have full and timely access to all relevant information about our operations, and each Director also has separate and independent access to our senior management. There are established procedures for Directors to seek independent professional advice on matters relating to Hang Seng, with all costs borne by the Bank.

#### Board Committees

The Board has established three committees: the Executive Committee, the Audit Committee and the Remuneration Committee, each of which has specific terms of reference that clearly set out their authorities 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 review, analyse, evaluate, recognise 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 (as at 1 March 2010)**

- One Executive Director, who is also Chief Executive and Deputy Chairman of Hang Seng China
- Four Independent Non-executive Directors (two Independent Non-executive Directors joined the Board on 21 January 2010)
- Three Non-executive Directors, of whom one is Chairman of the Board

**Board Meetings**

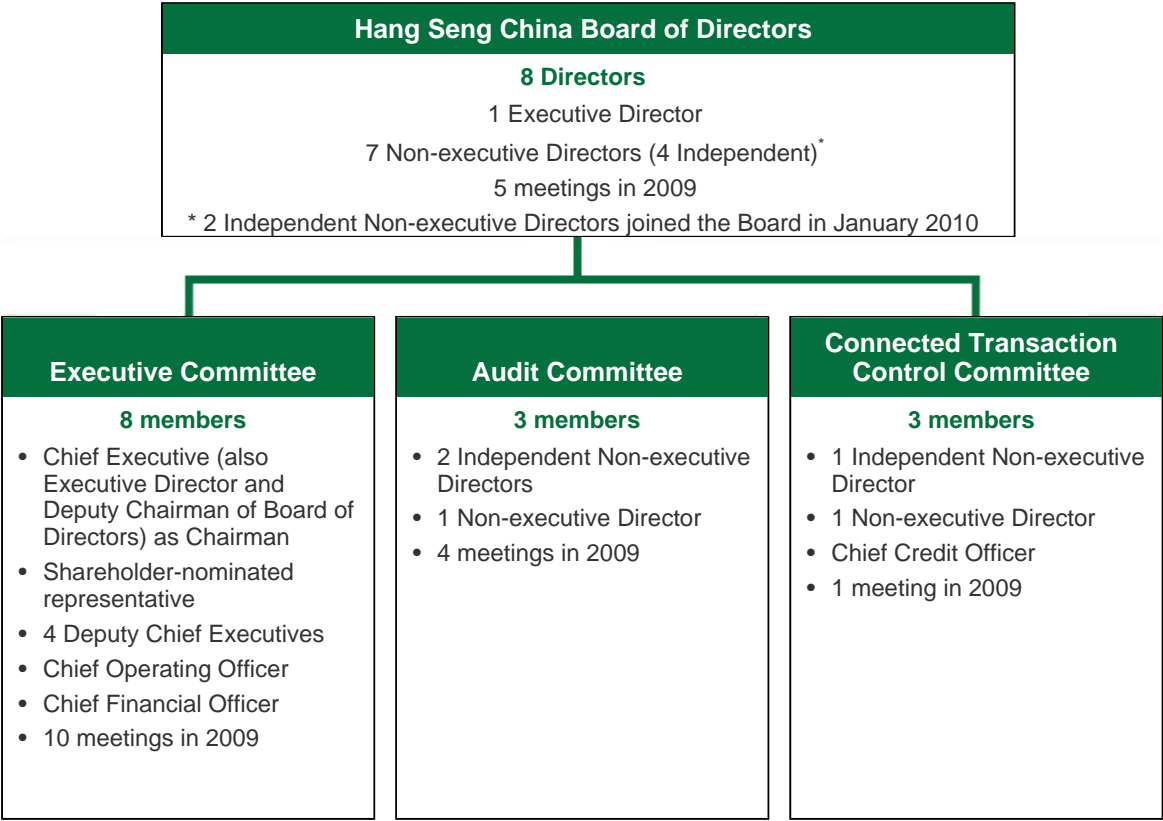
The Board held five meetings in 2009

**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 Transaction 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 and reports to the shareholder
- Should attend all Board meetings (attended all Board meetings in 2009)

**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 risks.

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 this broad spectrum of 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 '2009 Financial Statements' sections of our 2009 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 investment-related potential 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 - of 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. In any jurisdiction where local requirements are set at a lower standard than those established by our Group, our higher standards will apply where these do not contravene or conflict with local law.

### 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.

### 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 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 and enable suspicious transactions to be recognised and reported.

## Responsible Banking Services

### 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 Customers and Suppliers



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

### Serving Our Customers

Our customers provide both inspiration and incentive for everything we do. As a leading 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 also employ a number of proactive methods to gather information on customer satisfaction. We conduct customer focus groups to gather views on key product and service issues. We monitor service performance of critical processes and customer interactions. We ask customers to complete satisfaction surveys. And we analyse relevant data to identify any positive or negative trends in customer opinion, compliments or complaints.



#### **Service Pledge**

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

#### **Handling Customer Feedback**

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

Our quality assurance (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. Trends are used to identify any systemic issues that may require remedial action. Line management and quality assurance staff will identify and 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 staff with a view to improving customer service and encouraging best practice.

#### **Monitoring Customer Satisfaction**

We also take proactive steps to track customer perceptions of our performance. Customer satisfaction surveys help us identify critical points of customer interaction and issues affecting customer loyalty. Regular benchmarking exercises help ensure that service standards continue to meet customer needs and expectations.

## Access

We are working to improve access to banking services.

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

In 2009, we moved forward with plans for expanding our network of self-service banking facilities in high-traffic locations. New touch-screen technology and streamlined transaction processes on our ATM terminals helped shorten waiting times for customers. With increasing emphasis on timely access to financial information and services, we added to our range of Internet and mobile-phone based services. We rolled out an improved version of our website designed specifically for the mobile phone platform and launched Mobile Travelsure - a new mobile phone-based travel insurance application service.

In December 2009, self-service and automated machine channels accounted for 79.9 per cent of all customer transactions, up 3.2 percentage points compared with a year earlier.

We continue to take a lead in leveraging the Internet to provide convenient and environmentally friendly services - including e-Priority booking for Bank-sponsored concerts and a secure e-Token top-up service under our Green Banking account for young people.

We also continued to encourage customers to support our efforts to reduce the consumption of natural resources through our paperless e-Statement and e-InvestAdvice services, achieving a 54.5 per cent increase in the number of accounts enrolled in the e-Statement service by the end of 2009 to reach over 334,000.

At the end of 2009, we had more than 980,000 Personal e-Banking customers, an increase of 12.8 per cent. Business e-Banking customers were up 19 per cent at over 77,000.

We further enhanced our Business e-Banking proposition, including the launch of online investment fund trading services towards the end of 2009. The total number of online transactions completed via Business e-Banking during 2009 increased by 13.3 per cent compared with the previous year.

### Banking for Everyone

We believe that people of all ages and income should be able to enjoy 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 a government disability allowance.

We are working to improve special-needs access to banking services. Our website is designed with readability and ease of navigation as priorities. We have 115 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 lasting partnerships with small and medium-sized enterprises (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 helps 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 fourth consecutive win at the 2009 '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 Hong Kong's Environmental Protection Department, we regularly conduct IAQ measurements and, if necessary, take improvement measures.

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 arrange 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.

## Our Relationships with 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.





## Our Staff



- **Developing Our People**
- **Staff Development and Training**
- **Pay and Compensation**
- **Employee Engagement and Communication**
- **Staff Health and Safety**
- **Diversity**
- **Code Of Conduct**
- **Work-Life Balance**

### Developing Our People

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 2009, our number of full-time equivalent staff was 9,342, a year-on-year decrease of 4.3 per cent.

### Staff Development and Training

Staff reviews are conducted semi-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 web-based training 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.

We revamped and enhanced our training intranet in 2009 to better deliver customised e-learning solutions that maximise training effectiveness.

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 2009 was six, the same as in 2008.

#### Career Development

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 development. We support internal recruitment where suitable candidates are available.

#### Talent Development

Comprised of senior Bank executives, our succession planning committees identify members of staff with good potential for key post succession across major business groups and functions. These individuals are offered enhanced career development opportunities and special training programmes. With respect to long-term succession planning, we have created a succession framework to ensure a steady pipeline of future leaders.

#### Leadership and Management Skills Development

We use a Leadership and Management Development model with a strategic training focus that enhances leadership qualities, people management capabilities, and business and personal effectiveness. We also customise training programmes for staff in Hong Kong and on the Mainland to promote a high performance culture throughout the Bank.



Management Trainee Programmes

Our Management Trainee programmes give 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.

Our voluntary turnover rate in Hong Kong for 2009 was 6 per cent - the second lowest among banks in Hong Kong.

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. Our HR Net works to communicate the Bank's HR policies and provide 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 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, Management Effectiveness Questionnaires and Post-results Business Briefings. Hang Seng China also operates the 'Fly High' Programme to communicate future business direction and build team spirit among its staff.

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

Staff Health and Safety

We established our official Health and Safety Policy in 2001 and continue to refine our occupational health and safety policies, procedures and training. In 2009, we set up a Safety Management Committee to lead the execution of job hazard analysis, risk assessment and safety control measures, and to oversee the production of a comprehensive set of safety management system documents that include an occupational health and safety system manual as well as health and safety instructions and procedures.

In early 2010, Hang Seng became the world's first bank to be assessed as compliant with BS OHSAS 18001:2007 - an internationally recognised best practice standard for occupational health and safety.

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	605	1,608	1,093	367	3,673
Female	501	2,064	2,843	169	5,577
Total	1,106	3,672	3,936	536	9,250
Average age*					
	Executive	Officer	Clerical	Non-clerical	Total
Average Age	42	36	35	47	37
Average years of service*					
	Executive	Officer	Clerical	Non-clerical	Total
Average Years of Service	11	11	11	13	11

\*excludes part-time and temporary staff

## 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 all 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 all 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.

To promote work-life balance, we operate a sports and recreation centre at our MegaBox premises and encourage our employees to participate in a wide range of sporting and recreational activities. Over 400 activities were organised in 2009, with more than 25,000 staff and their family members taking part. Such initiatives include outings, regular talks, interest classes and workshops on topics such as health, stress management and family harmony.





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

## Caring For the Environment

Hang Seng's operations in Hong Kong have been carbon neutral since 2007.

In 2009, we reduced our greenhouse gas emissions per full-time equivalent employee by 4.6 per cent compared with 2008.

In 2005, we became the first local financial institution in Hong Kong to achieve ISO14001 certification for its headquarters. We further extended this accreditation for Hang Seng Tower, MegaBox offices and all 25 branches on Hong Kong Island in 2006, 2008 and 2009 respectively.

By replacing the air-cooled chillers of the air-conditioning system at our headquarters building with water-cooled chillers, we cut our annual electricity consumption by about 1.9 million kWh, or 20 per cent, saving HK\$2.4 million in annual electricity expenses and reducing our carbon dioxide emissions by over 1,700 tons. Modifications to the lighting systems in our ATMs reduced their electricity consumption by around 330,000 kWh per year - an energy saving of 33 per cent.

We recycled more than 7,300 pieces of obsolete computer equipment, weighing over 85 tons, and about 14,000 toner and printer ink cartridges.

## Green Knowledge and Learning

Through our internal communications channels - including our intranet, morning broadcasts and staff newsletter - a series of green messages are communicated to staff on a regular basis. We also arrange for local environmental experts to share their expertise through specially arranged talks for staff, with recent topics including tree conservation and low-carbon living.

About 15 conservation-focused activities were organised for staff and their families in 2009. We held a Green Camp for staff and their family members with the objective of raising their environmental awareness. In partnership with The Conservancy Association, we helped maintain trees planted under the Corporate Afforestation Scheme. In support of the International Coastal Cleanup campaign, more than 200 staff members and their families helped remove 330 kg of trash from Lung Kwu Chau beach. We also organised field trip visits to Sha Lo Tung with the aim of training staff volunteers to act as tour guides to help underprivileged children learn about nature conservation.

We advocate continual learning through dialogue with stakeholders and industry peers. We exchange information and ideas on sustainability issues through participation in a variety of professional groups and meetings. We are part 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, and support the Copenhagen Communique on Climate Change. We are also 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.

We also participate in various environmental initiatives and campaigns organised by green groups including Friends of the Earth (HK), and WWF Hong Kong and Green Power.

## Green Community Programmes

We continue to encourage the business community to enhance its environmental performance through the Hang Seng Bank Pearl River Delta Environmental Awards. Run in partnership with the Federation of Hong Kong Industries, the Awards encourage and reward sound environmental practices by manufacturing companies in Hong Kong and the Pearl River Delta. More than 120 companies engaged in over 400 environmental projects took part in the 2008/09 Awards, representing significant reductions in air emissions, waste generation, water use and electricity consumption.



Working with The Conservancy Association, we facilitated the construction of another 300 biogas toilets to provide renewable energy in Yunnan province with sponsorship and the active participation of Bank volunteers who travelled to rural areas to assist with the project. We have supported the construction of 500 biogas toilets that save 1,250 tons of firewood and reduce carbon dioxide emissions by 6,250 tons per year.

We employ technology to help save resources by promoting the use of electronic transaction and communication channels. About 334,000 e-Banking account holders now use our e-Statement service under which they receive their account statements in PDF rather than paper format. Over 62,000 account holders have made a similar switch for investment advice under our e-InvestAdvice service. These electronic initiatives are saving over 18 million sheets of paper a year.

## Biodiversity

We work to help conserve biodiversity by complying with the sustainability guidelines set out in WWF Hong Kong's Seafood Guide. In 2003, we stopped serving shark's fin at Hang Seng functions and have since extended this policy to include endangered reef fish species and black moss.

## Environmental Performance

	2009	2008	2007	2006	2005	2009 vs 2008(%)	2009 vs 2007(%)
Greenhouse gas emissions per person* (tons CO <sub>2</sub> /FTE)	3.13	3.28	3.30	3.30	3.61	-4.57	-5.15
Greenhouse gas emissions per m <sup>2</sup> * (tons CO <sub>2</sub> /m <sup>2</sup> )	0.17	0.20	0.20	0.20	0.21	-15.00	-15.00
Greenhouse gas emissions* (kilotons CO <sub>2</sub> )	24.52	27.40	26.70	25.30	26.40	-10.51	-8.16
Electricity consumption (GWh)	36.50	38.10	35.90	34.10	33.30	-4.20	1.67
Gas consumption (GWh)	0.40	0.42	0.70	0.82	0.86	-4.76	-42.86
Water consumption (000 m <sup>3</sup> )	55.85	50.80	54.10	70.40	91.10	9.94	3.23
IT/electrical waste recycled (tons)	85.03	64.90	59.00	41.70	38.80	31.02	44.12

Data coverage: Hang Seng Bank's Hong Kong operations  
\*Hang Seng Bank's Hong Kong operations have been carbon neutral since 2007

Key:

FTE: Full-time equivalent    m<sup>2</sup>: Square metres    m<sup>3</sup>: Cubic metres  
CO<sub>2</sub>: Carbon dioxide    GWh: Gigawatt hours





## A Community Bank



- **Serving from the Heart**
- **Investing in Our Future**
- **Playing to Win**

### Serving from the Heart

In the past 10 years, we have provided over HK\$211 million in donations and support - including more than HK\$29 million in 2009 - for social and environmental initiatives.

This commitment to giving is reflected at all levels of our organisation. Members of our senior management donate their time to take up positions with charities and public bodies. Our Hong Kong staff and their families logged over 17,000 hours in volunteer service in 2009 - 54.5 per cent more than in 2008. On the Mainland, members of Hang Seng China staff have given more than 950 hours to volunteer on five community projects focusing on young people in Shanghai, Beijing, Guangzhou and Shenzhen.

We place emphasis on supporting events that promote social cohesion and inclusion. Our volunteers participated in home visits, day trips and special events for the elderly and underprivileged children in 2009. We worked with the Regeneration Society to celebrate the achievements of individuals who have overcome significant physical challenges to highlight the importance of positive life values. To bring cheer to chronically ill children, nearly 100 members of Bank staff and their families helped paint eight murals at the Children's Centre for Cancer and Blood Diseases at Queen Mary Hospital. We also sponsored a series of YWCA-organised seminars that offered help with handling stress.

Through staff participation in the Dress Special Day, we raised over HK\$1.2 million for The Community Chest of Hong Kong, with the Bank matching staff donations on a dollar-for-dollar basis. Since 1997, we have donated more than HK\$12 million to The Chest through this annual fundraising event. Over 100 members of staff and their families also participated in the Chest's fundraising Walk for Millions across Hong Kong's Stonecutter's Bridge.

We work to facilitate charitable giving by our customers. Since 2001, donations of more than HK\$16 million - including HK\$1.55 million in 2009 - have been made to a variety of worthy causes through our e-Donation service.

### Investing in Our Future

Today's young people are tomorrow's leaders, making youth development a crucial element of our corporate responsibility efforts. We supported 35 programmes focusing on young people in 2009, allocating about HK\$6.5 million to nurturing talent and building positive life attitudes.

Since 1995, we have provided more than HK\$54 million under various scholarship schemes, enabling over 1,500 students from Hong Kong and mainland China to pursue educational excellence at tertiary institutions, including 188 individuals in 2009, who collectively received HK\$2.5 million in financial assistance from the Bank.

Our support of initiatives such as the Ming Pao Student Reporter Programme and the 'Protect Yourself from Crime and Predators Online' video competition organised by the Hong Kong Police Force help young people develop their creative and communications skills while gaining a greater awareness of current affairs and social issues.

Run in partnership with the Hong Kong Federation of Youth Groups, the Hang Seng Bank Leaders to Leaders Lecture Series provided over 300 secondary school students with opportunities to engage in direct dialogue with prominent community leaders on topics related to China's development and position in the world under the broad theme of '60th National Anniversary'.

We worked with The Pathways Foundation to help children with specific learning disabilities and attention deficit / hyperactivity disorder to explore their potential and different ways of learning through a series of after-school programmes and workshops for parents.



Our sponsorship of student ticket schemes for the Hong Kong Arts Festival and the Hong Kong Philharmonic Orchestra - which enabled more than 20,000 students to attend performances at half price - are making arts more accessible for young people.

Education is also the keystone of our community development on the Mainland. In 2009, Hang Seng China launched a bank-wide book donation drive for a primary school in Ya'an, Sichuan province - resulting in the collection of more than 5,000 books and the establishment of the 'Hang Seng Bank Library' at the school's new permanent site.

## Playing to Win

Under the Hang Seng Athlete Incentive Awards Scheme, we were proud to recognise and reward the outstanding achievements of Hong Kong's athletes at the 11th National Games in Shandong and the 5th East Asian Games held in our home city. In partnership with the Hong Kong Sports Institute (HKSI), we awarded 203 Hong Kong medallists about HK\$7.2 million. Since 1996, Hang Seng and the HKSI have distributed over HK\$15 million in incentives to 280 exceptional Hong Kong athletes.

Our sponsorship of table tennis development in Hong Kong now totals more than HK\$25 million. The Hang Seng Table Tennis Academy organised more than 350 activities in 2009 - including training courses, assessment tests and championships - that helped over 18,000 individuals hone their table tennis skills. With support from Bank volunteers, we held two table tennis fun days for underprivileged children at the Bank's Penthouse with the aim of using sport as a way to build self-esteem. Two large-scale road shows were also organised at shopping malls with over 6,000 participants.





## About This Report

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### About This Report

**Report Objectives:** To provide information on Hang Seng Bank's principles and actions as a corporate citizen operating in the financial sector and its relationships with major stakeholder groups. To serve as a benchmark for assessing Hang Seng's social and environmental performance.

**Reporting Period:** Financial accounts data is for the financial year 1 January 2009 - 31 December 2009. Other information covers the period from 1 January 2009 - 31 December 2009 unless otherwise stated.

**Report Coverage:** Hang Seng Bank's Hong Kong and mainland China operations, unless otherwise stated.

**Reporting Guidelines:** Financial and corporate data included in this year's report are directly comparable with data from the 2008 report unless otherwise stated. This report also gives greater consideration to reportable information under the GRI G3 Guidelines as part of our efforts to work towards GRI G3 Compliance.

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